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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 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 SUMMARY

The Group's total revenue for the six months ended 30 June 2017 was approximately HK\$73,463,000, representing an increase of approximately 1.8% as compared with the total revenue of approximately HK\$72,190,000 for the corresponding period in 2016.

Profit attributable to owners of the Company for the six months ended 30 June 2017 was approximately HK\$1,419,000, representing a decrease of approximately 45.6% as compared with the profit attributable to owners of the Company of approximately HK\$2,609,000 for the corresponding period in 2016.

Earnings per share for the six months ended 30 June 2017 was approximately HK0.5 cents (six months ended 30 June 2016: HK0.9 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 2017 together with the comparative figures for the corresponding periods ended 30 June 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months and six months ended 30 June 2017

		Three months ended 30 June		Six months ended 30 June	
	Notes	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Revenue	3	37,691	36,371	73,463	72,190
Other income		131	134	266	335
Other gains/(losses) – net		40	(132)	155	32
Employee benefits expenses	4	(22,069)	(20,727)	(43,203)	(41,871)
Depreciation and amortization		(2,237)	(2,024)	(4,590)	(4,155)
Other operating expenses		(12,227)	(11,467)	(23,360)	(22,798)
Operating profit		1,329	2,155	2,731	3,733
Finance costs		(114)	(137)	(224)	(220)
Profit before tax	5	1,215	2,018	2,507	3,513
Income tax expense	6	(506)	(589)	(1,088)	(904)
Profit for the period		709	1,429	1,419	2,609
Total comprehensive income for the period		709	1,429	1,419	2,609
Profit attributable to owners of the Company		709	1,429	1,419	2,609
Total comprehensive income attributable to owners of the Company		709	1,429	1,419	2,609
Earnings per share attributable to owners of the Company – Basic and diluted (HK cents)	8	0.3	0.5	0.5	0.9

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(UNAUDITED)**

As at 30 June 2017

	<i>Notes</i>	As at 30 June 2017 HK\$'000 (unaudited)	As at 31 December 2016 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		8,514	10,041
Intangible assets		7,541	7,864
Available-for-sale financial asset	9	11,200	–
Investment in an associate		–	–
Deferred income tax assets		686	686
		27,941	18,591
Current assets			
Trade and other receivables	10	53,832	44,639
Financial assets designated as at fair value through profit or loss		7,146	7,054
Amount due from an associate		10,834	10,576
Amounts due from related companies		784	154
Pledged bank deposits		5,259	4,797
Current income tax recoverable		353	849
Cash and bank balances	11	24,780	47,218
		102,988	115,287
Current liabilities			
Trade and other payables	12	14,461	16,105
Borrowings		5,152	6,366
Amounts due to related companies		19	–
		19,632	22,471
Net current assets		83,356	92,816
Total assets less current liabilities		111,297	111,407
Non-current liabilities			
Borrowings		–	409
Deferred income tax liabilities		353	353
Net assets		110,944	110,645
Equity attributable to the owners of the Company			
Share capital	13	2,800	2,800
Share premium		25,238	25,238
Reserves		82,906	82,607
Total equity		110,944	110,645

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2017

	Attributable to owners of the Company					Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Translation HK\$'000	Retained profits HK\$'000	
Balance at 1 January 2016 (audited)	2,800	25,238	25,624	–	54,857	108,519
Profit for the period	–	–	–	–	2,609	2,609
Total other comprehensive income for the period	–	–	–	–	–	–
Total comprehensive income for the period	–	–	–	–	2,609	2,609
Interim dividend paid	–	–	–	–	(2,688)	(2,688)
Balance at 30 June 2016 (unaudited)	2,800	25,238	25,624	–	54,778	108,440
Balance at 1 January 2017 (audited)	2,800	25,238	25,624	–	56,983	110,645
Profit for the period	–	–	–	–	1,419	1,419
Total other comprehensive income for the period	–	–	–	–	–	–
Total comprehensive income for the period	–	–	–	–	1,419	1,419
Interim dividend paid	–	–	–	–	(1,120)	(1,120)
Balance at 30 June 2017 (unaudited)	2,800	25,238	25,624	–	57,282	110,944

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)*For the six months ended 30 June 2017*

	Six months ended 30 June	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Net cash (used in)/generated from operating activities	(5,336)	11,610
Net cash used in investing activities	(14,136)	(8,304)
Net cash used in financing activities	(2,966)	(4,283)
Net decrease in cash, cash equivalents and bank overdrafts	(22,438)	(977)
Cash, cash equivalents and bank overdrafts at beginning of the period	47,218	31,936
Cash, cash equivalents and bank overdrafts at end of the period	24,780	30,959

NOTES TO THE FINANCIAL INFORMATION

For the six months ended 30 June 2017

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 2016.

