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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 TRANSACTION IN RELATION TO
THE INVESTMENT ADVISORY AGREEMENT**

Reference is made to the 2018 Announcement in relation to, among others, the 2018 Stan Group Service Agreement concerning the provision of call centre infrastructure and insourced agent support service by Epro Online to Stan Group for a term of one (1) year commencing from 1 September 2018 and expiring on 31 August 2019 (both days inclusive).

THE INVESTMENT ADVISORY AGREEMENT

The Board is pleased to announce that on 10 June 2019 (after trading hours of the Stock Exchange), Gear Securities, an indirect wholly-owned subsidiary of the Company, entered into the Investment Advisory Agreement with Pacific Paradise, pursuant to which Pacific Paradise has agreed to appoint and Gear Securities has agreed to be appointed as an investment advisor of Pacific Paradise for a period of three years commencing on 10 June 2019 and ending on 9 June 2022 (both days inclusive).

GEM LISTING RULES IMPLICATIONS

As at the date of this announcement, Pacific Paradise is owned as to 50% by Mr. Tang and 50% by Mr. YS Tang respectively. Pacific Paradise is therefore a connected person of the Company and the transactions contemplated under the Investment Advisory Agreement constitutes a continuing connected transaction on the part of the Company under Chapter 20 of the GEM Listing Rules.

As all the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the transactions contemplated under the Investment Advisory Agreement based on the Aggregate Annual Cap and the Advisory Fee Annual Caps are less than 25% and each of the annual caps is less than HK\$10,000,000, the entering into of the Investment Advisory Agreement is subject to the reporting and announcement requirements, but exempted from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

INTRODUCTION

Reference is made to the 2018 Announcement in relation to, among others, the 2018 Stan Group Service Agreement concerning the provision of call centre infrastructure and insourced agent support service by Epro Online to Stan Group for a term of one (1) year commencing from 1 September 2018 and expiring on 31 August 2019 (both days inclusive).

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The principal terms of the Investment Advisory Agreement are set out below:

Date: 10 June 2019

Parties: (i) Gear Securities, as the investment advisor; and
(ii) Pacific Paradise, as the client.

Pacific Paradise, being a company incorporated in the British Virgin Islands with limited liability and owned as to 50% by Mr. Tang and 50% by Mr. YS Tang respectively as at the date of this announcement, is a connected person of the Company.

Term: a period of three (3) years commencing on 10 June 2019 and ending on 9 June 2022 (both days inclusive).

Services: Gear Securities shall provide the following Services to Pacific Paradise on a non-exclusive basis during the Term:

- (i) discretionary trading or advisory services on investment products through various banks and brokerage firms in Hong Kong. These investment products include, but are not limited to, Hong Kong and global stocks, bonds, and equity-linked derivatives;
- (ii) advice and supervision on individual investments and portfolio management;
- (iii) preparation of investment portfolio composite weekly or monthly report as so requested by Pacific Paradise from time to time; and
- (iv) risk assessments, analysis and management of the overall risk of the portfolio(s).

Advisory Fee: The monthly fee to be charged for the Services shall be HK\$500,000 (which shall be pro-rated for a period of less than one month) and at rates no more favourable than offered to other clients of Gear Securities who are independent third parties for the provision of similar services and in accordance with the pricing policy of Gear Securities from time to time.

The Advisory Fee shall be payable by Pacific Paradise to Gear Securities monthly in arrears and such fees shall be subject to regular review by the independent non-executive Directors and may be adjusted from time to time as the independent non-executive Directors may determine.

The aggregate amount of fees and/or commissions chargeable for the Services provided to Pacific Paradise for each year during the Term shall be subject to the relevant annual caps determined by the Group from time to time and the obtaining of any necessary shareholders approval in accordance with the GEM Listing Rules.

Termination: The Investment Advisory Agreement may be terminated at any time by either party by giving a one-month prior written notice of such termination to the other.

