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ETS GROUP LIMITED
易通訊集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8031)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

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

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

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

FINANCIAL SUMMARY

The Group's total revenue for the six months ended 30 June 2022 was approximately HK\$42,246,000, representing a decrease of approximately 17.5% as compared with the total revenue of approximately HK\$51,186,000 for the corresponding period in 2021.

Profit attributable to owners of the Company for the six months ended 30 June 2022 was approximately HK\$1,419,000, representing an increase of profit approximately 208.1% as compared with the loss attributable to owners of the Company of approximately HK\$1,313,000 for the corresponding period in 2021.

Earnings per share for the six months ended 30 June 2022 was approximately HK0.51 cents (loss per share for six months ended 30 June 2021: HK0.47 cents).

UNAUDITED INTERIM RESULTS

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months and six months ended 30 June 2022 together with the comparative figures for the corresponding periods ended 30 June 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months and six months ended 30 June 2022

	Notes	Three months ended 30 June		Six months ended 30 June	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Revenue	3	19,157	25,343	42,246	51,186
Other income		2,392	147	2,393	153
Other losses		(32)	(145)	(45)	(10)
Employee benefits expenses	4	(14,955)	(18,031)	(34,796)	(36,538)
Depreciation and amortization		(1,630)	(2,512)	(3,310)	(5,228)
Other operating expenses		(2,012)	(6,246)	(4,464)	(10,004)
Operating profit/(loss)		2,920	(1,444)	2,024	(441)
Finance costs		(70)	(73)	(117)	(112)
Profit/(Loss) before tax	5	2,850	(1,517)	1,907	(553)
Income tax expense	6	(235)	(378)	(488)	(760)
Profit/(Loss) for the period		2,615	(1,895)	1,419	(1,313)
Total comprehensive income/ (expense) for the period		2,615	(1,895)	1,419	(1,313)
Profit/(Loss) attributable to owners of the Company		2,615	(1,895)	1,419	(1,313)
Total comprehensive income/ (expense) attributable to owners of the Company		2,615	(1,895)	1,419	(1,313)
Earnings/(Loss) per share attributable to owners of the Company					
– Basic and diluted (HK cents)	8	0.93	(0.68)	0.51	(0.47)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2022

		As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (unaudited)
Non-current assets			
Property, plant and equipment		1,309	1,541
Right-of-use asset		2,078	1,004
Intangible assets		3,168	3,771
Financial assets at fair value through profit or loss	9	3,200	2,200
Deferred income tax assets		818	818
Other assets		205	205
		10,778	9,539
Current assets			
Contract assets		–	3,887
Trade and other receivables	10	52,566	58,472
Financial assets at fair value through profit or loss	9	223	235
Tax recoverable		–	115
Pledged bank deposits		6,091	6,091
Bank trust account balances		15,314	16,593
Cash and cash equivalents	11	55,182	41,709
		129,376	127,102
Current liabilities			
Contract liabilities		1,655	1,890
Trade and other payables	12	26,764	25,757
Amounts due to related companies		160	–
Current income tax liabilities		779	700
Lease liabilities		1,929	773
		31,287	29,120
Net current assets		98,089	97,982
Total assets less current liabilities		108,867	107,521

		As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (unaudited)
Non-current liabilities			
Deferred income tax liabilities		18	18
Convertible bonds		8,105	8,105
Lease liabilities		178	251
		<u>8,301</u>	<u>8,374</u>
Net assets		<u>100,566</u>	<u>99,147</u>
Equity attributable to the owners of the Company			
Share capital	13	2,800	2,800
Share premium		25,238	25,238
Reserves		72,528	71,109
Total equity		<u>100,566</u>	<u>99,147</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2022

