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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 2021**

**CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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

## **FINANCIAL HIGHLIGHTS**

The Group's revenue for the year ended 31 December 2021 was approximately HK\$98,757,000 representing a decrease of approximately 5.2% as compared to that of approximately HK\$104,211,000 in 2020.

Loss attributable to owners of the Company for the year ended 31 December 2021 was approximately HK\$18,620,000 representing an increase of approximately 263% as compared to the loss attributable to owners of the Company for the year ended 31 December 2020 amounted approximately HK\$5,137,000.

Loss per share for the year ended 31 December 2021 was HK6.7 cents (2020: Loss per share: HK1.8 cents).

The board of Directors does not recommend a final dividend for the year ended 31 December 2021 (2020: nil).

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2021*

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Revenue</b>	3	<b>98,757</b>	104,211
Other income		<b>290</b>	14,636
Other losses – net		<b>(11,303)</b>	(6,772)
Employee benefits expenses		<b>(73,495)</b>	(76,864)
Depreciation and amortization		<b>(9,343)</b>	(12,010)
Other operating expenses		<b>(22,158)</b>	(27,952)
<b>Operating loss</b>		<b>(17,252)</b>	(4,751)
Finance costs		<b>(496)</b>	(399)
<b>Loss before tax</b>	4	<b>(17,748)</b>	(5,150)
Income tax (expense)/credit	5	<b>(872)</b>	13
<b>Loss for the year</b>		<b>(18,620)</b>	(5,137)
<b>Other comprehensive income for the year</b>		<b>–</b>	–
<b>Total comprehensive expense for the year</b>		<b>(18,620)</b>	(5,137)
<b>Loss attributable to owners of the Company</b>		<b>(18,620)</b>	(5,137)
<b>Total comprehensive expense for the year attributable to owners of the Company</b>		<b>(18,620)</b>	(5,137)
Loss per share attributable to owners of the Company			
– Basic and diluted ( <i>HK cents</i> )		<b>(6.7)</b>	(1.8)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>1,541</b>	1,320
Right-of-use assets		<b>1,004</b>	5,246
Intangible assets		<b>3,771</b>	5,437
Financial assets at fair value through profit or loss		<b>2,200</b>	–
Deferred income tax assets		<b>818</b>	1,171
Other assets		<b>205</b>	205
		<b>9,539</b>	13,379
<b>Current assets</b>			
Contract assets		<b>3,887</b>	3,287
Trade and other receivables	7	<b>58,472</b>	46,727
Financial assets at fair value through profit or loss		<b>235</b>	1,644
Tax recoverable		<b>115</b>	704
Pledged bank deposits		<b>6,091</b>	9,108
Bank trust account balances		<b>16,593</b>	11,738
Cash and cash equivalents		<b>41,709</b>	59,455
		<b>127,102</b>	132,663
<b>Current liabilities</b>			
Contract liabilities		<b>1,890</b>	1,888
Trade and other payables	8	<b>25,757</b>	21,855
Amount due to a related company		–	9
Current income tax liabilities		<b>700</b>	282
Borrowings		–	3,000
Lease liabilities		<b>773</b>	2,929
		<b>29,120</b>	29,963
<b>Net current assets</b>		<b>97,982</b>	102,700
<b>Total assets less current liabilities</b>		<b>107,521</b>	116,079

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Non-current liabilities</b>			
Deferred income tax liabilities		<b>18</b>	46
Lease liabilities		<b>251</b>	–
Convertible bonds		<b>8,105</b>	–
		<u><b>8,374</b></u>	<u>46</u>
<b>Net assets</b>		<u><b>99,147</b></u>	<u>116,033</u>
<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>71,109</b>	87,995
<b>Total equity</b>		<u><b>99,147</b></u>	<u>116,033</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2021*

## 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 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 2021, 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.

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 17 March 2022.

## 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 addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM 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 (“**FVTPL**”) and the derivative component of convertible bonds which are measured at fair value.

The preparation of 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.

### 2.1.1 Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phrase

In addition, the Group has early applied the Amendments to HKFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021.

The application of the 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.

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

Certain new accounting standards and amendments to existing standards have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group:

Standards	Subject	Effective for annual periods beginning on or after
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
HKFRS 17	Insurance Contracts and the related Amendments	1 January 2023
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 HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2023
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020	1 January 2022
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to HKAS 1 and HKFRS Practice Statements 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Disclosure of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

The directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable 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 and personnel services.

