

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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 2018**

**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 2018 was approximately HK\$68,510,000, representing a decrease of approximately 6.7% as compared with the total revenue of approximately HK\$73,463,000 for the corresponding period in 2017.

Profit attributable to owners of the Company for the six months ended 30 June 2018 was approximately HK\$1,050,000, representing a decrease of approximately 26% as compared with the profit attributable to owners of the Company of approximately HK\$1,419,000 for the corresponding period in 2017.

Earnings per share for the six months ended 30 June 2018 was approximately HK0.4 cents (six months ended 30 June 2017: HK0.5 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 2018 together with the comparative figures for the corresponding periods ended 30 June 2017 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months and six months ended 30 June 2018

		Three months ended 30 June		Six months ended 30 June	
	Notes	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
<b>Revenue</b>	3	<b>36,190</b>	37,691	<b>68,510</b>	73,463
Other income		<b>130</b>	131	<b>261</b>	266
Other (losses)/gains – net		<b>(310)</b>	40	<b>(373)</b>	155
Employee benefits expenses	4	<b>(20,262)</b>	(22,069)	<b>(39,176)</b>	(43,203)
Depreciation and amortization		<b>(2,298)</b>	(2,237)	<b>(4,394)</b>	(4,590)
Other operating expenses		<b>(11,963)</b>	(12,227)	<b>(22,366)</b>	(23,360)
<b>Operating profit</b>		<b>1,487</b>	1,329	<b>2,462</b>	2,731
Finance costs		<b>(41)</b>	(114)	<b>(189)</b>	(224)
<b>Profit before tax</b>	5	<b>1,446</b>	1,215	<b>2,273</b>	2,507
Income tax expense	6	<b>(704)</b>	(506)	<b>(1,223)</b>	(1,088)
<b>Profit for the period</b>		<b>742</b>	709	<b>1,050</b>	1,419
<b>Total comprehensive income for the period</b>		<b>742</b>	709	<b>1,050</b>	1,419
Profit attributable to owners of the Company		<b>742</b>	709	<b>1,050</b>	1,419
Total comprehensive income attributable to owners of the Company		<b>742</b>	709	<b>1,050</b>	1,419
Earnings per share attributable to owners of the Company – Basic and diluted (HK cents)	8	<b>0.3</b>	0.3	<b>0.4</b>	0.5

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2018

		As at 30 June 2018 HK\$'000 (unaudited)	As at 31 December 2017 HK\$'000 (audited)
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment		7,052	6,330
Goodwill		4,535	–
Intangible assets		7,770	7,801
Investment in an associate		–	–
Available-for-sale financial asset	9	10,900	10,900
Derivative financial instrument		700	700
Deferred income tax assets		689	690
Other assets		100	205
		<hr/>	<hr/>
		31,746	26,626
		<hr/>	<hr/>
<b>Current assets</b>			
Trade and other receivables	10	52,161	61,816
Financial assets designated as at fair value through profit or loss		6,678	7,026
Amount due from an associate		6,540	10,609
Amounts due from related companies		–	208
Pledged bank deposits		9,006	5,265
Current income tax recoverable		11	–
Bank trust account balances		18,461	8,235
Cash and bank balances	11	34,581	28,552
		<hr/>	<hr/>
		127,438	121,711
		<hr/>	<hr/>

		As at 30 June 2018 HK\$'000 (unaudited)	As at 31 December 2017 HK\$'000 (audited)
	<i>Notes</i>		
<b>Current liabilities</b>			
Trade and other payables	12	32,535	23,543
Borrowings		12,483	12,537
Amounts due to related companies		57	22
Current income tax liabilities		1,740	634
		<u>46,815</u>	<u>36,736</u>
<b>Net current assets</b>		<u>80,623</u>	<u>84,975</u>
<b>Total assets less current liabilities</b>		<u>112,369</u>	<u>111,601</u>
<b>Non-current liabilities</b>			
Borrowings		–	281
Deferred income tax liabilities		179	180
		<u>179</u>	<u>461</u>
<b>Net assets</b>		<u>112,190</u>	<u>111,140</u>
<b>Equity attributable to the owners of the Company</b>			
Share capital	13	2,800	2,800
Share premium		25,238	25,238
Reserves		84,152	83,102
		<u>112,190</u>	<u>111,140</u>
<b>Total equity</b>		<u>112,190</u>	<u>111,140</u>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2018

