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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)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "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 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 Exchanges (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors of the Company, 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 HIGHLIGHTS

The Group's revenue was approximately HK$195,762,000 representing an increase of approximately 2% as compared to that of approximately HK$191,147,000 in 2010.

Profit attributable to owners of the Company was approximately HK$19,227,000 representing an increase of approximately 40% as compared to that of approximately HK$13,754,000 in 2010.

Earnings per share was HK9.2 cents as compared with earnings per shares of HK6.5 cents in 2010.

The board of Directors (the "Board") is pleased to present the audited consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2011 together with comparative figures for 2010, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Notes	**2011**	2010
		HK$'000	*HK'000*
Revenue	*3*	**195,762**	191,147
Other income	*4*	**436**	271
Other gains-net	*5*	**4**	1,318
Employee benefits expenses	*6*	**(144,581)**	(148,735)
Depreciation and amortization		**(5,753)**	(5,662)
Other operating expenses		**(21,436)**	(20,394)
Operating profit		**24,432**	17,945
Finance costs	*7*	**(1,433)**	(1,628)
Profit before income tax	*8*	**22,999**	16,317
Income tax expense	*9*	**(3,772)**	(2,563)
Profit for the year		**19,227**	13,754
Other comprehensive income			
Net gains arising from revaluation of available-for-sale financial assets		–	22
Reclassification adjustments relating to available-for-sale financial assets disposed of during the year		–	(352)
Other comprehensive expenses for the year, net of tax		–	(330)
Total comprehensive income for the year		**19,227**	13,424
Profit attributable to owners of the Company		**19,227**	13,754
Total comprehensive income attributable to owners of the Company		**19,227**	13,424
Earnings per share-Basic and diluted (HK cents)	*10*	**9.2**	6.5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	**2011**	2010
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment		**8,078**	7,298
Intangible assets		**3,598**	3,290
Available-for-sale financial assets		**–**	–
		11,676	10,588
Current assets			
Trade and other receivables	*12*	**46,694**	33,276
Financial assets designated as at fair value through profit or loss		**3,203**	3,199
Amounts due from related companies		**768**	2,028
Pledged bank deposits		**3,577**	3,567
Cash and bank balances		**3,221**	26,633
		57,463	68,703
Current liabilities			
Trade and other payables	*13*	**10,062**	20,979
Borrowings		**16,609**	19,953
Income tax payable		**1,874**	658
		28,545	41,590
Net current assets		**28,918**	27,113
Total assets less current liabilities		**40,594**	37,701
Non-current liabilities			
Borrowings		**150**	228
Deferred income tax liabilities		**297**	53
		447	281
Net assets		**40,147**	37,420
Capital and reserves			
Share capital	*14*	**–**	20,534
Reserves	*15*	**40,147**	16,886
Total equity		**40,147**	37,420

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Attributable to owners of the Company					
	Share capital *HK$'000*	Share premium *HK$'000*	Merger reserve *HK$'000*	Available-for-sale investments revaluation reserve *HK$'000*	Retained profits *HK$'000*	Total equity *HK$'000*
Balance at 1 January 2010	20,534	5,090	–	330	17,042	42,996
Net gains arising from revaluation of available-for-sale financial assets	–	–	–	22	–	22
Reclassification adjustments relating to available-for-sale financial assets disposed of during the year	–	–	–	(352)	–	(352)
Total other comprehensive expenses for the year	–	–	–	(330)	–	(330)
Profit for the year	–	–		–	13,754	13,754
Total comprehensive income for the year	–	–	–	(330)	13,754	13,424
Interim dividends paid	–	–	–	–	(19,000)	(19,000)
Balance at 31 December 2010 and 1 January 2011	**20,534**	**5,090**	**–**	**–**	**11,796**	**37,420**
Total other comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**
Profit for the year	**–**	**–**	**–**	**–**	**19,227**	**19,227**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**19,227**	**19,227**
Corporate Reorganization	**(20,534)**	**(5,090)**	**25,624**	**–**	**–**	**–**
Interim dividends paid	**–**	**–**	**–**	**–**	**(16,500)**	**(16,500)**
Balance at 31 December 2011	**–**	**–**	**25,624**	**–**	**14,523**	**40,147**

The reserve accounts comprise the consolidated reserves of HK$40,147,000 (2010: HK$16,886,000) in the consolidated statement of financial position.