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 2017, 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 service;
- (b) Outsourcing outbound contact service;
- (c) Staff insourcing service;
- (d) Contact service centre facilities management service; and
- (e) The “Others” segment which principally comprises licencing, system maintenance, sales of system and software and securities service income.

For the six months ended 30 June 2017

	Outsourcing inbound contact service HK\$'000 (unaudited)	Outsourcing outbound contact service HK\$'000 (unaudited)	Staff insourcing service HK\$'000 (unaudited)	Contact service centre facilities management service HK\$'000 (unaudited)	Others HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Segment revenue	4,999	32,584	24,099	8,140	3,641	73,463
Segment results	530	2,327	3,502	1,629	(1,980)	6,008
Depreciation and amortization	161	1,608	–	1,447	1,271	4,487
Total segment assets	7,586	31,418	14,831	9,211	8,462	71,508
Total segment assets includes: Additions to non-current assets (other than financial instruments)	64	638	–	574	1,465	2,741
Total segment liabilities	185	3,733	3,385	1,251	639	9,193

For the six months ended 30 June 2016

	Outsourcing inbound contact service HK\$'000 (unaudited)	Outsourcing outbound contact service HK\$'000 (unaudited)	Staff insourcing service HK\$'000 (unaudited)	Contact service centre facilities management service HK\$'000 (unaudited)	Others HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Segment revenue	6,592	30,890	20,226	11,130	3,352	72,190
Segment results	803	1,774	2,171	2,256	911	7,915
Depreciation and amortization	192	1,536	–	1,472	847	4,047
Total segment assets	8,259	29,121	9,051	13,403	9,580	69,414
Total segment assets includes: Additions to non-current assets (other than financial instruments)	426	3,406	–	3,264	1	7,097
Total segment liabilities	158	3,510	2,881	821	1	7,371

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

	Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Segment result for reportable segments	7,988	7,004
Other segments results	(1,980)	911
Total segments results	6,008	7,915
Unallocated:		
Other income	266	335
Other gains/(losses) – net	155	32
Depreciation and amortization	(103)	(108)
Finance costs	(224)	(220)
Corporate and other unallocated expenses	(3,595)	(4,441)
Profit before tax	2,507	3,513

4. EMPLOYEE BENEFITS EXPENSES

	Three months ended 30 June		Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Salaries and allowances	21,991	20,573	43,098	41,521
Pension costs – defined contribution plans	993	940	1,938	1,864
Total employee benefits expenses, including Directors' remuneration	22,984	21,513	45,036	43,385
Less: Amounts capitalized in deferred development costs	(915)	(786)	(1,833)	(1,514)
	22,069	20,727	43,203	41,871

5. PROFIT BEFORE INCOME TAX

	Three months ended 30 June		Six months ended 30 June	
	2017	2016	2017	2016
	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	1,199	1,031	2,435	2,051
Amortization of intangible assets	1,038	993	2,155	2,104
Total depreciation and amortization	<u>2,237</u>	<u>2,024</u>	<u>4,590</u>	<u>4,155</u>
Operating lease payments in respect of rented premises	2,507	2,273	5,015	4,568
Research and development costs	<u>1,038</u>	<u>993</u>	<u>2,155</u>	<u>2,104</u>

6. 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 six months period ended 30 June 2017. Taxation on overseas profits has been calculated on the estimated assessable profit for the six months period ended 30 June 2017 at the rates of taxation prevailing in the countries in which the Group operates.

	Three months ended 30 June		Six months ended 30 June	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current income tax	506	589	1,088	904
Deferred income tax	—	—	—	—
	<u>506</u>	<u>589</u>	<u>1,088</u>	<u>904</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 2017 (2016: nil).

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2017 is based on (i) the unaudited consolidated profit attributable to the owners of the Company of approximately HK\$1,419,000 (six months ended 30 June 2016: approximately HK\$2,609,000) and (ii) the weighted average number of 280,000,000 ordinary shares issued during the six months ended 30 June 2017 (during the six months ended 30 June 2016: 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 2017 and 2016.

