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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 2016**

**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 2016 was approximately HK\$72,190,000, representing an increase of approximately 3% as compared with the total revenue of approximately HK\$70,169,000 for the corresponding period in 2015.

Profit attributable to owners of the Company for the six months ended 30 June 2016 was approximately HK\$2,609,000, representing a decrease of approximately 57% as compared with the profit attributable to owners of the Company of approximately HK\$6,061,000 for the corresponding period in 2015.

Earnings per share for the six months ended 30 June 2016 was approximately HK0.9 cents (six months ended 30 June 2015: HK2.2 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 2016 together with the comparative figures for the corresponding periods ended 30 June 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months and six months ended 30 June 2016

	Notes	Three months ended 30 June		Six months ended 30 June	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Revenue	3	36,371	36,139	72,190	70,169
Other income		134	173	335	374
Other (losses)/gains – net		(132)	(138)	32	(154)
Employee benefits expenses	4	(20,727)	(18,897)	(41,871)	(38,246)
Depreciation and amortization		(2,024)	(1,796)	(4,155)	(3,649)
Other operating expenses		(11,467)	(10,390)	(22,798)	(20,807)
Operating profit		2,155	5,091	3,733	7,687
Finance costs		(137)	(158)	(220)	(338)
Profit before tax	5	2,018	4,933	3,513	7,349
Income tax expense	6	(589)	(778)	(904)	(1,288)
Profit for the period		1,429	4,155	2,609	6,061
Total comprehensive income for the period		1,429	4,155	2,609	6,061
Profit attributable to owners of the Company		1,429	4,155	2,609	6,061
Total comprehensive income attributable to owners of the Company		1,429	4,155	2,609	6,061
Earnings per share attributable to owners of the Company – Basic and diluted (HK cents)	8	0.5	1.5	0.9	2.2

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2016

	Notes	As at 30 June 2016 HK\$'000 (unaudited)	As at 31 December 2015 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		10,031	4,961
Intangible assets		7,300	7,889
Investment in an associate		—	—
Deferred income tax assets		678	1,011
		<u>18,009</u>	<u>13,861</u>
Current assets			
Trade and other receivables	9	51,630	58,460
Financial assets designated as at fair value through profit or loss		6,800	6,648
Amount due from an associate		9,724	9,318
Amounts due from related companies		90	319
Pledged bank deposits		4,792	4,787
Cash and bank balances	10	30,959	31,936
		<u>103,995</u>	<u>111,468</u>
Current liabilities			
Trade and other payables	11	12,773	14,618
Borrowings		336	1,711
Current income tax liabilities		455	148
		<u>13,564</u>	<u>16,477</u>
Net current assets		<u>90,431</u>	<u>94,991</u>
Total assets less current liabilities		<u>108,440</u>	<u>108,852</u>
Non-current liabilities			
Deferred income tax liabilities		—	333
Net assets		<u>108,440</u>	<u>108,519</u>
Equity attributable to the owners of the Company			
Share capital	12	2,800	2,800
Share premium		25,238	25,238
Reserves		80,402	80,481
Total equity		<u>108,440</u>	<u>108,519</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2016

	Attributable to owners of the Company					
	Share capital	Share premium	Merger reserve	Translation	Retained profits	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2015 (audited)	2,800	25,238	25,624	–	51,127	104,789
Profit for the period	–	–	–	–	6,061	6,061
Total other comprehensive income for the period	–	–	–	–	–	–
Total comprehensive income for the period	–	–	–	–	6,061	6,061
Dividend paid	–	–	–	–	(4,200)	(4,200)
Balance at 30 June 2015 (unaudited)	2,800	25,238	25,624	–	52,988	106,650
Balance at 1 January 2016 (audited)	2,800	25,238	25,624	–	54,857	108,519
Profit for the period	–	–	–	–	2,609	2,609
Total other comprehensive income for the period	–	–	–	–	–	–
Total comprehensive income for the period	–	–	–	–	2,609	2,609
Dividend paid	–	–	–	–	(2,688)	(2,688)
Balance at 30 June 2016 (unaudited)	2,800	25,238	25,624	–	54,778	108,440

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)*For the six months ended 30 June 2016*

	Six months ended 30 June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Net cash generated from operating activities	11,610	1,101
Net cash (used in) investing activities	(8,304)	(1,534)
Net cash (used in) financing activities	(4,283)	(3,954)
	<hr/>	<hr/>
Net (decrease) in cash, cash equivalents and bank overdrafts	(977)	(4,387)
Cash, cash equivalents and bank overdrafts at beginning of the period	31,936	17,121
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Cash, cash equivalents and bank overdrafts at end of the period	30,959	12,734
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NOTES TO THE FINANCIAL INFORMATION

For the six months ended 30 June 2016

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 2015.