1. GENERAL INFORMATION OF THE GROUP AND REORGANIZATION

ETS Group Limited (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 and its shares have been listed on the Growth Enterprises Market of The Stock Exchange of Hong Kong Limited (the "GEM") with effect from 9 January 2012. Its parent and ultimate holding company is Excel Deal Holdings Limited, a company incorporated in the British Virgin Islands and owned as to 47% by Mr. Wong Wai Hon Telly ("Mr. Wong"), 46% by Mr. Ling Chiu Yum ("Mr. Ling"), 5% by Ms. Chang Men Yee Carol ("Ms. Chang") and 2% by Ms. Ting Yee Mei ("Ms. Ting").

The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of the Company's principal place of business in Hong Kong is Room 601-603, New Bright Building, 11 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong. The Company is an investment holding company. The Company and its subsidiaries (collectively referred as to the "Group") are principally engaged in providing comprehensive multi-media contact services and contact centre system in Hong Kong.

Pursuant to the resolution passed by the sole shareholder on 13 July 2011, the name of the Company has been changed from Epro Telecom Services Group Ltd. to Epro Telecom Services Group Limited 易寶通訊服務集團有限公司 with effect from 13 July 2011. Pursuant to the resolution passed by the sole shareholder on 24 November 2011, the name of the Company has been further changed from Epro Telecom Services Group Limited 易寶通訊服務集團有限公司 to ETS Group Limited 易通訊集團有限公司 with effect from 24 November 2011.

Prior to the corporate reorganization undertaken in preparation for the listing of the Company's shares on the GEM (the "Corporate Reorganization"), the Group entities were under the control of Mr. Wong, Mr. Ling, Ms. Chang and Ms. Ting. Through the Corporate Reorganization, the Company became the holding company of the companies now comprising the Group on 13 December 2011. Accordingly, for the purpose of the preparation of the consolidated financial statements of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the years presented. The Group comprising the Company and its subsidiaries resulting from the Corporate Reorganization is regarded as a continuing entity. The Group was under the control of Mr. Wong, Mr. Ling, Ms. Chang and Ms. Ting prior to and after the Corporate Reorganization.

The consolidated financial statements have been prepared as if the Company had been the holding company of the Group throughout the years presented in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years presented, which include the results, changes in equity and cash flows of the companies now comprising the Group, have been prepared as if the current group structure had been in existence throughout the years presented, or since their respective dates of incorporation where this is a shorter period. The consolidated statement of financial position as at 31 December 2010 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at that date.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company. The choice of presentation currency is to better reflect the currency that mainly determines the economic effects of transactions, events and conditions of the Group.

2. BASIS OF PREPARATION

The consolidated financial statements has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention, except as otherwise stated in the accounting policies below.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

For the purpose of preparing and presenting the financial statements for the year, the Group has consistently adopted HKFRS, Hong Kong Accounting Standards ("HKAS"), amendments and interpretations issued by HKICPA, which are effective for financial periods beginning on or after 1 January 2011.

The Group has not early applied the following new and revised standards, or amendments, that have been issued but are not yet effective, in the consolidated financial statements:

HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 7 (Amendment)	Disclosures – Transfer of Financial Assets[1]
HKFRS 7 (Amendment)	Disclosures – Offsetting Financial Assets and Financial Liabilities[4]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 1 (Amendment)	Presentation of Items of Other Comprehensive Income[3]
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (2011)	Employee Benefits[4]
HKAS 27 (2011)	Separate Financial Statements[4]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[4]
HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]

[1] *Effective for annual periods beginning on or after 1 July 2011*
[2] *Effective for annual periods beginning on or after 1 January 2012*
[3] *Effective for annual periods beginning on or after 1 July 2012*
[4] *Effective for annual periods beginning on or after 1 January 2013*
[5] *Effective for annual periods beginning on or after 1 January 2014*
[6] *Effective for annual periods beginning on or after 1 January 2015*

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors anticipate that the application of the amendments to HKFRS 7 will affect the Group's disclosures regarding transfers of financial assets in the future.