9. AVAILABLE-FOR-SALE FINANCIAL ASSET

	As at 30 June 2017 HK\$'000 (unaudited)	As at 31 December 2016 HK\$'000 (audited)
Unlisted, at cost	<u>11,200</u>	<u>–</u>

10. TRADE AND OTHER RECEIVABLES

	As at 30 June 2017 HK\$'000 (unaudited)	As at 31 December 2016 HK\$'000 (audited)
Trade receivables	44,494	37,494
Other receivables, deposits and prepayments	<u>9,338</u>	<u>7,145</u>
	<u>53,832</u>	<u>44,639</u>

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 2017 HK\$'000 (unaudited)	As at 31 December 2016 HK\$'000 (audited)
0–30 days	29,949	20,944
31–60 days	3,014	6,179
61–90 days	5,436	4,603
Over 90 days	<u>6,095</u>	<u>5,768</u>
	<u>44,494</u>	<u>37,494</u>

11. CASH AND BANK BALANCES

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

12. TRADE AND OTHER PAYABLES

	As at 30 June 2017 <i>HK\$'000</i> (unaudited)	As at 31 December 2016 <i>HK\$'000</i> (audited)
Trade payables	3,124	2,366
Other payables and accruals	11,337	13,739
	<u>14,461</u>	<u>16,105</u>

As at 30 June 2017, the aging analysis of the trade payables based on invoice date is as follows:

	As at 30 June 2017 <i>HK\$'000</i> (unaudited)	As at 31 December 2016 <i>HK\$'000</i> (audited)
0–30 days	2,393	1,354
31–60 days	412	710
61–90 days	318	301
Over 90 days	1	1
	<u>3,124</u>	<u>2,366</u>

13. SHARE CAPITAL

	Number of ordinary shares	Ordinary shares at HK\$0.01 each <i>HK\$'000</i>
Authorized share capital	5,000,000,000	50,000
As at 31 December 2016 and 30 June 2017	5,000,000,000	50,000
Issued and fully paid up share capital	280,000,000	2,800
As at 31 December 2016 and 30 June 2017	280,000,000	2,800

14. OPERATING LEASE COMMITMENTS

The Group had commitments for future aggregate minimum lease payments under non-cancellable operating leases in respect of rented office premises as follows:

	As at 30 June 2017 <i>HK\$'000</i> (unaudited)	As at 31 December 2016 <i>HK\$'000</i> (audited)
No later than 1 year	5,840	8,185
Later than 1 year and no later than 5 years	3,726	6,545
	9,566	14,730

The Group leases office premises are under operating lease agreements. Lease for properties are for terms ranging from 1 to 3 years.

15. 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	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Always Beyond Limited	Premise rental expenses	698	–	1,395	–
Epro Career Limited	Insourcing fee expenses	3,511	4,423	7,143	8,794
168 Storage Limited	Outbound service income	(23)	–	(23)	–
East Ocean Gourmet Group	Outsourcing inbound contact service income	–	(114)	–	(228)
	Seasonal event expense	–	2	–	57
East Ocean Food (Hong Kong) Limited	Seasonal event expense	–	–	12	–
Gear Asset Management Limited	System installation service income	(500)	–	(1,000)	–
	Management income	(240)	–	(480)	–
H.K. Sources Finance Limited	System maintenance income	–	–	(70)	(75)
	System installation service income	–	(23)	–	(23)
SG Hotel Group Management Limited	Secondment income	–	(80)	–	(159)
SG Marketing Limited	Outsourcing outbound contact service income	(30)	–	(30)	–
Stan Group (Holdings) Limited	Premise rental expenses	624	490	1,248	1,023
	Seasonal event expense	51	–	3	–
	Subscription fee income	–	–	–	(10)
	Facilities management services income	(140)	–	(354)	–
	Insourcing service income	(240)	–	(705)	–
The Wave (Hing Yip Street) Corporation	Sales of software and system	–	(25)	(46)	(25)
	Premise rental expenses	62	–	62	–

Key management personnel compensation

	Three months ended 30 June		Six months ended 30 June	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Salaries and short-term employee benefits	282	282	561	564
Post employment benefits	5	5	11	11
	287	287	572	575

16. CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at 30 June 2017.

17. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The unaudited condensed consolidated interim financial information was approved by the Board on 3 August 2017.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2017 (2016: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is continuously engaged in the business of providing comprehensive multimedia contact services and contact centre system. The principle activities of the Group include outsourcing inbound contact service, outsourcing outbound contact service, staff insourcing service and contact service centre facilities management service. And the Group has also engaged in securities trading business in Hong Kong starting from January 2017.

