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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 2015**

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

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

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

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

FINANCIAL SUMMARY

The Group's total revenue for the six months ended 30 June 2015 was approximately HK\$70,169,000, representing a decrease of approximately 21% as compared with the total revenue of approximately HK\$89,118,000 for the corresponding period in 2014.

Profit attributable to owners of the Company for the six months ended 30 June 2015 was approximately HK\$6,061,000, representing a decrease of approximately 39% as compared with the profit attributable to owners of the Company of approximately HK\$9,942,000 for the corresponding period in 2014.

Earnings per share for the six months ended 30 June 2015 was approximately HK2.2 cents (six months ended 30 June 2014: HK3.6 cents).

The Board resolved to declare the payment of an interim dividend of HK0.45 cents per share for the six months ended 30 June 2015 (six months ended 30 June 2014: HK0.7 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 2015 together with the comparative figures for the corresponding periods ended 30 June 2014 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months and six months ended 30 June 2015

		Three months ended 30 June		Six months ended 30 June	
	Notes	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Revenue	3	36,139	47,388	70,169	89,118
Other income		173	228	374	404
Other (losses)/gains – net		(138)	194	(154)	(364)
Employee benefits expenses	4	(18,897)	(24,895)	(38,246)	(49,659)
Depreciation and amortization		(1,796)	(2,043)	(3,649)	(4,144)
Other operating expenses		(10,390)	(12,550)	(20,807)	(22,850)
Operating profit		5,091	8,322	7,687	12,505
Finance costs		(158)	(131)	(338)	(295)
Profit before tax	5	4,933	8,191	7,349	12,210
Income tax expense	6	(778)	(1,380)	(1,288)	(2,268)
Profit for the period		4,155	6,811	6,061	9,942
Total comprehensive income for the period		4,155	6,811	6,061	9,942
Profit attributable to owners of the Company		4,155	6,811	6,061	9,942
Total comprehensive income attributable to owners of the Company		4,155	6,811	6,061	9,942
Earnings per share attributable to owners of the Company					
– Basic and diluted (HK cents)	8	1.5	2.4	2.2	3.6

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2015

		As at 30 June 2015 HK\$'000 (unaudited)	As at 31 December 2014 HK\$'000 (audited)
	Notes		
Non-current assets			
Property, plant and equipment		6,235	7,628
Intangible assets		9,411	9,706
Investment in an associate		—	—
Deferred income tax assets		357	874
		<u>16,003</u>	<u>18,208</u>
Current assets			
Trade and other receivables	9	72,891	65,617
Financial assets designated as at fair value through profit or loss		7,488	7,626
Amount due from an associate		7,132	4,959
Amounts due from related companies		2,904	2,299
Pledged bank deposits		4,782	4,777
Current income tax recoverable		329	743
Cash and bank balances	10	12,734	17,121
		<u>108,260</u>	<u>103,142</u>
Current liabilities			
Trade and other payables	11	13,098	12,114
Borrowings		4,515	3,930
		<u>17,613</u>	<u>16,044</u>
Net current assets		<u>90,647</u>	<u>87,098</u>
Total assets less current liabilities		<u>106,650</u>	<u>105,306</u>
Non-current liabilities			
Deferred income tax liabilities		—	517
Net assets		<u>106,650</u>	<u>104,789</u>
Equity attributable to the owners of the Company			
Share capital	12	2,800	2,800
Share premium		25,238	25,238
Reserves		78,612	76,751
Total equity		<u>106,650</u>	<u>104,789</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2015

