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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)

**THIRD QUARTERLY RESULTS ANNOUNCEMENT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020**

**CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG
LIMITED (THE “STOCK EXCHANGE”)**

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the “Directors”) of ETS Group Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on 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 nine months ended 30 September 2020 was approximately HK\$75,870,000 representing a decrease of approximately 24.1% as compared with the total revenue of approximately HK\$100,001,000 for the corresponding period in 2019.

Profit attributable to owners of the Company for the nine months ended 30 September 2020 was approximately HK\$1,538,000, representing an decrease of approximately 78.9% as compared with the profit attributable to owners of the Company of approximately HK\$7,285,000 for the corresponding period in 2019.

Earnings per share for the nine months ended 30 September 2020 was approximately HK0.5 cents (nine months ended 30 September 2019: approximately HK2.6 cents).

UNAUDITED 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 nine months ended 30 September 2020 together with the comparative figures for the corresponding periods ended 30 September 2019, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the three months and nine months ended 30 September 2020

		Three months ended 30 September		Nine months ended 30 September	
		2020	2019	2020	2019
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	3	21,364	29,470	75,870	100,001
Other income		7,117	88	8,302	371
Other losses – net		(2,436)	(2)	(2,394)	–
Employee benefits expenses		(18,494)	(21,208)	(58,704)	(67,528)
Depreciation and amortization		(2,898)	(2,958)	(9,233)	(9,254)
Other operating expenses		(4,062)	(3,516)	(11,265)	(14,325)
Operating profit		591	1,874	2,576	9,265
Finance costs		(85)	(152)	(306)	(480)
Profit before tax		506	1,722	2,270	8,785
Income tax expense	4	(344)	(154)	(732)	(1,500)
Profit for the period		162	1,568	1,538	7,285
Total comprehensive income for the period		162	1,568	1,538	7,285
Profit attributable to owners of the Company		162	1,568	1,538	7,285
Total comprehensive income attributable to owners of the Company		162	1,568	1,538	7,285
Earnings per share attributable to owners of the Company – Basic and diluted (HK cents)	6	0.1	0.6	0.5	2.6

NOTES TO THE FINANCIAL INFORMATION

For the nine months ended 30 September 2020

1. GENERAL INFORMATION

ETS Group Limited (the “Company”) is an investment holding company. ETS Group Limited and its subsidiaries (collectively referred as to the “Group”) are principally engaged in providing comprehensive multi-media contact service, contact centre system, staff insourcing and financial services in Hong Kong.

The Company was incorporated in the Cayman Islands on 29 June 2011 as an exempted company with limited liability under the Companies Law of the Cayman Islands. 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 third quarterly financial information has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) 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 third quarterly financial information were consistent with those applied for the consolidated financial statements of the Group for the year ended 31 December 2019.

The HKICPA has issued certain new and revised Hong Kong Financial Reporting Standards (“HKFRSs”). For those which are effective for accounting periods beginning on or after 1 January 2020, the adoption has no material impact on how the results and financial positions of the Group for the current and prior periods have been prepared and presented. For those which are not yet effective and have not been early adopted in prior accounting periods, the Group is in the process of assessing their impact on the Group’s results and financial position.

3. REVENUE

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Outsourcing inbound contact services	3,062	2,998	8,414	9,106
Outsourcing outbound contact services	–	3,608	8,253	21,401
Staff insourcing services	9,110	14,097	31,568	43,228
Contact service centre facilities management service	3,007	3,399	10,474	7,108
Financial services	5,080	4,385	13,531	15,687
Others	1,105	983	3,630	3,471
	<u>21,364</u>	<u>29,470</u>	<u>75,870</u>	<u>100,001</u>

4. INCOME TAX EXPENSE

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current income tax	<u>344</u>	<u>154</u>	<u>732</u>	<u>1,500</u>

No provision for deferred taxation has been made in the financial statements since there is no material timing difference.

5. INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2020 (2019: nil).

6. EARNINGS PER SHARE

The calculation of basic earnings per share for the nine months ended 30 September 2020 is based on (i) the unaudited consolidated profit attributable to the owners of the Company of approximately HK\$1,538,000 (nine months ended 30 September 2019: approximately HK\$7,285,000) and (ii) the weighted average number of 280,000,000 ordinary shares issued during the nine months ended 30 September 2020 (during the nine months ended 30 September 2019: the 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 nine months ended 30 September 2020 and nine months ended 30 September 2019.

