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ETS GROUP LIMITED

易通訊集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8031)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

**CHARACTERISTICS OF THE 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 six months ended 30 June 2021 was approximately HK\$51,186,000, representing a decrease of approximately 6.1% as compared with the total revenue of approximately HK\$54,506,000 for the corresponding period in 2020.

Loss attributable to owners of the Company for the six months ended 30 June 2021 was approximately HK\$1,313,000, representing a decrease of approximately 195.4% as compared with the profit attributable to owners of the Company of approximately HK\$1,376,000 for the corresponding period in 2020.

Loss per share for the six months ended 30 June 2021 was approximately HK0.47 cents (Earnings per share for six months ended 30 June 2020: HK0.50 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 2021 together with the comparative figures for the corresponding periods ended 30 June 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months and six months ended 30 June 2021

	<i>Notes</i>	Three months ended 30 June		Six months ended 30 June	
		2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (unaudited)
Revenue	3	25,343	24,131	51,186	54,506
Other income		147	1,144	153	1,185
Other (losses)/gains		(145)	63	(10)	42
Employee benefits expenses	4	(18,031)	(18,417)	(36,538)	(40,210)
Depreciation and amortization		(2,512)	(3,161)	(5,228)	(6,335)
Other operating expenses		(6,246)	(3,248)	(10,004)	(7,203)
Operating (loss)/profit		(1,444)	512	(441)	1,985
Finance costs		(73)	(123)	(112)	(221)
(Loss)/Profit before tax	5	(1,517)	389	(553)	1,764
Income tax expense	6	(378)	(116)	(760)	(388)
(Loss)/Profit for the period		(1,895)	273	(1,313)	1,376
Total comprehensive (expense)/ income for the period		(1,895)	273	(1,313)	1,376
(Loss)/Profit attributable to owners of the Company		(1,895)	273	(1,313)	1,376
Total comprehensive (expense)/ income attributable to owners of the Company		(1,895)	273	(1,313)	1,376
(Loss)/Earnings per share attributable to owners of the Company – Basic and diluted (<i>HK cents</i>)	8	(0.68)	0.10	(0.47)	0.50

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2021

		As at 30 June 2021 HK\$'000 (unaudited)	As at 31 December 2020 HK\$'000 (audited)
	Notes		
Non-current assets			
Property, plant and equipment		824	1,320
Right-of-use assets		2,064	5,246
Intangible assets		4,524	5,437
Financial assets at fair value through profit or loss	9	12,900	–
Deferred income tax assets		1,171	1,171
Other assets		205	205
		<u>21,688</u>	<u>13,379</u>
Current assets			
Contract assets		715	3,287
Trade and other receivables	10	62,306	46,727
Financial assets at fair value through profit or loss		1,170	1,644
Tax recoverable		–	704
Pledged bank deposits		9,115	9,108
Bank trust account balances		10,471	11,738
Cash and cash equivalents	11	35,089	59,455
		<u>118,866</u>	<u>132,663</u>
Current liabilities			
Contract liabilities		1,905	1,888
Trade and other payables	12	22,377	21,855
Amount due to related companies/ a related company		155	9
Current income tax liabilities		443	282
Borrowings		–	3,000
Lease liabilities		908	2,929
		<u>25,788</u>	<u>29,963</u>
Net current assets		<u>93,078</u>	<u>102,700</u>
Total assets less current liabilities		<u>114,766</u>	<u>116,079</u>

		As at 30 June 2021 <i>HK\$'000</i> (unaudited)	As at 31 December 2020 <i>HK\$'000</i> (audited)
	<i>Notes</i>		
Non-current liabilities			
Deferred income tax liabilities		<u>46</u>	<u>46</u>
Net assets		<u>114,720</u>	<u>116,033</u>
Equity attributable to the owners of the Company			
Share capital	13	2,800	2,800
Share premium		25,238	25,238
Reserves		<u>86,682</u>	<u>87,995</u>
Total equity		<u>114,720</u>	<u>116,033</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2021

