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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 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 six months ended 30 June 2012 was approximately HK\$84,650,000, representing a decrease of approximately 5% as compared to that of approximately HK\$89,396,000 for the corresponding period in 2011.

Profit attributable to owners of the Company for the six months ended 30 June 2012 was approximately HK\$6,135,000, representing a decrease of approximately 25% as compared to that of approximately HK\$8,142,000 for the corresponding period in 2011.

Earnings per share for the six months ended 30 June 2012 was HK2.2 cents (six months ended 30 June 2011: HK3.9 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 2012 together with the comparative figures for the corresponding periods ended 30 June 2011, as follows:–

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2012

		Three months ended 30 June		Six months ended 30 June	
	Notes	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)	2011 HK\$'000 (audited)
Revenue	3	41,792	49,125	84,650	89,396
Other income		218	100	261	171
Other gains/(losses)-net		6	(2)	49	33
Employee benefits expenses	4	(29,787)	(35,544)	(61,903)	(65,793)
Depreciation and amortization		(1,486)	(1,445)	(2,975)	(2,916)
Other operating expenses		(5,428)	(5,176)	(11,780)	(10,158)
Operating profit		5,315	7,058	8,302	10,733
Finance costs		(64)	(361)	(204)	(730)
Profit before income tax	5	5,251	6,697	8,098	10,003
Income tax expense	6	(1,215)	(1,120)	(1,963)	(1,861)
Profit for the period		4,036	5,577	6,135	8,142
Other comprehensive income for the period, net of tax		–	–	–	–
Total comprehensive income for the period		4,036	5,577	6,135	8,142
Profit attributable to owners of the Company		4,036	5,577	6,135	8,142
Total comprehensive income attributable to owners of the Company		4,036	5,577	6,135	8,142
Earnings per share-Basic and diluted (HK cents)	8	1.4	2.7	2.2	3.9

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2012

		As at 30 June 2012 HK\$'000 (unaudited)	As at 31 December 2011 HK\$'000 (audited)
	Notes		
Non-current assets			
Property, plant and equipment		6,908	8,078
Intangible assets		3,744	3,598
		10,652	11,676
Current assets			
Trade and other receivables	9	36,557	46,694
Financial assets designated as at fair value through profit or loss		3,219	3,203
Amounts due from related companies		265	768
Pledged bank deposits		1,757	3,577
Cash and bank balances	10	31,307	3,221
		73,105	57,463
Current liabilities			
Trade and other payables	11	10,863	10,062
Borrowings		958	16,609
Income tax payable		3,199	1,874
		15,020	28,545
Net current assets		58,085	28,918
Total assets less current liabilities		68,737	40,594
Non-current liabilities			
Borrowings		—	150
Deferred income tax liabilities		297	297
		297	447
Net assets		68,440	40,147
Capital and reserves			
Share capital	12	2,800	—
Reserves		65,640	40,147
Total equity		68,440	40,147

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2012

	Attributable to owners of the Company				
	Share capital	Share premium	Merger reserve	Retained profits	Total equity
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 1 January 2011					
(audited)	20,534	5,090	—	11,796	37,420
Total other comprehensive income for the period	—	—	—	—	—
Profit for the period	—	—	—	8,142	8,142
Total comprehensive income for the period	—	—	—	8,142	8,142
Balance at 30 June 2011					
(audited)	20,534	5,090	—	19,938	45,562
Balance at 1 January 2012					
(unaudited)	—	—	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 of shares	2,100	(2,100)	—	—	—
Issue of new shares to public	700	41,300	—	—	42,000
Issue costs of new shares	—	(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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Net cash generated from/(used in) operating activities	21,852	(1,237)
Net cash used in investing activities	(123)	(2,311)
Net cash generated from/(used in) financing activities	6,357	(5,609)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts	28,086	(9,157)
Cash, cash equivalents and bank overdrafts at beginning of the period	3,221	26,276
Cash, cash equivalents and bank overdrafts at end of the period	31,307	17,119

NOTES TO THE FINANCIAL INFORMATION

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 condensed unaudited consolidated interim financial information has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 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 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 Hong Kong Financial Reporting Standards (“HKFRSs”). For those which are effective for accounting periods beginning on 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. 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 licence fee and sales of system and software.