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 2016, 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 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 2016

	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	6,592	30,890	20,226	11,130	3,352	72,190
Segment results	803	1,774	2,171	2,256	911	7,915
Depreciation and amortization	192	1,536	–	1,472	847	4,047
Total segment assets	8,259	29,121	9,051	13,403	9,580	69,414
Total segment assets includes: Additions to non-current assets (other than financial instruments)	426	3,406	–	3,264	1	7,097
Total segment liabilities	158	3,510	2,881	821	1	7,371

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	6,949	30,361	15,118	14,382	3,359	70,169
Segment results	1,250	5,336	3,195	2,817	2,560	15,158
Depreciation and amortization	237	1,052	–	1,687	554	3,530
Total segment assets	9,989	24,367	7,064	14,821	10,270	66,511
Total segment assets includes: Additions to non-current assets (other than financial instruments)	11	49	–	80	–	140
Total segment liabilities	283	3,876	1,947	1,662	262	8,030

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

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Segment result for reportable segments	7,004	12,598
Other segments results	911	2,560
	<hr/>	<hr/>
Total segments results	7,915	15,158
Unallocated:		
Other income	335	374
Other gains/(losses) – net	32	(154)
Depreciation and amortization	(108)	(119)
Finance costs	(220)	(338)
Corporate and other unallocated expenses	(4,441)	(7,572)
	<hr/>	<hr/>
Profit before tax	3,513	7,349
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4. EMPLOYEE BENEFITS EXPENSES

	Three months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Salaries and allowances	20,573	18,944	41,521	38,353
Pension costs – defined contribution plans	940	816	1,864	1,641
	<hr/>	<hr/>	<hr/>	<hr/>
Total employee benefits expenses, including Directors' remuneration	21,513	19,760	43,385	39,994
Less: Amounts capitalized in deferred development costs	(786)	(863)	(1,514)	(1,748)
	<hr/>	<hr/>	<hr/>	<hr/>
	20,727	18,897	41,871	38,246
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

5. PROFIT BEFORE INCOME TAX

	Three months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Profit before tax is stated after charging:				
Depreciation of owned property, plant and equipment	1,031	802	2,051	1,606
Amortization of intangible assets	993	994	2,104	2,043
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total depreciation and amortization	<u>2,024</u>	<u>1,796</u>	<u>4,155</u>	<u>3,649</u>
Operating lease payments in respect of rented premises	2,273	1,644	4,568	3,289
Research and development costs	993	994	2,104	2,043
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at a rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong for the six months period ended 30 June 2016. Taxation on overseas profits has been calculated on the estimated assessable profit for the six months period ended 30 June 2016 at the rates of taxation prevailing in the countries in which the Group operates.

	Three months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Current income tax	589	778	904	1,288
	<u> </u>	<u> </u>	<u> </u>	<u> </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 does not recommend the payment of any interim dividend for the six months ended 30 June 2016 (2015: 0.45 cents).

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2016 is based on (i) the unaudited consolidated profit attributable to the owners of the Company of approximately HK\$2,609,000 (six months ended 30 June 2015: approximately HK\$6,061,000) and (ii) the weighted average number of 280,000,000 ordinary shares issued during the six months ended 30 June 2016 (during the six months ended 30 June 2015: 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 2016 and 2015.

9. TRADE AND OTHER RECEIVABLES

	As at 30 June 2016 HK\$'000 (unaudited)	As at 31 December 2015 HK\$'000 (audited)
Trade receivables	42,733	41,393
Other receivables, deposits and prepayments	8,897	17,067
	<u>51,630</u>	<u>58,460</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 2016 HK\$'000 (unaudited)	As at 31 December 2015 HK\$'000 (audited)
0-30 days	26,126	27,993
31-60 days	4,995	6,676
61-90 days	2,243	2,386
Over 90 days	9,369	4,338
	<u>42,733</u>	<u>41,393</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 include the following for the purposes of the statement of cash flows:

