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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)

**FIRST QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2014**

**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 three months ended 31 March 2014 was approximately HK\$41,730,000, representing an increase of approximately 4% as compared with the total revenue of approximately HK\$40,007,000 for the corresponding period in 2013.

Profit attributable to owners of the Company for the three months ended 31 March 2014 was approximately HK\$3,131,000, representing an increase of approximately 7% as compared with the profit attributable to owners of the Company of approximately HK\$2,939,000 for the corresponding period in 2013.

Earnings per share for the three months ended 31 March 2014 was approximately HK1.12 cents (three months ended 31 March 2013: approximately HK1.05 cents).

UNAUDITED RESULTS

The board of Directors (the “Board”) of the Company is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2014 together with the comparative figures for the corresponding period ended 31 March 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the three months ended 31 March 2014

		Three months ended 31 March	
	<i>Notes</i>	2014	2013
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	3	41,730	40,007
Other income		176	84
Other (losses)/gains – net		(558)	41
Employee benefits expenses		(24,764)	(26,717)
Depreciation and amortization		(2,101)	(1,862)
Other operating expenses		(10,300)	(7,768)
Operating profit		4,183	3,785
Finance costs		(164)	(164)
Share of loss of an associate		–	(126)
Profit before tax		4,019	3,495
Income tax expense	4	(888)	(556)
Profit for the period		3,131	2,939
Total comprehensive income for the period		3,131	2,939
Profit attributable to owners of the Company		3,131	2,939
Total comprehensive income attributable to owners of the Company		3,131	2,939
Earnings per share attributable to owners of the Company			
– Basic and diluted (HK cents)	5	1.12	1.05

NOTES TO THE FINANCIAL INFORMATION

For the three months ended 31 March 2014

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 and its shares have been listed on the GEM of the Stock Exchange with effect from 9 January 2012.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The Group's unaudited condensed consolidated first quarterly financial information has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the GEM Listing Rules.

The accounting policies and basis adopted in preparing the unaudited condensed consolidated first quarterly financial information were consistent with those applied for the consolidated financial statements of the Group for the year ended 31 December 2013.

The HKICPA has issued certain new and revised HKFRSs. For those which are effective for accounting periods beginning on or after 1 January 2014, the adoption has no material impact on how the results and financial positions of the Group for the current and prior periods have been prepared and presented. For those which are not yet effective and have not been early adopted in prior accounting periods, the Group is in the process of assessing their impact on the Group's results and financial position.

3. REVENUE

	Three months ended	
	31 March	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Outsourcing inbound contact service	6,829	2,128
Outsourcing outbound contact service	18,601	17,559
Staff insourcing service	8,147	11,217
Contact service centre facilities management service	6,600	7,566
Others*	1,553	1,537
	41,730	40,007

* Principally comprises licencing, sales of system and software and system maintenance.

4. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at a rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong for the three months period ended 31 March 2014. Taxation on overseas profits has been calculated on the estimated assessable profit for the three months period ended 31 March 2014 at the rates of taxation prevailing in the countries in which the Group operates.

	Three months ended	
	31 March	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax on profits for the period	888	556
Deferred income tax	—	—
	<hr/>	<hr/>
	888	556
	<hr/>	<hr/>

No provision for deferred taxation has been made in the financial statements since there is no material timing difference.

5. EARNINGS PER SHARE

The basic earnings per share for the three months ended 31 March 2014 is calculated based on (i) the unaudited consolidated profit attributable to owners of the Company of approximately HK\$3,131,000 (three months ended 31 March 2013: approximately HK\$2,939,000) and (ii) the weighted average number of 280,000,000 ordinary shares issued during the three months ended 31 March 2014 (2013: weighted average number of 280,000,000 shares).

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 three months ended 31 March 2014 and three months ended 31 March 2013.

6. MOVEMENT OF RESERVES

	Attributable to owners of the Company				
	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Translation <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
Balance at 1 January 2013 (audited)	25,238	25,624	—	22,830	73,692
Profit for the period	—	—	—	2,939	2,939
Total other comprehensive income for the period	—	—	—	—	—
Total comprehensive income for the period	—	—	—	2,939	2,939
Balance at 31 March 2013 (unaudited)	25,238	25,624	—	25,769	76,631
Balance at 1 January 2014 (audited)	25,238	25,624	48	42,904	93,814
Profit for the period	—	—	—	3,131	3,131
Total other comprehensive income for the period	—	—	—	—	—
Total comprehensive income for the period	—	—	—	3,131	3,131
Balance at 31 March 2014 (unaudited)	25,238	25,624	48	46,035	96,945

7. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

The unaudited condensed consolidated results of the Group for the three months ended 31 March 2014 were approved by the Board on 8 May 2014.

