



ETS GROUP LIMITED

易通訊集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8031

INTERIM REPORT



2023



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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 for the six months ended 30 June 2023 was approximately HK\$38,097,000, representing a decrease of approximately 9.8% as compared with the total revenue of approximately HK\$42,246,000 for the corresponding period in 2022.

Profit attributable to owners of the Company for the six months ended 30 June 2023 was approximately HK\$4,158,000, representing an increase of profit approximately 193% as compared with the loss attributable to owners of the Company of approximately HK\$1,419,000 for the corresponding period in 2022.

Earnings per share for the six months ended 30 June 2023 was approximately HK1.49 cents (profit per share for six months ended 30 June 2022: HK0.51 cents).



UNAUDITED INTERIM 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 and six months ended 30 June 2023 together with the comparative figures for the corresponding periods ended 30 June 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months and six months ended 30 June 2023

		Three months ended 30 June		Six months ended 30 June	
Notes		2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Revenue	3	18,102	19,157	38,097	42,246
Other income		2,951	2,392	6,537	2,393
Other gains/(losses)		10	(32)	10	(45)
Employee benefits expenses	4	(16,154)	(14,955)	(32,805)	(34,796)
Depreciation and amortization		(584)	(1,630)	(1,229)	(3,310)
Share of loss of an associate		(87)	–	(149)	–
Other operating expenses		(3,033)	(2,012)	(6,026)	(4,464)
Operating profit		1,205	2,920	4,435	2,024
Finance costs		(2)	(70)	(30)	(117)
Profit before tax	5	1,203	2,850	4,405	1,907
Income tax expense	6	(79)	(235)	(247)	(488)
Profit for the period		1,124	2,615	4,158	1,419
Total comprehensive income for the period		1,124	2,615	4,158	1,419
Profit attributable to owners of the Company		1,124	2,615	4,158	1,419
Total comprehensive income attributable to owners of the Company		1,124	2,615	4,158	1,419
Earnings per share attributable to owners of the Company					
– Basic and diluted (HK cents)	8	0.40	0.93	1.49	0.51

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2023

	Notes	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		810	1,001
Right-of-use asset		173	370
Intangible assets		1,854	2,288
Interest in an associate		681	830
Financial assets at fair value through profit or loss	9	1,260	1,260
Deferred income tax assets		669	669
Other assets		205	205
		5,652	6,623
Current assets			
Contract assets		2,350	3,972
Trade and other receivables	10	27,474	28,952
Financial assets at fair value through profit or loss	9	-	199
Tax recoverable		292	474
Pledged bank deposits		6,166	6,092
Time deposits	11	29,449	20,000
Bank trust account balances		296	6,453
Cash and cash equivalents		37,205	46,437
		103,232	112,579
Current liabilities			
Contract liabilities		1,930	2,248
Trade and other payables	12	7,277	15,365
Amounts due to related companies		468	-
Current income tax liabilities		-	140
Borrowings		-	2,000
Lease liabilities		178	376
Convertible bonds		9,206	9,206
		19,059	29,335
Net current assets		84,173	83,244
Total assets less current liabilities		89,825	89,867



	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Non-current liabilities		
Deferred income tax liabilities	16	16
Net assets	89,809	89,851
Equity attributable to the owners of the Company		
Share capital	2,800	2,800
Share premium	25,238	25,238
Reserves	61,771	61,813
Total equity	89,809	89,851



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2023

	Attributable to owners of the Company					Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Convertible bonds equity reserve HK\$'000	Merger reserve HK\$'000	Retained profits HK\$'000	
Balance as at 31 December 2021 (audited) and 1 January 2022	2,800	25,238	1,734	25,624	43,751	99,147
Profit for the period	-	-	-	-	1,419	1,419
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	1,419	1,419
Interim dividend paid	-	-	-	-	-	-
Balance at 30 June 2022 (unaudited)	2,800	25,238	1,734	25,624	45,170	100,566
Balance as at 31 December 2022 (audited) and 1 January 2023	2,800	25,238	1,734	25,624	34,455	89,851
Profit for the period	-	-	-	-	4,158	4,158
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-
Final dividend paid	-	-	-	-	(4,200)	(4,200)
Balance at 30 June 2023 (unaudited)	2,800	25,238	1,734	25,624	34,413	89,809



