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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)

BUSINESS UPDATE MONEY LENDING BUSINESS AND DISCLOSEABLE TRANSACTION IN RELATION TO PROVISION OF LOAN FACILITY TO AN INDEPENDENT THIRD PARTY

BUSINESS UPDATE

The Board is pleased to announce on a voluntary basis that, on 18 June 2019, Gear Credit Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company, has obtained a money lender's licence under the Money Lenders Ordinance.

PROVISION OF LOAN FACILITY

The Board is pleased to announce that on 24 October 2019 (after trading hours of the Stock Exchange), the Lender, an indirect wholly-owned subsidiary of the Company, entered into the Facility Letter A with the Borrower, the Guarantor A and the Guarantor B, pursuant to which the Lender agreed to provide the Borrower a loan facility of HK\$9,000,000 for a term of 12 months at an interest rate of 13% per annum.

As security for the due and punctual performance of the Borrower's obligations under the Facility Letter A, the Borrower has procured and (i) the Guarantors have executed the Guarantee A in favour of the Lender and (ii) the Borrower has executed the First Legal Charge and Assignment of Rentals in favour of the Lender.

On the same date, the Lender also entered into the Facility Letter B with the Borrower, the Guarantor A and the Guarantor B, pursuant to which the Lender agreed to provide the Borrower a loan facility of HK\$1,000,000 for a term of 12 months at an interest rate of 17% per annum.

As security for the due and punctual performance of the Borrower's obligations under the Facility Letter B, the Borrower has procured and (i) the Guarantors have executed the Guarantee B in favour of the Lender and (ii) the Borrower has executed the Second Legal Charge in favour of the Lender.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratio(s) (as defined under the GEM Listing Rules) in respect of the transactions contemplated under the Facility Arrangement A and the Facility Arrangement B, when aggregated, is more than 5% but all percentage ratios are less than 25%, the entering into of the Facility Arrangement A and the Facility Arrangement B constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting and announcement requirements under the GEM Listing Rules.

BUSINESS UPDATE

As disclosed in the interim report of the Company for the six months ended 30 June 2019 and the annual report of the Company for the year ended 31 December 2018, apart from its business of providing comprehensive multi-media contact services and contact centre system, staff insourcing services and financial services, the Group will continue to identify and explore other investment and business opportunities in the financial sector to achieve stable return.

The Board is pleased to announce on a voluntary basis that, on 18 June 2019, Gear Credit Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company, has obtained a money lender's licence under the Money Lenders Ordinance.

The Board believes that the money lending business would extend the scope of the Group's existing business, so as to diversify its business scope with a view to broaden the Group's revenue basis to enhance its profitability and achieve better return of the Shareholders. As such, the Board is of the view that the money lending business would represent a good business opportunity to the Group and maximize the future contribution to the Group and thus, would be in the interest of the Group and the Shareholders as a whole.

PROVISION OF LOAN FACILITY

The Board is pleased to announce that on 24 October 2019 (after trading hours of the Stock Exchange), the Lender, an indirect wholly-owned subsidiary of the Company, entered into the Facility Letter A with the Borrower, the Guarantor A and the Guarantor B, pursuant to which the Lender agreed to provide the Borrower a loan facility of HK\$9,000,000 for a term of 12 months at an interest rate of 13% per annum.

As security for the due and punctual performance of the Borrower's obligations under the Facility Letter A, the Borrower has procured and (i) the Guarantors have executed the Guarantee A in favour of the Lender and (ii) the Borrower has executed the First Legal Charge and the Assignment of Rentals in favour of the Lender.

On the same date, the Lender also entered into the Facility Letter B with the Borrower, the Guarantor A and the Guarantor B, pursuant to which the Lender agreed to provide the Borrower a loan facility of HK\$1,000,000 for a term of 12 months at an interest rate of 17% per annum.

As security for the due and punctual performance of the Borrower's obligations under the Facility Letter B, the Borrower has procured and (i) the Guarantors have executed the Guarantee B in favour of the Lender and (ii) the Borrower has executed the Second Legal Charge in favour of the Lender.

THE FACILITY ARRANGEMENT A

The Facility Letter A

The principal terms of the Facility Letter A are set out below:

Date: 24 October 2019

Parties: (i) Gear Credit Limited, as the Lender;
(ii) Experta Limited, as the Borrower;
(iii) Wong Gogo, as the Guarantor A; and
(iv) Cheng Don, as the Guarantor B.

Amount of the loan: HK\$9,000,000

The Loan A will be funded by internal resources of the Group.

