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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 2013**

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 Growth Enterprise Market (“GEM Listing Rules”) of the Stock Exchange 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 2013 was approximately HK\$77,232,000, representing a decrease of approximately 9% as compared with the total revenue of approximately HK\$84,650,000 for the corresponding period in 2012.

Profit attributable to owners of the Company for the six months ended 30 June 2013 was approximately HK\$9,820,000, representing an increase of approximately 60% as compared with the profit attributable to owners of the Company of approximately HK\$6,135,000 for the corresponding period in 2012.

Earnings per share for the six months ended 30 June 2013 was approximately HK3.5 cents (six months ended 30 June 2012: HK2.2 cents).

The board of Directors resolved to declare the payment of an interim dividend of HK0.9 cent per share for the six months ended 30 June 2013 (six months ended 30 June 2012: HK2.1 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 2013 together with the comparative figures for the corresponding periods ended 30 June 2012, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2013

		Three months ended 30 June		Six months ended 30 June	
	Notes	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Revenue	3	37,224	41,792	77,232	84,650
Other income		107	218	191	261
Other gains – net		46	6	87	49
Employee benefits expenses	4	(19,327)	(29,787)	(46,044)	(61,903)
Depreciation and amortization		(1,892)	(1,486)	(3,754)	(2,975)
Other operating expenses		(7,640)	(5,428)	(15,408)	(11,780)
Operating profit		8,518	5,315	12,304	8,302
Finance costs		(153)	(64)	(318)	(204)
Share loss of an associate		–	–	(3)	–
Profit before tax	5	8,365	5,251	11,983	8,098
Income tax expense	6	(1,607)	(1,215)	(2,163)	(1,963)
Profit for the period		6,758	4,036	9,820	6,135
Total comprehensive income for the period		6,758	4,036	9,820	6,135
Profit attributable to owners of the Company		6,758	4,036	9,820	6,135
Total comprehensive income attributable to owners of the Company		6,758	4,036	9,820	6,135
Earnings per share attributable to owners of the Company					
– Basic and diluted (HK cents)	8	2.4	1.4	3.5	2.2

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2013

	Notes	As at 30 June 2013 HK\$'000 (unaudited)	As at 31 December 2012 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		8,641	6,620
Investment in an associate		—	—
Intangible assets		9,848	7,459
Deferred income tax assets		683	683
		19,172	14,762
Current assets			
Trade and other receivables	9	46,244	35,911
Financial assets designated as at fair value through profit or loss		7,960	3,239
Amounts due from related companies		504	290
Amount due from an associated company		2,236	—
Pledged bank deposits		4,765	9,761
Cash and cash equivalents (excluding bank overdrafts)	10	31,150	40,403
		92,859	89,604
Current liabilities			
Trade and other payables	11	16,312	13,152
Borrowings		9,718	13,541
Current income tax liabilities		2,353	765
		28,383	27,458
Net current assets		64,476	62,146
Total assets less current liabilities		83,648	76,908
Non-current liabilities			
Deferred income tax liabilities		416	416
		416	416
Net assets		83,232	76,492
Equity attributable to the owners of the Company			
Share capital	12	2,800	2,800
Share premium		25,238	25,238
Reserves		55,194	48,454
Total equity		83,232	76,492

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2013

	Attributable to owners of the Company				
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
Balance at 1 January 2012 (audited)	—	—	25,624	14,523	40,147
Total other comprehensive income for the period	—	—	—	—	—
Profit for the period	—	—	—	6,135	6,135
Total comprehensive income for the period	—	—	—	6,135	6,135
Capitalization issue credited as fully paid on the share premium account of the Company	2,100	(2,100)	—	—	—
Issuance of new shares by way of placing	700	41,300	—	—	42,000
Share issuance costs	—	(13,962)	—	—	(13,962)
Interim dividend paid	—	—	—	(5,880)	(5,880)
Balance at 30 June 2012 (unaudited)	2,800	25,238	25,624	14,778	68,440
Balance at 1 January 2013 (audited)	2,800	25,238	25,624	22,830	76,492
Total other comprehensive income for the period	—	—	—	—	—
Profit for the period	—	—	—	9,820	9,820
Total comprehensive income for the period	—	—	—	9,820	9,820
Final dividend paid	—	—	—	(3,080)	(3,080)
Balance at 30 June 2013 (unaudited)	2,800	25,238	25,624	29,570	83,232