	Attributable to owners of the Company					
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Convertible bonds equity reserve <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
Balance as at 31 December 2020 (audited) and 1 January 2021	<u>2,800</u>	<u>25,238</u>	<u>–</u>	<u>25,624</u>	<u>62,371</u>	<u>116,033</u>
Loss for the period	–	–	–	–	(1,313)	(1,313)
Other comprehensive expense for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total comprehensive expense for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(1,313)</u>	<u>(1,313)</u>
Interim dividend paid	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Balance at 30 June 2021 (unaudited)	<u><u>2,800</u></u>	<u><u>25,238</u></u>	<u><u>–</u></u>	<u><u>25,624</u></u>	<u><u>61,058</u></u>	<u><u>114,720</u></u>
Balance as at 31 December 2021 (audited) and 1 January 2022	<u>2,800</u>	<u>25,238</u>	<u>1,734</u>	<u>25,624</u>	<u>43,751</u>	<u>99,147</u>
Profit for the period	–	–	–	–	1,419	1,419
Other comprehensive income for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total comprehensive income for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,419</u>	<u>1,419</u>
Interim dividend paid	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Balance at 30 June 2022 (unaudited)	<u><u>2,800</u></u>	<u><u>25,238</u></u>	<u><u>1,734</u></u>	<u><u>25,624</u></u>	<u><u>45,170</u></u>	<u><u>100,566</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)*For the six months ended 30 June 2022*

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Net cash generated from/(used in) operating activities	17,054	(5,802)
Net cash used in investing activities	(1,728)	(13,543)
Net cash used in financing activities	(1,853)	(5,021)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts	13,473	(24,366)
Cash, cash equivalents and bank overdrafts at beginning of the period	41,709	59,455
Cash, cash equivalents and bank overdrafts at end of the period	55,182	35,089

NOTES TO THE FINANCIAL INFORMATION

For the six months ended 30 June 2022

1. GENERAL INFORMATION

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The Group’s unaudited condensed consolidated interim financial information has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the GEM Listing Rules.

The accounting policies and basis adopted in preparing the unaudited condensed consolidated interim financial information were consistent with those applied for the consolidated financial statements of the Group for the year ended 31 December 2021.

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 2022, the adoption has no material impact on how the results and financial positions of the Group for the current and prior periods have been prepared and presented. For those which are not yet effective and have not been early adopted in prior accounting periods, the Group is in the process of assessing their impact on the Group’s results and financial position.

3. SEGMENT INFORMATION AND REVENUE

The Directors review the Group’s internal financial reporting and other information and also obtain other relevant external information in order to assess performance and allocate resources, and operating segment is identified with reference to these.

The reportable operating segments derive their revenue primarily from the following business units in Hong Kong:

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

For the six months ended 30 June 2022

	Outsourcing inbound contact service HK\$'000 (unaudited)	Outsourcing outbound contact service HK\$'000 (unaudited)	Staff insourcing service HK\$'000 (unaudited)	Contact service centre facilities management service HK\$'000 (unaudited)	Financial service HK\$'000 (unaudited)	Others HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Segment revenue	<u>5,935</u>	<u>–</u>	<u>23,369</u>	<u>6,415</u>	<u>3,871</u>	<u>2,656</u>	<u>42,246</u>
Segment results	476	–	1,934	1,779	1,412	896	6,497
Depreciation and amortization	<u>108</u>	<u>–</u>	<u>448</u>	<u>1,083</u>	<u>369</u>	<u>213</u>	<u>2,221</u>
Total segment assets	<u>3,107</u>	<u>–</u>	<u>9,873</u>	<u>5,014</u>	<u>48,478</u>	<u>1,890</u>	<u>68,362</u>
Total segment assets includes: Assets (other than financial instruments)	<u>22</u>	<u>–</u>	<u>91</u>	<u>220</u>	<u>–</u>	<u>43</u>	<u>376</u>
Total segment liabilities	<u>1,188</u>	<u>–</u>	<u>3,937</u>	<u>1,607</u>	<u>20,559</u>	<u>989</u>	<u>28,280</u>

For the six months ended 30 June 2021

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

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

	Six months ended	
	30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Segment result for reportable segments	6,497	7,991
Unallocated:		
Other income	2,393	153
Other losses – net	(45)	(10)
Depreciation and amortization	(1,089)	(926)
Finance costs	(81)	(86)
Corporate and other unallocated expenses	(5,768)	(7,675)
	<u>1,907</u>	<u>(553)</u>
Profit/(Loss) before tax	<u><u>1,907</u></u>	<u><u>(553)</u></u>