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognized financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK (SIC)-Int 12 Consolidation-Special Purpose Entities. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. The application of HKFRS 10 may result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated (e.g. the Group's investment in associates may become the Group's subsidiaries based on the new definition of control and the related guidance in HKFRS 10). However, the directors have not yet performed a detailed analysis of the impact of the application of these standards and hence have not yet quantified the extent of the impact.

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The directors of the Company anticipate that the application of the other new and revised standards, or amendments will have no material effect on how the results and financial position of the Group are prepared and presented.

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.

The segment information provided to the board of directors for the reportable segments for the years ended 31 December 2010 and 2011 are as follows:

For the year ended 31 December 2011

	Outsourcing inbound contact service *HK$'000*	Outsourcing outbound contact service *HK$'000*	Staff insourcing service *HK$'000*	Contact service centre facilities management service *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenue	**9,804**	**73,570**	**84,600**	**26,603**	**1,185**	**195,762**
Segment results	**1,088**	**18,643**	**10,765**	**7,000**	**790**	**38,286**
Depreciation and amortization	**551**	**1,313**	**–**	**2,372**	**–**	**4,236**
Total segment assets	**3,085**	**18,620**	**12,734**	**9,818**	**537**	**44,794**
Total segment assets includes:						
Additions to non-current assets (other than financial instruments)	**664**	**1,583**	**–**	**2,860**	**–**	**5,107**
Total segment liabilities	**674**	**2,781**	**1,611**	**–**	**–**	**5,066**

For the year ended 31 December 2010

	Outsourcing inbound contact service *HK$'000*	Outsourcing outbound contact service *HK$'000*	Staff insourcing service *HK$'000*	Contact service centre facilities management service *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenue	8,890	70,577	87,994	23,175	511	191,147
Segment results	599	14,983	7,848	5,193	511	29,134
Depreciation and amortization	949	1,632	–	2,716	–	5,297
Impairment of goodwill	–	–	–	84	–	84
Total segment assets	1,847	15,989	8,615	7,918	905	35,274
Total segment assets includes:						
Additions to non-current assets (other than financial instruments)	330	988	–	1,678	–	2,996
Total segment liabilities	525	6,992	5,117	888	–	13,522

There were no inter-segment sales during the year ended 31 December 2011. The revenue from external parties reported to the Company's directors is measured in a manner consistent with that in the statement of comprehensive income.

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

	2011 *HK$'000*	2010 *HK$'000*
Segment results for reportable segments	**37,496**	28,623
Other segments result	**790**	511
Total segments	**38,286**	29,134
Other income	**436**	271
Other gains – net	**4**	1,318
Depreciation and amortization	**(1,517)**	(365)
Finance costs	**(1,433)**	(1,628)
Corporate and other unallocated expenses	**(12,777)**	(12,413)
Profit before income tax	**22,999**	16,317

The amounts provided to the Company's Directors with respect to total assets are measured in a manner consistent with that of the consolidated financial statements. These assets are allocated based on the operations of the segment.

Reportable segments' assets are reconciled to total assets as follows:

	2011	2010
	HK$'000	*HK$'000*
Segment assets for reportable segments	**44,794**	35,274
Unallocated:		
Property, plant and equipment	**3,930**	3,614
Financial assets designated as at fair value through profit or loss	**3,203**	3,199
Corporate and other unallocated assets	**17,212**	37,204
Total assets per consolidated statement of financial position	**69,139**	79,291

The amounts provided to the Company's Directors with respect to total liabilities are measured in a manner consistent with that of the consolidated financial statements. These liabilities are allocated based on the operations of the segment.

Reportable segments' liabilities are reconciled to total liabilities as follows:

	2011	2010
	HK$'000	*HK$'000*
Segment liabilities for reportable segments	**5,066**	13,522
Unallocated:		
Deferred income tax liabilities	**297**	53
Current income tax liabilities	**1,874**	658
Borrowings	**16,759**	20,181
Corporate and other unallocated liabilities	**4,996**	7,457
Total liabilities per consolidated statement of financial position	**28,992**	41,871

Breakdown of the revenue from all services is as follows:

Analysis of revenue by category

	2011	2010
	HK$'000	*HK$'000*
Service fee income from provision of telecommunication and related services	**194,577**	190,636
Licence fee income	**1,185**	511
	195,762	191,147

The Company is domiciled in the Cayman Islands with the Group's major operations located in Hong Kong. Substantially all of the Group's revenues from external customers during the year are derived from Hong Kong, the place of domicile of the Group's operating subsidiaries. All the non-current assets of the Group are located in Hong Kong.