	Attributable to owners of the Company					
	Share	Share	Merger	Translation	Retained	Total
	capital <i>HK\$'000</i>	premium <i>HK\$'000</i>	reserve <i>HK\$'000</i>	<i>HK\$'000</i>	profits <i>HK\$'000</i>	equity <i>HK\$'000</i>
Balance at 1 January 2014 (audited)	2,800	25,238	25,624	48	42,904	96,614
Total other comprehensive income for the period						
Currency translation differences	–	–	–	(75)	–	(75)
Profit for the period	–	–	–	–	9,942	9,942
Total comprehensive income for the period	–	–	–	(75)	9,942	9,867
Interim dividend paid	–	–	–	–	(4,200)	(4,200)
Balance at 30 June 2014 (unaudited)	2,800	25,238	25,624	(27)	48,646	102,281
Balance at 1 January 2015 (audited)	2,800	25,238	25,624	–	51,127	104,789
Total other comprehensive income for the period						
Currency translation differences	–	–	–	–	–	–
Profit for the period	–	–	–	–	6,061	6,061
Total comprehensive income for the period	–	–	–	–	6,061	6,061
Interim Dividend Paid	–	–	–	–	(4,200)	(4,200)
Balance at 30 June 2015 (unaudited)	2,800	25,238	25,624	–	52,988	106,650

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)*For the six months ended 30 June 2015*

	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Net cash generated from operating activities	1,101	8,030
Net cash (used in) investing activities	(1,534)	(9,790)
Net cash (used in) financing activities	(3,954)	(4,050)
	<hr/>	<hr/>
Net (decrease) in cash, cash equivalents and bank overdrafts	(4,387)	(5,810)
Cash, cash equivalents and bank overdrafts at beginning of the period	17,121	34,539
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Cash, cash equivalents and bank overdrafts at end of the period	12,734	28,729
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NOTES TO THE FINANCIAL INFORMATION

For the six months ended 30 June 2015

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 2014.

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 2015, 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 and the People’s Republic of China (the “PRC”):

- (a) Outsourcing inbound contact service;
- (b) Outsourcing outbound contact service;
- (c) Staff insourcing service;
- (d) Contact service centre facilities management service; and
- (e) The “Others” segment which principally comprises licencing and system maintenance, sales of system and software.

For the six months ended 30 June 2015

	Outsourcing inbound contact service <i>HK\$'000</i> <i>(unaudited)</i>	Outsourcing outbound contact service <i>HK\$'000</i> <i>(unaudited)</i>	Staff insourcing service <i>HK\$'000</i> <i>(unaudited)</i>	Contact service centre facilities management service <i>HK\$'000</i> <i>(unaudited)</i>	Others <i>HK\$'000</i> <i>(unaudited)</i>	Total <i>HK\$'000</i> <i>(unaudited)</i>
Segment revenue						
Hong Kong	6,949	30,361	15,118	14,382	3,359	70,169
	<u>6,949</u>	<u>30,361</u>	<u>15,118</u>	<u>14,382</u>	<u>3,359</u>	<u>70,169</u>
Segment results						
Hong Kong	1,250	5,336	3,195	2,817	2,560	15,158
	<u>1,250</u>	<u>5,336</u>	<u>3,195</u>	<u>2,817</u>	<u>2,560</u>	<u>15,158</u>
Depreciation and amortization	<u>237</u>	<u>1,052</u>	<u>–</u>	<u>1,687</u>	<u>554</u>	<u>3,530</u>
Total segment assets						
Hong Kong	9,989	24,367	7,064	14,821	10,270	66,511
	<u>9,989</u>	<u>24,367</u>	<u>7,064</u>	<u>14,821</u>	<u>10,270</u>	<u>66,511</u>
Total segment assets includes: Additions to non-current assets (other than financial instruments)	<u>11</u>	<u>49</u>	<u>–</u>	<u>80</u>	<u>–</u>	<u>140</u>
Total segment liabilities						
Hong Kong	283	3,876	1,947	1,662	262	8,030
	<u>283</u>	<u>3,876</u>	<u>1,947</u>	<u>1,662</u>	<u>262</u>	<u>8,030</u>

