ETS GROUP LIMITED
易通訊集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8031)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, 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 announcement 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 announcement 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 announcement misleading.

FINANCIAL HIGHLIGHTS

The Group's revenue for the year ended 31 December 2016 was approximately HK$146,164,000 representing an increase of approximately 1.8% as compared to that of approximately HK$143,612,000 in 2015.

Profit attributable to owners of the Company for the year ended 31 December 2016 was approximately HK$4,814,000 representing a decrease of approximately 47.6% as compared to that of approximately HK$9,190,000 in 2015.

Earnings per share for the year ended 31 December 2016 was HK1.7 cents (2015: HK3.3 cents).

The board of Directors recommends the payment of a final dividend of HK0.40 cents per share for the year ended 31 December 2016 (2015: HK0.96 cents).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	**2016**	2015
		HK$'000	*HK$'000*
Revenue	*3*	**146,164**	143,612
Other income	*4*	**649**	762
Other losses – net	*5*	**(180)**	(2,065)
Employee benefits expenses		**(82,905)**	(80,986)
Depreciation and amortization		**(9,825)**	(8,270)
Other operating expenses		**(47,002)**	(41,132)
Operating profit		**6,901**	11,921
Finance costs	*6*	**(515)**	(582)
Profit before tax	*7*	**6,386**	11,339
Income tax expense	*8*	**(1,572)**	(2,149)
Profit for the year		**4,814**	9,190
Total comprehensive income for the year		**4,814**	9,190
Profit attributable to owners of the Company		**4,814**	9,190
Total comprehensive income attributable to owners of the Company		**4,814**	9,190
Earnings per share attributable to owners of the Company – Basic and diluted (HK cents)	*9*	**1.7**	3.3

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment		**10,041**	4,961
Intangible assets		**7,864**	7,889
Investment in an associate		**–**	–
Deferred income tax assets		**686**	1,011
		18,591	13,861
Current assets			
Trade and other receivables	*11*	**44,639**	58,460
Financial assets designated as at fair value through profit or loss		**7,054**	6,648
Amount due from an associate		**10,576**	9,318
Amounts due from related companies		**154**	319
Pledged bank deposits		**4,797**	4,787
Current income tax recoverable		**849**	–
Cash and cash equivalents		**47,218**	31,936
		115,287	111,468
Current liabilities			
Trade and other payables	*12*	**16,105**	14,618
Borrowings		**6,366**	1,711
Current income tax liabilities		**–**	148
		22,471	16,477

	Note	2016 HK$'000	2015 HK$'000
Net current assets		**92,816**	94,991
Total assets less current liabilities		**111,407**	108,852
Non-current liabilities			
Borrowings		**409**	–
Deferred income tax liabilities		**353**	333
		762	333
Net assets		**110,645**	108,519
Equity attributable to the owners of the Company			
Share capital	*13*	**2,800**	2,800
Share premium	*13*	**25,238**	25,238
Reserves	*14*	**82,607**	80,481
Total equity		**110,645**	108,519

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company				
	Share capital	**Share premium**	**Merger reserve**	**Retained profits**	**Total equity**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 13)	*(Note 13)*	*(Note 14)*	*(Note 14)*	
Balance as at 1 January 2015	2,800	25,238	25,624	51,127	104,789
Profit for the year	–	–	–	9,190	9,190
Other comprehensive income	–	–	–	–	–
Total comprehensive income for the year	–	–	–	9,190	9,190
Dividends paid *(Note 10)*	–	–	–	(5,460)	(5,460)
Balance as at 31 December 2015 and 1 January 2016	2,800	25,238	*25,624	*54,857	108,519
Profit for the year	–	–	–	4,814	4,814
Other comprehensive income	–	–	–	–	–
Total comprehensive income for the year	–	–	–	4,814	4,814
Dividends paid *(Note 10)*	–	–	–	(2,688)	(2,688)
Balance as at 31 December 2016	**2,800**	**25,238**	***25,624**	***56,983**	**110,645**

* These reserve accounts comprise the consolidated reserves of approximately HK$82,607,000 (2015: approximately HK$80,481,000) in the consolidated statement of financial position.

1. GENERAL INFORMATION

ETS Group Limited is an investment holding company. ETS Group Limited and its subsidiaries (collectively referred as to the "Group") are principally engaged in providing comprehensive multi-media contact services and contact centre system in Hong Kong.

