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ETS GROUP LIMITED

易通訊集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8031)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

**CHARACTERISTICS OF 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 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 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 SUMMARY

The Group's total revenue for the six months ended 30 June 2020 was approximately HK\$54,506,000, representing a decrease of approximately 22.7% as compared with the total revenue of approximately HK\$70,531,000 for the corresponding period in 2019.

Profit attributable to owners of the Company for the six months ended 30 June 2020 was approximately HK\$1,376,000, representing a decrease of approximately 75.9% as compared with the profit attributable to owners of the Company of approximately HK\$5,717,000 for the corresponding period in 2019.

Earnings per share for the six months ended 30 June 2020 was approximately HK0.5 cents (six months ended 30 June 2019: HK2 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 2020 together with the comparative figures for the corresponding periods ended 30 June 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months and six months ended 30 June 2020

		Three months ended 30 June		Six months ended 30 June	
		2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)
	<i>Notes</i>				
Revenue	3	24,131	33,908	54,506	70,531
Other income		1,144	245	1,185	283
Other gains		63	–	42	2
Employee benefits expenses	4	(18,417)	(21,779)	(40,210)	(46,320)
Depreciation and amortization		(3,161)	(4,539)	(6,335)	(6,296)
Other operating expenses		(3,248)	(3,604)	(7,203)	(10,809)
Operating profit		512	4,231	1,985	7,391
Finance costs		(123)	(266)	(221)	(328)
Profit before tax	5	389	3,965	1,764	7,063
Income tax expense	6	(116)	(782)	(388)	(1,346)
Profit for the period		273	3,183	1,376	5,717
Total comprehensive income for the period		273	3,183	1,376	5,717
Profit attributable to owners of the Company		273	3,183	1,376	5,717
Total comprehensive income attributable to owners of the Company		273	3,183	1,376	5,717
Earnings per share attributable to owners of the Company – Basic and diluted (<i>HK cents</i>)	8	0.1	1.1	0.5	2

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2020

		As at 30 June 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (unaudited)
	Notes		
Non-current assets			
Property, plant and equipment		4,548	5,509
Right-of-use assets		8,435	12,379
Intangible assets		12,365	10,236
Deferred income tax assets		805	805
Other assets		205	205
		<u>26,358</u>	<u>29,134</u>
Current assets			
Contract assets		1,521	8,624
Trade and other receivables	9	50,612	47,024
Financial assets designated as at fair value through profit or loss		1,494	–
Tax recoverable		–	127
Amounts due from related companies		11,533	–
Pledged bank deposits		9,100	9,080
Bank trust account balances		12,596	9,823
Cash and cash equivalents	10	55,523	57,899
		<u>142,379</u>	<u>132,577</u>
Current liabilities			
Contract liabilities		408	1,931
Trade and other payables	11	30,285	26,176
Amounts due to related companies		81	13
Current income tax liabilities		1,499	1,964
Borrowings		9,000	5,000
Lease liabilities		3,910	3,381
		<u>45,183</u>	<u>38,465</u>
Net current assets		<u>97,196</u>	<u>94,112</u>
Total assets less current liabilities		<u>123,554</u>	<u>123,246</u>

		As at 30 June 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (unaudited)
	<i>Note</i>		
Non-current liabilities			
Deferred income tax liabilities		91	91
Lease liabilities		917	1,985
		1,008	2,076
Net assets		122,546	121,170
Equity attributable to the owners of the Company			
Share capital	12	2,800	2,800
Share premium		25,238	25,238
Reserves		94,508	93,132
Total equity		122,546	121,170

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2020

	Attributable to owners of the Company				
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
Balance as at 31 December 2018 (restated)(audited) and 1 January 2019	2,800	25,238	25,624	59,917	113,579
Profit for the period	–	–	–	5,717	5,717
Other comprehensive income for the period	–	–	–	–	–
Total comprehensive income for the period	–	–	–	5,717	5,717
Interim dividend paid	–	–	–	–	–
Balance at 30 June 2019 (unaudited)	2,800	25,238	25,624	65,634	119,296
Balance as at 31 December 2019 (audited) and 1 January 2020	2,800	25,238	25,624	67,508	121,170
Profit for the period	–	–	–	1,376	1,376
Other comprehensive income for the period	–	–	–	–	–
Total comprehensive income for the period	–	–	–	1,376	1,376
Interim dividend paid	–	–	–	–	–
Balance at 30 June 2020 (unaudited)	2,800	25,238	25,624	68,884	122,546