Interest: 13% per annum payable monthly

- Drawdown period: Pursuant to the terms of the Facility Letter A, the offer will be automatically withdrawn if the Borrower does not drawdown the Loan A within seven (7) days from the date of the Facility Letter A
- Repayment: repayment of the principal sum of the Loan A will be made in one lump sum on 12 calendar months after the date of advance
- Prepayment: The Borrower shall have an option at any time to make early repayment of the whole or part of the Loan A after the date of the loan drawdown, provided that (a) the Borrower shall have given to the Lender prior notice within reasonable time in writing of its intention to make such early repayment, specifying the amount to be repaid and the date on which the early repayment is to be made; and (b) the Borrower shall, on the date of early repayment, pay to the Lender all accrued interest on the amount to be early repaid.
- Security: The repayment obligations of the Borrower under the Facility Letter A are secured by the Guarantee A, the First Legal Charge and the Assignment of Rentals.
- The property under the First Legal Charge shall be insured against fire risks with an insurance company approved by the Lender.

Guarantee A

Pursuant to the terms of the Guarantee A, the Guarantors provide a guarantee in favour of the Lender as security for, including but not limited to, the payment of all moneys, obligations and liabilities due, owing or incurred to the Lender under the terms of the Facility Letter A, the First Legal Charge and the Assignment of Rentals.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquires, each of the Guarantors and their respective associate(s) is an Independent Third Party.

First Legal Charge

As security for the payment of all moneys, obligations and liabilities due, owing or incurred to the Lender under Facility Letter A, the Borrower entered into the First Legal Charge over an industrial property located in Hong Kong (the “**Property**”) in favour of the Lender.

Assignment of Rentals

Pursuant to the Assignment of Rentals, the Borrower as the legal and beneficial owner of the Property assigns to the Lender, among other things, all its rights, title, interest and benefits in its capacity as a lessor pursuant to the lease of the Property as security.

THE FACILITY ARRANGEMENT B

The Facility Letter B

The principal terms of the Facility Letter B are set out below:

Date: 24 October 2019

Parties: (i) Gear Credit Limited, as the Lender;
(ii) Experta Limited, as the Borrower;
(iii) Wong Gogo, as the Guarantor A; and
(iv) Cheng Don, as the Guarantor B.

Amount of the loan HK\$1,000,000

The Loan B will be funded by internal resources of the Group.

Interest: 17% per annum payable monthly

Drawdown period: Pursuant to the terms of the Facility Letter B, the offer will be automatically withdrawn if the Borrower does not drawdown the Loan B within seven (7) days from the date of the Facility Letter B

Repayment: repayment of the principal sum of the Loan B will be made in one lump sum on 12 calendar months after the date of advance

Prepayment: The Borrower shall have an option at any time to make early repayment of the whole or part of the Loan B after the date of the loan drawdown, provided that (a) the Borrower shall have given to the Lender prior notice within reasonable time in writing of its intention to make such early repayment, specifying the amount to be repaid and the date on which the early repayment is to be made; and (b) the Borrower shall, on the date of early repayment, pay to the Lender all accrued interest on the amount to be early repaid.

Security: The repayment obligations of the Borrower under the Facility Letter B are secured by the Guarantee B and the Second Legal Charge.

The Property under the Second Legal Charge shall be insured against fire risks with an insurance company approved by the Lender.

Guarantee B

Pursuant to the terms of the Guarantee B, the Guarantors provide a guarantee in favour of the Lender as security for, including but not limited to, the payment of all moneys, obligations and liabilities due, owing or incurred to the Lender under the terms of the Facility Letter B and the Second Legal Charge.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquires, each of the Guarantors and their respective associate(s) is an Independent Third Party.

Second Legal Charge

As security for the payment of all moneys, obligations and liabilities due, owing or incurred to the Lender under Facility Letter B, the Borrower entered into the Second Legal Charge over the Property in favour of the Lender, subject to the First Legal Charge.

The terms of the Facility Arrangements (including the interest rates) were determined at after arm's length negotiations between the Lender, the Borrower and the Guarantors with reference to the prevailing commercial practice, the financial background of the Borrower, the market value of the security provided and the amount of the Loan A and Loan B.

INFORMATION ON THE BORROWER AND THE GUARANTORS

The Borrower is a company incorporated in Hong Kong with limited liability, which is owned as to 99% by the Guarantor A and 1% by the Guarantor B, respectively. It is principally engaged in trading. Each of the Guarantors is also a director of the Borrower.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Borrower and its ultimate beneficial owner(s) are Independent Third Parties and not connected with other existing borrowers of the Group.

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE FACILITY ARRANGEMENTS

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. As disclosed above, the Group has diversified to engage in money lending business since June 2019.

