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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 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 HIGHLIGHTS

The Group’s revenue for the year ended 31 December 2014 was approximately HK$176,044,000 representing an increase of approximately 4% as compared to that of approximately HK$169,741,000 in 2013.

Profit attributable to owners of the Company for the year ended 31 December 2014 was approximately HK$14,335,000 representing a decrease of approximately 44% as compared to that of approximately HK$25,722,000 in 2013.

Earnings per share for the year ended 31 December 2014 was HK5.1 cents (2013: HK9.2 cents).

The Board of Directors recommends the payment of a final dividend of HK1.5 cents per share for the year ended 31 December 2014 (2013: HK1.5 cents).

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 2014 together with comparative figures for the year ended 31 December 2013, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Note	**2014**	2013
		HK$'000	*HK$'000*
Revenue	*3*	**176,044**	169,741
Other income	*4*	**971**	591
Other losses – net	*5*	**(150)**	(19)
Employee benefits expenses	*6*	**(101,169)**	(94,077)
Depreciation and amortization		**(9,589)**	(7,712)
Other operating expenses		**(49,681)**	(36,505)
Operating profit		**16,426**	32,019
Finance costs	*7*	**(659)**	(758)
Share of loss of associate accounted for using the equity method		**–**	(3)
Profit before tax	*8*	**15,767**	31,258
Income tax expense	*9*	**(1,384)**	(5,584)
Profit for the year		**14,383**	25,674
Other comprehensive income for the year			
Currency translation differences		**(48)**	48
Total comprehensive income for the year		**14,335**	25,722
Profit attributable to owners of the Company		**14,335**	25,722
Total comprehensive income attributable to owners of the Company		**14,335**	25,722
Earnings per share attributable to owners of the Company – Basic and diluted (HK cents)	*10*	**5.1**	9.2

The accompanying notes form an integral part of these consolidated financial statements. Details of dividends paid and proposed for the year are disclosed in Note 11 to the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	**2014** **HK$'000**	2013 HK$'000
Non-current assets			
Property, plant and equipment		**7,628**	10,473
Intangible assets		**9,706**	20,817
Investment in an associate		**–**	–
Deferred income tax assets	*13*	**874**	788
		18,208	32,078
Current assets			
Trade and other receivables	*12*	**65,617**	46,408
Financial assets designated as at fair value through profit or loss		**7,626**	4,802
Amount due from an associate		**4,959**	1,121
Amounts due from related companies		**2,299**	3,882
Pledged bank deposits		**4,777**	4,768
Current income tax recoverable		**743**	–
Cash and cash equivalents		**17,121**	34,539
		103,142	95,520
Current liabilities			
Trade and other payables		**12,114**	19,061
Borrowings		**3,930**	7,060
Amounts due to related companies		**–**	353
Current income tax liabilities		**–**	2,345
		16,044	28,819
Net current assets		**87,098**	66,701
Total assets less current liabilities		**105,306**	98,779
Non-current liabilities			
Deferred income tax liabilities	*13*	**517**	2,165
Net assets		**104,789**	96,614
Equity attributable to the owners of the Company			
Share capital	*14*	**2,800**	2,800
Share premium	*14*	**25,238**	25,238
Reserves		**76,751**	68,576
Total equity		**104,789**	96,614

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. GENERAL INFORMATION

ETS Group Limited (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.

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.

As at 31 December 2014, the directors regard Excel Deal Holdings Limited, a company incorporated in the British Virgin Islands, as the parent and ultimate holding company of the Company.

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 consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated. These consolidated financial statements have been approved for issued by the Board of Directors on 19 March 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have 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 and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss, which are carried at fair value.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The preparation of 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.

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2014:

Amendments to HKFRS 10, "Consolidated Financial Statements" include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in HKFRS 10.

Amendment to HKAS 32, "Financial Instruments: Presentation" on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Group financial statements.

Amendments to HKAS 36, "Impairment of Assets", on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of cash-generating units ("CGU") which had been included in HKAS 36 by the issue of HKFRS 13.

HK(IFRIC) 21, "Levies", sets out the accounting for an obligation to pay a levy if that liability is within the scope of HKAS 37 "Provisions". The interpretation addresses what the obligating event is that gives rise to the payment a levy and when a liability should be recognized. The Group is not currently subjected to significant levies so the impact on the Group is not material.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the Group.

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statement. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 9, "Financial Instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the "hedged ratio" to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess HKFRS 9's full impact.

HKFRS 15, "Revenue from Contracts with Customers", deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group is assessing the impact of HKFRS 15.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

3. **SEGMENT INFORMATION AND REVENUE**

The Directors 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 and the People's Republic of China (the "PRC"):

(a) Outsourcing inbound contact service;

(b) Outsourcing outbound contact service;

(c) Staff insourcing service;

(d) Contact service centre facilities management service; and

(e) The "Others" segment which principally comprises licencing, sales of system and software and system maintenance.

The segment information provided to the Board for the reportable segments for the years ended 31 December 2013 and 2014 are as follows:

For the year ended 31 December 2014

	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						
Hong Kong	**13,448**	**56,965**	**29,051**	**29,686**	**7,305**	**136,455**
PRC	**18,418**	**16,388**	**4,027**	**61**	**695**	**39,589**
	31,866	**73,353**	**33,078**	**29,747**	**8,000**	**176,044**
Segment results						
Hong Kong	**2,094**	**8,003**	**5,510**	**8,746**	**5,140**	**29,493**
PRC	**2,205**	**1,009**	**711**	**9**	**160**	**4,094**
	4,299	**9,012**	**6,221**	**8,755**	**5,300**	**33,587**
Depreciation and amortization	**993**	**2,789**	**–**	**3,926**	**1,099**	**8,807**
Total segment assets						
Hong Kong	**6,303**	**22,789**	**7,131**	**15,447**	**7,570**	**59,240**
Total segment assets includes:						
Additions to non-current assets (other than financial instruments)	**261**	**1,523**	**–**	**2,480**	**1,271**	**5,535**
Total segment liabilities						
Hong Kong	**77**	**2,838**	**1,524**	**291**	**500**	**5,230**

For the year ended 31 December 2013

	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						
Hong Kong	10,161	64,730	41,649	27,421	6,358	150,319
PRC	6,688	10,510	2,125	99	–	19,422
	16,849	75,240	43,774	27,520	6,358	169,741
Segment results						
Hong Kong	2,010	16,496	8,227	9,458	5,316	41,507
PRC	1,332	2,873	741	52	–	4,998
	3,342	19,369	8,968	9,510	5,316	46,505
Depreciation and amortization	880	2,029	–	3,734	690	7,333
Total segment assets						
Hong Kong	4,678	24,618	4,419	20,441	4,020	58,176
PRC	314	783	6,232	487	–	7,816
	4,992	25,401	10,651	20,928	4,020	65,992
Total segment assets includes: Additions to non-current assets (other than financial instruments)	3,135	7,200	–	12,447	1,112	23,894
Total segment liabilities						
Hong Kong	336	3,452	1,965	338	–	6,091
PRC	810	500	225	6	–	1,541
	1,146	3,952	2,190	344	–	7,632

There were no inter-segment sales during the year ended 31 December 2014. The revenue from external parties reported to the Directors is measured in a manner consistent with that in the consolidated statement of profit or loss and other comprehensive income.

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

	2014	2013
	HK$'000	*HK$'000*
Segment results for reportable segments	**33,587**	46,505
Unallocated:		
Other income	**971**	591
Other losses – net	**(150)**	(19)
Depreciation and amortization	**(782)**	(379)
Finance costs	**(659)**	(758)
Share of loss of an associate	**–**	(3)
Corporate and other unallocated expenses	**(17,200)**	(14,679)
Profit before tax	**15,767**	31,258

The amounts provided to the 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:

	2014	2013
	HK$'000	*HK$'000*
Segment assets for reportable segments	**59,240**	65,992
Unallocated:		
Property, plant and equipment	**749**	1,458
Financial assets designated as at fair value through profit or loss	**7,626**	4,802
Current income tax recoverable	**743**	–
Deferred income tax assets	**874**	788
Corporate and other unallocated assets	**52,118**	54,558
Total assets per consolidated statement of financial position	**121,350**	127,598

The amounts provided to the 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:

	2014	2013
	HK$'000	*HK$'000*
Segment liabilities for reportable segments	**5,230**	7,632
Unallocated:		
Deferred income tax liabilities	**517**	2,165
Current income tax liabilities	**–**	2,345
Borrowings	**3,930**	7,060
Corporate and other unallocated liabilities	**6,884**	11,782
Total liabilities per consolidated statement of financial position	**16,561**	30,984

Breakdown of the revenue from all services is as follows:

Analysis of revenue by category

	2014	2013
	HK$'000	*HK$'000*
Service fee income from provision of telecommunication and related services	**168,044**	163,383
Licence fee income	**–**	160
Sales of system and software	**6,446**	4,949
System maintenance income	**1,554**	1,249
	176,044	169,741

The Company is domiciled in the Cayman Islands with the Group's major operations located in Hong Kong. The result of its revenue from external customers in Hong Kong is HK$136,455,000 (2013: HK$150,319,000), and the total of revenue from external customers from other countries is HK$39,589,000 (2013: HK$19,422,000). The breakdown of the major component of the total of revenue from external customers from other countries is disclosed above.

The total of non-current assets other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in Hong Kong is HK$17,334,000 (2013: HK$30,241,000), and none of these non-current assets is located in other countries (2013: HK$1,049,000).

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:

	2014	2013
	HK$'000	*HK$'000*
Customer A	**28,395**	26,777
Customer B	**25,013**	N/A[1]
Customer C	**20,701**	20,347
Customer D	**N/A[1]**	23,565
Customer E	**N/A[1]**	18,408
	74,109	89,097

[1] The corresponding revenue did not contribute to 10% or more of the total revenues of the Group for the year ended 31 December 2013 and 2014.