4. EMPLOYEE BENEFITS EXPENSES

	Three months ended		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Salaries and allowances	14,500	17,530	33,614	35,554
Pension costs – defined contribution plans	750	816	1,779	1,612
	<u>14,500</u>	<u>17,530</u>	<u>33,614</u>	<u>35,554</u>
Total employee benefits expenses, including Directors' remuneration	15,250	18,346	35,393	37,166
Less: Amounts capitalized in deferred development costs	(295)	(315)	(597)	(628)
	<u>(295)</u>	<u>(315)</u>	<u>(597)</u>	<u>(628)</u>
	<u><u>14,955</u></u>	<u><u>18,031</u></u>	<u><u>34,796</u></u>	<u><u>36,538</u></u>

5. PROFIT/LOSS BEFORE INCOME TAX

	Three months ended		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit/Loss before tax is stated after charging:				
Depreciation of owned property, plant and equipment	177	139	365	504
Depreciation of use-of-right asset	873	1,626	1,745	3,182
Amortization of intangible assets	580	747	1,200	1,542
	<u>1,630</u>	<u>2,512</u>	<u>3,310</u>	<u>5,228</u>
Total depreciation and amortization	1,630	2,512	3,310	5,228
Expenses relating to short-term leases	–	80	4	155
Research and development costs	580	747	1,200	1,542
	<u>580</u>	<u>747</u>	<u>1,200</u>	<u>1,542</u>

6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at a rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong for the six months period ended 30 June 2022.

	Three months ended		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current income tax	235	378	488	760
Deferred income tax	–	–	–	–
	<u>235</u>	<u>378</u>	<u>488</u>	<u>760</u>
	235	378	488	760

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

7. INTERIM DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2022 (2021: nil).

8. EARNINGS/LOSS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2022 is based on (i) the unaudited consolidated profit attributable to the owners of the Company of approximately HK\$1,419,000 (six months ended 30 June 2021: loss attributable to the owners of the Company approximately HK\$1,313,000); and (ii) the weighted average number of 280,000,000 ordinary shares issued during the six months ended 30 June 2022 (during the six months ended 30 June 2021: weighted average number of 280,000,000 ordinary shares issued).

The diluted earnings or loss per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares in issue during the six months ended 30 June 2022 and 2021.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2022 <i>HK\$'000</i> (unaudited)	As at 31 December 2021 <i>HK\$'000</i> (unaudited)
Equity securities listed in Hong Kong	223	235
Unlisted equity investment	<u>3,200</u>	<u>2,200</u>
	<u>3,423</u>	<u>2,435</u>
Analyzed for reporting purposes as:		
Current assets	223	235
Non-current assets	<u>3,200</u>	<u>2,200</u>
	<u>3,423</u>	<u>2,435</u>

10. TRADE AND OTHER RECEIVABLES

	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (unaudited)
Trade receivables		
Amounts receivables arising from multi-media contact services and contact centre system	40,488	39,200
Amounts receivables arising from financial services business		
– Clients-margin	90	310
– Clearing house	4,353	743
Loan receivable	25,214	33,679
Less: loss allowance	<u>(21,423)</u>	<u>(21,423)</u>
Trade receivables – net	<u>48,722</u>	<u>52,509</u>
Other receivables, deposits and prepayments	3,950	6,069
Less: loss allowance	<u>(106)</u>	<u>(106)</u>
	<u>3,844</u>	<u>5,963</u>
	<u>52,566</u>	<u>58,472</u>

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

	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (unaudited)
0–30 days	7,628	6,619
31–60 days	2,370	2,670
61–90 days	586	845
Over 90 days	<u>9,352</u>	<u>8,514</u>
	<u>19,936</u>	<u>18,648</u>

11. CASH AND CASH EQUIVALENTS

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. Cash and cash equivalents represents the cash deposit at bank and cash on hand.

12. TRADE AND OTHER PAYABLES

	As at 30 June 2022 <i>HK\$'000</i> (unaudited)	As at 31 December 2021 <i>HK\$'000</i> (unaudited)
Trade payables	1,106	125
Amounts payables arising from financial services business		
– Clients-cash	9,714	9,566
– Clients-margin	3,228	7,765
– Clearing house	6,663	5
Other payables and accruals	6,053	8,296
	<u>26,764</u>	<u>25,757</u>

As at 30 June 2022, the aging analysis of the trade payables based on invoice date is as follows:

	As at 30 June 2022 <i>HK\$'000</i> (unaudited)	As at 31 December 2021 <i>HK\$'000</i> (unaudited)
0–30 days	605	59
31–60 days	375	49
61–90 days	21	1
Over 90 days	105	16
	<u>1,106</u>	<u>125</u>