Information about major customers

Revenue from major customers, each of whom contributed to 10% or more of the Group's total revenues, is set out below:

	2011	2010
	HK$'000	*HK$'000*
Customer A	**65,151**	66,591
Customer B	**22,558**	20,211
Customer C	**19,201**	N/A[1]
	106,910	86,802

[1] The corresponding revenue did not contribute to 10% or more of the total revenues of the Group.

4. OTHER INCOME

	2011	2010
	HK$'000	*HK$'000*
Management fee income	**420**	200
Interest income from bank deposits	**16**	5
Sundry income	**–**	66
	436	271

5. OTHER GAINS – NET

	2011	2010
	HK$'000	*HK$'000*
Financial assets designated as at fair value through profit or loss		
– Fair value gain/(loss)	**4**	(142)
Net foreign exchange gains	**–**	1,108
Cumulative gain reclassified from equity to profit or loss on disposal of available-for-sale investments	**–**	352
	4	1,318

6. EMPLOYEE BENEFITS EXPENSES

	2011	2010
	HK$'000	*HK$'000*
Salaries and allowances	**140,479**	144,696
Pension costs – defined contribution plans	**6,585**	6,464
Total employee benefits expenses, including directors' remuneration	**147,064**	151,160
Less: Amounts capitalized in deferred development costs	**(2,483)**	(2,425)
	144,581	148,735

7. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Interest on bank borrowings and bank overdrafts wholly repayable within five years	**1,408**	1,515
Interest on finance leases	**25**	113
	1,433	1,628

8. PROFIT BEFORE INCOME TAX

	2011	2010
Profit before income tax is stated after charging/(crediting):	***HK$'000***	*HK$'000*
Depreciation and amortization		
Depreciation of owned property, plant and equipment	**3,486**	2,073
Depreciation of leased property, plant and equipment	**92**	1,648
Amortization of intangible assets	**2,175**	1,941
Total depreciation and amortization	**5,753**	5,662
Auditors' remuneration		
– current year provision	**700**	259
– over-provision in previous years	**–**	(37)
Goodwill impairment charge	**–**	84
Operating lease payments in respect of rented premises	**6,065**	5,810
Loss on disposal of property, plant and equipment	**100**	51
Research and development costs	**2,175**	1,941

9. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at a rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong for the year.

	2011	2010
	HK$'000	*HK$'000*
Provision for Hong Kong profits tax	**3,823**	2,550
Adjustments in respect of prior years	**(295)**	27
Current income tax	**3,528**	2,577
Deferred income tax	**244**	(14)
	3,772	2,563

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	2011	2010
	HK$'000	*HK$'000*
Profit before income tax	**22,999**	16,317
Tax calculated at Hong Kong profits tax rate of 16.5%	**3,795**	2,692
Income not subject to tax	**(35)**	-
Expenses not deductible for tax purposes	**17**	37
Tax effect of temporary differences not recognized	**(62)**	(3)
Over-provision in current year	**5**	68
Adjustments in respect of prior years	**(295)**	27
Utilization of previously unrecognized tax losses	**-**	(244)
Tax losses for which no deferred income tax asset was recognized	**103**	-
Others	**244**	(14)
	3,772	2,563

10. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on (i) the profit attributable to owners of the Company for the year and; (ii) the 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 since 1 January 2010.

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 years ended 31 December 2010 and 2011.

11. DIVIDENDS

	2011	2010
	HK$'000	*HK$'000*
Interim dividends paid by subsidiaries	**16,500**	19,000

No dividend has been paid or declared by the Company since its incorporation. The above amounts represented the dividends paid by respective subsidiaries to their then equity holders prior to the Corporate Reorganization.

The rate of dividend and the number of shares ranking for dividends have not been presented as such information is not meaningful having regard to the purpose of these consolidated financial statements.