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 and its shares have been listed on the GEM with effect from 9 January 2012.

As at 31 December 2016, the Directors regard Million Top Enterprises Limited, a company incorporated in Hong Kong with limited liability, as the parent and ultimate holding company of the Company.

The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of the Company's principal place of business in Hong Kong is 4th Floor, China Paint Building, 1163 Canton Road, Mongkok, Kowloon, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated. These consolidated financial statements have been approved for issued by the Board of Directors (the "Board") on 16 March 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"). In addition, the consolidated financial statements include applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss ("FVTPL"), which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016:

- Clarification of acceptable methods of depreciation and amortization – Amendments to HKAS 16 and HKAS 38;
- Annual improvements to HKFRSs 2012 – 2014 cycle; and
- Disclosure initiative – Amendments to HKAS 1.

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 9, "Financial instruments"

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 "Financial Instruments: Recognition and Measurement" and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard upon adoption.

HKFRS 15, "Revenue from Contracts with Customers"

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognizing revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implement issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

HKFRS 16, "Leases"

HKFRS 16 will result in almost all leases being recognized on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancelable operating lease commitments of approximately HK$14,730,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

There are no other HKFRSs or HK (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

3. SEGMENT INFORMATION AND REVENUE

The Directors of the Company 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 service;

(b) Outsourcing outbound contact service;

(c) Staff insourcing service;

(d) Contact service centre facilities management service; and

(e) The "Others" segment which principally comprises licencing, sales of system and software and system maintenance.

The segment information provided to the Board for the reportable segments for the years ended 31 December 2015 and 2016 are as follows:

For the year ended 31 December 2016

	Outsourcing inbound contact service *HK$'000*	**Outsourcing outbound contact service** *HK$'000*	**Staff insourcing service** *HK$'000*	**Contact service centre facilities management service** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Segment revenue	**13,201**	**62,690**	**42,795**	**21,926**	**5,552**	**146,164**
Segment results	**2,053**	**5,732**	**5,355**	**6,175**	**1,835**	**21,150**
Depreciation and amortization	**546**	**3,742**	**–**	**3,508**	**1,683**	**9,479**
Total segment assets	**7,831**	**23,941**	**11,700**	**12,980**	**6,679**	**63,131**
Total segment assets includes:						
Additions to non-current assets (other than financial instruments)	**761**	**5,221**	**–**	**4,895**	**1,407**	**12,284**
Total segment liabilities	**215**	**4,251**	**2,483**	**1,051**	**47**	**8,047**

For the year ended 31 December 2015

	Outsourcing inbound contact service *HK$'000*	Outsourcing outbound contact service *HK$'000*	Staff insourcing service *HK$'000*	Contact service centre facilities management service *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenue	13,440	64,969	32,279	24,054	8,870	143,612
Segment results	2,340	5,957	3,786	7,354	5,097	24,534
Depreciation and amortization	491	3,297	–	3,226	1,028	8,042
Total segment assets	8,531	26,424	8,398	12,390	7,589	63,332
Total segment assets includes:						
Additions to non-current assets (other than financial instruments)	264	1,775	–	1,737	–	3,776
Total segment liabilities	189	3,602	2,743	903	–	7,437

There were no inter-segment sales during the year ended 31 December 2016. The revenue from external parties reported to the Directors of the Company is measured in a manner consistent with that in the consolidated statement of profit or loss and other comprehensive income.

A reconciliation of segment results to profit before tax is as follows:

	2016 *HK$'000*	2015 *HK$'000*
Segment results for reportable segments	**21,150**	24,534
Unallocated:		
Other income	**649**	762
Other losses – net	**(180)**	(2,065)
Depreciation and amortization	**(346)**	(228)
Finance costs	**(515)**	(582)
Corporate and other unallocated expenses	**(14,372)**	(11,082)
Profit before tax	**6,386**	11,339

The amounts provided to the Directors of the Company with respect to total assets are measured in a manner consistent with that of the consolidated financial statements. These assets are allocated based on the operations of the segment.

Reportable segments' assets are reconciled to total assets as follows:

	2016	2015
	HK$'000	*HK$'000*
Segment assets for reportable segments	**63,131**	63,332
Unallocated:		
Property, plant and equipment	**2,844**	549
Financial assets designated as at fair value through profit or loss	**7,054**	6,648
Current income tax recoverable	**849**	–
Deferred income tax assets	**686**	1,011
Corporate and other unallocated assets	**59,314**	53,789
Total assets per consolidated statement of financial position	**133,878**	125,329

The amounts provided to the Directors of the Company with respect to total liabilities are measured in a manner consistent with that of the consolidated financial statements. These liabilities are allocated based on the operations of the segment.

