



First
Quarterly
Report
2021



CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This report for which the directors (the “Directors”) of ETS Group Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.



FINANCIAL SUMMARY

The Group's total revenue decreased from approximately HK\$30,375,000 for the three months ended 31 March 2020 to approximately HK\$25,843,000 for the three months ended 31 March 2021.

Profit attributable to owners of the Company for the three months ended 31 March 2021 was approximately HK\$582,000, representing a decrease of approximately 47.2% as compared with the profit attributable to owners of the Company of approximately HK\$1,103,000 for the corresponding period in 2020.

Earnings per share for the three months ended 31 March 2021 was approximately HK0.21 cents (three months ended 31 March 2020: approximately HK0.39 cents).

The board of Directors does not recommend an interim dividend for the three months ended 31 March 2021 (2020: nil).



UNAUDITED RESULTS

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2021 together with the comparative figures for the corresponding period ended 31 March 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the three months ended 31 March 2021

		Three months ended 31 March	
	Notes	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Revenue	3	25,843	30,375
Other income		6	41
Other gains/(losses) – net		135	(21)
Employee benefits expenses		(18,507)	(21,793)
Depreciation and amortization		(2,716)	(3,174)
Other operating expenses		(3,758)	(3,955)
Operating profit		1,003	1,473
Finance costs		(39)	(98)
Profit before tax		964	1,375
Income tax expense	4	(382)	(272)
Profit for the period		582	1,103
Total comprehensive income for the period		582	1,103
Profit attributable to owners of the Company		582	1,103
Total comprehensive income attributable to owners of the Company		582	1,103
Earnings per share attributable to owners of the Company – Basic and diluted (HK cents)	5	0.21	0.39



NOTES TO THE FINANCIAL INFORMATION

For the three months ended 31 March 2021

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 29 June 2011 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The shares of the Company have been listed on the GEM of the Stock Exchange with effect from 9 January 2012 (the "Listing Date").

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The Group's unaudited condensed consolidated first quarterly financial information of the year 2021 has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the GEM Listing Rules.

The accounting policies and basis adopted in preparing the unaudited condensed consolidated first quarterly financial information of the year 2021 were consistent with those applied for the consolidated financial statements of the Group for the year ended 31 December 2020.

The HKICPA has issued certain new and revised Hong Kong Financial Reporting Standards ("HKFRSs"). For those which are effective for accounting periods beginning on or after 1 January 2021, the adoption has no material impact on how the results and financial positions of the Group for the current and prior periods have been prepared and presented. For those which are not yet effective and have not been early adopted in prior accounting periods, the Group is in the process of assessing their impact on the Group's results and financial position.



3. REVENUE

	Three months ended 31 March	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Outsourcing inbound contact services	3,166	2,520
Outsourcing outbound contact services	–	5,192
Staff insourcing services	12,693	12,382
Contact service centre facilities management services	3,762	3,606
Financial services	4,843	5,166
Others*	1,379	1,509
	25,843	30,375

* “Others” segment which principally comprises system maintenance income, licencing income and sales of system and software income.



4. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at a rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong for the three months period ended 31 March 2021.

	Three months ended 31 March	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Current income tax	382	272
Deferred income tax	–	–
	382	272

No provision for deferred taxation has been made in the financial statements since there is no material timing difference.

5. EARNINGS PER SHARE

The calculation of basic earnings per share for the three months ended 31 March 2021 is based on (i) the unaudited consolidated profit attributable to the owners of the Company of approximately HK\$582,000 (three months ended 31 March 2020: approximately HK\$1,103,000) and (ii) the weighted average number of 280,000,000 ordinary shares issued during the three months ended 31 March 2021 (during the three months ended 31 March 2020: the weighted average number of 280,000,000 ordinary shares issued).

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares in issue during the three months ended 31 March 2021 and three months ended 31 March 2020.