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)*For the six months ended 30 June 2020*

	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Net cash used in operating activities	(645)	(11,266)
Net cash used in investing activities	(3,567)	(533)
Net cash generated from/(used in) financing activities	<u>1,836</u>	<u>(249)</u>
Net decrease in cash, cash equivalents and bank overdrafts	(2,376)	(12,048)
Cash, cash equivalents and bank overdrafts at beginning of the period	<u>57,899</u>	<u>47,848</u>
Cash, cash equivalents and bank overdrafts at end of the period	<u><u>55,523</u></u>	<u><u>35,800</u></u>

NOTES TO THE FINANCIAL INFORMATION

For the six months ended 30 June 2020

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 2019.

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 2020, 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 and service centre facilities management services;
- (e) Financial services which principally comprises commission income from broker business, asset management services and credit finance; and
- (f) The “Others” segment which principally comprises sales of system and software, license service fee income and system maintenance fee income.

For the six months ended 30 June 2020

	Outsourcing inbound contact service <i>HK\$'000</i> (unaudited)	Outsourcing outbound contact service <i>HK\$'000</i> (unaudited)	Staff insourcing service <i>HK\$'000</i> (unaudited)	Contact service centre facilities management service <i>HK\$'000</i> (unaudited)	Financial service <i>HK\$'000</i> (unaudited)	Others <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
Segment revenue	<u>5,352</u>	<u>8,253</u>	<u>22,458</u>	<u>7,467</u>	<u>8,451</u>	<u>2,525</u>	<u>54,506</u>
Segment results	369	355	1,413	1,061	2,257	673	6,128
Depreciation and amortization	<u>883</u>	<u>553</u>	<u>–</u>	<u>2,208</u>	<u>1,039</u>	<u>875</u>	<u>5,558</u>
Total segment assets	<u>5,457</u>	<u>10,120</u>	<u>13,595</u>	<u>10,214</u>	<u>36,584</u>	<u>3,734</u>	<u>79,704</u>
Total segment assets includes: Assets (other than financial instruments)	<u>356</u>	<u>222</u>	<u>–</u>	<u>888</u>	<u>11</u>	<u>679</u>	<u>2,156</u>
Total segment liabilities	<u>2,098</u>	<u>691</u>	<u>3,067</u>	<u>2,638</u>	<u>21,779</u>	<u>1,593</u>	<u>31,866</u>

For the six months ended 30 June 2019

	Outsourcing inbound contact service <i>HK\$'000</i> (unaudited)	Outsourcing outbound contact service <i>HK\$'000</i> (unaudited)	Staff insourcing service <i>HK\$'000</i> (unaudited)	Contact service centre facilities management service <i>HK\$'000</i> (unaudited)	Financial service <i>HK\$'000</i> (unaudited)	Others <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
Segment revenue	<u>6,108</u>	<u>17,793</u>	<u>29,131</u>	<u>3,709</u>	<u>11,302</u>	<u>2,488</u>	<u>70,531</u>
Segment results	639	1,705	2,911	795	4,339	542	10,931
Depreciation and amortization	<u>531</u>	<u>1,654</u>	<u>–</u>	<u>937</u>	<u>1,746</u>	<u>707</u>	<u>5,575</u>
Total segment assets	<u>4,372</u>	<u>24,033</u>	<u>15,012</u>	<u>5,120</u>	<u>45,615</u>	<u>3,194</u>	<u>97,346</u>
Total segment assets includes: Assets (other than financial instruments)	<u>242</u>	<u>754</u>	<u>–</u>	<u>427</u>	<u>2</u>	<u>668</u>	<u>2,093</u>
Total segment liabilities	<u>1,773</u>	<u>4,994</u>	<u>3,890</u>	<u>629</u>	<u>23,775</u>	<u>2,118</u>	<u>37,179</u>

