



MIX
Paper from
responsible sources
FSC® C022410



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 report, 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 report 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 report misleading.



FINANCIAL SUMMARY

The Group's total revenue decreased from approximately HK\$23,089,000 for the three months ended 31 March 2022 to approximately HK\$19,995,000 for the three months ended 31 March 2023.

Profit attributable to owners of the Company for the three months ended 31 March 2023 was approximately HK\$3,034,000, representing an increase of approximately 354% as compared with the loss attributable to owners of the Company of approximately HK\$1,196,000 for the corresponding period in 2022.

Earnings per share for the three months ended 31 March 2023 was approximately HK1.08 cents (Loss per share for the three months ended 31 March 2022: approximately HK0.43 cents).

The board of Directors does not recommend an interim dividend for the three months ended 31 March 2023 (2022: nil).



UNAUDITED RESULTS

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2023 together with the comparative figures for the corresponding period ended 31 March 2022 as follows:

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

For the three months ended 31 March 2023

		Three months ended 31 March	
<i>Notes</i>		2023	2022
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	3	19,995	23,089
Other income		3,586	1
Other losses – net		–	(13)
Employee benefits expenses		(16,651)	(19,841)
Depreciation and amortization		(645)	(1,680)
Other operating expenses		(2,993)	(2,452)
Share of loss of an associate		(62)	–
Operating profit/(loss)		3,230	(896)
Finance costs		(28)	(47)
Profit/(Loss) before tax		3,202	(943)
Income tax expense	4	(168)	(253)
Profit/(Loss) for the period		3,034	(1,196)
Total comprehensive income/ (expense) for the period		3,034	(1,196)
Profit/(Loss) attributable to owners of the Company		3,034	(1,196)
Total comprehensive income/(expense) attributable to owners of the Company		3,034	(1,196)
Earnings/(Loss) per share attributable to owners of the Company			
– Basic and diluted (HK cents)	5	1.08	(0.43)

NOTES TO THE FINANCIAL INFORMATION

For the three months ended 31 March 2023

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 29 June 2011 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The shares of the Company have been listed on the GEM of the Stock Exchange with effect from 9 January 2012 (the “Listing Date”).

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The Group’s unaudited condensed consolidated first quarterly financial information of the year 2023 has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the GEM Listing Rules.

The accounting policies and basis adopted in preparing the unaudited condensed consolidated first quarterly financial information of the year 2023 were consistent with those applied for the consolidated financial statements of the Group for the year ended 31 December 2022.

The HKICPA has issued certain new and revised Hong Kong Financial Reporting Standards (“HKFRSs”). For those which are effective for accounting periods beginning on or after 1 January 2023, the adoption has no material impact on how the results and financial positions of the Group for the current and prior periods have been prepared and presented. For those which are not yet effective and have not been early adopted in prior accounting periods, the Group is in the process of assessing their impact on the Group’s results and financial position.



3. REVENUE

	Three months ended 31 March	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Outsourcing inbound contact services	3,313	2,925
Staff insourcing services	12,252	12,981
Contact service centre facilities management services	2,811	3,432
Financial services	779	2,667
Others*	840	1,084
	19,995	23,089

- * "Others" segment which principally comprises system maintenance income, licencing income and sales of system and software income.

4. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at a rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong for the three months period ended 31 March 2023.

	Three months ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current income tax	168	253
Deferred income tax	-	-
	168	253

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

5. EARNINGS/LOSS PER SHARE

The calculation of basic earnings per share for the three months ended 31 March 2023 is based on (i) the unaudited consolidated profit attributable to the owners of the Company of approximately HK\$3,034,000 (three months ended 31 March 2022: loss attributable to the owners of the Company approximately HK\$1,196,000) and (ii) the weighted average number of 280,000,000 ordinary shares issued during the three months ended 31 March 2023 (during the three months ended 31 March 2022: the weighted average number of 280,000,000 ordinary shares issued).

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares in issue during the three months ended 31 March 2023 and three months ended 31 March 2022.



6. MOVEMENT OF RESERVES

	Attributable to owners of the Company					Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Convertible bonds equity reserve HK\$'000	Merger reserve HK\$'000	Retained profits HK\$'000	
Balance at 1 January 2022 (unaudited)	2,800	25,238	1,734	25,624	43,751	99,147
Loss for the period	-	-	-	-	(1,196)	(1,196)
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive expense for the period	-	-	-	-	(1,196)	(1,196)
Interim dividend paid	-	-	-	-	-	-
Balance at 31 March 2022 (unaudited)	2,800	25,238	1,734	25,624	42,555	97,951
Balance as at 31 December 2022 (audited) and 1 January 2023	2,800	25,238	1,734	25,624	34,455	89,851
Profit for the period	-	-	-	-	3,034	3,034
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive expense for the period	-	-	-	-	3,034	3,034
Interim dividend paid	-	-	-	-	-	-
Balance at 31 March 2023 (unaudited)	2,800	25,238	1,734	25,624	37,489	92,885

7. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

The unaudited condensed consolidated results of the Group for the three months ended 31 March 2023 were approved by the Board on 5 May 2023.