6. MOVEMENT OF RESERVES

	Attributable to owners of the Company				
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
Balance at 1 January 2020 (audited)	2,800	25,238	25,624	67,508	121,170
Profit for the period	–	–	–	1,103	1,103
Total other comprehensive income for the period	–	–	–	–	–
Total comprehensive income for the period	–	–	–	1,103	1,103
Balance at 31 March 2020 (unaudited)	2,800	25,238	25,624	68,611	122,273
Balance at 1 January 2021 (unaudited)	2,800	25,238	25,624	62,371	116,033
Profit for the period	–	–	–	582	582
Total other comprehensive income for the period	–	–	–	–	–
Total comprehensive income for the period	–	–	–	582	582
Balance at 31 March 2021 (unaudited)	2,800	25,238	25,624	62,953	116,615

7. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

The unaudited condensed consolidated results of the Group for the three months ended 31 March 2021 were approved by the Board on 6 May 2021.



DIVIDEND

The Board does not recommend the payment of any interim dividend for the three months ended 31 March 2021 (three months ended 31 March 2020: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

The Group is continuously engaged in the business of providing comprehensive multi-media contact centre services and contact centre system solution and financial services. The principle activities of the Group include outsourcing inbound contact centre services, staff insourcing services and contact centre facilities management services and financial services. Owing to the more and more stringent control on information security and data privacy, together with tightened credit control and difficult business environment in the past year, the outsourcing outbound contact centre services have diminished during the pandemic period.

Similar to most of the companies in Hong Kong, the Year 2020 was an extremely difficult period for doing business and a lot of disruptions had been experienced in the corresponding business operation and management. Nevertheless, with the gradual decline in COVID-19 cases and the vaccination roll out in the city well underway since early this year, the Government's relaxation on social distancing and group gathering restrictions have started to put life back to the economy through increased business activities.

The Group has also seen moderate pick up in the pace of business activities and at the same time more potential opportunities come to light since the turn of the year. The mild increase in terms of revenue for a number of service segments in the first quarter of the Year 2021 to a certain extent reflected the positive trends.

Being a continual business strategy to diversify and expand our financial services, the management of the Group believes regulated financial services on digital assets will become a trend of the worldwide capital market in the coming future, and the development of virtual assets and its corresponding services in Hong Kong can further leverage on the synergies with our existing traditional financial business of Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) services and create more value for our customers.



As a strategic investment and pursuant to the announcement dated 30 April 2021, the Group acquired approximately 10.85% of Hong Kong Virtual Asset Exchange Limited (“VAX”) at a total subscription price of HK\$12.9 million. VAX is a company which is currently applying to SFC for obtaining licenses to carry out Type 1 (dealing in securities) and Type 7 (providing automatic trading services) regulated virtual asset trading platform under the SFO. With the Group interested to further explore the development and opportunities in tokenization of assets using blockchain technology as well as providing corresponding consulting and advisory services on virtual assets investment under regulations of the authorities, the acquisition of VAX helps to provide a legitimate secondary trading platform for the products.

The management of the Group is cautiously optimistic about the economy of Hong Kong for the remaining period of the year, and will continue to make use of our resources and network to further develop and capture business opportunities, partnership and alliances in both contact centre service and financial service businesses.

Financial Review

The Group’s total revenue decreased from approximately HK\$30.4 million for the three months ended 31 March 2020 to approximately HK\$25.8 million for the three months ended 31 March 2021. The decreased of revenue mainly contributed by the decrease of the revenue generated from outsourcing outbound contact services and financial services. The employee benefits expenses decreased from approximately HK\$21.8 million for the three months ended 31 March 2020 to approximately HK\$18.5 million for the three months ended 31 March 2021 mainly due to the decrease of employment for outsourcing outbound services. The other operating expenses decreased from approximately HK\$4.0 million for the three months ended 31 March 2020 to approximately HK\$3.8 million for the three months ended 31 March 2021 mainly due to the decrease of subcontracting charges and rental expenses. The other operating expenses mainly included auditors’ remuneration, insurance, legal and professional expenses, expenses relating to short-term leases and rates, repair and maintenance, subcontracting expenses, telephone expenses, travelling, entertainment and utilities expenses. The Group’s depreciation and amortization expenses slightly decreased from approximately HK\$3.1 million for the three months ended 31 March 2020 to approximately HK\$2.7 million for the three months ended 31 March 2021. The Group’s finance costs decreased from approximately HK\$0.1 million for the three months ended 31 March 2020 to approximately HK\$39,000 for the three months ended 31 March 2021.



