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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017 was approximately HK$146,591,000 representing an increase of approximately 0.3% as compared to that of approximately HK$146,164,000 in 2016.

Profit attributable to owners of the Company for the year ended 31 December 2017 was approximately HK$1,115,000 representing a decrease of approximately 76.8% as compared to that of approximately HK$4,814,000 in 2016.

Earnings per share for the year ended 31 December 2017 was HK0.4 cents (2016: HK1.7 cents).

The board of Directors does not recommend a final dividend for the year ended 31 December 2017 (2016: HK0.40 cents).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	3	**146,591**	146,164
Other income		**527**	649
Other gains/(losses) – net		**1,312**	(180)
Employee benefits expenses		**(88,848)**	(82,905)
Depreciation and amortization		**(8,887)**	(9,825)
Other operating expenses		**(47,552)**	(47,002)
Operating profit		**3,143**	6,901
Finance costs		**(469)**	(515)
Profit before tax	4	**2,674**	6,386
Income tax expense	5	**(1,559)**	(1,572)
Profit for the year		**1,115**	4,814
Profit attributable to owners of the Company		**1,115**	4,814
Other comprehensive income for the year			
Item that may be reclassified subsequently to profit or loss			
Available-for-sale financial asset:			
– Gain arising on change in fair value		**500**	–
Other comprehensive income for the year		**500**	–
Total comprehensive income for the year		**1,615**	4,814
Total comprehensive income for the year attributable to owners of the Company		**1,615**	4,814
Earnings per share attributable to owners of the Company – Basic and diluted (HK cents)	6	**0.4**	1.7

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment		**6,330**	10,041
Intangible assets		**7,801**	7,864
Investment in an associate		**–**	–
Available-for-sale financial asset		**10,900**	–
Derivative financial instrument		**700**	–
Deferred income tax assets		**690**	686
Other assets		**205**	–
		26,626	18,591
Current assets			
Trade and other receivables	7	**61,816**	44,639
Financial assets designated as at fair value through profit or loss		**7,026**	7,054
Amount due from an associate		**10,609**	10,576
Amounts due from related companies		**208**	154
Pledged bank deposits		**5,265**	4,797
Current income tax recoverable		**–**	849
Bank trust account balances		**8,235**	–
Cash and cash equivalents		**28,552**	47,218
		121,711	115,287
Current liabilities			
Trade and other payables	8	**23,543**	16,105
Amounts due to related companies		**22**	–
Current income tax liabilities		**634**	–
Borrowings		**12,537**	6,366
		36,736	22,471
Net current assets		**84,975**	92,816
Total assets less current liabilities		**111,601**	111,407

	Notes	**2017** *HK$'000*	2016 *HK$'000*
Non-current liabilities			
Deferred income tax liabilities		**180**	353
Borrowings		**281**	409
		461	762
Net assets		**111,140**	110,645
Equity attributable to the owners of the Company			
Share capital	9	**2,800**	2,800
Share premium		**25,238**	25,238
Reserves		**83,102**	82,607
Total equity		**111,140**	110,645

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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, contact centre system and financial services 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 Growth Enterprises Market of The Stock Exchange of Hong Kong Limited (the "**GEM**") with effect from 9 January 2012.

As at 31 December 2017, 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 on 15 March 2018.

2. SIGNIFICANT ACCOUNTING POLICES

The Group has consistently adopted the HKFRSs, Hong Kong Accounting Standards ("**HKASs**"), amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") which are effective for the accounting periods beginning on 1 January 2017.

Certain new accounting standards, amendments to existing standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Group:

Standards	**Subject of amendment**	**Effective for annual periods beginning on or after**
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
HKFRS 9 *(Note (i))*	Financial Instruments	1 January 2018
HKFRS 15 *(Note (ii))*	Revenue from Contracts with Customers	1 January 2018
Amendments to HKFRS 15 *(Note (ii))*	Clarifications to HKFRS 15	1 January 2018
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to HKAS 40	Transfers of Investment Property	1 January 2018
Amendments to HKFRS 1 and HKAS 28	Annual Improvements 2014–2016 Cycle	1 January 2018
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle	1 January 2019
HKFRS 16 *(Note (iii))*	Leases	1 January 2019
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group's assessment of the impact of these new standards, amendments to existing standards and interpretations is set out below.