The segment information provided to the board of directors for the reportable segments for the years ended 31 December 2021 and 2020 are as follows:

#### For the year ended 31 December 2021

	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>12,486</u>	<u>-</u>	<u>53,844</u>	<u>14,101</u>	<u>13,060</u>	<u>5,266</u>	<u>98,757</u>
Segment results	<u>924</u>	<u>(194)</u>	<u>4,409</u>	<u>3,791</u>	<u>(2,148)</u>	<u>2,066</u>	<u>8,848</u>
Depreciation and amortization	<u>255</u>	<u>-</u>	<u>1,072</u>	<u>2,593</u>	<u>2,300</u>	<u>511</u>	<u>6,731</u>
Total segment assets	<u>2,670</u>	<u>-</u>	<u>15,222</u>	<u>4,592</u>	<u>55,894</u>	<u>3,503</u>	<u>81,881</u>
Total segment assets includes: Additions to non-current assets (other than financial instruments)	<u>92</u>	<u>-</u>	<u>932</u>	<u>386</u>	<u>-</u>	<u>184</u>	<u>1,594</u>
Total segment liabilities	<u>1,804</u>	<u>-</u>	<u>4,224</u>	<u>1,318</u>	<u>-</u>	<u>1,357</u>	<u>8,703</u>



**For the year ended 31 December 2020**

	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>11,383</u>	<u>8,253</u>	<u>46,260</u>	<u>13,946</u>	<u>19,418</u>	<u>4,951</u>	<u>104,211</u>
Segment results	<u>1,312</u>	<u>(1,895)</u>	<u>3,355</u>	<u>3,628</u>	<u>(3,461)</u>	<u>1,834</u>	<u>4,773</u>
Depreciation and amortization	<u>1,860</u>	<u>1,223</u>	<u>–</u>	<u>3,392</u>	<u>2,877</u>	<u>1,784</u>	<u>11,136</u>
<b>Total segment assets</b>	<u>4,271</u>	<u>1,338</u>	<u>8,481</u>	<u>7,372</u>	<u>41,951</u>	<u>2,845</u>	<u>66,258</u>
Total segment assets includes: Additions to non-current assets (other than financial instruments)	<u>292</u>	<u>192</u>	<u>–</u>	<u>533</u>	<u>18</u>	<u>427</u>	<u>1,462</u>
<b>Total segment liabilities</b>	<u>2,169</u>	<u>346</u>	<u>3,802</u>	<u>1,327</u>	<u>14,652</u>	<u>947</u>	<u>23,243</u>

There were no inter-segment sales during the years ended 31 December 2021 and 2020. 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 loss before tax is as follows:

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Segment results for reportable segments	<b>8,848</b>	4,773
<b>Unallocated:</b>		
Other income	<b>290</b>	14,636
Other losses – net	<b>(11,303)</b>	(6,772)
Depreciation and amortization	<b>(2,612)</b>	(861)
Finance costs	<b>(462)</b>	(285)
Corporate and other unallocated expenses	<b>(12,509)</b>	(16,641)
<b>Loss before tax</b>	<b>(17,748)</b>	(5,150)

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:

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Segment assets for reportable segments	<b>81,881</b>	66,258
<b>Unallocated:</b>		
Property, plant and equipment	<b>817</b>	10
Right-of-use assets	<b>354</b>	1,357
Tax recoverable	<b>115</b>	704
Deferred income tax assets	<b>818</b>	1,171
Financial assets at FVTPL	<b>2,435</b>	1,644
Corporate and other unallocated assets	<b>50,221</b>	74,898
	<hr/>	<hr/>
<b>Total assets per consolidated statement of financial position</b>	<b>136,641</b>	146,042
	<hr/> <hr/>	<hr/> <hr/>

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:

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Segment liabilities for reportable segments	<b>8,703</b>	23,243
<b>Unallocated:</b>		
Deferred income tax liabilities	<b>18</b>	46
Current income tax liabilities	<b>700</b>	282
Borrowings	<b>–</b>	3,000
Lease liabilities	<b>379</b>	75
Corporate and other unallocated liabilities	<b>27,694</b>	3,363
	<hr/>	<hr/>
<b>Total liabilities per consolidated statement of financial position</b>	<b>37,494</b>	30,009
	<hr/> <hr/>	<hr/> <hr/>