For the six months ended 30 June 2014

	Outsourcing inbound contact service <i>HK\$ '000</i> <i>(unaudited)</i>	Outsourcing outbound contact service <i>HK\$ '000</i> <i>(unaudited)</i>	Staff insourcing service <i>HK\$ '000</i> <i>(unaudited)</i>	Contact service centre facilities management service <i>HK\$ '000</i> <i>(unaudited)</i>	Others <i>HK\$ '000</i> <i>(unaudited)</i>	Total <i>HK\$ '000</i> <i>(unaudited)</i>
Segment revenue						
Hong Kong	6,003	29,649	15,898	14,604	3,247	69,401
PRC	7,676	8,608	3,198	60	175	19,717
	<u>13,679</u>	<u>38,257</u>	<u>19,096</u>	<u>14,664</u>	<u>3,422</u>	<u>89,118</u>
Segment results						
Hong Kong	703	5,117	4,189	3,415	2,433	15,857
PRC	1,023	1,515	882	17	75	3,512
	<u>1,726</u>	<u>6,632</u>	<u>5,071</u>	<u>3,432</u>	<u>2,508</u>	<u>19,369</u>
Depreciation and amortization	<u>648</u>	<u>994</u>	<u>–</u>	<u>1,671</u>	<u>443</u>	<u>3,756</u>
Total segment assets						
Hong Kong	4,455	20,383	6,971	14,704	15,608	62,121
PRC	3,807	4,154	515	31	–	8,507
	<u>8,262</u>	<u>24,537</u>	<u>7,486</u>	<u>14,735</u>	<u>15,608</u>	<u>70,628</u>
Total segment assets includes: Additions to non-current assets (other than financial instruments)	<u>1,907</u>	<u>2,275</u>	<u>–</u>	<u>1,336</u>	<u>7</u>	<u>5,525</u>
Total segment liabilities						
Hong Kong	141	2,697	1,676	287	–	4,801
PRC	692	371	177	–	–	1,240
	<u>833</u>	<u>3,068</u>	<u>1,853</u>	<u>287</u>	<u>–</u>	<u>6,041</u>

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

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Segment result for reportable segments	12,598	16,861
Other segments results	2,560	2,508
	<hr/>	<hr/>
Total segments results	15,158	19,369
Unallocated:		
Other income	374	404
Other (losses) – net	(154)	(364)
Depreciation and amortization	(119)	(388)
Finance costs	(338)	(295)
Corporate and other unallocated expenses	(7,572)	(6,516)
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Profit before tax	7,349	12,210
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4. EMPLOYEE BENEFITS EXPENSES

	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Salaries and allowances	18,944	24,248	38,353	48,438
Pension costs – defined contribution plans	816	1,549	1,641	3,048
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Total employee benefits expenses, including Directors' remuneration	19,760	25,797	39,994	51,486
Less: Amounts capitalized in deferred development costs	(863)	(902)	(1,748)	(1,827)
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	18,897	24,895	38,246	49,659
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5. PROFIT BEFORE INCOME TAX

	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit before tax is stated after charging:				
Depreciation of owned property, plant and equipment	802	1,113	1,606	2,238
Depreciation of leased property, plant and equipment	—	—	—	—
Amortization of intangible assets	994	930	2,043	1,906
	<u>1,796</u>	<u>2,043</u>	<u>3,649</u>	<u>4,144</u>
Total depreciation and amortization				
Operating lease payments in respect of rented premises	1,644	3,158	3,289	6,296
Research and development costs	994	930	2,043	1,906
	<u>1,644</u>	<u>3,158</u>	<u>3,289</u>	<u>6,296</u>

6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at a rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong for the six months period ended 30 June 2015. Taxation on overseas profits has been calculated on the estimated assessable profit for the six months period ended 30 June 2015 at the rates of taxation prevailing in the countries in which the Group operates.

