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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)**

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**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 HIGHLIGHTS**

The Group's revenue for the year ended 31 December 2019 was approximately HK\$132,333,000 representing a decrease of approximately 6.6% as compared to that of approximately HK\$141,741,000 in 2018.

Profit attributable to owners of the Company for the year ended 31 December 2019 was approximately HK\$7,591,000 representing an increase of approximately 92.4% as compared to that of approximately HK\$3,946,000 in 2018.

Earnings per share for the year ended 31 December 2019 was HK2.7 cents (2018: HK1.4 cents).

The board of Directors does not recommend a final dividend for the year ended 31 December 2019 (2018: nil).

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

		2019	2018
	Notes	HK\$'000	HK\$'000
<b>Revenue</b>	3	<b>132,333</b>	141,741
Other income		<b>251</b>	440
Other losses – net		<b>(2,018)</b>	(407)
Employee benefits expenses		<b>(89,086)</b>	(82,611)
Depreciation and amortization		<b>(11,296)</b>	(9,048)
Other operating expenses		<b>(20,481)</b>	(44,409)
<b>Operating profit</b>		<b>9,703</b>	5,706
Finance costs		<b>(326)</b>	(323)
<b>Profit before tax</b>	4	<b>9,377</b>	5,383
Income tax expense	5	<b>(1,786)</b>	(1,437)
<b>Profit for the year</b>		<b>7,591</b>	3,946
<b>Other comprehensive income for the year</b>		<b>–</b>	–
<b>Total comprehensive income for the year</b>		<b>7,591</b>	3,946
<b>Profit attributable to owners of the Company</b>		<b>7,591</b>	3,946
<b>Total comprehensive income for the year attributable to owners of the Company</b>		<b>7,591</b>	3,946
Earnings per share attributable to owners of the Company			
– Basic and diluted ( <i>HK cents</i> )	6	<b>2.7</b>	1.4

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*As at 31 December 2019*

		<b>2019</b>	<b>2018</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>5,509</b>	4,574
Right-of-use assets		<b>10,236</b>	–
Intangible assets		<b>12,379</b>	12,263
Financial assets at fair value through profit or loss		<b>–</b>	–
Deferred income tax assets		<b>805</b>	1,181
Other assets		<b>205</b>	205
		<b>29,134</b>	18,223
<b>Current assets</b>			
Contract assets		<b>8,624</b>	11,709
Trade and other receivables	7	<b>47,024</b>	55,308
Tax recoverable		<b>127</b>	–
Pledged bank deposits		<b>9,080</b>	9,029
Bank trust account balances		<b>9,823</b>	36,522
Cash and cash equivalents		<b>57,899</b>	47,848
		<b>132,577</b>	160,416
<b>Current liabilities</b>			
Contract liabilities		<b>1,931</b>	2,235
Trade and other payables	8	<b>26,176</b>	50,135
Amounts due to related companies		<b>13</b>	11
Current income tax liabilities		<b>1,964</b>	703
Borrowings		<b>5,000</b>	11,632
Lease liabilities		<b>3,381</b>	–
		<b>38,465</b>	64,716
<b>Net current assets</b>		<b>94,112</b>	95,700
<b>Total assets less current liabilities</b>		<b>123,246</b>	113,923

		<b>2019</b>	2018
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Non-current liabilities</b>			
Deferred income tax liabilities		<b>91</b>	195
Borrowings		–	149
Lease liabilities		<b>1,985</b>	–
		<b>2,076</b>	344
<b>Net assets</b>		<b>121,170</b>	113,579
<b>Equity attributable to the owners of the Company</b>			
Share capital	9	<b>2,800</b>	2,800
Share premium	9	<b>25,238</b>	25,238
Reserves		<b>93,132</b>	85,541
<b>Total equity</b>		<b>121,170</b>	113,579

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2019*

## 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 and its shares have been listed on the GEM of The Stock Exchange of Hong Kong Limited with effect from 9 January 2012.

As at 31 December 2019, the directors of the Company regard Million Top Enterprises Limited, a company incorporated in Hong Kong with limited liability, as the parent and ultimate holding company of the Company, Mr. Tang Shing Bor is the ultimate controlling shareholder of the Group.

The address of the Company’s registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of the Company’s principal place of business in Hong Kong is 4th Floor, China Paint Building, 1163 Canton Road, Mongkok, Kowloon, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), unless otherwise stated. These consolidated financial statements have been approved for issued by the Board of Directors on 20 March 2020.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standard (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). In the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance. The consolidated financial statements set out in this announcement have been prepared under the historical cost convention, as modified by the revaluation of the financial assets at fair value through profit or loss which are measured at fair value.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements.