Breakdown of the revenue from all services is as follows:

**Analysis of revenue by category**

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Service fee income from provision of telecommunication and related services	<b>26,588</b>	33,582
Financial services income	<b>9,515</b>	17,023
Licencing and sales of system and software	<b>3,214</b>	2,887
System maintenance income	<b>2,052</b>	1,999
Staff insourcing services and personnel services	<b>53,844</b>	46,325
	<hr/>	<hr/>
Revenue from contracts with customers	<b>95,213</b>	101,816
Interest income arising from		
– Loans	<b>3,542</b>	2,332
– Margin clients	<b>2</b>	63
	<hr/>	<hr/>
Total revenue	<b>98,757</b>	104,211
	<hr/> <hr/>	<hr/> <hr/>

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\$97,434,000 (2020: approximately HK\$103,100,000), and the total of revenue from external customers from other country is approximately HK\$1,323,000 (2020: approximately HK\$1,111,000).

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\$6,316,000 (2020: approximately HK\$12,003,000), and none of these non-current assets is located in other countries (2020: 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:

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A	<b>12,221<sup>1</sup></b>	N/A <sup>2</sup>
Customer B	<b>10,321<sup>1</sup></b>	18,496
Customer C	<b>10,235<sup>1</sup></b>	N/A <sup>2</sup>
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<sup>1</sup> Revenue from provision of telecommunication services, system maintenance income and staff insourcing services.

<sup>2</sup> The corresponding revenue did not contribute to 10% or more of the total revenues of the Group in the respective year.

#### 4. LOSS BEFORE TAX

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Loss before tax is stated after charging:</b>		
<i>Depreciation and amortization</i>		
Depreciation of owned property, plant and equipment	913	1,927
Depreciation of right-of-use assets	5,522	6,387
Amortization of intangible assets	2,908	3,696
	<u>9,343</u>	<u>12,010</u>
Total depreciation and amortization	<u>9,343</u>	<u>12,010</u>
Auditors' remuneration	1,000	1,000
Provision for impairment of financial assets and contract assets – net	7,052	13,164
Expenses relating to short-term leases	142	110
	<u>142</u>	<u>110</u>

#### 5. INCOME TAX EXPENSE/(CREDIT)

Hong Kong profits tax has been provided at a rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong for the year.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Current tax:</b>		
Current tax on profits for the year	547	469
Adjustment in respect of prior year	–	(71)
	<u>547</u>	<u>398</u>
<b>Total current tax</b>	<b>547</b>	<b>398</b>
<b>Deferred income tax</b>	<b>325</b>	<b>(411)</b>
	<u>325</u>	<u>(411)</u>
<b>Income tax expense/(credit)</b>	<b>872</b>	<b>(13)</b>
	<u>872</u>	<u>(13)</u>

#### 6. LOSS PER SHARE

The calculation of the basic loss per share attributable to owners of the Company is based on (i) the loss 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 (2020: 280,000,000 ordinary shares).

The diluted loss per share is equal to the basic loss per share as there were no dilutive potential ordinary shares in issue during the years ended 31 December 2021 and 2020.

## 7. TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables		
Amounts receivables arising from multi-media contact services, contact centre system and advisory services	39,200	32,660
Amounts receivables arising from financial services business		
– Client-margin	310	–
– Clearing house	743	705
Loan receivables	33,679	21,386
Less: loss allowance	<u>(21,423)</u>	<u>(14,235)</u>
Trade receivables – net	<u>52,509</u>	40,516
Other receivables, deposits and prepayments	6,069	6,452
Less: loss allowance	<u>(106)</u>	<u>(241)</u>
Other receivables, deposits and prepayments – net	<u>5,963</u>	6,211
	<u><b>58,472</b></u>	<u><b>46,727</b></u>

The average credit period on the Group's sales is 30 days (2020: 30 days). The aging analysis of the trade receivables net of loss allowance based on invoice date is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–30 days	6,619	5,643
31–60 days	2,670	1,530
61–90 days	845	1,139
Over 90 days	<u>8,514</u>	<u>10,193</u>
	<u><b>18,648</b></u>	<u><b>18,505</b></u>

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 2021, loan to margin client is secured by client's securities pledged as collateral with market value of approximately HK\$3,033,000 (2020: 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 properties located in Hong Kong and receivables and are not past due based on contractual maturity date as at 31 December 2021. All the loan receivables are entered with contractual maturity within 1 year. Loan receivables are interest-bearing at a rate range from 12% to 22% (2020: 11% to 20%) per annum.

