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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 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 nine months ended 30 September 2017 was approximately HK\$109,602,000, representing an increase of approximately 1% as compared with the total revenue of approximately HK\$108,901,000 for the corresponding period in 2016.

Profit attributable to owners of the Company for the nine months ended 30 September 2017 was approximately HK\$1,646,000, representing a decrease of approximately 58% as compared with the profit attributable to owners of the Company of approximately HK\$3,883,000 for the corresponding period in 2016.

Earnings per share for the nine months ended 30 September 2017 was approximately HK0.6 cents (nine months ended 30 September 2016: approximately HK1.4 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 2017 together with the comparative figures for the corresponding periods ended 30 September 2016, as follows:

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

For the three months and nine months ended 30 September 2017

		Three months ended 30 September		Nine months ended 30 September	
	Notes	2017	2016	2017	2016
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	3	36,139	36,711	109,602	108,901
Other income		130	181	396	516
Other gains–net		1,318	236	1,473	268
Employee benefits expenses		(23,244)	(20,249)	(66,447)	(62,120)
Depreciation and amortization		(2,164)	(2,016)	(6,754)	(6,171)
Other operating expenses		(11,452)	(12,810)	(34,812)	(35,608)
Operating profit		727	2,053	3,458	5,786
Finance costs		(141)	(157)	(365)	(377)
Profit before tax		586	1,896	3,093	5,409
Income tax expense	4	(359)	(622)	(1,447)	(1,526)
Profit for the period		227	1,274	1,646	3,883
Total comprehensive income for the period		227	1,274	1,646	3,883
Profit attributable to owners of the Company		227	1,274	1,646	3,883
Total comprehensive income attributable to owners of the Company		227	1,274	1,646	3,883
Earnings per share attributable to owners of the Company					
– Basic and diluted					
(HK cents)	6	0.1	0.5	0.6	1.4

NOTES TO THE FINANCIAL INFORMATION

For the nine months ended 30 September 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 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 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. REVENUE

	Three months ended 30 September		Nine months ended 30 September	
	2017	2016	2017	2016
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Outsourcing inbound contact service	3,136	3,659	8,135	10,251
Outsourcing outbound contact service	14,849	14,188	47,433	45,078
Staff insourcing service	13,759	10,931	37,858	31,157
Contact service centre facilities management service	4,247	6,619	12,387	17,749
Others*	148	1,314	3,789	4,666
	<u>36,139</u>	<u>36,711</u>	<u>109,602</u>	<u>108,901</u>

* Principally comprises licencing, sales of system and software, system maintenance and securities service income.

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

	Three months ended 30 September		Nine months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Current income tax	<u>359</u>	<u>622</u>	<u>1,447</u>	<u>1,526</u>

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

5. INTERIM DIVIDENDS

	Nine months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Interim dividend declared and paid-nil (2016: HK nil cents) per ordinary share	<u>—</u>	<u>—</u>

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2017 (2016: nil).

6. EARNINGS PER SHARE

The calculation of basic earnings per share for the nine months ended 30 September 2017 is based on (i) the unaudited consolidated profit attributable to the owners of the Company of approximately HK\$1,646,000 (nine months ended 30 September 2016: approximately HK\$3,883,000) and (ii) the weighted average number of 280,000,000 ordinary shares issued during the nine months ended 30 September 2017 (during the nine months ended 30 September 2016: 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 2017 and nine months ended 30 September 2016.

7. MOVEMENT OF RESERVES

	Attributable to owners of the Company				
	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Translation <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 January 2016 (audited)	25,238	25,624	–	54,857	105,719
Profit for the period	–	–	–	3,883	3,883
Total other comprehensive income for the period	–	–	–	–	–
Total comprehensive income for the period	–	–	–	3,883	3,883
Dividend paid	–	–	–	(2,688)	(2,688)
Balance at 30 September 2016 (unaudited)	25,238	25,624	–	56,052	106,914
Balance at 1 January 2017 (audited)	25,238	25,624	–	56,983	107,845
Profit for the period	–	–	–	1,646	1,646
Total other comprehensive income for the period	–	–	–	–	–
Total comprehensive income for the period	–	–	–	1,646	1,646
Dividend paid	–	–	–	(1,120)	(1,120)
Balance at 30 September 2017 (unaudited)	25,238	25,624	–	57,509	108,371

8. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

The unaudited condensed consolidated results of the Group for the nine months ended 30 September 2017 were approved by the Board on 7 November 2017.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2017 (2016: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial and Business Review

The Group is continuously engaged in the business of providing comprehensive multi-media 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.