### 2.1.1 New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

#### **HKFRS 16 Leases**

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("**HKAS 17**"), and the related interpretations.

##### *Definition of a lease*

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

##### *As a lessee*

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;
- elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

### 2.1.2 New standards, amendments to existing standards and interpretations not yet adopted

Certain new accounting standards, amendments to existing standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group:

Standards	Subject of amendment	Effective for annual periods beginning on or after
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	A date to be determined
Amendments to HKFRS 3	Definition of Business	Note

*Note:* Effective for business combination for which the acquisition date is on or after the beginning of the first annual periods on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the *Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

The director of the Company anticipates that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements of the Group in the future.

## 3. SEGMENT INFORMATION AND REVENUE

The directors of the Company 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 and service centre facilities management services;
- (e) Financial services segment which principally comprises commission income from broker business and asset management services, credit finance; and
- (f) The "Others" segment which principally comprises sales of system and software, licence service fee income and system maintenance fee income.



The segment information provided to the board of directors for the reportable segments for the years ended 31 December 2018 and 2019 are as follows:

**For the year ended 31 December 2019**

	Outsourcing inbound contact services <i>HK\$'000</i>	Outsourcing outbound contact services <i>HK\$'000</i>	Staff insourcing services <i>HK\$'000</i>	Contact service centre and service centre facilities management services <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>11,833</u>	<u>28,180</u>	<u>56,291</u>	<u>10,913</u>	<u>21,029</u>	<u>4,087</u>	<u>132,333</u>
Segment results	<u>1,364</u>	<u>4,002</u>	<u>5,707</u>	<u>2,447</u>	<u>7,027</u>	<u>1,560</u>	<u>22,107</u>
Depreciation and amortization	<u>1,186</u>	<u>2,877</u>	<u>–</u>	<u>2,870</u>	<u>1,737</u>	<u>1,754</u>	<u>10,424</u>
Total segment assets	<u>5,398</u>	<u>14,859</u>	<u>10,328</u>	<u>10,713</u>	<u>39,688</u>	<u>3,736</u>	<u>84,722</u>
Total segment assets includes: Additions to non-current assets (other than financial instruments)	<u>1,173</u>	<u>2,847</u>	<u>–</u>	<u>2,840</u>	<u>4</u>	<u>1,353</u>	<u>8,217</u>
Total segment liabilities	<u>1,574</u>	<u>2,518</u>	<u>2,444</u>	<u>1,561</u>	<u>19,590</u>	<u>1,055</u>	<u>28,742</u>

**For the year ended 31 December 2018**

	Outsourcing inbound contact services HK\$'000	Outsourcing outbound contact services HK\$'000	Staff insourcing services HK\$'000	Contact service centre and service centre facilities management services HK\$'000	Financial services HK\$'000	Others HK\$'000	Total HK\$'000
Segment revenue	<u>16,351</u>	<u>43,689</u>	<u>59,684</u>	<u>11,057</u>	<u>6,772</u>	<u>4,188</u>	<u>141,741</u>
Segment results	<u>2,076</u>	<u>6,005</u>	<u>6,996</u>	<u>2,138</u>	<u>(2,759)</u>	<u>1,735</u>	<u>16,191</u>
Depreciation and amortization	<u>1,500</u>	<u>2,376</u>	<u>–</u>	<u>2,376</u>	<u>1,156</u>	<u>1,459</u>	<u>8,867</u>
Total segment assets	<u>6,695</u>	<u>19,651</u>	<u>16,276</u>	<u>6,123</u>	<u>46,952</u>	<u>4,240</u>	<u>99,937</u>
Total segment assets includes: Additions to non-current assets (other than financial instruments)	<u>1,188</u>	<u>1,880</u>	<u>–</u>	<u>1,880</u>	<u>218</u>	<u>1,422</u>	<u>6,588</u>
Total segment liabilities	<u>1,026</u>	<u>3,892</u>	<u>3,621</u>	<u>1,901</u>	<u>36,967</u>	<u>1,018</u>	<u>48,425</u>

There were no inter-segment sales during the years ended 31 December 2018 and 2019. The revenue from external parties reported to the directors of the Company is measured in a manner consistent with that in the consolidated statement of profit or loss and other comprehensive income.