The unaudited profit attributable to owners of the Company decreased from approximately HK\$1.1 million for the three months ended 31 March 2020 to approximately HK\$0.6 million for the three months ended 31 March 2021, mainly due to the decrease of revenue in the period under review.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions as set out in the Corporate Governance Code (the “Code”) in Appendix 15 to the GEM Listing Rules throughout the three months ended 31 March 2021.

CODE OF CONDUCT FOR DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specified enquiry on the Directors, all Directors confirmed that they have complied with the required standard of dealings concerning securities transactions for the three months ended 31 March 2021.

SHARE OPTION SCHEMES

During the three months ended 31 March 2021, no share option was granted, exercised, expired or lapsed under the share option scheme approved on 21 December 2011 (the “Old Share Option Scheme”).

The Old Share Option Scheme was terminated, and a new share option scheme (the “New Share Option Scheme”) were conditionally adopted by the shareholders of the Company on 4 May 2021 and became unconditional on 6 May 2021.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES

Apart from the Old Share Option Scheme and the New Share Option Scheme, at no time during the three months ended 31 March 2021 was any of the Company or any associated corporation a party to any arrangement to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age 18, had any right to subscribe for the Shares in, or debentures of, the Company, or had exercised any such rights.



NON-COMPETITION UNDERTAKING

As disclosed in the announcement of the Company dated 24 October 2019, Gear Credit Limited (“Gear Credit”), which is an indirect wholly-owned subsidiary of the Company, has obtained a money lender’s licence under the Money Lenders Ordinance (“MLO”) and commenced its money lending business.

Prior to the commencement of business of Gear Credit, on 21 October 2019, Mr. Tang Shing Bor (“Mr. Tang”) (our Chairman and non-executive Director), Mr. Tang Yiu Sing (“Mr. YS Tang”) (our Chief Executive Officer and executive Director), H.K. Sources Finance Limited (“HK Sources”) and Kong Way Credit Company Limited (“Kong Way”, together with Mr. Tang, Mr. YS Tang and HK Sources, the “Covenantors”) entered into a deed of non-competition (the “Deed of Non-competition”) in favour of the Company (for itself and as trustee of the members of the Group) with a view to safeguard the interest of the Company and the Shareholders as a whole.

As at the date of the Deed of Non-competition, (i) Mr. Tang is the controlling shareholder of HK Sources, which is a company incorporated in Hong Kong with limited liability and a holder of a money lender’s licence under the MLO and is principally engaged in the provision of mortgage loan; and (ii) Mr. YS Tang is the sole shareholder of Kong Way, which is a company incorporated in Hong Kong with limited liability and a holder of a money lender’s licence under the MLO and is principally engaged in the provision of loans for individuals and small and medium enterprises. Subject to the terms and conditions of the Deed of Non-competition, each of the Covenantors irrevocably and unconditionally, jointly and severally, undertakes to and covenants with the Company (for itself and as trustee for the benefit of the members of the Group) that during the continuation of the Deed of Non-competition, other than the aforementioned shareholding interests held by Mr. Tang and Mr. YS Tang in HK Sources and Kong Way respectively, each of the Covenantors shall not, and shall procure each of his/its close associates (other than any members of the Group) not to, whether on his/its own account or in conjunction with or on behalf of any person, firm or company and whether directly or indirectly, carry on a business which is, or be interested or involved or engaged in or acquire or hold any rights or interest or otherwise involved in (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by the Group (including but not limited to the provision of comprehensive multi-media contact services, contact centre system, staff insourcing and financial services engaged by the Group and the money lending business engaged by the Group through Gear Credit and/or other member(s) of the Group) in Hong Kong and any other country or jurisdiction to which the Group markets, supplies or otherwise provides such service and/or in which any members of the Group carries on business mentioned above from time to time (the “Restricted Business”).