The segment information provided to the Board for the reportable segments for the six months ended 30 June 2012 and 2011 are as follows:

For the six months ended 30 June 2012

	Outsourcing inbound contact service HK\$'000 (unaudited)	Outsourcing outbound contact service HK\$'000 (unaudited)	Staff insourcing service HK\$'000 (unaudited)	Contact service centre facilities management service HK\$'000 (unaudited)	Others HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
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

For the six months ended 30 June 2011

	Outsourcing inbound contact service HK\$'000 (audited)	Outsourcing outbound contact service HK\$'000 (audited)	Staff insourcing service HK\$'000 (audited)	Contact service centre facilities management service HK\$'000 (audited)	Others HK\$'000 (audited)	Total HK\$'000 (audited)
Segment revenue	4,010	31,794	41,227	12,365	–	89,396
Segment results	210	6,499	4,670	3,377	–	14,756
Depreciation and amortization	505	882	–	1,462	–	2,849
Total segment assets	1,135	14,281	8,414	7,823	905	32,558
Total segment assets includes: Additions to non-current assets (other than financial instruments)	195	584	–	991	–	1,770
Total segment liabilities	437	4,410	1,834	188	–	6,869

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

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Segment result for reportable segments	12,514	14,756
Other segments result	3,397	–
Total segments	15,911	14,756
Other income	261	171
Other gains – net	49	33
Depreciation and amortization	(112)	(67)
Finance costs	(204)	(730)
Corporate and other unallocated expenses	(7,807)	(4,160)
Profit before income tax	8,098	10,003

4. EMPLOYEE BENEFITS EXPENSES

	Three months ended 30 June		Six months ended 30 June	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(audited)
Salaries and allowances	29,265	34,481	60,523	63,780
Pension costs-defined contribution plans	1,318	1,704	2,747	3,272
Total employee benefits expenses, including directors' remuneration	30,583	36,185	63,270	67,052
Less: Amounts capitalized in deferred development costs	(796)	(641)	(1,367)	(1,259)
	29,787	35,544	61,903	65,793

5. PROFIT BEFORE INCOME TAX

	Three months ended 30 June		Six months ended 30 June	
	2012	2011	2012	2011
	<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>(audited)</i>
Profit before income tax is stated after charging:				
Depreciation of owned property, plant and equipment	844	824	1,754	1,347
Depreciation of leased property, plant and equipment	–	72	–	477
Amortization of intangible assets	642	549	1,221	1,092
	<hr/>	<hr/>	<hr/>	<hr/>
Total depreciation and amortization	1,486	1,445	2,975	2,916
	<hr/>	<hr/>	<hr/>	<hr/>
Operating lease payments in respect of rented premises	1,399	1,331	3,051	2,850
Research and development costs	642	549	1,221	1,092
Listing expenses	–	–	1,415	–
	<hr/>	<hr/>	<hr/>	<hr/>

6. INCOME TAX EXPENSE

	Three months ended 30 June		Six months ended 30 June	
	2012	2011	2012	2011
	<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>(audited)</i>
Current income tax	1,215	940	1,963	1,681
Deferred income tax	–	180	–	180
	<hr/>	<hr/>	<hr/>	<hr/>
	1,215	1,120	1,963	1,861
	<hr/>	<hr/>	<hr/>	<hr/>

7. INTERIM DIVIDENDS

Six months ended 30 June	
2012	2011
<i>HK\$'000</i>	<i>HK\$'000</i>
<i>(unaudited)</i>	<i>(audited)</i>

Interim dividend declared and paid – HK2.1 cents
(2011: Nil) per ordinary share

5,880	–
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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 a second interim dividend for the six months ended 30 June 2012 (2011: nil).