4. OTHER INCOME

	2014	2013
	HK$'000	*HK$'000*
Interest income from bank deposits	**886**	519
Sundry income	**85**	72
	971	591

5. OTHER LOSSES – NET

	2014	2013
	HK$'000	*HK$'000*
Financial assets designated as at fair value through profit or loss		
– Fair value (loss)/gain	**(455)**	17
Net foreign exchange losses	**(486)**	(36)
Gain on disposal of subsidiaries	**791**	–
	(150)	(19)

6. EMPLOYEE BENEFITS EXPENSES

	2014	2013
	HK$'000	*HK$'000*
Salaries and allowances	**99,376**	96,964
Pension costs – defined contribution plans	**5,443**	4,910
Total employee benefits expenses, including directors' remuneration	**104,819**	101,874
Less: Amounts capitalized in deferred development costs	**(3,650)**	(7,797)
	101,169	94,077

7. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'000*
Interest on bank borrowings and bank overdrafts wholly repayable within five years	**659**	758

8. PROFIT BEFORE TAX

	2014	2013
	HK$'000	*HK$'000*
Profit before tax is stated after charging:		
Depreciation and amortization		
Depreciation of owned property, plant and equipment	**4,653**	3,448
Amortization of intangible assets	**4,936**	4,264
Total depreciation and amortization	**9,589**	7,712
Auditors' remuneration	**926**	900
Operating lease payments in respect of rented premises	**10,828**	10,425
Loss on disposal of property, plant and equipment	**–**	17
Research and development costs	**4,936**	4,264

9. 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 year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2014	2013
	HK$'000	*HK$'000*
Current tax:		
Current tax on profits for the year	**2,562**	3,660
Adjustments in respect of prior years	**538**	288
Total current tax	**3,100**	3,948
Deferred income tax	**(1,716)**	1,636
Income tax expense	**1,384**	5,584

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2014	2013
	HK$'000	*HK$'000*
Profit before tax	**15,767**	31,258
Tax calculated at domestic tax rates applicable to profits in the respective countries	**2,695**	5,786
Tax effects of:		
– Income not subject to tax	**(362)**	(171)
– Expenses not deductible for tax purposes	**359**	27
– Tax effect of temporary differences not recognized	**(1,391)**	(262)
– Adjustments in respect of prior years	**538**	288
– Tax losses for which no deferred income tax asset was recognized	**65**	526
– Utilization of previous unrecognized tax losses	**(696)**	(70)
– Others	**176**	(540)
Tax charge	**1,384**	5,584

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 280,000,000 ordinary shares issued during the year (2013: 280,000,000 ordinary 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 years ended 31 December 2013 and 2014.

11. DIVIDENDS

	2014	2013
	HK$'000	*HK$'000*
Interim dividend paid of HK0.7 cents (2013: HK0.9 cents) per ordinary share	**1,960**	2,520
Proposed final dividend of HK1.5 cents (2013: HK1.5 cents) per ordinary share	**4,200**	4,200
	6,160	6,720

The dividends paid in 2013 and 2014 were HK$5,600,000 (HK2.0 cents per ordinary shares) and HK$6,160,000 (HK2.2 cents per ordinary shares) respectively.

The aggregate amounts of the dividends paid and proposed during 2013 and 2014 have been disclosed in the consolidated statement of changes in equity in accordance with the Hong Kong Companies Ordinance.

At a meeting held on 19 March 2015, the Directors declared the payment of a final dividend of HK1.5 per ordinary share for the year ended 31 December 2014. The proposed final dividend for the year ended 31 December 2014 is to be approved by the shareholders at the forthcoming annual general meeting. This final dividend has not been recognized as a liability at the year ended 31 December 2014.

12. TRADE AND OTHER RECEIVABLES

	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**37,697**	36,160
Other receivables, deposits and prepayments	**27,920**	10,248
	65,617	46,408

The average credit period on the Group's sales is 32 days. The aging analysis of the trade receivables based on invoice date is as follows:

	2014	2013
	HK$'000	*HK$'000*
0 – 30 days	**23,587**	30,326
31 – 60 days	**5,371**	5,257
61 – 90 days	**2,315**	345
Over 90 days	**6,424**	232
	37,697	36,160

As at 31 December 2014, the Group's trade receivables of approximately HK$14,055,000 (2013: HK$5,834,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2014	2013
	HK$'000	*HK$'000*
0 – 30 days	**4,159**	5,257
31 – 60 days	**3,469**	345
61 – 90 days	**1,684**	32
Over 90 days	**4,743**	200
	14,055	5,834

As at 31 December 2014, none of the Group's trade receivables were impaired (2013: Nil).

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2014	2013
	HK$'000	*HK$'000*
HK$	**65,617**	32,026
RMB	**–**	14,382
	65,617	46,408

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 carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

13. DEFERRED INCOME TAX

The gross movement on the deferred income tax account is as follows:

	2014	2013
	HK$'000	*HK$'000*
At 1 January	**1,377**	(267)
Currency translation differences	**(9)**	8
Disposal of subsidiaries	**(9)**	–
Consolidated statement of profit or loss (credited)/charged	**(1,716)**	1,636
At 31 December	**(357)**	1,377

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities:	**Provision for unrealized profit**	**Accelerated tax depreciation**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2013	–	416	416
Charged to the consolidated statement of profit or loss	1,613	128	1,741
Currency translation differences	8	–	8
At 31 December 2013	1,621	544	2,165
Credited to the consolidated statement of profit or loss	(1,612)	(18)	(1,630)
Currency translation differences	(9)	–	(9)
Disposal of subsidiaries	–	(9)	(9)
At 31 December 2014	**–**	**517**	**517**

Deferred tax assets:	**Decelerated tax depreciation**
	HK$'000
At 1 January 2013	(683)
Credited to the consolidated statement of profit or loss	(105)
At 31 December 2013	(788)
Credited to the consolidated statement of profit or loss	(86)
At 31 December 2014	**(874)**

Deferred income tax assets are recognized for tax loss carry-forward to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred income tax assets in respect of the tax losses at the end of reporting period as the Directors consider that it is uncertain as to the extent that future profits will be available against which tax losses can be utilized in the foreseeable future.

As at 31 December 2014, the Group has unused tax losses of approximately HK$1,376,000 (2013: approximately HK$8,459,000) which are available for offset against future profits. Tax losses of the PRC subsidiaries have an expiry period of five years, while tax losses of Hong Kong subsidiaries may be carried forward indefinitely. Certain amounts of unused tax losses are subject to approval from the Hong Kong Inland Revenue Department.

14. SHARE CAPITAL AND PREMIUM

	Number of ordinary shares	Ordinary shares of HK$0.01 each
		HK$'000
Authorized share capital:		
As at 31 December 2013 and 2014	5,000,000,000	50,000

	Number of ordinary shares	Ordinary shares of HK$0.01 each	Share premium
		HK$'000	*HK$'000*
Issued and fully paid up:			
As at 31 December 2013 and 2014	280,000,000	2,800	25,238

15. BUSINESS COMBINATIONS

On 31 July 2013, the Group acquired 100% of the share capital and obtained all the control of Epro BPO Services Limited and its subsidiaries at a consideration of HK$3,100,000. Epro BPO Services Limited and its subsidiaries was principally engaged in the provision of technical programming and development of the WISE-xb System with lower cost of staff in PRC.

As a result of the acquisition, the Group was expected benefit the existing development of the WISE-xb Systems with a synergy effect and lower the cost of the Group for the development of WISE-xb Systems and strength the Group on its involvement in the development of the WISE-xb Systems in the PRC. The goodwill of HK$9,825,000 arising from the acquisition was attributable to acquired customer base and economies of scale expected from combining the operations of the Group and Epro BPO Services Limited and its subsidiaries. None of the goodwill recognized was expected to be deductible for income tax purposes.

The following table summarizes the consideration paid for Epro BPO Services Limited and its subsidiaries, the fair value of assets acquired and liabilities assumed interest at the acquisition date.

Consideration:	
At 31 July 2013	*HK$'000*
Cash	3,100
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	3,655
Property, plant and equipment	1,035
Amounts due from related companies	2,832
Amounts due to related companies	(13,781)
Current income tax liabilities	(12)
Trade and other receivables	7,425
Trade and other payables	(7,879)
Total identifiable net liabilities	(6,725)
Goodwill	9,825
	3,100

The revenue included in the consolidated statement of profit or loss and other comprehensive income since 1 August 2013 contributed by Epro BPO Services Limited and its subsidiaries was approximately HK$19,422,000. Epro BPO Services Limited and its subsidiaries also contributed profit of approximately HK$1,091,000 over the same period.

Had Epro BPO Services Limited and its subsidiaries been consolidated from 1 January 2013, the consolidated statement of profit or loss and other comprehensive income would show pro-forma revenue of approximately HK$169,824,000 and profit of approximately HK$23,772,000.

16. DISPOSAL OF SUBSIDIARIES

On 22 December 2014, the Group disposed of its 100% interest in Elite Depot Holdings Limited and its subsidiaries at a consideration of HK$8,000,000, which the consideration shall be payable by the purchaser in the following manner:

(i) As to HK$4,000,000 shall be payable by the purchaser upon completion of the disposal; and

(ii) As to the remaining balance HK$4,000,000 share be payable by the purchaser on or before 28 February 2015.

The purchaser further undertakes and warrants that it will procure for the following matters:

(i) Elite Depot Holdings Limited and its subsidiaries to repay the current balance outstanding and owed to the Group as at the date of completion within one year from the date of completion; and

(ii) The equity holders of Guangzhou JunFeng Network Technology Company Limited, a subsidiary of Elite Depot Holdings Limited, to repay the outstanding loan of RMB7,000,000 in full to the Group on or before 30 June 2015.