## 8. TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	125	887
Amounts payable arising from financial services business		
– Clients-cash	9,566	11,147
– Clients-margin	7,765	1,032
– Clearing house	5	260
Other payables and accruals	8,296	8,529
	<u>25,757</u>	<u>21,855</u>

At 31 December 2021, the aging analysis of the trade payables based on invoice date is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–30 days	59	374
31–60 days	49	221
61–90 days	1	152
Over 90 days	16	140
	<u>125</u>	<u>887</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

	Number of Ordinary shares	Ordinary shares of HK0.01 each <i>HK\$'000</i>	Share premium <i>HK\$'000</i>
Ordinary shares, issued and fully paid up: As at 31 December 2021 and 2020	280,000,000	2,800	25,238

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS ENVIRONMENT AND BUSINESS REVIEW

The social unrest in the second half of 2019 followed closely by the outbreak of COVID-19 pandemic in early 2020, Hong Kong's economy experienced a sharp downturn throughout the period. Stepping into the second year of the pandemic crisis, a gradual increase in business activities backed by less infections together with the stimulation of the Consumption Voucher Scheme introduced by the Hong Kong Government in mid-2021, has put the local economy on track to recovery.

Owing to the more and more stringent control on information security and data privacy, together with tightened credit control, the outsourcing outbound contact service have diminished during the year under review. On the other hand, the gradual pick up in business activities starting early 2021 as a result of a then receding pandemic, has stimulated the manpower demand and a better employment environment. Coupled with the intensified brain drain particularly among the young working generation has resulted in the Group recording a substantial growth in staff insourcing service during the period. The Group will continue to enhance the capabilities of the recruitment team in terms of technology and manpower in order to fully capture the business opportunities.

In the year of 2021, both number of property sales as well as total sales value surged as compared to that of 2020. Although the Group remains optimistic of the future of local real estate market, the on-going COVID-19 pandemic, yet to be opened border together with the uncertainties of the local economic recovery, all prompted the Group to take a prudent approach of our money lending business. The management of the Group has actively reviewed our loan portfolio, receivable status, and has taken a more conservative assessment of collaterals to manage any potential credit risk during the reporting period.

Prolonged pandemic crisis worldwide, growing political and financial tensions between China and the U.S., fluctuation in the stock markets as well as policy headwinds targeted at sectors such as technology and education dented investor sentiment in the capital market. The performance of the Group's financial segment was greatly impacted by such deteriorating financial environment, and the Group has mitigated some of the effect by exercising tighter control over the cost of operation.

In addition to engaging in traditional Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities & Futures Ordinance (SFO), the management of the Group expanded investment in the financial sector related to virtual asset aiming to capture the opportunity arising from tokenization of assets using blockchain technology. As stated in the announcements dated 30 April 2021 and 25 June 2021, the Group has invested in Hong Kong Virtual Asset Exchange Limited ("VAX"), a company which is currently applying to The Securities and Futures Commission of Hong Kong (SFC) for obtaining licenses to carry out Type 1 (dealing in securities) and Type 7 (providing automated trading services) regulated activities of virtual assets trading platforms

in Hong Kong. The Group believes the acquisition does not only represent a good potential investment opportunity, but more importantly, is able to leverage on the synergies with our traditional financial business, experience and resources to expand our financial service scopes and create more value for our customers. With respect to the synergy between VAX and our existing licensed businesses, the management of the Group believes that we will be able to broaden our range of financial products and services to include security token offerings (“STO”), to cross-sell our existing financial products or services to VAX’s existing and future customers, and also expand our services under Type 1 licence to distribution of STOs, thereby potentially increasing the Group’s customer base as a whole.

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 Service**

The Group provides multi-media inbound contact service 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 help desk hotlines. Our inbound operation covers 24 hours a day and 7 days a week.

### **Outsourcing Outbound Contact Service**

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 Service**

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, help desk assistance and other back-end projects.