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

	<b>2019</b> <b>HK\$'000</b>	2018 HK\$'000
Segment results for reportable segments	<b>22,107</b>	16,191
<b>Unallocated:</b>		
Other income	<b>251</b>	440
Other losses – net	<b>(2,018)</b>	(407)
Depreciation and amortization	<b>(872)</b>	(181)
Finance costs	<b>(326)</b>	(323)
Corporate and other unallocated expenses	<b>(9,765)</b>	(10,337)
<b>Profit before tax</b>	<b>9,377</b>	5,383

The amounts provided to the directors of the Company with respect to total assets are measured in a manner consistent with that of the consolidated financial statements. These assets are allocated based on the operations of the segment.

Reportable segments' assets are reconciled to total assets as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Segment assets for reportable segments	84,722	99,937
<b>Unallocated:</b>		
Property, plant and equipment	23	391
Right-of-use assets	1,218	–
Tax recoverable	127	–
Deferred income tax assets	805	1,181
Financial assets at fair value through profit or loss	–	–
Corporate and other unallocated assets	74,816	77,130
<b>Total assets per consolidated statement of financial position</b>	<b>161,711</b>	<b>178,639</b>

The amounts provided to the directors of the Company with respect to total liabilities are measured in a manner consistent with that of the consolidated financial statements. These liabilities are allocated based on the operations of the segment.

Reportable segments' liabilities are reconciled to total liabilities as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Segment liabilities for reportable segments	28,742	48,425
<b>Unallocated:</b>		
Deferred income tax liabilities	91	195
Current income tax liabilities	1,964	703
Borrowings	5,000	11,781
Lease liabilities	1,827	–
Corporate and other unallocated liabilities	2,917	3,956
<b>Total liabilities per consolidated statement of financial position</b>	<b>40,541</b>	<b>65,060</b>

Breakdown of the revenue from all services is as follows:

#### Analysis of revenue by category

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Service fee income from provision of telecommunication and related services	50,926	71,097
Financial services income	21,029	6,772
Licencing and sales of system and software	2,223	2,579
System maintenance income	1,864	1,609
Staff insourcing services	56,291	59,684
	<b>132,333</b>	<b>141,741</b>

The Company is domiciled in the Cayman Islands with the Group's major operations located in Hong Kong. The result of its revenue from external customers in Hong Kong is approximately HK\$131,591,000 (2018: approximately HK\$141,200,000), and the total of revenue from external customers from other country is approximately HK\$742,000 (2018: approximately HK\$541,000).

The total of non-current assets other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in Hong Kong is approximately HK\$28,124,000 (2018: approximately HK\$16,837,000), and none of these non-current assets is located in other countries (2018: Nil).

#### Information about major customers

Revenue from major customers, each of whom contributed to 10% or more of the Group's total revenues, is set out below:

	2019 HK\$'000	2018 HK\$'000
Customer A	31,551	32,179
Customer B	N/A <sup>1</sup>	17,347
Customer C	23,956	14,560
Customer D	15,622	N/A <sup>1</sup>

<sup>1</sup> The corresponding revenue did not contribute to 10% or more of the total revenues of the Group.

#### 4. PROFIT BEFORE TAX

	2019 HK\$'000	2018 HK\$'000
<b>Profit before tax is stated after charging/(crediting):</b>		
<i>Depreciation and amortization</i>		
Depreciation of owned property, plant and equipment	2,874	5,063
Depreciation of assets under finance lease	–	140
Depreciation of right-of-use assets	4,479	–
Amortization of intangible assets	3,943	3,845
Total depreciation and amortization	11,296	9,048
Auditors' remuneration	1,100	1,100
Provision for/(Reversal of) impairment of financial and contract assets – net	487	(379)
Operating lease payments in respect of rented premises	–	6,619
Expenses relating to short-term leases	1,620	–

## 5. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at a rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong for the year.

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current tax:		
Current tax on profits for the year	1,698	1,894
Adjustment in respect of prior year	(184)	(180)
<b>Total current tax</b>	<b>1,514</b>	<b>1,714</b>
<b>Deferred income tax</b>	<b>272</b>	<b>(277)</b>
<b>Income tax expense</b>	<b>1,786</b>	<b>1,437</b>

## 6. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on (i) the profit attributable to owners of the Company for the year; and (ii) the weighted average number of 280,000,000 ordinary shares issued during the year (2018: 280,000,000 ordinary shares).

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 years ended 31 December 2018 and 2019.