(i) HKFRS 9, "*Financial Instruments*"

Nature of change

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

The Group has assessed that its financial assets currently measured at amortized cost and fair value through profit or loss ("**FVTPL**") will continued with their classification and measurements upon the adoption of HKFRS 9.

The other financial assets held by the Group include equity instruments currently classified as available-for-sale financial asset ("**AFS**") for which a fair value through other comprehensive income ("**FVOCI**") election is available.

Accordingly, the Group does not expect the new guidance to affect the classification and measurement of these financial assets. However, gains or losses realized on the sale of financial assets at FVOCI will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the FVOCI reserve to retained profits.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 "*Financial Instruments: Recognition and Measurement*" and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. While the Group does not involve any hedging, it does not expect a significant impact on the accounting for its hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("**ECL**") rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortized cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 "*Revenue from Contracts with Customers*", lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group does not expect significant impact on the results and financial position of Group.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Date of adoption by the Group

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

(ii) HKFRS 15, "*Revenue from contracts with customers*"

Nature of change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 "*Revenue*" which covers contracts for goods and services and HKAS 11 "*Construction Contracts*" which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

Management has assessed the effects of applying the new standard on the Group's financial statements and does not expect a significant impact on the recognition of revenue.

Date of adoption by the Group

The adoption of this new standard is mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption, if any, will be recognized in retained earnings as of 1 January 2018 and that comparatives will not be restated.

(iii) HKFRS 16, "*Leases*"

Nature of change

HKFRS 16 was issued in January 2016. It 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.

Impact

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$8,930,000. The Group estimates those related to payments for short-term and low value lease which will be recognized on straight-line basis as an expense in profit or loss are insignificant.

The Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognized on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

Date of adoption by the Group

The adoption of this 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. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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 and service centre facilities management service; and

(e) The "Others" segment which principally comprises licencing, sales of system and software, system maintenance and provision of financial services including securities broking.

The segment information provided to the board of directors for the reportable segments for the years ended 31 December 2016 and 2017 are as follows:

For the year ended 31 December 2017

	Outsourcing inbound contact service *HK$'000*	Outsourcing outbound contact service *HK$'000*	Staff insourcing service *HK$'000*	Contact service centre and service centre facilities management service *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenue	10,512	66,416	50,425	14,836	4,402	146,591
Segment results	1,077	7,304	6,582	1,051	(4,239)	11,775
Depreciation and amortization	248	3,159	–	2,787	2,496	8,690
Total segment assets	7,505	35,071	19,199	7,872	15,716	85,363
Total segment assets includes: Additions to non-current assets (other than financial instruments)	120	1,528	–	1,348	2,222	5,218
Total segment liabilities	143	4,185	3,072	1,436	9,256	18,092

For the year ended 31 December 2016

	Outsourcing inbound contact service *HK$'000*	Outsourcing outbound contact service *HK$'000*	Staff insourcing service *HK$'000*	Contact service centre and service centre facilities management service *HK$'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

There were no inter-segment sales during the years ended 31 December 2016 and 2017. 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:

	2017 *HK$'000*	2016 *HK$'000*
Segment results for reportable segments	**11,775**	21,150
Unallocated:		
Other income	**527**	649
Other gains/(losses) – net	**1,312**	(180)
Depreciation and amortization	**(197)**	(346)
Finance costs	**(469)**	(515)
Corporate and other unallocated expenses	**(10,274)**	(14,372)
Profit before tax	**2,674**	6,386

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:

	2017	2016
	HK$'000	*HK$'000*
Segment assets for reportable segments	**85,363**	63,131
Unallocated:		
Property, plant and equipment	**547**	2,844
Available-for-sale financial asset	**10,900**	–
Derivative financial instrument	**700**	–
Deferred income tax assets	**690**	686
Financial assets designated as at fair value through profit or loss	**7,026**	7,054
Current income tax recoverable	**–**	849
Corporate and other unallocated assets	**43,111**	59,314
Total assets per consolidated statement of financial position	**148,337**	133,878

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:

	2017	2016
	HK$'000	*HK$'000*
Segment liabilities for reportable segments	**18,092**	8,047
Unallocated:		
Deferred income tax liabilities	**180**	353
Current income tax liabilities	**634**	–
Borrowings	**12,818**	6,775
Corporate and other unallocated liabilities	**5,473**	8,058
Total liabilities per consolidated statement of financial position	**37,197**	23,233

Breakdown of the revenue from all services is as follows:

Analysis of revenue by category

	2017	2016
	HK$'000	*HK$'000*
Service fee income from provision of telecommunication and related services	**142,189**	140,612
Financial services income	**657**	–
Licensing and sales of system and software	**2,089**	3,766
System maintenance income	**1,656**	1,700
Others	**–**	86
	146,591	146,164

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$146,502,000 (2016: approximately HK$144,617,000), and the total of revenue from external customers from other country is approximately HK$89,000 (2016: approximately HK$1,547,000).