12. TRADE AND OTHER RECEIVABLES

	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**37,049**	28,542
Other receivables, deposits and prepayments	**9,645**	4,734
	46,694	33,276

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:

	2011	2010
	HK$'000	*HK$'000*
0 – 30 days	**27,597**	24,123
31 – 60 days	**7,544**	3,566
61 – 90 days	**1,410**	597
Over 90 days	**498**	256
	37,049	28,542

Trade receivables that are less than 30 days past due are not considered impaired. As at 31 December 2011, the Group's trade receivables of approximately HK$9,620,000 (2010: HK$3,564,000) were past due but not impaired. These relate to a number of independent clients for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2011	2010
	HK$'000	*HK$'000*
0 – 30 days	**7,612**	2,702
31 – 60 days	**1,501**	621
61 – 90 days	**110**	241
Over 90 days	**397**	–
	9,620	3,564

As at 31 December 2011, none of the Group's trade receivables were impaired (2010: Nil).

The carrying amounts of the Group's trade receivables are denominated in HK$.

The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the end of the reporting period is the fair value of each class of receivables. The Group does not hold any collateral or other credit enhancements over these balances.

13. TRADE AND OTHER PAYABLES

	2011	2010
	HK$'000	*HK$'000*
Trade payables	**488**	815
Other payables and accruals	**9,574**	20,164
	10,062	20,979

At 31 December 2011, the aging analysis of the trade payables based on invoice date is as follows:

	2011	2010
	HK$'000	*HK$'000*
0 – 30 days	**291**	385
31 – 60 days	**163**	345
61 – 90 days	**17**	79
Over 90 days	**17**	6
	488	815

14. SHARE CAPITAL

	Note	Number of ordinary shares	Ordinary shares of HK$0.01 each *HK$'000*
Authorized:			
On 29 June 2011 (date of incorporation)		38,000,000	380
Increase in authorized share capital	*(b)*	4,962,000,000	49,620
As at 31 December 2011		**5,000,000,000**	**50,000**
Issued and fully paid:			
On 29 June 2011 (date of incorporation)	*(c)*	1	–
Issuance of share pursuant to the Corporate Reorganization	*(d)*	1	–
As at 31 December 2011		**2**	**–**

Notes:

(a) For the purpose of the preparation of the consolidated statement of financial position, the balances of share capital at 31 December 2010 represents the aggregate of the paid up share capital of the subsidiaries comprising the Group held by Epro Group International Limited, the then holding company, prior to the Corporate Reorganization.

(b) 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.

(c) 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.

(d) 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.

15. RESERVES

Share premium

Share premium arose from the issue of shares at a price greater than the par value of the shares and can be utilized for future bonus issue.

Merger reserve

Merger reserve represents the difference between the nominal value of the shares issued by the Company in exchange for the nominal value of the share capital of its subsidiaries arising from the Corporate Reorganization.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

ETS Group Limited is principally engaged in the business of providing comprehensive multi-media contact services and contact centre system. Our current clientele are corporations in diverse sectors in Hong Kong, which are mainly telecommunications, banking and financial services, and insurance. We operate three contact service centres in Hong Kong with over 850 workstations and employ over 1,000 contact service staff as at 31 December 2011. The Group's self developed multi-media WISE-xb Contact Centre System supports the operation of the Group's contact centre services and also has been marketed through distributors.

The principle services of the Group include:

Outsourcing Inbound Contact Service

The Group provides multi-media inbound contact service which our clients outsource to us. The outsourcing inbound contact services we provide include general enquiry hotlines, promotion hotlines, customer service hotlines, order hotlines, registration hotlines, emergency hotlines and helpdesk hotlines. Our inbound operation covers 24 hours a day and 7 days a week.

Outsourcing Outbound Contact Service

The Group based on the call lists provided by our clients to perform outsourcing outbound contact services including telemarketing services, customer retention services, cross-selling and customer satisfaction surveys. These services are carried out at calling hours specified by our clients.

Staff Insourcing Service

The Group assigns contact service staff that meet the required qualification and requirements to work at our clients' contact service centres or other designated premises to help our clients in the operation of their contact services or business. We provide our clients with contact service staff for customer service, telemarketing, data entry and other backend support.

Contact Service Centre Facilities Management Service

The contact service centre facilities management service is comprised of three types of service including (a) leasing of our contact centre facilities in form of workstation, (b) IVRS hosting service and (c) contact centre system hosting solution. The workstation leasing service comes in two models namely, "shared" or "fully dedicated" in terms of physical and system set up. The IVRS hosting service is a total outsourcing solution that covers all aspects of providing an IVR service including call flow design, system setup, telecommunication facilities, recording and system monitoring support. The contact centre system hosting solution is provided by means of the WISE-xb Contact Centre System.