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

The contact service centre and service centre facilities management service is 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.

## **PROSPECT**

Given the prevailing Omicron outbreak since the start of the year, crisis created by the war between Russia and Ukraine, yet to be opened border together with the continued brain drain of local as well as expat workforce, the economy of Hong Kong is not expected to return to pre-pandemic levels any time soon. The gloomy economic outlook and market instability are expected to remain in the near term.

Having said that, the Group is still cautiously optimistic that the situation will turn around in the second half of the year with higher vaccination rate and after the completion of the compulsory universal testing which is planned to be implemented in the near future.

With the continual risk of COVID-19 resurgence, compulsory quarantine policies or even a contemplated lockdown, business continuity plan (“**BCP**”) has been the forefront issue of a lot of businesses in Hong Kong lately. The management of the Group believes our multi-media Marvel Contact Centre System equipped with home-agent capability as well as AI-knowledgebase, AI-chatbot and AI-voicebot functionalities is a practical solution for addressing the risks and thus anticipates a greater demand of our system and/or service to come.

With the brain drain dilemma likely to continue in the foreseeable future, the management of the Group believes the subsequent shortage of manpower will continue to drive up the demand of our insourcing service, while at the same time increase the recruitment difficulty and cost. Nevertheless, the Group will keep investing in our recruiting resources in terms of manpower as well technology so as to best capture the potential business.

VAX, the company which the Group invested in 2021, has made encouraging progress in their license application for regulated virtual asset exchange platform, and the Group remains cautiously optimistic of the corresponding potential investment return. In addition, the Group also continues to seek suitable investment or collaboration opportunities in STO projects with other financial and professional parties in order to further maximize our strength in the virtual asset eco-system.

Looking forward, the Group will stay vigilant and adopt more comprehensive measures to mitigate any risk of an economic downturn, while at the same time try to explore more opportunities in our contact centre and financial services as well as investment into virtual asset related business in the future.

## **FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS**

### **Description of the Investments**

	<i>HK\$'000</i>
Equity securities listed in Hong Kong (“FAFVTPL I”)	235
Unlisted equity securities (“FAFVTPL II”)	–
Unlisted equity securities (“FAFVTPL III”)	2,200
	<hr/>
Total	2,435
	<hr/> <hr/>
<b>Analysed for reporting purposes as:</b>	
Current asset (FAFVTPL I)	235
Non-current asset (FAFVTPL II and FAFVTPL III)	2,200
	<hr/>
	2,435
	<hr/> <hr/>

### ***FAFVTPL I***

The Group had acquired 60,000 shares of the Tracker Fund listed shares (stock code: 2800) (“**Listed Shares**”). Listed Shares in the year 2020 amounted approximately HK\$1,449,641.

During the year 2021, the Group had disposed 50,000 shares of the Listed Shares recognising a gain of disposal of FAFVTPL amounted approximately HK\$181,460.

As at 31 December 2021, the Group held 10,000 Listed Shares which amounted to approximately HK\$235,000.

## ***FAFVTPL II***

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 December 2021, the Group held 2,470 Shares with no carrying value.

## ***FAFVTPL III***

As stated in the announcements dated 30 April 2021 and 25 June 2021, the Group has invested 165,385 shares (“**Subscription Shares**”), representing approximately 10.85% of the issued share capital of Hong Kong Virtual Asset Exchange Limited (“**VAX**”), as enlarged by the allotment and issue of the Subscription Shares, 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 December 2021, the Group held 165,385 shares which amounted to approximately HK\$2,200,000.

## **CONVERTIBLE BONDS**

During the year 2021, the Group raised the issue of the Convertible Bonds in the principal amount of HK\$9.5 million with reference to the announcements dated 10 May 2021, 5 August 2021 and the circular of the Company dated 15 July 2021. The fund net proceeds after deducting all the relevant costs and expenses from the issue of convertible bonds mainly used for expanding the financial services business of the Group for business development purposes of the Group’s securities and asset management business. As at 31 December 2021, the convertible bonds is approximately HK\$8.1 million.