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Net cash generated from operating activities	5,992	17,054
Net cash used in investing activities	(8,800)	(1,728)
Net cash used in financing activities	(6,424)	(1,853)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	(9,232)	13,473
Cash, cash equivalents and bank overdrafts at beginning of the period	46,437	41,709
Cash, cash equivalents and bank overdrafts at end of the period	37,205	55,182

NOTES TO THE FINANCIAL INFORMATION

For the six months ended 30 June 2023

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 interim financial information has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” 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 interim financial information were consistent with those applied for the consolidated financial statements of the Group for the year ended 31 December 2022.

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 2023, 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. SEGMENT INFORMATION AND REVENUE

The Directors review the Group's internal financial reporting and other information and also obtain other relevant external information in order to assess performance and allocate resources, and operating segment is identified with reference to these.

The reportable operating segments derive their revenue primarily from the following business units in Hong Kong:

- (a) Outsourcing inbound contact services;
- (b) Outsourcing outbound contact services;
- (c) Staff insourcing services;
- (d) Contact service centre facilities management services;
- (e) Financial services which principally comprises commission income from broker business and asset management services; and
- (f) The "Others" segment which principally comprises sales of system and software, licence service fee income, system maintenance fee income and personnel services.

For the six months ended 30 June 2023

	Outsourcing inbound contact service HK\$'000 (unaudited)	Outsourcing outbound contact service HK\$'000 (unaudited)	Staff insourcing service HK\$'000 (unaudited)	Contact service centre facilities management service HK\$'000 (unaudited)	Financial service HK\$'000 (unaudited)	Others HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Segment revenue	6,579	-	23,605	4,992	1,165	1,756	38,097
Segment results	554	-	2,245	1,147	4,293	372	8,611
Depreciation and amortization	114	-	158	381	74	74	801
Total segment assets	3,800	-	11,463	3,506	10,840	899	30,508
Total segment assets includes: Assets (other than financial instruments)	15	-	62	150	-	29	256
Total segment liabilities	1,004	-	3,452	834	527	1,296	7,113



For the six months ended 30 June 2022

	Outsourcing inbound contact service HK\$'000 (unaudited)	Outsourcing outbound contact service HK\$'000 (unaudited)	Staff insourcing service HK\$'000 (unaudited)	Contact service centre facilities management service HK\$'000 (unaudited)	Financial service HK\$'000 (unaudited)	Others HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Segment revenue	5,935	–	23,369	6,415	3,871	2,656	42,246
Segment results	476	–	1,934	1,779	1,412	896	6,497
Depreciation and amortization	108	–	448	1,083	369	213	2,221
Total segment assets	3,107	–	9,873	5,014	48,478	1,890	68,362
Total segment assets includes: Assets (other than financial instruments)	22	–	91	220	–	43	376
Total segment liabilities	1,188	–	3,937	1,607	20,559	989	28,280

A reconciliation of segment result to profit/(loss) before tax is as follows:

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Segment result for reportable segments	8,611	6,497
Unallocated:		
Other income	903	2,393
Other losses – net	(139)	(45)
Depreciation and amortization	(428)	(1,089)
Finance costs	(27)	(81)
Corporate and other unallocated expenses	(4,515)	(5,768)
Profit before tax	4,405	1,907



4. EMPLOYEE BENEFITS EXPENSES

	Three months ended 30 June		Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Salaries and allowances	15,675	14,500	31,829	33,614
Pension costs – defined contribution plans	656	750	1,329	1,779
Total employee benefits expenses, including Directors' remuneration	16,331	15,250	33,158	35,393
Less: Amounts capitalized in deferred development costs	(177)	(295)	(353)	(597)
	16,154	14,955	32,805	34,796