The Advisory Fee was determined after arm’s length negotiations between the parties with reference to, among other things, (i) the labour costs of the relevant employees of the Group taking into account their respective salaries level ranging from approximately HK\$20,000 to approximately HK\$60,000 and the discretionary bonus payable to them, apportioned by the actual time spent on providing the Services; and (ii) the prevailing market rates of comparable Services in Hong Kong.

ADVISORY FEE ANNUAL CAPS

The maximum annual aggregate amounts payable by Pacific Paradise to Gear Securities under the Investment Advisory Agreement for the relevant periods during the Term (the “**Advisory Fee Annual Caps**”) are as follows:

Period	Period from	Year ending	Year ending	Period from
	10 June	31 December	31 December	1 January
	2019 to	2020	2021	2022 to
	31 December	31 December	31 December	9 June
	2019	2020	2021	2022
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Advisory Fee	3,350	6,000	6,000	2,650

In arriving at the above Advisory Fee Annual Caps, the Directors have taken into account the following factors:

- (i) the labour costs of the relevant employees of the Group;
- (ii) the prevailing market rates of comparable Services in Hong Kong; and
- (iii) the Services provided by Gear Securities under the Investment Advisory Agreement.

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE INVESTMENT ADVISORY AGREEMENT

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, system maintenance, sale of systems and software and provision of financial services including securities broking and asset management.

Gear Securities, being an indirect wholly-owned subsidiary of the Company, is a company incorporated in Hong Kong with limited liability and a corporation licensed to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities as defined under the SFO. It is principally engaged in the provision of discretionary portfolio management and portfolio management advisory services and dealing services for securities.

Pacific Paradise is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investments in a diversified portfolio of listed and unlisted companies. As at the date of this announcement, Pacific Paradise is owned as to 50% by Mr. Tang and 50% by Mr. YS Tang respectively and is therefore a connected person of the Company under the GEM Listing Rules.

Taking into consideration that (i) the provision of Services to Pacific Paradise by Gear Securities pursuant to the Investment Advisory Agreement is in the ordinary and usual course of business of the Group and will generate stable revenue to the Group; and (ii) the terms of the Investment Advisory Agreement (including the Advisory Fee) were determined at after arm's length negotiations between the Group and Pacific Paradise with reference to the labour costs of the relevant employees of the Group and the prevailing market rates of comparable Services in Hong Kong, the Board (including the independent non-executive Directors) considers that (a) the Investment Advisory Agreement was entered into in the ordinary and usual course of business of the Group on normal commercial terms; and (b) the terms of the Investment Advisory Agreement and the Advisory Fee Annual Caps are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

AGGREGATE ANNUAL CAP

As disclosed in the 2018 Announcement, the maximum annual aggregate amounts payable by Stan Group to Epro Online under the 2018 Stan Group Service Agreement for the year ending 31 December 2019 is HK\$1,400,000.

As at the date of this announcement the issued share capital of Stan Group is wholly-owned by Mr. YS Tang, an executive Director and the son of Mr. Tang. Stan Group is therefore a connected person of the Company.

As at the date of this announcement, each of Epro Online and Gear Securities is an indirect wholly-owned subsidiary of the Company.

Given the similar nature of the transactions under, and the relationship between the contracting parties to, the 2018 Stan Group Service Agreement and the Investment Advisory Agreement, the Annual Cap for the 2018 Stan Group Service Agreement for the year ending 31 December 2019 are aggregated with the Annual Cap for the Investment Advisory Agreement for the period from 10 June 2019 to 31 December 2019 for the compliance with the requirements under the GEM Listing Rules. As such, the aggregate proposed annual cap for the 2018 Stan Group Service Agreement for the year ending 31 December 2019 and the Investment Advisory Agreement for the period from 10 June 2019 to 31 December 2019 is HK\$4,750,000 (the "**Aggregate Annual Cap**"), while the annual cap for the Investment Advisory Agreement for the period from 10 June 2019 to 31 December 2019 is HK\$3,350,000.