	Attributable to owners of the Company					
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Available- for-sale financial asset revaluation reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
<b>Balance at 1 January 2017</b> <b>(audited)</b>	<u>2,800</u>	<u>25,238</u>	<u>25,624</u>	<u>–</u>	<u>56,983</u>	<u>110,645</u>
Profit for the period	–	–	–	–	1,419	1,419
Total other comprehensive income for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total comprehensive income for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,419</u>	<u>1,419</u>
Interim dividend paid	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(1,120)</u>	<u>(1,120)</u>
<b>Balance at 30 June 2017</b> <b>(unaudited)</b>	<u>2,800</u>	<u>25,238</u>	<u>25,624</u>	<u>–</u>	<u>57,282</u>	<u>110,944</u>
<b>Balance at 1 January 2018</b> <b>(audited)</b>	<u>2,800</u>	<u>25,238</u>	<u>25,624</u>	<u>500</u>	<u>56,978</u>	<u>111,140</u>
Profit for the period	–	–	–	–	1,050	1,050
Total other comprehensive income for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total comprehensive income for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,050</u>	<u>1,050</u>
Interim dividend paid	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
<b>Balance at 30 June 2018</b> <b>(unaudited)</b>	<u><u>2,800</u></u>	<u><u>25,238</u></u>	<u><u>25,624</u></u>	<u><u>500</u></u>	<u><u>58,028</u></u>	<u><u>112,190</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)***For the six months ended 30 June 2018*

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Net cash generated from/(used in) operating activities</b>	<b>19,654</b>	<b>(5,336)</b>
<b>Net cash used in investing activities</b>	<b>(13,101)</b>	<b>(14,136)</b>
<b>Net cash used in financing activities</b>	<b>(524)</b>	<b>(2,966)</b>
<b>Net increase/(decrease) in cash, cash equivalents and bank overdrafts</b>	<b>6,029</b>	<b>(22,438)</b>
<b>Cash, cash equivalents and bank overdrafts at beginning of the period</b>	<b>28,552</b>	<b>47,218</b>
<b>Cash, cash equivalents and bank overdrafts at end of the period</b>	<b>34,581</b>	<b>24,780</b>

## **NOTES TO THE FINANCIAL INFORMATION**

*For the six months ended 30 June 2018*

### **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 2017.

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 2018, 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 provision of financial services including securities broking and asset management.



**For the six months ended 30 June 2018**

	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)
<b>Segment revenue</b>	<b>9,826</b>	<b>24,459</b>	<b>26,773</b>	<b>3,961</b>	<b>3,491</b>	<b>68,510</b>
<b>Segment results</b>	<b>1,464</b>	<b>2,230</b>	<b>2,748</b>	<b>797</b>	<b>(1,754)</b>	<b>5,485</b>
Depreciation and amortization	887	1,560	–	612	1,241	4,300
<b>Total segment assets</b>	<b>8,181</b>	<b>28,199</b>	<b>15,091</b>	<b>6,319</b>	<b>30,500</b>	<b>88,290</b>
Total segment assets includes: Assets (other than financial instruments)	1,033	1,817	–	712	906	4,468
<b>Total segment liabilities</b>	<b>1,227</b>	<b>3,253</b>	<b>3,290</b>	<b>836</b>	<b>302</b>	<b>8,908</b>

**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)
<b>Segment revenue</b>	<b>4,999</b>	<b>32,584</b>	<b>24,099</b>	<b>8,140</b>	<b>3,641</b>	<b>73,463</b>
<b>Segment results</b>	<b>530</b>	<b>2,327</b>	<b>3,502</b>	<b>1,629</b>	<b>(1,980)</b>	<b>6,008</b>
Depreciation and amortization	161	1,608	–	1,447	1,271	4,487
<b>Total segment assets</b>	<b>7,586</b>	<b>31,418</b>	<b>14,831</b>	<b>9,211</b>	<b>8,462</b>	<b>71,508</b>
Total segment assets includes: Additions to non-current assets (other than financial instruments)	64	638	–	574	1,465	2,741
<b>Total segment liabilities</b>	<b>185</b>	<b>3,733</b>	<b>3,385</b>	<b>1,251</b>	<b>639</b>	<b>9,193</b>