5. PROFIT BEFORE INCOME TAX

	Three months ended 30 June		Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Profit before tax is stated after charging:				
Depreciation of owned property, plant and equipment	117	177	245	365
Depreciation of right-of-use asset	98	873	196	1,745
Amortization of intangible assets	369	580	788	1,200
Total depreciation and amortization	584	1,630	1,229	3,310
Expenses relating to short-term leases	772	–	1,559	4
Research and development costs	369	580	788	1,200



6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at a rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong for the six months period ended 30 June 2023.

	Three months ended 30 June		Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Current income tax	79	235	247	488
Deferred income tax	-	-	-	-
	79	235	247	488

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

7. INTERIM DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2023 (2022: nil).

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2023 is based on (i) the unaudited consolidated profit attributable to the owners of the Company of approximately HK\$4,158,000 (six months ended 30 June 2022: profit attributable to the owners of the Company approximately HK\$1,419,000); and (ii) the weighted average number of 280,000,000 ordinary shares issued during the six months ended 30 June 2023 (during the six months ended 30 June 2022: 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 six months ended 30 June 2023 and 2022.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Equity securities listed in Hong Kong	–	199
Unlisted equity investment	1,260	1,260
	1,260	1,459
Analyzed for reporting purposes as:		
Current assets	–	199
Non-current assets	1,260	1,260
	1,260	1,459



10. TRADE AND OTHER RECEIVABLES

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Trade receivables		
Amounts receivables arising from multi-media contact services and contact centre system	38,817	42,352
Loan receivable	14,155	17,511
Less: loss allowance	(26,925)	(32,559)
Trade receivables – net	26,047	27,304
Other receivables, deposits and prepayments	1,460	1,679
Less: loss allowance	(33)	(31)
	1,427	1,648
	27,474	28,952

The average credit period on the Group's sales is 30 days. The aging analysis of the trade receivables based on invoice date as follows:

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
0–30 days	5,946	6,151
31–60 days	2,778	3,549
61–90 days	1,366	1,985
Over 90 days	5,488	4,127
	15,578	15,812

11. CASH AND CASH EQUIVALENTS

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. Cash and cash equivalents represents the cash deposit at bank and cash on hand.



12. TRADE AND OTHER PAYABLES

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Trade payables	663	4
Amounts payables arising from financial services business		
– Clients – cash	280	6,289
– Clients – margin	16	164
Other payables and accruals	6,318	8,908
	7,277	15,365

As at 30 June 2023, the aging analysis of the trade payables based on invoice date is as follows:

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
0–30 days	166	2
31–60 days	137	1
61–90 days	294	1
Over 90 days	66	–
	663	4

13. SHARE CAPITAL

	Number of ordinary shares	Ordinary shares at HK\$0.01 each HK\$'000
Authorized share capital	5,000,000,000	50,000
As at 31 December 2022 and 30 June 2023	5,000,000,000	50,000
Issued and fully paid up share capital	280,000,000	2,800
As at 31 December 2022 and 30 June 2023	280,000,000	2,800



14. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the condensed consolidated financial statements, the Group entered into the following significant related party transactions during the period:

Name of related parties	Nature of transactions	Three months ended 30 June		Six months ended 30 June	
		2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
H.K. Sources Finance Limited	System maintenance income	-	(13)	-	(25)
Jiayuan Stangroup Development Company Limited	Asset management services income	-	-	-	(1,148)
Stan Group (Holdings) Limited	Utility expense	29	-	53	-
	Repayment of lease liabilities	-	111	-	223
Star China Development Limited	Cleaning expense	75	-	150	-
Supreme Leader Limited	Premise rental expenses	-	-	-	4
Fortune Lake Investments Ltd	Premise rental expenses	31	31	61	61

Key management personnel compensation

	Three months ended 30 June		Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Salaries and short-term employee benefits	120	120	240	240
Post-employment benefits	2	2	3	3
	122	122	243	243

15. CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at 30 June 2023.

16. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The unaudited condensed consolidated interim financial information was approved by the Board on 4 August 2023.



INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2023 (2022: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

The Group is principally engaged in the business of providing comprehensive multi-media contact centre services as well as system solutions. The principal activities of the Group include provisions of outsourcing inbound and outbound contact services, staff insource service, contact centre facilities management service and omni-channel contact centre system. The Group also carries out regulated financial activities including securities trading, advisory as well as asset management services through our Type 1, Type 4 and Type 9 licensed financial entities.

For the period ended 30 June 2023, while Hong Kong economy was on track toward a recovery from the COVID-19 pandemic, the concession of the domestic economic due to the increasing labour cost pressure and continuous interest rate hike present us a major challenge in the progress. Besides, we had experienced challenge hiring contact centre staffs and corporate positions due to various factors such as mass emigration, competition for labour from other sectors, aging population, etc. All of these unfavourable factors are expected to persist in the near future and resulted in higher wages and initial hiring costs. The management of the Group has made additional efforts to increase our recruiting activities and support in order to maintain our competitive edge and meet the increasing demand in staff insourcing service.

During the period under review, we continuously focused on the development of system solutions business. Our new technology transformation investments on our Marvel Contact Centre System have equipped us well for the journey ahead. We will continuously to develop new technologies through our own efforts and/or partnership with relevant experts aiming to deliver differentiated customer experience that set us apart from the rest.

With tension between China and the US intensified on all fronts from economic, technology, national security to military, and sentiments in the local IPO markets yet to build up, the financial market does not portrair a highly optimistic outlook for the rest of the year, so the Group will continue to exercise caution in allocating our resources and remain prudent in our financial service business development in the foreseeable future.

Looking forward, the Group is still optimistic about the growth of the local business environment in the coming future, and with more business opportunities and activities coming up in the recent period, the management of the Group expects continual improvement on the performance for the remaining of the year.

Interest in an associate

At 31 March 2022, the Group has invested 1,000,000 shares (“Subscription Shares”), representing approximately 40% of the issued share capital of MetaSTO Group Limited (“META”), as enlarged by the allotment and issue of the Subscription Shares, at HK\$1 million in META. META is an unlisted company providing consultancy services in regard of asset tokenization through professional process management services.

As at 30 June 2023, the Group held 1,000,000 shares which amount to carrying amount of approximately HK\$681,000.

Financial assets at fair value through profit or loss

Description of the investments	Carrying amount as at 30 June 2023 HK\$'000
Unlisted equity securities at cost (FAFVTPL I)	–
Unlisted equity securities at cost (FAFVTPL II)	<u>1,260</u>
Total	<u>1,260</u>



FAFVTPL I

During 2019, the Group acquired an aggregate amount of 2,470 Shares of an unlisted company incorporated in Hong Kong, Oneshop limited (“Oneshop”), at approximately HK\$2 million representing approximately 18% of the total issued share capital of Oneshop. As at 30 June 2023, the Group held 2,470 Shares with no carrying amount after recording the impairment of the investment of FAFVTPL I in the year 2020.

FAFVTPL II

The Group invested 165,385 shares of Hong Kong Virtual Asset Exchange Limited (“VAX”) at HK\$12.9 million in VAX. VAX is an unlisted company currently applying to the SFC for obtaining licenses to carry out Type 1 (dealing in securities) and Type 7 (providing automated trading services) regulated activities under the SFO for the regulation of virtual asset trading platforms in Hong Kong.

As at 30 June 2023, the Group held 165,385 shares which amount to carrying amount of approximately HK\$1,260,000.