	Attributable to owners of the Company				
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
Balance as at 31 December 2019 (audited) and 1 January 2020	<u>2,800</u>	<u>25,238</u>	<u>25,624</u>	<u>67,508</u>	<u>121,170</u>
Profit for the period	–	–	–	1,376	1,376
Other comprehensive income for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total comprehensive income for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,376</u>	<u>1,376</u>
Interim dividend paid	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Balance at 30 June 2020 (unaudited)	<u>2,800</u>	<u>25,238</u>	<u>25,624</u>	<u>68,884</u>	<u>122,546</u>
Balance as at 31 December 2020 (audited) and 1 January 2021	<u>2,800</u>	<u>25,238</u>	<u>25,624</u>	<u>62,371</u>	<u>116,033</u>
Loss for the period	–	–	–	(1,313)	(1,313)
Other comprehensive income for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total comprehensive expense for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>(1,313)</u>	<u>(1,313)</u>
Interim dividend paid	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Balance at 30 June 2021 (unaudited)	<u>2,800</u>	<u>25,238</u>	<u>25,624</u>	<u>61,058</u>	<u>114,720</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)*For the six months ended 30 June 2021*

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Net cash used in operating activities	(5,802)	(645)
Net cash used in investing activities	(13,543)	(3,567)
Net cash (used in)/generated from financing activities	(5,021)	1,836
Net decrease in cash, cash equivalents and bank overdrafts	(24,366)	(2,376)
Cash, cash equivalents and bank overdrafts at beginning of the period	59,455	57,899
Cash, cash equivalents and bank overdrafts at end of the period	35,089	55,523

NOTES TO THE FINANCIAL INFORMATION

For the six months ended 30 June 2021

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 2020.

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 2021, 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 services;
- (b) Outsourcing outbound contact services;
- (c) Staff insourcing services;
- (d) Contact service centre facilities management services;
- (e) Financial services which principally comprises commission income from broker business, asset management services and credit finance; and
- (f) The “Others” segment which principally comprises sales of system and software, licence service fee income, system maintenance fee income and personnel services.

For the six months ended 30 June 2021

	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)	Financial service HK\$'000 (unaudited)	Others HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Segment revenue	<u>6,449</u>	<u>–</u>	<u>25,732</u>	<u>6,655</u>	<u>9,622</u>	<u>2,728</u>	<u>51,186</u>
Segment results	<u>427</u>	<u>–</u>	<u>2,781</u>	<u>1,231</u>	<u>2,791</u>	<u>761</u>	<u>7,991</u>
Depreciation and amortization	<u>748</u>	<u>–</u>	<u>–</u>	<u>1,365</u>	<u>1,401</u>	<u>788</u>	<u>4,302</u>
Total segment assets	<u>4,133</u>	<u>2,670</u>	<u>10,600</u>	<u>5,570</u>	<u>46,449</u>	<u>2,915</u>	<u>72,337</u>
Total segment assets includes: Assets (other than financial instruments)	<u>151</u>	<u>–</u>	<u>–</u>	<u>276</u>	<u>–</u>	<u>209</u>	<u>636</u>
Total segment liabilities	<u>2,068</u>	<u>–</u>	<u>4,018</u>	<u>1,055</u>	<u>15,162</u>	<u>985</u>	<u>23,288</u>

For the six months ended 30 June 2020

	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)	Financial service HK\$'000 (unaudited)	Others HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Segment revenue	<u>5,352</u>	<u>8,253</u>	<u>22,458</u>	<u>7,467</u>	<u>8,451</u>	<u>2,525</u>	<u>54,506</u>
Segment results	<u>369</u>	<u>355</u>	<u>1,413</u>	<u>1,061</u>	<u>2,257</u>	<u>673</u>	<u>6,128</u>
Depreciation and amortization	<u>883</u>	<u>553</u>	<u>–</u>	<u>2,208</u>	<u>1,039</u>	<u>875</u>	<u>5,558</u>
Total segment assets	<u>5,457</u>	<u>10,120</u>	<u>13,595</u>	<u>10,214</u>	<u>36,584</u>	<u>3,734</u>	<u>79,704</u>
Total segment assets includes: Assets (other than financial instruments)	<u>356</u>	<u>222</u>	<u>–</u>	<u>888</u>	<u>11</u>	<u>679</u>	<u>2,156</u>
Total segment liabilities	<u>2,098</u>	<u>691</u>	<u>3,067</u>	<u>2,638</u>	<u>21,779</u>	<u>1,593</u>	<u>31,866</u>