BUSINESS ENVIRONMENT

Amid the feeble economic and fiscal conditions in the US and the lingering European sovereign debt crisis, Hong Kong economy still registered a notable 5% growth in the year of 2011. Major industry sectors served by the Group including banking and financial services, insurance and telecommunication, all remained resilient and reported healthy growth in the period. With ever bigger sales targets and growth aimed by the clients, the Group has continued to benefit from the trend and is in a good position to capture further opportunities.

On the other hand, the low employment rate and tight local labour market represent challenges to the ability of attracting and retaining experienced and qualified employees, including contact service staff. Increasing labour demand may drive up the overall wages and result in higher staff cost. Moreover, rental fee for accessible urban locations has noticeably risen in the year of 2011 and the rising trend may continue into the coming year.

FINANCIAL AND BUSINESS REVIEW

The Group recorded growth in revenue in all service segments except the staff insourcing service. The service demand in outsourcing inbound and outsourcing outbound contact services remained strong in the period, and the utilization rate of contact service centre was maintained at approximately 90% during the year.

With the local unemployment rate steadily dropped to approximately 3.4% in 2011, the overall contact service industry faces challenge of rising labour shortages and surging labour costs continually. During the year, the Group had focused on staff recruitment, retention, training as well as productivity gain in order to maintain the growth and margin of the business. More training resources had been allocated to enhance the multi-skill capability of the contact service staff to achieve higher flexibility in staff deployment. The Group had also increased the use of predictive dialling system in the outsourcing outbound contact services which helped to boost the staff as well as service productivity with a sustainable level of manpower.

With data security remains a focus of attention for outsourcing services, the Group has successfully acquired the ISO 27001 Information Security Management System Certificate and the P2P Telemarketing Code of Practice Certificate (established by the Hong Kong Call Centre Association) in 2011. The accredited qualifications have further strengthened our credential in the outsourcing contact service industry and our professional standing in the business.

For the year ended 31 December 2011, the Group's total revenue was approximately HK$196 million, representing an increase of approximately HK$4.6 million as compared to that of last year. The outsourcing inbound contact service, outsourcing outbound contact service, staff insourcing service and contact service centre facilities management service accounted for approximately 5.0%, 37.6%, 43.2% and 13.6% of the Group's total revenue for the year ended 31 December 2011 respectively. The gross profit of the Group was increased from approximately 15.2% for the year ended 31 December 2010 to approximately 19.6% for the year ended 31 December 2011. The following table sets forth the analysis of revenue by business units of the Group for the year ended 31 December 2011 and 2010 respectively:

COMPOSITION OF REVENUE

	Year ended 31 December			
	2011		2010	
	HK$'000		*HK$'000*	
Outsourcing inbound contact service	**9,804**	**5.0%**	8,890	4.7%
Outsourcing outbound contact service	**73,570**	**37.6%**	70,577	36.9%
Staff insourcing service	**84,600**	**43.2%**	87,994	46.0%
Contact service centre facilities management service	**26,603**	**13.6%**	23,175	12.1%
Others*	**1,185**	**0.6%**	511	0.3%
Revenue	**195,762**	**100%**	191,147	100%

The following table sets forth the analysis of segment result by business units of the Group for the year ended 31 December 2011 and 2010 respectively:

SEGMENT RESULT AND GROSS PROFIT MARGIN

	Year ended 31 December			
	2011		2010	
		Gross profit margin		Gross profit margin
	HK$'000	**%**	*HK$'000*	*%*
Outsourcing inbound contact service	**1,088**	**11.1%**	599	6.7%
Outsourcing outbound contact service	**18,643**	**25.3%**	14,983	21.2%
Staff insourcing service	**10,765**	**12.7%**	7,848	8.9%
Contact service centre facilities management service	**7,000**	**26.3%**	5,193	22.4%
Others*	**790**	**66.7%**	511	100%
Segment result	**38,286**	**19.6%**	29,134	15.2%

* The "Others" which principally comprises licence fee.