	As at 30 June 2016 <i>HK\$'000</i> <i>(unaudited)</i>	As at 31 December 2015 <i>HK\$'000</i> <i>(audited)</i>
Cash at bank and on hand	24,073	25,054
Short-term bank deposits	6,886	6,882
	<hr/>	<hr/>
Cash and cash equivalents	30,959	31,936
	<hr/> <hr/>	<hr/> <hr/>

11. TRADE AND OTHER PAYABLES

	As at 30 June 2016 <i>HK\$'000</i> <i>(unaudited)</i>	As at 31 December 2015 <i>HK\$'000</i> <i>(audited)</i>
Trade payables	2,572	1,962
Other payables and accruals	10,201	12,656
	<hr/>	<hr/>
	12,773	14,618
	<hr/> <hr/>	<hr/> <hr/>

As at 30 June 2016, the aging analysis of the trade payables based on invoice date is as follows:

	As at 30 June 2016 <i>HK\$'000</i> <i>(unaudited)</i>	As at 31 December 2015 <i>HK\$'000</i> <i>(audited)</i>
0-30 days	1,957	1,093
31-60 days	431	802
61-90 days	149	32
Over 90 days	35	35
	<hr/>	<hr/>
	2,572	1,962
	<hr/> <hr/>	<hr/> <hr/>

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 2015 and 30 June 2016	5,000,000,000	50,000
Issued and fully paid up share capital	280,000,000	2,800
As at 31 December 2015 and 30 June 2016	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 2016 <i>HK\$'000</i> (<i>unaudited</i>)	As at 31 December 2015 <i>HK\$'000</i> (<i>audited</i>)
No later than 1 year	5,977	8,131
Later than 1 year and no later than 5 years	3,848	6,189
	9,825	14,320

The Group leases office premises are under operating lease agreements. Lease for properties are for terms ranging from 1 to 3 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		Six months ended 30 June	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Epro Techsoft Limited	System maintenance income	–	(262)	–	(544)
Epro Career Limited	Insourcing fee	4,423	3,279	8,794	6,697
East Ocean Gourmet Group	Inbound service income	(114)	–	(228)	–
	Seasonal event expense for clients and staff	2	–	57	–
H.K. Sources Finance Limited	System maintenance income	–	–	(75)	–
	Intall anti-virus firewall service income	(23)	–	(23)	–
SG Hotel Group Management Limited	Secondment income	(80)	–	(159)	–
Stan Group (Holding) Limited	Rental expense	490	–	1,023	–
	Training service expense	–	–	16	–
	Ticket maintenance income	–	–	(30)	–
The Wave (Hing Yip Street) Corporation	Sales of Wise System	(25)	–	(25)	–
	Charge back copier fixed service	(2)	–	(2)	–

Key management personnel compensation

	Three months ended 30 June		Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Salaries and short-term employee benefits	282	1,865	564	3,677
Post employment benefits	5	32	11	69
	<u>287</u>	<u>1,897</u>	<u>575</u>	<u>3,746</u>

15. CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at 30 June 2016.

16. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The unaudited condensed consolidated interim financial information was approved by the Board on 3 August 2016.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2016 (2015: 0.45 cents).

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.

The business environment continues to be challenging for outbound telemarketing service in the face of more stringent control from the government and corporations on data privacy and on making telemarketing calls. Longer scripts for caller identification with each customer leads to longer talk time and lower productivity, while implementation of tighter IT policy and control on customer data also leads to higher operating cost of the telemarketing service. With our certification of ISO 9001 on operation management and ISO 27001 on information and data security, the Group has successfully obtained customers' confidence in our service as well as data integrity, and thus maintaining a stable revenue of the telemarketing service.

By virtual of a diversified service nature of the Group comprising inbound, outbound, outsourcing, insourcing and facilities management services, a well balance in business is able to be achieved by addressing the changing needs of the customers at different times. With a more cautious outsourcing sentiment for some corporate customers, the demand in staff insourcing has seen a healthy growth in demand lately. The Group expects the trend will continue to grow in the future to come.

Other than the core business of contact centre services, the Group has also started to explore new opportunities in the financial and security industries with the objective to broaden the Group's business scope to enhance its profitability and achieve better return for the Shareholders. In April 2016, the Group has made an application to the Securities and Futures Commission of Hong Kong for license to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities in Hong Kong. The application has progressed smoothly so far and the Group remains hopeful in obtaining the required license within this year.