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

	Six months ended	
	30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Segment result for reportable segments	7,991	6,129
Unallocated:		
Other income	153	1,185
Other losses – net	(10)	(2)
Depreciation and amortization	(926)	(777)
Finance costs	(86)	(164)
Corporate and other unallocated expenses	(7,675)	(4,606)
	<u>(553)</u>	<u>1,764</u>
(Loss)/Profit before tax	<u>(553)</u>	<u>1,764</u>

4. EMPLOYEE BENEFITS EXPENSES

	Three months ended		Six months ended	
	30 June		30 June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Salaries and allowances	17,530	18,655	35,554	40,502
Pension costs – defined contribution plans	816	780	1,612	1,743
	<u>18,346</u>	<u>19,435</u>	<u>37,166</u>	<u>42,245</u>
Total employee benefits expenses, including Directors' remuneration	18,346	19,435	37,166	42,245
Less: Amounts capitalized in deferred development costs	(315)	(1,018)	(628)	(2,035)
	<u>18,031</u>	<u>18,417</u>	<u>36,538</u>	<u>40,210</u>

5. LOSS/PROFIT BEFORE INCOME TAX

	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Loss/profit before tax is stated after charging:				
Depreciation of owned property, plant and equipment	139	496	504	1,080
Depreciation of use-of-right assets	1,626	1,636	3,182	3,206
Amortization of intangible assets	747	1,029	1,542	2,049
	<u>2,512</u>	<u>3,161</u>	<u>5,228</u>	<u>6,335</u>
Total depreciation and amortization	<u>2,512</u>	<u>3,161</u>	<u>5,228</u>	<u>6,335</u>
Expenses relating to short-term leases	80	71	155	145
Research and development costs	747	1,029	1,542	2,049
	<u>747</u>	<u>1,029</u>	<u>1,542</u>	<u>2,049</u>

6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at a rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong for the six months period ended 30 June 2021.

	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current income tax	378	116	760	388
Deferred income tax	—	—	—	—
	<u>378</u>	<u>116</u>	<u>760</u>	<u>388</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 2021 (2020: nil).

8. LOSS/EARNINGS PER SHARE

The calculation of basic loss/earnings per share for the six months ended 30 June 2021 is based on (i) the unaudited consolidated loss attributable to the owners of the Company of approximately HK\$1,313,000 (six months ended 30 June 2020: profit attributable to the owners of the Company approximately HK\$1,376,000); and (ii) the weighted average number of 280,000,000 ordinary shares issued during the six months ended 30 June 2021 (during the six months ended 30 June 2020: weighted average number of 280,000,000 ordinary shares issued).

The diluted loss/earnings per share is equal to the basic loss/earnings per share as there were no dilutive potential ordinary shares in issue during the six months ended 30 June 2021 and 2020.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2021 HK\$'000 (unaudited)	As at 31 December 2020 HK\$'000 (audited)
Unlisted equity investment in Hong Kong, at cost	12,900	–

10. TRADE AND OTHER RECEIVABLES

	As at 30 June 2021 HK\$'000 (unaudited)	As at 31 December 2020 HK\$'000 (audited)
Trade receivables		
Amounts receivables arising from multi-media contact services and contact centre system and advisory services	41,480	32,660
Amounts receivables arising from financial services business		
– Clients – margin	–	–
– Clearing house	3,461	705
Loan receivable	26,519	21,386
Less: loss allowance	(16,235)	(14,235)
Trade receivables – net	55,225	40,516
Other receivables, deposits and prepayments	7,322	6,452
Less: loss allowance	(241)	(241)
	7,081	6,211
	62,306	46,727

The average credit period on the Group's sales is 30 days. The aging analysis of the trade receivables net of loss allowance based on invoice date as follows:

	As at 30 June 2021 <i>HK\$'000</i> (unaudited)	As at 31 December 2020 <i>HK\$'000</i> (audited)
0–30 days	12,217	5,643
31–60 days	1,876	1,530
61–90 days	1,730	1,139
Over 90 days	9,332	10,193
	<u>25,155</u>	<u>18,505</u>