	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current income tax	778	1,380	1,288	2,268
Deferred income tax	—	—	—	—
	<u>778</u>	<u>1,380</u>	<u>1,288</u>	<u>2,268</u>

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

7. INTERIM DIVIDENDS

The Board resolved to declare the payment of an interim dividend of HK0.45 cents per share for the six months ended 30 June 2015 (2014: HK0.7 cents). The interim dividend will be payable on 4 September 2015 (Friday) to shareholders on the register of members of the Company on 27 August 2015 (Thursday).

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2015 is based on (i) the unaudited consolidated profit attributable to the owners of the Company of approximately HK\$6,061,000 (six months ended 30 June 2014: approximately HK\$9,942,000) and (ii) the weighted average number of 280,000,000 ordinary shares issued during the six months ended 30 June 2015 (during the six months ended 30 June 2014: weighted average number of 280,000,000 ordinary shares issued).

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares in issue during the six months ended 30 June 2015 and 2014.

9. TRADE AND OTHER RECEIVABLES

	As at 30 June 2015 <i>HK\$'000</i> <i>(unaudited)</i>	As at 31 December 2014 <i>HK\$'000</i> <i>(audited)</i>
Trade receivables	44,387	37,697
Other receivables, deposits and prepayments	28,504	27,920
	<u>72,891</u>	<u>65,617</u>

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

	As at 30 June 2015 <i>HK\$'000</i> <i>(unaudited)</i>	As at 31 December 2014 <i>HK\$'000</i> <i>(audited)</i>
0-30 days	29,377	23,587
31-60 days	3,190	5,371
61-90 days	1,703	2,315
Over 90 days	10,117	6,424
	<u>44,387</u>	<u>37,697</u>

10. CASH AND BANK BALANCES

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, cash equivalents and bank overdrafts include the following for the purposes of the statement of cash flows:

	As at 30 June 2015 <i>HK\$'000</i> <i>(unaudited)</i>	As at 31 December 2014 <i>HK\$'000</i> <i>(audited)</i>
Cash at bank and on hand	5,579	10,081
Short-term bank deposits	7,155	7,040
Bank overdrafts	—	—
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Cash and cash equivalents	12,734	17,121
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11. TRADE AND OTHER PAYABLES

	As at 30 June 2015 <i>HK\$'000</i> <i>(unaudited)</i>	As at 31 December 2014 <i>HK\$'000</i> <i>(audited)</i>
Trade payables	4,078	993
Other payables and accruals	9,020	11,121
	<hr/>	<hr/>
	13,098	12,114
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As at 30 June 2015, the aging analysis of the trade payables based on invoice date is as follows:

	As at 30 June 2015 <i>HK\$'000</i> <i>(unaudited)</i>	As at 31 December 2014 <i>HK\$'000</i> <i>(audited)</i>
0-30 days	1,781	297
31-60 days	729	95
61-90 days	755	95
Over 90 days	813	506
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	4,078	993
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12. 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 2014 and 30 June 2015	5,000,000,000	50,000
Issued and fully paid up share capital	280,000,000	2,800
As at 31 December 2014 and 30 June 2015	280,000,000	2,800

13. OPERATING LEASE COMMITMENTS

The Group had commitments for future aggregate minimum lease payments under non-cancellable operating leases in respect of rented office premises as follows:

	As at 30 June 2015 <i>HK\$'000</i> (<i>unaudited</i>)	As at 31 December 2014 <i>HK\$'000</i> (<i>audited</i>)
No later than 1 year	3,575	6,722
Later than 1 year and no later than 5 years	143	1,005
	3,718	7,727

The Group leases office premises are under operating lease agreements. Lease for properties are for terms ranging from 4 month to 2 years.

