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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 2018**

**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 companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

*This announcement for which the directors (the “Directors”) of ETS Group Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

## **FINANCIAL HIGHLIGHTS**

The Group's revenue for the year ended 31 December 2018 was approximately HK\$141,741,000 representing a decrease of approximately 3.3% as compared to that of approximately HK\$146,591,000 in 2017.

Profit attributable to owners of the Company for the year ended 31 December 2018 was approximately HK\$3,946,000 representing an increase of approximately 253.9% as compared to that of approximately HK\$1,115,000 in 2017.

Earnings per share for the year ended 31 December 2018 was HK1.4 cents (2017: HK0.4 cents).

The board of Directors does not recommend a final dividend for the year ended 31 December 2018 (2017: nil).

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

		2018 HK\$'000	2017 HK\$'000
	Notes		
Revenue	4	141,741	146,591
Other income		440	527
Other (losses)/gains – net		(407)	1,312
Employee benefits expenses		(82,611)	(88,848)
Depreciation and amortization		(9,048)	(8,887)
Other operating expenses		(44,409)	(47,552)
Operating profit		5,706	3,143
Finance costs		(323)	(469)
Profit before tax	5	5,383	2,674
Income tax expense	6	(1,437)	(1,559)
Profit for the year		3,946	1,115
Profit attributable to owners of the Company		3,946	1,115
Other comprehensive income for the year			
Item that may be reclassified subsequently to profit or loss			
Available-for-sale financial asset:			
– Gain arising on change in fair value		–	500
Other comprehensive income for the year		–	500
Total comprehensive income for the year		–	1,615
Total comprehensive income for the year attributable to owners of the Company		3,946	1,615
Earnings per share attributable to owners of the Company-Basic and diluted (HK cents)	7	1.4	0.4

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*As at 31 December 2018*

		<b>2018</b>	<b>2017</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>4,574</b>	6,330
Intangible assets		<b>12,263</b>	7,801
Investment in an associate		–	–
Available-for-sale financial asset		–	10,900
Derivative financial instrument		–	700
Deferred income tax assets		<b>1,181</b>	690
Other assets		<b>205</b>	205
		<b>18,223</b>	26,626
<b>Current assets</b>			
Contract assets		<b>11,709</b>	–
Trade and other receivables	8	<b>55,308</b>	61,816
Financial assets designated as at fair value through profit or loss		–	7,026
Amount due from an associate		–	10,609
Amount due from a related company		–	208
Pledged bank deposits		<b>9,029</b>	5,265
Bank trust account balances		<b>36,522</b>	8,235
Cash and cash equivalents		<b>47,848</b>	28,552
		<b>160,416</b>	121,711
<b>Current liabilities</b>			
Contract liabilities		<b>2,235</b>	–
Trade and other payables	9	<b>50,135</b>	23,543
Amounts due to related companies		<b>11</b>	22
Current income tax liabilities		<b>703</b>	634
Borrowings		<b>11,632</b>	12,537
		<b>64,716</b>	36,736
<b>Net current assets</b>		<b>95,700</b>	84,975
<b>Total assets less current liabilities</b>		<b>113,923</b>	111,601

		<b>2018</b>	2017
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Non-current liabilities</b>			
Deferred income tax liabilities		<b>195</b>	180
Borrowings		<b>149</b>	281
		<b>344</b>	461
<b>Net assets</b>		<b>113,579</b>	111,140
<b>Equity attributable to the owners of the Company</b>			
Share capital	10	<b>2,800</b>	2,800
Share premium	10	<b>25,238</b>	25,238
Reserves		<b>85,541</b>	83,102
<b>Total equity</b>		<b>113,579</b>	111,140

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2018*

## 1. GENERAL INFORMATION

ETS Group Limited 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 services, 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 2018, the directors regard Million Top Enterprises Limited, a company incorporated in Hong Kong with limited liability, as the parent and ultimate holding company of the Company.

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 19 March 2019.

## 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 certain financial assets and financial liabilities which are measured at fair value.

The preparation of the consolidated financial statements in accordance 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 are disclosed in Note 4.

### 2.1.1 New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and related amendments
Amendments to HKFRS 1 and HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

The impact of the adoption of HKFRS 9 are disclosed below. The other amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current periods.