FINANCIAL REVIEW

For the six months ended 30 June 2016, the Group's unaudited total revenue was approximately HK\$72.2 million, representing an increase of approximately HK\$2 million as compared with the total revenue of the corresponding period in 2015 (six months ended 30 June 2015: approximately HK\$70.2 million).

The gross profit margin of the Group decreased from approximately 21.6% for the six months ended 30 June 2015 to approximately 11% for the six months ended 30 June 2016. Profit attributable to owners of the Company decreased by approximately 57% from approximately HK\$6.1 million for the six months ended 30 June 2015 to approximately HK\$2.6 million for the six months ended 30 June 2016.

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 9%, 43%, 28%, 15% and 5% of the Group's unaudited total revenue for the six months ended 30 June 2016 respectively.

Outsourcing Inbound Contact Service

For the six months ended 30 June 2016, the outsourcing inbound contact service recorded a revenue of approximately HK\$6.6 million, representing a decrease of approximately 5.1% as compared to that of the corresponding period in 2015. The segment results for the six months ended 30 June 2016 was approximately HK\$0.8 million. The gross profit margin for outsourcing inbound contact service decreased from approximately 18% for the six months ended 30 June 2015 to approximately 12.2% for the six months ended 30 June 2016.

The decrease in revenue from the outsourcing inbound contact service was mainly attributed to a few contracts came to an end and a delay in service launching of some customers' new projects during the period. The smaller inbound operation scale limited the operating efficiency and resulted in a decrease in the gross profit margin of the outsourcing inbound contact service.

Outsourcing Outbound Contact Service

For the six months ended 30 June 2016, the outsourcing outbound contact service recorded a revenue of approximately HK\$30.9 million, representing an increase of approximately 1.7% as compared to that of the corresponding period in 2015. The segment results for the six months ended 30 June 2016 was approximately HK\$1.8 million. The gross profit margin for outsourcing outbound contact service decreased from approximately 17.6% for the six months ended 30 June 2015 to approximately 5.7% for the six months ended 30 June 2016.

The revenue from the outsourcing outbound contact service remained stable during the period. The much lower gross profit margin of the outsourcing outbound contact service was mainly attributable to the loss in operational efficiency due to longer call handling time over the phone as well as heavier workload in backend processing support for addressing compliance issue related to customer's industries.

Staff Insourcing Service

For the six months ended 30 June 2016, the staff insourcing service segment recorded a revenue of approximately HK\$20.2 million, representing an increase of approximately 33.8% as compared to that of the corresponding period in 2015. The segment results of staff insourcing service for the six months ended 30 June 2016 was approximately HK\$2.2 million. The gross profit margin for staff insourcing service decreased from approximately 21.1% for the six months ended 30 June 2015 to approximately 10.7% for the six months ended 30 June 2016.

The increase in revenue from the staff insourcing service was mainly contributed by an increasing demand of staff insourcing service from the existing as well as new clients during the period. The decrease in gross profit margin for the staff insourcing service was mainly attributable to the higher cost of recruiting and replacing skilled contact service candidates as compared to the same period in 2015.

Contact Service Centre Facilities Management Service

For the six months ended 30 June 2016, the contact service centre facilities management service recorded a revenue of approximately HK\$11.1 million, representing a decrease of approximately 22.6% as compared to that of the corresponding period in 2015. The segment results for the six months ended 30 June 2016 was approximately HK\$2.3 million. The gross profit margin for contact service centre facilities management service increased from approximately 19.6% for the six months ended 30 June 2015 to approximately 20.3% for the six months ended 30 June 2016.

The revenue from contact service centre facilities management service had a decrease mainly due to a net decrease in number of workstations leased by clients as well as a lower demand in IVRS hosting solution during the six months period ended 30 June 2016. The gross profit margin for contact service centre facilities management service remained stable in the period.

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 2016, the Group recorded a revenue of approximately HK\$2.5 million from sales of system and software and approximately HK\$0.9 million from system maintenance service.