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)*For the six months ended 30 June 2013*

	Six months ended 30 June	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Net cash generated from operating activities	5,942	21,852
Net cash used in investing activities	(7,974)	(123)
Net cash (used in)/generated from financing activities	(7,221)	6,357
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	(9,253)	28,086
Cash, cash equivalents and bank overdrafts at beginning of the period	40,403	3,221
Cash, cash equivalents and bank overdrafts at end of the period	31,150	31,307

NOTES TO THE FINANCIAL INFORMATION

For the six months ended 30 June 2013

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 since 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 consolidated interim financial information were consistent with those applied for the consolidated financial statements of the Group for the year ended 31 December 2012.

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 2013, 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 of the Company 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, sales of system and software and system maintenance.

For the six months ended 30 June 2013

	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	4,350	32,617	21,438	14,587	4,240	77,232
Segment results	505	5,798	1,870	3,691	3,437	15,301
Depreciation and amortization	149	1,458	–	1,695	337	3,639
Total segment assets	1,799	22,409	6,145	15,811	7,668	53,832
Total segment assets includes: Additions to non-current assets (other than financial instruments)	356	3,485	–	4,300	23	8,164
Total segment liabilities	809	5,464	3,060	1,428	–	10,761

For the six months ended 30 June 2012

	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	5,161	30,444	30,465	14,250	4,330	84,650
Segment results	578	5,214	2,518	4,204	3,397	15,911
Depreciation and amortization	319	675	–	1,478	391	2,863
Total segment assets	1,696	17,780	6,273	10,437	4,330	40,516
Total segment assets includes: Additions to non-current assets (other than financial instruments)	211	447	–	980	–	1,638
Total segment liabilities	608	3,807	1,828	206	–	6,449

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

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Segment result for reportable segments	11,864	12,514
Other segments result	3,437	3,397
	<hr/>	<hr/>
Total segments result	15,301	15,911
Unallocated:		
Other income	191	261
Other gains – net	87	49
Depreciation and amortization	(115)	(112)
Finance costs	(318)	(204)
Corporate and other unallocated expenses	(3,160)	(7,807)
Share loss of an associate	(3)	–
	<hr/>	<hr/>
Profit before tax	11,983	8,098
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4. EMPLOYEE BENEFITS EXPENSES

	Three months ended 30 June		Six months ended 30 June	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Salaries and allowances	20,381	29,265	48,444	60,523
Pension costs – defined contribution plans	1,025	1,318	2,065	2,747
	<hr/>	<hr/>	<hr/>	<hr/>
Total employee benefits expenses, including directors' remuneration	21,406	30,583	50,509	63,270
Less: Amounts capitalized in deferred development costs	(2,079)	(796)	(4,465)	(1,367)
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	19,327	29,787	46,044	61,903
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

5. PROFIT BEFORE INCOME TAX

	Three months ended 30 June		Six months ended 30 June	
	2013	2012	2013	2012
	<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	861	844	1,678	1,754
Depreciation of leased property, plant and equipment	—	—	—	—
Amortization of intangible assets	1,031	642	2,076	1,221
Total depreciation and amortization	<u>1,892</u>	<u>1,486</u>	<u>3,754</u>	<u>2,975</u>
Operating lease payments in respect of rented premises	2,542	1,399	5,083	3,051
Research and development costs	1,031	642	2,076	1,221
Listing expenses	—	—	—	1,415
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

6. INCOME TAX EXPENSE

	Three months ended 30 June		Six months ended 30 June	
	2013	2012	2013	2012
	<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	1,607	1,215	2,163	1,963
Deferred income tax	—	—	—	—
	<u>1,607</u>	<u>1,215</u>	<u>2,163</u>	<u>1,963</u>

7. INTERIM DIVIDENDS

The Board resolved to declare the payment of an interim dividend of HK0.9 cent per share for the six months ended 30 June 2013 (2012: HK2.1 cents). The interim dividend will be payable on 30 August 2013 (Friday) to shareholders on the register of members of the Company on 22 August 2013 (Thursday).