## 7. TRADE AND OTHER RECEIVABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables		
Amounts receivables arising from multi-media contact services and contact centre system, and advisory services	27,066	29,220
Amounts receivables arising from financial services business		
– Client-margin	2,197	–
– Clearing house	6,250	50
Loan receivables	5,038	–
Less: loss allowance	(1,257)	(595)
<b>Trade receivables – net</b>	<b>39,294</b>	<b>28,675</b>
Other receivables, deposits and prepayments	7,759	26,772
Less: loss allowance	(29)	(139)
<b>Other receivables, deposits and prepayments – net</b>	<b>7,730</b>	<b>26,633</b>
	<b>47,024</b>	<b>55,308</b>

The average credit period on the Group's sales is 30 days (2018: 30 days). The aging analysis of the trade receivables net of loss allowance based on invoice date is as follows:

	<b>2019</b> <b>HK\$'000</b>	2018 <i>HK\$'000</i>
0 – 30 days	<b>10,500</b>	9,296
31 – 60 days	<b>3,021</b>	8,676
61 – 90 days	<b>2,800</b>	5,153
Over 90 days	<b>9,637</b>	5,500
	<b>25,958</b>	28,625

The settlements of amounts receivables arising from financial services business are two days after trade date. No aging analysis is disclosed as, in the opinion of the directors, the aged analysis does not give additional value in view of nature of these receivables.

Margin clients are required to pledge securities collateral to the Group in order to obtain the margin facilities for securities trading. As at 31 December 2019, loan to margin client is secured by client's securities pledged as collateral with market value of approximately HK\$15,428,000 (2018: Nil). Management has assessed the market value of the pledged securities of each individual client who has margin shortfall at the end of each reporting period. The margin loan is repayable on demand, bear variable interest at commercial rates and denominated in HK\$.

The Group's loan receivables, which arise from the money lending business, are denominated in HK\$. The loan receivables are mainly secured by property located in Hong Kong and receivables and are not past due based on contractual maturity date as at 31 December 2019. All the loan receivables are entered with contractual maturity within 1 year. Loan receivables are interest-bearing at a rate range from 12% to 20% per annum (2018: Nil).

## 8. TRADE AND OTHER PAYABLES

	<b>2019</b> <b>HK\$'000</b>	2018 <i>HK\$'000</i>
Trade payables	<b>2,486</b>	4,177
Amounts payable arising from financial services business		
– Clients-cash	<b>6,992</b>	636
– Clients-margin	<b>3,582</b>	35,740
– Clearing house	<b>5,496</b>	195
Other payables and accruals	<b>7,620</b>	9,387
	<b>26,176</b>	50,135

At 31 December 2019, the aging analysis of the trade payables based on invoice date is as follows:

	<b>2019</b> <b>HK\$'000</b>	2018 <i>HK\$'000</i>
0 – 30 days	<b>1,260</b>	2,565
31 – 60 days	<b>761</b>	684
61 – 90 days	<b>227</b>	219
Over 90 days	<b>238</b>	709
	<u><b>2,486</b></u>	<u>4,177</u>

The settlements of amounts payable arising from financial services business are two days after trade date. No aging analysis is disclosed as, in the opinion of the directors, the aged analysis does not give additional value in view of the nature of these payables.

## 9. SHARE CAPITAL AND PREMIUM

	<b>Number of ordinary shares</b>	<b>Ordinary shares of HK\$0.01 each HK\$'000</b>	<b>Share premium HK\$'000</b>
Ordinary shares, issued and fully paid up:			
As at 31 December 2018 and 2019	<u>280,000,000</u>	<u>2,800</u>	<u>25,238</u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS ENVIRONMENT AND BUSINESS REVIEW**

The business environment in Hong Kong was challenging during the year. The continual social unrest dealt a heavy blow to the local consumption and resulted in unfavorable investment sentiment. Although our business operation was mildly affected by the political turbulence of the community, the uncertainty and wait-and-see attitude of some corporations has either slowed down or brought a temporary suspension to projects, leading to a sluggish business growth especially in the second half of the year.

Stringent regulation on data security, overall increasing labour cost and rental expenses continue to present challenges on our contact centre business. The Group has constantly reviewed and adjusted our business strategies through changes or new business expansion so as to better equip ourselves for any upcoming challenges as well as opportunities.

Providing financial services has been one of the business directions the Group has actively pursued in the past years. Followed the establishment of Gear Securities Investment Limited (with Type 1 and 4 regulated activities of dealing in securities and advising on securities) and Gear Asset Management Limited (with Type 9 regulated activities in asset management), the Group obtained money lender's license under the Money Lenders Ordinance (Cap. 163) in June 2019 through our new wholly owned subsidiary, Gear Credit Limited. The new company is mainly engaged in providing mortgage loan, personal loan and SME loan to individual and corporate customers. The management of the Group believes the money lending business is able to broaden our revenue base, enhance our profitability and achieve better return to the Shareholders.