With employment rate remained a high level during the reporting period, high labour cost continued to present challenge to the Group. The continuous tighten labour market plays a role on creating better prospect on our staff insourcing services. The Group recorded a steadily growth on our staff insourcing service segment in the period. In order to cope with increasing demand on staff insourcing service, the group has enhanced the capability of recruitment by increasing the manpower and broadened the recruitment network.

The Group began to provide securities trading services from January 2017, and business is gradually picking up during the reporting period. The Group has also applied for admission as Exchange Participant (EP) of The Stock Exchange of Hong Kong Limited and Direct Clearing Participant (DCP) of The Hong Kong Securities Clearing Company earlier and we are optimistic that the application will be approved in the near future. Although the securities trading business yet to have profit contribution at this early stage, the management of the Group is still confidence in the growth of the business with the continuous active capital market in Hong Kong.

SIGNIFICANT INVESTMENT

As at 30 June 2017, the Group held unlisted financial assets designated as at fair value through profit or loss of approximately HK\$7.1 million and unlisted available-for-sale financial asset of approximately HK\$11.2 million. Given that the aforementioned investments accounted for approximately 14.01% of the Company's total assets as at 30 June 2017, the Directors consider that the aforementioned investments as significant investments (the "Significant Investments"). Further information in relation to the Significant Investments as at 30 June 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 30 June 2017	Carrying amount as at 30 June 2017 HK\$ (approximate)
AB FCP I (AB Global High Yield Portfolio, Class AT) ("AB Global High Yield Portfolio (AT)") (<i>Note 1</i>)	133,161.385	4,522,000
Allianz Global Investors Fund (Allianz US High Yield, Class AM) ("Allianz US High Yield (AM)") (<i>Note 2</i>)	41,350.726	2,624,000
Total	–	7,146,000

Notes:

1. AB FCP I (named ACMBernstein until 4 February 2016) is a mutual investment fund (fonds commun de placement) organized under the laws of the Grand Duchy of Luxembourg.
2. Allianz Global Investors Fund is an investment company with variable capital (société d'investissement à capital variable).

For the six months ended 30 June 2017, the Group had recognised a gain of approximately HK\$92,000 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 30 June 2017, the Group held 133,161.385 AB Global High Yield Portfolio (AT) shares which amount to carrying amount of approximately HK\$4,522,000. During the six months ended 30 June 2017, the Group had not acquired or disposed of any AB Global High Yield Portfolio (AT) shares. During the six months ended 30 June 2017, the Group had received dividend in the amount of approximately HK\$140,900 from its investment in AB Global High Yield Portfolio (AT). For the six months ended 30 June 2017, the Group had recognised a gain HK\$92,000 on change in fair value of its investment in AB Global High Yield Portfolio (AT).

As disclosed in the monthly NAV and dividend summary in relation to AB FCP I (AB Global High Portfolio), for the six months ended 30 June 2017, performance for AB Global High Yield Portfolio (AT) is approximately 5.11% calculated on a net-asset-value to net-asset-value basis with dividend reinvested, which shows by how much AB Global High Yield Portfolio (AT) shares have increased in value during the six months ended 30 June 2017.

With regard to the future prospects of AB Global High Yield Portfolio (AT) based on the semi-annual report of AB FCP I for the six months ended 28 February 2017, the Directors noted the view of the management company of AB FCP I that global equities rose during the six-month period ended February 28, 2017 (in US dollar terms) and US stocks outperformed, while emerging-market and international equities both delivered solid results, and US dollar strength greatly enhanced returns in other currencies. The Directors further noted the management company's view that in the fixed-income markets, global bonds decreased in absolute terms (bond yields move inversely to price) and global high yield rallied in the period. Given the above, the Company expects that its investment in AB Global High Yield Portfolio (AT) will continue to generate a return for the Company.

Allianz US High Yield (AM)

As at 30 June 2017, the Group held 41,350.726 Allianz US High Yield (AM) shares which amount to carrying amount of approximately HK\$2,624,000. During the six months ended 30 June 2017, the Group had not acquired or disposed of any Allianz US High Yield (AM) shares. During the six months ended 30 June 2017, the Group had received dividend in the amount of approximately HK\$110,700 from its investment in Allianz US High Yield (AM). For the six months ended 30 June 2017, the Group had no change in fair value of its investment in Allianz US High Yield (AM).