#### *HKFRS 9 “Financial Instruments”*

During the year ended 31 January 2018, the Group has applied HKFRS 9. HKFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities, (ii) expected credit losses (“ECL”) for financial assets, contract assets and other items subject to ECL assessment, and (iii) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e., applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognized as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognized as at 1 January 2018 determined under HKFRS 9. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 (determined under HKFRS 9) are recognized in the opening retained profits as at 1 January 2018, without restating the financial information for the year ended 31 December 2017.

As at 1 January 2018, the additional credit loss allowance of approximately HK\$1,206,000, together with the recognition of the corresponding deferred tax assets of approximately HK\$199,000, totaling approximately HK\$1,007,000 has been recognized against retained profits as at 1 January 2018. The additional loss allowance is charged against the respective asset.

### ***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 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below:

#### ***HKFRS 16 "Leases"***

##### **Nature of change**

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the statement of financial position by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

##### **Impact**

The Group has reviewed all of the Group's leasing arrangements in implementation at the end of 2018 in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

As at the reporting date, the Group has non-cancellable operating lease commitments of HK\$10,780,000. Of these commitments, short-term leases and low-value leases will be recognized on a straight-line basis as expense in profit or loss. For the remaining lease commitments, the Group expects to recognize right-of-use assets and lease liabilities on 1 January 2019 respectively.

The accounting for lessors will not significantly change.

##### **Date of adoption by the Group**

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. All right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

### **3. COMPARATIVE AMOUNTS**

Certain comparative amounts have been reclassified to conform with current year's presentation as the Group changed the operating and reporting structure as a result of the commencement of financial services business in a manner that causes the composition of its reportable segments to change by introducing an additional reportable segment regarding financial services business. Accordingly, segment information of financial services business for the year ended 31 December 2017 for comparative purposes has been reclassified to reflect the newly reportable segment.



#### 4. 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; 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 2017 and 2018 are as follows:

##### 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>

For the year ended 31 December 2017

	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 (Restated)	Total HK\$'000
Segment revenue	10,512	66,416	50,425	14,836	657	3,745	146,591
Segment results	1,077	7,304	6,582	1,051	(5,561)	1,322	11,775
Depreciation and amortization	248	3,159	–	2,787	899	1,597	8,690
Total segment assets	7,505	35,071	19,199	7,872	10,838	4,878	85,363
Total segment assets includes: Additions to non-current assets (other than financial instruments)	120	1,528	–	1,348	857	1,365	5,218
Total segment liabilities	143	4,185	3,072	1,436	8,906	350	18,092

There were no inter-segment sales during the years ended 31 December 2017 and 2018. 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:

	2018 HK\$'000	2017 HK\$'000
Segment results for reportable segments	16,191	11,775
<b>Unallocated:</b>		
Other income	440	527
Other (losses)/gains – net	(407)	1,312
Depreciation and amortization	(181)	(197)
Finance costs	(323)	(469)
Corporate and other unallocated expenses	(10,337)	(10,274)
<b>Profit before tax</b>	<b>5,383</b>	<b>2,674</b>

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:

	2018 HK\$'000	2017 HK\$'000
Segment assets for reportable segments	99,937	85,363
<b>Unallocated:</b>		
Property, plant and equipment	391	547
Available-for-sale financial asset	–	10,900
Derivative financial instrument	–	700
Deferred income tax assets	1,181	690
Financial assets designated as at fair value through profit or loss	–	7,026
Corporate and other unallocated assets	77,130	43,111
<b>Total assets per consolidated statement of financial position</b>	<b>178,639</b>	<b>148,337</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:

	2018 HK\$'000	2017 HK\$'000
Segment liabilities for reportable segments	48,425	18,092
<b>Unallocated:</b>		
Deferred income tax liabilities	195	180
Current income tax liabilities	703	634
Borrowings	11,781	12,818
Corporate and other unallocated liabilities	3,956	5,473
<b>Total liabilities per consolidated statement of financial position</b>	<b>65,060</b>	<b>37,197</b>

Breakdown of the revenue from all services is as follows:

#### Analysis of revenue by category

	2018 HK\$'000	2017 HK\$'000 (Restated)
Service fee income from provision of telecommunication and related services	71,097	91,764
Financial services income	6,772	657
Licencing and sales of system and software	2,579	2,089
System maintenance income	1,609	1,656
Staff insourcing services	59,684	50,425
	<b>141,741</b>	<b>146,591</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\$141,200,000 (2017: approximately HK\$146,502,000), and the total of revenue from external customers from other country is approximately HK\$541,000 (2017: approximately HK\$89,000).