Despite at a time of global uncertainties, the Hong Kong stock market once again ranked first globally in terms of IPO proceeds with an increase of approximately 8.6% to \$312.9 billion, cementing its position as the world's leading IPO hub. Moreover, with the growing importance of the Greater Bay Area development, the Group believes Hong Kong can further leverage the competitive advantage as an international financial and asset management centre in the region. In 2019, the Group has actively established major connections and networks with business partners and potential clients from local as well as mainland China. With the groundwork well laid, we expect a number of exciting projects and contracts in terms of securities trading, asset and/or fund management can be realized in this coming year. The Group has confidence that our financial service segment will continue to expand and become one of our major and stable income streams.

To further leverage our established strength and competency, the Group set up the new Kumo Personnel Services Limited in 2019 to tap into the recruitment service sector. Ride on our rich experience and network in staff recruiting and insourcing service for different industries, the management of the Group believes the new recruitment unit is able to capture additional business opportunities as a natural extension of our core operation and serves as a new revenue stream of the Group in the long run.



Our newly revamped proprietary Marvel Contact Centre System (formerly known as WISE-xb Contact Centre System) which offers communication through both traditional (call, fax email, SMS) as well as social media channels (web-chat, Facebook Fan Page, Facebook Messenger, WeChat, WhatsApp) has received increasing interest and encouraging sales from our customers throughout the year. We will continue to enhance the Marvel Contact Centre System through in-house development as well as strategic collaboration with external parties in order to maintain its competitiveness in the market. The management of the Group has confidence that the new system solution can boost the volume of sales and help to improve both the revenue and profit of the business in long run.

The Group explored investment opportunity in information technology industry through investing in Oneshop Limited (“**Oneshop**”) in 2019. Oneshop is a company that has created and operates an on-line eCommerce management system that allows an e-shop to manage and update its multiple sales channels such as, website, mobile app, Facebook, Instagram, WeChat, YouTube, TikTok, etc. through a single on-line platform simultaneously. More in-depth and holistic information across all channels can be collected and analyzed to provide highly insightful reports and recommendations to further enhance the engagement and conversion rate of each product. Oneshop is essentially an eCommerce ecosystem for merchants, content providers, KOLs and IT developers that creates and sustains synergies for all entities with a viable business model. The management of the Group believes there is substantial potential in the future development of eCommerce and Oneshop will become a sustainable business direction of the Group.

The Group is continuously engaged in the business of providing comprehensive multi-media contact services and contact centre system and financial services. The principle services of the Group include:

### **Outsourcing Inbound Contact Services**

The Group provides multi-media inbound contact services which our clients outsource to us. The inbound contact services we provide include general enquiry hotlines, promotion hotlines, customer service hotlines, order hotlines, registration hotlines, emergency hotlines and helpdesk hotlines. Our inbound operation covers 24 hours a day and 7 days a week.

### **Outsourcing Outbound Contact Services**

The Group bases on the call lists provided by our clients to perform outsourcing outbound contact services including telemarketing services, customer retention services, cross-selling and customer satisfaction surveys. These services are carried out at calling hours specified by our clients.

## **Staff Insourcing Services**

The Group assigns contact service staff that meets the required qualification and requirements to work at our clients' contact service centres or other designated premises to help our clients in the operation of their contact services or business. We provide our clients with staff to support their activities such as customer service, telemarketing, data entry, helpdesk assistance and other backend projects.

## **Contact Service Centre and Service Centre Facilities Management Services**

The contact service centre and service centre facilities management services are comprised of four types of service including (a) leasing of our contact centre facilities in form of workstation, (b) IVRS hosting service, (c) contact centre system hosting solution and (d) service centre facility management.

## **Financial Services**

The financial services related to securities include securities brokerage, 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.

## **Others**

"Others" segment which principally comprises system maintenance income, licensing income and sales of system and software income.

## **Financial assets at fair value through profit or loss**

During 2019, the Group acquired an aggregate amount of 2,470 Shares of a company incorporated in Hong Kong, Oneshop limited ("**Oneshop**"), at approximately HK\$2 million. The whole carrying value of the shares was recorded fair value change of HK\$2 million for the year ended 31 December 2019. The Group holds approximately 18% of the total issued share capital of Oneshop as at 31 December 2019. As the applicable percentage ratios of the Subscription Agreement under the GEM Listing Rules are less than 5%, the Subscription Agreement does not constitute a notifiable transaction on the part of the Company pursuant to Chapter 19 of the GEM Listing Rules. Based on the unaudited management accounts of Oneshop for the tenth months ended 31 December 2019, Oneshop recorded a loss before tax of approximately HK\$3.5 million.