The net assets of Elite Depot Holdings Limited and its subsidiaries at the date of disposal was as follows:

	HK$'000
Property plant and equipment	4,471
Goodwill	9,825
Trade and other receivables	8,916
Amount due from a related company	5,559
Cash and cash equivalents	6,344
Trade and other payables	(18,475)
Amount due to a related company	(18)
Current income tax liabilities	(461)
Deferred income tax liabilities	(9)
Net assets disposed of	16,152
Release of foreign currency translation reserve	(116)
Recognition of receivables from disposal group upon disposal	(8,827)
Gain on disposal of subsidiaries	791
	8,000
Satisfied by:	
Cash consideration	8,000
Net cash outflow on disposal of subsidiaries:	
Cash consideration	4,000
Cash and cash equivalents disposed of	(6,344)
	(2,344)

17. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed in notes to the consolidated financial statements, the Group entered into the following significant related party transactions during the year:

Name of related parties	Nature of transactions	*Notes*	**2014** **HK$'000**	2013 HK$'000
Epro Techsoft Limited	Licence fee income	*(i), (iii) & (iv)*	**–**	(160)
	System maintenance income	*(ii), (iii) & (iv)*	**(1,554)**	(1,249)
Guangzhou Epro Information Technology Company Limited	Subcontracting fee for software technical research and development services	*(ii), (iii) & (iv)*	**6,065**	1,877
Epro Career Limited	Insourcing fee	*(ii) & (v)*	**12,571**	8,579
	Facilities management income	*(ii) & (v)*	**–**	(25)
Take Shine Limited	Premise rental expenses	*(iii) & (vi)*	**97**	484
eGalaxy Immigration Consultants Limited	Facilities management income	*(ii), (iii) & (vii)*	**(56)**	–

Notes:

(i) Pursuant to a distributorship agreement entered into between Epro Techsoft Limited and Epro Logic Limited (a subsidiary of the Company), Epro Techsoft Limited distributes and sells the WISE-xb System for Epro Logic Limited, and Epro Techsoft Limited is entitled to receive half of the licence fees paid by the end customers of WISE-xb System while the remaining half of the licence fees are remitted to Epro Logic Limited.

(ii) System maintenance income, subcontracting fee, licence fee income, insourcing fee, facilities management income are based on terms mutually agreed between the parties involved.

(iii) Epro Techsoft Limited, Guangzhou Epro Information Technology Company Limited, Take Shine Limited and eGalaxy Immigration Consultants Limited are subsidiaries of Epro Group International Limited.

(iv) These related party transactions will constitute connected transactions or continuing connected transactions as defined in Chapter 20 of the GEM Listing Rules.

(v) Epro Career Limited is an associate of Epro Telecom Holdings Limited.

(vi) Pursuant to a rental agreement entered into between Take Shine Limited and Guangzhou JunFeng Network Technology Company Limited (a subsidiary of the Company) on 23 January 2013, Guangzhou JunFeng Network Technology Company Limited agreed to lease the premise for a term from 1 January 2013 to 1 February 2014.

(vii) Pursuant to a rental agreement entered into between eGalaxy Immigration Consultants Limited and Epro Online Services Limited (a subsidiary of the Company) on 1 November 2014, eGalaxy Immigration Consultants Limited agreed to lease the facilities for a term from 1 November 2014 to 31 October 2015.

Key management personnel compensation

	2014	2013
	HK$'000	*HK$'000*
Salaries and short-term employee benefits	**8,374**	7,033
Post-employment benefits	**143**	135
	8,517	7,168

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group is continuously engaged in the business of providing comprehensive multi-media contact services and contact centre system. 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 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 meets 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 composed 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.

BUSINESS ENVIRONMENT

With employment rate reached new height in 2014, high rental and labour costs continued to present challenge to the Group. Local unemployment rate remained at low level throughout the year representing an active labour market and strain on the Group's staff recruitment and retention. On the other hand, the situation created better prospect and stronger demand of our outsourcing services especially on staff insourcing service in the period.

The high speed development of the East Kowloon region has attracted a lot of companies to set up office and business in the area, and also helped to boost up the occupancy rate of the Group's Elite Business Centre located at Kwun Tong in 2014. With the continual development of the region in the coming years, business of service office and business centre within the district is expected to have a promising future.

The tight labor market, upward salary trend as well as heavy competition in Guangzhou City keep putting pressure on the contact centre business and corresponding profit margin. And it is believed that the situation will persist in the near future, having more and more contact centres moving away from the city to other peripheral districts. In this connection, the Group had disposed our indirectly wholly owned contact centre subsidiary in Guangzhou, and will continue to look for suitable contact centre partners in the PRC that can offer desirable value and return to the shareholders.

Although competition is keen, the Directors believe that the Group is still highly competitive among our competitors owing to the economy of scale of our operation, the use of our self-developed WISE-xb Contact Centre System, our solid experience and well established reputation in the industry.

TRANSFER LISTING

With the aim to enhance the profile of the Group and increase the trading liquidity of the Shares and as well as attracting larger potential institutional investors, the Company has submitted a formal application for the Transfer Listing pursuant to the Transfer of Listing procedures under Chapter 9A of the Listing Rules on 30 May 2014.

The Application has lapsed as six months or more have elapsed. The lapse of the Application has no material adverse effect to the existing business and financial position of the Group and the Company will continue to explore avenues for the enhancement of shareholder value.

DISPOSAL OF SUBSIDIARIES

The Company acquired Epro BPO Services Limited ("Epro BPO") and its subsidiaries (the "Subsidiaries") in July 2013 with the aim to expand and enhance the existing business of the Group to Guangzhou City, the PRC. After more than a year of collaboration and operation, the result was not able to meet the expectation of the management mainly due to fierce competition in the local market, as well as ever increasing cost of labor. With reference to the prevailing financial position of the Subsidiaries, the Company believed it may not continue to contribute positively to the profitability of the Group in the future. Taking into consideration of the gain from the disposal and also that the management can reserve or reallocate the resources to other more profitable opportunities, the Company decided to dispose the Subsidiaries.

On 22 December 2014, the Group, as the seller, entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**") with Multi-Dollars Holdings Limited ("**Multi-Dollars**"), as the purchaser, and 許杰 (transliterated as Mr. Xu Jie#) ("**Mr. Xu**"), as the guarantor, pursuant to which the Group agreed to sell and Multi-Dollars agreed to acquire the entire issued share capital of Elite Depot Holdings Limited for an aggregate consideration of HK$8 million (the "**Disposal**"). Details of the Disposal are disclosed in the announcement of the Company dated 22 December 2014.

The Disposal was completed on 22 December 2014 with a gain of approximately HK$0.8 million. Following completion of the Disposal, the Group ceased to be a party to the Contractual Arrangements.

CONTRACTUAL ARRANGEMENTS

The Group is principally engaged in the businesses of providing comprehensive multi-media contact services and contact centre system. The principal activities of the Group include outsourcing inbound contact service, outsourcing outbound contact service, staff insourcing service and contact service centre facilities management service and other services such as licencing and sale of systems and software. Following the completion of the acquisition of entire entity interest in Epro BPO in July 2013, the Group has expanded its contact service business in the PRC through its PRC operating entity, 廣州浚峰網絡技術有限公司(Guangzhou Junfeng Network Technology Limited#) ("**Guangzhou Junfeng**"). Pursuant to the applicable PRC laws and regulations, foreign investor are only allowed to acquire up to 50% equity interests in the value-added telecommunication enterprise in the PRC in accordance with the provisions of《外商投資產業指導目錄》(2011修訂) (transliterated as Catalogue of Industries for Guiding Foreign Investment (2011 Revision)#) and《外商投資電信企業管理規定》(translittered as Provisions on the Administration of Foreign-funded Telecommunications Enterprises#). Furthermore, for the establishment of a foreign-funded value-added telecommunication enterprise, the following conditions (collectively, the "**Qualification Requirements**") have to be met:

(i) the major foreign investor should be an enterprise that has good business performances and operation experiences in managing the value-added telecom businesses; and

(ii) the foreign-funded telecommunications enterprises shall have a registered capital of not less than RMB10 million for engaging in the value-added telecom businesses nationwide or beyond a single province, autonomous region or municipality directly under the central government, and not less than RMB1 million for engaging in the value-added telecom businesses within a province, autonomous region or municipality directly under the central government.

As a result of the foreign investment restriction, on 5 July 2013, the Group entered into a series of contractual arrangements (the "**Contractual Arrangements**") with Guangzhou Junfeng, Mr. Xu and/or Mr. Yuan Linxian# (原林祥) ("**Mr. Yuan**") (being the registered shareholders of Guangzhou Junfeng who respectively own 82% and 18% equity interests in Guangzhou Junfeng immediately prior to completion of the Disposal) through the廣州普廣科技有限公司(translittered as Guangzhou Eprotech Company Limited#) (the "**WFOE**"), a wholly foreign-owned enterprise established in the PRC, to conduct its contact service business in the PRC in order to comply with the applicable PRC laws and regulations and to assert management control over the operations of, and enjoy all economic benefits of, Guangzhou Junfeng. The agreements underlying the Contractual Arrangements include: (i) the Loan Agreement (as defined below), (ii) the Management Agreement (as defined below), (iii) the Equity Charge (as defined below) and the New Equity Charges (as defined below), (iv) the Irrevocable Equity Transfer Agreement (as defined below), (v) the New Shareholders Undertaking (as defined below), (vi) the New Director Undertaking (as defined below), and (vii) the New Legal Representative Undertaking (as defined below).

Pursuant to the Contractual Arrangements, all substantial and material business decisions of Guangzhou Junfeng were instructed and supervised by the Group, through the WFOE, and all risks arising from the business of Guangzhou Junfeng were also effectively borne by the Group as a result of Guangzhou Junfeng was treated as a wholly-owned subsidiary of the Group.

Immediately prior to the Disposal, Guangzhou Junfeng only engaged in the value-added telecom businesses within a province, namely, Guangdong Province, and did not expand its business outside Guangdong Province in the near future. As the registered capital of Guangzhou Junfeng amounted to RMB5 million, Guangzhou Junfeng had fulfilled the registered capital condition under the Qualification requirement. Further, upon enquiries made by the PRC legal advisers of the Group on the Communication Development Department (通信發展司) of the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部), being a competent authority to clarify the Qualification Requirement, no specific guidance in relation to the requirement of "good business performances and operation experiences in managing the value-added telecom businesses" was provided. As such, the Directors were of the view that the Group has complied with the Qualification Requirement.