Reportable segments' liabilities are reconciled to total liabilities as follows:

	2016	2015
	HK$'000	*HK$'000*
Segment liabilities for reportable segments	**8,047**	7,437
Unallocated:		
Deferred income tax liabilities	**353**	333
Current income tax liabilities	**–**	148
Borrowings	**6,775**	1,711
Corporate and other unallocated liabilities	**8,058**	7,181
Total liabilities per consolidated statement of financial position	**23,233**	16,810

Breakdown of the revenue from all services is as follows:

Analysis of revenue by category

	2016	2015
	HK$'000	*HK$'000*
Service fee income from provision of telecommunication and related services	**140,612**	134,742
Licencing and sales of system and software	**3,766**	7,537
System maintenance income	**1,700**	1,333
Others	**86**	–
	146,164	143,612

The Company is domiciled in the Cayman Islands with the Group's major operations located in Hong Kong. The result of its revenue from external customers in Hong Kong is approximately HK$144,617,000 (2015: approximately HK$141,366,000), and the total of revenue from external customers from other country is approximately HK$1,547,000 (2015: approximately HK$2,246,000).

The total of non-current assets other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in Hong Kong is approximately HK$17,905,000 (2015: approximately HK$12,850,000), and none of these non-current assets is located in other countries (2015: Nil).

Information about major customers

Revenue from major customers, each of whom contributed to 10% or more of the Group's total revenues, is set out below:

	2016	2015
	HK$'000	*HK$'000*
Customer A	**28,589**	32,944
Customer B	**23,924**	20,097
Customer C	**20,970**	14,685
	73,483	67,726

4. OTHER INCOME

	2016	2015
	HK$'000	*HK$'000*
Interest income from bank deposits	**649**	762

5. OTHER LOSSES – NET

	2016	2015
	HK$'000	*HK$'000*
Financial assets designated as at fair value through profit or loss		
– Fair value gain/(loss)	**406**	(978)
Net foreign exchange losses	**(349)**	(1,071)
Loss on disposal of property, plant and equipment	**(237)**	(16)
	(180)	(2,065)

6. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Interest on bank borrowings and bank overdrafts	**494**	582
Interest on finance lease liability	**21**	–
	515	582

7. PROFIT BEFORE TAX

	2016	2015
	HK$'000	*HK$'000*
Profit before tax is stated after charging:		
Depreciation and amortization		
Depreciation of owned property, plant and equipment	**5,533**	3,068
Depreciation of assets under finance lease	**70**	–
Amortization of intangible assets	**4,222**	5,202
Total depreciation and amortization	**9,825**	8,270
Auditors' remuneration	**850**	850
Operating lease payments in respect of rented premises	**8,993**	9,005
Research and development costs	**4,222**	5,202
Provision for impairment of trade receivables	**51**	–

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at a rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong for the year.

	2016	2015
	HK$'000	*HK$'000*
Current tax:		
Current tax on profits for the year	**1,109**	2,470
Adjustment in respect of prior year	**118**	–
Total current tax	**1,227**	2,470
Deferred income tax	**345**	(321)
Income tax expense	**1,572**	2,149

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	2016	2015
	HK$'000	*HK$'000*
Profit before tax	**6,386**	11,339
Tax calculated at Hong Kong profits tax rate 16.5%	**1,054**	1,871
Tax effects of:		
– Income not subject to tax	**(224)**	(244)
– Expenses not deductible for tax purposes	**37**	245
– Temporary differences not recognized	**4**	300
– Tax losses for which no deferred income tax asset was recognized	**583**	196
– Utilization of tax losses previously unrecognized	**–**	(219)
– Adjustment in respect of prior year	**118**	–
Tax charge	**1,572**	2,149

9. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on (i) the profit attributable to owners of the Company for the year; and (ii) the weighted average number of 280,000,000 ordinary shares issued during the year (2015: 280,000,000 ordinary shares).

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 years ended 31 December 2015 and 2016.