DIVIDEND

The Board does not recommend the payment of any interim dividend for the three months ended 31 March 2023 (three months ended 31 March 2022: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and prospects

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

The overall business environment at the beginning of the year remained challenging due to protracted concerns about the negative impact of the global political and economic issues over China-US trade and political strain, prolonged Ukraine Russian war, hiking inflation and the resultant monetary tightening, which all led to an uncertain macroeconomic environment and weak market sentiment. On the other hand, the easing of lockdowns and pandemic measures of COVID-19 has paved the path for economic resumption, as reflected by the considerably improved economic data during the Reporting Period.

With the Government recently initiated a series of activities and policies to help stimulate the local economy which including but not limited to, the “Hello Hong Kong” Campaign and by promoting Hong Kong in overseas and mainland China to create more business co-operation and collaboration opportunities for local businesses, the management of the Group have confidence in the gradual recovery of the local economy in the year to come.

The labour shortage issue arising from recent massive emigration and aging population in Hong Kong remains a difficulty in staff recruiting. The Group believes the undesirable situation will persist in the near future, hence additional resources and effort have been allocated to strengthen our ability in hiring through expanding the recruiting channels, adjusting remuneration packages and retention measures in order to maintain our competitive edge in the insourcing business.

The Group continuously focuses on expanding our system solutions business following the award of a sizable contract in the year of 2022. We have expanded our software development team to address the additional demand and will continue to invest in our Marvel Contact Centre System to sustain its competitiveness in the system solution market.



Looking forward, with volume of local economic activities gradually resumes to normal level, the management of the Group is optimistic on the recovery of the overall business environment and through reforming our cost structure and focusing on business growth, the Group has confidence we will be able to enjoy the strong economic rebound and capture more business opportunities during the year of 2023.

FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

Description of the investments

	HK\$'000
Unlisted equity securities at cost (FAFVTPL I)	–
Unlisted equity securities at cost (FAFVTPL II)	1,260
Unlisted equity securities at cost (FAFVTPL III)	768
	<hr/>
Total	2,028
	<hr/>

FAFVTPL I

During 2019, the Group acquired an aggregate amount of 2,470 Shares of an unlisted company incorporated in Hong Kong, Oneshop limited (“Oneshop”), at approximately HK\$2 million representing approximately 18% of the total issued share capital of Oneshop. As at 31 March 2023, the Group held 2,470 Shares with no carrying amount after recording the impairment of the investment of FAFVTPL II in the year 2020.

FAFVTPL II

The Group invested 165,385 shares of Hong Kong Virtual Asset Exchange Limited (“VAX”) at HK\$12.9 million in VAX. VAX is an unlisted company currently applying to the SFC for obtaining licenses to carry out Type 1 (dealing in securities) and Type 7 (providing automated trading services) regulated activities under the SFO for the regulation of virtual asset trading platforms in Hong Kong.

As at 31 March 2023, the Group held 165,385 shares which amount to carrying amount of approximately HK\$1,260,000.

FAFVTPL III

At 31 March 2022, the Group has invested 1,000,000 shares representing approximately 40% of the issued share capital of META, as enlarged by the allotment and issue of the Subscription Shares, at HK\$1 million in META. META is an unlisted company providing consultancy services in regard of asset tokenization through professional process management services.

As at 31 March 2023, the Group held 1,000,000 shares which amount to carrying amount of approximately HK\$768,000.

Financial review

The Group's total revenue decreased from approximately HK\$23.1 million for the three months ended 31 March 2022 to approximately HK\$20 million for the three months ended 31 March 2023. The decreased of revenue mainly contributed by the decrease of the revenue generated from financial services. The employee benefits expenses decreased from approximately HK\$19.8 million for the three months ended 31 March 2022 to approximately HK\$16.7 million for the three months ended 31 March 2023 mainly due to the decrease of employment for staff insourcing services. The other operating expenses increased from approximately HK\$2.5 million for the three months ended 31 March 2022 to approximately HK\$3 million for the three months ended 31 March 2023 mainly due to the increase of subcontracting charges and rental expenses.

The Group's depreciation and amortization expenses decreased from approximately HK\$1.7 million for the three months ended 31 March 2022 to approximately HK\$0.6 million for the three months ended 31 March 2023. The Group's finance costs decreased from approximately HK\$47,000 for the three months ended 31 March 2022 to approximately HK\$28,000 for the three months ended 31 March 2023.

The unaudited loss attributable to owners of the Company decreased from approximately HK\$1.2 million for the three months ended 31 March 2022 to profit attributable to owners of the Company approximately HK\$3 million for the three months ended 31 March 2023, mainly due to the recovery of account receivables, decrease of employee benefits expenses, and decrease of depreciation and amortization expenses in the period under review.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions as set out in the Corporate Governance Code (the "Code") in Appendix 15 to the GEM Listing Rules throughout the three months ended 31 March 2023.