13. SHARE CAPITAL

	Number of ordinary shares	Ordinary shares at HK\$0.01 each <i>HK\$'000</i>
Authorized share capital	5,000,000,000	50,000
As at 31 December 2021 and 30 June 2022	<u>5,000,000,000</u>	<u>50,000</u>
Issued and fully paid up share capital	280,000,000	2,800
As at 31 December 2021 and 30 June 2022	<u>280,000,000</u>	<u>2,800</u>

14. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the condensed consolidated financial statements, the Group entered into the following significant related party transactions during the period:

Name of related parties	Nature of transactions	Three months ended 30 June		Six months ended 30 June	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Always Beyond Limited	Repayment of lease liabilities/ Premise rental expense	-	319	-	531
H.K. Sources Finance Limited	System maintenance income	(13)	-	(25)	(27)
Jiayuan Stangroup Development Company Limited	Asset management services income	-	(2,267)	(1,148)	(4,559)
Pacific Paradise Development Limited	Advisory services income	-	(1,500)	-	(3,000)
Stan Group (Holdings) Limited	Seasonal event expense	-	-	-	1
	Repayment of lease liabilities	111	-	223	-
Trueguard Management Limited	Cleaning expense	-	2	-	4
Supreme Leader Limited	Premise rental expenses	-	28	4	41
Fortune Lake Investments Ltd	Premise rental expenses	31	-	61	-

Key management personnel compensation

	Three months ended 30 June		Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Salaries and short-term employee benefits	120	125	240	260
Post employment benefits	2	2	3	3
	<u>122</u>	<u>127</u>	<u>243</u>	<u>263</u>

15. CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at 30 June 2022.

16. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The unaudited condensed consolidated interim financial information was approved by the Board on 5 August 2022.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2022 (2021: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

The Group is principally engaged in the business of providing comprehensive multi-media contact centre services as well as system solutions. The principal activities of the Group include provisions of outsourcing inbound and outbound contact services, staff insource service, contact centre facilities management service and omni-channel contact centre system. The Group also carries out regulated financial activities including securities trading, advisory as well as asset management services through our Type 1, Type 4 and Type 9 licensed financial entities.

With the fifth wave of COVID-19 subsided during the first half of the year, Hong Kong's economy has gradually improved in the past few months. While operation of most of our clients resumed normal, new business initiatives were revived and expansion plan in terms of manpower and system solution has started to pick up the pace. However, the mass emigration wave started around early 2021 has dealt a heavy blow to the local labour force. According to figures from the Immigration Department of Hong Kong, the net outflow of Hong Kong's population in the first three months of 2022 rose to over 140,000, and the number of employed person from March to May this year was down 3.8% year-on-year which was the largest decline since records began in 1982. With the dominant brain drain among workers aged between 30 and 50, there is currently an unprecedented shortage of experienced work force in Hong Kong, which in turn drives up the overall labour costs.

The Group also faces the impact of the emigration wave in the way of a loss of staff as well as difficulties in recruiting enough candidates to meet our insourcing demand. The management of the Group believes the challenging situation will persist in the near future, and has stepped up our recruiting efforts through an increase in recruiting channels and workforce to maintain our competitive edge in manpower sourcing business.

Also, followed the ease of the COVID-19 restriction and our clients' business getting back on track, discussions on system solution projects put off or postponed earlier have been restarted, and the business is on the path to a healthy growth and continues to provide stable income to the Group.

In order to capture the investment opportunity in innovative companies that continue to develop the blockchain technology adopted in the financial industry, the Group acquired 1,000,000 shares ("Subscription Shares") on 31 March 2022, representing approximately 40% of the issued share capital of MetaSTO Group Limited ("META") at HK\$1 million. META is an unlisted company that provides services in regard of securities tokenization and related

businesses. The management of the Group believes that the investment in META can further maximize the synergy with our traditional financial services as well as our investment in Hong Kong Virtual Asset Exchange Limited (“VAX”), a company which is currently applying to the SFC for obtaining licenses to carry out Type 1 (dealing in securities) and Type 7 (providing automated trading services) regulated activities under the SFO for the regulation of virtual asset trading platforms in Hong Kong.