10. DIVIDENDS

	2016	2015
	HK$'000	*HK$'000*
No interim dividend was declared (2015: HK0.45 cents) per ordinary share	**–**	1,260
Proposed final dividend of HK0.40 cents (2015: HK0.96 cents) per ordinary share	**1,120**	2,688
	1,120	3,948

The dividends paid in 2015 and 2016 were HK$5,460,000 (HK1.95 cents per ordinary share) and HK$2,688,000 (HK0.96 cents per ordinary share) respectively.

At a meeting held on 16 March 2017, the Board declared the payment of a final dividend of HK0.40 cents per ordinary share for the year ended 31 December 2016. The proposed final dividend for the year ended 31 December 2016 is to be approved by the shareholders at the forthcoming annual general meeting. This final dividend has not been recognized as a liability at the year ended 31 December 2016.

11. TRADE AND OTHER RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**37,545**	41,393
Less: Provision for impairment of trade receivables	**(51)**	–
Trade receivables – net	**37,494**	41,393
Other receivables, deposits and prepayments	**7,145**	17,067
	44,639	58,460

The average credit period on the Group's sales is 29 days (2015: 30 days). The aging analysis of the trade receivables based on invoice date is as follows:

	2016	2015
	HK$'000	*HK$'000*
0 – 30 days	**20,944**	27,993
31 – 60 days	**6,179**	6,676
61 – 90 days	**4,603**	2,386
Over 90 days	**5,768**	4,338
	37,494	41,393

12. TRADE AND OTHER PAYABLES

	2016	2015
	HK$'000	*HK$'000*
Trade payables	**2,366**	1,962
Other payables and accruals	**13,739**	12,656
	16,105	14,618

At 31 December 2016, the aging analysis of the trade payables based on invoice date is as follows:

	2016	2015
	HK$'000	*HK$'000*
0 – 30 days	**1,354**	1,093
31 – 60 days	**710**	802
61 – 90 days	**301**	32
Over 90 days	**1**	35
	2,366	1,962

13. SHARE CAPITAL AND PREMIUM

	Number of ordinary shares	**Ordinary shares of HK$0.01 each**	**Share premium**
		HK$'000	***HK$'000***
Ordinary shares, Issued and fully paid up:			
As at 31 December 2015 and 2016	280,000,000	2,800	25,238

14. RESERVES

Share premium

Share premium arose from the issue of shares at a price greater than the par value of the share and can be utilized for future bonus issue.

Merger reserve

Merger reserve represents the difference between the nominal value of the shares issued by the Company in exchange for the nominal value of the share capital of its subsidiaries arising from the Corporate Reorganization.

MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS

BUSINESS ENVIRONMENT

The business environment continues to be challenging especially for outsourcing services in the face of more stringent control from the government and corporations on data privacy and on making telemarketing calls. Longer scripts for caller identification with each customer leads to longer talk time and lower productivity, while implementation of tighter IT policy and control on customer data also leads to higher operating cost of the services. Other than reflecting part of the additional cost in our pricing scheme, the Group has continued to drive higher productivity through effective training and coaching of the staff.

Despite challenging business environment, the Group has maintained stable revenue of different services from our customers by providing sustainable results and quality services. Our operation management under ISO 9001 and information security management under ISO 27001 help to uphold our service standard and integrity while at the same time gain the confidence of our long term customers.

Our ability to provide diversified services including inbound, outbound, outsourcing, insourcing and facilities management services offers a well balance in business and allows us to address the changing needs of the customers at different times. With a relatively cautious outsourcing sentiment for some corporate customers, the demand in staff insourcing has seen a healthy growth in demand in the period. To cope with the increasing trend, the Group has strengthened our recruiting force in terms of manpower and broadened our recruiting network to cover more media and channels for more effective recruiting.

During the period under review, the Group continued to provide services to corporate customers in sectors such as financial and banking, insurance, telecommunication, Hong Kong Government departments and other conglomerates in Hong Kong, and the healthy business growth in those major industries leads to a stable demand of our service from the customers. And the Group will continue to strive to further diversify our customer base to increase the revenue streams and market presence as well as a better control of risk management.

The Group has successfully obtained the Type 1 (dealing in securities) and Type 4 (advising on securities) licenses for regulated activities from the Securities & Futures Commission of Hong Kong ("SFC") in November 2016, and opened our first centre for securities service in January 2017. Although there are uncertainties resulted from Brexit, economy slowdown in China and rising interest rate, the Hong Kong stock market remains one of the most mature markets in the world.