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

	Six months ended	
	30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Segment result for reportable segments	6,128	10,931
Unallocated:		
Other income	1,185	283
Other (losses)/gains – net	(2)	2
Depreciation and amortization	(777)	(83)
Finance costs	(164)	(328)
Corporate and other unallocated expenses	(4,606)	(3,742)
Profit before tax	1,764	7,063

4. EMPLOYEE BENEFITS EXPENSES

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Salaries and allowances	18,655	21,814	40,502	46,376
Pension costs – defined contribution plans	780	953	1,743	2,046
Total employee benefits expenses, including Directors' remuneration	19,435	22,767	42,245	48,423
Less: Amounts capitalized in deferred development costs	(1,018)	(988)	(2,035)	(2,103)
	18,417	21,779	40,210	46,320

5. PROFIT BEFORE INCOME TAX

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit before tax is stated after charging:				
Depreciation of owned property, plant and equipment	496	2,146	1,080	1,518
Depreciation of right-of use assets	1,636	1,414	3,206	2,827
Amortization of intangible assets	1,029	979	2,049	1,951
Total depreciation and amortization	<u>3,161</u>	<u>4,539</u>	<u>6,335</u>	<u>6,296</u>
Research and development costs	<u>1,029</u>	<u>979</u>	<u>2,049</u>	<u>1,951</u>

6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at a rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong for the six months period ended 30 June 2020. Taxation on overseas profits has been calculated on the estimated assessable profit for the six months period ended 30 June 2020 at the rates of taxation prevailing in the countries in which the Group operates.

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current income tax	116	782	388	1,346
Deferred income tax	—	—	—	—
	<u>116</u>	<u>782</u>	<u>388</u>	<u>1,346</u>

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 2020 (2019: nil).

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2020 is based on (i) the unaudited consolidated profit attributable to the owners of the Company of approximately HK\$1,376,000 (six months ended 30 June 2019: approximately HK\$5,717,000) and (ii) the weighted average number of 280,000,000 ordinary shares issued during the six months ended 30 June 2020 (during the six months ended 30 June 2019: 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 2020 and 2019.

9. TRADE AND OTHER RECEIVABLES

	As at 30 June 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (audited)
Trade receivables		
Amounts receivables arising from multi-media contact services and contact centre system	25,950	27,066
Amounts receivables arising from financial services business		
– Clients-margin	–	2,197
– Clearing house	6,544	6,250
Loan receivable	8,515	5,038
Less: loss allowance	(1,257)	(1,257)
Trade receivables – net	39,752	39,294
Other receivables, deposits and prepayments	10,889	7,759
Less: loss allowance	(29)	(29)
	10,860	7,730
	50,612	47,024

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 2020 <i>HK\$'000</i> (unaudited)	As at 31 December 2019 <i>HK\$'000</i> (audited)
0–30 days	11,852	10,500
31–60 days	3,520	3,021
61–90 days	2,985	2,800
Over 90 days	7,593	9,637
	<u>25,950</u>	<u>25,958</u>

10. 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.

11. TRADE AND OTHER PAYABLES

	As at 30 June 2020 <i>HK\$'000</i> (unaudited)	As at 31 December 2019 <i>HK\$'000</i> (audited)
Trade payables	1,426	2,486
Amounts payables arising from financial services business		
– Clients-cash	11,784	6,992
– Clients-margin	754	3,582
– Clearing house	6,598	5,496
Other payables and accruals	9,723	7,620
	<u>30,285</u>	<u>26,176</u>

As at 30 June 2020, the aging analysis of the trade payables based on invoice date is as follows:

	As at 30 June 2020 <i>HK\$'000</i> (unaudited)	As at 31 December 2019 <i>HK\$'000</i> (audited)
0–30 days	687	1,260
31–60 days	342	761
61–90 days	209	227
Over 90 days	188	238
	<u>1,426</u>	<u>2,486</u>