GEM LISTING RULES IMPLICATIONS

As at the date of this announcement, Pacific Paradise is owned as to 50% by Mr. Tang and 50% by Mr. YS Tang. Pacific Paradise is therefore a connected person of the Company and the transactions contemplated under the Investment Advisory Agreement constitutes a continuing connected transaction under Chapter 20 of the GEM Listing Rules.

As all the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the transactions contemplated under the Investment Advisory Agreement based on the Aggregate Annual Cap and the Advisory Fee Annual Caps are less than 25% and each of the annual caps is less than HK\$10,000,000, the entering into of the Investment Advisory Agreement is subject to the reporting and announcement requirements, but exempted from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Save for Mr. Tang and Mr. YS Tang who have material interests in the Investment Advisory Agreement and the transactions contemplated thereunder and have therefore abstained from voting on the relevant resolution(s) of the Board in respect of the Investment Advisory Agreement, none of the other Directors has material interest in the Investment Advisory Agreement and the transactions contemplated thereunder and is required to abstain from voting on the relevant resolution(s).

Details of the Investment Advisory Agreement will be included in the Company's relevant annual reports and accounts in compliance with Rule 20.47 of the GEM Listing Rules.

The Company will also comply with Rules 20.53 and 20.54 of the GEM Listing Rules in relation to the annual review of the transactions entered into pursuant to the Investment Advisory Agreement.

DEFINITIONS

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

“2018 Announcement”	an announcement of the Company dated 29 August 2018 in relation to the 2018 Stan Group Service Agreement
“2018 Stan Group Service Agreement”	an agreement dated 29 August 2018 and entered into between Epro Online and Stan Group, pursuant to which Epro Online agreed to provide call centre infrastructure and insourced agent support to Stan Group for a term of one (1) year commencing from 1 September 2018 and expiring on 31 August 2019 (both days inclusive)

“Advisory Fee”	fee payable to Gear Securities as the investment advisor of Pacific Paradise pursuant to the Investment Advisory Agreement
“Advisory Fee Annual Caps”	has the meaning ascribed thereto in the section headed “Advisory Fee Annual Caps” in this announcement
“Aggregate Annual Cap”	has the meaning ascribed thereto in the section headed “Aggregate Annual Cap” in this announcement
“Board”	board of directors of the Company
“Company”	ETS Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the GEM (stock code: 8031)
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“Epro Online”	Epro Online Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“Gear Securities”	GEAR SECURITIES INVESTMENT LIMITED, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“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
“Investment Advisory Agreement”	the investment advisory agreement dated 10 June 2019 entered into between Gear Securities and Pacific Paradise in relation to the appointment of Gear Securities as the investment advisor of Pacific Paradise

“Mr. Tang”	Mr. Tang Sing Bor, a non-executive Director and a Controlling Shareholder 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
“Pacific Paradise”	Pacific Paradise Development Limited, a company incorporated in the British Virgin Islands with limited liability and is owned as to 50% by Mr. Tang and 50% by Mr. YS Tang respectively as at the date of this announcement
“Services”	has the meaning ascribed thereto in the paragraph headed “Services” under the section “The Investment Advisory Agreement” in this announcement
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of issued Share(s)
“Stan Group”	Stan Group (Holdings) Limited, a company incorporated in Hong Kong with limited liability and the entire issued share capital of which is wholly and beneficially owned by Mr. YS Tang as at the date of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Term”	the period commencing on 10 June 2019 and ending on 9 June 2022 (both days inclusive)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

By order of the Board
ETS Group Limited
Tang Yiu Sing
Executive Director and Chief Executive Officer

Hong Kong, 10 June 2019

As at the date of this announcement, the executive directors of the Company are Mr. Tang Yiu Sing and Mr. Yeung Ka Wing; the non-executive director of the Company is Mr. Tang Shing Bor; and the independent non-executive directors of the Company 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 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 enquires, 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.