History and background of Guangzhou Junfeng

Guangzhou Junfeng was established in 2000 and obtained its Telecom Value Added Service Operating License in 2003. Immediately prior to completion of the Disposal, principal scope of business included computing technology development, wholesale trading, call centre business and information service business covering the region of Guangdong Province, the PRC.

In 2005, Mr. Xu acquired 70% equity interest in Guangzhou Junfeng, and Mr. Yuan acquired the remaining 30% in 2010. Guangzhou Junfeng had limited operation after its inception. After the acquisition of 70% equity interest by Mr. Xu in 2005, the scale of call centre operation gradually expanded from approximately 30 staffs in 2006 to approximately 450 workstations in July 2013. Starting from 2006, Guangzhou Junfeng operated the call centre at Tian He Software Park ("**First Call Center**") with approximately 300 workstations, and later in August 2008 opened the second call centre at SME Innovation and Technology Park in Guangzhou Liwan District ("**Second Call Centre**") with approximately 150 workstations.

From 2006 to 13 May 2014, Guangzhou Junfeng's business address was located on the 8th Floor, East Tower, Jia Du Commercial Building, Tian He Software Park, 66 Jian Zhong Road, Guangzhou, China. From 14 May 2014 and up to the completion of the Disposal, Guangzhou Junfeng's business address was located at Flat 2A & 3A, Block B, No. 1 Guangxing Hengjie Guangxing Road, Nansha District, Guangzhou, China.

Prior to the completion of the Acquisition in 2013, Guangzhou Junfeng used basic telephone system for its overall call centre operation, and used the WISE-xb Contact Centre System provided by the Group exclusively for those contact centre services subcontracted to Guangzhou Junfeng by the Group. After the completion of the Acquisition, the Group has deployed the WISE-xb Contact Centre System to Guangzhou Junfeng for operating all of its services.

Information of the registered shareholders of Guangzhou Junfeng

Mr. Xu

Immediately prior to completion of the Disposal, Mr. Xu owned 82% equity interests in Guangzhou Junfeng. Mr. Xu was currently the chairman of the board of directors and the legal representative of Guangzhou Junfeng. Mr Xu was mainly responsible for the strategic planning, leading the management to ensure effective communication and relationship with the customers, maintaining regular dialogue with the shareholders and leading the management to achieve the business goals and results. Mr Xu was not a paid staff and does not receive any salary.

Mr. Yuan

Immediately prior to completion of the Disposal, Mr. Yuan owned 18% equity interests in Guangzhou Junfeng. Mr Yuan was currently the chief software engineer and technical manager of Guangzhou Junfeng. Mr Yuan was mainly responsible for the system research and development, information technology management and operation of Guangzhou Junfeng's business in accordance with the business plans. Mr. Yuan had a salary of RMB18,200.00 per month.

Details of the Contractual Arrangements

(i) Loan Agreement

On 5 July 2013, a loan agreement (the "**Loan Agreement**") was entered into between Epro BPO, as the lender, and Mr. Xu and Mr. Yuan, as borrowers, pursuant to which the Epro BPO granted an interest free loan (the "**Loan**") of a principal amount of RMB7,000,000.00 to Mr. Xu and Mr. Yuan. The term of the Loan shall end on the date of the exercise of the exclusive right by the WFOE under the Irrevocable Equity Transfer Agreement to acquire the equity interest in Guangzhou Junfeng. The amount of the Loan shall be used to set off against the consideration under the Irrevocable Equity Transfer Agreement. Pursuant to the Loan Agreement, Epro BPO may at its sole discretion assign the rights and novate the obligations under the Loan Agreement to any company nominated by Epro BPO without the consent of Mr. Xu and Mr. Yuan.

(ii) Management Agreement

On 5 July 2013, the WFOE entered into a management agreement (the "**Management Agreement**") with Guangzhou Junfeng, Mr. Xu and Mr. Yuan, pursuant to which the WFOE shall provide to Guangzhou Junfeng management consultancy services, including (a) identifying suitable candidates and experts with experience and providing training to managers, head of departments, administrative staff, accounting staff and other staff of Guangzhou Junfeng; (b) providing strategic advices on the agreements that are reasonably required or in the ordinary course of business of Guangzhou Junfeng; (c) formulating and assisting in the implementation of rules and internal control policy, standard administrative, accounting, planning, marketing, human resources and operation strategies; (d) assisting Guangzhou Junfeng to plan and organize public relations and marketing activities; (e) assisting Guangzhou Junfeng to review its operations; (f) assisting Guangzhou Junfeng in business operations; (g) providing market information on computer network technology and internet information services and mobile internet information market research information and analysis; and (h) providing business advices on the operation and investment project, and assisting and participating in management operations.

In addition, pursuant to the Management Agreement, without the prior written approval from the WFOE, Guangzhou Junfeng shall not enter into any transactions (save as those transactions entered into in the ordinary course of business) that may affect its assets, obligations, rights or operation, including but not limited to (a) the disposal, transfer or acquisition of any assets, (b) the provision of any guarantee or create any encumbrances relating to its assets, (c) the entering into of any material contracts and (d) any merger, acquisition or restructuring of Guangzhou Junfeng.

The initial term of the Management Agreement is of a fixed term of ten years from the date of the execution of the Management Agreement. The WFOE has the sole discretion to renew the Management Agreement for a further term of ten years. The WFOE shall charge Guangzhou Junfeng a service fee of 10% of the actual net profit of Guangzhou Junfeng. In the event that Guangzhou Junfeng has incurred a loss, the WFOE shall charge Guangzhou Junfeng a service fee of RMB100,000.00 per year. Pursuant to the terms of the Management Agreement, the WFOE may at any time at its sole discretion or facing an increase in the cost of providing the management service, charge Guangzhou Junfeng a service fee of up to 100% of the actual net profit of Guangzhou Junfeng. Pursuant to the terms of the Management Agreement, the WFOE may at its sole discretion assign the rights and novate the obligations under the Management Agreement to any company nominated by the WFOE without the consent of Guangzhou Junfeng, Mr. Xu and Mr. Yuan.

(iii) Equity Charge and New Equity Charge

On 5 July 2013, the WFOE, as chargee, entered into an equity charge (the "**Equity Charge**") with Mr. Xu and Mr. Yuan, as chargor, and Guangzhou Junfeng, as confirmor, pursuant to which Mr. Xu and Mr. Yuan create an equity charge in favour of the WFOE over their respective equity interests in Guangzhou Junfeng to secure and guarantee the obligations of Guangzhou Junfeng under the Management Agreement until the fulfillment of all the obligations of Guangzhou Junfeng under the Management Agreement. The Equity Charge has been registered with the relevant industry and commerce registration authority in the PRC on 3 August 2013.

The charging period of the Equity Charge shall commence from the date of registration of the Equity Charge with the relevant industry and commerce registration authority until fulfillment of all the obligations of Mr. Xu, Mr. Yuan and Guangzhou Junfeng under the Management Agreement. Pursuant to the terms of the Equity Charge, the WFOE may at its sole discretion assign the rights and novate the obligations under the Equity Charge to any company nominated by the WFOE without the consent of Mr. Xu and Mr. Yuan.

On 24 October 2014, the WFOE entered into a new equity charge (the "**New Equity Charge**") with Mr. Xu, Mr. Yuan and Guangzhou Junfeng, pursuant to which the Equity Charge created by Mr. Xu and Mr. Yuan in favour of the WFOE over their respective equity interests in Guangzhou Junfeng shall secure and guarantee the respective obligations of Guangzhou Junfeng, Mr. Xu and Mr. Yuan under each of the Management Agreement, the Irrevocable Equity Transfer Agreement, the Undertakings and the Powers of Attorney. On 28 October 2014, the registration of Equity Charge was permitted to be cancelled by the relevant industry and commerce registration authority. The New Equity Charge has been registered with the relevant industry and commerce registration authority in the PRC on 29 October 2014. The charging period of the New Equity Charge shall commence from the date of registration of the New Equity Charge with the relevant industry and commerce registration authority until fulfillment of all the obligations of Mr. Xu, Mr. Yuan and Guangzhou Junfeng under the Management Agreement, the Irrevocable Equity Transfer Agreement, the New Undertakings and the Powers of Attorney.

(iv) Irrevocable Equity Transfer Agreement

On 5 July 2013, the WFOE, Mr. Xu, Mr. Yuan and Guangzhou Junfeng entered into an irrevocable equity transfer agreement (the "**Irrevocable Equity Transfer Agreement**"), pursuant to which Mr. Xu and Mr. Yuan shall grant an irrevocable and exclusive right (the "**Acquisition Right**") to the WFOE to acquire, to the extent permitted by the relevant PRC laws and regulations, the entire equity interests in Guangzhou Junfeng at the consideration of RMB7,000,000.00. The parties agreed that the amount of the Loan shall be used to set off against the consideration in relation to the acquisition of the entire equity interests in Guangzhou Junfeng under the Irrevocable Equity Transfer Agreement. There is no fixed term to the exercise of the Right by the WFOE to acquire entire equity interests in Guangzhou Junfeng. Such rights shall remain valid until (a) it is permitted under the relevant laws and regulations in the PRC; and (b) the WFOE exercises the right to acquire the entire equity interests in Guangzhou Junfeng.

Pursuant to the sole discretion of the WFOE, the WFOE can assign the Acquisition Right and novate the obligations under the Irrevocable Equity Transfer Agreement to any company nominated by the WFOE without the consent of Mr. Xu, Mr. Yuan and Guangzhou Junfeng.