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2013 is based on (i) the unaudited consolidated profit attributable to the owners of the Company of approximately HK\$9,820,000 (six months ended 30 June 2012: approximately HK\$6,135,000) and (ii) the weighted average number of 280,000,000 ordinary shares issued during the six months ended 30 June 2013 (2012: weighted average number of approximately 278,000,000 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 2013 and 2012.

9. TRADE AND OTHER RECEIVABLES

	As at 30 June 2013 HK\$'000 (unaudited)	As at 31 December 2012 HK\$'000 (audited)
Trade receivables	35,673	27,452
Other receivables, deposits and prepayments	10,571	8,459
	<hr/>	<hr/>
	46,244	35,911
	<hr/>	<hr/>

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 2013 <i>HK\$'000</i> <i>(unaudited)</i>	As at 31 December 2012 <i>HK\$'000</i> <i>(audited)</i>
0-30 days	25,330	20,870
31-60 days	5,939	6,040
61-90 days	794	412
Over 90 days	3,610	130
	<u>35,673</u>	<u>27,452</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 2013 <i>HK\$'000</i> <i>(unaudited)</i>	As at 31 December 2012 <i>HK\$'000</i> <i>(audited)</i>
Cash and cash equivalents (excluding bank overdrafts)	31,150	40,403
Bank overdrafts	—	—
	<u>31,150</u>	<u>40,403</u>

11. TRADE AND OTHER PAYABLES

	As at 30 June 2013 <i>HK\$'000</i> <i>(unaudited)</i>	As at 31 December 2012 <i>HK\$'000</i> <i>(audited)</i>
Trade payables	3,306	511
Other payables and accruals	13,006	12,641
	<u>16,312</u>	<u>13,152</u>

As at 30 June 2013, the aging analysis of the trade payables based on invoice date is as follows:

	As at 30 June 2013 HK\$'000 (unaudited)	As at 31 December 2012 HK\$'000 (audited)
0-30 days	2,007	270
31-60 days	590	209
61-90 days	203	16
Over 90 days	506	16
	<u>3,306</u>	<u>511</u>

12. SHARE CAPITAL

	Number of ordinary shares	Ordinary shares at HK\$0.01 each HK\$'000
Authorized share capital	5,000,000,000	50,000
As at 31 December 2012 and 30 June 2013	<u>5,000,000,000</u>	<u>50,000</u>
Issued and fully paid up share capital	280,000,000	2,800
As at 31 December 2012 and 30 June 2013	<u>280,000,000</u>	<u>2,800</u>

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 2013 HK\$'000 (unaudited)	As at 31 December 2012 HK\$'000 (audited)
No later than 1 year	7,102	9,223
Later than 1 year and no later than 5 years	5,406	8,228
	<u>12,508</u>	<u>17,451</u>

The Group leases office premises are under operating lease agreements. Lease for properties are for terms ranging from 2 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	
		2013	2012	2013	2012
		<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	Licence fee income	–	(144)	(40)	(214)
	System maintenance income	(343)	–	(640)	–
Epro Career Limited	Insourcing fee	1,674	–	3,222	–
Guangzhou Epro Information Technology Co., Ltd	Licence fee income	–	–	–	(538)
		<u>–</u>	<u>–</u>	<u>–</u>	<u>(538)</u>

Key management personnel compensation

	Three months ended 30 June		Six months ended 30 June	
	2013	2012	2013	2012
	<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>)
Salaries and short-term employee benefits	1,772	1,585	3,482	3,170
Post employment benefits	34	32	68	64
	<u>1,806</u>	<u>1,617</u>	<u>3,550</u>	<u>3,234</u>

15. CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at 30 June 2013.

16. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The unaudited condensed consolidated interim financial information was approved by the Board on 5 August 2013.