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\$16,837,000 (2017: approximately HK\$14,131,000), and none of these non-current assets is located in other countries (2017: 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:

	2018 HK\$'000	2017 HK\$'000
Customer A	32,179	34,959
Customer B	17,347	26,091
Customer C	14,560	–
Customer D	N/A <sup>1</sup>	21,536
	<u>64,086</u>	<u>82,586</u>

<sup>1</sup> The corresponding revenue did not contribute to 10% or more of the total revenues of the Group for the year ended 31 December 2018.

#### 5. PROFIT BEFORE TAX

	2018 HK\$'000	2017 HK\$'000
<b>Profit before tax is stated after charging:</b>		
<i>Depreciation and amortization</i>		
Depreciation of owned property, plant and equipment	5,063	4,592
Depreciation of assets under finance lease	140	140
Amortization of intangible assets	<u>3,845</u>	<u>4,155</u>
Total depreciation and amortization	<u>9,048</u>	<u>8,887</u>
Auditors' remuneration	1,100	850
Reversal of impairment of financial and contract assets – net	379	–
Operating lease payments in respect of rented premises	<u>6,619</u>	<u>8,811</u>

## 6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at a rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong for the year.

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current tax:		
Current tax on profits for the year	1,894	1,736
Adjustments in respect of prior year	(180)	–
<b>Total current tax</b>	<b>1,714</b>	<b>1,736</b>
<b>Deferred income tax</b>	<b>(277)</b>	<b>(177)</b>
<b>Income tax expense</b>	<b>1,437</b>	<b>1,559</b>

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit before tax	5,383	2,674
Tax calculated at Hong Kong profits tax rate of 16.5%	888	441
Tax effects of:		
– Income not subject to tax	(4)	(4)
– Expenses not deductible for tax purposes	78	93
– Temporary differences not recognized	112	10
– Tax losses for which no deferred income tax asset was recognized	768	1,019
– Utilization of previous unrecognized tax losses	(225)	–
– Adjustments in respect of prior year	(180)	–
<b>Tax charge</b>	<b>1,437</b>	<b>1,559</b>

## 7. 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 (2017: 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 2017 and 2018.

## 8. TRADE AND OTHER RECEIVABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade receivables		
Amounts receivables arising from multi-media contact services and contact centre system	29,220	52,472
Amounts receivables arising from financial services business		
– Clients-cash	–	30
– Clearing house	50	433
Less: loss allowance	(595)	–
Trade receivables – net	28,675	52,935
Other receivables, deposits and prepayments	26,772	8,881
Less: loss allowance	(139)	–
Other receivables, deposits and prepayment – net	26,633	8,881
	<b>55,308</b>	<b>61,816</b>

The average credit period on the Group's sales is 30 days (2017: 30 days). The aging analysis of the trade receivables net of allowance for doubtful debts based on invoice date is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
0 – 30 days	9,296	22,087
31 – 60 days	8,676	11,888
61 – 90 days	5,153	9,573
Over 90 days	5,500	8,924
	<b>28,625</b>	<b>52,472</b>

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.

## 9. TRADE AND OTHER PAYABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade payables	4,177	3,206
Amounts payable arising from financial services business		
– Clients-cash	636	1,464
– Clients-margin	35,740	6,251
– Clearing house	195	972
Other payables and accruals	9,387	11,650
	<u>50,135</u>	<u>23,543</u>

As at 31 December 2018, the aging analysis of the trade payables based on invoice date is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
0 – 30 days	2,565	1,765
31 – 60 days	684	789
61 – 90 days	219	359
Over 90 days	709	293
	<u>4,177</u>	<u>3,206</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.