FINANCIAL REVIEW

For the six months ended 30 June 2023, the Group faced greater operational pressure, recording an unaudited total revenue amounted approximately HK\$38.1 million, representing a decrease of approximately HK\$4.1 million as compared with the total revenue of the corresponding period in 2022 (six months ended 30 June 2022: approximately HK\$42.2 million).

The gross profit margin of the Group increased from approximately 15.6% for the six months ended 30 June 2022 to approximately 22.6% for the six months ended 30 June 2023.

Profit attributable to owners of the Company increased from the profit approximately HK\$1.4 million for the six months ended 30 June 2022 to profit approximately HK\$4.2 million for the six months ended 30 June 2023.

REVENUE AND SEGMENT RESULT

Outsourcing inbound contact service

For the six months ended 30 June 2023, the outsourcing inbound contact service recorded a revenue of approximately HK\$6.6 million, representing an increase of approximately 10.8% as compared to that of the corresponding period in 2022 (2022: approximately HK\$5.9 million).

The segment results for the six months ended 30 June 2023 was approximately HK\$0.6 million (2022: approximately HK\$0.5 million). The gross profit margin for outsourcing inbound contact service remained approximately 8% for the six months ended 30 June 2023 (2022: approximately 8%).

The increase in revenue from the outsourcing inbound contact service was mainly attributed to the increase of the sales order from our existing customers during the period.

Staff insourcing service

For the six months ended 30 June 2023, the staff insourcing service segment recorded a revenue of approximately HK\$23.6 million, representing an increase of approximately 1% as compared to that of the corresponding period in 2022 (2022: approximately HK\$23.4 million).

The segment results of staff insourcing service for the six months ended 30 June 2023 was approximately HK\$2.2 million (2022: approximately HK\$2 million). The gross profit margin for staff insourcing service increased from approximately 8.3% for the six months ended 30 June 2022 to approximately 9.5% for the six months ended 30 June 2023.

The increase in revenue from the staff insourcing service was mainly contributed by an increasing demand of staff insourcing service from the existing clients during the period. The increase in gross profit margin for the staff insourcing service was mainly attributable to the increase of revenue.

Contact service centre facilities management service

For the six months ended 30 June 2023, the contact service centre facilities management service recorded revenue of approximately HK\$5 million, representing a decrease of approximately 22% as compared to that of the corresponding period in 2022 (2022: approximately HK\$6.4 million). The decrease of revenue of contact service centre facilities management service mainly because the customer reduced the demand of services.

The segment results for the six months ended 30 June 2023 was approximately HK\$1.1 million (2022: approximately HK\$1.8 million). The gross profit margin for contact service centre facilities management service decreased from approximately 27.7% for the six months ended 30 June 2022 to approximately 23% for the six months ended 30 June 2023. The decrease of gross profit margin mainly due to the decrease of revenue of contact service centre facilities management service.



Financial services

The financial services related to securities include securities broking, margin lending and consultancy services related to securities. The financial services related to asset management include provision of asset management, fund management and consultancy services related to asset management. The financial services related to credit finance include commercial and personal lending.

For the six months ended 30 June 2023, the Group recorded revenue of financial services amounted to approximately HK\$1.2 million (2022: approximately HK\$3.9 million). The Group recorded a gross profit margin for financial services approximately 368.7% for the six months ended 30 June 2023 as compared the gross profit margin approximately 36.5% for the six months ended 30 June 2022.

The decrease of the revenue and segment result of the financial services is mainly due to the decrease of demand of our consultancy services related to securities and asset management. The increase of gross profit margin of the financial services is attributed from recovery of allowance for expected credit loss of the financial assets.

Others

The “Others” segment principally comprises licencing and system maintenance service, sales of system and software in relation to Wise-xb Contact Centre System (“Other Services related to Wise”). For the six months ended 30 June 2023, the Group recorded revenue of Other Services related to Wise amounted to approximately HK\$1.8 million (2022: approximately HK\$2.7 million).