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$14,131,000 (2016: approximately HK$17,905,000), and none of these non-current assets is located in other countries (2016: 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:

	2017	2016
	HK$'000	*HK$'000*
Customer A	**34,959**	28,589
Customer B	**26,091**	23,924
Customer C	**21,536**	20,970
	82,586	73,483

4. PROFIT BEFORE TAX

	2017	2016
	HK$'000	*HK$'000*
Profit before tax is stated after charging:		
Depreciation and amortization		
Depreciation of owned property, plant and equipment	**4,592**	5,533
Depreciation of assets under finance lease	**140**	70
Amortization of intangible assets	**4,155**	4,222
Total depreciation and amortization	**8,887**	9,825
Auditors' remuneration	**850**	850
Operating lease payments in respect of rented premises	**8,811**	8,993
Provision for impairment of trade receivables	**–**	51

5. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at a rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong for the year.

	2017	2016
	HK$'000	*HK$'000*
Current tax:		
Current tax on profits for the year	**1,736**	1,109
Adjustment in respect of prior year	**–**	118
Total current tax	**1,736**	1,227
Deferred income tax	**(177)**	345
Income tax expense	**1,559**	1,572

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:

	2017	2016
	HK$'000	*HK$'000*
Profit before tax	**2,674**	6,386
Tax calculated at Hong Kong profits tax rate of 16.5%	**441**	1,054
Tax effects of:		
– Income not subject to tax	**(4)**	(224)
– Expenses not deductible for tax purposes	**93**	37
– Temporary differences not recognized	**10**	4
– Tax losses for which no deferred income tax asset was recognized	**1,019**	583
– Adjustment in respect of prior year	**–**	118
Tax charge	**1,559**	1,572

6. 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 (2016: 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 2016 and 2017.

7. TRADE AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables		
Amounts receivables arising from multi-media contact services and contact centre system	**52,472**	37,545
Amounts receivables arising from financial services business		
– Clients-cash	**30**	–
– Clearing house	**433**	–
Other receivables, deposits and prepayments	**8,881**	7,145
	61,816	44,690
Less: Provision for impairment of trade receivables	**–**	(51)
	61,816	44,639

The average credit period on the Group's sales is 30 days (2016: 29 days). The aging analysis of the trade receivables net of allowance for doubtful debts based on invoice date is as follows:

	2017	2016
	HK$'000	*HK$'000*
0 – 30 days	**22,087**	20,944
31 – 60 days	**11,888**	6,179
61 – 90 days	**9,573**	4,603
Over 90 days	**8,924**	5,768
	52,472	37,494

The settlements of amounts receivables arising from the ordinary course of business of dealing in securities from cash clients and clearing house are two days after trade date.

8. TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables	**3,206**	2,366
Amounts payable arising from financial services business		
– Clients-cash	**1,464**	–
– Clients-margin	**6,251**	–
– Clearing house	**972**	–
Other payables and accruals	**11,650**	13,739
	23,543	16,105

As at 31 December 2017, the aging analysis of the trade payables based on invoice date is as follows:

	2017	2016
	HK$'000	*HK$'000*
0 – 30 days	**1,765**	1,354
31 – 60 days	**789**	710
61 – 90 days	**359**	301
Over 90 days	**293**	1
	3,206	2,366

The settlements of amounts payable arising from the ordinary course of business of during in securities from cash clients and clearing house range from one to two days after trade date.

No aged analysis is disclosed as, in the opinion of the directors, the aged analysis does not give additional value in view of the nature of securities margin business.

9. 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 2016 and 2017	**280,000,000**	**2,800**	**25,238**

10. DIVIDENDS

	2017	2016
	HK$'000	*HK$'000*
No interim dividend was declared (2016: Nil) per ordinary share	**–**	–
No final dividend was declared (2016: HK0.40 cents) per ordinary share	**–**	1,120
	–	1,120

The dividends paid in 2016 and 2017 were HK$2,688,000 (HK0.96 cents per ordinary share) and HK$1,120,000 (HK0.40 cents per ordinary share) respectively.

MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS

BUSINESS ENVIRONMENT

Business environment for outbound telemarketing service remained challenging in 2017. More stringent data security and compliance requirements as well as call blocking apps continued to put pressure on the cost and operation of the business. The Group has managed the impact through the implementation of new procedures and counter measures, nevertheless, the profit margin of outbound telemarketing service is inevitably being compromised to a certain extent. Despite the challenges are expected to continue to exist in the coming year, the Group's ability to properly address these issues help to increase our competitive edge in the business.

With the unemployment rate in Hong Kong declined from 3.3% in early 2017 to less than 3% by end of 2017, the labour market remained tight all year round. Since labour force is one of the key elements of our contact centre services, the Group tackled the problem by introducing different staff retention and loyalty programs to effectively retain key and prime staff to maintain the stability of our operation as well as the quality of our services.

On the other hand, the tight labour market and high staff turnover rate has continued to fuel the demand of staff insourcing service. The demand of customer service or contact centre related staff from different industries is still in a healthy uptrend, and through regular review of our recruiting strategies and resources, the Group has captured the opportunities and further expanded the service in the year.

Owing to a change in corporate strategies and internal resources availability, a number of facilities management service clients had decided to move back to in-house facilities in the year of 2017 even though the Group has been able to fulfil all technical as well as physical securities conditions required by the corporations year after year. The leaving of the facilities management clients did impose an undesirable impact on the business, and the Group is actively managing the available resources to the best interest of the business such as a plan to reallocate the spaces needed. The Group has also ceased to operate the business centre in August 2017 followed a review of the business and the corporate direction of the Company.

As a diversification to our core contact centre service business, the Group started to provide securities trading services in early 2017 through our wholly owned subsidiary, Gear Securities Investment Limited. Although the financial business has yet to be profitable at its early stage and recorded a loss in the year, with the business gradually picking up through consultancy services and trading commission in the reported period, the Group decided to further expand the financial platform by acquiring Gear Asset Management Limited, an entity with a license for carrying out Type 9 regulated activities in Hong Kong. By combining securities trading, asset and fund management services, the acquisition can further strengthen our financial portfolio by providing more comprehensive financial services and potential investment opportunities to the customers. The acquisition is subject to the approval of The Stock Exchange of Hong Kong Limited ("**SEHK**") and Securities and Futures Commission ("**SFC**").

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 and Service Centre Facilities Management Service

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

Others

"Others" segment which principally comprises system maintenance income, licencing income and sales of system and software income ("**Other Services related to Wise**") and financial services including securities broking income ("**Other Services related to securities**").

SIGNIFICANT INVESTMENT

As at 31 December 2017, the Group held unlisted financial assets designated as at fair value through profit or loss of approximately HK$7 million and unlisted available-for-sale financial asset of approximately HK$10.9 million with Derivative financial instrument approximately HK$0.7 million. Given that the aforementioned investments accounted for approximately 12.6% of the Company's total assets as at 31 December 2017, the Directors consider that the aforementioned investments as significant investments (the "**Significant Investments**"). Further information in relation to the Significant Investments as at 31 December 2017 are set out as follows:

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

Description of the investments	**Number of shares held as at 31 December 2017**	**Carrying amount as at 31 December 2017** *HK$* (approximately)
AB FCP I (AB Global High Yield Portfolio, Class AT) ("**AB Global High Yield Portfolio (AT)**")	**133,161.385**	**4,475,554**
Allianz Global Investors Fund (Allianz US High Yield, Class AM) ("**Allianz US High Yield (AM)**")	**41,350.726**	**2,549,912**
Total	**–**	**7,025,466**

For the year ended 31 December 2017, the Group had recognised a loss of approximately HK$28,000 on change in fair value of its AB Global High Yield Portfolio (AT) shares and Allianz US High Yield (AM) shares based on the then bid prices offered by banker in Hong Kong. The performance and prospect of its AB Global High Yield Portfolio (AT) shares and Allianz US High Yield (AM) shares are set out as follows:

AB Global High Yield Portfolio (AT)

As at 31 December 2017, the Group held 133,161.385 AB Global High Yield Portfolio (AT) shares which amount to carrying amount of approximately HK$4,476,000. During the year ended 31 December 2017, the Group had not acquired or disposed of any AB Global High Yield Portfolio (AT) shares. During the year ended 31 December 2017, the Group had received dividend in the amount of approximately HK$279,000 from its investment in AB Global High Yield Portfolio (AT). For the year ended 31 December 2017, the Group had recognised a gain approximately HK$45,000 on change in fair value of its investment in AB Global High Yield Portfolio (AT).