## 10. SHARE CAPITAL AND PREMIUM

	Number of ordinary shares	Ordinary shares of HK\$0.01 each <i>HK\$'000</i>	Share premium <i>HK\$'000</i>
Ordinary shares, Issued and fully paid up:			
As at 31 December 2017 and 2018	280,000,000	2,800	25,238

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS ENVIRONMENT

The business environment of comprehensive multi-media contact services remained challenging in 2018. Data securities requirements, call blocking mobile apps as well as compliance issues continued to have adverse impact on our operating cost, service performance as well as client's outsourcing sentiment, particularly in outbound telemarketing service. And despite of prevailing economic uncertainty, labour market remained tight throughout the period and hence keeping the overall recruiting and labour cost at a relatively high level. To counteract the adversity, the Group has adopted a more aggressive pricing strategy in order to maintain the overall profitability level.

Similar to the past trend and record, when there is less outsourcing initiative there is usually a greater staff insourcing demand. During the period, the Group has further strengthened our recruiting muscles by enhancing the capabilities of the recruitment team as well as the related supporting system, making the entire head hunting and staff deployment process more efficient and effective. Revenue from the related services continued to climb and resulted in an increase of approximately 18% for the year ended 31 December 2018 as compared to that of last year.

The Group's proprietary WISE-xb Contact Centre System ("**WISE-xb System**") received a major revamp in 2018 with brand new user interface and functionalities developed to bring out much enhanced user experience for the users. On top of traditional interaction channels such as voice, webchat, email and fax, new social media communications for Facebook, Messenger and WeChat are also integrated to support truly multi-media communications with all profiles of customers. Nevertheless, the Group has also added the increasingly popular artificial intelligence (A.I.) chatbot capability to the WISE-xb System, giving it a competitive edge over the counterparts. Highly positive feedbacks have been collected from new and existing customers so far.

The business of the Group's relatively new financial entities namely, Gear Securities Investment Limited ("**GSI**") and Gear Asset Management Limited ("**GAM**") has started to take shape during the reported period. GSI mainly carries out Type 1 and 4 regulated activities (dealing in and advising on securities) under the Securities and Future Ordinance ("**SFO**"), and its revenue from securities trading, margin lending and financial consultancy services has continued to maintain in spite of a less luster market shadowed by the China and US trade war and interest rate hike speculation during the year.



## **BUSINESS REVIEW**

The Group is continuously engaged in the business of providing comprehensive multi-media contact services and contact centre system, staff insourcing services 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 such as food and beverage business and indoor public services. We provide our clients with staff to support their activities such as customer services, 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 services 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 broking, 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.

## **Others**

“Others” segment which principally comprises system maintenance income, licencing income and sales of system and software income.

### **Disposal of an Unlisted financial assets designated as at fair value through profit or loss**

During the year, the Group disposed 133,161.385 shares of AB Global High Yield Portfolio (AT) and 41,350.726 shares of Allianz US High Yield (AM) shares, which were the pledged assets of the banking facility, following the release of one of our banking facilities. The Group recognized a loss of disposal of such unlisted financial assets designated as at fair value through profit or loss amounted approximately HK\$0.4 million.

### **Disposal of an Available-for-sale financial asset**

During December 2018, the Group disposed all of the investment in an unlisted company TFI International Holdings Limited (“**TFI**”) which engages in information technology industry at the consideration of HK\$11,200,000. As the applicable percentage ratios of the Disposal Agreement under the GEM Listing Rules are less than 5%, the Acquisition Agreement does not constitute a notifiable transaction on the part of the Company pursuant to Chapter 19 of the GEM Listing Rules. After the disposal of the share of TFI, the Group is able to concentrate to develop the new developed financial business in the coming year.

### **Acquisition of a licensed corporation**

The Group has widened our financial platform through the acquisition of GAM in May 2018 at a consideration of approximately HK\$6 million. GAM mainly carries out Type 9 regulated activities (asset management) under the SFO. GAM has recently entered into an asset management agreement with a company which is formed between a Hong Kong listed company based in China and a local company. The asset involved a total of three local properties that amounted to approximately HK\$4.3 billion in value. Other than the provision of asset management services, GAM is also responsible to offer sales and investment strategies to optimize return in capital gains for the asset investment project.