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 2015		Six months ended 30 June 2015	
		<i>HK\$'000</i> (<i>unaudited</i>)	<i>HK\$'000</i> (<i>unaudited</i>)	<i>HK\$'000</i> (<i>unaudited</i>)	<i>HK\$'000</i> (<i>unaudited</i>)
Epro Techsoft Limited	System maintenance income	(262)	(484)	(544)	(837)
Epro Career Limited	Insourcing fee	3,279	3,005	6,697	5,990
Guangzhou Epro Information Technology Co., Ltd	Subcontracting fee for software technical research and development services	–	1,016	–	2,546

Key management personnel compensation

	Three months ended 30 June		Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Salaries and short-term employee benefits	1,865	1,772	3,677	3,543
Post employment benefits	32	35	69	69
	<u>1,897</u>	<u>1,807</u>	<u>3,746</u>	<u>3,612</u>

15. CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at 30 June 2015.

16. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The unaudited condensed consolidated interim financial information was approved by the Board on 10 August 2015.

17. Event after balance sheet date

Reference is made to (i) the announcement jointly issued by ETS Group Limited (the “**Company**”) and Million Top Enterprises Limited (the “**Offeror**”) dated 10 June 2015 in relation to, among other matters, the conditional purchase of 185,000,000 shares (the “**Sale Shares**”) with a par value of HK\$0.01 each in the share capital of the Company (each, a “**Share**”) by the Offeror and the possible unconditional mandatory cash offer for all the issued Shares (other than those already owned by or agreed to be acquired by the Offeror and parties acting in concert with it) by Yu Ming Investment Management Limited on behalf of the Offeror (the “**Offer**”); (ii) the announcement jointly issued by the Company and the Offeror dated 30 June 2015 in relation to delay in despatch of composite document; and (iii) the announcement jointly issued by the Company and the Offeror dated 21 July 2015 in relation to completion of the Sale and Purchase Agreement (as defined below) and the Offer.

The Company was informed by Excel Deal Holdings Limited (“**Vendor**”), the controlling shareholder of the Company, that on 5 June 2015 (after trading hours), the Offeror, the Vendor, Mr. Tang Shing Bor, (“**Offeror’s Guarantor**”) and Mr. Ling Chiu Yum and Mr. Wong Wai Hon Telly (“**Vendor’s Guarantors**”) had entered into a sale and purchase agreement (the “**Sale and Purchase Agreement**”), pursuant to which the Offeror has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, being 185,000,000 Shares, for a total consideration of HK\$222,000,000, equivalent to HK\$1.2 per Sale Share (the “**Acquisition**”). The Sale Shares represent approximately 66.07% of the entire issued share capital of the Company as at the date of the joint announcement dated 10 June 2015.

Pursuant to the announcement jointly issued by the Company and the Offeror dated 21 July 2015, the Company (which was informed by the Vendor) and the Offeror announced that the Sale and Purchase Agreement had become unconditional and completion of the Acquisition (“**Completion**”) took place after the trading hours on 21 July 2015. Following Completion and as at the date of the joint announcement dated 21 July 2015, the Offeror and parties acting in concert with it hold a legal and beneficial interest in, and control voting rights in respect of, an aggregate of 210,000,000 Shares, representing 75% of the entire issued share capital of the Company.

INTERIM DIVIDEND

The Board resolved to declare the payment of an interim dividend of HK0.45 cents per share for the six months ended 30 June 2015 (2014: HK0.7 cents). The interim dividend will be payable on 4 September 2015 (Friday) to shareholders on the register of members of the Company on 27 August 2015 (Thursday).

CLOSURE OF THE REGISTER OF MEMBERS

The register of members will be closed from 25 August 2015 (Tuesday) to 27 August 2015 (Thursday), both days inclusive, during which period no transfers of shares will be registered. In order to ascertain entitlements to the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:00 pm on 24 August 2015 (Monday).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is continuously engaged in the business of providing comprehensive multimedia contact services and contact centre system. The principle activities of the Group include outsourcing inbound contact service, outsourcing outbound contact service, staff insourcing service and contact service centre facilities management service.

With a low unemployment rate in 2015, representing the tight labor market and upward salary trend, will keep putting pressure on the Group's staff recruitment and retention. Another challenge is that the high rental costs will lower the profit margin of the contact centre business. Although there are challenges ahead, the Directors are confident that the Group still have sustainable competitive advantage with the application of our self-developed WISE-xb Contact Centre System, the economy of scale of our operation and solid experience in service management.

