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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)

**CONNECTED TRANSACTION
IN RELATION TO
ACQUISITION OF 100% OF THE ISSUED SHARES OF
GEAR ASSET MANAGEMENT LIMITED**

THE ACQUISITION AGREEMENT

The Board is pleased to announce that on 13 October 2017 (after trading hours of the Stock Exchange), the Purchaser, being an indirect wholly-owned subsidiary of the Company, the Vendor, and the Target Company entered into the Acquisition Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell, the Sale Shares, representing 100% of the issued shares of the Target Company at the Consideration of HK\$6,000,000.

GEM LISTING RULES IMPLICATIONS

At the date of this announcement, the Vendor is wholly-owned by Mr. YS Tang, an executive Director, and each of Mr. YS Tang and Mr. Tang, a non-executive Director and a Controlling Shareholder of the Company, is a director of the Vendor. Each of Mr. YS Tang, Mr. Tang and the Vendor is therefore a connected person of the Company and the transactions contemplated under the Acquisition Agreement constitutes a connected transaction on the part of the Company under Chapter 20 of the GEM Listing Rules.

As the applicable percentage ratios of the Acquisition Agreement under the GEM Listing Rules are less than 5%, the Acquisition Agreement will be subject to the reporting, announcement but is exempt from the circular and the independent Shareholders' approval requirements pursuant to Chapter 20 of the GEM Listing Rules.

As the applicable percentage ratios of the Acquisition Agreement under the GEM Listing Rules are less than 5%, the Acquisition Agreement does not constitute a notifiable transaction on the part of the Company pursuant to Chapter 19 of the GEM Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 13 October 2017 (after trading hours of the Stock Exchange), the Purchaser, being an indirect wholly-owned subsidiary of the Company, the Vendor, and the Target Company entered into the Acquisition Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell, the Sale Shares, representing 100% of the issued shares of the Target Company at the Consideration of HK\$6,000,000.

The principal terms of the Acquisition Agreement are summarised below.

ACQUISITION AGREEMENT

Date: 13 October 2017

Parties: (1) the Purchaser
(2) the Vendor
(3) the Target Company

The Vendor is a company established in the British Virgin Islands and is principally engaged in investment holding. As at the date of this announcement, the Vendor is wholly-owned by Mr. YS Tang, an executive Director, and each of Mr. YS Tang and Mr. Tang, a non-executive Director and a Controlling Shareholder of the Company, is a director of the Vendor. Save as disclosed above and to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Vendor and its ultimate beneficial owner(s) is Independent Third Party.

Assets to be acquired

Pursuant to the Acquisition Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell, the Sale Shares, representing 100% of the issued shares of the Target Company at the Consideration of HK\$6,000,000.

Upon Completion, the Company will through the Purchaser, become interested in 100% equity interest in the Target Company.

Consideration

The consideration for the Acquisition is HK\$6,000,000 and shall be payable by the Purchaser in cash in the following manner:

- (1) upon the entering into of the Acquisition Agreement, the Purchaser shall pay HK\$1,000,000 to the Vendor (the “**Refundable Deposit**”); and
- (2) upon Completion, the Purchaser shall pay the remaining balance of HK\$5,000,000 to the Vendor.

The Consideration was arrived at after arm’s length negotiations between the Purchaser and the Vendor after taking into consideration (i) the reasons for the Acquisition as detailed in the section headed “Reasons for and benefits of the entering into of the Acquisition Agreement” in this announcement; (ii) the prospects of the Target Company; and (iii) the original acquisition cost of the Sale Shares by the Vendor of HK\$5,800,000 and the net assets value of the Target Company of approximately HK\$1,922,000 as at 31 August 2017.

The Directors (including the independent non-executive Directors but excluding Mr. YS Tang and Mr. Tang) consider that the terms and conditions of the Acquisition Agreement are fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

The Consideration is intended to be funded by internal resources of the Group.