7. MOVEMENT OF RESERVES

	Attributable to owners of the Company					
				Available- for-sale financial asset		
	Share capital	Share premium	Merger reserve	revaluation reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2019 (unaudited)	2,800	25,238	25,624	–	59,917	113,579
Effect of the adoption of the HKFRS 16	–	–	–	–	(228)	(228)
Profit for the period	–	–	–	–	7,285	7,285
Total other comprehensive income for the period	–	–	–	–	–	–
Total comprehensive income for the period	–	–	–	–	7,057	7,057
Balance at 30 September 2019 (unaudited)	2,800	25,238	25,624	–	66,974	120,636
Balance at 1 January 2020 (unaudited)	2,800	25,238	25,624	–	67,508	121,170
Profit for the period	–	–	–	–	1,538	1,538
Total other comprehensive income for the period	–	–	–	–	–	–
Total comprehensive income for the period	–	–	–	–	1,538	1,538
Balance at 30 September 2020 (unaudited)	2,800	25,238	25,624	–	69,046	122,708

8. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

The unaudited condensed consolidated results of the Group for the nine months ended 30 September 2020 were approved by the Board on 5 November 2020.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2020 (2019: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and prospects

The Group is continuously engaged in the business of providing comprehensive multi-media contact services and contact centre system. The principal activities of the Group include provisions of outsourcing inbound contact service, outsourcing outbound contact service, staff insourcing service, contact service centre facilities management service and financial services.

With the third wave of COVID-19 started around July 2020, early stage of the current review period, the Company experienced the most drastic situation since the start of the pandemic. In view of the widespread nature and increasing number of infected cases, the Company has taken more stringent preventive measures to safeguard the overall health safety by recommending isolation of staff who live in close proximity of infected cases. Under the arrangement, over 15% of some of our workforce area was affected at the peak and hence imposed a negative impact on our operation as well as business.

The large scale of work-from-home practice together with the uncertainty of local economy had inevitably slowed down some of our clients' decision making process, deterred planned initiatives and investment incentives, causing further slow-down of business. In addition, data security and financial lending risks continue to present challenges on contact centre and money lending services, prompting some of our clients to take a more prudent strategy on outsourcing contact centre services until further improvement of the business environment.

As part of the Company's diversification strategy of our contact centre business, we have undergone a massive revamp of our WISE-xb Contact Centre System which has recently been renamed as Marvel Contact Centre System which supports traditional, digital, social media and AI-chatbot communications for contact centre operation. It has been receiving encouraging feedback and interest from our customers since launched and the Company is actively seeking collaboration with partners of different complementary technologies to further strengthen the solution and its competitiveness in the market. Despite of the prevailing conservative sentiment in investment, the management of the Company believes Marvel Contact Centre System can become a profitable revenue stream for the Group in the long run.

The local financial market may have a lackluster year so far, but we believe it will turn out to be one of the fastest sector to rebound in the near future. That is the reason why the Company has worked steadily in the past year maintaining as well as building connections, laying the groundwork for potential deals and collaborations to capture any opportunities upon economy recovery. The management of the Company remains optimistic on the development of our financial service business.

Year 2020 has proved to be a difficult year for a lot of businesses, the Group will keep focus on and strengthen our core business to maintain a steadfast foundation for our continual business diversification in the long run.

Looking forward, the Group will look for potential collaboration or acquisition opportunities that enable us to diversify our business or provide value and synergy to our existing business.

Financial review

For the nine months ended 30 September 2020, the Group's unaudited total revenue was approximately HK\$75.9 million, representing a decrease of approximately HK\$24.1 million as compared with the total revenue of the corresponding period in 2019 (2019: approximately HK\$100 million). The other income increased from approximately HK\$0.4 million for the nine months ended 30 September 2019 to approximately HK\$8.3 million for the nine months ended 30 September 2020 mainly because the Group received local government subsidies related to the employment of the staffs.