On 24 October 2014, the WFOE entered into the supplemental irrevocable equity transfer agreement (the "**Supplemental Irrevocable Equity Transfer Agreement**") with Mr. Xu, Mr. Yuan and Guangzhou Junfeng, pursuant to which (a) Mr. Xu and Mr. Yuan, as the registered shareholders of Guangzhou Junfeng, agreed to create a charge with respect to their respective shareholding in Guangzhou Junfeng in favour of the WFOE to secure their respective obligations under the Irrevocable Equity Transfer Agreement and the Supplemental Irrevocable Equity Transfer Agreement; (b) as an alternative to the Acquisition Right, Guangzhou Junfeng also grants the WFOE an irrevocable and exclusive right (the "**Alternative Right**") to acquire, to the extent permitted by the relevant PRC laws and regulations, the entire assets of Guangzhou Junfeng at the consideration of RMB7,000,000. In the event that the WFOE exercises the Alternative Right as opposed to the Acquisition Right, the parties agreed that the amount of the Loan shall be used to settle the consideration in relation to the acquisition of the entire assets of Guangzhou Junfeng; and (c) each of Mr. Xu and Mr. Yuan or Guangzhou Junfeng (as the case may be) shall return any consideration (other than the amount of the Loan used for setoff or settlement) that he has received and which had been paid by the WFOE pursuant to the Contractual Arrangements.

(v) New Shareholder Undertaking

To secure the due performance of the obligations of Guangzhou Junfeng, Mr. Xu and Mr. Yuan under each of the Loan Agreement, the Management Agreement, the New Equity Charge, the Irrevocable Equity Transfer Agreement and the Supplemental Irrevocable Equity Transfer Agreement, on 24 October 2014, each of Mr. Xu and Mr. Yuan, as coventators, and Guangzhou Junfeng, as confirmor, have executed the new shareholder undertaking (the "**New Shareholders Undertaking**") in favour of the WFOE. Pursuant to the New Shareholder Undertaking, each of Mr. Xu and Mr. Yuan, as registered shareholders of Guangzhou Junfeng, irrevocably and unconditionally undertakes to the WFOE that, among others:

(1) they shall notify the WFOE in writing and transmit the proposed resolutions of the shareholders' meeting of Guangzhou Junfeng and the agenda of the meeting to the WFOE five (5) working days before convening the shareholders' meeting, so that the WFOE is aware of this and can make instructions on the voting of the resolutions. The WFOE also has the right to instruct Mr. Xu and Mr. Yuan to convene an ad hoc shareholders' meeting and put the matters concerned for voting. For ad hoc shareholders' meetings, Mr. Xu and Mr. Yuan shall not cast any vote before they have obtained the instructions of the WFOE on the voting of the resolutions by shareholders;

(2) the WFOE has the right to appoint any persons duly authorized by it to attend the shareholders' meeting of Guangzhou Junfeng, those persons have the right to represent to offer advice and make instructions on the voting of the resolutions by shareholders on behalf of the WFOE. After the end of the shareholders' meeting, the WOFE will be notified in writing and the related resolution of the shareholders' meeting of Guangzhou Junfeng shall be transmitted to the WFOE for filing purposes;

(3) when exercise the power of shareholder to Guangzhou Junfeng, including but not limited to the exercising of the voting right during a shareholders' meeting, the exercise relating to voting rights shall be conducted solely by the intention and instruction of the WFOE;

(4) each of Mr. Xu and Mr. Yuan shall, upon the request of the WFOE, appropriately increase the members of the board of directors as requested by the WFOE, or arrange the persons requested by the WFOE to serve as executive directors;

(5) each of Mr. Xu and Mr. Yuan undertakes that he shall not, currently and in the future, directly engage in the same or similar business as that of Guangzhou Junfeng through organizations other than Guangzhou Junfeng or by himself or themselves;

(6) subject to the prior written consent from the WFOE, Guangzhou Junfeng are entitled to declare and pay bonus, dividends or other benefits to Mr. Xu and Mr. Yuan, upon which Mr. Xu and Mr. Yuan undertake to the WFOE that any bonus, dividends or other benefits received from Guangzhou Junfeng shall be transferred to the WFOE or any nominee of the WFOE;

(7) if Guangzhou Junfeng is liquidated in accordance with the relevant laws, each of Mr. Xu and Mr. Yuan undertakes that he shall hand over the residual assets of Guangzhou Junfeng that he may obtain to the WFOE after Guangzhou Junfeng has been liquidated in accordance with the relevant laws;

(8) each of Mr. Xu and Mr. Yuan undertakes that in the event that in the absence of the series of control agreements underlying the Contractual Arrangements entered into with the parties concerned being voided under the laws, administrative rules and local regulations currently in force in the PRC, or the relevant regulatory rules and government authorities allow the WFOE to operate the value-added telecom business without the adoption of the Contractual Arrangements, all parties shall revoke the control agreements underlying the Contractual Arrangements, and at the time of revoking such control agreements, each of Mr. Xu and Mr. Yuan shall return any consideration (other than the amount of the Loan used for setoff) that he has received and which had been paid by the WFOE pursuant to the Contractual Arrangements; and

(9) the New Shareholder Undertaking shall be valid and equally binding upon the WFOE and its successor, Mr. Xu and Mr. Yuan and their respective successor (including but not limited to the liquidator, receiver, legal/probate successor inheriting the authorities and duties of the WFOE or Mr. Xu and Mr. Yuan pursuant to the domestic and overseas laws). In the event that the personal assets of Mr. Xu and/or Mr. Yuan are insufficient to repay their creditors or Mr. Xu and/or Mr. Yuan divorces, the New Shareholder Undertaking shall be binding upon the transferee or successor of each of Mr. Xu and/or Mr. Yuan who accepts/inherits the duties by way of auction, novation, re-organization, inheritance, allocation, transfer or other procedures. Under any circumstances, either successor or transferee above inherits/accepts the rights or duties of the New Shareholder Undertaking and Mr. Xu and/or Mr. Yuan shall cause their respective successor or transferee to be obliged to jointly sign the New Shareholder Undertaking to confirm that they become a party to the New Shareholder Undertaking, and inherits/accepts the related rights or duties of the New Shareholder Undertaking.

(vi) New Director Undertaking

To secure the due performance of the obligations of Guangzhou Juenfeng, Mr. Xu, Mr. Eric Suen Fuk Hoi ("**Mr. Suen**"), Ms. Ting Yee Mei ("**Ms. Ting**"), Mr. Cheung Chi Tat ("**Mr. Cheung**") and Mr. Yuan under each of the Loan Agreement, the Management Agreement, the New Equity Charge, the Irrevocable Equity Transfer Agreement and the Supplemental Equity Transfer Agreement, on 24 October 2014, Mr. Xu, Mr. Suen, Ms. Ting, Mr. Cheung, as coventator, and Mr. Yuan and Guangzhou Junfeng, as confirmors, have executed the new director undertaking (the "**New Director Undertaking**") in favour of the WFOE. Pursuant to the New Director Undertaking, Mr. Xu, Mr. Suen, Ms. Ting and Mr. Cheung, as a director of Guangzhou Junfeng, irrevocably and unconditionally undertake to the WFOE that, among others:

(i) Mr. Xu, Mr. Suen, Ms. Ting and Mr. Cheung shall notify the WFOE in writing and transmit the proposed resolutions of the board of directors' meeting of Guangzhou Junfeng and the agenda of the meeting to the WFOE five (5) working days before convening the board of directors' meeting, so that the WFOE can make instructions on the voting of the resolutions of the board. Mr. Xu, Mr. Suen, Ms. Ting and Mr. Cheung, undertake not to make any resolution before they has obtained the instructions of the WFOE on the voting of the resolutions by shareholders;

(ii) when exercising the power of director, Mr. Xu, Mr. Suen, Ms. Ting and Mr. Cheung undertake to fully follow the intention and instruction of the WFOE in relation to the exercise of director's rights when passing directors' resolutions;

(iii) Mr. Xu, Mr. Suen, Ms. Ting and Mr. Cheung undertake that they shall not, currently and in the future, directly engage in the same or similar business as that of Guangzhou Junfeng through organizations other than Guangzhou Junfeng or by themselves;

(iv) after a resolution of the board of directors is made, the WOFE shall be notified in writing and the related resolution of the board of directors of Guangzhou Junfeng shall be transmitted to the WFOE for filing purposes;

(v) the WFOE has the right to appoint any persons duly authorized by it to attend the board meeting of Guangzhou Junfeng, and such appointees have the right to represent, to offer advice and make instructions on the voting of the relevant board resolutions on behalf of the WFOE; and

(vi) should there be any changes in the executive directors/members of the board of directors of Guangzhou Junfeng, Mr. Xu, Mr. Suen, Ms. Ting, Mr. Cheung, Mr. Yuan and Guangzhou Junfeng shall cause the new executive directors/members of the board of directors of Guangzhou Junfeng to make the same undertaking as in the New Director Undertaking to the WFOE. Subsequent to completion of the Disposal, Mr. Suen, Ms. Ting, Mr. Cheung resigned as a director in Guangzhou Junfeng.

(vii) New Legal Representative Undertaking

To secure the due performance of the obligations of Guangzhou Junfeng, Mr. Xu and Mr. Yuan under each of the Loan Agreement, the Management Agreement, the New Equity Charge, the Irrevocable Equity Transfer Agreement and the Supplemental Equity Transfer Agreement, on 24 October 2014, Mr. Xu, as coventator, and Guangzhou Junfeng and Mr. Yuan, as confirmors, have executed the new legal representative undertaking (the "**New Legal Representative Undertaking**") in favour of the WFOE. Pursuant to the New Legal Representative Undertaking, Mr. Xu, as the legal representative of Guangzhou Junfeng, irrevocably and unconditionally undertakes to the WFOE that, among others:

(i) he shall notify the WFOE in writing and transmit the and documents that Mr. Xu shall sign as legal representative (the "**Documents**") to the WFOE five (5) working days before they are signed, so that the WFOE can make instructions on the Documents. Mr. Xu undertakes not to sign the Documents before he has obtained the instructions of the WFOE on the contents of the Documents;

(ii) He shall obtain prior written consent from the Board for entering into any transactions regarding acquisition of, disposal of or otherwise dealing with assets which exceeds RMB100,000 and which represent 5% or more of the assets or net profits of Guangzhou Junfeng for the latest financial year;

(iii) when exercising the power of legal representative, Mr. Xu undertakes to fully follow the intention and instruction of the WFOE in relation to the exercise of the rights of legal representative;

(iv) Mr. Xu undertakes that he shall not, currently and in the future, directly engage in the same or similar business as that of Guangzhou Junfeng through organizations other than Guangzhou Junfeng or by himself;

(v) after the signing of any of the Documents, the WOFE shall be notified in writing and the Documents shall be transmitted to the WFOE for filing purposes; and

(vi) should there be any changes in the legal representative of Guangzhou Junfeng, Mr. Xu, Mr. Yuan and Guangzhou Junfeng shall cause the new legal representative of Guangzhou Junfeng to make the same undertaking as in the New Legal Representative Undertaking to the WFOE.