## PROSPECT

The near-term outlook for the Hong Kong economy is extremely challenging, and subject to high uncertainties including the developments of the novel coronavirus infection, US-China trade relations and the local social incidents. Taking into account the various headwinds and possible boosting effect from the support measures from the local government, the Hong Kong economy is forecast to grow by -1.5% to 0.5% in 2020. Business and investment activities or growth are expected to slow down considerably at least for the first half of the year. All these unfavourable factors took a heavy toll on the local economic sentiment as well as consumption related activities, and cast a dark shadow on the overall outlook for this year.

Although a loose labour market benefits our labour intensive contact centre service business, the remaining high labour and rental cost together with data security compliance restrictions still impose considerable pressure on the profit margin of our business in the near future.

In order to prepare and face the foreseeable challenges ahead, the Group will continue to further diversify and develop our different businesses in contact centre, system solution, financial as well as money lending services.

Due to the outbreak of novel coronavirus and a tendency to reduce face-to-face interaction, customer service provided by contact centre via different communication media has experienced an upturn lately. The Group sees the change as a positive trend on our core contact centre services as well as contact centre system solution.

As part of an economic stimulus package, the government relaxed mortgage caps for first-time home buyers in Hong Kong in October 2019, and which was closely followed by a reduction in base lending rate the following month. The management of the Group believes the measures can eventually improve the overall economy to some extent and create more business opportunities especially for our money lending business targeted at individual as well as corporate customers. The Group will continue to maintain a conservatively aggressive approach to our money lending business in order to maximize the benefit of each opportunity.

Based on the planned strategies on the development of our financial services, the Group has aligned and established a lot of collaboration initiatives in 2019. And despite the current lack luster investing sentiment in Hong Kong, we will continue the discussion on the final arrangement of the planned projects and contracts with our partners and clients as soon as the pandemic crisis eased.

## FINANCIAL REVIEW

The financial performance was improved mainly due to the contribution of our asset management business. Although the profit was partly set off by the other losses arising from fair value change through profit or loss amounted approximately HK\$2 million, the profit for the year was increased to approximately HK\$7.6 million for the year ended 31 December 2019 from approximately HK\$3.9 million for the year ended 31 December 2018.

## REVENUE

The Group recorded a decrease in total revenue to approximately HK\$9.4 million from approximately HK\$141.7 million for the year ended 31 December 2018 to approximately HK\$132.3 million for the year ended 31 December 2019.

The following table sets forth the analysis of revenue in terms of business nature of the Group for the years ended 31 December 2019 and 2018 respectively:

	Year ended 31 December 2019 <i>HK\$'000</i>		Year ended 31 December 2018 <i>HK\$'000</i>	
Outsourcing inbound contact service	11,833	8.9%	16,351	11.5%
Outsourcing outbound contact service	28,180	21.3%	43,689	30.8%
Staff insourcing service	56,291	42.5%	59,684	42.1%
Contact service centre facilities management service	10,913	8.3%	11,057	7.8%
Financial services	21,029	15.9%	6,772	4.8%
Others	4,087	3.1%	4,188	3.0%
Revenue	<u>132,333</u>	<u>100%</u>	<u>141,741</u>	<u>100%</u>

### Outsourcing Inbound Contact Services

The revenue of outsourcing inbound contact services decreased from approximately HK\$16.4 million for the year ended 31 December 2018 to HK\$11.8 million for the year ended 31 December 2019. It is mainly due to decrease of the demand of the outsourcing inbound contact services during the year.

## Outsourcing Outbound Contact Services

The revenue of outsourcing outbound contact services decreased from approximately HK\$43.7 million for the year ended 31 December 2018 to approximately HK\$28.2 million for the year ended 31 December 2019.

The decrease of the revenue of outsourcing outbound contact services reflects effect of the challenging business environment mentioned in the section “Business Environment”. The tightening regulatory business environment continuously present challenges on the outsourcing outbound contact services.

## Staff Insourcing Services

The staff insourcing services segment decreased from approximately HK\$59.7 million for the year ended 31 December 2018 to approximately HK\$56.3 million for the year ended 31 December 2019.

The turnover of the staff insourcing services was similar to that of last year represents the stable demand of our services.