8. EARNINGS PER SHARE

The basic earnings per share for the six months ended 30 June 2012 is calculated based on the unaudited consolidated profit attributable to the owners of the Company of approximately HK\$6,135,000 (six months ended 30 June 2011: approximately HK\$8,142,000) and the weighted average of approximately 278,000,000 ordinary shares in issue during the period (six months ended 30 June 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 six months ended 30 June 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 six months ended 30 June 2012 and 2011.

9. TRADE AND OTHER RECEIVABLES

As at 30 June	As at 31 December
2012	2011
<i>HK\$'000</i>	<i>HK\$'000</i>
<i>(unaudited)</i>	<i>(audited)</i>

Trade receivables	33,314	37,049
Other receivables, deposits and prepayments	3,243	9,645
	36,557	46,694

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 2012 <i>HK\$'000</i> <i>(unaudited)</i>	As at 31 December 2011 <i>HK\$'000</i> <i>(audited)</i>
0 – 30 days	27,866	27,597
31 – 60 days	4,345	7,544
61 – 90 days	457	1,410
Over 90 days	646	498
	<u>33,314</u>	<u>37,049</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 2012 <i>HK\$'000</i> <i>(unaudited)</i>	As at 31 December 2011 <i>HK\$'000</i> <i>(audited)</i>
Cash and bank balances	31,307	3,221
Bank overdrafts	–	(1,481)
	<u>31,307</u>	<u>1,740</u>

11. TRADE AND OTHER PAYABLES

	As at 30 June 2012 <i>HK\$'000</i> <i>(unaudited)</i>	As at 31 December 2011 <i>HK\$'000</i> <i>(audited)</i>
Trade payables	987	488
Other payables and prepayments	9,876	9,574
	<u>10,863</u>	<u>10,062</u>

At 30 June 2012, the aging analysis of the trade payables based on invoice date is as follows:

	As at 30 June 2012 HK\$'000 (unaudited)	As at 31 December 2011 HK\$'000 (audited)
0 – 30 days	751	291
31 – 60 days	202	163
61 – 90 days	34	17
Over 90 days	–	17
	<u>987</u>	<u>488</u>

12. SHARE CAPITAL

	<i>Notes</i>	Number of ordinary shares	Ordinary shares at HK\$0.01 each HK\$'000
Authorized:			
On 29 June 2011 (date of incorporation)		38,000,000	380
Increase in authorized share capital	(a)	<u>4,962,000,000</u>	<u>49,620</u>
As at 31 December 2011 and 30 June 2012		<u>5,000,000,000</u>	<u>50,000</u>
Issued and fully paid:			
On 29 June 2011 (date of incorporation)	(b)	1	–
Issuance of share pursuant to the Corporate Reorganization	(c)	<u>1</u>	<u>–</u>
As at 31 December 2011		<u>2</u>	<u>–</u>
Capitalization issue credited as fully paid on the share premium account of the Company	(d)	209,999,998	2,100
Issuance of new shares by way of placing	(e)	<u>70,000,000</u>	<u>700</u>
As at 30 June 2012		<u>280,000,000</u>	<u>2,800</u>

Notes:

- (a) The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 29 June 2011 with an initial authorized share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each and one share was issued thereafter. Pursuant to resolutions in writing of the sole shareholder passed on 13 December 2011, the Company increased its authorized share capital from HK\$380,000 to HK\$50,000,000 by the creation of an additional of 4,962,000,000 ordinary shares of HK\$0.01 each, each ranking pari passu with the shares then in issue in all respects.