Moreover, to further expand business coverage and scope in other Asia Pacific Region, the Group will continue to look for any possible business opportunities such as business merger and/or acquisition opportunities which an aim to maximize the economic benefits of the Group.

FINANCIAL REVIEW

For the six months ended 30 June 2015, the Group's unaudited total revenue was approximately HK\$70.2 million, representing a decrease of approximately HK\$18.9 million as compared with the total revenue of the corresponding period in 2014 (six months ended 30 June 2014: approximately HK\$89.1 million).

The gross profit margin of the Group slightly decreased from approximately 21.7% for the six months ended 30 June 2014 to approximately 21.6% for the six months ended 30 June 2015. Profit attributable to owners of the Company decreased by approximately 39% from approximately HK\$9.9 million for the six months ended 30 June 2014 to approximately HK\$6.1 million for the six months ended 30 June 2015.

REVENUE AND SEGMENT RESULT

The outsourcing inbound contact service, outsourcing outbound contact service, staff insourcing service, contact service centre facilities management service and others accounted for approximately 10%, 43%, 22%, 20% and 5% of the Group's unaudited total revenue for the six months ended 30 June 2015 respectively.

Outsourcing Inbound Contact Service

For the six months ended 30 June 2015, the outsourcing inbound contact service recorded a revenue of approximately HK\$6.9 million, representing a decrease of approximately 49.2% as compared to that of the corresponding period in 2014. The segment results for the six months ended 30 June 2015 was approximately HK\$1.3 million. The gross profit margin for outsourcing inbound contact service increased from approximately 12.6% for the six months ended 30 June 2014 to approximately 18% for the six months ended 30 June 2015.

The significant decrease in revenue from the outsourcing inbound contact service was mainly attributed to no more PRC revenue contribution after the disposal of the PRC business units in December 2014. For Hong Kong business units, both the revenue and gross profit margin of the outsourcing inbound contact service increased which were mainly due to an overall growing demand in inbound contact services outsourced from our clients during the period and higher operating efficiency owing to the larger scale of operation.

Outsourcing Outbound Contact Service

For the six months ended 30 June 2015, the outsourcing outbound contact service recorded a revenue of approximately HK\$30.4 million, representing a decrease of approximately 20.6% as compared to that of the corresponding period in 2014. The segment results for the six months ended 30 June 2015 was approximately HK\$5.3 million. The gross profit margin for outsourcing outbound contact service slightly increased from approximately 17.3% for the six months ended 30 June 2014 to approximately 17.6% for the six months ended 30 June 2015.

The decrease in revenue from the outsourcing outbound contact service was mainly due to the loss of outsourcing outbound contact service revenue from the PRC business. For Hong Kong business units, both the revenue and gross profit margin of the outsourcing outbound contact service increased which were mainly attributable to greater volume of clients' order and higher profit margin of the outbound contact service.

Staff Insourcing Service

For the six months ended 30 June 2015, the staff insourcing service segment recorded a revenue of approximately HK\$15.1 million, representing a decrease of approximately 20.8% as compared to that of the corresponding period in 2014. The segment results of staff insourcing service for the six months ended 30 June 2015 was approximately HK\$3.2 million. The gross profit margin for staff insourcing service decreased from approximately 26.6% for the six months ended 30 June 2014 to approximately 21.1% for the six months ended 30 June 2015.

The decrease in revenue from the staff insourcing service was mainly due to no more PRC revenue contribution after the disposal of the PRC business units. The major decrease in gross profit margin for the staff insourcing service was attributable to the absence of short term technical insourcing service as compared to the same period in 2014.