11. CASH AND CASH EQUIVALENTS

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 2021 <i>HK\$'000</i> (unaudited)	As at 31 December 2020 <i>HK\$'000</i> (audited)
Trade payables	1,128	887
Amounts payables arising from financial services business		
– Clients – cash	11,135	11,147
– Clients – margin	289	1,032
– Clearing house	2,502	260
Other payables and accruals	7,323	8,529
	<u>22,377</u>	<u>21,855</u>

As at 30 June 2021, the aging analysis of the trade payables based on invoice date is as follows:

	As at 30 June 2021 HK\$'000 (unaudited)	As at 31 December 2020 HK\$'000 (audited)
0–30 days	557	374
31–60 days	291	221
61–90 days	143	152
Over 90 days	137	140
	<u>1,128</u>	<u>887</u>
	<u>1,128</u>	<u>887</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 2020 and 30 June 2021	<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 2020 and 30 June 2021	<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	
		2021	2020	2021	2020
		HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Always Beyond Limited	Repayment of lease liabilities/ Premise rental expense	319	319	531	531
H.K. Sources Finance Limited	System maintenance income	–	–	(27)	(26)
Jiayuan Stangroup Development Company Limited	Asset management services income	(2,267)	(2,076)	(4,559)	(3,275)
Pacific Paradise Development Limited	Advisory services income	(1,500)	(1,500)	(3,000)	(3,000)
Stan Group (Holdings) Limited	Seasonal event expense	–	8	1	11
	Inbound service income	–	(74)	–	(74)
Trueguard Management Limited	Cleaning expenses	2	2	4	4
Supreme Leader Limited*	Premise rental expenses	28	38	41	38

*Note: The Ownership of Supreme Leader Limited, which is the registered owner of the Property, has been changed from the previous owner, Mr. Tang Shing Bor to an independent third party since 30 April 2021.

Key management personnel compensation

	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Salaries and short-term employee benefits	125	135	260	270
Post employment benefits	2	2	3	3
	<u>127</u>	<u>137</u>	<u>263</u>	<u>273</u>

15. CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at 30 June 2021.

16. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The unaudited condensed consolidated interim financial information was approved by the Board on 5 August 2021.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2021 (2020: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

With the COVID-19 pandemic getting more and more under control towards the second quarter of the year, the overall business momentum has started to accelerate across various disciplines among our clientele. Contact centre service demands has gradually increased following the upturn of local economy, and particularly in customer service handling and manpower resources need from our clients. Meanwhile, outsourcing outbound contact service continues to stay inactive owing to the presence of unfavourable sentiment and market restrictions.

Despite of a highly turbulent global financial market in the past year, capital market and loan financing market remained active in Hong Kong throughout the period. The Group has continued to focus on the development of our traditional financial services in order to further expand our business scope and revenue streams. In the face of a highly fluctuated financial market in the past few years, our advisory service on investment strategies has been able to maintain a proven track record of investment returns to professional investors. In view of this, the Group has decided and applied to SFC to expand our current Type 9 (asset management) licensing condition to provide discretionary asset management services to non-professional investors. To fuel the service expansion, the Group intends to increase resources allocation to margin financing and loan financing services under prudent and studious measures.

In addition to continue developing our business in securities trading and advisory services and asset management services, the Group also aims to explore and capture opportunities arising from tokenization of assets using blockchain technology and virtual asset investment. The management of the Group believes regulated financial services on digital assets will become a trend in worldwide capital market in the coming future.

As stated in the announcements dated 30 April 2021 and 25 June 2021, the Group has invested in Hong Kong Virtual Asset Exchange Limited (“VAX”), a company which is currently applying to the SFC for obtaining licenses to carry out Type 1 (dealing in securities) and Type 7 (providing automated trading services) regulated activities under the SFO for the regulation of virtual asset trading platforms in Hong Kong. The Group believes the acquisition does not only represent a good potential investment opportunity, but more importantly, is able to leverage on the synergies with our traditional financial business, experience and resources to expand financial service scopes and create more value for our customers. The Group will be able to broaden our range of financial products or service offering to include STOs through VAX, to cross-sell our existing financial products or services to VAX’s existing and future customers, and also expand our services under Type 1 licence to distribution of STOs, thereby potentially increasing the Group’s customer base as a whole.