12. 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 2019 and 30 June 2020	5,000,000,000	50,000
Issued and fully paid up share capital	280,000,000	2,800
As at 31 December 2019 and 30 June 2020	280,000,000	2,800

13. 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	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Always Beyond Limited	Repayment of Lease liabilities/ Premise rental expenses	319	266	531	443
East Ocean Food (Hong Kong) Limited	Seasonal event expense	–	2	–	2
H.K. Sources Finance Limited	System maintenance income	–	–	(26)	(78)
Jiayuan Stangroup Development Company Limited	Asset management services income	(2,076)	(5,345)	(3,275)	(8,707)
Pacific Paradise Development Limited	Advisory services income	(1,500)	(350)	(3,000)	(350)
Stan Group (Holdings) Limited	Repayment of Lease liabilities/ Premise rental expenses	–	654	–	1,308
	Seasonal event expense	8	26	11	35
	Facilities management services income	–	(155)	–	(344)
	Insourcing service income	–	(285)	–	(675)
	Inbound service income	(74)	(162)	(74)	(162)
Trueguard Management Limited	Cleaning expense	2	–	4	–
Supreme Leader Limited	Premise rental expenses	38	–	38	–

Key management personnel compensation

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Salaries and short-term employee benefits	135	135	270	270
Post employment benefits	2	2	3	3
	<u>137</u>	<u>137</u>	<u>273</u>	<u>273</u>

14. CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at 30 June 2020.

15. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The unaudited condensed consolidated interim financial information was approved by the Board on 4 August 2020.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2020 (2019: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

The first half year of 2020 proved to be one of the most challenging interim period in the history of the Company. The coronavirus-19 (“COVID-19”) outbreak has further deteriorated the local business conditions, which brought economics activities to a near halt and commercial progress to a significant slowdown. During the period, the Government has introduced a series of anti-epidemic subsidy schemes to stimulate and support both local businesses as well as individuals amid the crisis.

The Company has continuously maintained its operation running during the review period, by imposing various hygiene measures and anti-epidemic policies to address environmental safety issues in the workplace. As a contingency measure, the Company has endeavoured to put in place appropriate business continuity arrangements in order to cope with any emergency or outbreak.

Dire local economy under the persisting epidemic together with tensions in international relationship directly and indirectly linked to Hong Kong, have manifested a highly unfavourable business environment in general as to some of our clients as well as the Company. Contact centre services were affected to different extents with some temporarily suspended and to be resumed at a later date while a few were discontinued for the time being. While on the other hand, new services had been kicked started during the period which contributed to the overall performance of different business segments.

The combination of a yet to be contained COVID-19 worldwide pandemic and the local political mayhem plus the US financial sanction threats on Hong Kong, made the financial market highly volatile in the year. Although the equities market seemed undeterred by the looming risks of the COVID-19 spread and staged a rebound in the second quarter, the economic uncertainty dampens investment sentiment and imposes a negative impact on our financial businesses and potential negotiations. The Group recorded a decline in our financial business segment despite our advisory services related to various financial instruments and investment strategies for our clients had not been affected.

Under the circumstances, the Group recorded a notable net decrease in financial results during the period as compared with that of last year under review. In the near future, the Group believed much uncertainty still looms over the remaining half of the financial year, which might continue to exert pressure on our business growth. In view of this, the management will keep focus on our core competence to maintain a stable business in the short term, while at the same time strengthen and consolidate our resources to better prepare ourselves for opportunities upon recovery of the economy.