According to information provided by the Stock Exchange as of December 2016, the Stock Exchange maintained its leadership position in the world in terms of IPO equity fund raised in 2016, and ranked No. 8 and No. 11 in terms of market value of shares of domestic-listed companies and value of share trading respectively. The number of listed companies on both Main Board and the GEM increased from 1,866 in 2015 to 1,973 in 2016, reflecting a remained active stock market as a whole. The opening of the Shenzhen-Hong Kong Stock Connect in early December 2016 together with the Shanghai-Hong Kong Stock Connect launched since November 2014 are expected to further add fuel to trading in the local stock market in the coming future. The management of the Group believed our financial and securities business will benefit from the strong and active capital market in the coming years.

BUSINESS REVIEW

The Group is continuously engaged in the business of providing comprehensive multi-media contact services and contact centre system. The principle services of the Group include:

Outsourcing Inbound Contact Service

The Group provides multi-media inbound contact service which our clients outsource to us. The inbound contact services we provide include general enquiry hotlines, promotion hotlines, customer service hotlines, order hotlines, registration hotlines, emergency hotlines and helpdesk hotlines. Our inbound operation covers 24 hours a day and 7 days a week.

Outsourcing Outbound Contact Service

The Group bases on the call lists provided by our clients to perform outsourcing outbound contact services including telemarketing services, customer retention services, cross-selling and customer satisfaction surveys. These services are carried out at calling hours specified by our clients.

Staff Insourcing Service

The Group assigns contact service staff that meets the required qualification and requirements to work at our clients' contact service centres or other designated premises to help our clients in the operation of their contact services or business. We provide our clients with staff to support their activities such as customer service, telemarketing, data entry, helpdesk assistance and other backend projects.

Contact Service Centre Facilities Management Service

The contact service centre facilities management service is comprised of three types of service including (a) leasing of our contact centre facilities in form of workstation, (b) IVRS hosting service and (c) contact centre system hosting solution.

Other than the core business of contact centre services, the Group has explored new business in finance and securities industries with the objective to broaden the Group's revenue basis to enhance our profitability and achieve better return of the Shareholders. The Group has made an application to the Securities and Futures Commission of Hong Kong ("SFC") for license to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities in Hong Kong. Followed approval of the application by the SFC in November 2016, the Group has opened our first securities trading centre in January 2017, and started to operate our new business in the financial sector.

DIRECTORS' INTEREST IN COMPETING BUSINESS

The following Director and his close associate are considered to have interests in the following business, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

Mr. Tang Yiu Sing ("Mr. Tang") is an executive Director and Mr. Tang Shing Bor is a non-executive Director. Mr. Tang is a director and the ultimate beneficial owner of Stan Group (Holdings) Limited ("Stan Group") which is engaged in, among others, the operation of a comprehensive business platform in Hong Kong, including but not limited to co-working space business, and Mr. Tang Shing Bor is the father of Mr. Tang. In this regard, Mr. Tang is considered to have interests in businesses which compete, or is likely to compete, either directly or indirectly, with the businesses of the Group.

In order to further safeguard the interests of the Group, the Risk Management and Internal Control Committee ("RMICC") with the assistant of the working team of RMICC conducted a comprehensive review on the issue of computing business during the year 2016. The members of RMICC and the Board considered that, given the delineation in target customer, image, pricing segment and running model of the co-working space business of Stan Group and the Group's Elite Business Centre, and in particular, Group's Elite Business Centre is located in a grade-A office building targeting multinational corporations and government authorities while the co-working space business of Stan Group is located in a revitalised industrial building targeting entrepreneurs and business start-ups, the potential competition is minimum and the interest of the Group is adequately protected. The co-working space business of Stan Group and the Group's Elite Business Centre is operated and managed by two distinct management teams except for Mr. Tang who as aforementioned is an executive Director and a director of Stan Group.

The RMICC and the management of the Group will continue to review on a regular basis the businesses and operations of the Group to ensure that its business are run on the basis that they are independent of, and at arm's length from, Stan Group.

FINANCIAL REVIEW

The financial performance of the Company was affected by the challenging business environment as stated under the section headed "Business Environment" in this announcement. The profit for the year was dropped to approximately HK$4.8 million for the year ended 31 December 2016 from approximately HK$9.2 million for the year ended 31 December 2015.

REVENUE

The Group recorded an increase in total revenue to approximately HK$146.2 million for the year ended 31 December 2016 from approximately HK$143.6 million for the year ended 31 December 2015, representing an increase of approximately HK$2.6 million as compared to that of last year.