Dispute resolution under the Contractual Arrangements

The Contractual Arrangements (except the Loan Agreement) was governed by the PRC laws and provides that any dispute arising from the Contractual Arrangements (except the Loan Agreement) shall be resolved through arbitration at Shenzhen in accordance with the arbitration rules of South China International Economic and Trade Arbitration Commission (華南國際經濟貿易仲裁委員會). The decision of the arbitration would be final and enforceable against the parties thereto. The parties agreed that in appropriate circumstances, the parties or the South China International Economic and Trade Arbitration Commission can apply to the courts of competent jurisdiction to award remedies in remover the shares or assets of Guangzhou Junfeng, injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of Guangzhou Junfeng in support of the arbitration pending formation of the arbitral tribunal generally.

The PRC legal advisor of the Group confirmed that the abovementioned dispute resolution provisions set forth in the Contractual Arrangements (except the Loan Agreement) were in compliance with the PRC laws, legally valid and binding on the relevant signatories. However, the Group's PRC legal advisor was also of the opinion that the provisions in the agreements underlying the Contractual Arrangements (except the Loan Agreement) setting forth that courts in Hong Kong and the Cayman Islands were empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal may not be enforceable under PRC laws.

Succession

As advised by the PRC legal adviser of the Company, while the agreements underlying the Contractual Arrangements provided that such agreements were also binding on the successors of the relevant parties thereto, in the case where there is a successor involved, the successor should sign the relevant agreements to become a legal party to the agreements underlying the Contractual Arrangements. Based on the successors' signing of the agreements underlying the Contractual Arrangements, any breach by the successors thereof would be deemed to be a breach of the relevant agreements. In particular, in the event of the bankruptcy or divorce of Mr. Xu and Mr. Yuan, the agreements underlying the Contractual Arrangements would be binding on the assignees or successors of Mr. Xu and Mr. Yuan to which the rights and obligations thereunder are transferred or assigned by way of auctions, novation, restructuring, inheritance, assignment, transfer or other bankruptcy procceedings. Therefore, the PRC legal advisers of the Company was of the view that the WFOE can enforce its right under the agreements underlying the Contractual Arrangements against the relevant successors while successors have signed the relevant agreements to become legal parties to such agreements. In any event, subject to the full compliance of the relevant PRC laws and regulations, the WFOE can, at its sole discretion, exercise or assign to its nominee the right under the Irrevocable Equity Transfer Agreement to acquire the entire equity interest in Guangzhou Junfeng.

Risks associated with the Contractual Arrangements

The PRC Government may determine that the Contractual Arrangements do not comply with applicable PRC laws and regulations

The Group's PRC legal adviser has advised that there is a possibility that the PRC government may have different opinions on the interpretation of the applicable PRC regulations and would not agree that the Contractual Arrangements comply with PRC licensing, registration or other legal or regulatory requirements, existing policies or requirements or policies that may be adopted in the future. PRC laws and regulations governing the validity of the Contractual Arrangements are uncertain and the relevant government authorities have broad discretion in interpreting these laws and regulations.

The Company cannot assure that the Contractual Arrangements will not be found to be in violation of any current or future PRC laws and regulations. If the Company is found to be in violation of any existing or future PRC laws or regulations, including the MOFCOM Security Review Rules and any future regulations regarding the use of the VIE structure promulgated by any PRC government authority, the relevant regulatory authorities would have broad discretion in dealing with such breach or violation. Such action could have a material adverse impact on the Group's business, financial condition and results of operations.

As at 30 June 2014, the Company has not encountered any interference or encumbrance from any governing bodies in operating its business through Guangzhou Junfeng under the Contractual Arrangements.

The Contractual Arrangements may not provide control as effective as direct ownership

Since the PRC governmental authorities currently do not as a matter of practice grant Telecom Value Added Service Operating License to foreign invested companies, the Group is conducting its contact services business in the PRC and generating revenues through the Contractual Arrangement. The Contractual Arrangement may not be as effective in providing the Company with control over Guangzhou Junfeng as direct ownership.

If the Company had a direct ownership of Guangzhou Junfeng, the Company would be able to exercise its rights as a shareholder to effect changes in the board of directors of Guangzhou Junfeng, which in turn could effect changes at the management level, subject to any applicable fiduciary obligations. However, under the Contractual Arrangements, the Company relies on Guangzhou Junfeng and its shareholders' performance of their contractual obligations to exercise effective control. In addition, the Contractual Arrangements generally have a term of ten years which is subject to the WFOE's unilateral right of extension or termination. In general, neither Guangzhou Junfeng nor its shareholders may terminate the contracts prior to the expiration date. However, the registered shareholders of Guangzhou Junfeng may not act in the best interests of the Company or may not perform their obligations under the Contractual Arrangements, including the obligation to renew the Contractual Arrangements when their initial ten-year term expires. Such risks exist and the Company expects them to continue to exist throughout the period in which the Company intends to operate its business through the Contractual Arrangements. The Company may replace the shareholders of Guangzhou Junfeng pursuant to the Contractual Arrangements when the PRC laws and regulations permit such replacement. However, if any dispute relating to these agreements is unresolved, the Company will have to enforce its rights under the Contractual Arrangements through the operations of PRC law and through arbitration and therefore will be subject to uncertainties. Therefore, the Contractual Arrangements may not be as effective as direct ownership in providing the Company with control over Guangzhou Junfeng.

Any failure by Guangzhou Junfeng or its shareholders to perform their obligations under the Contractual Arrangements with them may have a material adverse effect on the Group's business

Guangzhou Junfeng and its shareholders may fail to take certain actions required for the Group's business or to follow the Group's instructions despite their contractual obligations to do so. If they fail to perform their obligations under their respective agreements with the Company, the Company may have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, which may not be effective.

In the event that the Company is not able to exert control over Guangzhou Junfeng, for example, if the shareholders of Guangzhou Junfeng were to refuse to transfer their equity interests in Guangzhou Junfeng to the WFOE or its designee when the WFOE exercises its rights pursuant to the Contractual Arrangements, or if they were otherwise to act in bad faith toward the Group, then the Group may have to take legal actions to compel them to fulfil their contractual obligations.

All of the agreements that constitute the Contractual Arrangements (except the Loan Agreement) are governed by PRC laws and provide for the resolution of disputes through arbitration in accordance with the arbitration rules of South China International Economic and Trade Arbitration Commission (華南國際經濟貿易仲裁委員會) in the PRC. Accordingly, the agreements underlying the Contractual Arrangements will be interpreted in accordance with PRC law and any disputes will be resolved in accordance with the relevant arbitration rules. If Guangzhou Junfeng fails to perform its obligations under the Contractual Arrangements, the Company may have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, and claiming damages which may not be effective. The legal environment in the PRC is not as developed as in certain other jurisdictions, such as the United States. As a result, uncertainties in the PRC legal system could limit the Company's ability to enforce the Contractual Arrangements, which may make it difficult to exert effective control over the Contractual Arrangements, and the Company's ability to conduct its business may be adversely affected.

The Company may suffer losses as the primary beneficiary of Guangzhou Junfeng if the Company provides financial support to Guangzhou Junfeng, and the Company may lose the ability to use and enjoy assets held by Guangzhou Junfeng that are important to the operation of its business if Guangzhou Junfeng declares bankruptcy or becomes subject to a dissolution or liquidation proceeding

Under the Contractual Arrangements, as the primary beneficiary of Guangzhou Junfeng, under the applicable laws, the Company is not obligated to share the losses of Guangzhou Junfeng nor is the Company obligated to provide financial support to Guangzhou Junfeng under any circumstances. However, in the event that Guangzhou Junfeng operates at losses or otherwise, the Company may decide and resolve, at its sole and absolute discretion, to provide financial support to Guangzhou Junfeng in any manner permitted by relevant PRC laws to maintain its sound operations.

In addition, Guangzhou Junfeng holds certain assets that are important to the Group's business operations, such as the Telecom Value Added Service Operating License. Although relevant agreements under the Contractual Arrangements between the WFOE, Guangzhou Junfeng and the registered shareholders of Guangzhou Junfeng contain terms that specifically obligate the shareholders of Guangzhou Junfeng to ensure the valid existence of Guangzhou Junfeng and that Guangzhou Junfeng may not be voluntarily liquidated, in the event the shareholders breach this obligation and voluntarily liquidate Guangzhou Junfeng, or Guangzhou Junfeng declares bankruptcy, and all or part of its assets become subject to liens or rights of third-party creditors, the Company may be unable to continue some or all of our business operations, which could materially and adversely affect its business, financial condition and results of operations. Furthermore, if Guangzhou Junfeng undergoes a voluntary or involuntary liquidation proceeding, its shareholders or unrelated third-party creditors may claim rights to some or all of these assets, thereby hindering the Company's ability to operate its business, which could materially and adversely affect its business, results of operations and financial condition.