## **FINANCIAL REVIEW**

The Group recorded a loss attributable to owners of the Company amounted approximately HK\$18.6 million for the year ended 31 December 2021 as compared with the loss attributable to owners of the Company approximately HK\$5.1 million for the year ended 31 December 2020. The loss was mainly due to the decrease in revenue as a result of the outbreak of Novel Coronavirus Disease epidemic as discussed in the section “Business Environment and Business Review” in this announcement, revaluation downward of the financial assets and increase of the expected credit loss.

The Group recorded the expected credit loss amounted approximately HK\$7.1 million for the year ended 31 December 2021 (2020: approximately HK\$13.1 million).

Fair value changes in the financial asset at fair value through profit or loss amounted approximately HK\$10.7 million, arose from acquiring the unlisted Hong Kong shares in this year, was recorded for the year.

## REVENUE

The Group recorded a decrease in total revenue to approximately HK\$5.5 million from approximately HK\$104.2 million for the year ended 31 December 2020 to approximately HK\$98.8 million for the year ended 31 December 2021.

The following table sets forth the analysis of revenue in terms of business nature of our Group for the years ended 31 December 2021 and 2020 respectively:

	Year ended 31 December 2021		Year ended 31 December 2020	
	HK\$'000	%	HK\$'000	%
Outsourcing inbound contact service	12,486	12.7%	11,383	10.9%
Outsourcing outbound contact service	–	–	8,253	7.9%
Staff insourcing service	53,844	54.5%	46,260	44.4%
Contact service centre facilities management service	14,101	14.3%	13,946	13.4%
Financial services	13,060	13.2%	19,418	18.6%
Others	5,266	5.3%	4,951	4.8%
Revenue	<u>98,757</u>	<u>100.0%</u>	<u>104,211</u>	<u>100.0%</u>

### Outsourcing Inbound Contact Services

The revenue of outsourcing inbound contact services slightly increased from approximately HK\$11.4 million for the year ended 31 December 2020 to approximately HK\$12.5 million for the year ended 31 December 2021.

### Outsourcing Outbound Contact Services

The Group did not record any revenue of outsourcing outbound contact services for the year (2020: approximately HK\$8.3 million).

The decrease of the revenue of outsourcing outbound contact services mainly attributable to the unfavorable environment for outbound telephone selling business.

## **Staff Insourcing Services**

The revenue of staff insourcing services segment increased from approximately HK\$46.3 million for the year ended 31 December 2020 to approximately HK\$53.8 million for the year ended 31 December 2021. The increase of the revenue is mainly due to increase of the demand of the staff insourcing services.

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

The revenue of the contact service centre and service centre facilities management services increased from approximately HK\$13.9 million for the year ended 31 December 2020 to approximately HK\$14.1 million for the year ended 31 December 2021. The increased of the revenue is mainly due to increase of the demand of the contact service centre and service centre facilities management services.

## **Financial Services**

The overall revenue of financial services decreased from approximately HK\$19.4 million for the year ended 31 December 2020 to approximately HK\$13.1 million for the year ended 31 December 2021.

The revenue of the financial services related to securities business decreased from approximately HK\$8.7 million for the year ended 31 December 2020 to approximately HK\$4.3 million for the year ended 31 December 2021. The decrease of the revenue is mainly due to decrease in the provision of consultancy services related to security products.

The revenue of the financial services related to asset management business decreased from approximately HK\$8 million for the year ended 31 December 2020 to approximately HK\$5.2 million for the year ended 31 December 2021. The decrease of the revenue is mainly due to decrease in the demand of asset management services.

The revenue of the financial services related to credit finance business increased from approximately HK\$2.5 million for the year ended 31 December 2020 to approximately HK\$3.5 million for the year ended 31 December 2021. The increase of the revenue is mainly due to increase in the demand of credit finance services.

## **Others**

For the year ended 31 December 2021, the Group recorded a revenue in licencing and sales of system and software of approximately HK\$3.2 million (2020: approximately HK\$2.9 million), system maintenance income of approximately HK\$2.1 million respectively (2020: approximately HK\$2 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 2021 and 2020 respectively:

	Year ended 31 December 2021		Year ended 31 December 2020	
	HK\$'000	GP Margin %	HK\$'000	GP Margin %
Outsourcing inbound				
contact service	924	7.4%	1,312	11.5%
Outsourcing outbound				
contact service ( <i>note 1</i> )	(194)	N/A	(1,895)	(23.0%)
Staff insourcing service	4,409	8.2%	3,355	7.3%
Contact service centre				
facilities management				
service	3,791	26.9%	3,628	26.0%
Financial services	(2,148)	(16.4%)	(3,461)	(17.8%)
Others	2,066	39.2%	1,834	37.0%
	<u>8,848</u>	<u>9%</u>	<u>4,773</u>	<u>4.6%</u>
Revenue				
	<u>8,848</u>	<u>9%</u>	<u>4,773</u>	<u>4.6%</u>

*Note:*

- No revenue was generated for the year 2021.

