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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)

**CONTINUING CONNECTED TRANSACTIONS
SOFTWARE OEM DISTRIBUTORSHIP AGREEMENT**

Reference is made to the Previous OEM Agreement relating to the continuing connected transactions concerning the appointment of ETL by ELL, an indirect wholly owned subsidiary of the Company, as OEM distributor to sell and distribute the perpetual licence to use the WISE-xb System to the end users in the Territory subject to the terms and conditions therein. The Previous OEM Agreement has expired on 1 January 2014.

Reference is also made to the announcement made by the Company on 31 December 2012 in respect of the Outsourcing Agreement entered into between ELL and ETL on 31 December 2012 in respect of the Services provided by ELL to ETL and its customers from time to time. ETL will pay the Service Fee to ELL.

The Board announces that on 2 January 2014, ELL and ETL entered into the New OEM Agreement for a term for the period from 2 January 2014 to 31 December 2015 unless prior written notification of termination is delivered by one of the parties in accordance with the terms of the New OEM Agreement. ETL will pay the Licence Fee to ELL.

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 New OEM Agreement constitute continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules.

As the Aggregate Proposed Annual Cap results in the applicable percentage ratios under the GEM Listing Rules exceed 0.1% but are less than 5%, the transactions to be contemplated under the New OEM Agreement 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 Licence Fee together with the Service Fee would exceed the Aggregate Proposed Annual Cap for the period from 2 January 2014 to 31 December 2014 or for the year 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 Previous OEM Agreement, 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 the Territory. 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 Previous OEM Agreement, the Licence Fee payable by ETL to ELL are 50% of the amount of the sales of the licences to use the WISE-xb System. For details of the Previous OEM Agreement, please refer to the section "Connected Transactions" in the Prospectus and the published annual reports of the Company. The audited amount of the Licence Fee paid by ETL to ELL for the years ended 31 December 2011 and 2012 was HK\$648,000 and HK\$214,000. The unaudited amount of the Licence Fee paid by ETL to ELL for the six months ended 30 June 2013 was HK\$40,000. The Previous OEM Agreement has expired on 1 January 2014.

Reference is also made to the Outsourcing Agreement whereby ELL agreed to provide ETL with the Services in return for the relevant Service Fee with the proposed annual caps for the three year ending 31 December 2015 being HK\$3,000,000, HK\$3,300,000 and HK\$3,600,000 respectively. Given the similar nature of the services under, and the contracting parties to, the Previous OEM Agreement and the Outsourcing Agreement, the proposed annual caps of the fees paid or payable by ETL to ELL thereunder were aggregated for the compliance with the requirements under the GEM Listing Rules. For details, please refer to the announcement made by the Company on 31 December 2012.

The New OEM Agreement

The Board is pleased to announce that on 2 January 2014, ELL and ETL entered into the New OEM Agreement with details below:–

Date: 2 January 2014

Parties: ELL and ETL

Nature of services: ELL appoints ETL, and continue until terminated, as an OEM distributor for the sale of the WISE-xb System in the Territory commencing on 2 January 2014 upon and subject to the terms and conditions set forth in the New OEM Agreement.

Licence Fee: ETL shall be entitled to receive 50% of the amount of the sales of the perpetual licences to use the WISE-xb System and the licence fees in respect of the WISE-xb System payable by ETL to ELL are 50% of the amount of the sales of the perpetual licenses to use the WISE-xb System.

Arrangement for payment: All payments required to be made to ELL pursuant to the New OEM Agreement must be made within fourteen (14) days after such due date as may be specified by ELL in the relevant invoice or demand note. Payment made after fourteen (14) days from the due date shall be subject to a 2% per month interest which shall in no event exceed the maximum rate permitted by law.

ELL shall, without prejudice to another right or remedy it may have, have the right to withhold the provision of any service or delivery of any WISE-xb System covered by the New OEM Agreement or any other existing order or contract between ELL and ETL in the event that ETL fails to make payment when due under the New OEM Agreement between ETL and ELL.