17. EVENT AFTER THE REPORTING PERIOD

On 5 July 2013, Elite Depot Holdings Limited (the “Purchaser”), a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement (the “Agreement”) (as supplemented by a supplemental agreement dated 18 July 2013) with Epro Group International Limited (the “Vendor”), pursuant to which the Purchaser agreed to purchase the sale shares of Epro BPO Services Limited (the “Target Company”) at a consideration of HK\$3,100,000 (the “Acquisition”). The Target Company and its subsidiary, Guangzhou EproTech Company Limited# (廣州普廣科技有限公司)(the “WOFE”), are principally engaged in the research, development and selling of electronic components, meters and computer software and consulting services in relation to communication system software and electronic technology. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Group. Further, on 5 July 2013, the WOFE entered into the control agreements (the “Control Agreements”), amongst others, with Guangzhou Junfeng Network Technology Limited# (廣州浚峰網絡技術有限公司)(the “PRC Company”). Upon completion of the Control Agreements, the WOFE will have an effective control of the PRC Company and as such, the Group will, through the WOFE, be able to consolidate the entire financial results of the PRC Company into those of the Group by way of treating the PRC Company as its indirect wholly-owned subsidiary. The PRC Company is a company established in the People’s Republic of China (“PRC”) and is principally engaged in the development of computer network and technical services, call centre and information services.

Please refer to the announcement and supplemental announcement dated 5 July 2013 and 18 July 2013 respectively for details. Capitalised terms used herein shall have the same meaning as defined in the said announcements.

INTERIM DIVIDEND

The Board resolved to declare the payment of an interim dividend of HK0.9 cent per share for the six months ended 30 June 2013 (2012: HK2.1 cents). The interim dividend will be payable on 30 August 2013 (Friday) to shareholders on the register of members of the Company on 22 August 2013 (Thursday).

CLOSURE OF THE REGISTER OF MEMBERS

The register of members will be closed from 20 August 2013 (Tuesday) to 22 August 2013 (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 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, for registration not later than 4:00 pm on 19 August 2013 (Monday).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is continuously 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 and contact service centre facilities management service.

The Group expects factors such as increasing wages and tight labour market will continue to impose pressure on the profit margin of its business in this year. In order to sustain the competitive advantage, the Group continuously allocates resources on staff recruitment, retention and training to enhance the multi-skill capacity and productivity of the contact service staff. At the same time, the Group has insourced staff with relevant skill sets from Epro Career Limited (the “associate company”), in order to further expand the recruiting network and obtain a higher flexibility and better control on headcount resources. Epro Career Limited is a company incorporated in Hong Kong and is owned as to 25% by the Group. The Group has also focused on high profit margin facilities management service and spent approximately HK\$4.3 million from the Listing date to the six months period ended 30 June 2013 under review to set up the Elite Business Centre for exploring new market segments and providing desirable financial contribution to the Group in the coming years. To upkeep the WISE-xb System with the latest technology, the Group has spent approximately HK\$6.7 million on expanding and enhancing the Group’s contact centre system and software from the Listing date to the six months period ended 30 June 2013.

On 5 July 2013, Elite Depot Holdings Limited (the “Purchaser”), a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement (the “Agreement”) (as supplemented by a supplemental agreement dated 18 July 2013) with Epro Group International Limited (the “Vendor”), pursuant to which the Purchaser agreed to purchase the Sale Shares of Epro BPO Services Limited (the “Target Company”) at a consideration of HK\$3,100,000 (the “Acquisition”). The Target Company and its subsidiary, Guangzhou EproTech Company Limited[#] (廣州普廣科技有限公司) (the “WOFE”), are principally engaged in the research, development and selling of electronic components, meters and computer software and consulting services in relation to communication system software and electronic technology. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Group. Further, on 5 July 2013, the WOFE entered into the control agreements (the “Control Agreements”), amongst others, with Guangzhou Junfeng Network Technology Limited[#] (廣州浚峰網絡技術有限公司) (the “PRC Company”). Upon completion of the Control Agreements, the WOFE will have an effective control of the PRC Company and as such, the Group will, through the WOFE, be able to consolidate the entire financial results of the PRC Company into those of the Group by way of treating the PRC Company as its indirect wholly-owned subsidiary. The PRC Company is a company established in the People’s Republic of China (“PRC”) and is principally engaged in the outsourcing call centre services.