The Group recorded the gross profit margin in the segment of Other Services related to Wise amounted to approximately HK\$0.3 million for the six months ended 30 June 2023 compare against to the gross profit margin of approximately HK\$0.9 million for the six months ended 30 June 2022. The decrease in gross profit was mainly due to the decrease in demand of Other Services related to Wise.

Other income

The other income increased from approximately HK\$2.4 million for the six month ended 30 June 2022 to approximately HK\$6.5 million for the six month ended 30 June 2023. The other income represents income recovered from impairment loss, the bank interest income and trading securities dividend income. The other income largely increased due to recovery of allowance for expected credit loss of the financial assets.

Other operating expenses

The other operating expenses mainly include expected credit loss, 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.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The Company recorded approximately HK\$4.2 million profit attributable to owners of the company for the six months ended 30 June 2023 compare against the profit attributable to owners of the Company amounted approximately HK\$1.4 million for the six months ended 30 June 2022. The increase of profit is mainly attributed to the increase of other income in related to recovery of the expected credit loss of the financial assets.

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 six months ended 30 June 2023.

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 six months ended 30 June 2023.

SHARE OPTION SCHEME

During the six months ended 30 June 2023, no share option was granted, exercised, expired or lapsed under the share option scheme conditionally adopted by the shareholders of the Company on 4 May 2021 and became unconditional on 6 May 2021 (the "Share Option Scheme").

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from the Share Option Scheme, at no time during the six months ended 30 June 2023 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 until 14 May 2021 when he passed away), 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 2022 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 2022.

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 six months ended 30 June 2023.



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 30 June 2023, 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 30 June 2023
Tang Yiu Sing		Executor or Administrator of the late Mr. Tang Shing Bor's estate	Corporate interest	210,000,000 (Note)	75%

Note: These interests were held by Million Top Enterprises Limited under the late Mr. Tang Shing Bor's estate. Mr. Tang Shing Bor passed away on 14 May 2021 and his interests in the Shares form part of his estate.



Save as disclosed above, as at 30 June 2023, 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 30 June 2023, 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 30 June 2023
Tang Yiu Man Raymond	Executor or Administrator of the late Mr. Tang Shing Bor's estate	210,000,000 (Note 1)	75%
Million Top Enterprises Limited	Beneficial owner	210,000,000	75%
Pine Care Group Limited ("Pine Care Group")	Interest in a controlled corporation	15,625,000	5.58%
Pine Care Titanium Limited ("Pine Care Titanium") (Note 2)	Beneficial owner	15,625,000	5.58%



Notes:

1. These interests were held by Million Top Enterprises Limited under the late Mr. Tang Shing Bor's estate. Mr. Tang Shing Bor passed away on 14 May 2021 and his interests in the Shares form part of his estate.
2. Pine Care Titanium is the holder of the convertible bonds in a principal amount of HK\$9,500,000 at a conversion price of HK\$0.608 per conversion share (subject to adjustments) issued by the Company, of which a total of 15,625,000 conversion shares will be allotted and issued upon full conversion of the convertible bonds. Pine Care Titanium was wholly and beneficially owned by Pine Care Group. Under the SFO, Pine Care Group was deemed to be interested in the underlying Shares held by Pine Care Titanium.

Save as disclosed above, as at 30 June 2023, 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 six months ended 30 June 2023 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 six months ended 30 June 2023.

By order of the Board

ETS Group Limited

Tang Yiu Sing

Executive Director and Chief Executive Officer

Hong Kong, 4 August 2023

As at the date of this report, the executive directors of the Company are Mr. Tang Yiu Sing and Mr. Yeung Ka Wing; and the independent non-executive directors of the Company are Mr. Cheung Kong Ting, Mr. Wong Kam Tai and Ms. Kwong Yuk Ying.

This report will remain on the "Latest Listed Company Information" page of the Stock Exchange website at www.hkexnews.hk for at least 7 days from the date of its posting and on the Company's website at www.etsgroup.com.hk.