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

	Six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Segment result for reportable segments	7,239	7,988
Other segments results	(1,754)	(1,980)
Total segments results	5,485	6,008
<b>Unallocated:</b>		
Other income	261	266
Other (losses)/gains – net	(373)	155
Depreciation and amortization	(94)	(103)
Finance costs	(189)	(224)
Corporate and other unallocated expenses	(2,817)	(3,595)
Profit before tax	2,273	2,507

#### 4. EMPLOYEE BENEFITS EXPENSES

	Three months ended 30 June		Six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Salaries and allowances	20,262	21,991	39,369	43,098
Pension costs – defined contribution plans	937	993	1,783	1,938
Total employee benefits expenses, including Directors' remuneration	21,199	22,984	41,152	45,036
Less: Amounts capitalized in deferred development costs	(937)	(915)	(1,975)	(1,833)
	20,262	22,069	39,176	43,203

## 5. PROFIT BEFORE INCOME TAX

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Profit before tax is stated after charging:</b>				
Depreciation of owned property, plant and equipment	1,337	1,199	2,473	2,435
Amortization of intangible assets	961	1,038	1,921	2,155
Total depreciation and amortization	<u>2,298</u>	<u>2,237</u>	<u>4,394</u>	<u>4,590</u>
Operating lease payments in respect of rented premises	1,762	2,507	3,683	5,015
Research and development costs	<u>961</u>	<u>1,038</u>	<u>1,921</u>	<u>2,155</u>

## 6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at a rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong for the six months period ended 30 June 2018. Taxation on overseas profits has been calculated on the estimated assessable profit for the six months period ended 30 June 2018 at the rates of taxation prevailing in the countries in which the Group operates.

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current income tax	704	506	1,223	1,088
Deferred income tax	—	—	—	—
	<u>704</u>	<u>506</u>	<u>1,223</u>	<u>1,088</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 2018 (2017: nil).

## 8. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2018 is based on (i) the unaudited consolidated profit attributable to the owners of the Company of approximately HK\$550,000 (six months ended 30 June 2017: approximately HK\$1,419,000) and (ii) the weighted average number of 280,000,000 ordinary shares issued during the six months ended 30 June 2018 (during the six months ended 30 June 2017: 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 2018 and 2017.

## 9. AVAILABLE-FOR-SALE FINANCIAL ASSET

	As at 30 June 2018 HK\$'000 (unaudited)	As at 31 December 2017 HK\$'000 (audited)
Unlisted, at cost	<b>10,900</b>	10,900

## 10. TRADE AND OTHER RECEIVABLES

	As at 30 June 2018 HK\$'000 (unaudited)	As at 31 December 2017 HK\$'000 (audited)
Trade receivables		
Amounts receivables arising from multi-media contact services and contact centre system	44,388	52,472
Amounts receivables arising from financial services business		
– Clients – cash	22	30
– Clearing house	93	433
Other receivables, deposits and prepayments	7,658	8,881
	<b>52,161</b>	61,816

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 2018 HK\$'000 (unaudited)	As at 31 December 2017 HK\$'000 (audited)
0–30 days	21,406	22,087
31–60 days	5,363	11,888
61–90 days	3,477	9,573
Over 90 days	14,142	8,924
	<b>44,388</b>	52,472

## 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 2018 HK\$'000 (unaudited)	As at 31 December 2017 HK\$'000 (audited)
Trade payables	4,795	3,206
Amounts payables arising from financial services business		
– Clients – cash	277	1,464
– Clients – margin	17,846	6,251
– Clearing house	425	972
Other payables and accruals	9,192	11,650
	<u>32,535</u>	<u>23,543</u>