Looking forward, the adverse impact of the COVID-19 on Hong Kong's economy is expected to gradually wane given the current vaccination momentum and economy reviving programs supported by the local government. The management of the Group will continue to explore other investment and/or partnership opportunities to support our growth particularly in financial business both vertically and horizontally in the future.

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

Description of the investments	Number of shares held as at 30 June 2021	Carrying amount as at 30 June 2021 HK\$ (approximate)
Tracker Fund (stock code: 2800)	40,000	1,170,000

As at 30 June 2021, the Group held 40,000 Tracker Fund listed shares (stock code: 2800) ("Listed shares") which amount to carrying amount of approximately HK\$1,170,000. The principal purpose of the Company of the acquisition of the Listed shares is to enhance return by utilising the idle cash of the Company. During the sixth-month ended 30 June 2021, the Group had received dividend in the amount of approximately HK\$5,100 from its investment in Tracker Fund listed shares. For the sixth-month ended 30 June 2021, the Group had recognised unrealised gain approximately HK\$207,000 of its investment in Tracker Fund listed shares.

FINANCIAL REVIEW

For the six months ended 30 June 2021, the Group recorded an unaudited total revenue amounted approximately HK\$51.2 million, representing a decrease of approximately HK\$3.3 million as compared with the total revenue of the corresponding period in 2020 (six months ended 30 June 2020: approximately HK\$54.5 million), owing to a drop of revenue of the outsourcing outbound contact service.

The gross profit margin of the Group increased from approximately 11.2% for the six months ended 30 June 2020 to approximately 15.6% for the six months ended 30 June 2021.

Profit attributable to owners of the Company reduced from approximately HK\$1.4 million for the six months ended 30 June 2020 to loss attributable to owners of the Company approximately HK\$1.3 million for the six months ended 30 June 2021.

REVENUE AND SEGMENT RESULT

Outsourcing inbound contact service

For the six months ended 30 June 2021, the outsourcing inbound contact service recorded a revenue of approximately HK\$6.4 million, representing an increase of approximately 20.5% as compared to that of the corresponding period in 2020 (2020: approximately HK\$5.4 million).

The segment results for the six months ended 30 June 2021 was approximately HK\$0.4 million (2020: approximately HK\$0.4 million). The gross profit margin for outsourcing inbound contact service slightly decreased from approximately 6.9% for the six months ended 30 June 2020 to approximately 6.6% for the six months ended 30 June 2021.

The increase in revenue from the outsourcing inbound contact service was mainly attributed to a growth in service demands during the period. The gross profit margin was dropped due to increase of staff costs as compared to that of the corresponding period in 2020.

Outsourcing outbound contact service

For the six months ended 30 June 2021, the Group does not record any revenue of the outsourcing outbound contact service (2020: approximately HK\$8.3 million).

The decrease in the revenue of outsourcing outbound contact service mainly contributable to the unfavorable environment for outbound telephone selling business.

Staff insourcing service

For the six months ended 30 June 2021, the staff insourcing service segment recorded a revenue of approximately HK\$25.7 million, representing an increase of approximately 14.6% as compared to that of the corresponding period in 2020 (2020: approximately HK\$22.5 million).

The segment results of staff insourcing service for the six months ended 30 June 2021 was approximately HK\$2.8 million (2020: approximately HK\$1.4 million). The gross profit margin for staff insourcing service increased from approximately 6.3% for the six months ended 30 June 2020 to approximately 10.8% for the six months ended 30 June 2021.

The increase in revenue from the staff insourcing service was mainly contributed by an increasing demand of staff insourcing service from the existing clients during the period. The increase in gross profit margin for the staff insourcing service was mainly attributable to the higher sourcing efficiency and changing schemes for a number of clients.

Contact service centre facilities management service

For the six months ended 30 June 2021, the contact service centre facilities management service recorded revenue of approximately HK\$6.7 million, representing a decrease of approximately 10.9% as compared to that of the corresponding period in 2020 (2020: approximately HK\$7.5 million). The decrease of revenue of contact service centre facilities management service mainly due to a drop of customers demand of the services.