The segment results for “Others” largely comprises sales of system and software which amounted to approximately HK\$0.9 million for the six months ended 30 June 2016. The gross profit margin for the segment decreased from approximately 76.2% for the six months ended 30 June 2015 to approximately 27.2% for the six months ended 30 June 2016. The significant decrease in gross profit margin was mainly due to the expenses of IT consultancy service and deeper discount given to a large project.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company decreased by approximately 57% from approximately HK\$6.1 million for the six months ended 30 June 2015 to approximately HK\$2.6 million for the six months ended 30 June 2016. The decrease of profit was mainly attributed to increasing staff insourcing costs, employee benefits expenses and depreciation expenses with purchase of additional fixed assets in the period.

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 2016, the Group had net current assets of approximately HK\$90.4 million (as at 31 December 2015: approximately HK\$95 million) including cash and bank balances of approximately HK\$31 million (as at 31 December 2015: approximately HK\$31.9 million). The slight decrease in cash and bank balances as at 30 June 2016 was mainly attributable to an increase in average credit period provided for the customer.

As at 30 June 2016, the Group’s current ratio (current assets/current liabilities) and gearing ratio (total debts/total assets) were 7.67 (as at 31 December 2015: 6.77) and 11.1% (as at 31 December 2015: 13.1%) respectively.

PLEDGE OF ASSETS

As at 30 June 2016, the Group had pledged its bank deposits of approximately HK\$4.8 million (as at 31 December 2015: approximately HK\$4.8 million) and had pledged investment fund amounted to approximately HK\$6.8 million (as at 31 December 2015: approximately HK\$6.6 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 2016, 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 2016.

NUMBER AND REMUNERATION OF EMPLOYEE

The Group employed 485 employees as at 30 June 2016 (as at 30 June 2015: 548 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

For the six months ended 30 June 2016, 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 except for the code provision A.6.2(a) of the Code, details of which are set out below.

According to A.6.2(a) of the Code, the functions of non-executive directors should include participating in board meetings to bring an independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct. During the period under review, Mr. Tang Shing Bor, a non-executive Director, was absent from the board meetings held in March and May 2016 due to other important engagements in the relevant times.

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 period ended 30 June 2016.

SHARE OPTION SCHEME

During the six months ended 30 June 2016, 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 six months ended 30 June 2016 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

The following Director and his close associate are considered to have interests in the following business, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

Mr. Tang Yiu Sing ("Mr. Tang") is an executive Director and Mr. Tang Shing Bor is a non-executive Director. Mr. Tang is a director and the ultimate beneficial owner of Stan Group (Holding) Limited ("Stan Group") which is engaged in, among others, the operation of a comprehensive business platform in Hong Kong, including but not limited to co-working space business, and Mr. Tang Shing Bor is the father of Mr. Tang. In this regard, Mr. Tang is considered to have interests in businesses which compete, or is likely to compete, either directly or indirectly, with the business of the Group.

Given the delineation in target customer, image, pricing segment and running model of the co-working space business of Stan Group and the Group's Elite Business Centre, and in particular, the Group's Elite Business Centre is located in a grade-A office building targeting multinational corporations and government authorities while the co-working space business of Stan Group is located in a revitalised industrial building targeting entrepreneurs and business start-ups, the Board considers that the potential competition is minimum and the interest of the Group is adequately protected. The co-working space business of the Stan Group and the Group's Elite Business Centre is operated and managed by two distinct management teams except for Mr. Tang as aforementioned is an executive Director and a director of Stan Group.

In order to further safeguard the interests of the Group, all Directors other than Mr. Tang and Mr. Tang Shing Bor, being Directors not interested in the potential competing business of Stan Group, will review on a regular basis the businesses and operations of the Group to ensure that its business are run on the basis that they are independent of, and at arm's length from, Stan Group.

Save as disclosed above, as at 30 June 2016, so far as the Directors are aware of, none of the Directors or the substantial/controlling 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 month ended 30 June 2016.

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 2016, 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 2016
Mr. Tang Shing Bor	Interest in a controlled corporation	Corporate interest	210,000,000 (Note)	75%

Note:—

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

Save as disclosed above, as at 30 June 2016, 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 2016, 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 2016
Million Top Enterprises Limited (<i>Note</i>)	Beneficial owner	21,000,000	75%

Note:—

Million Top Enterprises Limited is wholly and beneficially owned by Mr. Tang Shing Bor, a non-executive Director.

Save as disclosed above, as at 30 June 2016, 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 2016 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 2016.

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

Hong Kong, 3 August 2016

As at the date of this announcement, the executive directors of the Company are Mr. Tang Yiu Sing 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. Cheung Kong Ting.

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.