## **PROSPECTS**

The Group foresees challenges facing contact centre service industry will still persist in the near future, making business difficult to grow significantly and keep putting pressure on the profit margin of the services. Having said that, the Group can also see potential business opportunities and growth in certain segments such as staff insourcing services and WISE-xb System related services and sales. As a means of sustainability, it is the intention of the Group to focus our resources and attention of doing business in these potential areas in the coming future.

The equity market seemed to have rebounded in the first quarter of 2019 amid growing optimism that the trade standoff between the United States and China would be resolved. The management of the Group anticipated that the capital market will remain active particularly with the announcement of Guangdong-Hong Kong-Macau Greater Bay Area development plan. The Group believed that the securities business will be benefited from the improving investing sentiment as a whole.

The Group will also press ahead with our growth strategy for financial business by preparing to create and manage a number of funds through GAM which may include products such as money lender fund (expected to be launched in Q2 of 2019), equity fund, property fund, etc., while GSI will take part in buying and selling of these funds. In addition, we will continue to seek to identify partners with suitable knowhow and/or asset portfolio to work out different potential products for the market.

Looking forward, the Group will continue to keep our feet on the contact centre services and system business by focusing on segments with higher potential and profit margin, while at the same time, actively expand our financial business through raising publicity of our brand, creating unique financial products as well as collaboration with promising partners. In addition, the Group will continue to look for potential business opportunities through direct investment or acquisition as a measure for swift growth and diversification in the long run.

## **FINANCIAL REVIEW**

The financial performance was improved due to the contribution of our new financial business. The profit for the year was increased to approximately HK\$3.9 million for the year ended 31 December 2018 from approximately HK\$1.1 million for the year ended 31 December 2017.

## **REVENUE**

The Group recorded a decrease in total revenue to approximately HK\$141.7 million for the year ended 31 December 2018 from approximately HK\$146.6 million for the year ended 31 December 2017, representing a decrease of approximately HK\$4.9 million as compared to that of last year.

The following table sets forth the analysis of revenue in terms of business nature of our Group for the years ended 31 December 2018 and 2017 respectively:

	Year ended 31 December 2018		Year ended 31 December 2017	
	HK\$'000	GP Margin %	HK\$'000	GP Margin %
Outsourcing inbound contact services	16,351	11.5%	10,512	7.2%
Outsourcing outbound contact services	43,689	30.8%	66,416	45.3%
Staff insourcing services	59,684	42.1%	50,425	34.4%
Contact service centre and Service Centre facilities management services	11,057	7.8%	14,836	10.1%
Financial services*	6,772	4.8%	657	0.4%
Others	4,188	3.0%	3,745	2.6%
			4,402	
Revenue	<b>141,741</b>	<b>100%</b>	<b>146,591</b>	<b>100%</b>

\* Financial services related to securities were classified in “Others” segment in 2017.

### Outsourcing Inbound Contact Services

The revenue of outsourcing inbound contact services increased from approximately HK\$10.5 million for the year ended 31 December 2017 to HK\$16.4 million for the year ended 31 December 2018. It is mainly due to increase 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\$66.4 million for the year ended 31 December 2017 to approximately HK\$43.7 million for the year ended 31 December 2018.

The decrease of the revenue of outsourcing outbound contact services reflects effect of the challenging business environment mentioned in the section “Business Environment”. Despite the management of the group adopted a more competitive marketing strategy, the effort of the management cannot fully set off the effect of the tightening regulatory business environment.

### **Staff Insourcing Services**

The staff insourcing services segment increased from approximately HK\$50.4 million for the year ended 31 December 2017 to approximately HK\$59.7 million for the year ended 31 December 2018.

The increasing trend of the revenue of staff insourcing services demonstrates a strong demand of staff insourcing services.

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

The contact service centre and service centre facilities management services segment decreased from approximately HK\$14.8 million for the year ended 31 December 2017 to approximately HK\$11.0 million for the year ended 31 December 2018. The decrease of the revenue is due to the demand of the services decreased during the year.

### **Financial services**

The revenue of financial services increased from approximately HK\$0.7 million for the year ended 31 December 2017 to approximately HK\$6.8 million for the year ended 31 December 2018. The Group recorded the revenue related to securities business amounted approximately HK\$2.9 million and recorded the revenue related to provision of asset management services amounted approximately HK\$3.9 million. The significant increase of revenue of financial services is due to the contribution from our asset management business.