Outsourcing Inbound Contact Service

For the year ended 31 December 2011, the outsourcing inbound contact service segment recorded a revenue of approximately HK$9.8 million representing an increase of approximately 10.3% as compared to that of last year. The segment result for the year ended 31 December 2011 was approximately HK$1.1 million. The gross profit margin of outsourcing inbound contact service increased from approximately 6.7% for the year ended 31 December 2010 to approximately 11.1% for the year ended 31 December 2011.

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

Outsourcing Outbound Contact Service

For the year ended 31 December 2011, the outsourcing outbound contact service segment recorded a revenue of approximately HK$73.6 million representing an increase of approximately 4.2% as compared to that of last year. The segment result for the year ended 31 December 2011 was approximately HK$18.6 million. The gross profit margin for outsourcing outbound contact service increased from approximately 21.2% for the year ended 31 December 2010 to approximately 25.3% for the year ended 31 December 2011.

The increase in revenue of the outsourcing outbound contact service was mainly contributed by an increase in volume of outbound contact services from existing as well as new clients during the period. The expanded outbound operation scale together with an increase in training support and deployment of predictive dialling system helped to improve the operating efficiency and performance productivity of the outbound contact service and in turn lead to a lower staff cost and a better gross profit margin during the period.

Staff Insourcing Service

For the year ended 31 December 2011, the staff insourcing service segment recorded a revenue of approximately HK$84.6 million representing a decrease of approximately 3.9% as compared to that of last year. 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. However, with a higher ratio of contact service staff of higher skill sets, the gross profit margin was increased from approximately 8.9% for the year ended 31 December 2010 to approximately 12.7% for the year ended 31 December 2011.

Contact Service Centre Facilities Management Service

For the year ended 31 December 2011, the contact service centre facilities management service recorded a revenue of approximately HK$26.6 million representing an increase of approximately 14.8% as compared to that of last year. The segment result for the year ended 31 December 2011 was approximately HK$7.0 million. The gross profit margin for contact service centre facilities management service increased from approximately 22.4% for the year ended 31 December 2010 to approximately 26.3% for the year ended 31 December 2011.

The Group continues to provide solid infrastructure and professional support for our client's contact service centre operation established at our contact centre premises in 2011. The increase in revenue of the contact service centre facilities management service was mainly to the continual growth in the subscription of workstation from our clients. The contact service centre utilization rate increased from approximately 83% for the year ended 31 December 2010 to approximately 90% for the year ended 31 December 2011.

EXPENSES

During the year under review, the employee benefit expenses were decreased from approximately HK$148.7 million for the year ended 31 December 2010 to approximately HK$144.6 million for the year ended 31 December 2011. The decrease of employee benefit expenses was mainly due to the number of contact service agents was reduced from an average of 1,153 in 2010 to an average of 1,062 in 2011. The Group's total other operating expenses was approximately HK$21.4 million. The other operating expenses to sales ratio was approximately 11% which is similar to that of last year. The Group's depreciation and amortisation expenses were approximately HK$5.8 million which is similar to last year (2010: approximately HK$5.7 million). The Group's finance costs for the year ended 31 December 2011 was approximately HK$1.4 million, representing a decrease of approximately 12% as compared with the last corresponding year (2010: approximately HK$1.6 million) due to a decrease in bank loans.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The Group's profit attributable to owners of the Company increased from approximately HK$13.8 million for the year ended 31 December 2010 to approximately HK$19.2 million for the year ended 31 December 2011. The increase in profit attributable to owners of the company was mainly due to an increase in revenue from contact services, facilities management services and licence fee income together with a decrease in employee benefit expenses.

PROSPECT

Considering the high contact service centre utilization rate of approximately 90% for the year of 2011, and the positive trend of outsourcing inbound and outbound contact services and contact service centre facilities management service, the Group seeks to sustain our business growth by planning to set up two new contact service centres in the coming year. The new contact service centres are expected to further expand the capacity of the Group with another 350 to 440 workstations. The Group has been actively seeking suitable premises in the Kowloon area for setting up new contact service centres to cope with service demand from existing clients as well as any new business opportunities such as from the mandatory provident fund related services.