CODE OF CONDUCT FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specified enquiry on the Directors, all Directors confirmed that they have complied with the required standard of dealings concerning securities transactions for the three months ended 31 March 2023.

SHARE OPTION SCHEME

During the three months ended 31 March 2023, no share option was granted, exercised, expired or lapsed under the share option scheme conditionally adopted by the shareholders of the Company on 4 May 2021 and became unconditional on 6 May 2021 (the "Share Option Scheme").

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from the Share Option Scheme, at no time during the three months ended 31 March 2023 was any of the Company or any associated corporation a party to any arrangement to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age 18, had any right to subscribe for the Shares in, or debentures of, the Company, or had exercised any such rights.

NON-COMPETITION UNDERTAKING

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

Prior to the commencement of business of Gear Credit, on 21 October 2019, Mr. Tang Shing Bor ("Mr. Tang") (our Chairman and non-executive Director until 14 May 2021 when he passed away), Mr. Tang Yiu Sing ("Mr. YS Tang") (our Chief Executive Officer and executive Director), H.K. Sources Finance Limited ("HK Sources") and Kong Way Credit Company Limited ("Kong Way", together with Mr. Tang, Mr. YS Tang and HK Sources, the "Covenantors") entered into a deed of non-competition (the "Deed of Non-competition") in favour of the Company (for itself and as trustee of the members of the Group) with a view to safeguard the interest of the Company and the Shareholders as a whole.

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



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

As disclosed in the Company’s 2022 Annual Report, the Company had received written notices from all of the Covenantors in respect of any New Business Opportunity which competed or was likely to compete with the existing business of the Group which was offered or came to the knowledge of the Covenantors or their close associates (other than any member of the Group). Each of the Covenantors has made an annual declaration to the Company in respect of his/its compliance with his/its obligations under the Deed of Non-competition for the year ended 31 December 2022.

DIRECTORS’ INTERESTS IN COMPETING BUSINESS

Save as disclosed above, so far as the Directors are aware of, none of the Directors or the substantial/controllers shareholders of the Company has any interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group for the three months ended 31 March 2023.

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

As at 31 March 2023, none of the Directors and chief executives of the Company (the "Chief Executives") had any interests and short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or Chief Executive is taken or deemed to have under such provision of the SFO) or which were required pursuant to section 352 of the SFO, to be entered in the register required to be kept by the Company, or which were required, pursuant to standard of dealings by Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

So far as is known to the Directors, as at 31 March 2023, the following persons (not being a Director or Chief Executive) who had interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company under provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, or who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Long positions in the shares of the Company

Name of substantial shareholders	Capacity	Number of Shares/ underlying Shares held	Approximate percentage of the issued share capital of the Company as at 31 March 2023
Million Top Enterprises Limited	Beneficial owner	210,000,000	75%
Pine Care Group Limited ("Pine Care Group")	Interest in a controlled corporation	15,625,000	5.58%
Pine Care Titanium Limited ("Pine Care Titanium") (Note)	Beneficial owner	15,625,000	5.58%



Note: Pine Care Titanium is the holder of the convertible bonds in a principal amount of HK\$9,500,000 at a conversion price of HK\$0.608 per conversion share (subject to adjustments) issued by the Company, of which a total of 15,625,000 conversion shares will be allotted and issued upon full conversion of the convertible bonds. Pine Care Titanium was wholly and beneficially owned by Pine Care Group. Under the SFO, Pine Care Group was deemed to be interested in the underlying Shares held by Pine Care Titanium.

Save as disclosed above, as at 31 March 2023, the Directors were not aware of any other persons (other than Directors or Chief Executive) who had interests and/or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, or who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited interim results of the Group for the three months ended 31 March 2023 and is of the opinion that the accounting policies of the Group are in accordance with the generally accepted accounting practices in Hong Kong, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

PRE-EMPTIVE RIGHTS

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



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

The Company did not redeem any of its listed securities, and neither did the Company nor any of its subsidiaries purchase or sell any of the listed securities of the Company for the three months ended 31 March 2023.

By order of the Board

ETS Group Limited

Tang Yiu Sing

Executive Director and Chief Executive Officer

Hong Kong, 5 May 2023

As at the date of this report, the executive directors of the Company are Mr. Tang Yiu Sing and Mr. Yeung Ka Wing; and the independent non-executive directors of the Company are Mr. Cheung Kong Ting, Mr. Wong Kam Tai and Ms. Kwong Yuk Ying.

This report will remain on the "Latest Listed Company Information" page of the website of the Stock Exchange at www.hkexnews.hk for at least 7 days from the date of its publication and on the website of the Company at www.etsgroup.com.hk.