Listed financial assets designated as at fair value through profit or loss

Description of the investments	Number of shares held as at 30 June 2020	Carrying amount as at 30 June 2020 HK\$ (approximate)
Tracker Fund (stock code: 2800)	<u>60,000</u>	<u>1,494,000</u>

During the sixth-month ended 30 June 2020, the Group had acquired 60,000 Tracker Fund listed shares (stock code: 2800) (“Listed shares”). As at 30 June 2020, the Group held 60,000 Tracker Fund listed shares which amount to carrying amount of approximately HK\$1,494,000. The principal purpose of the Company of the acquisition of the Listed shares is to enhance return by utilising the idle cash of the Company. During the sixth-month ended 30 June 2020, the Group had received dividend in the amount of approximately HK\$5,013 from its investment in Tracker Fund listed shares. For the sixth-month ended 30 June 2020, the Group had recognised gain amounted approximately HK\$44,000 of its investment in Tracker Fund listed shares. As the applicable percentage ratios of the acquisition of the Listed shares under the GEM Listing Rules are less than 5%, the acquisition of the Listed shares does not constitute a notifiable transaction on the part of the Company pursuant to Chapter 19 of the GEM Listing Rules.

FINANCIAL REVIEW

For the six months ended 30 June 2020, the Group’s unaudited total revenue was approximately HK\$54.5 million, representing a decrease of approximately HK\$16 million as compared with the total revenue of the corresponding period in 2019 (six months ended 30 June 2019: approximately HK\$70.5 million).

The gross profit margin of the Group decreased from approximately 15.5% for the six months ended 30 June 2019 to approximately 11.2% for the six months ended 30 June 2020. Profit attributable to owners of the Company decreased by approximately 75.9% from approximately HK\$5.7 million for the six months ended 30 June 2019 to approximately HK\$1.4 million for the six months ended 30 June 2020. The decrease of the gross profit margin and the net profit of the Group are mainly attributable to the decrease of revenue for the period under review.

REVENUE AND SEGMENT RESULT

Outsourcing Inbound Contact Service

For the six months ended 30 June 2020, the outsourcing inbound contact service recorded a revenue of approximately HK\$5.4 million, representing a decrease of approximately 12.4% as compared to that of the corresponding period in 2019 (2019: approximately HK\$6.1 million). The segment results for the six months ended 30 June 2020 was approximately HK\$0.4 million. (2019: approximately HK\$0.6 million). The gross profit margin for outsourcing inbound contact service decreased from approximately 10.5% for the six months ended 30 June 2019 to approximately 6.9% for the six months ended 30 June 2020.

The decrease in revenue from the outsourcing inbound contact service was mainly attributed to services suspended or downsized as compared to that of last year due to decrease in service demand during the period. Following the decrease of the turnover of the outsourcing inbound contact service, the gross profit margin was dropped as compared to that of the corresponding period in 2019.

Outsourcing Outbound Contact Service

For the six months ended 30 June 2020, the outsourcing outbound contact service recorded a revenue of approximately HK\$8.3 million, representing a decrease of approximately 53.6% as compared to that of the corresponding period in 2019 (2019: approximately HK\$17.8 million).

The segment results for the six months ended 30 June 2020 was approximately HK\$0.4 million (2019: approximately HK\$1.7 million). The gross profit margin for outsourcing outbound contact service decreased from approximately 9.6% for the six months ended 30 June 2019 to approximately 4.3% for the six months ended 30 June 2020.

The decrease in the revenue of outsourcing outbound contact service was mainly due to service termination of a small number of major clients under the current unfavourable business environment and the decrease of the gross profit margin of the outsourcing outbound contact service during the period is mainly due to the decrease in profit resulted from the decrease in revenue.

Staff Insourcing Service

For the six months ended 30 June 2020, the staff insourcing service segment recorded a revenue of approximately HK\$22.5 million, representing a decrease of approximately 22.9% as compared to that of the corresponding period in 2019 (2019: approximately HK\$29.1 million).

The segment results of staff insourcing service for the six months ended 30 June 2020 was approximately HK\$1.4 million. (2019: approximately HK\$2.9 million). The gross profit margin for staff insourcing service decreased from approximately 10% for the six months ended 30 June 2019 to approximately 6.3% for the six months ended 30 June 2020.

The decrease in revenue from the staff insourcing service was mainly attributed to a decreasing demand of staff insourcing service from the existing clients during the period. The decrease in gross profit margin for the staff insourcing service was mainly attributed to the adjustment in pricing strategy for some of the services.