DIVIDEND

The Board does not recommend the payment of any interim dividend for the three months ended 31 March 2014 (three months ended 31 March 2013: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial and Business Review

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

For the three months ended 31 March 2014, the Group's unaudited total revenue was approximately HK\$41.7 million, representing an increase of approximately HK\$1.7 million as compared with the total revenue of the corresponding period in 2013 (2013: approximately HK\$40.0 million). The outsourcing inbound contact service, outsourcing outbound contact service, staff insourcing service, contact service centre facilities management service and other services accounted for approximately 16%, 45%, 19%, 16% and 4% of the Group's unaudited total revenue for the three months ended 31 March 2014 respectively.

The unaudited employee benefits expenses decreased from approximately HK\$26.7 million for the three months ended 31 March 2013 to approximately HK\$24.8 million for the three months ended 31 March 2014. The decrease was mainly due to a headcount reduction of insourced staff during the period. The unaudited other operating expenses increased by approximately HK\$2.5 million from approximately HK\$7.8 million for the three months ended 31 March 2013 to approximately HK\$10.3 million for the three months ended 31 March 2014. The increase of other operating expenses was mainly attributable to the addition of the operating expenses from China business units.

The Group's unaudited depreciation and amortization expenses increased by approximately 13% from approximately HK\$1.9 million for the three months ended 31 March 2013 to approximately HK\$2.1 million for the three months ended 31 March 2014 which was mainly due to the addition of fixed assets to the China business units. The Group's unaudited finance costs for the three months ended 31 March 2014 amounted to approximately HK\$0.2 million, which was similar as compared with the corresponding period in 2013 (2013: approximately HK\$0.2 million).

Profit attributable to owners of the Company increased by approximately 7% from approximately HK\$2.9 million for the three months ended 31 March 2013 to approximately HK\$3.1 million for the three months ended 31 March 2014, mainly due to the decrease in employee benefits expenses and the increase in revenue.

LIQUIDITY

The Group adheres to a prudent financial management policy. During the period under review, the Group financed its operations with internally generated cash flows and banking facilities provided by the banks. As at 31 March 2014, the Group had cash and bank balances and pledged bank deposits of approximately HK\$42.9 million (2013: approximately HK\$32.0 million).

CORPORATE GOVERNANCE

The Company has complied with all code provisions as set out in Appendix 15 to the GEM Listing Rules throughout the three months period ended 31 March 2014.

CODE OF CONDUCT FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specified enquiry of the Directors, all Directors confirmed that they have complied with the required standard of dealings concerning securities transactions for the three months period ended 31 March 2014.

SHARE OPTION SCHEME

During the three months ended 31 March 2014, 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 three months ended 31 March 2014 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 31 March 2014, as far as the Directors are aware of, none of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) has any interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group for the three months period ended 31 March 2014.

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 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 March 2014. Pursuant to an agreement entered into between the Company and the Compliance Adviser in 2011 (the "Compliance Adviser Agreement"), the Compliance Adviser has only received a fee for acting as the Company's compliance adviser until its termination.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND/OR ITS ASSOCIATED CORPORATIONS

As at 31 March 2014, 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

		Nature of interests	Number of shares/ underlying shares held	Percentage of the issued share capital of the Company as at 31 March 2014
Name of Directors/ Chief Executives	Capacity			
Mr. Ling Chiu Yum (Note)	Interest in a controlled corporation	Corporate interest	210,000,000	75%
Mr. Wong Wai Hon Telly (Note)	Interest in a controlled corporation	Corporate interest	210,000,000	75%
Ms. Chang Men Yee Carol (Note)	Interest in a controlled corporation	Corporate interest	210,000,000	75%

Note:—

Excel Deal Holdings Limited, a company incorporated in the British Virgin Islands, held 210,000,000 shares, was beneficially owned as to 47% by Mr. Wong Wai Hon Telly, 46% by Mr. Ling Chiu Yum and 5% by Ms. Chang Men Yee Carol respectively. Mr. Wong Wai Hon Telly, Mr. Ling Chiu Yum and Ms. Chang Men Yee Carol were therefore deemed to be interested in the shares held by Excel Deal Holdings Limited by virtue of Part XV of the SFO.

Save as disclosed above, as at 31 March 2014, 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 31 March 2014, 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 31 March 2014
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 31 March 2014, the Directors were not aware of any other persons (other than Directors or Chief Executive) who had interests and/or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, or who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited first quarterly results of the Group for the three months ended 31 March 2014 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 relevant legal requirements, and that adequate disclosures have been made.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company for the three months period ended 31 March 2014.

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

Hong Kong, 8 May 2014

As at the date of this announcement, the executive directors of the Company are Mr. Ling Chiu Yum (Honorary Chairman), Mr. Wong Wai Hon Telly (Chairman), Ms. Chang Men Yee Carol (Chief Executive Officer), Mr. Suen Fuk Hoi (Company Secretary) and Mr. Phung Nhuong Giang; and the independent non-executive directors of the Company are Mr. Wong Sik Kei, Mr. Ngan Chi Keung and Mr. Yung Kai Tai.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the Company's website at www.etsgroup.com.hk.