Contact Service Centre Facilities Management Service

For the six months ended 30 June 2015, the contact service centre facilities management service recorded a revenue of approximately HK\$14.4 million, representing a slight decrease of approximately 1.9% as compared to that of the corresponding period in 2014. The segment results for the six months ended 30 June 2015 was approximately HK\$2.8 million. The gross profit margin for contact service centre facilities management service decreased from approximately 23.4% for the six months ended 30 June 2014 to approximately 19.6% for the six months ended 30 June 2015.

The revenue from contact service centre facilities management service had a minimal decrease mainly due to a stable number of workstations leased by clients during the six months period ended 30 June 2015. The slight drop in gross profit margin for contact service centre facilities management service was attributable to the rising operating costs and higher discount in service fee for customer retention.

Others

The “Others” segment principally comprises licencing and system maintenance service of, and sales of system and software in relation to Wise-xb Contact Centre System. For the six months ended 30 June 2015, the Group recorded a revenue of approximately HK\$2.7 million from sales of system and software and HK\$0.7 million from system maintenance service.

The segment results for “Others” largely comprises sales of system and software which amounted to approximately HK\$2.6 million for the six months ended 30 June 2015. The gross profit margin for the segment increased from approximately 73.3% for the six months ended 30 June 2014 to approximately 76.2% for the six months ended 30 June 2015.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company decreased by approximately 39% from approximately HK\$9.9 million for the six months ended 30 June 2014 to approximately HK\$6.1 million for the six months ended 30 June 2015. The decrease of profit was mainly attributed to no contribution from the disposed PRC business units and the increasing labor costs.

CAPITAL STRUCTURE

There has been no material change in the capital structure of the Company since the Listing Date. The capital of the Company comprises only ordinary shares.

LIQUIDITY AND FINANCIAL POSITION

The Group adheres to a prudent financial management policy and has a healthy financial position. During the six months under review, the Group financed our operations with internally generated cash flows and banking facilities provided by banks. As at 30 June 2015, the Group had net current assets of approximately HK\$90.6 million (as at 31 December 2014: approximately HK\$87.1 million) including cash and bank balances of approximately HK\$12.7 million (as at 31 December 2014: approximately HK\$17.1 million). The decrease in cash and bank balances as at 30 June 2015 was mainly attributable to an increase in trade receivables and no cash contribution from the PRC business unit.

As at 30 June 2015, the Group's current ratio (current assets/current liabilities) and gearing ratio (total debts/total assets) were 6.15 (as at 31 December 2014: 6.43) and 14.2% (as at 31 December 2014: 13.3%) respectively.

PLEDGE OF ASSETS

As at 30 June 2015, the Group had pledged its bank deposits of approximately HK\$4.8 million (as at 31 December 2014: approximately HK\$4.8 million) and had pledged investment fund amounted to approximately HK\$7.5 million (as at 31 December 2014: approximately HK\$7.6 million) to secure its banking facilities and trade receivable financing.

FOREIGN EXCHANGE EXPOSURE

Substantially all the revenue-generating operations of the Group were transacted in Hong Kong dollars during the period 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.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

Save for those disclosed in this announcement, there were no significant investments held as at 30 June 2015, nor were there material acquisitions and disposals of subsidiaries during the year.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save for those disclosed in this announcement, there is no plan for material investments or capital assets as at the date of this announcement.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

Save for those disclosed in this announcement, the Group did not have any contingent liabilities as at 30 June 2015.

NUMBER AND REMUNERATION OF EMPLOYEE

The Group employed 548 employees as at 30 June 2015 (as at 30 June 2014: 1,035 employees). Remuneration was maintained at competitive levels with discretionary bonuses payable on a merit basis and in line with industry practice. The remuneration packages mainly comprise salary payments, group medical insurance plans, mandatory provident fund and discretionary bonuses awarded on a performance basis.

CORPORATE GOVERNANCE

The Company has complied with the code provisions as set out in Appendix 15 to the GEM Listing Rules throughout the six months period ended 30 June 2015.