Allianz US High Yield (AM)

As at 31 December 2017, the Group held 41,350.726 Allianz US High Yield (AM) shares which amount to carrying amount of approximately HK$2,550,000. During the year ended 31 December 2017, the Group had not acquired or disposed of any Allianz US High Yield (AM) shares. During the year ended 31 December 2017, the Group had received dividend in the amount of approximately HK$218,000 from its investment in Allianz US High Yield (AM). For the year ended 31 December 2017, the Group had recoginsed a loss approximately HK$73,000 change in fair value of its investment in Allianz US High Yield (AM).

Available-for-sales financial asset

Moreover, the Group also seeks to explore investment opportunity in information technology industry in order to capture the vast and fast growing video and live streaming market. During the year ended 31 December 2017, the Group invested in an available-for-sale financial asset of which the company ("**Invested Company**") principally engages in the provision of one-stop video solution with patented technology for encoding, live streaming and OTT platform. The Invested Company recorded a remarkable growth in the past few years and the management of the Group believes that there is much potential in system development collaboration and valuable business co-operation in the future.

During the year ended 31 December 2017, the Group acquired an aggregate amount of 40 shares with a put option ("**Investment**") approximately HK$11,200,000 in which the carrying value of the share amounted to approximately HK$10,400,000 and the put option amounted to approximately HK$800,000. As at 31 December 2017, the carrying amount of the Investment is approximately HK$11,600,000 in which the carrying value of the share amounted to approximately HK$10,900,000 and the put option amounted to approximately HK$700,000. The Group holds approximately 3.7% of the total issued share capital of the Acquired Company as at 31 December 2017.

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 2017. 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.

Following the cease of the operation of the Group's Elite Business Centre at the end of July 2017, the RMICC is of the opinion that the competition mentioned above was removed. Save as disclosed above, as at 31 December 2017, so far as the Directors are aware of, none of the Directors or the substantial/controlling 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 nine months period ended 31 December 2017.

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$1.1 million for the year ended 31 December 2017 from approximately HK$4.8 million for the year ended 31 December 2016.

REVENUE

The Group recorded an increase in total revenue to approximately HK$146.6 million for the year ended 31 December 2017 from approximately HK$146.2 million for the year ended 31 December 2016, representing an increase of approximately HK$0.4 million as compared to that of last year.

The total outsourcing inbound contact service, outsourcing outbound contact service, staff insourcing service, contact service centre and service centre facilities management service and others accounted for approximately 7.2%, 45.3%, 34.4%, 10.1% and 3% of the Group's total revenue for the year ended 31 December 2017 respectively.

The following table sets forth the analysis of revenue by business units of our Group for the years ended 31 December 2017 and 2016 respectively:

	Year ended 31 December 2017 *HK$'000*		Year ended 31 December 2016 *HK$'000*	
Outsourcing inbound contact service	**10,512**	**7.2%**	13,201	9.0%
Outsourcing outbound contact service	**66,416**	**45.3%**	62,690	42.9%
Staff insourcing service	**50,425**	**34.4%**	42,795	29.3%
Contact service centre and Service Centre facilities management service	**14,836**	**10.1%**	21,926	15.0%
Others*	**4,402**	**3.0%**	5,552	3.8%
Revenue	**146,591**	**100%**	146,164	100%

* The "Others" segment which principally comprises system maintenance income amounted to approximately HK$1.7 million (2016: approximately HK$1.7 million), licencing, sales of system and software income amounted to approximately HK$2 million (2016: approximately HK$3.8 million) and financial services income amounted to approximately HK$0.7 million (2016: Nil).

Outsourcing Inbound Contact Service

The revenue of outsourcing inbound contact service decreased from approximately HK$13.2 million for the year ended 31 December 2016 to HK$10.5 million for the year ended 31 December 2017. It is mainly due to decrease of the demand of the outsourcing inbound contact service during the year.