The Lender, being a company incorporated in Hong Kong with limited liability, is an indirect wholly-owned subsidiary of the Company. It is a registered money lender holding a valid money lenders licence under the Money Lenders Ordinance, and is principally engaged in the provision of money lending services.

Taking into consideration that (i) the provision of money lending services to the Borrower by the Lender pursuant to the Facility Letters is in the ordinary and usual course of business of the Group and will generate stable revenue to the Group from the interest income; and (ii) the terms of the Facility Arrangements (including the interest rates) were determined at after arm's length negotiations between the Group, the Borrower and the Guarantors with reference to the prevailing commercial practice, the financial background of the Borrower, the market value of the security provided and the amount of the Loan A and Loan B, the Board (including the independent non-executive Directors) considers that (i) the Facility Arrangements were entered into in the ordinary and usual course of business of the Group on normal commercial terms; and (ii) the terms of the Facility Arrangements are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratio(s) (as defined under the GEM Listing Rules) in respect of the transactions contemplated under the Facility Arrangement A and the Facility Arrangement B, when aggregated, is more than 5% but all percentage ratios are less than 25%, the entering into of the Facility Arrangement A and the Facility Arrangement B constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting and announcement requirements under the GEM Listing Rules.

DEFINITIONS

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

“Assignment of Rentals”	the assignment of rentals agreement dated 24 October 2019 entered into between the Lender and the Borrower in relation to the assignment of rent in respect of the Property under the First Legal Charge
“Board”	board of Directors
“Borrower”	Experta Limited, a company incorporated in Hong Kong with limited liability
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“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)
“Director(s)”	the director(s) of the Company
“Facility Letter A”	the facility letter dated 24 October 2019 entered into between the Lender, the Borrower and the Guarantors in relation to the grant of the loan facility of HK\$9,000,000 to the Borrower for a term of 12 months at an interest rate of 13% per annum
“Facility Letter B”	the facility letter dated 24 October 2019 entered into between the Lender, the Borrower and the Guarantors in relation to the grant of the loan facility of HK\$1,000,000 to the Borrower for a term of 12 months at an interest rate of 17% per annum
“Facility Letters”	collectively, the Facility Letter A and the Facility Letter B
“Facility Arrangement A”	transactions contemplated under the Facility Letter A, the Guarantee A, the First Legal Charge and the Assignment of Rentals
“Facility Arrangement B”	transactions contemplated under the Facility Letter B, the Guarantee B and the Second Legal Charge

“Facility Arrangements”	collectively, the Facility Arrangement A and the Facility Arrangement B
“First Legal Charge”	an all monies first legal charge over an industrial property located in Hong Kong provided in favour of the Lender as security for the Facility Letter A
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Guarantee A”	the guarantee dated 24 October 2019 and executed by the Guarantors in favour of the Lender, pursuant to which, the Guarantors shall provide a guarantee in favour of the Lender as security for, including but not limited to, the payment of all moneys, obligations and liabilities due, owing or incurred to the Lender under the terms of the Facility Letter A, the First Legal Charge and the Assignment of Rentals
“Guarantee B”	the guarantee dated 24 October 2019 and executed by the Guarantors in favour of the Lender, pursuant to which, the Guarantors shall provide a guarantee in favour of the Lender as security for, including but not limited to, the payment of all moneys, obligations and liabilities due, owing or incurred to the Lender under the terms of the Facility Letter B and the Second Legal Charge
“Guarantor A”	Ms. Wong Gogo, an individual who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is an Independent Third Party and is not connected with other existing borrowers of the Group
“Guarantor B”	Mr. Cheng Don, an individual who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is an Independent Third Party and is not connected with other existing borrowers of the Group
“Guarantors”	collectively, the Guarantor A and the Guarantor B
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Independent Third Party(ies)”	any persons or company(ies) and their respective ultimate beneficial owners, 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 in accordance with the GEM Listing Rules
“Lender”	Gear Credit Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Loan A”	the secured term loan facility in the amount of HK\$9,000,000 granted by the Lender to the Borrower pursuant to the Facility Letter A
“Loan B”	the secured term loan facility in the amount of HK\$1,000,000 granted by the Lender to the Borrower pursuant to the Facility Letter B
“Money Lenders Ordinance”	the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong)
“Second Legal Charge”	an all monies second legal charge over an industrial property located in Hong Kong provided in favour of the Lender as security for the Facility Letter B
“Share(s)”	share(s) of the Company of HK\$0.01 each
“Shareholder(s)”	holder(s) of issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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, 24 October 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 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.