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 of the Directors, all Directors confirmed that they have complied with the required standard of dealings concerning securities transactions for the six months period ended 30 June 2015.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 21 December 2011 (the "Share Option Scheme"). Since the adoption of the Share Option Scheme and up to 30 June 2015, no share option had ever been granted under 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 2015 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.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 30 June 2015, as far as the Directors are aware of, none of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) 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 2015.

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 2015, 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 Directors/ Chief Executives	Capacity	Nature of interests	Number of shares/ underlying shares held	Percentage of the issued share capital of the Company as at 30 June 2015
Mr. Ling Chiu Yum <i>(Note)</i>	Interest in a controlled corporation	Corporate interest	210,000,000	75%
Mr. Wong Wai Hon Telly <i>(Note)</i>	Interest in a controlled corporation	Corporate interest	210,000,000	75%
Ms. Chang Men Yee Carol <i>(Note)</i>	Interest in a controlled corporation	Corporate interest	210,000,000	75%

Note:—

Excel Deal Holdings Limited, a company incorporated in the British Virgin Islands, held 210,000,000 shares, was beneficially owned as to 47% by Mr. Wong Wai Hon Telly, 46% by Mr. Ling Chiu Yum and 5% by Ms. Chang Men Yee Carol respectively. Mr. Wong Wai Hon Telly, Mr. Ling Chiu Yum and Ms. Chang Men Yee Carol were therefore deemed to be interested in the shares held by Excel Deal Holdings Limited by virtue of Part XV of the SFO.

Save as disclosed above, as at 30 June 2015, 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 2015, 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 2015
Excel Deal Holdings Limited (<i>Notes 1&3</i>)	Beneficial owner	210,000,000	75%
Million Top Enterprises Limited (<i>Notes 2&3</i>)	Beneficial owner	210,000,000	75%
Tang Shing Bor (<i>Note 3</i>)	Interest in a controlled corporation	210,000,000	75%

Notes:—

- (1) Excel Deal Holdings Limited (“Excel Deal”), a company incorporated in the British Virgin Islands, was beneficially owned as to 47% by Mr. Wong Wai Hon Telly (“Mr. Wong”), 46% by Mr. Ling Chiu Yum (“Mr. Ling”) and 5% by Ms. Chang Men Yee Carol respectively.
- (2) Million Top Enterprises Limited (“Million Top”) was wholly and beneficially owned by Mr. Tang Shing Bor (“Mr. Tang”).

- (3) As disclosed in the announcement jointly issued by the Company and Million Top dated 10 June 2015, Million Top, Excel Deal, Mr. Tang, Mr. Wong and Mr. Ling had entered into a sale and purchase agreement, pursuant to which Million Top had conditionally agreed to acquire and Excel Deal had conditionally agreed to sell 185,000,000 Shares (the “Acquisition”), representing approximately 66.07% of the entire issued share capital of the Company as at the date of the joint announcement dated 10 June 2015. Prior to completion of the Acquisition, Million Top and parties acting in concert with it were also interested in 25,000,000 Shares, representing approximately 8.93% of the entire issued share capital of the Company. As such, Million Top and Mr. Tang were deemed to be interested in 210,000,000 Shares under the SFO.

Save as disclosed above, as at 30 June 2015, 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 2015 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 2015.

By order of the Board
ETS Group Limited
Wong Wai Hon Telly
Chairman and Executive Director

Hong Kong, 10 August 2015

As at the date of this announcement, the executive directors of the Company are Mr. Ling Chiu Yum (Honorary Chairman), Mr. Wong Wai Hon Telly (Chairman), Ms. Chang Men Yee Carol (Chief Executive Officer), Mr. Suen Fuk Hoi (Company Secretary) Mr. Tang Yiu Sing, Mr. Tsui Kit Yuan and Mr. Yeung Ka Wing; the non-executive director of the Company is Mr. Tang Shing Bor; and the independent non-executive directors of the Company are Mr. Wong Sik Kei, Mr. Ngan Chi Keung and Mr. Yung Kai Tai.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at 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.