As at 30 June 2018, the aging analysis of the trade payables based on invoice date is as follows:

	As at 30 June 2018 HK\$'000 (unaudited)	As at 31 December 2017 HK\$'000 (audited)
0 – 30 days	2,849	1,765
31 – 60 days	407	789
61 – 90 days	367	359
Over 90 days	1,172	293
	<u>4,795</u>	<u>3,206</u>

## 13. SHARE CAPITAL

	Number of ordinary shares	Ordinary shares at HK\$0.01 each HK\$'000
Authorized share capital	5,000,000,000	50,000
As at 31 December 2017 and 30 June 2018	<u>5,000,000,000</u>	<u>50,000</u>
Issued and fully paid up share capital	280,000,000	2,800
As at 31 December 2017 and 30 June 2018	<u>280,000,000</u>	<u>2,800</u>

#### 14. RELATED PARTY TRANSACTIONS

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

Name of related parties	Nature of transactions	Three months ended 30 June		Six months ended 30 June	
		2018	2017	2018	2017
		HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Always Beyond Limited	Premise rental expenses	560	698	1,279	1,395
Epro Career Limited	Insourcing fee expenses	4,396	3,511	8,468	7,143
168 Storage Limited	Outbound service income	–	(23)	–	(23)
East Ocean Food (Hong Kong) Limited	Seasonal event expense	–	–	–	12
Gear Asset Management Limited	System installation service income	–	(500)	–	(1,000)
	Management income	(116)	(240)	(356)	(480)
H.K. Sources Finance Limited	System maintenance income	–	–	(74)	(70)
SG Marketing Limited	Outsourcing outbound contact service income	–	(30)	–	(30)
Stan Group (Holdings) Limited	Premise rental expenses	624	624	1,248	1,248
	Seasonal event expense	51	51	51	3
	Facilities management services income	–	(140)	–	(354)
	Insourcing service income	–	(240)	–	(705)
The Wave (Hing Yip Street) Corporation	Sales of software and system	–	–	–	(46)
	Premise rental expenses	–	62	–	62
	Seasonal event expense	<u>1</u>	<u>–</u>	<u>1</u>	<u>–</u>

## Key management personnel compensation

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Salaries and short-term employee benefits	135	282	270	561
Post employment benefits	9	5	18	11
	<u>144</u>	<u>287</u>	<u>288</u>	<u>572</u>

## 15. 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 2018 HK\$'000 (unaudited)	As at 31 December 2017 HK\$'000 (audited)
No later than 1 year	3,378	7,205
Later than 1 year and no later than 5 years	<u>2,710</u>	<u>1,645</u>
	<u>6,088</u>	<u>8,850</u>

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

## 16. CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at 30 June 2018.

## 17. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The unaudited condensed consolidated interim financial information was approved by the Board on 6 August 2018.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2018 (2017: 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. Also, the Group has further expanded to financial market and engaged in securities trading business in Hong Kong since 2017.

During the six months ended 30 June 2018, Hong Kong unemployment rate maintains below 3% indicating a strong economy and which continues to fuel the workforce demand from our customers. Although the tight labour market has inevitably driven up the overall recruitment as well as labour cost, the insourcing service will remain a driving engine of our business in the foreseeable future.

Stringent control from different regulatory authorities on information security, data privacy as well as credit control guidelines and procedures continues to impact the telemarketing services, driving up the difficulty and cost of the operation. The Company will keep working on increasing the productivity of the operation and focus on services with more sustainable margin.

As a diversification of business, the Group has first started to enter into the financial market by setting up Gear Securities Investment Limited in early 2017 and which is a company mainly engaged in securities trading, margin lending and financial consultancy services. Although the securities market fluctuated lately due to a series of factors such as outbreak of international trade war, depreciation of Renminbi, anticipated raise in interest rate, listing with weighted voting right structure and of biotech companies not meeting any of the financial eligibility tests, the management of the Group still have confidence that business will continue to grow with more margin lending services to be provided.

