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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 2012**

**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 2012 was approximately HK\$124,958,000, representing a decrease of approximately 13% as compared to that of approximately HK\$143,992,000 for the corresponding period in 2011.

Profit attributable to owners of the Company for the nine months ended 30 September 2012 was approximately HK\$9,482,000, representing a decrease of approximately 26% as compared to that of approximately HK\$12,732,000 for the corresponding period in 2011.

Earnings per share for the nine months ended 30 September 2012 was approximately HK3.4 cents (nine months ended 30 September 2011: approximately HK6.1 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 2012 together with the comparative figures for the corresponding periods ended 30 September 2011, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the nine months ended 30 September 2012

		Three months ended 30 September		Nine months ended 30 September	
	Notes	2012	2011	2012	2011
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	3	40,094	54,596	124,958	143,992
Other income		3	73	50	244
Other gains – net		14	3	63	36
Employee benefits expenses		(29,729)	(40,596)	(91,632)	(106,389)
Depreciation and amortization		(1,956)	(1,430)	(4,931)	(4,346)
Other operating expenses		(4,755)	(6,989)	(16,535)	(17,147)
Operating profit		3,671	5,657	11,973	16,390
Finance costs		(64)	(365)	(268)	(1,095)
Profit before income tax		3,607	5,292	11,705	15,295
Income tax expense	4	(260)	(702)	(2,223)	(2,563)
Profit for the period		3,347	4,590	9,482	12,732
Other comprehensive income for the period, net of tax		–	–	–	–
Total comprehensive income for the period		3,347	4,590	9,482	12,732
Profit attributable to owners of the Company		3,347	4,590	9,482	12,732
Total comprehensive income attributable to owners of the Company		3,347	4,590	9,482	12,732
Earnings per share-Basic and diluted (HK cents)	6	1.2	2.2	3.4	6.1

NOTES TO THE FINANCIAL INFORMATION

For the nine months ended 30 September 2012

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 Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 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 are consistent with those applied for the consolidated financial statements of the Group for the year ended 31 December 2011.

The HKICPA has issued certain new and revised HKFRSs. For those which are effective for accounting periods beginning on or after 1 January 2012, 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		Nine months	
	ended 30 September		ended 30 September	
	2012	2011	2012	2011
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Outsourcing inbound contact service	2,152	2,180	7,313	6,190
Outsourcing outbound contact service	15,848	20,100	46,292	51,894
Staff insourcing service	14,484	24,100	44,949	65,327
Contact service centre facilities management service	7,610	8,216	21,860	20,581
Others*	—	—	4,544	—
	40,094	54,596	124,958	143,992

* Principally comprises licence fee and sales of system and software.

4. INCOME TAX EXPENSE

	Three months ended 30 September		Nine months ended 30 September	
	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
Hong Kong Profits Tax – Current	260	702	2,223	2,383
Deferred income tax	–	–	–	180
	<u>260</u>	<u>702</u>	<u>2,223</u>	<u>2,563</u>

Hong Kong Profits Tax has been provided at 16.5% (2011: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong for the periods ended 2012 and 2011.

5. DIVIDENDS

	Nine months ended 30 September	
	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
Interim dividend declared and paid – HK2.1 cents per ordinary share	5,880	–
Interim dividend	–	16,500
	<u>5,880</u>	<u>16,500</u>

At a Board meeting held on 10 May 2012, the Directors of the Company resolved to pay a first interim dividend of HK2.1 cents per ordinary share in cash for the three months ended 31 March 2012 (2011: nil). The first interim dividend was paid to the shareholders of the Company on 5 June 2012.

The Board does not recommend the payment of any interim dividend for the nine months ended 30 September 2012 (2011: nil). The interim dividend of HK\$16.5 million represented the dividends declared by respective subsidiaries to their then equity holders prior to the corporate reorganization undertaken in preparation for the listing of the Company's shares on the GEM (details were stated in the prospectus of the Company dated 30 December 2011).