Measures to minimize the risk of non-compliance of the Contractual Arrangements

To minimize the risk of non-compliance of the Contractual Arrangements by Guangzhou Junfeng, Mr. Xu and Mr. Yuan, the Group adopted the following measures which were in effect before completion of the Disposal:

(i) In terms of contractual measures, the Board considered the entering into the New Equity Charge and the registration with the relevant industry and commerce registration authority can effectively prevent Guangzhou Junfeng's shareholders from impeding the WFOE's control over Guangzhou Junfeng by transferring their equity interest in Guangzhou Junfeng to bona fide third parties without the WFOE's knowledge or approval. Thus, the Board was of the view that the registered Equity Charge and New Equity Charge were effective measures in mitigating the risks of non-performance of obligations by Guangzhou Junfeng, Mr. Xu and Mr. Yuan.

(ii) In terms of practical measures, the Company had also put in place internal controls over Guangzhou Junfeng to safeguard its assets held through the Contractual Arrangements, which included but not limited to the following:

  (a) Guangzhou Junfeng passed a board resolution on 29 April 2014 approving the appointment of three (3) new directors nominated by the Company to the board of directors of Guangzhou Junfeng, namely Mr. Suen, the Financial Controller of the Group, Ms. Ting, the then General Manager of Operation of the Group and Mr. Cheung, the Software Development Manager of the Group. Followed the passing of the above resolution, three out of four board seats of Guangzhou Junfeng were occupied by the Group (the remaining board seat was held by Mr. Xu), which enable the Group to assert ultimate control on Guangzhou Junfeng. With the three major areas, including finance, operation and technology, being overseen by the above three directors nominated by the Company, and the Group's solid management experience in outsourcing contact centre services, the Group was able to minimize the risks of non-performance of obligations by Guangzhou Junfeng and its registered shareholders. Subsequent to completion of the Disposal, each of Mr. Suen, Ms. Ting and Mr. Cheung, resigned as a director of Guangzhou Junfeng.

(b) Since the entering into of the Contractual Arrangements, the Group had designated personnel to control the physical access to the bank chop of Guangzhou Junfeng and acted as the authorized signatory. Through these measures, the Group considered that the risks on financial and monetary aspect are effectively mitigated. The bank chop was returned to and the authorized signatory was changed to Mr. Xu subsequent to the completion of Disposal.

(c) In order to further solidify the Group's control of Guangzhou Junfeng, Guangzhou Junfeng had passed a board resolution on 1 August 2014 to appoint one of the Directors, Mr. Suen, to control the physical access to Guangzhou Junfeng's company chop. As a result, the physical control of the company chop and bank chop of Guangzhou Junfeng were in the control of and authorized signatory of Guangzhou Junfeng were persons under the Company's control prior to completion of the Disposal. The company chop was returned to Mr. Xu subsequent to the completion of Disposal.

(d) Moreover, on 1 August 2014, resolutions were passed by the board of directors of Guangzhou Junfeng, pursuant to which the legal representative of Guangzhou Junfeng shall obtain prior written consent from the Board for entering into (i) any transactions regarding acquisition of, disposal of or otherwise dealing with assets of Guangzhou Junfeng; or (ii) any transaction entered into in the ordinary course of business, the value of which exceeds RMB100,000 or represents 5% or more of the assets or net profits of the Guangzhou Junfeng for the latest financial year.

In order to mitigate the risk that Mr. Xu and/or Mr. Yuan refuses to cooperate in completing the requisite procedures as and when the WFOE exercises the Acquisition Right to acquire the equity interests in Guangzhou Junfeng (to the extent permitted under the relevant PRC laws and regulations) under the Contractual Arrangements, each of Mr. Xu and Mr. Yuan had executed and delivered to the WFOE all necessary documents (signed but undated) required to be signed by Mr. Xu and Mr. Yuan to effect the transfer of the entire equity interests in Guangzhou Junfeng from Mr. Xu and Mr. Yuan to the WFOE or its nominee (the "**Transfer**"), including the relevant application, share transfer agreement, commitment letter, registration form, shareholders resolution approving the Transfer, board resolution of Guangzhou Junfeng approving the Transfer and the new memorandum and articles of association of Guangzhou Junfeng. As advised by廣州市對外貿易經營合作局外資處(translittered as the foreign investment division of the Bureau of Foreign Trade and Economic Cooperation of Guangzhou Municipality#) and 廣州市工商局(translittered as Guangzhou's Administration Bureau for Industry and Commerce#) respectively, the aforementioned documents are the necessary documents required to be signed by Mr. Xu and/or Mr. Yuan for Guangzhou Junfeng to make an application to the relevant PRC authorities for the relevant approval and/or registration of the Transfer, to the extent permitted by the relevant laws and regulations in the PRC. Such documents were returned after completion of the Disposal.

FINANCIAL REVIEW

REVENUE

The Group recorded an increase in total revenue to approximately HK$176.0 million for the year ended 31 December 2014 from approximately HK$169.7 million for the year ended 31 December 2013, representing an increase of approximately HK$6.3 million as compared to that of last year. The revenue from outsourcing inbound contact services has increased with the contribution from the PRC operation. The net decrease in the number of insourced staff from one of our major customers led to a drop of approximately 24.4% in staff insourcing revenue.

The revenue of facilities management service increased by approximately 8.1% from approximately HK$27.5 million for the year ended 31 December 2013 to approximately HK$29.7 million for the year ended 31 December 2014. The sale and licensing income of WISE-xb System and software are approximately HK$6.4 million and approximately HK$8.0 million for the years ended 31 December 2013 and 2014 respectively which shown a positive and increasing trend.

The outsourcing inbound contact service, outsourcing outbound contact service, staff insourcing service, contact service centre facilities management service and others accounted for approximately 18.1%, 41.7%, 18.8%, 16.9% and 4.5% of the Group's total revenue for the year ended 31 December 2014 respectively. The following table sets forth the analysis of revenue by business units of our Group for the years ended 31 December 2014 and 2013 respectively:

Composition of revenue

	Year ended 31 December			
	2014		2013	
	HK$'000		*HK$'000*	
Outsourcing inbound contact service	**31,866**	**18.1%**	16,849	9.9%
Outsourcing outbound contact service	**73,353**	**41.7%**	75,240	44.3%
Staff insourcing service	**33,078**	**18.8%**	43,774	25.8%
Contact service centre facilities management service	**29,747**	**16.9%**	27,520	16.2%
Others*	**8,000**	**4.5%**	6,358	3.8%
Revenue	**176,044**	**100%**	169,741	100%

* The "Others" segment which principally comprises licencing and system maintenance income amounted to approximately HK$1.6 million (2013: HK$1.4 million) and sale of system and software income amounted to approximately HK$6.4 million (2013: HK$5.0 million).

Composition of revenue by country

The following table sets forth the analysis of the segment by country of the Group for the years ended 31 December 2014 and 2013 respectively:

	Year ended 31 December 2014		Year ended 31 December 2013		
	HK$'000	**% to Group's turnover**	*HK$'000*	% to Group's turnover	Change of %
HK	**136,455**	**77.5%**	150,319	88.6%	-9.2%
PRC	**39,589**	**22.5%**	19,422	11.4%	103.8%
Total	**176,044**	**100%**	169,741	100%	3.7%

The Group recorded a total revenue amounted to approximately HK$176.0 million and approximately HK$169.7 million for the years ended 31 December 2014 and 2013 respectively. The revenue in Hong Kong decreased by approximately 9.2% from approximately HK$150.3 million for the year ended 31 December 2013 to approximately HK$136.5 million for the year ended 31 December 2014. The decrease of revenue in Hong Kong is mainly due to the continual effect of decrease in revenue of staff insourcing service of a major customer. The Group recorded a revenue amounted to approximately HK$39.6 million for the period from 1 January 2014 to 22 December 2014 from the PRC operation.

SEGMENT RESULT AND GROSS PROFIT MARGIN

The following table sets forth the analysis of segment result and gross profit margin by business units of our Group for the years ended 31 December 2014 and 2013 respectively:

	2014	**Gross profit margin**	2013	Gross profit margin
	HK$'000	***%***	*HK$'000*	*%*
Outsourcing inbound contact service	**4,299**	**13.5%**	3,342	19.8%
Outsourcing outbound contact service	**9,012**	**12.3%**	19,369	25.7%
Staff insourcing service	**6,221**	**18.8%**	8,968	20.5%
Contact service centre facilities management service	**8,755**	**29.4%**	9,510	34.6%
Others	**5,300**	**66.2%**	5,316	83.6%
Total	**33,587**	**19.1%**	46,505	27.4%

The gross profit percentage of our Group decreased from approximately 27.4% for the year ended 31 December 2013 to approximately 19.1% for the year ended 31 December 2014.

Outsourcing Inbound Contact Service

For the year ended 31 December 2014, the outsourcing inbound contact service segment recorded a revenue of approximately HK$31.9 million, representing an increase of approximately 89.9% as compared to that of last year. The increase of revenue was mainly due to the addition of the PRC outsourcing inbound contact service revenue amounted to approximately HK$15.0 million. The gross profit margin of outsourcing inbound contact service decreased from approximately 19.8% for the year ended 31 December 2013 to approximately 13.5% for the year ended 31 December 2014. Despite the overall operating efficiency increased owing to the larger scale of operation, the absence of a highly lucrative one-time project as in 2013 led to a mild drop in gross profit margin in 2014.

Outsourcing Outbound Contact Service

For the year ended 31 December 2014, the outsourcing outbound contact service segment recorded a revenue of approximately HK$73.4 million, representing a slightly decrease of approximately 2.5% as compared to that of last year. The gross profit margin of outsourcing outbound contact service decreased from approximately 25.7% for the year ended 31 December 2013 to approximately 12.3% for the year ended 31 December 2014. The drop was mainly attributable to the much lower gross profit margin of the PRC outbound contact service.

Staff Insourcing Service

For the year ended 31 December 2014, the staff insourcing service segment recorded a revenue of approximately HK$33.1 million as compare with a revenue of approximately HK$43.8 million for the year ended 31 December 2013, representing a decrease of approximately 24.4%. The decrease of revenue was mainly due to the continual effect of reduction of services from one of our major customers. The gross profit margin of staff insourcing service decreased from approximately 20.5% for the year ended 31 December 2013 to approximately 18.8% for the year ended 31 December 2014. The slight decrease in the gross profit margin was mainly contributed to an increase in recruiting cost due to active labour market.

