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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)

**THIRD QUARTERLY RESULTS ANNOUNCEMENT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 nine months ended 30 September 2015 was approximately HK\$106,437,000, representing a decrease of approximately 23% as compared with the total revenue of approximately HK\$137,688,000 for the corresponding period in 2014.

Profit attributable to owners of the Company for the nine months ended 30 September 2015 was approximately HK\$8,144,000, representing a decrease of approximately 50% as compared with the profit attributable to owners of the Company of approximately HK\$16,209,000 for the corresponding period in 2014.

Earnings per share for the nine months ended 30 September 2015 was approximately HK2.9 cents (nine months ended 30 September 2014: approximately HK5.8 cents).

UNAUDITED RESULTS

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months and nine months ended 30 September 2015 together with the comparative figures for the corresponding periods ended 30 September 2014, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months and nine months ended 30 September 2015

		Three months ended 30 September		Nine months ended 30 September	
	Notes	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Revenue	3	36,268	48,570	106,437	137,688
Other income		183	244	557	648
Other losses – net		(948)	(41)	(1,102)	(405)
Employee benefits expenses		(21,193)	(25,477)	(59,439)	(75,136)
Depreciation and amortization		(2,301)	(2,829)	(5,950)	(6,973)
Other operating expenses		(9,310)	(12,941)	(30,117)	(35,791)
Operating profit		2,699	7,526	10,386	20,031
Finance costs		(166)	(212)	(504)	(507)
Profit before tax		2,533	7,314	9,882	19,524
Income tax expense	4	(450)	(1,047)	(1,738)	(3,315)
Profit for the period		2,083	6,267	8,144	16,209
Total comprehensive income for the period		2,083	6,267	8,144	16,209
Profit attributable to owners of the Company		2,083	6,267	8,144	16,209
Total comprehensive income attributable to owners of the Company		2,083	6,267	8,144	16,209
Earnings per share attributable to owners of the Company					
– Basic and diluted (HK cents)	6	0.7	2.2	2.9	5.8

NOTES TO THE FINANCIAL INFORMATION

For the nine months ended 30 September 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 third quarterly financial information has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the GEM Listing Rules.

The accounting policies and basis adopted in preparing the unaudited condensed consolidated third quarterly 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. REVENUE

	Three months ended 30 September		Nine months ended 30 September	
	2015 HK\$’000 (unaudited)	2014 HK\$’000 (unaudited)	2015 HK\$’000 (unaudited)	2014 HK\$’000 (unaudited)
Outsourcing inbound contact service	3,032	10,029	9,981	23,708
Outsourcing outbound contact service	14,057	22,442	44,418	60,699
Staff insourcing service	8,294	6,052	23,412	25,148
Contact service centre facilities management service	6,701	6,981	21,083	21,645
Others*	4,184	3,066	7,543	6,488
	36,268	48,570	106,437	137,688

* Principally comprises licencing, sales of system and software and system maintenance.

4. 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 nine months period ended 30 September 2015. Taxation on overseas profits has been calculated on the estimated assessable profit for the nine months period ended 30 September 2015 at the rates of taxation prevailing in the countries in which the Group operates.

	Three months ended 30 September		Nine months ended 30 September	
	2015 <i>HK\$'000</i> <i>(unaudited)</i>	2014 <i>HK\$'000</i> <i>(unaudited)</i>	2015 <i>HK\$'000</i> <i>(unaudited)</i>	2014 <i>HK\$'000</i> <i>(unaudited)</i>
Current income tax	450	1,047	1,738	3,315
Deferred income tax	—	—	—	—
	<u>450</u>	<u>1,047</u>	<u>1,738</u>	<u>3,315</u>

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

5. INTERIM DIVIDENDS

	Nine months ended 30 September	
	2015 <i>HK\$'000</i> <i>(unaudited)</i>	2014 <i>HK\$'000</i> <i>(unaudited)</i>
Interim dividend declared and paid – HK0.45 cents (2014: HK0.7 cents) per ordinary share	<u>1,260</u>	<u>1,960</u>
	<u>1,260</u>	<u>1,960</u>

At a Board meeting held on 4 August 2014, the Directors resolved to pay a first interim dividend for the six months ended 30 June 2014 of HK0.7 cents per ordinary share in cash. The interim dividend was paid to the shareholders of the Company on 29 August 2014.

At a Board meeting held on 10 August 2015, the Directors resolved to pay a first interim dividend for the six months ended 30 June 2015 of HK0.45 cents per ordinary share in cash. The interim dividend was paid to the shareholders of the Company on 4 September 2015.

The Board does not recommend the payment of a second interim dividend for the nine months ended 30 September 2015(2014: nil).