Each of the Covenantors further undertakes that if he/it and/or any of his/its close associates is offered or becomes aware of any project or new business opportunity (“New Business Opportunity”) that relates to the Restricted Business, whether directly or indirectly, he/it shall: (i) promptly in any event not later than three (3) Business Days notify the Company in writing of such opportunity and provide such information as is reasonably required by the Company in order to enable the Company to come to an informed assessment of such opportunity; and (ii) use his/its best endeavours to procure that such opportunity is offered to the Company on terms no less favourable than the terms on which such opportunity is offered to him/it and/or his/its close associates. If the Group has not given written notice of its desire to invest in such New Business Opportunity or has given written notice denying the New Business Opportunity within five (5) Business Days (the “5-day Offering Period”) of receipt of notice from the Covenantors, the Covenantors and/or his/its close associates shall be permitted to invest in or participate in the New Business Opportunity on his/its own accord. The Covenantors agree to extend the five (5) Business Days to a maximum of ten (10) Business Days if the Company requires so by giving a written notice to the Covenantors within the 5-day Offering Period.

As disclosed in the Company’s 2020 Annual Report, the Company had received written notices from all of the Covenantors in respect of any New Business Opportunity which competed or was likely to compete with the existing business of the Group which was offered or came to the knowledge of the Covenantors or their close associates (other than any member of the Group). Each of the Covenantors has made an annual declaration to the Company in respect of his/its compliance with his/its obligations under the Deed of Non-competition for the year ended 31 December 2020.

DIRECTORS’ INTERESTS IN COMPETING BUSINESS

Save as disclosed above, so far as the Directors are aware of, none of the Directors or the substantial/controllers shareholders of the Company has any interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group for the three months ended 31 March 2021.



DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND/OR ITS ASSOCIATED CORPORATIONS

As at 31 March 2021, the interests and short positions of the Directors and chief executives of the Company (the "Chief Executives") in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or Chief Executive is taken or deemed to have under such provision of the SFO) or which were required pursuant to section 352 of the SFO, to be entered in the register required to be kept by the Company, or which were required, pursuant to Securities Transactions by Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in the shares of the Company

Name of Directors/ Chief Executives	Capacity	Nature of interests	Number of shares/ underlying shares held	Percentage of the issued share capital of the Company as at 31 March 2021
Mr. Tang Shing Bor	Interest in a controlled corporation	Corporate interest	210,000,000 (Note)	75%

Note:

These interests were held by Million Top Enterprises Limited which is wholly and beneficially owned by Mr. Tang Shing Bor. Mr. Tang Shing Bor is therefore deemed to be interested in such shares by virtue of Part XV of the SFO.



Save as disclosed above, as at 31 March 2021, none of the Directors and/or Chief Executive had any other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to the Securities Transactions by Directors, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITION IN SHARES AND/OR UNDERLYING SHARES OF THE COMPANY

So far as is known to the Directors, as at 31 March 2021, the following persons (not being a Director or Chief Executive) who had interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company under provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, or who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Long positions in the shares of the Company

Name of substantial shareholders	Capacity	Number of Shares/underlying Shares held	Approximate percentage of the issued share capital of the Company as at 31 March 2021
Million Top Enterprises Limited (Note)	Beneficial owner	210,000,000	75%

Note:

Million Top Enterprises Limited is wholly and beneficially owned by Mr. Tang Shing Bor, a non-executive Director.



Save as disclosed above, as at 31 March 2021, the Directors were not aware of any other persons (other than Directors or Chief Executive) who had interests and/or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, or who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited interim results of the Group for the three months ended 31 March 2021 and is of the opinion that the accounting policies of the Group are in accordance with the generally accepted accounting practices in Hong Kong, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company did not redeem any of its listed securities, and neither did the Company nor any of its subsidiaries purchase or sell any of the listed securities of the Company for the three months ended 31 March 2021.

By order of the Board

ETS Group Limited

Tang Yiu Sing

Executive Director and Chief Executive Officer

Hong Kong, 6 May 2021



As at the date of this report, the executive directors of the Company are Mr. Tang Yiu Sing and Mr. Yeung Ka Wing; the non-executive director of the Company is Mr. Tang Shing Bor and the independent non-executive directors of the Company are Mr. Wong Sik Kei, Mr. Cheung Kong Ting and Mr. Wong Kam Tai.

This report will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the Company’s website at www.etsgroup.com.hk.