For the nine months ended 30 September 2017, the Group's unaudited total revenue was approximately HK\$109.6 million, representing an increase of approximately HK\$0.7 million as compared with the total revenue of the corresponding period in 2016 (2016: approximately HK\$108.9 million). Although the Group recorded a decrease of revenue in the segment of outsourcing inbound contact service and contact service centre facilities management service, the Group recorded an overall increase in revenue. It was mainly due to the increasing trend of the revenue of outsourcing outbound contact service and staff insourcing service. The outsourcing inbound contact service, outsourcing outbound contact service, staff insourcing service, contact service centre facilities management service and other services accounted for approximately 7%, 43%, 35%, 11% and 4% of the Group's unaudited total revenue for the nine months ended 30 September 2017 respectively.

The unaudited employee benefits expenses increased from approximately HK\$62.1 million for the nine months ended 30 September 2016 to approximately HK\$66.4 million for the nine months ended 30 September 2017. The increase was mainly attributable to the increased employee benefits expenses costs incurred for operating the new securities business and a headcount increase of insourced staff during the period. The unaudited other operating expenses decreased by approximately HK\$0.8 million from approximately HK\$35.6 million for the nine months ended 30 September 2016 to approximately HK\$34.8 million for the nine months ended 30 September 2017. The decrease of other operating expenses was mainly attributable to decreasing costs in the legal and professional fee and the decreasing cost of staff insourcing fee for contact service staff from the associate company.

The Group's unaudited depreciation and amortization expenses increased by approximately 0.6 million from approximately HK\$6.2 million for the nine months ended 30 September 2016 to approximately HK\$6.8 million for the nine months ended 30 September 2017, which was mainly due to the addition of fixed assets acquired for the Group's new office for providing securities services in the period. The Group recorded similar unaudited finance costs for the nine months ended 30 September 2017 amounted to approximately HK\$0.4 million as compared to that of the corresponding period in 2016 (2016: approximately HK\$0.4 million).

With the increase of employee benefits expenses and the increase of depreciation and amortization in the period, the unaudited profit attributable to the owners of the Company decreased by approximately 58% from approximately HK\$3.9 million for the nine months ended 30 September 2016 to approximately HK\$1.6 million for the nine months ended 30 September 2017.

Available-for-sales financial asset

During the period ended 30 September 2017, the Group acquired for 40 shares in an invested company (“Invested Company”), representing approximately 3.7% of its total issued share capital as at 30 September 2017, at the total acquired 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. The Invested Company recorded a remarkable growth in the past few years and the management of the Group believes there is much potential in system development collaboration and valuable business co-operation in the future. As at 30 September 2017, the carrying amount of the investment is HK\$11,200,000.

PROSPECTS

The Group made an announcement on 13 October 2017 for the Group entering an acquisition agreement with a target company, which is currently licensed to carry on Type 9 (Asset Management) regulated activity under the SFO, pursuant to which the Group has conditionally agreed to acquire the shares of the target company (the “Acquisition”). The Board considers that the Acquisition would enable the Group to further diversify the business within the finance and securities business. The Group anticipated that the expanding of the asset management business could create a synergy effect and complement the growth of the existing securities and financial business. The management of the Group believes that the new business is able to drive a new income stream for the Group in the long term.

LIQUIDITY

The Group adheres to a prudent financial management policy and has a healthy financial position. During the nine months under review, the Group financed our operations with internally generated cash flows and banking facilities provided by banks. As at 30 September 2017, the Group had cash and bank balances and pledged bank deposits of approximately HK\$42.8 million (2016: approximately HK\$38.4 million).

CORPORATE GOVERNANCE

For the nine months period ended 30 September 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 two of the three board meetings held, of which one absence was due to another important engagement in the relevant time while the other absence was due to the conflict of interest in the matters discussed in the relevant meeting.

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 nine months period ended 30 September 2017.

SHARE OPTION SCHEME

During the nine months period ended 30 September 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 nine months period ended 30 September 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 September 2017, so far as the Directors are aware of, none of the Directors or the substantial/controllers of the Company has any interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group for the nine months period ended 30 September 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 September 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

Name of Directors/ Chief Executives	Capacity	Nature of interests	Number of shares/ underlying shares held	Percentage of the issued share capital of the Company as at 30 September 2017
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 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 September 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	Approximate percentage of the issued share capital of
		shares held	the Company as at 30 September 2017
Million Top Enterprises Limited (Note)	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 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 nine months period ended 30 September 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 nine months period ended 30 September 2017.

By order of the Board
ETS Group Limited
Tang Yiu Sing
Executive Director and Chief Executive Officer

Hong Kong, 7 November 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.