The Group recognizes the vital need to keep abreast with the latest technological development in communications, and to maintain the competitiveness of the WISE-xb System as well as our contact services which ride on the WISE-xb System platform. The Group plans to further invest on the research and development of the WISE-xb System by enhancing the current functionalities that can further improve the contact service operation management and efficiency. In addition, the Group continues to identify and develop new contact service related applications in order to capture new market opportunities.

To retain and attract even more contact service centre facilities management clients, the Group plans to upgrade and replace some of the current facilities and network at the existing contact service centres in the coming years so as to maintain the safety as well as proper functionalities of the operation. The Group also plans to upgrade the existing contact centre system to the VoIP platform, so that better efficiency and higher flexibility can be achieved to further sustain the leading edge of the Group's outsourcing and facilities management business.

DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2011 (2010: nil).

LIQUIDITY AND FINANCIAL POSITION

The Group adheres to a prudent financial management policy and has a healthy financial position. During the year under the review, the Group financed our operations with internally generated cash flows and banking facilities provided by the banks. As at 31 December 2011, the Group had net current asset of approximately HK$28.9 million (2010: approximately HK$27.1 million) including cash and bank balances of approximately HK$3.2 million (2010: approximately HK$26.6 million). The significant reduction in cash and bank balances as at 31 December 2011 was attributable to the expenses prepaid for the listing fee amounted to approximately HK$7.6 million and the payment of interim dividend of HK$16.5 million. The Company has received the net proceeds from Shares Placing of approximately HK$27.0 million on 9 January 2011. As at 31 December 2011, the Group's current ratio (current asset/current liabilities) and gearing ratio (total debts/total assets) were 2.01 (2010: 1.65) and 24% (2010: 25%) respectively.

USE OF PROCEEDS

The net proceeds of the Shares Placing received by the Company were approximately HK$27 million, after deduction of the related expenses for the listing. This proceeds are intended to be applied in accordance with the proposed application set out in the section headed "Business Objectives and Strategies" in the Prospectus. Any net proceeds that were not applied immediately have been temporarily deposited with banks in Hong Kong as at the date of this announcement.

PLEDGE OF ASSETS

As at 31 December 2011, the Group had pledged its bank deposits of approximately HK$3.6 million (2010: 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 year 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 31 December 2011, 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 31 December 2011. The Group also did not have any capital commitment as at 31 December 2011.

NUMBER AND REMUNERATION OF EMPLOYEE

As at 31 December 2011, the Group had 1,116 employees (2010: 1,211 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.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the year under review.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company comprising Mr. Ngan Chi Keung (Chairman), Mr. Phung Nhuong Giang and Mr. Wong Sik Kei, all are independent non-executive Directors had reviewed the audited consolidated results of the Group for the year ended 31 December 2011.

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 31 December 2011 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.

NON-COMPETE UNDERTAKING

Each of Mr. Ling Chiu Yum, Mr. Wong Wai Hon Telly, Ms. Chang Men Yee Carol, Ms. Ting Yee Mei and Excel Deal Holdings Limited, as covenantors (the "Covenantors" and each a "Covenantor") entered into a deed of non-competition in favour of the Company dated 21 December 2011. The deed of non-competition has become effective from the Listing Date.

The Board comprising all the independent non-executive Directors reviewed the confirmation from the Covenantors and confirmed that the Covenantors complied with the deed of non-competition from the Listing Date to the date of this announcement.

There have been no new business opportunities which are required to be referred to independent non-executive Directors under the deed of non-competition executed by each of the Covenantors up to the date of this announcement.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNMENT PRACTICES

As the Company has not yet listed on the GEM during the year under review, the requirements under the CG Code to the GEM Listing Rules or the continuing obligations requirements of a listed issuer pursuant to the GEM Listing Rules was not applicable to the Company for the year under review. The Company has complied with the CG Code throughout the period from the Listing Date on 9 January 2012 up to the date of this announcement.

CODE OF CONDUCT FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors (the "Code of Conduct") as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct for securities transactions. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standards set out in the Code of Conduct.

APPRECIATION

The Board would like to take this opportunity to express their thanks and gratitude to the Group's management and staff who dedicated their endless efforts and devoted services, and to our shareholders, suppliers, clients and bankers for their continuous support.

By Order of the Board
ETS Group Limited
Wong Wai Hon Telly
Chairman

Hong Kong, 19 March 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.