

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



ETS GROUP LIMITED

易通訊集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8031)

CONTINUING CONNECTED TRANSACTIONS SYSTEM MAINTENANCE SERVICE OUTSOURCING AGREEMENT

On 31 December 2012, ELL and ETL entered into the Agreement, pursuant to which ETL appointed ELL, an indirect wholly owned subsidiary of the Company, to provide the Services to ETL and its customers from time to time and ETL will pay ELL the Service Fee.

As Mr. Wong and Mr. Ling, who are the executive Directors, are interested in 47% and 46% of ETL respectively, ETL is considered as a connected person of the Company under the GEM Listing Rules. The ongoing transactions contemplated under the Agreement constitute continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules.

As one or more of the applicable percentage ratios in respect of the Aggregated Proposed Annual Caps and the Proposed Annual Caps alone exceed 0.1% but are less than 5% respectively, the entering into of the Agreement and the Proposed Annual Caps are subject to the reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement under the GEM Listing Rules. In the event that the Service Fee would exceed the Proposed Annual Caps and the Aggregated Proposed Annual Caps for any of the three financial years ending 31 December 2015, the Company will comply with Rule 20.36 of the GEM Listing Rules as applicable.

Background

Reference is made to the section "Connected Transactions" in the Prospectus in relation to the Software Agreements, pursuant to which ELL has appointed ETL as distributor to sell and distribute the perpetual licence to use the WISE-xb System to the end users in Hong Kong, the PRC and Macau. ETL provides professional sales and marketing support and customization services of the WISE-xb System to customers based on the customers' needs and request. The end users who pay licence fees to ETL are granted the licence to use the WISE-xb System, but the ownership of the WISE-xb System remains with the Group. According to the Software Agreements, the licence fees payable by ETL to ELL are

50% of the amount of the sales of the licences to use the WISE-xb System. Pursuant to the Prospectus, the proposed annual caps amounts of the licence fees in respect of the WISE-xb System to be paid by ETL to ELL for each of the three years ending 31 December 2013 are HK\$649,000, HK\$828,000 and HK\$1,012,000 respectively. Please refer to the Prospectus for further details. The audited amount of the licence fees paid by ETL to ELL for the year ended 31 December 2011 was HK\$648,000.

With effect from 1 January 2013, ELL has agreed to provide the Services to ETL and ETL's customers based on the terms of the Agreement. Relying on its existing technical and software development capability, ELL shall provide the system development and maintenance support to ETL on a cost effective basis.

The Agreement

The Board is pleased to announce that on 31 December 2012, ELL and ETL entered into the Agreement with details below:—

Date:	31 December 2012
Parties:	ELL and ETL
Nature of services:	ETL appoints ELL to provide the Services to ETL and ETL's customers from time to time subject to the terms and conditions set forth in the Agreement.
Service Fee:	In consideration of and subject to the provision of the Services provided by ELL with the Agreement, ETL shall pay ELL the Service Fee at a rate not less than 95% and not more than 100% of the corresponding contract sum agreed between ETL and the customers from time to time.
Arrangement for payment:	<p>ETL shall place order to ELL requesting the provision of the Services for each individual customer, and ELL shall then invoice ETL based on the agreed amount within 7 working days.</p> <p>ETL shall settle the payment to ELL within 30 calendar days upon receiving the invoice from ELL.</p> <p>The Service Fee shall be the maximum amounts payable by ETL customers for the Services inclusive of all relevant taxes (if applicable) and out-of-pocket expenses incurred by ELL (including its agents, employees and subcontractors) unless otherwise agreed by ETL in advance in writing.</p>
Term:	The term of the Agreement shall commence on 1 January 2013 and, unless terminated subject to the terms and conditions as set forth in the Agreement, shall remain in full force and effect for a term of two years,

and will be automatically renewed for successive one year term unless prior written notification of termination or non-renewal is delivered by one of the parties by giving not less than three months' prior notice in writing to the other party for the first two years from 1 January 2013 and not less than two months' prior notice in writing to the other party for the third year from 1 January 2013, if applicable.

Proposed Annual Caps: The Proposed Annual Caps of providing the Services for the three financial years ending 31 December 2015 of the Company are HK\$3,000,000, HK\$3,300,000 and HK\$3,600,000 respectively. The Proposed Annual Caps are under arm-length negotiation and determined with reference to, among other factors:–

- (i) the historical amounts of providing or sales of related telecommunication services or products; and
- (ii) the expected increase in the amounts of providing or sales of related telecommunication services or products.

Reasons for and benefits of entering into the Agreement

ELL has appointed ETL to sell and distribute the perpetual licence to use the WISE-xb System to the end users since 2003. With the provision of customization services of the WISE-xb System to customers through ETL, the Group obtained proven records of broadened customer base and increased revenue. In view of the increasing demand from end users on maintenance of system and software but lack of technical know-how and experienced man power in ETL to provide such maintenance services, the Board consider that the engagement of ELL by ETL to provide the Services is in the interests of the Group as a whole.