- (b) On 29 June 2011, one share was allotted and issued at par to Codan Trust Company (Cayman) Limited as the initial subscriber, which was then transferred by Codan Trust Company (Cayman) Limited to Epro Group International Limited on the same date.
- (c) Pursuant to the Corporate Reorganization, on 13 December 2011, Epro Group International Limited transferred the entire issued ordinary share capital in Eastside Fortune Limited to the Company in consideration of the Company allotting and issuing one share, credit as fully paid up to Epro Group International Limited, so that Eastside Fortune Limited became wholly owned by the Company.
- (d) On 9 January 2012, pursuant to resolutions passed by the sole shareholder of the Company, the Company issued 209,999,998 ordinary shares to the then shareholders upon capitalization of an amount of HK\$2,099,999.98 standing to the credit of the share premium account of the Company. Pursuant to resolutions passed by the Board of Directors on 21 December 2011, the capitalization shares was credited as fully paid at par by way of capitalization out of the share premium account of the Company.
- (e) On 9 January 2012, the Company completed its placing by issuing 70,000,000 ordinary shares of HK\$0.01 each at a price of HK\$0.60 per ordinary share. The Company's shares were listed on the GEM on the same date.

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 2012 <i>HK\$'000</i> <i>(unaudited)</i>	As at 31 December 2011 <i>HK\$'000</i> <i>(audited)</i>
No later than 1 year	8,111	5,851
Later than 1 year and no later than 5 years	9,048	5,412
	<u>17,159</u>	<u>11,263</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	
		2012	2011	2012	2011
		<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>(audited)</i>
Epro Techsoft Limited	Purchase of software system	–	274	–	274
	Management fee income	–	(96)	–	(164)
	Licence fee income	(144)	–	(214)	–
Guangzhou Epro Information Technology Co., Ltd	Licence fee income	–	–	(538)	–

Key management personnel compensation

	Three months ended 30 June		Six months ended 30 June	
	2012	2011	2012	2011
	<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>(audited)</i>
Salaries and short-term employee benefits	1,585	1,828	3,170	2,872
Post employment benefits	32	24	64	48
	1,617	1,852	3,234	2,920

15. CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at 30 June 2012.

16. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The unaudited condensed consolidated interim financial information was approved by the Board on 6 August 2012.

INTERIM DIVIDEND

At a Board meeting of the Company 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 a second interim dividend for the six months ended 30 June 2012 (2011: nil).

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 is facing intense challenges from increasing labour cost, rental expenses and competition from our competitors. Increasing wages reduced the clients' incentive to outsource their services; as a result, the demand of the Group's services decreased particularly the staff insourcing service.

In order to increase the competitive advantage, the Group is continuously focusing on staff recruitment, retention, training and productivity gains, enhancing the existing contact centre facilities and developing new function of contact centre. During the six months under review, the Group had spent approximately HK\$1.5 million on expanding and enhancing the Group's contact centre and software and approximately HK\$0.4 million for enhancing the existing contact centre facilities.

FINANCIAL REVIEW

For the six months ended 30 June 2012, the Group's unaudited total revenue was approximately HK\$84.7 million, representing a decrease in approximately HK\$4.7 million as compared to that of the corresponding period in 2011 (2011: approximately HK\$89.4 million). The gross profit of the Group increased from approximately 16.5% for the six months ended 30 June 2011 to approximately 18.8% for the six months ended 30 June 2012. Profit attributable to owners of the Company decreased by approximately 24.6% from approximately HK\$8.1 million for the six months ended 30 June 2011 to approximately HK\$6.1 million for the six months ended 30 June 2012.

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%, 36%, 36%, 17% and 5% of the Group's unaudited total revenue for the six months ended 30 June 2012 respectively.

Outsourcing Inbound Contact Service

For the six months ended 30 June 2012, the outsourcing inbound contact service recorded a revenue of approximately HK\$5.2 million representing an increase of approximately 28.7% as compared to that of the corresponding period in 2011. The segment result for the six months ended 30 June 2012 was approximately HK\$0.6 million. The gross profit margin for outsourcing inbound contact service increased from approximately 5.2% for the six months ended 30 June 2011 to approximately 11.2% for the six months ended 30 June 2012.

The increase in revenue of the outsourcing inbound contact service was mainly contributed by strong demand in new inbound contact services outsourced from our clients during the period. The expanded inbound operation scale helped to improve the operation efficiency which resulted in an increase in the gross profit margin of the outsourcing inbound contact service.