6. EARNINGS PER SHARE

The calculation of basic earnings per share for the nine months ended 30 September 2015 is based on (i) the unaudited consolidated profit attributable to the owners of the Company of approximately HK\$8,144,000 (nine months ended 30 September 2014: approximately HK\$16,209,000) and (ii) the weighted average number of 280,000,000 ordinary shares issued during the nine months ended 30 September 2015 (during the nine months ended 30 September 2014: the weighted average number of 280,000,000 ordinary shares issued).

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

7. MOVEMENT OF RESERVES

	Attributable to owners of the Company				
	Share premium HK\$'000	Merger reserve HK\$'000	Translation HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance at 1 January 2014 (audited)	25,238	25,624	48	42,904	93,814
Total other comprehensive income for the period					
Currency translation differences	—	—	108	—	108
Profit for the period	—	—	—	16,209	16,209
Total comprehensive income for the period	—	—	108	16,209	16,317
Final dividend paid	—	—	—	(4,200)	(4,200)
Interim dividend paid	—	—	—	(1,960)	(1,960)
Balance at 30 September 2014 (unaudited)	25,238	25,624	156	52,953	103,971
Balance at 1 January 2015 (audited)	25,238	25,624	—	51,127	101,989
Total other comprehensive income for the period					
Currency translation differences	—	—	—	—	—
Profit for the period	—	—	—	8,144	8,144
Total comprehensive income for the period	—	—	—	8,144	8,144
Final dividend paid	—	—	—	(4,200)	(4,200)
Interim dividend paid	—	—	—	(1,260)	(1,260)
Balance at 30 September 2015 (unaudited)	25,238	25,624	—	53,811	104,673

8. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

The unaudited condensed consolidated results of the Group for the nine months ended 30 September 2015 were approved by the Board on 5 November 2015.

DIVIDEND

The Board does not recommend the payment of a second interim dividend for the nine months ended 30 September 2015 (2014: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Change of Controlling Shareholder

Reference is made to (i) the announcement jointly issued by 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 21 July 2015 in relation to completion of the Sale and Purchase Agreement (as defined below) and the Offer; (iii) the composite offer and response document in respect of the offer (the “Composite Document”) jointly issued by the Company and the Offeror dated 28 July 2015; (iv) the announcement jointly issued by the Company and the Offeror dated 18 August 2015 in relation to, among other matters, the close of the Offer and the result of the Offer; and (v) the announcement of the Company dated 14 September 2015 in relation to the restoration of the public float of the Company.

On 5 June 2015 (after trading hours), the Offeror, Excel Deal Holdings Limited (“Vendor”), the then controlling shareholder of the Company, Mr. Tang Shing Bor, (“Offeror’s Guarantor”) and Mr. Ling Chiu Yum and Mr. Wong Wai Hon Telly (“Vendor’s Guarantors”) 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 10 June 2015.

Completion of the Acquisition took place after the trading hours on 21 July 2015.

Following the close of the Offer on 18 August 2015 and completion of the disposition of 10,000 Shares by the Offeror on 15 September 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.

Business Review

The Group is continuously engaged in the business of providing comprehensive multi-media contact services and contact centre system in Hong Kong after the disposal of Elite Depot Holdings Limited and its subsidiaries (“PRC business units”) on 22 December 2014 (the “Disposal”). 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.

The situation and public sentiment for outbound telemarketing service in Hong Kong have taken a turn for the worse lately. With an increasing number of reported fraudulent telephone calls, recipients of telemarketing call become ever more cautious towards the call and making it even harder for caller to start the conversation or selling. Despite the Company does not perform cold calling, but rather calling the end customers on behalf of our corporate clients for different types of services, the overall sentiment of the public imposed difficulties on telemarketing and affected the results of the service.

To address the issue of fraudulent telephone calls, Hong Kong Monetary Authority (“HKMA”) put in more measures to protect the interests of the banks’ customers by announcing on August 31 2015 that all banks have to post the hotline numbers and relevant information on the websites of the individual retail banks, and there is a dedicated page newly set up on the websites of the HKMA and Hong Kong Association of Banks (“HKAB”) for easy access by the public. Callers from retail banks will, in addition to giving out their full names, have to provide their phone extension number, direct telephone number, or staff ID number as “identifying numbers” when contacting the public who may verify callers’ identity through the customer hotlines of the respective banks before proceeding any further. The management of the Company hopes that these additional measures can help to regain the confidence of the public and put genuine telemarketing services back on track.

Another challenge comes from call blocking apps which continued to throw obstacles in the way of outbound telemarketing service. The number of customers reached through mobile phones decreased as a result of the call blocking function and which in turn also affected the success of the service. The management of the Company continued to provide comprehensive training to improve the marketing skills of the contact centre agents and enhance their awareness on the compliance requirements from the authorities.

Pursuant to the appointment of the new Directors with effect from 29 July 2015, the Company believes that the rich management experience as well as diversified business network of the newly appointed Directors could bring benefits to the Company in the future. To better evaluate and more effectively manage the business risks of the Company, the Board reformed the internal control committee to risk management and internal control committee which comprises three independent executive Directors and two executive Directors on 5 November 2015 with immediate effect.