In the face of remaining weak local as well as global economy, continued brain drain and persisting threats of COVID-19, the management of the Group will stay cautious on cost control and continue to focus on our core businesses while at the same time, explore other business investment opportunities in the coming future.

Financial assets at fair value through profit or loss

Description of the investments	Carrying amount as at 30 June 2022 HK\$'000
Equity securities listed in Hong Kong (FAFVTPL I)	223
Unlisted equity securities at cost (FAFVTPL II)	–
Unlisted equity securities at cost (FAFVTPL III)	2,200
Unlisted equity securities at cost (FAFVTPL IV)	1,000
Total	3,423

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.

As at 30 June 2022, the Group held 10,000 Listed shares which amount to carrying amount of approximately HK\$222,800.

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 30 June 2022, 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 III

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 30 June 2022, the Group held 165,385 shares which amount to carrying amount of approximately HK\$2,200,000.

FAFVTPL IV

At 31 March 2022, the Group has invested 1,000,000 shares (“Subscription Shares”), representing approximately 40% of the issued share capital of MetaSTO Group Limited (“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.

FINANCIAL REVIEW

For the six months ended 30 June 2022, the Group faced greater operational pressure, recording an unaudited total revenue amounted approximately HK\$42.2 million, representing a decrease of approximately HK\$9 million as compared with the total revenue of the corresponding period in 2021 (six months ended 30 June 2021: approximately HK\$51.2 million).

The gross profit margin of the Group decreased from approximately 15.6% for the six months ended 30 June 2021 to approximately 15.4% for the six months ended 30 June 2022.

Profit or loss attributable to owners of the Company increased from the loss approximately HK\$1.3 million for the six months ended 30 June 2021 to profit approximately HK\$1.4 million for the six months ended 30 June 2022.

REVENUE AND SEGMENT RESULT

Outsourcing inbound contact service

For the six months ended 30 June 2022, the outsourcing inbound contact service recorded a revenue of approximately HK\$5.9 million, representing a decrease of approximately 8% as compared to that of the corresponding period in 2021 (2021: approximately HK\$6.4 million).

The segment results for the six months ended 30 June 2022 was approximately HK\$0.5 million (2021: approximately HK\$0.4 million). The gross profit margin for outsourcing inbound contact service slightly increased from approximately 6.6% for the six months ended 30 June 2021 to approximately 8% for the six months ended 30 June 2022.

The decrease in revenue from the outsourcing inbound contact service was mainly attributed to the decrease of the sales order from our existing customers during the period. The gross profit margin was increased due to decrease of staff costs as compared to that of the corresponding period in 2021.

Staff insourcing service

For the six months ended 30 June 2022, the staff insourcing service segment recorded a revenue of approximately HK\$23.4 million, representing a decrease of approximately 9.2% as compared to that of the corresponding period in 2021 (2021: approximately HK\$25.7 million).

The segment results of staff insourcing service for the six months ended 30 June 2022 was approximately HK\$2 million (2021: approximately HK\$2.8 million). The gross profit margin for staff insourcing service decreased from approximately 10.8% for the six months ended 30 June 2021 to approximately 8.3% for the six months ended 30 June 2022.

The decrease in revenue from the staff insourcing service was mainly contributed by a decreasing demand of staff insourcing service from the existing clients during the period. The decrease in gross profit margin for the staff insourcing service was mainly attributable to the decrease of revenue.

Contact service centre facilities management service

For the six months ended 30 June 2022, the contact service centre facilities management service recorded revenue of approximately HK\$6.4 million, representing a decrease of approximately 3.6% as compared to that of the corresponding period in 2021 (2021: approximately HK\$6.7 million). The decrease of revenue of contact service centre facilities management service mainly because the customer reduced the demand of services.

The segment results for the six months ended 30 June 2022 was approximately HK\$1.8 million (2021: approximately HK\$1.2 million). The gross profit margin for contact service centre facilities management service increased from approximately 18.5% for the six months ended 30 June 2021 to approximately 27.7% for the six months ended 30 June 2022.

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. The financial services related to credit finance include commercial and personal lending.

For the six months ended 30 June 2022, the Group recorded revenue of financial services amounted to approximately HK\$3.9 million (2021: approximately HK\$9.6 million). The Group recorded a gross profit margin for financial services approximately 36.5% for the six months ended 30 June 2022 as compared the gross profit margin approximately 29% for the six months ended 30 June 2021.