6. EARNINGS PER SHARE

The basic earnings per share for the nine months ended 30 September 2012 is calculated based on the unaudited consolidated profit attributable to the owners of the Company of approximately HK\$9,482,000 (nine months ended 30 September 2011: approximately HK\$12,732,000) and the weighted average of approximately 279,000,000 ordinary shares in issue during the period (nine months ended 30 September 2011: weighted average number of 210,000,000 shares (comprising 2 shares in issue and 209,999,998 shares issued under the capitalization issue) as if these 210,000,000 shares had been outstanding during the nine months ended 30 September 2011).

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 2012 and nine months ended 30 September 2011.

7. MOVEMENT OF RESERVES

	Attributable to owners of the Company				
	Share premium	Merger reserve	Retained profits	Proposed dividend	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Balance at 1 January 2011	5,090	—	11,796	—	16,886
Total other comprehensive income for the period	—	—	—	—	—
Profit for the period	—	—	12,732	—	12,732
Total comprehensive income for the period	—	—	12,732	—	12,732
Proposed interim dividend	—	—	(16,500)	16,500	—
Balance at 30 September 2011	5,090	—	8,028	16,500	29,618
Balance at 1 January 2012	—	25,624	14,523	—	40,147
Total other comprehensive income for the period	—	—	—	—	—
Profit for the period	—	—	9,482	—	9,482
Total comprehensive income for the period	—	—	9,482	—	9,482
Capitalization of shares	(2,100)	—	—	—	(2,100)
Issue of new shares to public	41,300	—	—	—	41,300
Issue costs of new shares	(13,962)	—	—	—	(13,962)
Interim dividend paid	—	—	(5,880)	—	(5,880)
Balance at 30 September 2012	25,238	25,624	18,125	—	68,987

8. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

The unaudited condensed consolidated results of the Group for the nine months ended 30 September 2012 were approved by the Board on 5 November 2012.

DIVIDEND

The Board does not recommend the payment of any interim dividend for the nine months ended 30 September 2012 (2011: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial and Business review

The Group is principally engaged in the business of providing comprehensive multi-media contact services and contact centre system. The principle activities of the Group include outsourcing inbound contact service, outsourcing outbound contact service, staff insourcing service, contact service centre facilities management service and other services such as licence fee and sales of system and software.

For the nine months ended 30 September 2012, the Group's unaudited total revenue was approximately HK\$125.0 million, representing a decrease in approximately HK\$19.0 million as compared to that of the corresponding period in 2011 (2011: approximately HK\$144.0 million). The decrease was mainly attributable to downsizing demand from our clients on the staff insourcing service. The outsourcing inbound contact service, outsourcing outbound contact service, staff insourcing service, contact service centre facilities management service and other services accounted for approximately 6%, 37%, 36%, 17% and 4% of the Group's unaudited total revenue for the nine months ended 30 September 2012 respectively.

The unaudited employee benefits expenses decreased from approximately HK\$106.4 million for the nine months ended 30 September 2011 to approximately HK\$91.6 million for the nine months ended 30 September 2012. The decrease was mainly attributable to headcount reduction of contact service staff during the period. The unaudited other operating expenses slightly decreased by approximately HK\$0.6 million from approximately HK\$17.1 million for the nine months ended 30 September 2011 to approximately HK\$16.5 million for the nine months ended 30 September 2012.

The Group's unaudited depreciation and amortization expenses amounted to approximately HK\$4.9 million for the nine months ended 30 September 2012 which represents an increase in approximately HK\$0.6 million as compared to that of the corresponding period in 2011 (2011: approximately HK\$4.3 million). The Group's unaudited finance costs for the nine months ended 30 September 2012 amounted to approximately HK\$0.3 million, representing a decrease of approximately 76% as compared to that of the corresponding period in 2011 (2011: approximately HK\$1.1 million) due to a decrease in bank borrowings.