Conditions precedent

Completion is conditional upon, among others, the following conditions precedent having been complied with as at Completion:

- (1) all necessary consents, licenses and approvals from the shareholders and regulators required to be obtained on the part of the Vendor and the Target Company in respect of the Acquisition Agreement and the transactions contemplated thereby having been obtained and remain in full force and effect;
- (2) all necessary consents, licences and approvals from the shareholders and regulators required to be obtained on the part of the Purchaser in respect of the Acquisition Agreement and the transactions contemplated thereby having been obtained and remain in full force and effect;
- (3) without prejudice to the generality of the condition precedent set out in sub-paragraph (1) above, the approval from the SFC in relation to the change of substantial shareholder (as defined in the SFO) of the Target Company having been obtained and not revoked, cancelled or lapsed; and

- (4) at least two (2) Responsible Officers are accredited with the Target Company as principal for Type 9 (Asset Management) regulated activity under the SFO and one of them is actively supervising business of Type 9 (Asset Management) regulated activity under the SFO without condition.

In the event that (a) the conditions precedent set out above have not be complied with on or before the date falling nine (9) months from the date of the Acquisition Agreement (or such other date as the parties to the Acquisition Agreement may agree in writing) (the “**Long Stop Date**”) or upon Completion (as the case may be); or (b) Completion does not take place on the Completion Date as a result of the default of the Vendor, the Acquisition Agreement shall be rescinded and cease to have any legal effect and thereafter neither party to the Acquisition Agreement shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof. The Vendor shall forthwith pay a sum equivalent to the amount of the Refundable Deposit to the Purchaser and the Refundable Deposit shall be forthwith returned to the Purchaser in full but without interest, and in any event, within three (3) Business Days from the date of rescission. Neither party shall have any claim against the other.

In the event that (a) the conditions precedent set out above have not be complied with on or before the Long Stop Date or upon the Completion (as the case may be); or (b) Completion does not take place on the Completion Date as a result of the default of the Purchaser, the Acquisition Agreement shall be rescinded and cease to have any legal effect and thereafter neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof. The Vendor shall be entitled to forfeit the Refundable Deposit. Neither party shall have any claim against the other.

In the event that (a) the conditions precedent set out above have not be complied with on or before the Long Stop Date; or (b) Completion does not take place on the Completion Date otherwise than as a result of the default of the Purchaser or the Vendor, the Acquisition Agreement shall be rescinded and cease to have any legal effect and thereafter neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof. The Refundable Deposit shall be forthwith returned to the Purchaser in full but without interest, and in any event, within three (3) Business Days from the date of rescission. Neither party shall have any claim against the other.

Completion

Completion shall take place on the tenth (10th) Business Day after all the conditions precedent of the Acquisition Agreement are complied with or waived (if applicable) by the Purchaser (or such other date as the parties to the Acquisition Agreement may agree in writing).

Information of the Target Company

The Target Company is currently licensed to carry on Type 9 (Asset Management) regulated activity under the SFO. As at the date of this announcement, the Target Company has a total of five staff of which two were Responsible Officers and one was Licensed Representative. As at the date of this announcement, the Target Company has not commenced business operation and is expected to be engaged in the establishment and management of private equity fund and provision of advisory services on asset management.

The original acquisition cost of the Sale Shares by the Vendor on 29 December 2016 was HK\$5,800,000.

Set out below are the financial information of the Target Company as extracted from its audited accounts for the year ended 31 December 2015 and 2016 respectively:

	For the year ended 31 December 2016 (audited) HK\$	For the year ended 31 December 2015 (audited) HK\$
Loss before taxation and extraordinary items	44,677	192,494
Loss after taxation and extraordinary items	44,677	192,494
Net Assets	139,264	183,941

Based on the unaudited management accounts of the Target Company, the net assets value of the Target Company was approximately HK\$1,922,000 as at 31 August 2017.

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE ACQUISITION AGREEMENT

The Group is principally engaged in the business of providing comprehensive multi-media contact service and contact centre system. The Group has also tapped into finance and securities business since January 2017 and is currently carrying on Type 1 (Dealing in Securities) and Type 4 (Advising on Securities) regulated activities under the SFO. Since the entering into of the finance and securities business, the Group has been actively seeking to expand the type of financial products and services offered to its clients and potential clients.