Outsourcing Outbound Contact Service

The revenue of outsourcing outbound contact service increased from approximately HK$62.7 million for the year ended 31 December 2016 to approximately HK$66.4 million for the year ended 31 December 2017.

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 recorded a growth of 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 2017, the staff insourcing service segment recorded revenue of approximately HK$50.4 million, representing an increase of approximately 18% 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 due to the reasons mentioned in "Business Review" section in this announcement.

Contact Service Centre and Service Centre Facilities Management Service

For the year ended 31 December 2017, the contact service centre and service centre facilities management service segment recorded revenue of approximately HK$14.8 million, representing a decrease of approximately 32% as compared to that of last year.

Others

For the year ended 31 December 2017, the Group recorded a revenue in licencing and sales of system and software of approximately HK$2 million (2016: approximately HK$3.8 million), system maintenance income of approximately HK$1.7 million respectively (2016: approximately HK$1.7 million) and financial services income amounted approximately to HK$0.7 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 2017 and 2016 respectively:

	Year ended 31 December 2017 *HK$'000*	GP Margin %	Year ended 31 December 2016 *HK$'000*	GP Margin %
Outsourcing inbound contact service	**1,077**	**10.2%**	2,053	15.6%
Outsourcing outbound contact service	**7,304**	**11%**	5,732	9.1%
Staff insourcing service	**6,582**	**13.1%**	5,355	12.5%
Contact service centre and Service Centre facilities management service	**1,051**	**7.1%**	6,175	28.2%
Others	**(4,239)**	**(96.3%)**	1,835	33.1%
Total	**11,775**	**8%**	21,150	14.5%

The gross profit percentage of our Group decreased from approximately 14.5% for the year ended 31 December 2016 to approximately 8% for the year ended 31 December 2017. 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 the customer withdrew to employ our services.

Outsourcing Inbound Contact Service

The gross profit margin in outsourcing inbound contact service decreased from approximately 15.6% for the year ended 31 December 2016 to approximately 10.2% for the year ended 31 December 2017. The decrease in the segment result is mainly attributable to the increase of the cost of outsourced service vendor for the year.

Outsourcing Outbound Contact Service

The gross profit margin in outsourcing outbound contact service increased from approximately 9.1% for the year ended 31 December 2016 to approximately 11% for the year ended 31 December 2017. The increase was mainly attributable to the increased demand of our services and the effectiveness of the strategy to manage the challenge created by the blocking apps and fraudulent telephone calls.

Staff Insourcing Service

The gross profit margin in staff insourcing service increased from approximately 12.5% for the year ended 31 December 2016 to approximately 13.1% for the year ended 31 December 2017. 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 and Service Centre Facilities Management Service

The gross profit margin in contact service centre facilities management service slightly decreased from approximately 28.2% for the year ended 31 December 2016 to approximately 7.1% for the year ended 31 December 2017. 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.

The segment results of "Others" regarding Other Services related to Wise amounted to approximately HK$1.3 million for the year ended 31 December 2017 (2016: approximately HK$1.8 million). The Group recorded a loss in the segment results of Other Services related to securities amounted to approximately HK$5.5 million (2016: nil).

For the segment of Other Services related to Wise, the significant decrease in gross profit was mainly due to the absence of a major system sales as in 2016. For the segment of Other Services related to securities, the loss in segment result was mainly attributable to the capital expenditure incurred for setting up the business and on-going operating cost.

EXPENSES

During the year under review, the employee benefits expenses increased from approximately HK$82.9 million for the year ended 31 December 2016 to approximately HK$88.8 million for the year ended 31 December 2017. 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$47.6 million (2016: approximately HK$47.0 million). The other operating expenses to sales ratio increased from approximately 32.2% for the year ended 31 December 2016 to approximately 32.4% for the year ended 31 December 2017. The increase of the other operating expenses is mainly due to the increase of subcontracting charges for meeting the needs of outsourcing outbound contract service.

The Group's depreciation and amortization expenses decreased from approximately HK$9.8 million for the year ended 31 December 2016 to approximately HK$8.9 million for the year ended 31 December 2017.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The Group's profit attributable to owners of the Company decreased from approximately HK$4.8 million for the year ended 31 December 2016 to approximately HK$1.1 million for the year ended 31 December 2017. 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.