To further enrich our suite of financial services, the Company has successfully acquired a financial company, Gear Asset Management Limited in May 2018 which is licensed corporation that carries out Type 9 (asset management) regulated activity under the SFO, at a consideration amounted to HK\$6 million. In addition to providing asset management services to both individual as well as corporate customers, the Company also considers to set up different types of funds in order to strengthen our financial portfolio in the long run.



With Type 1, 4 and 9 licenses for regulated activities under the SFO in place, the management of the Group believed we are at a very good position to compete and further capture the potential of the capital market so as to broaden the Group's revenue base.

## SIGNIFICANT INVESTMENTS

As at 30 June 2018, the Group held unlisted financial assets designated as at fair value through profit or loss of approximately HK\$6.7 million and unlisted available-for-sale financial asset of approximately HK\$10.9 million. Further information in relation to the such investments as at 30 June 2018 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 2018	Carrying amount as at 30 June 2018 HK\$ (approximate)
AB FCP I (AB Global High Yield Portfolio, Class AT) ("AB Global High Yield Portfolio (AT)") (Note 1)	133,161.385	4,264,000
Allianz Global Investors Fund (Allianz US High Yield, Class AM) ("Allianz US High Yield (AM)") (Note 2)	41,350.726	2,414,000
Total	–	6,678,000

#### Notes:

1. AB FCP I (named ACMBernstein) 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 2018, the Group had recognised a loss of approximately HK\$347,000 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 2018, the Group held 133,161.385 AB Global High Yield Portfolio (AT) shares which amount to carrying amount of approximately HK\$4,264,000. During the six months ended 30 June 2018, the Group had not acquired or disposed of any AB Global High Yield Portfolio (AT) shares. During the six months ended 30 June 2018, the Group had received dividend in the amount of approximately HK\$138,000 from its investment in AB Global High Yield Portfolio (AT). For the six months ended 30 June 2018, the Group had recognised a loss approximately HK\$212,000 on change in fair value of its investment in AB Global High Yield Portfolio (AT).

As disclosed in the monthly report and dividend summary in relation to AB FCP I (AB Global High Portfolio), for the six months ended 30 June 2018, AB Global High Yield Portfolio (AT) recorded a loss approximately 2.1%.

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 year ended 20 March 2018, the Directors noted the view of the management company of AB FCP I that global equities rose during the six-month period ended March 20, 2018 (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. However, the Directors noted the management company's view that investor sentiment was weighed down by fears regarding a potential acceleration in inflation and the risk of the US government tightening monetary policy faster than expected. Moreover, the Directors 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 lagging in the period. Given the above, the Company expects that its investment in AB Global High Yield Portfolio (AT) will maintain a stable return for the Company.

#### **Allianz US High Yield (AM)**

As at 30 June 2018, the Group held 41,350.726 Allianz US High Yield (AM) shares which amount to carrying amount of approximately HK\$2,414,000. During the six months ended 30 June 2018, the Group had not acquired or disposed of any Allianz US High Yield (AM) shares. During the six months ended 30 June 2018, the Group had received dividend in the amount of approximately HK\$104,000 from its investment in Allianz US High Yield (AM). For the six months ended 30 June 2018, the Group had recognized a loss approximately HK\$136,000 on 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 2018, the Directors noted the view of Allianz Global Investors Fund that the prospects for the global economy appear quite stable at the moment, which should continue to be favorable of equities market. The Directors further noted Allianz Global Investors Fund's view that the bond segment may be threatened by the heightened risks of an upward revision of interest rate give to the uncertainty of bond market. Regarding of the equity market, in the view of the Fund, the environment should continue to favor equities but the price fluctuation should be higher. 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**

The Group continuously to invest in TFI International Holdings Limited ("TFI"), a company incorporated in the Cayman Islands with limited liability which principally engages in the provision of one-stop video solution with patented technology for encoding, live streaming and OTT platform. As at 30 June 2018, the Group held 40 shares in TFI. The Group's shareholding in TFI represents approximately 3.7% of the total issued share capital of TFI as at 30 June 2018. Based on the unaudited consolidated management accounts of TFI for the sixth months ended 30 June 2018, TFI recorded a profit after tax of approximately HK\$5.7 million. The continuous growth of the Invested Company represents there is much potential in the video and live streaming market. As at 30 June 2018, the carrying value of the available-for-sale financial asset amounted to approximately HK\$10,900,000 and the put option is amounted to approximately HK\$700,000.