The total outsourcing inbound contact service, outsourcing outbound contact service, staff insourcing service, contact service centre facilities management service and others accounted for approximately 9.0%, 42.9%, 29.3%, 15.0% and 3.8% of the Group's total revenue for the year ended 31 December 2016 respectively.

The following table sets forth the analysis of revenue by business units of our Group for the years ended 31 December 2016 and 2015 respectively:

	Year ended 31 December 2016 *HK$'000*		Year ended 31 December 2015 *HK$'000*	
Outsourcing inbound contact service	**13,201**	**9.0%**	13,440	9.4%
Outsourcing outbound contact service	**62,690**	**42.9%**	64,969	45.2%
Staff insourcing service	**42,795**	**29.3%**	32,279	22.5%
Contact service centre facilities management service	**21,926**	**15.0%**	24,054	16.7%
Others*	**5,552**	**3.8%**	8,870	6.2%
Revenue	**146,164**	**100%**	143,612	100%

* The "Others" segment which principally comprises system maintenance income amounted to approximately HK$1.7 million (2015: approximately HK$1.3 million), licencing and sales of system and software income amounted to approximately HK$3.8 million (2015: approximately HK$7.5 million).

Outsourcing Inbound Contact Service

For the year ended 31 December 2016, the outsourcing inbound contact service segment recorded similar revenue of approximately HK$13.2 million as compared to that of last year. It represents the demand of the outsourcing inbound contact service maintains stable as compare with last year.

Outsourcing Outbound Contact Service

For the year ended 31 December 2016, the outsourcing outbound contact service segment recorded revenue of approximately HK$62.7 million, representing a decrease of approximately 3.5% as compared to that of last year.

Although the challenge comes from call blocking apps and fraudulent calls which have continued to throw obstacles in the way of outbound telemarking services, the Group still maintains stable revenue as compare to that of last year. It attributes to the effectiveness of our training in improving the marketing skills of the contact centre service staff. The stable trend of the revenue of outsourcing outbound contact service represents telemarking is still an acceptable channel in Hong Kong.

Staff Insourcing Service

For the year ended 31 December 2016, the staff insourcing service segment recorded revenue of approximately HK$42.8 million, representing an increase of approximately 32.6% as compared to that of last year.

The stable increasing trend of the revenue of staff insoucing service demonstrates a strong demand of staff insoucing service.

Contact Service Centre Facilities Management Service

For the year ended 31 December 2016, the contact service centre facilities management service segment recorded revenue of approximately HK$21.9 million, representing a decrease of approximately 8.8% as compared to that of last year.

Others

For the year ended 31 December 2016, the Group recorded a revenue in licencing and sales of system and software of approximately HK$3.8 million (2015: approximately HK$7.5 million) and system maintenance income of approximately HK$1.7 million respectively (2015: approximately HK$1.3 million).

SEGMENT RESULT AND GROSS PROFIT MARGIN

The following table sets forth the analysis of segment result and gross profit margin by business units of our Group for the years ended 31 December 2016 and 2015 respectively:

	Year ended 31 December 2016		Year ended 31 December 2015	
	HK$'000		*HK$'000*	
Outsourcing inbound contact service	**2,053**	**15.6%**	2,340	17.4%
Outsourcing outbound contact service	**5,732**	**9.1%**	5,957	9.2%
Staff insourcing service	**5,355**	**12.5%**	3,786	11.7%
Contact service centre facilities management service	**6,175**	**28.2%**	7,354	30.6%
Others	**1,835**	**33.1%**	5,097	57.5%
Total	**21,150**	**14.5%**	24,534	17.1%

The gross profit percentage of our Group decreased from approximately 17.1% for the year ended 31 December 2015 to approximately 14.5% for the year ended 31 December 2016. The overall decrease in segment result and the gross profit margin reflect the impact on the market of contact centre service due to the blocking apps and fraudulent telephone calls.

Outsourcing Inbound Contact Service

The gross profit margin in outsourcing inbound contact service decreased from approximately 17.4% for the year ended 31 December 2015 to approximately 15.6% for the year ended 31 December 2016. The decrease in the segment result is mainly attributable to the increase of staff cost for the year.