Outsourcing Outbound Contact Service

For the six months ended 30 June 2012, the outsourcing outbound contact service recorded a revenue of approximately HK\$30.4 million representing a decrease of approximately 4.2% as compared to that of the corresponding period in 2011. The segment result for the six months ended 30 June 2012 was approximately HK\$5.2 million. The gross profit margin for outsourcing outbound contact service decreased from approximately 20.4% for the six months ended 30 June 2011 to approximately 17.1% for the six months ended 30 June 2012.

The decrease in the outsourcing outbound contact service revenue was mainly due to the decrease in clients' order. The decrease in gross profit margin of outsourcing outbound contact service was mainly attributable to the decrease in clients' order and the increased staff costs.

Staff Insourcing Service

For the six months ended 30 June 2012, the staff insourcing service segment recorded a revenue of approximately HK\$30.5 million representing a decrease of approximately 26.1% as compared to that of the corresponding period in 2011. The segment result of staff insourcing service for the six months ended 30 June 2012 was approximately HK\$2.5 million. The gross profit margin for outsourcing outbound contact service decreased from approximately 11.3% for the six months ended 30 June 2011 to approximately 8.3% for the six months ended 30 June 2012.

The decrease in revenue and gross profit margin 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.

Contact Service Centre Facilities Management Service

For the six months ended 30 June 2012, the contact service centre facilities management service recorded a revenue of approximately HK\$14.3 million representing an increase of approximately 15.2% as compared to that of the corresponding period in 2011. The segment result for the six months ended 30 June 2012 was approximately HK\$4.2 million. The gross profit margin for contact service centre facilities management service increased from approximately 27.3% for the six months ended 30 June 2011 to approximately 29.5% for the six months ended 30 June 2012.

The Group has continued to provide solid infrastructure and professional support for our client's contact service centre operation established at our contact centre premises since year 2011. The increase in revenue of the contact service centre facilities management service was mainly due to the continual growth in the subscription of workstation from our clients.

Others

The "Others" segment which principally comprises licence fee and sales of system and software. For the six months ended 30 June 2012, licence fee income recorded a revenue of approximately HK\$0.5 million and recorded a revenue of sales of system and software amounted to approximately HK\$3.8 million.

The segment results for others represents the segment results for sales of system and software which amounted to approximately HK\$2.9 million for the six months ended 30 June 2012, and the licence fee income which amounted to approximately HK\$0.5 million for the six months ended 30 June 2012.

EXPENSES

The unaudited employee benefits expenses decreased from approximately HK\$65.8 million for the six months ended 30 June 2011 to approximately HK\$61.9 million for the six months ended 30 June 2012.

The Group's unaudited depreciation and amortisation expenses amounted to approximately HK\$3.0 million which is similar to the corresponding period in 2011 (2011: approximately HK\$2.9 million).

The unaudited other operating expenses increased by approximately 16% from approximately HK\$10.2 million for the six months ended 30 June 2011 to approximately HK\$11.8 million for the six months ended 30 June 2012. The increase of other operating expenses was mainly attributed to the listing expenses and increase of rental expenses.

The Group's unaudited finance costs for the six months ended 30 June 2012 amounted to approximately HK\$0.2 million, representing a decrease of approximately 72% as compared with the corresponding period in 2011 (2011: approximately HK\$0.7 million) due to a decrease in bank borrowings.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company decreased by approximately 24.6% from approximately HK\$8.1 million for the six months ended 30 June 2011 to approximately HK\$6.1 million for the six months ended 30 June 2012. The decrease of profit is mainly attributed to the decrease of the staff insourcing services and increase of other operating expenses.