### **FINANCIAL REVIEW**

For the six months ended 30 June 2018, the Group's unaudited total revenue was approximately HK\$68.5 million, representing a decrease of approximately HK\$5 million as compared with the total revenue of the corresponding period in 2017 (six months ended 30 June 2017: approximately HK\$73.5 million).

The gross profit margin of the Group decreased from approximately 8.2% for the six months ended 30 June 2017 to approximately 8% for the six months ended 30 June 2018. Profit attributable to owners of the Company decreased by approximately 26% from approximately HK\$1.4 million for the six months ended 30 June 2017 to approximately HK\$1.1 million for the six months ended 30 June 2018. The decrease of the gross profit margin and the net profit of the Group mainly attributable to the loss generated from the new start-up provision of financial services 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 14%, 36%, 39%, 6% and 5% of the Group's unaudited total revenue for the six months ended 30 June 2018 respectively.

## **Outsourcing Inbound Contact Service**

For the six months ended 30 June 2018, the outsourcing inbound contact service recorded a revenue of approximately HK\$9.8 million, representing an increase of approximately 96.6% as compared to that of the corresponding period in 2017 (2017: approximately HK\$5 million). The segment results for the six months ended 30 June 2018 was approximately HK\$1.5 million. (2017: approximately HK\$0.5 million). The gross profit margin for outsourcing inbound contact service increased from approximately 10.6% for the six months ended 30 June 2017 to approximately 14.9% for the six months ended 30 June 2018.

The increase in revenue from the outsourcing inbound contact service was mainly attributed to the increase of the demand from a sizable new customer during the period. The gross profit margin was improved is mainly due to the utilization of the idle resources.

## **Outsourcing Outbound Contact Service**

For the six months ended 30 June 2018, the outsourcing outbound contact service recorded a revenue of approximately HK\$24.5 million, representing a decrease of approximately 24.9% as compared to that of the corresponding period in 2017 (2017: approximately HK\$32.6 million).

The segment results for the six months ended 30 June 2018 was approximately HK\$2.2 million (2017: approximately HK\$2.3 million). The gross profit margin for outsourcing outbound contact service increased from approximately 7.1% for the six months ended 30 June 2017 to approximately 9.1% for the six months ended 30 June 2018.

The Group recorded a decrease in the revenue generated from the outsourcing outbound contact service during the period. It is mainly due to the unfavorable business environment as described in “Business Review” section. Although the drop of the business of outsourcing outbound contact service, we are able to maintain a greater profit margin of the outsourcing outbound contact service representing our operating efficiency.

## **Staff Insourcing Service**

For the six months ended 30 June 2018, the staff insourcing service segment recorded a revenue of approximately HK\$26.8 million, representing an increase of approximately 11.1% as compared to that of the corresponding period in 2017 (2017: approximately HK\$24.1 million).

The segment results of staff insourcing service for the six months ended 30 June 2018 was approximately HK\$2.7 million. (2017: approximately HK\$3.5 million). The gross profit margin for staff insourcing service decreased from approximately 14.5% for the six months ended 30 June 2017 to approximately 10.3% for the six months ended 30 June 2018.

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 decrease in gross profit margin for the staff insourcing service was mainly attributable to the increase of employee cost.

## **Contact Service Centre Facilities Management Service**

For the six months ended 30 June 2018, the contact service centre facilities management service recorded a revenue of approximately HK\$4 million, representing a decrease of approximately 51.3% as compared to that of the corresponding period in 2017 (2017: approximately HK\$8.1 million). The decrease of the revenue of contact service centre facilities management service is mainly due to the loss of the contracts.

The segment results for the six months ended 30 June 2018 was approximately HK\$0.8 million. (2017: approximately HK\$1.6 million). The gross profit margin for contact service centre facilities management service slightly increased from approximately 20% for the six months ended 30 June 2017 to approximately 20.1% for the six months ended 30 June 2018.