In accordance with the provisions of《外商投資產業指導目錄》(2011修訂) (Catalogue of Industries for Guiding Foreign Investment (2011 Revision)[#]) and 《外商投資電信企業管理規定》 (Provisions on the Administration of Foreign-funded Telecommunications Enterprises[#]), foreign companies are not allowed to acquire up to 50% equity interests in the value-added telecommunication enterprise such as the PRC Company. As such, the Control Agreements are designed to provide the Group with effective control over and the right to enjoy the economic benefits in and/or assets of the PRC Company.

Please refer to the announcement and supplemental announcement dated 5 July 2013 and 18 July 2013 respectively for details. Capitalised terms used herein shall have the same meaning as defined in the said announcements.

REASONS FOR THE ACQUISITION

The Group has always been interested in looking for opportunity for the Group to expand its business to the PRC market. The PRC Company is principally engaged in the outsourcing call centre services which has significant synergy with the major business of the Group. Through the Acquisition, the Group will acquire the ability to offer both Hong Kong and PRC outsourcing contact centre services to both Hong Kong as well as PRC corporations, and thus create new opportunities and potential for the business of the Group. Other than synergy in business, resources and expertise in management and operation are also expected to be able to achieve higher efficiency and cost savings to the Group in the long run. As such, the Acquisition greatly improves the competitiveness and strength of the Group in both local and PRC markets.

As the Target Company and its subsidiaries are principally engaged in the provision of technical programming and system development with lower cost of staff in the PRC, the Board believes that the Acquisition can benefit the existing development of the WISE-xb Systems with a synergy effect and lower the cost of the Group for the development and strengthen the Group on its involvement in the development of the WISE-xb Systems in the PRC.

Taking into account the above, the Board believes that the Acquisition will expand and enhance the existing business of the Group in both Hong Kong and PRC.

FINANCIAL REVIEW

For the six months ended 30 June 2013, the Group's unaudited total revenue was approximately HK\$77.2 million, representing a decrease in approximately HK\$7.5 million as compared with the total revenue of the corresponding period in 2012 (2012: approximately HK\$84.7 million). The gross profit of the Group increased from approximately 18.8% for the six months ended 30 June 2012 to approximately 19.8% for the six months ended 30 June 2013. Profit attributable to owners of the Company increased by approximately 60% from approximately HK\$6.1 million for the six months ended 30 June 2012 to approximately HK\$9.8 million for the six months ended 30 June 2013.

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 6%, 42%, 28%, 19% and 5% of the Group's unaudited total revenue for the six months ended 30 June 2013 respectively.

Outsourcing Inbound Contact Service

For the six months ended 30 June 2013, the outsourcing inbound contact service recorded a revenue of approximately HK\$4.4 million, representing a decrease of approximately 15.7% as compared to that of the corresponding period in 2012. The segment result for the six months ended 30 June 2013 was approximately HK\$0.5 million. The gross profit margin for outsourcing inbound contact service increased from approximately 11.2% for the six months ended 30 June 2012 to approximately 11.6% for the six months ended 30 June 2013.

The decrease in revenue of the outsourcing inbound contact service was mainly caused by dropping demand in new inbound contact services outsourced from our clients during the period. The gross profit margin of the outsourcing inbound contact service was maintained at a similar level due to a flexible deployment of part-time and full-time contact service staff.

Outsourcing Outbound Contact Service

For the six months ended 30 June 2013, the outsourcing outbound contact service recorded a revenue of approximately HK\$32.6 million, representing an increase of approximately 7.1% as compared to that of the corresponding period in 2012. The segment result for the six months ended 30 June 2013 was approximately HK\$5.8 million. The gross profit margin for outsourcing outbound contact service increased from approximately 17.1% for the six months ended 30 June 2012 to approximately 17.8% for the six months ended 30 June 2013.