Term:	The term of the New OEM Agreement shall commence on 2 January 2014 and shall remain in full force and effect until 31 December 2015 unless prior written notification of termination is delivered by one of the parties by giving not less than three months' prior notice in writing to the other party.
Proposed Annual Cap:	The Proposed Annual Cap of the Licence Fee for each of (i) the period from 2 January 2014 to 31 December 2014 and (ii) for the year ending 31 December 2015 is HK\$1,000,000. The Proposed Annual Cap is based on arm-length negotiation and determined with reference to, among other factors, the historical amounts of sales of licence to use the WISE-xb System by ETL pursuant to the Previous OEM Agreement for the years from 2011 to 2013.

Reasons for and benefits of entering into the New OEM Agreement

The Directors consider that the distribution business of ETL does not compete with that of the Group as ETL can provide customization services of the WISE-xb System to customers based on the customers' needs and request, whereas the provision of such customization services are not the Group's focus and the Group will not provide customization services to customers when selling such licences. The Directors consider that the provision of customization services by ETL will assist the Group to sell the licence to customers who require further customization to the WISE-xb System to suit their specific needs, and therefore broaden the customer base to use our WISE-xb System. In addition, Mr. Wong and Mr. Ling, among others, as covenantors entered into the Deed of Non-competition dated 21 December 2011 in favour of the Company to avoid any competition with the Group after the listing of shares of the Company on the GEM. Please refer to the paragraph headed "Deed of Non-competition" in the section headed "Controlling Shareholders, Substantial Shareholders and Significant Shareholders" of the Prospectus for details.

The Directors, including the independent non-executive Directors, consider that the terms of the New OEM 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 Cap is fair and reasonable.

Aggregate Proposed Annual Cap

Given the similar nature of the services under, and the contracting parties to, the New OEM Agreement and the Outsourcing Agreement, the respective proposed annual cap of the fees to be payable by ETL to ELL under the New OEM Agreement for the period from 2 January 2014 to 31 December 2014 and for the year ending 31 December 2015 are aggregated with that under the Outsourcing Agreement for the year ending 31 December 2014 and for the year ending 31 December 2015 for the compliance with the requirements under the GEM Listing Rules. As such, the aggregate amount for each of the year 2014 and the year 2015 is HK\$4,300,000 and HK\$4,600,000 respectively (the respective “Aggregate Proposed Annual Cap”).

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 to be contemplated under the New OEM Agreement constitute continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules. Accordingly, Mr. Wong and Mr. Ling were not entitled to attend, or to vote at, at the Board meeting for approving the New OEM Agreement.

As the Aggregate Proposed Annual Cap results in the applicable percentage ratios under the GEM Listing Rules exceed 0.1% but are less than 5%, the transactions to be contemplated under the New OEM Agreement 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 Licence Fee together with the Service Fee exceed the Aggregate Proposed Annual Cap for the period from 2 January 2014 to 31 December 2014 or for the year ending 31 December 2015, the Company will comply with Rule 20.36 of the GEM Listing Rules as applicable.

Details of the New OEM Agreement will be included in the Company’s relevant 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 New OEM Agreement.

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 Cap”	the aggregate amount of the respective proposed annual cap of the Licence Fee under the New OEM Agreement and the Service Fee under the 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.
“Distributorship Services”	the sale and distribution services of the perpetual licence to use the WISE-xb System to the end users in the Territory.
“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.
“Licence Fee”	the licence fee to be payable by ETL to ELL under the New OEM Agreement.
“Macau”	the Macau Special Administrative Region of the PRC.
“Mr. Ling”	Mr. Ling Chiu Yum.
“Mr. Wong”	Mr. Wong Wai Hon Telly.
“New OEM Agreement”	the Software OEM Distributorship Agreement entered into between ELL and ETL on 2 January 2014.
“Previous OEM Agreement”	the Software OEM Distributorship Agreement entered into between ETL and ELL on 2 January 2003 supplemented by the Supplemental Software OEM Distributorship Agreement entered into between ELL and ETL on 2 January 2011.
“PRC”	the People’s Republic of China which shall, for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan.
“Prospectus”	the 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”	the service fee paid or payable by ETL to ELL under the Outsourcing Agreement.

“Outsourcing Agreement”	System Maintenance Service Outsourcing Agreement entered into between ELL and ETL on 31 December 2012.
“Shareholders”	holders of share(s) of the Company.
“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.
“Territory”	Hong Kong, Macau and the PRC.

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

Hong Kong, 2 January 2014

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), 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, 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.