The decrease of the revenue and segment result of the financial services is mainly due to the decrease of demand of our consultancy services related to securities and asset management from a major customer.

Others

The “Others” segment principally comprises licencing and system maintenance service, sales of system and software in relation to Wise-xb Contact Centre System (“Other Services related to Wise”). For the six months ended 30 June 2022, the Group recorded similar revenue of Other Services related to Wise amounted to approximately HK\$2.7 million (2021: approximately HK\$2.7 million).

The Group recorded the gross profit margin in the segment of Other Services related to Wise amounted to approximately HK\$0.9 million for the six months ended 30 June 2022 compare against to the gross profit margin of approximately HK\$0.8 million for the six months ended 30 June 2021. The increase in gross profit was mainly due to the decrease of the input of outsourcing human resources.

Other income

The other income increased from approximately HK\$0.2 million for the six month ended 30 June 2021 to approximately HK\$2.4 million for the six month ended 30 June 2022. The other income represents the bank interest income, trading securities dividend income and the government subsidy fund. The other income largely increased due to the Group received the local government subsidy related to employment amounted approximately HK\$2.2 million.

Other operating expenses

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

PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY

The Company recorded approximately HK\$1.4 million profit attributable to owners of the company for the six months ended 30 June 2022 compare against the loss attributable to owners of the Company amounted approximately HK\$1.3 million for the six months ended 30 June 2021. The increase of profit is mainly attributed to the increase of other income in related to subsidy.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions as set out in the Corporate Governance Code (the "Code") in Appendix 15 to the GEM Listing Rules throughout the six months ended 30 June 2022.

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 six months ended 30 June 2022.

SHARE OPTION SCHEME

During the six months ended 30 June 2022, 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 six months ended 30 June 2022 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 2021 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 2021.

DIRECTORS’ INTERESTS IN COMPETING BUSINESS

Save as disclosed above, so far as the Directors are aware of, none of the Directors or the substantial/controllers shareholders of the Company has any interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group for the six months ended 30 June 2022.

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

As at 30 June 2022, the interests and short positions of the Directors and chief executives of the Company (the “Chief Executives”) in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the “SFO”)) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or Chief Executive is taken or deemed to have under such provision of the SFO) or which were required pursuant to section 352 of the SFO, to be entered in the register required to be kept by the Company, or which were required, pursuant to Securities Transactions by Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in the shares of the Company

Name of Director/ Chief Executive	Capacity	Nature of interest	Number of shares/ underlying shares held	Percentage of the issued share capital of the Company as at 30 June 2022
Mr. Tang Shing Bor	Interest in a controlled corporation	Corporate interest	210,000,000 <i>(Note)</i>	75%

Note: These interests were held by Million Top Enterprises Limited under Mr. Tang Shing Bor’s estate. Mr. Tang Shing Bor passed away on 14 May 2021 and his interests in the Shares form part of his estate.

Save as disclosed above, as at 30 June 2022, none of the Directors and/or Chief Executive had any other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to the Securities Transactions by Directors, to be notified to the Company and the Stock Exchange.

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

So far as is known to the Directors, as at 30 June 2022, 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 30 June 2022
Million Top Enterprises Limited (<i>Note 1</i>)	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”) (<i>Note 2</i>)	Beneficial owner	15,625,000	5.58%

Notes:

1. Million Top Enterprises Limited was wholly and beneficially owned by Mr. Tang Shing Bor, the late non-executive Director.
2. 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 30 June 2022, the Directors were not aware of any other persons (other than Directors or Chief Executive) who had interests and/or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, or who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2022 and is of the opinion that the accounting policies of the Group are in accordance with the generally accepted accounting practices in Hong Kong, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

PRE-EMPTIVE RIGHTS

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

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

The Company did not redeem any of its listed securities, and neither did the Company nor any of its subsidiaries purchase or sell any of the listed securities of the Company for the six months ended 30 June 2022.

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

Hong Kong, 5 August 2022

As at the date of this announcement, the executive directors of the Company are Mr. Tang Yiu Sing and Mr. Yeung Ka Wing; and the independent non-executive directors of the Company are Mr. Wong Sik Kei, Mr. Cheung Kong Ting and Mr. Wong Kam Tai.

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