PROSPECT

The Group remains optimistic about the business potential and demand for outsourcing contact centre services in Hong Kong in the coming years, and even though the overall operating environment continue to be challenging, our ability to fulfil these compliance and data securities requirements has in turn made us a highly competitive player in the industry. Together with our solid experience and strong references, the Group believed more business opportunities can be created with our existing as well as new customers by providing a wide variety of fully complied, secured and cost effective contact centre services.

With more and more customer communication takes place through different social media and texting, the Group has expanded our contact centre services and system to support webchat, WeChat and Facebook in addition to telephone call, email, fax and SMS, so that more communication channels can be provided for business sales as well as customer services for our customers. In the coming years, the Group will continue to add on more social media channels to our service portfolio in order to capture more business opportunities in the new communication era.

With business of the Group's new financial arm, Gear Securities Investment Limited, started to gradually pick up in the reported year, the Group has a plan to expand its financial service coverage to the even bigger asset management arena through the acquisition of Gear Asset Management Limited (subject to the approval of SEHK and SFC), an entity licensed to carry out Type 9 (Asset Management) regulated activities under the SFO. The new addition will further strengthen and complement the service profile of our financial platform and to attract more highly potential customers and business to our realm. Subject to the approval of SEHK and SFC, the Group has planned to develop a number of funds through our new asset management platform including but not limited to, property fund, money lender fund and venture capital fund, which can not only help to bring in new revenue and business but also build up the reputation and strength of the Group in the local financial market.

With the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect already in place, we believed the securities trading market will continue to be active in the near future which can surely benefit our business in the long run. Moreover, alongside the growth of our clientele on securities trading and financial services, more and more opportunities for margin lending with higher profit margin can be secured to boost up the sales and profit of our business. To speed up the process, it is the intention of the Group to further provide more funding to our financial platform to capture the growth of the market.

In addition to the organic growth of the business, the Group will continue to look for any potential collaboration or acquisition opportunities that is able to provide synergy and/or create more value to the further development of the Group.

DIVIDEND

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

The Board does not recommend a final dividend for the year ended 31 December 2017 (2016: HK0.40 cents).

PLEDGE OF ASSETS

As at 31 December 2017, the Group had pledged its bank deposits of approximately HK$5.3 million (2016: approximately HK$4.8 million) and had pledged investment fund amounted to approximately HK$7.0 million to secure its banking facilities and trade receivable financing.

FOREIGN EXCHANGE EXPOSURE

Substantially all the revenue-generating operations of the Group were transacted in Hong Kong dollars 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 2017 (2016: Nil). As at 31 December 2017, there was no capital commitments outstanding but not provided for in the financial statements (2016: Nil).

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

Save for those disclosed in this announcement, there were no significant investments held as at 31 December 2017, nor were there material acquisitions and disposals of subsidiaries during the year. There is no plan for material investments or capital assets as at 31 December 2017.

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 2017.

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 are independent non-executive Directors, had reviewed the audited consolidated results of the Group for the year ended 31 December 2017.

SCOPE OF WORK OF HLB HODGSON IMPEY CHENG LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in this preliminary announcement have been agreed by the Group's auditors, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on this preliminary announcement.

CORPORATE GOVERNANCE

For the year ended 31 December 2017, the Company has complied with all the code provisions as set out in the Corporate Governance Code (the "**CG Code**") in Appendix 15 to the GEM Listing Rules except for the code provisions A.5.1 and A.6.2 (a) of the Code, details of which are set out below.

According to code provision A5.1 of the Code, the nomination committee of the Company should comprise a majority of independent non-executive directors. Owing to the pass away of Mr. Ngan Chi Keung (who was an independent non-executive director of the Company (the "**INED**") and a member of the nomination committee of the Company) on 15 October 2016, the Company deviates from this code provision as the nomination committee of the Company comprises two executive directors and two INEDs. Following the appointment of Mr. Wong Kam Tai as an INED and a member of the nomination committee of the Company with effect from 12 January 2017, the nomination committee of the Company comprises a majority of independent non-executive directors and the Company has complied with this code provision.

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 year under review, Mr. Tang Shing Bor, a non-executive Director, was absent from three board meetings due to other important engagements in the relevant times and was not entitled to attend two board meetings 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 2017 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 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 with the Directors, all Directors confirmed that they had complied with the required standard of dealings concerning securities transactions by the Directors throughout the year ended 31 December 2017.

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, 15 March 2018

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.