With regard to the future prospects of Allianz US High Yield (AM) based on the semi-annual report of Allianz Global Investors Fund for the six months ended 31 March 2017, the Directors noted the view of Allianz Global Investors Fund that the prospects for the global economy appear quite favourable at the moment, which should continue to be supportive of equities. The Directors further noted Allianz Global Investors Fund's view that in the bond segment, awareness of the risks of accelerated inflation could pick up, which might in turn mean higher interest rates in the medium term and from the point of view of current income, high-yield corporate and emerging-market bonds remain promising, as do dividend stocks. Given the above, the Company expects that its investment in Allianz US High Yield (AM) will continue to generate a return for the Company.

Unlisted available-for-sale 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 period ended 30 June 2017, the Group subscribed for 40 shares in an invested company (“Invested Company”), representing approximately 3.7% of its total issued share capital as at 30 June 2017, at the total subscription price of HK\$11,200,000. The Invested Company, principally engages in the provision of one-stop video solution with patented technology for encoding, live streaming and OTT platform. 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.

As at 30 June 2017, the carrying amount of the investment is HK\$11,200,000.

FINANCIAL REVIEW

For the six months ended 30 June 2017, the Group’s unaudited total revenue was approximately HK\$73.5 million, representing an increase of approximately HK\$1.3 million as compared with the total revenue of the corresponding period in 2016 (six months ended 30 June 2016: approximately HK\$72.2 million).

The gross profit margin of the Group decreased from approximately 11% for the six months ended 30 June 2016 to approximately 8.2% for the six months ended 30 June 2017. Profit attributable to owners of the Company decreased by approximately 45.6% from approximately HK\$2.6 million for the six months ended 30 June 2016 to approximately HK\$1.4 million for the six months ended 30 June 2017. The decrease of the gross profit margin of the Group mainly attributable to the gross loss generated from the start-up securities business.

REVENUE AND SEGMENT RESULT

The outsourcing inbound contact service, outsourcing outbound contact service, staff insourcing service, contact service centre facilities management service and others accounted for approximately 7%, 44%, 33%, 11% and 5% of the Group’s unaudited total revenue for the six months ended 30 June 2017 respectively.

Outsourcing Inbound Contact Service

For the six months ended 30 June 2017, the outsourcing inbound contact service recorded a revenue of approximately HK\$5 million, representing a decrease of approximately 24.2% as compared to that of the corresponding period in 2016 (2016: approximately HK\$6.6 million). The segment results for the six months ended 30 June 2017 was approximately HK\$0.5 million. The gross profit margin for outsourcing inbound contact service decreased from approximately 12.2% for the six months ended 30 June 2016 to approximately 10.6% for the six months ended 30 June 2017.

The decrease in revenue from the outsourcing inbound contact service was mainly attributed to a few contracts came to an end and a delay in service launching of some customers' new projects during the period. The smaller inbound operation scale limited the operating efficiency and resulted in a decrease in the gross profit margin of the outsourcing inbound contact service.

Outsourcing Outbound Contact Service

For the six months ended 30 June 2017, the outsourcing outbound contact service recorded a revenue of approximately HK\$32.6 million, representing an increase of approximately 5.5% as compared to that of the corresponding period in 2016 (2016: approximately HK\$31 million).

The segment results for the six months ended 30 June 2017 was approximately HK\$2.3 million. The gross profit margin for outsourcing outbound contact service increased from approximately 5.7% for the six months ended 30 June 2016 to approximately 7.1% for the six months ended 30 June 2017.

The Group recorded a slightly growth in the revenue generated from the outsourcing outbound contact service during the period. A higher gross profit margin of the outsourcing outbound contact service was attributable to the economics of scale for the operation being enjoyed by the Group.

Staff Insourcing Service

For the six months ended 30 June 2017, the staff insourcing service segment recorded a revenue of approximately HK\$24.1 million, representing an increase of approximately 19.1% as compared to that of the corresponding period in 2016 (2016: approximately HK\$20.2 million).

The segment results of staff insourcing service for the six months ended 30 June 2017 was approximately HK\$3.5 million. The gross profit margin for staff insourcing service increased from approximately 10.7% for the six months ended 30 June 2016 to approximately 14.5% for the six months ended 30 June 2017.

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

Contact Service Centre Facilities Management Service

For the six months ended 30 June 2017, the contact service centre facilities management service recorded a revenue of approximately HK\$8.1 million, representing a decrease of approximately 26.9% as compared to that of the corresponding period in 2016 (2016: approximately HK\$11.1 million). The decrease of the revenue of contact service centre facilities management service is mainly due to the loss of one of the contracts.