Financial Review

Subsequent to the Disposal, both of the revenue and the operating costs decreased as compare with the corresponding period in 2014. Besides, the financial performance of the Company was affected by the challenging business environment as stated in the business review section in this announcement. For the nine months ended 30 September 2015, the Group's unaudited total revenue was approximately HK\$106.4 million, representing a decrease of approximately HK\$31.3 million as compared with the total revenue of the corresponding period in 2014 (2014: approximately HK\$137.7 million). The outsourcing inbound contact service, outsourcing outbound contact service, staff insourcing service, contact service centre facilities management service and other services accounted for approximately 9%, 42%, 22%, 20% and 7% of the Group's unaudited total revenue for the nine months ended 30 September 2015 respectively.

The unaudited employee benefits expenses decreased from approximately HK\$75.1 million for the nine months ended 30 September 2014 to approximately HK\$59.4 million for the nine months ended 30 September 2015. The drop of the employee benefits expenses was mainly attributable to headcount saving resulted from the Disposal despite the increased employee benefits expenses costs incurred for operating the business units in Hong Kong. The unaudited other operating expenses decreased by approximately HK\$5.7 million from approximately HK\$35.8 million for the nine months ended 30 September 2014 to approximately HK\$30.1 million for the nine months ended 30 September 2015. The decrease of other operating expenses was mainly attributable to the exclusion of operating expenses from the PRC business units.

The Group's unaudited depreciation and amortization expenses decreased by approximately 15% from approximately HK\$7.0 million for the nine months ended 30 September 2014 to approximately HK\$6.0 million for the nine months ended 30 September 2015, which was mainly due to the exclusion of depreciation and amortization expenses of the PRC business units. The Group's unaudited finance costs for the nine months ended 30 September 2015 amounted to approximately HK\$0.5 million, which was similar as compared with the corresponding period in 2014 (2014: approximately HK\$0.5 million).

As a result of the above reasons, the unaudited profit attributable to the owners of the Company decreased by approximately 50% from approximately HK\$16.2 million for the nine months ended 30 September 2014 to approximately HK\$8.1 million for the nine months ended 30 September 2015.

PROSPECTS

With the local labour market easing up a little bit lately, the Company anticipates the situation of staff recruitment and retention will slightly improve in the near future, and which will eventually benefit our outsourcing as well as staff insourcing business. With the increasing popularity of different types of text based social media and instant messaging tools, the Company also sees a good potential in our multi-media service support which encompasses voice, text and social media platforms. It is still the intention of the Company to continue to look for any possible partnership, business merger and/or acquisition opportunities that can complement the business as well as growth potential of the Company.

LIQUIDITY

The Group adheres to a prudent financial management policy and has a healthy financial position. During the nine months under review, the Group financed our operations with internally generated cash flows and banking facilities provided by banks. As at 30 September 2015, the Group had cash and bank balances and pledged bank deposits of approximately HK\$21.9 million (2014: approximately HK\$30.0 million).

CORPORATE GOVERNANCE

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

SHARE OPTION SCHEME

During the nine months ended 30 September 2015, no share option was granted, exercised, expired or lapsed under the share option scheme approved on 21 December 2011 (the "Share Option Scheme").

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from the Share Option Scheme, at no time during the nine months ended 30 September 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 September 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 nine months ended 30 September 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 September 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

		Nature of interests	Number of shares/ underlying shares held	Percentage of the issued share capital of the Company as at 30 September 2015
Name of Directors/ Chief Executives	Capacity			
Mr. Tang Shing Bor ("Mr. Tang")	Interest in a controlled corporation	Corporate interest	210,000,000 (<i>Note</i>)	75%

Note:—

These interests were held by Million Top Enterprises Ltd. which was wholly and beneficially owned by Mr. Tang. Mr. Tang is therefore deemed to be interested in such shares by virtue of Part XV of the SFO.

Save as disclosed above, as at 30 September 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 September 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	Nature of Shares/underlying Shares held	Approximate percentage of the issued share capital of the Company as at 30 September 2015
Million Top Enterprises Ltd. (Note 1)	Beneficial owner	210,000,000	75%
Excel Deal Holdings Limited (Note 2)	Beneficial owner	75,000,000	8.93%

Note:—

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

Save as disclosed above, as at 30 September 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 nine months ended 30 September 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 nine months ended 30 September 2015.

By order of the Board

ETS Group Limited

Tang Yiu Sing

Executive Director and Chief Executive Officer

Hong Kong, 5 November 2015

As at the date of this announcement, the executive directors of the Company are Mr. Tang Yiu Sing, Mr. Yeung Ka Wing and Mr. Tsui Kit Yuan; 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.