CAPITAL STRUCTURE

The Company raised approximately HK\$27.0 million of net proceeds through the initial placing of the shares of HK\$0.01 each at the placing price of HK\$0.60 each on 9 January 2012, the shares of the Company were listed on the GEM of the Stock Exchange on 9 January 2012. There has been no material change in the capital structure of the Company since that 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 2012, the Group had net current assets of approximately HK\$58.1 million (as at 31 December 2011: approximately HK\$28.9 million) including cash and bank balances of approximately HK\$31.3 million (as at 31 December 2011: approximately HK\$3.2 million). The significant increase in cash and bank balances as at 30 June 2012 was mainly attributable to the receipt of net proceeds of the Shares Placing, as defined in the prospectus of the Company dated 30 December 2011 (the “Prospectus”), amounted to approximately HK\$27.0 million on 9 January 2012.

As at 30 June 2012, the Group’s current ratio (current assets/current liabilities) and gearing ratio (total debts/total assets) were 4.87 (as at 31 December 2011: 2.01) and 1% (as at 31 December 2011: 24%) respectively.

COMPARISON BETWEEN BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

As analysis comparing the business objectives as set out in the Prospectus with the Group’s actual business progress for the period from 9 January 2012 (the “Listing Date”) to 30 June 2012 is set out below:

Business objectives for the six months ended

30 June 2012 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 2012

- Due to uncertainty of economic environment and increasing rent in Hong Kong, the Group did not find suitable workstation as at 30 June 2012, the new establishment of business centres was therefore deferred. The Group is carefully selecting favorable sites, so it is expected to revisit the plan strategy in the second half of this year.
- The Group effectively enhanced WISE monitoring system, sound player enhancement and the back up system.
- The Group enhanced the facilities of two existing contact services centres.

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 2012, 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 during the six months ended 30 June 2012 (HK\$ million)	Actual use of proceeds during the six months ended 30 June 2012 (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	7.0	—	14.0
Expanding and enhancing our contact centre system and software	7.5	2.3	1.5	6.0
Enhancing capabilities of existing contact service centre facilities	4.0	1.0	0.4	3.6
Use as general working capital of our Group	1.5	1.5	1.5	—
Total:	27.0	11.8	3.4	23.6

Actual application of the net proceeds from the Shares Placing was lower compared to the planned application as setting up 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 2012 in the second half of 2012. 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 2012, the Group had pledged its bank deposits of approximately HK\$1.8 million (as at 31 December 2011: approximately HK\$3.6 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, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save for those disclosed in this announcement, there were no significant investments held as at 30 June 2012, nor were there material acquisitions and disposals of subsidiaries during the year. There is no plan for material investments or capital assets as at the date of this announcement.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

The Group did not have any contingent liabilities as at 30 June 2012. The Group also did not have any capital commitment as at 30 June 2012.

NUMBER AND REMUNERATION OF EMPLOYEE

As at 30 June 2012, the Group had 936 employees (as at 31 December 2011: 1,116 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 the Code of Corporate Practices (taking effect before 1 April 2012) and the Corporate Governance Code (“CG Code”) (taking effect from 1 April 2012) as contained in Appendix 15 to the GEM Listing Rules throughout the six months period ended 30 June 2012 since the Listing Date and up to the date hereof.

The Directors acknowledged their responsibility for preparing the interim financial statements for the six months ended 30 June 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 June 2012.

SHARE OPTION SCHEME

During the six months ended 30 June 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 six months ended 30 June 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 June 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 June 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 June 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 (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 June 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 June 2012
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 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 June 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 June 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 June 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 Company established an audit committee (the “Audit Committee”) on 21 December 2011 with written terms of reference (which were revised on 19 March 2012) in compliance with the GEM Listing Rules and the CG Code. The members of the Audit Committee comprise Mr. Ngan Chi Keung, Mr. Wong Sik Kei and Mr. Phung Nhuong Giang, all of whom are independent non-executive directors. The chairman of the Audit Committee is Mr. Ngan Chi Keung. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and removal of the external auditors, review the annual, half-year and quarterly financial statements and related materials and provide advice in respect of the financial reporting process and oversee the internal control procedures of the Group.

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 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 June 2012.

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

Hong Kong, 6 August 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.