The segment results for the six months ended 30 June 2017 was approximately HK\$1.6 million. The gross profit margin for contact service centre facilities management service slightly decreased from approximately 20.3% for the six months ended 30 June 2016 to approximately 20% for the six months ended 30 June 2017.

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”) and securities services income (“Other Services related to securities”). For the six months ended 30 June 2017, the Group recorded a revenue of Other Services related to Wise amounted to approximately HK\$1.5 million (2016: approximately HK\$3.4 million) and a revenue of Other Services related to securities amounted to approximately HK\$2.2 million (2016: nil).

The segment results of “Others” regarding Other Services related to Wise amounted to approximately HK\$0.1 million for the six months ended 30 June 2017 (2016: approximately HK\$0.9 million). The Group recorded a loss in the segment results of Other Services related to securities amounted to approximately HK\$2.1 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.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company decreased by approximately 45.6% from approximately HK\$2.6 million for the six months ended 30 June 2016 to approximately HK\$1.4 million for the six months ended 30 June 2017. The decrease of profit was mainly attributed to the loss of the new startup securities business.

CAPITAL STRUCTURE

There has been no material change in the capital structure of the Company since the Listing Date. The capital of the Company comprises only ordinary shares.

LIQUIDITY AND FINANCIAL POSITION

The Group adheres to a prudent financial management policy and has a healthy financial position. During the six months under review, the Group financed our operations with internally generated cash flows and banking facilities provided by banks. As at 30 June 2017, the Group had net current assets of approximately HK\$83.4 million (as at 31 December 2016: approximately HK\$92.8 million) including cash and bank balances of approximately HK\$24.8 million (as at 31 December 2016: approximately HK\$47.2 million). The decrease in cash and bank balances as at 30 June 2017 was mainly attributable to investing of an available-for-sale financial asset.

As at 30 June 2017, the Group's current ratio (current assets/current liabilities) and gearing ratio (total debts/total assets) were 5.2 (as at 31 December 2016: 5.1) and 4% (as at 31 December 2016: 5.1%) respectively. The gearing ratio was defined as the borrowings divided by the total asset without deferred income tax assets.

PLEDGE OF ASSETS

As at 30 June 2017, the Group had pledged its bank deposits of approximately HK\$5.3 million (as at 31 December 2016: approximately HK\$4.8 million) and had pledged investment fund amounted to approximately HK\$7.1 million (as at 31 December 2016: approximately HK\$7.1 million) to secure its banking facilities and trade receivable financing.

CORPORATE GOVERNANCE

For the six months ended 30 June 2017, 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 except for the code provisions A.6.2(a) and A.5.1 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, a non-executive Director, was absent from one of the two board meetings held due to another important engagement in the relevant time. According to code provision A.5.1 of the Code, the nomination committee of the Company should comprise a majority of independent non-executive director. Owing to the pass away of Mr. Ngan Chi Keung (who was an independent non-executive director of the Company ("INED") and a member of the nomination committee of the Company) on 15 October 2016, the Company deviated from this code provision as the nomination committee of the Company comprised 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 INEDs and the Company has complied with this code provision.

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 period ended 30 June 2017.

SHARE OPTION SCHEME

During the six months ended 30 June 2017, 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 2017 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.

DIRECTORS' INTERESTS 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 business of the Group.

As disclosed before, the members of the Risk Management and Internal Control Committee ("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, the 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 Board considers that the potential

competition is minimum and the interest of the Group is adequately protected. The co-working space business of the Stan Group and the Group's Elite Business Centre is operated and managed by two distinct management teams except for Mr. Tang as aforementioned is an executive Director and a director of Stan Group.

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

Save as disclosed above, as at 30 June 2017, 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 month ended 30 June 2017.

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 2017, 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

			Percentage of the issued share capital of the Company as at 30 June 2017	
Name of Directors/ Chief Executives	Capacity	Nature of interests	Number of shares/ underlying shares held	
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 2017, 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 2017, the following persons (not being a Director or Chief Executive) who had interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company under provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, or who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Long positions in the shares of the Company

Name of substantial shareholders	Capacity	Number of Shares/underlying Shares held	Approximate percentage of the issued share capital of the Company as at 30 June 2017
Million Top Enterprises Limited (<i>Note</i>)	Beneficial owner	21,000,000	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 2017, 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 2017 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 2017.

By order of the Board

ETS Group Limited

Tang Yiu Sing

Executive Director and Chief Executive Officer

Hong Kong, 3 August 2017

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.