The segment results for the six months ended 30 June 2021 was approximately HK\$1.2 million (2020: approximately HK\$1.1 million). The gross profit margin for contact service centre facilities management service increased from approximately 14.2% for the six months ended 30 June 2020 to approximately 18.5% for the six months ended 30 June 2021.

Financial services

The financial services related to securities include securities trading, margin lending and consultancy services related to securities. The financial services related to asset management include provision of asset management, fund management and consultancy services related to asset management. The financial services related to credit finance include commercial and personal lending.

For the six months ended 30 June 2021, the Group recorded revenue of financial services amounted to approximately HK\$9.6 million (2020: approximately HK\$8.5 million). The Group recorded a gross profit margin for financial services of approximately 29% for the six months ended 30 June 2021 as compared to the gross profit margin of approximately 26.7% for the six months ended 30 June 2020.

The increase of both of the revenue and gross profit margin of financial services is mainly due to the increase in demand of our credit finance services.

Others

The “Others” segment principally comprises licencing and system maintenance service, sales of system and software in relation to Wise_xb/Marvel Contact Centre System (“Other Services related to Contact Centre System”). For the six months ended 30 June 2021, the Group recorded revenue of Other Services related to Contact Centre System amounted to approximately HK\$2.7 million (2020: approximately HK\$2.5 million).

The Group recorded the gross profit margin in the segment of Other Services related to Contact Centre System amounted to approximately HK\$0.8 million for the six months ended 30 June 2021 compare against to the gross profit margin of approximately HK\$0.7 million for the six months ended 30 June 2020. The increase in gross profit was mainly due to the increase of software development sales.

Other operating expenses

The other operating expenses mainly include expected credit loss, auditors' remuneration, insurance, legal and professional expenses, expenses relating to short-term leases and rates, repair and maintenance, subcontracting expenses, telephone expenses, travelling, entertainment and utilities expenses.

LOSS/PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company decreased by approximately 195.4% from approximately HK\$1.4 million for the six months ended 30 June 2020 to a loss attributable to owners of the Company approximately HK\$1.3 million for the six months ended 30 June 2021. The decrease of profit is mainly attributed to the decrease of revenue of comprehensive multi-media contact services and contact centre system, the increase of expected credit loss and the increase of legal and professional fee.

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 2021.

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 (except Mr. Tang Shing Bor who had passed away on 14 May 2021), all such Directors confirmed that they have complied with the required standard of dealings concerning securities transactions for the six months ended 30 June 2021.

SHARE OPTION SCHEMES

During the six months ended 30 June 2021, no share option was granted, exercised, expired or lapsed under the share option scheme approved on 21 December 2011 (the "Old Share Option Scheme").

The Old Share Option Scheme was terminated, and a new share option scheme (the "New Share Option Scheme") were conditionally adopted by the shareholders of the Company on 4 May 2021 and became unconditional on 6 May 2021.

During the period from 6 May 2021 up to 30 June 2021, no share option was granted, exercised, expired or lapsed under the New Share Option Scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from the Share Option Schemes, at no time during the six months ended 30 June 2021 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 until 14 May 2021 when he passed away), 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 2020 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 2020.

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 six months ended 30 June 2021.

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 2021, 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 June 2021
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 under Mr. Tang Shing Bor’s estate. Mr. Tang Shing Bor passed away on 14 May 2021 and his interests in the Shares form part of his estate.

Save as disclosed above, as at 30 June 2021, 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 2021, 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	Approximate percentage of the issued share capital of the Company as at 30 June 2021	
		Number of Shares/ underlying Shares held	
Million Top Enterprises Limited (<i>Note</i>)	Beneficial owner	210,000,000	75%

Note: Million Top Enterprises Limited was wholly and beneficially owned by Mr. Tang Shing Bor, the late non-executive Director.

Save as disclosed above, as at 30 June 2021, 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 2021 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 2021.

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

Hong Kong, 5 August 2021

As at the date of this announcement, the executive directors of the Company are Mr. Tang Yiu Sing and Mr. Yeung Ka Wing; 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 Listed Company Information" 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.