Contact Service Centre Facilities Management Service

For the year ended 31 December 2014, the contact service centre facilities management service segment recorded a revenue of approximately HK$29.7 million, representing an increase of approximately 8.1% as compared to that of last year. The increase of revenue was mainly due to a net growth in the number of workstations leased by clients in business centre. The gross profit margin of contact service centre facilities management service decreased from approximately 34.6% for the year ended 31 December 2013 to approximately 29.4% for the year ended 31 December 2014. The decrease in the gross profit margin was partly due to lower profit margin for retaining existing workstation leasing clients as well as an exceptionally high cost in a few IVRS services during the period.

Others

The "Others" segment principally comprises sale of system and software, licence fee income and maintenance fee of WISE-xb Contact Centre System. For the year ended 31 December 2014, the Group recorded a revenue of sale of system and software amounted to approximately HK$6.4 million (2013: approximately HK$5.0 million) and licence fee and system maintenance income amounted to approximately HK$1.6 million respectively (2013: approximately HK$1.4 million).

The segment result for others largely represents the segment result for sale of system and software which amounted to approximately HK$3.7 million for the year ended 31 December 2014.

EXPENSES

During the year under review, the employee benefit expenses increased from approximately HK$94.1 million for the year ended 31 December 2013 to approximately HK$101.2 million for the year ended 31 December 2014. The increase in employee benefits expenses was mainly due to the inclusion of the wages of the PRC staff for the full year of 2014.

The Group recorded other operating expenses amounted to approximately HK$49.7 million (2013: approximately HK$36.5 million). The other operating expenses to sales ratio increased from approximately 21.5% for the year ended 31 December 2013 to approximately 28.2% for the year ended 31 December 2014. The increase of the other operating expenses was mainly due to the full year effect of the operating expenses from China business unit which amounted to approximately HK$13.7 million as compared with the five months ended 31 December 2013 amounted approximately HK$5.9 million and the increase of the professional fee for the Transfer Listing amounted to approximately HK$1.3 million.

The Group's depreciation and amortization expenses increased from approximately HK$7.7 million for the year ended 31 December 2013 to approximately HK$9.6 million for the year ended 31 December 2014 which was mainly due to the inclusion of depreciation and amortization expenses of the PRC business unit for the full year of 2014.

The Group's finance costs decreased to approximately HK$0.7 million for the year ended 31 December 2014 from approximately HK$0.8 million for the year ended 31 December 2013.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The Group's profit attributable to owners of the Company decreased from approximately HK$25.7 million for the year ended 31 December 2013 to approximately HK$14.3 million for the year ended 31 December 2014. The decrease in profit attributable to owners of the Company was mainly due to the increase of employee benefits expenses and other operating expenses.

AWARDS AND CERTIFICATION

In 2014, the Group has successfully continued to renew and maintain the ISO 9001 Quality Management System Certificate (2008) and ISO 27001 Information Security Management System (ISMS) Certificate which were both audited by the Hong Kong Quality Assurance Agency (HKQAA).

Besides, the Group has also, for the fourth year, obtained the P2P Telemarketing Code of Practice Certificate established by the Hong Kong Call Centre Association. The Group will continue to uphold our professional standards and strive to bring better services and add value to our clients' business on a continual basis.

The Group has again obtained the "Caring Company" certification in 2014. Same as in last year, we had initiated a series of charity activities such as visiting Cornwall School of the Mental Health Association of Hong Kong, participating in the "Stride for a Cure" walkathon organised by Hong Kong Cancer Fund and "The Community Chest Green Day" organised by The Community Chest and The Hong Kong Jockey Club. In addition, we had collaborated with Richmond Fellowship of Hong Kong to hold the "Happy Green Day" to promote green life for protecting our living environment. In the coming future, the Group will continue to offer our support and contribution to the local community and environmental impetus.

PROSPECT

The local as well as global economic uncertainties will likely continue in the coming year. In response to these challenges, the Group will continue to focus on our core business and the development of our Wise-xb Contact Centre System so as to improve our service quality as well as functionality to our customers. We believe that based on our well established contact centre facilities and experienced management team, the Group's business will have a healthy and steady growth in the year to come.

Though the Group had discontinued the operation of contact centre services at Guangzhou City in the PRC, we are still actively evaluating and in pursuit of potential business opportunities in mainland China as well as other countries in the Asia Pacific Region that can offer synergies and desirable returns to the Shareholders.

The Group has recently entered into a memorandum of understanding with Xinjiang Kuanyang Information Technology Limited# (新疆寬洋信息科技有限公司) for exploring mutually beneficial business opportunities and collaboration in Xinjiang including but not limited to, multi-media business process outsourcing, outsourcing contact centre services, e-Commerce services and payment gateway services. Kuanyang Information Technology Limited has over eight years of business history in Xinjiang, the PRC, and has province-wide telecom value added service license. It is principally engaged in providing telecom value added services to nationwide telecom operators in the area. Based on a number of favourable factors including rapid economic development and less competitive outsourcing market in Xinjiang, as well as the Group's over 25 years of operation experience and the local resources of Kuanyang Information Technology, the Group believes there is much potential in the collaboration and will foster synergistic relationship and lead to valuable business co-operation in the future.

Moving forward, the Group aimed to expand our business scope and coverage in the Asian market. Other than continually focus on our principal contact centre service business, the Group will strive to fully exploit our competitive edge in IT and R&D capabilities by actively seeking IT-related business and collaboration opportunities in order to capture the vast and fast growing data market.

DIVIDEND

During the year under review, the Group declared and paid dividends in aggregate amounts of approximately HK$1.96 million for the six months ended 30 June 2014 to the shareholders of the Company on 29 August 2014.

The Board has resolved to recommend the payment of a final dividend of HK1.5 cents per ordinary for the year ended 31 December 2014 (2013: HK1.5 cents) on or about 19 May 2015 (Tuesday) to the shareholders of the Company whose names recorded on the register of members of the Company as at 12 May 2015 (Tuesday).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 8 May 2015 (Friday) to 12 May 2015 (Tuesday) (both days inclusive) during which period no transfers of Shares would be registered. In order to qualify for the final dividend, all transfer of Shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 7 May 2015 (Thursday).

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 2014, the Group had net current asset of approximately HK$87.1 million (2013: approximately HK$66.7 million) including cash and bank balances of approximately HK$17.1 million (2013: approximately HK$34.5 million).

As at 31 December 2014, the Group's current ratio (current assets/current liabilities) and gearing ratio were 6.43 (2013: 3.31) and 3% (2013: 6%) respectively. The gearing ratio was defined as the borrowing divided by the total assets.

The Group had interest-bearing loan approximately HK$3.9 million (2013: HK$7.1 million). The debt-to-equity ratio (total loans/total equity) was 4% (2013: 7%).

PLEDGE OF ASSETS

As at 31 December 2014, the Group had pledged its bank deposits of approximately HK$4.8 million (2013: approximately HK$4.8 million) and had pledged investment fund amounted to approximately HK$7.6 million (2013: approximately HK$4.8 million) to secure its banking facilities and trade receivable financing.

FOREIGN EXCHANGE EXPOSURE

Substantially all the revenue-generating operations of the Group were transacted in Hong Kong dollars during the 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.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The Group had no significant contingent liabilities as at 31 December 2014 (2013: Nil). As at 31 December 2014, there was no capital commitments outstanding but not provided for in the financial statements (2013: approximately HK$1.9 million).

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 2014, nor were there material acquisitions and disposals of subsidiaries during the year. There is no plan for material investments or capital assets as at 31 December 2014.

NUMBER AND REMUNERATION OF EMPLOYEE

The Group employed an average of approximately 1,022 employees in 2014 (2013: approximately 830 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

The Company did not redeem any of its listed securities, and neither did the Company nor any of its subsidiaries purchase or sell any of the listed securities of the Company for the year ended 31 December 2014.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company comprising Mr. Ngan Chi Keung (Chairman), Mr. Wong Sik Kei and Mr. Yung Kai Tai, all are independent non-executive Directors, had reviewed the audited consolidated results of the Group for the year ended 31 December 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 close 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 2014 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 received fees for acting as the Company's compliance adviser.

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"), pursuant to which each of the Covenantors has undertaken to the Company (for itself and for the benefit of its subsidiaries) that during the continuation of the Deed of Non-competition, each of the Covenantors shall not, and shall procure each of his/her/its associates and/or companies controlled by he/she/it, whether on his/her/its own account or in conjunction with or on behalf of any person, firm or company and whether directly or indirectly, which carries on a business which is, or be interested or involved or engaged in or acquire or hold any rights or interest or otherwise involved in any business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by the Group in Hong Kong.

The Deed of Non-competition has become effective from the Listing Date.

The Company has received the confirmation from the Covenantors in respect of their compliance with the terms of the Deed of Non-competition for the year ended 31 December 2014. The independent non-executive Directors reviewed and confirmed that the Covenantors complied with the Deed of Non-competition and the Deed of Non-competition has been enforced by the Company in accordance with its terms throughout the year ended 31 December 2014.

There have been no new business opportunities which are required to be referred to independent nonexecutive Directors under the Deeds of Non-competition executed by each of the Covenantors up to the year ended 31 December 2014.

CORPORATE GOVERNANCE

The Company has complied with the code provisions as set out in the Corporate Governance Code in Appendix 15 to the GEM Listing Rules of the Stock Exchange throughout the year ended 31 December 2014.

The Directors acknowledged their responsibility for preparing the annual financial statements for the year ended 31 December 2014 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 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 and Executive Director

Hong Kong, 19 March 2015

The English Translation of Chinese names or words in this report, where indicated, are included for reference only, and should not be regarded as the official translation of such Chinese names or words.

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.