Contact Service Centre Facilities Management Service

For the six months ended 30 June 2020, the contact service centre facilities management service recorded revenue of approximately HK\$7.5 million, representing an increase of approximately 101.3% as compared to that of the corresponding period in 2019 (2019: approximately HK\$3.7 million). The increase of revenue of contact service centre facilities management service mainly generated from several new clients.

The segment results for the six months ended 30 June 2020 was approximately HK\$1.1 million. (2019: approximately HK\$0.8 million). The gross profit margin for contact service centre facilities management service slightly decreased from approximately 21.5% for the six months ended 30 June 2019 to approximately 14.2% for the six months ended 30 June 2020.

The increase in revenue from the Contact Service Centre Facilities Management Service was mainly attributed to a number of new clients and expanded services partly as a result of epidemic crisis contingency arrangements during the period. The decrease in gross profit margin for the facilities management service was mainly due to an adjustment in pricing structure for soliciting the new business under the adverse economic conditions.

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 2020, the Group recorded revenue of financial services amounted to approximately HK\$8.5 million (2019: approximately HK\$11.3 million). The Group recorded a gross profit margin for financial services approximately 26.7% for the six months ended 30 June 2020 as compared to the gross profit margin of approximately 38.4% for the six months ended 30 June 2019.

The decrease of both of the revenue and gross profit margin of financial services is mainly due to the decrease in the volume of assets under management during the period.

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 2020, the Group recorded revenue of Other Services related to Wise amounted to approximately HK\$2.5 million (2019: approximately HK\$2.5 million).

The Group recorded the gross profit margin in the segment of Other Services related to Wise amounted to approximately HK\$0.7 million for the six months ended 30 June 2020 as compared to the gross profit margin of approximately HK\$0.5 million for the six months ended 30 June 2019. The increase in gross profit was mainly due to the increase in system sales with the inclusion of multi-media licenses.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company decreased by approximately 75.9% from approximately HK\$5.7 million for the six months ended 30 June 2019 to approximately HK\$1.4 million for the six months ended 30 June 2020. The decrease of profit is mainly attributed to the decrease of revenue of both comprehensive multi-media contact services and contact centre system and financial services.

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 2020 except for the code provision A.6.2(a) of the Code, details of which are set out below.

According to code provision A.6.2(a) of the 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 period under review, Mr. Tang Shing Bor, the Chairman and a non-executive Director of the Company, was absent from two board meetings held and one of the absences was due to a conflict with interests in the transaction discussed at the relevant meeting.

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 2020.

SHARE OPTION SCHEME

During the six months ended 30 June 2020, no share option was granted, exercised, expired or lapsed under the share option scheme approved on 21 December 2011 (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 2020 was any of the Company or any associated corporation a party to any arrangement to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age 18, had any right to subscribe for the Shares in, or debentures of, the Company, or had exercised any such rights.

NON-COMPETITION UNDERTAKING

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

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

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

insourcing and financial services engaged by the Group and the money lending business engaged by the Group through Gear Credit and/or other member(s) of the Group in Hong Kong and any other country or jurisdiction to which the Group markets, supplies or otherwise provides such service and/or in which any members of the Group carries on business mentioned above from time to time (the “Restricted Business”).

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

As disclosed in the Company’s 2019 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 2019.

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 2020.

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 2020, 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 2020
Mr. Tang Shing Bor	Interest in a controlled corporation	Corporate interest	210,000,000 (Note)	75%

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

Save as disclosed above, as at 30 June 2020, 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 2020, 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	Approximate percentage of the issued share capital of the Company as at 30 June 2020	
		Number of Shares/ underlying Shares held	
Million Top Enterprises Limited (<i>Note</i>)	Beneficial owner	210,000,000	75%

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

Save as disclosed above, as at 30 June 2020, 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 2020 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 2020.

By order of the Board

ETS Group Limited

Tang Yiu Sing

Executive Director and Chief Executive Officer

Hong Kong, 4 August 2020

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

This 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.