## Contact Service Centre and Service Centre Facilities Management Services

We recorded similar revenue of the contact service centre and service centre facilities management services. The revenue segment slightly decreased from approximately HK\$11.1 million for the year ended 31 December 2018 to approximately HK\$10.9 million for the year ended 31 December 2019.

## Financial services

The following table sets forth the analysis of revenue of financial services for the years ended 31 December 2019 and 2018 respectively:

	<b>2019</b> <b>HK\$'000</b>	<b>2018</b> <b>HK\$'000</b>
Securities business	<b>4,810</b>	2,498
Asset management business	<b>15,689</b>	4,274
Credit finance business	<b>530</b>	—
Revenue	<b>21,029</b>	<b>6,772</b>

The overall revenue of financial services increased from approximately HK\$6.8 million for the year ended 31 December 2018 to approximately HK\$21 million for the year ended 31 December 2019. The significant increase of revenue of financial services is due to the contribution from the growth of our asset management business.

## Others

For the year ended 31 December 2019, the Group recorded a revenue in licencing and sales of system and software of approximately HK\$2.2 million (2018: approximately HK\$2.6 million), system maintenance income of approximately HK\$1.9 million respectively (2018: approximately HK\$1.6 million).

## SEGMENT RESULT AND GROSS PROFIT MARGIN

The following table sets forth the analysis of segment result and gross profit margin by business units of our Group for the years ended 31 December 2019 and 2018 respectively:

	Year ended 31 December 2019		Year ended 31 December 2018	
	HK\$'000	GP Margin %	HK\$'000	GP Margin %
Outsourcing inbound contact services	1,364	11.5%	2,076	12.7%
Outsourcing outbound contact services	4,003	14.2%	6,005	13.7%
Staff insourcing services	5,707	10.1%	6,996	11.7%
Contact service centre facilities management services	2,446	22.4%	2,138	19.3%
Financial services	7,027	33.4%	(2,759)	(40.7%)
Others	1,560	38.2%	1,735	41.4%
Total segment result and gross profit margin	<u>22,107</u>	<u>16.7%</u>	<u>16,191</u>	<u>11.4%</u>

The gross profit percentage of our Group increased from approximately 11.4% for the year ended 31 December 2018 to approximately 16.7% for the year ended 31 December 2019. The overall increase in segment result and the gross profit margin is mainly due to the improvement of financial performance of our financial business.

## Outsourcing Inbound Contact Services

The gross profit margin in outsourcing inbound contact services decreased from approximately 12.7% for the year ended 31 December 2018 to approximately 11.5% for the year ended 31 December 2019. The decrease in the segment result is mainly attributable to the increase of the employee benefits and decrease of revenue.

## **Outsourcing Outbound Contact Services**

The gross profit margin in outsourcing outbound contact services increased from approximately 13.7% for the year ended 31 December 2018 to approximately 14.2% for the year ended 31 December 2019. The increasing of gross profit margin was mainly attributable to strict control of the staff and rental cost.

## **Staff Insourcing Services**

The gross profit margin in staff insourcing services decreased from approximately 11.7% for the year ended 31 December 2018 to approximately 10.1% for the year ended 31 December 2019. The decrease in the gross profit margin was mainly due to the increase of the employee cost cannot be fully shifted to our customers.

## **Contact Service Centre and Service Centre Facilities Management Services**

The gross profit margin in contact service centre facilities management services increased from approximately 19.3% for the year ended 31 December 2018 to approximately 22.4% for the year ended 31 December 2019. The increase in gross profit margin in this segment represented the overall improvement in the operation.

## **Financial services**

The gross profit margin of financial services improved from the gross loss approximately 40.7% for the year ended 31 December 2018 to the gross profit approximately 33.4% for the year ended 31 December 2019. The improvement of gross margin of financial services was mainly due to the contribution from the growth of our asset management business and the credit finance business.

## **Others**

The “Others” segment principally comprises sale of system and software, licence service fee income and maintenance fee of WISE-xb Contact Centre System. The decrease in segment result was mainly because the increase of the staff and rental costs.

## **OTHER LOSSES**

The Group recorded net other losses amounted to approximately HK\$2 million (2018: approximately HK\$0.4 million). During 2019, the Group acquired a financial asset at fair value through profit or loss, the shares of Oneshop, at approximately HK\$2 million in which the whole carrying value of the shares was recorded fair value change for the year ended 31 December 2019. Oneshop is experiencing the development stage of the business recording a loss approximately HK\$3.5 million for the tenth months ended 31 December 2019.