The Target Company is a licensed corporation to carry out Type 9 (Asset Management) regulated activity under the SFO. The Board considers that the Acquisition would enable the Group to further diversify its business within the finance and securities business through direct investment in the Target Company. If the Acquisition is completed, the Group would attain a more comprehensive profile of licenses under the SFO which could create a synergy effect and complement the growth of the Group existing finance and securities business. The Group is expected to take advantage of the future growth in capital markets and continuous products development, by diversifying its business further within the finance and securities business and to broaden the Group's revenue base.

Having taken into account the aforementioned factors, the Board considers that the terms and conditions of the Acquisition Agreement have been arrived at after arm's length negotiations among the Purchaser, the Vendor and the Target Company, and that the Acquisition Agreement is on normal commercial terms and are fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

At the date of this announcement, the Vendor is wholly-owned by Mr. YS Tang, an executive Director, and each of Mr. YS Tang and Mr. Tang, a non-executive Director and a Controlling Shareholder of the Company, is a director of the Vendor. As such, each of Mr. YS Tang, Mr. Tang and the Vendor is therefore connected person of the Company and the transactions contemplated under the Acquisition Agreement constitutes a connected transaction on the part of the Company under Chapter 20 of the GEM Listing Rules.

Accordingly, each of Mr. YS Tang and Mr. Tang has material interests in the Acquisition Agreement and had abstained from voting on the relevant issues at the Board meeting for approving the Acquisition Agreement.

As the applicable percentage ratios of the Acquisition Agreement under the GEM Listing Rules are less than 5%, the Acquisition Agreement will be subject to the reporting, announcement but is exempt from the circular and the independent Shareholders' approval requirements pursuant to Chapter 20 of the GEM Listing Rules.

As the applicable percentage ratios of the Acquisition Agreement under the GEM Listing Rules are less than 5%, the Acquisition Agreement does not constitute a notifiable transaction on the part of the Company pursuant to Chapter 19 of the GEM Listing Rules.

DEFINITIONS

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

“Acquisition Agreement”	the conditional sale and purchase agreement dated 13 October 2017 and entered into among the Purchaser, the Vendor and the Target Company in relation to the sale and purchase of the Sale Shares
“Board”	board of directors of the Company
“Business Day”	a day when banks are generally open for business in Hong Kong but excluding Saturdays and Sundays and any day on which typhoon signal No. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon
“Company”	ETS Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the GEM
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the provisions of the Acquisition Agreement
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration”	HK\$6,000,000, being the the consideration payable by the Purchaser to the Vendor for the purchase of the Sale Shares
“Controlling Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons
“Licensed Representative(s)”	an individual who is granted a licence under section 120(1) or 121(1) of the SFO to carry on one or more regulated activities for a licensed corporation to which he/she is accredited
“Mr. Tang”	Mr. Tang Shing Bor, a non-executive Director and a Controlling Shareholder of the Company and the father of Mr. YS Tang
“Mr. YS Tang”	Mr. Tang Yiu Sing, an executive Director and chief executive officer of the Company and the son of Mr. Tang
“Purchaser”	Future Data Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“Responsible Officer(s)”	Licensed Representative(s) who is also approved as a responsible officer under section 126 of the SFO to supervise one or more regulated activities of the licensed corporation to which he/she is accredited
“Sale Shares”	4,107,400 shares of the Target Company, being 100% of the issued shares of the Target Company
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Gear Asset Management Limited (基耀資產管理有限公司), being a company incorporated in Hong Kong with limited liability

“Vendor”

Great Forum Investment Limited (創豐投資有限公司), being a company incorporated in the British Virgin Islands with limited liability

“HK\$”

Hong Kong dollars, the lawful currency of Hong Kong

By Order of the Board

ETS Group Limited

Tang Yiu Sing

Executive Director and Chief Executive Officer

Hong Kong, 13 October 2017

As at the date of this announcement, the executive Directors are Mr. Tang Yiu Sing and Mr. Yeung Ka Wing; the non-executive Director is Mr. Tang Shing Bor; and the independent non-executive Directors are Mr. Wong Sik Kei, Mr. Cheung Kong Ting and Mr. Wong Kam Tai.

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited 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.