The increase in the outsourcing outbound contact service revenue was mainly due to the increase in call list volume. The slight increase in gross profit margin of outsourcing outbound contact service was mainly attributable to the higher productivity and increased scale of the outbound operation.

Staff Insourcing Service

For the six months ended 30 June 2013, the staff insourcing service segment recorded a revenue of approximately HK\$21.4 million, representing a decrease of approximately 29.6% as compared to that of the corresponding period in 2012. The segment result of staff insourcing service for the six months ended 30 June 2013 was approximately HK\$1.9 million. The gross profit margin for staff insourcing service increased from approximately 8.3% for the six months ended 30 June 2012 to approximately 8.7% for the six months ended 30 June 2013.

The decrease in revenue of the staff insourcing service was due to a net decrease in the number of insourced staff resulted from the conversion arrangement of insourced staff to client staff. The slight increase in gross profit margin of the staff insourcing service was attributable to a higher ratio of contact service staff with higher skill sets.

Contact Service Centre Facilities Management Service

For the six months ended 30 June 2013, the contact service centre facilities management service recorded a revenue of approximately HK\$14.6 million, representing an increase of approximately 2.4% as compared to that of the corresponding period in 2012. The segment result for the six months ended 30 June 2013 was approximately HK\$3.7 million. The gross profit margin for contact service centre facilities management service decreased from approximately 29.5% for the six months ended 30 June 2012 to approximately 25.3% for the six months ended 30 June 2013.

The demand of contact service centre facilities management service was stable during the six months period under review, the decrease in gross profit margin was attributable to the operating expenses of the new business centre.

Others

The “Others” segment which principally comprises licencing, sales of system and software and system maintenance service recorded a revenue of approximately HK\$0.04 million, HK\$3.6 million and HK\$0.6 million respectively for the six months ended 30 June 2013.

The segment results for others largely represents the segment results for sales of system and software which amounted to approximately HK\$3.4 million for the six months ended 30 June 2013.

EXPENSES

The unaudited employee benefits expenses decreased from approximately HK\$61.9 million for the six months ended 30 June 2012 to approximately HK\$46.0 million for the six months ended 30 June 2013. The drop was mainly due to a net decrease in the number of insourced staff.

The Group’s unaudited depreciation and amortization expenses amounted to approximately HK\$3.8 million, representing an increase of approximately 26% as compared with the corresponding period in 2012 (2012: approximately HK\$3.0 million) due to the addition of fixed assets for the new business centre.

The unaudited other operating expenses increased by approximately 31% from approximately HK\$11.8 million for the six months ended 30 June 2012 to approximately HK\$15.4 million for the six months ended 30 June 2013. The increase of other operating expenses was mainly attributed to the increase of rental expenses and the insourcing fee for contact service staff from the associate company.

The Group's unaudited finance costs for the six months ended 30 June 2013 amounted to approximately HK\$0.3 million, representing an increase of approximately 56% as compared with the corresponding period in 2012 (2012: approximately HK\$0.2 million) due to an increase in bank borrowings.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company increased by approximately 60% from approximately HK\$6.1 million for the six months ended 30 June 2012 to approximately HK\$9.8 million for the six months ended 30 June 2013. The increase of profit is mainly attributed to the improvement of the segment results for sales of system and software and the decrease of employee benefits expenses.

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 the review, the Group financed our operations with internally generated cash flows and banking facilities provided by the banks. As at 30 June 2013, the Group had net current assets of approximately HK\$64.5 million (as at 31 December 2012: approximately HK\$62.1 million) including cash and bank balances of approximately HK\$31.1 million (as at 31 December 2012: approximately HK\$40.4 million). The decrease in cash and bank balances as at 30 June 2013 was mainly attributable to an increase in trade receivables and purchase of fixed assets for our new business centre.