## **EXPENSES**

During the year under review, the employee benefits expenses increased from approximately HK\$82.6 million for the year ended 31 December 2018 to approximately HK\$89.1 million for the year ended 31 December 2019. The increase of employee benefit expenses was mainly due to the Group fully absorbed the expenses of Gear Asset Management Limited, which was acquired in May of 2018, and more employment of contact centre agents after terminating of outsourcing of contact centre agents services from our associate company.

The Group recorded other operating expenses amounted to approximately HK\$20.5 million (2018: approximately HK\$44.4 million). The other operating expenses mainly include auditors' remuneration, insourcing expenses, insurance, legal and professional expenses, rent and rates, repair and maintenance, subcontracting expenses, telephone expenses, travelling, entertainment and utilities expenses. The other operating expenses to sales ratio decreased from approximately 31.3% for the year ended 31 December 2018 to approximately 15.5% for the year ended 31 December 2019. The decrease of the other operating expenses was mainly due to the decrease of the insourcing fee after the termination of outsourcing of contact centre agents services from our associate company and the decrease of rental expenses after reclassifying the rental expenses to depreciation expenses of right-of-use asset.

The Group's depreciation and amortization expenses increased from approximately HK\$9 million for the year ended 31 December 2018 to approximately HK\$11.3 million for the year ended 31 December 2019. The increase of depreciation and amortization expenses is mainly due to the increase of depreciation expenses of right-of-use assets which were reclassified from rental expenses.

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

The Group's profit attributable to owners of the Company increased from approximately HK\$3.9 million for the year ended 31 December 2018 to approximately HK\$7.6 million for the year ended 31 December 2019. The increase in profit attributable to owners of the Company was mainly due to the contribution from the growth of the financial business following the expansion of the asset management business and the general reduction of the expenses.

## **DIVIDEND**

During the year under review, the Group did not declare any dividend for the year.

The Board does not recommend a final dividend for the year ended 31 December 2019 (2018: nil).



## **PLEDGE OF ASSETS**

As at 31 December 2019, the Group had pledged its bank deposits of approximately HK\$9.1 million (2018: approximately HK\$9 million) to secure its banking facilities and trade receivable financing.

## **FOREIGN EXCHANGE EXPOSURE**

Substantially all the revenue-generating operations of the Group were transacted in Hong Kong dollars during the year under review which is the functional currency of the Company and the presentation currency of the Group. The Group therefore does not have significant foreign exchange risk.

## **CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS**

The Group had no significant contingent liabilities as at 31 December 2019 (2018: Nil). As at 31 December 2019, there was no capital commitments outstanding but not provided for in the financial statements (2018: HK\$0.9 million).

## **SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Save for those disclosed in this announcement, there were no significant investments held as at 31 December 2019, nor were there material acquisitions and disposals of subsidiaries during the year. There is no plan for material investments or capital assets as at 31 December 2019.

## **PURCHASE, SALES 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 year ended 31 December 2019.

## **REVIEW OF FINANCIAL STATEMENTS**

The audit committee of the Company comprising Mr. Wong Kam Tai (Chairman), Mr. Wong Sik Kei and Mr. Cheung Kong Ting, all are independent non-executive Directors, had reviewed the audited consolidated results of the Group for the year ended 31 December 2019.

## **SCOPE OF WORK OF HLB HODGSON IMPEY CHENG LIMITED**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this preliminary announcement have been agreed by the Group's auditors, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on this preliminary announcement.

## **CORPORATE GOVERNANCE**

For the year ended 31 December 2019, 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 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 year under review, Mr. Tang Shing Bor, the Chairman and a non-executive Director, was absent from two board meetings due to other important engagements in the relevant times and was not entitled to attend another two board meetings for considering transactions in which he has material interest.

The Company continues to enhance its corporate governance practices appropriate to the conduct and growth of its business, and to review and improve such practices from time to time to ensure that business activities and decision making processes are regulated in a proper and prudent manner in accordance with international best practices.

The Directors acknowledged their responsibility for preparing the annual financial statements for the year ended 31 December 2019 and each Director participated in the Company's operation pursuant to their established terms of reference and contributed to the success of the Company.

## **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 with the Directors, all Directors confirmed that they had complied with the required standard of dealings concerning securities transactions by the Directors throughout the year ended 31 December 2019.

## APPRECIATION

The Board would like to take this opportunity to express their thanks and gratitude to the Group's management and staff who dedicated their endless efforts and devoted services, and to our shareholders, suppliers, clients and bankers for their continuous support.

By Order of the Board

**ETS Group Limited**

**Tang Yiu Sing**

*Executive Director and Chief Executive Officer*

Hong Kong, 20 March 2020

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

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