The unaudited profit attributable to the owners of the Company decreased by approximately 26% from approximately HK\$12.7 million for the nine months ended 30 September 2011 to approximately HK\$9.5 million for the nine months ended 30 September 2012 mainly due to a decrease in revenue by approximately 13%.

LIQUIDITY

The Group adheres to a prudent financial management policy and has a healthy financial position. During the nine months under the review, the Group financed our operations with internally generated cash flows and banking facilities provided by the banks. As at 30 September 2012, the Group had cash and bank balances and pledged bank deposits of approximately HK\$38.8 million (2011: approximately HK\$9.7 million). The gearing ratio of the Group was approximately 8% as at 30 September 2012 (30 September 2011: approximately 16%).

CORPORATE GOVERNANCE

The Company has complied with the code provisions as set out in the Corporate Governance Code (the “CG Code”) and Corporate Governance Report contained in Appendix 15 (as amended from time to time) to the GEM Listing Rules throughout the nine months period ended 30 September 2012 since the Listing Date.

The Directors acknowledged their responsibility for preparing the financial statements for the nine months ended 30 September 2012 and each Director participated in the Company’s operation pursuant to their established terms of reference and contributed to the success of the Company.

CODE OF CONDUCT FOR DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specified enquiry of the Directors, all Directors confirmed that they have complied with the required standard of dealings concerning securities transactions by the Directors throughout the period from the Listing Date to 30 September 2012.

SHARE OPTION SCHEME

During the nine months ended 30 September 2012, 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 2012 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 2012, 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 throughout the period from the Listing Date to 30 September 2012.

COMPLIANCE ADVISER'S INTEREST

As notified by Mizuho Securities Asia Limited, the compliance adviser of the Company (the "Compliance Adviser"), none of the Compliance Adviser, or its directors, employees or associates (as defined under the GEM Listing Rules) had any interest in the share capital of the Company or any right to subscribe for or to nominate any person to subscribe shares in the Company or any member of the Group as at 30 September 2012 pursuant to Rule 6A.32 of the GEM Listing Rules. Pursuant to an agreement entered into between the Company and the Compliance Adviser in 2011 (the "Compliance Adviser Agreement"), the Compliance Adviser has received a fee for acting as the Company's compliance adviser for the period from the Listing Date and ending on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year after the Listing Date (which, for the avoidance of doubt, shall mean the financial year ending 31 December 2014) or until the termination of the Compliance Adviser Agreement in accordance with the terms and conditions set out therein.

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 2012, 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 September 2012
Mr. Ling Chiu Yum (Note)	Interest in a controlled corporation	Corporate interest	210,000,000	75%
Mr. Wong Wai Hon Telly (Note)	Interest in a controlled corporation	Corporate interest	210,000,000	75%
Ms. Chang Men Yee Carol (Note)	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 September 2012, 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 2012, 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 September 2012
Excel Deal Holdings Limited (<i>Note 1</i>)	Beneficial owner	210,000,000	75%
Million Top Enterprises Ltd. (<i>Note 2</i>)	Beneficial owner	25,000,000	8.92%

Notes:—

- (1) 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 Ms. Chang Men Yee Carol respectively.
- (2) Million Top Enterprises Ltd. was wholly beneficially owned by Mr. Tang Shing Bor.

Save as disclosed above, as at 30 September 2012, 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 third quarterly results of the Group for the nine months ended 30 September 2012 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 GEM Listing Rules and the 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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the period from the Listing Date to 30 September 2012.

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

Hong Kong, 5 November 2012

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Ling Chiu Yum, Mr. Wong Wai Hon Telly, Ms. Chang Men Yee Carol and Mr. Suen Fuk Hoi, and three independent non-executive Directors, namely Mr. Phung Nhuong Giang, Mr. Wong Sik Kei and Mr. Ngan Chi Keung.

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.