The gross profit percentage of our Group increased from approximately 4.6% for the year ended 31 December 2020 to approximately 9% for the year ended 31 December 2021. The overall increase in segment result and the gross profit margin is mainly due to the improvement of financial performance of our staff insourcing service segment and the suspension of the operation of outsourcing outbound contact service segment which recorded a gross loss margin approximately 23% for the year ended 31 December 2020.

### Outsourcing Inbound Contact Services

The gross profit margin in outsourcing inbound contact services decreased from approximately 11.5% for the year ended 31 December 2020 to approximately 7.4% for the year ended 31 December 2021. 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 Group did not record any revenue of outsourcing outbound contact services due to the suspension of the operation of outsourcing outbound contact services. The gross loss margin mainly generated from the additional provision of expected credit loss of outstanding receivables.

## **Staff Insourcing Services**

The gross profit margin in staff insourcing services increased from approximately 7.3% for the year ended 31 December 2020 to approximately 8.2% for the year ended 31 December 2021. The increase in the gross profit margin mainly due to the increase of the demand of services.

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

The gross profit margin in contact service centre facilities management services increased from approximately 26% for the year ended 31 December 2020 to approximately 26.9% for the year ended 31 December 2021.

## **Financial Services**

The gross loss margin percentage of financial services decreased from approximately 17.8% for the year ended 31 December 2020 to approximately 16.4% for the year ended 31 December 2021. The gross loss margin was recorded mainly due to additional provision of expected credit loss.

## **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 gross profit margin was slightly increased mainly because increase of revenue of sales and software and system.

## **OTHER LOSSES**

The Group recorded other losses amounted approximately HK\$11.3 million (2020: HK\$6.8 million). The other losses mainly comprise the fair value changes of FAFVTPL III amounted approximately HK\$10.7 million and the loss of disposal of the fixed asset amounted approximately HK\$0.6 million.

## **EXPENSES**

During the year under review, the employee benefits expenses decreased from approximately HK\$76.9 million for the year ended 31 December 2020 to approximately HK\$73.5 million for the year ended 31 December 2021. The decreases of employee benefit expenses are mainly due to less employees were employed.

The Group recorded other operating expenses amounted to approximately HK\$22.2 million (2020: approximately HK\$28 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, utilities expenses and expected credit loss. The other operating expenses

to sales ratio decreased from approximately 27% for the year ended 31 December 2020 to approximately 22% for the year ended 31 December 2021. The expected credit loss of the financial asset decreased from approximately HK\$13.2 million for the year ended 31 December 2020 to approximately HK\$7.1 million for the year ended 31 December 2021. The decreases of the other operating expenses are mainly due to lesser provision was provided for the expected credit loss.

The Group's depreciation and amortization expenses increased from approximately HK\$12 million for the year ended 31 December 2020 to approximately HK\$9.3 million for the year ended 31 December 2021. The decrease of depreciation and amortization expenses is mainly due to the decrease of depreciation of property, print and equipment and right-of-use asset.

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

The Group's loss attributable to owners of the Company increased from approximately HK\$5.2 million for the year ended 31 December 2020 to approximately HK\$18.6 million for the year ended 31 December 2021. The loss attributable to owners of the Company was mainly attributable to the revaluation loss of financial asset, addition of expected credit loss and decrease of revenue.

### **PLEDGE OF ASSETS**

As at 31 December 2021, the Group had pledged its bank deposits of approximately HK\$6.1 million (2020: approximately HK\$9.1 million) to secure its banking facilities.

### **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 2021 (2020: Nil). As at 31 December 2021, there was no capital commitments outstanding but not provided for in the financial statements (2019: 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 2021, 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 2021.

## **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 2021.

## **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 2021.

## **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 2021 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 2021, 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.

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 2021 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 2021.

## **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, 17 March 2022

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