### **Others**

For the year ended 31 December 2018, the Group recorded a revenue in licencing and sales of system and software of approximately HK\$2.6 million (2017: approximately HK\$2 million), system maintenance income of approximately HK\$1.6 million respectively (2017: approximately HK\$1.7 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 2018 and 2017 respectively:

	Year ended 31 December 2018		Year ended 31 December 2017	
	HK\$'000	GP Margin %	HK\$'000	GP Margin %
Outsourcing inbound				
contact services	2,076	12.7%	1,077	10.2%
Outsourcing outbound				
contact services	6,005	13.7%	7,304	11%
Staff insourcing services	6,996	11.7%	6,582	13.1%
Contact service centre and Service Centre facilities management services	2,138	19.3%	1,051	7.1%
Financial services*	(2,759)	(40.7%)	(5,561)	(846.4%)
Others	1,735	41.4%	1,322	35.3%
			(4,239)	
Total	<u>16,191</u>	<u>11.4%</u>	<u>11,775</u>	<u>8%</u>

\* Financial services related to securities were classified in "Others" segment 2017.

The gross profit percentage of our Group increased from approximately 8% for the year ended 31 December 2017 to approximately 11.4% for the year ended 31 December 2018. 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 increased from approximately 10.2% for the year ended 31 December 2017 to approximately 12.7% for the year ended 31 December 2018. The increase in the segment result is mainly attributable to the increase of the productivity of our operation.

### Outsourcing Outbound Contact Services

The gross profit margin in outsourcing outbound contact services increased from approximately 11% for the year ended 31 December 2017 to approximately 13.7% for the year ended 31 December 2018. The increase was mainly attributable to the once off income generated from the existing customers.

## **Staff Insourcing Services**

The gross profit margin in staff insourcing services decreased from approximately 13.1% for the year ended 31 December 2017 to approximately 11.7% for the year ended 31 December 2018. The decrease in the gross profit margin 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 significantly from approximately 7.1% for the year ended 31 December 2017 to approximately 19.3% for the year ended 31 December 2018. The increase in gross profit margin in this segment represents the overall improvement in the operation.

## **Financial services**

The gross profit margin of financial services improved significantly from the gross loss approximately 846.4% for the year ended 31 December 2017 to the gross loss approximately 40.7% for the year ended 31 December 2018. The significant improvement of gross margin of financial services is due to the contribution on our asset management 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 increase in segment result is mainly because the increase of the productivity of our operation.

## **EXPENSES**

During the year under review, the employee benefits expenses decreased from approximately HK\$88.8 million for the year ended 31 December 2017 to approximately HK\$82.6 million for the year ended 31 December 2018. The decrease of employee benefit expenses is mainly due to the increase of voluntary resignation of contact centre staffs.

The Group recorded other operating expenses amounted to approximately HK\$44.4 million (2017: approximately HK\$47.6 million). The other operating expenses to sales ratio decreased from approximately 32.4% for the year ended 31 December 2017 to approximately 31.3% for the year ended 31 December 2018. The decrease of the other operating expenses is mainly due to cost saving from the reduction of the rental area of contact centre.

The Group’s depreciation and amortization expenses increased from approximately HK\$8.9 million for the year ended 31 December 2017 to approximately HK\$9 million for the year ended 31 December 2018.

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

The Group's profit attributable to owners of the Company increased from approximately HK\$1.1 million for the year ended 31 December 2017 to approximately HK\$3.9 million for the year ended 31 December 2018. The increase in profit attributable to owners of the Company was mainly due to the decrease of the loss of financial business following the expansion of the asset management business and the general reduction of the expenses.

## **PLEDGE OF ASSETS**

As at 31 December 2018, the Group had pledged its bank deposits of approximately HK\$9.0 million (2017: approximately HK\$5.3 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 2018 (2017: Nil). As at 31 December 2018, there was HK\$0.9 million capital commitments outstanding but not provided for in the financial statements (2017: Nil).

## **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 2018, 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 2018.

## **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 2018.



## **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 2018.

## **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 2018 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 2018, 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 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 2018 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 2018.

## **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, 19 March 2019

*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).*