The Directors, including the independent non-executive Directors, consider that the terms of the Agreement are fair and reasonable and are determined on normal commercial terms and in the ordinary course of business of the Group and in the interests of the Company and its Shareholders as a whole and the Proposed Annual Caps are fair and reasonable.

Aggregated Proposed Annual Caps

Given the nature of services and the contracting parties of the existing Software Agreements (which will remain valid until 31 December 2013) and the Agreement, the aggregated transactions amounts contemplated hereunder with reference to the proposed annual caps of the licence fees under the Software Agreements and the Proposed Annual Caps of the Service Fee under the Agreement in compliance with the GEM Listing Rules for the year ending 31 December 2013 is HK\$4,012,000. The Aggregated Proposed Annual Caps for the financial year ending 31 December 2014 and 2015, subject to the renewal of the Software Agreements, will be announced in due course. The contracting parties have yet to decide to renew the Software Agreements as at the date of this announcement.

GEM Listing Rules Implications

As Mr. Wong and Mr. Ling, who are the executive Directors, are interested in 47% and 46% of ETL respectively, ETL is considered as a connected person of the Company under the GEM Listing Rules. The ongoing transactions contemplated under the Agreement constitute continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules.

As one or more of the applicable percentage ratios in respect of the Aggregated Proposed Annual Caps and the Proposed Annual Caps alone exceed 0.1% but are less than 5% respectively, the entering into of the Agreement and the Proposed Annual Caps are subject to the reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement under the GEM Listing Rules. In the event that the Service Fee would exceed the Proposed Annual Caps and the Aggregated Proposed Annual Caps for any of the three financial years ending 31 December 2015, the Company will comply with Rule 20.36 of the GEM Listing Rules as applicable.

Details of the Agreement will be included in the Company's relevant published annual reports and accounts in compliance with Rules 20.45 and 20.46 of the GEM Listing Rules.

The Company will also comply with Rules 20.37 and 20.38 of the GEM Listing Rules in relation to the annual review of the transactions entered into pursuant to the Agreement.

In view of their relationship with ETL, Mr. Wong and Mr. Ling have abstained from voting on the Board's resolution in approving the Agreement and the Proposed Annual Caps in compliance with the GEM Listing Rules.

Information about the Group, ELL and ETL

The Group are principally engaged in the business 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, contact service centre facilities management service and other services such as licensing and sales of system and software.

ELL, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company. The principal activities of ELL are research and development of telecommunication system software and provision of consulting services.

ETL, a company incorporated in Hong Kong with limited liability. It is ultimately owned as to 47% and 46% by Mr. Wong and Mr. Ling respectively through intermediate holding companies. The principal activities of ETL are investment holding and the provision of telecommunication and related services.

Definitions

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:–

“Aggregate Proposed Annual Caps”	aggregation of the proposed annual cap for the licence fees under the Software Agreements and the Proposed Annual Cap under the Agreement.
“Agreement”	System Maintenance Service Outsourcing Agreement.
“Board”	the board of Directors.
“Company”	ETS Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the GEM.
“connected person”, “percentage ratio”	each has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	director(s) of the Company.
“ELL”	Epro Logic Limited, a company incorporated in Hong Kong with limited liability, which is an indirect wholly-owned subsidiary of the Company.
“ETL”	Epro Techsoft Limited, a company incorporated in Hong Kong with limited liability, which is ultimately owned as to 47% and 46% by Mr. Wong and Mr. Ling respectively through intermediate holding companies.
“GEM”	the Growth Enterprise Market of the Stock Exchange.
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (as amended from time to time).
“Group”	the Company and its subsidiaries.
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC.
“Macau”	the Macau Special Administrative Region of the PRC.

“Mr. Ling”	Mr. Ling Chiu Yum.
“Mr. Wong”	Mr. Wong Wai Hon Telly.
“PRC”	the People’s Republic of China which shall, for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan.
“Proposed Annual Caps”	the proposed annual caps for the Services for each of the three years ending 31 December 2015.
“Prospectus”	Prospectus of the Company dated 30 December 2011.
“Services”	professional system development and maintenance support services for the WISE-xb System and / or related system services.
“Service Fee”	fee payable by ETL in respect of the Services provided by ELL.
“Shareholders”	holders of share(s) of the Company.
“Software Agreements”	the Software OEM Distributorship Agreement together with the supplemental agreement both entered into between ETL and ELL on 2 January 2003 and 2 January 2011 respectively.
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.
“WISE-xb System”	a software system designed and developed by the Group for operation of its business, details of which are set out in the section headed “Business” in the Prospectus

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

Hong Kong, 31 December 2012

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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.

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.