The unaudited employee benefits expenses decreased from approximately HK\$67.5 million for the nine months ended 30 September 2019 to approximately HK\$58.7 million for the nine months ended 30 September 2020. The decrease of employee benefits expenses was mainly due to cease to employ the contact centre agents following the termination of some of the projects. The unaudited other operating expenses decreased by approximately HK\$3.1 million from approximately HK\$14.3 million for the nine months ended 30 September 2019 to approximately HK\$11.3 million for the nine months ended 30 September 2020. The decrease of other operating expenses was mainly attributable to the decrease of the rental expenses and subcontracting fee.

The Group's unaudited depreciation and amortization expenses slightly decreased from approximately HK\$9.3 million for the nine months ended 30 September 2019 to approximately HK\$9.2 million for the nine months ended 30 September 2020. The unaudited finance costs for the nine months ended 30 September 2019 decreased from approximately HK\$0.5 million to approximately HK\$0.3 million for the nine months ended 30 September 2020.

The decrease of profit was mainly attributed to decrease of revenue for the period.

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 nine months ended 30 September 2020 except for the code provision A.6.2(a) of the Code, details of which are set out below.

According to code provision A.6.2(a) of the Code, the functions of non-executive directors should include participating in board meetings to bring an independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct. During the period under review, Mr. Tang Shing Bor, the Chairman and a non-executive Director of the Company, was absent from three board meetings held and one of the absences was due to a conflict with interests in the transaction discussed at the relevant meeting.

CODE OF CONDUCT FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specified enquiry on the Directors, all Directors confirmed that they have complied with the required standard of dealings concerning securities transactions for the nine months ended 30 September 2020.

SHARE OPTION SCHEME

During the nine months ended 30 September 2020, no share option was granted, exercised, expired or lapsed under the share option scheme approved on 21 December 2011 (the "Share Option Scheme").

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from the Share Option Scheme, at no time during the nine months ended 30 September 2020 was any of the Company or any associated corporation a party to any arrangement to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age 18, had any right to subscribe for the shares in, or debentures of, the Company, or had exercised any such rights.

NON-COMPETITION UNDERTAKING

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

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

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

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

As disclosed in the Company's 2019 Annual Report, the Company had received written notices from all of the Covenantors in respect of any New Business Opportunity which competed or was likely to compete with the existing business of the Group which was offered or came to the knowledge of the Covenantors or their close associates (other than any member of the Group). Each of the Covenantors has made an annual declaration to the Company in respect of his/its compliance with his/its obligations under the Deed of Non-competition for the year ended 31 December 2019.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed above, so far as the Directors are aware of, none of the Directors or the substantial/controllers shareholders of the Company has any interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group for the nine months ended 30 September 2020.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND/OR ITS ASSOCIATED CORPORATIONS

As at 30 September 2020, the interests and short positions of the Directors and chief executives of the Company (the "Chief Executives") in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or Chief Executive is taken or deemed to have under such provision of the SFO) or which were required pursuant to section 352 of the SFO, to be entered in the register required to be kept by the Company, or which were required, pursuant to Securities Transactions by Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in the shares of the Company

			Percentage of the issued share capital of the Company as at 30 September 2020	
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 September 2020, none of the Directors and/or Chief Executive had any other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to the Securities Transactions by Directors, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITION IN SHARES AND/OR UNDERLYING SHARES OF THE COMPANY

So far as is known to the Directors, as at 30 September 2020, the following persons (not being a Director or Chief Executive) who had interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company under provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, or who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Long positions in the shares of the Company

Name of substantial shareholders	Capacity	Number of Shares/ underlying Shares held	Approximate percentage of the issued share capital of the Company as at 30 September 2020
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 September 2020, the Directors were not aware of any other persons (other than Directors or Chief Executive) who had interests and/or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, or who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited interim results of the Group for the nine months ended 30 September 2020 and is of the opinion that the accounting policies of the Group are in accordance with the generally accepted accounting practices in Hong Kong, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company did not redeem any of its listed securities, and neither did the Company nor any of its subsidiaries purchase or sell any of the listed securities of the Company for the nine months ended 30 September 2020.

By order of the Board

ETS Group Limited

Tang Yiu Sing

Executive Director and Chief Executive Officer

Hong Kong, 5 November 2020

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

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the Company's website at www.etsgroup.com.hk.