As at 30 June 2013, the Group's current ratio (current assets/current liabilities) and gearing ratio (total debts/total assets) were 3.27 (as at 31 December 2012: 3.26) and 23.46% (as at 31 December 2012: 25.58%) respectively.

COMPARISON BETWEEN BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the prospectus of the Company dated 30 December 2011 (the “Prospectus”) with the Group’s actual business progress for the six months period ended 30 June 2013 is set out below:

Business objectives for the six months ended 30 June 2013 as stated in the Prospectus

Setting up new contact service centres for capturing the demand from different market segments and more industry sectors

Expanding and enhancing our contact centre system and software

Enhancing capabilities of existing contact service centre facilities

Actual business progress up to 30 June 2013

- Approximately HK\$4.3 million of the net proceeds from the placing for listing in January 2012 (“Shares Placing”) was used to set up the new Elite Business Centre, which was completed at the end of February 2013. This new business centre is targeted to capture new market segments and expected to contribute desirable profit margin to the Group.
- Actual application is lower than the planned use of proceeds from the Shares Placing. The Board will regularly evaluate the Group’s business objectives and consider the market conditions and may change or modify the business plans.
- Approximately HK\$6.7 million was invested to expand and enhance the WISE-xb System on functions and features relating to predictive dialing, social media features, workforce management and call centre analytical tool.
- Approximately HK\$0.9 million was mainly used to improve the physical environment of the existing contact centres.
- The Board planned to further upgrade the existing system equipment to maintain the competitiveness of our services in the market and to continuously enhance the contact centre facilities and environment to attract more business.

USE OF PROCEEDS

The business objectives and planned use of proceeds from the Shares Placing as stated in the Prospectus were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied in accordance with the actual development of the market. During the period from the Listing Date to 30 June 2013, the net proceeds from the Shares Placing had been applied as follows:

	Total use of proceeds (HK\$ million)	Planned use of proceeds as stated in the Prospectus from the Listing Date to 30 June 2013 (HK\$ million)	Actual use of proceeds from the Listing Date to 30 June 2013 (HK\$ million)	Remaining proceeds for future use (HK\$ million)
Setting up new contact service centres for capturing the demand from different market segments and more industry sectors	14.0	14.0	4.3	9.7
Expanding and enhancing our contact centre system and software	7.5	6.7	6.7	0.8
Enhancing capabilities of existing contact service centre facilities	4.0	3.0	0.9	3.1
Using as general working capital of our Group	1.5	1.5	1.5	—
Total:	<u>27.0</u>	<u>25.2</u>	<u>13.4</u>	<u>13.6</u>

Actual application of the net proceeds from the Shares Placing was lower as compared to the planned application because the setting up of new contact service centres was deferred. The Directors intend to revisit the business objectives stated in the Prospectus for the period from the Listing Date to 30 June 2013 in the second half of 2013. The Directors will regularly evaluate the Group's business objectives and may change or modify plans after taking into account the changing market conditions.

Any net proceeds that will not be applied immediately have been temporarily deposited with banks in Hong Kong as at the date of this announcement.

PLEDGE OF ASSETS

As at 30 June 2013, the Group had pledged its bank deposits of approximately HK\$4.8 million (as at 31 December 2012: approximately HK\$9.8 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 2013, 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 2013. The Group also did not have any capital commitment as at 30 June 2013.

NUMBER AND REMUNERATION OF EMPLOYEE

The Group employed over 760 employees as at 30 June 2013 (as at 30 June 2012: 936 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 2013.

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 2013.

SHARE OPTION SCHEME

During the six months ended 30 June 2013, 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 2013 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 2013, 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 2013.

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 June 2013 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 has only received a fee for acting as the Company's compliance adviser until its termination.

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 2013, 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 2013
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 2013, 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 2013, 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 2013
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 June 2013, 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 2013 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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company for the six months ended 30 June 2013.

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

Hong Kong, 5 August 2013

The English transliteration of the Chinese names in this announcement, where indicated, is included for information only, and should not be regarded as the official English names of such Chinese names.

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) and Mr. Phung Nhuong Giang; 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.