Outsourcing Outbound Contact Service

The gross profit margin in outsourcing outbound contact service decreased from approximately 9.2% for the year ended 31 December 2015 to approximately 9.1% for the year ended 31 December 2016. The drop was mainly attributable to the increasing resources spent in coping with the challenge created by the blocking apps, fraudulent telephone calls and the increase of the employee salary and benefits of the contact centre service staff.

Staff Insourcing Service

The gross profit margin in staff insourcing service increased from approximately 11.7% for the year ended 31 December 2015 to approximately 12.5% for the year ended 31 December 2016. The increase in the gross profit margin reflects the effectiveness of our training program in improving the productivity of our outsourcing contact centre service staff.

Contact Service Centre Facilities Management Service

The gross profit margin in contact service centre facilities management service slightly decreased from approximately 30.6% for the year ended 31 December 2015 to approximately 28.2% for the year ended 31 December 2016. The decrease in gross profit margin in this segment represents the increase of the overhead cost for the year.

Others

The "Others" segment principally comprises sale of system and software, licence service fee income and maintenance fee of WISE-xb Contact Centre System. The decrease in segment result mainly attributable to lower margin products sold to the customers as compared to that of last year.

EXPENSES

During the year under review, the employee benefits expenses increased from approximately HK$81.0 million for the year ended 31 December 2015 to approximately HK$82.9 million for the year ended 31 December 2016. The increase of employee benefit expenses was mainly due to the increase of employment of outsourcing staff for providing the staff insourcing services.

The Group recorded other operating expenses amounted to approximately HK$47.0 million (2015: approximately HK$41.1 million). The other operating expenses to sales ratio increased from approximately 28.6% for the year ended 31 December 2015 to approximately 32.2% for the year ended 31 December 2016. The increase of the other operating expenses is mainly due to the increase of insourcing fee expenses and subcontracting charges for meeting the needs of the demand of staff insourcing service and outsourcing outbound contract service respectively.

The Group's depreciation and amortization expenses increased from approximately HK$8.3 million for the year ended 31 December 2015 to approximately HK$9.8 million for the year ended 31 December 2016 which was mainly due to the increase of the capital expenditure incurred for our new office.

The Group's finance costs decreased to approximately HK$0.5 million for the year ended 31 December 2016 from approximately HK$0.6 million for the year ended 31 December 2015.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The Group's profit attributable to owners of the Company decreased from approximately HK$9.2 million for the year ended 31 December 2015 to approximately HK$4.8 million for the year ended 31 December 2016. The decrease in profit attributable to owners of the Company was mainly due to the increase of employee benefits expenses and the increase of other operating expenses.

AWARDS AND CERTIFICATION

Our Group has successfully renewed and attained the ISO 27001 certification in Information Security Management System in order to minimize any potential risk in relation to data security and demonstrate our commitment to comply with the international information security management standards.

Our Group also renewed and awarded with the ISO 9001:2008 Quality Management System Certificate in design and provision of telemarketing and 24-hour customer service hotline.

PROSPECT

Following more and more stringent data privacy policies and information security regulations, the relevant requirements and cost for operating outsourcing services will become higher and higher. In spite of the unfavourable factors, the need to meeting higher operating standards has, at the same time, differentiated our services from that of our competitors, and in turn enhanced our competitiveness in the outsourcing market. With the continual effort in maintaining our operation and information security service levels, the Group is confident to stay as one of the most preferred outsourcing service providers in the market.

Practical progress has been made in the advancement on our proprietary contact centre system to the cloud platform through the Software as a Service ("SaaS") model. The new platform will allow the Company to offer our WISE-xb Contact Centre System not only as a customized system solution, but also through a software distribution model on the Internet that can be marketed to anywhere in the world. The management anticipated that the initial development of the new model will be finished within 2017, and the Group will be able to enjoy the economic benefit from then on.

Followed the opening of our first securities trading centre in January 2017, the Group has started our new financial business and anticipates to have revenue generated from brokerage commission, interest income generated from margin lending and discretionary account services including investment policy addressing, asset allocation and trade execution on the client behalf. In the coming future, the Group will seek to further develop other financial products and services in order to expand our service scopes and coverage. Although there are worries of the financial market which may face a number of uncertainties in the year to come, the Group expects impact on our target group of high net-worth customers will not be significant. As a major international financial centre, the management of the Group believes Hong Kong will continue to play an important role in the capital market, and is confident in driving long-term solid growth in the new business.

DIVIDEND

During the year under review, the Group did not declare any dividend for the year.