## **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 financial services income (“Other Services related to securities”). For the six months ended 30 June 2018, the Group recorded a revenue of Other Services related to Wise amounted to approximately HK\$2.2 million (2017: approximately HK\$1.5 million) and a revenue of Other Services related to securities amounted to approximately HK\$1.3 million (2017: approximately HK\$2.2 million).

The segment results of “Others” regarding Other Services related to Wise amounted to approximately HK\$0.9 million for the six months ended 30 June 2018 (2017: approximately HK\$0.1 million). Same as last year, the Group recorded a loss in the segment results of Other Services related to financial services amounted to approximately HK\$2.7 million (2017: approximately HK\$2.1 million).

For the segment of Other Services related to Wise, the increase in gross profit was mainly due to the increase of system sales. For the segment of Other Services related to financial services, the loss in segment result was mainly attributable to the increase of on-going operating cost for the new start up provision of financial services business.

## **PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY**

Profit attributable to owners of the Company decreased by approximately 26% from approximately HK\$1.4 million for the six months ended 30 June 2017 to approximately HK\$1.1 million for the six months ended 30 June 2018. The decrease of profit was mainly attributed to the continuous loss of provision of financial services 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 2018, the Group had net current assets of approximately HK\$80.6 million (as at 31 December 2017: approximately HK\$85 million) including cash and bank balances of approximately HK\$34.6 million (as at 31 December 2017: approximately HK\$28.6 million). The increase in cash and bank balances as at 30 June 2018 was mainly attributable to the improvement of the recoverability of the receivables.

As at 30 June 2018, the Group's current ratio (current assets/current liabilities) and gearing ratio (total debts/total assets) were approximately 2.72 (as at 31 December 2017: approximately 3.31) and 7.9% (as at 31 December 2017: approximately 8.7%) 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 2018, the Group had pledged its bank deposits of approximately HK\$9 million (as at 31 December 2017: approximately HK\$5.3 million) and had pledged investment fund amounted to approximately HK\$6.7 million (as at 31 December 2017: approximately HK\$7 million) to secure its banking facilities and trade receivable financing.

## **CORPORATE GOVERNANCE**

The Company has complied with all the code provisions as set out in the Corporate Governance Code (the "Code") in Appendix 15 to the GEM Listing Rules throughout the six months ended 30 June 2018 except for the code provision A.6.2(a) of the Code, details of which are set out below.

According to code provision A.6.2(a) of the Code, the functions of non-executive directors should include participating in board meetings to bring an independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct. During the period under review, Mr. Tang Shing Bor, the Chairman and a non-executive Director of the Company, did not attend the board meeting held due to a conflict with another urgent obligation or engagement at the same time.

## **CODE OF CONDUCT FOR DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specified enquiry on the Directors, all Directors confirmed that they have complied with the required standard of dealings concerning securities transactions for the six months ended 30 June 2018.

## **SHARE OPTION SCHEME**

During the six months ended 30 June 2018, 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 2018 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**

So far as the Directors are aware of, none of the Directors or the substantial/controllers shareholders of the Company has any interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group for the six months ended 30 June 2018.

## **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 2018, 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**

			Number of shares/ underlying shares held	Percentage of the issued share capital of the Company as at 30 June 2018
Name of Directors/ Chief Executives	Capacity	Nature of interests		
Mr. Tang Shing Bor	Interest in a controlled corporation	Corporate interest	210,000,000 ( <i>Note</i> )	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 2018, 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 2018, 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**

<b>Name of substantial shareholders</b>	<b>Capacity</b>	<b>Number of Shares/ underlying Shares held</b>	<b>Approximate percentage of the issued share capital of the Company as at 30 June 2018</b>
Million Top Enterprises Limited ( <i>Note</i> )	Beneficial owner	210,000,000	75%

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

Save as disclosed above, as at 30 June 2018, 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 2018 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 2018.

By order of the Board

**ETS Group Limited**

**Tang Yiu Sing**

*Executive Director and Chief Executive Officer*

Hong Kong, 6 August 2018

*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](http://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](http://www.etsgroup.com.hk).*