The Board has resolved to recommend the payment of a final dividend of HK0.40 cents per ordinary share for the year ended 31 December 2016 (2015: HK0.96 cents) on or about 18 May 2017 (Thursday) to the shareholders of the Company whose names recorded on the register of members of the Company as at 12 May 2017 (Friday).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 10 May 2017 (Wednesday) to 12 May 2017 (Friday) (both days inclusive) during which period no transfers of Shares would be registered. In order to qualify for the final dividend, all transfer of Shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 9 May 2017 (Tuesday).

LIQUIDITY AND FINANCIAL POSITION

The Group adheres to a prudent financial management policy and has a healthy financial position. During the year under the review, the Group financed our operations with internally generated cash flows and banking facilities provided by the banks.

As at 31 December 2016, the Group had net current asset of approximately HK$92.8 million (2015: approximately HK$95.0 million) including cash and bank balances of approximately HK$47.2 million (2015: approximately HK$31.9 million).

As at 31 December 2016, the Group's current ratio (current assets/current liabilities) and gearing ratio were 5.1 (2015: 6.8) and 5.1% (2015: 1.4%) respectively. The gearing ratio was defined as the borrowings divided by the total assets.

The Group had interest-bearing loan approximately HK$6.8 million (2015: approximately HK$1.7 million). The debt-to-equity ratio (total loans/total equity) was 6.1% (2015: 1.6%).

PLEDGE OF ASSETS

As at 31 December 2016, the Group had pledged its bank deposits of approximately HK$4.8 million (2015: approximately HK$4.8 million) and had pledged investment fund amounted to approximately HK$7.1 million (2015: approximately HK$6.6 million) to secure its banking facilities and trade receivables financing.

FOREIGN EXCHANGE EXPOSURE

Substantially all the revenue-generating operations of the Group were transacted in HK$ during the year under review which is the functional currency of the Company and the presentation currency of the Group. The Group therefore does not have significant foreign exchange risk.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The Group had no significant contingent liabilities as at 31 December 2016 (2015: Nil). As at 31 December 2016, there was no capital commitments outstanding but not provided for in the financial statements (2015: Nil).

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this announcement, there were no significant investments held as at 31 December 2016, nor were there material acquisitions and disposals of subsidiaries during the year. There was no plan for material investments or capital assets as at 31 December 2016.

PURCHASE, SALES 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 year ended 31 December 2016.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company comprising Mr. Wong Kam Tai (Chairman), Mr. Wong Sik Kei and Mr. Cheung Kong Ting, all being independent non-executive Directors, had reviewed the audited consolidated results of the Group for the year ended 31 December 2016.

CORPORATE GOVERNANCE

For the year ended 31 December 2016, the Company has complied with all the code provisions as set out in the Corporate Governance Code (the "CG Code") in Appendix 15 of the GEM Listing Rules except for the code provisions A.6.2(a) of the CG Code, details of which are set out below.

According to code provision A.6.2(a) of the CG Code, the functions of non-executive directors should include participating in board meetings to bring an independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct. During the year under review, Mr. Tang Shing Bor, a non-executive Director, was absent from seven board meetings due to other important engagement in the relevant times and was not entitled to attend one board meeting for considering transactions in which he has material interest.

The Company continues to enhance its corporate governance practices appropriate to the conduct and growth of its business, and to review and improve such practices from time to time to ensure that business activities and decision making processes are regulated in a proper and prudent manner in accordance with international best practices.

The Directors acknowledged their responsibility for preparing the annual financial statements for the year ended 31 December 2016 and each Director participated in the Company's operation pursuant to their established terms of reference and contributed to the success of the Company.

CODE OF CONDUCT FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by 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 with the Directors (including Mr. Yung Kai Tai, a former Director who was in office during the year under review, and excluding Mr. Ngan Chi Keung who passed away on 15 October 2016 and Mr. Wong Kam Tai who was newly appointed as Director on 12 January 2017) all such Directors confirmed that they had complied with the required standard of dealings concerning securities transactions by the Directors throughout the year ended 31 December 2016.

APPRECIATION

The Board would like to take this opportunity to express their thanks and gratitude to the Group's management and staff who dedicated their endless efforts and devoted services, and to our shareholders, suppliers, clients and bankers for their continuous support.

By Order of the Board
ETS Group Limited
Tang Yiu Sing
Executive Director and Chief Executive Officer

Hong Kong, 16 March 2017

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

This announcement 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.