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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)

DISCLOSEABLE TRANSACTION

SUBSCRIPTION OF SHARES IN VAX

Financial Adviser

TRINITY

Trinity Corporate Finance Limited

SUBSCRIPTION OF SHARES IN VAX

The Board is pleased to announce that on 30 April 2021 (after trading hours of the Stock Exchange), the Subscriber, an indirect wholly-owned subsidiary of the Company, and VAX entered into the Subscription Agreement, pursuant to which the Subscriber has agreed to subscribe for, and VAX has agreed to allot and issue 165,385 Subscription Shares, representing approximately 10.85% of the issued share capital of VAX as enlarged by the allotment and issue of the Subscription Shares, at the total Subscription Price of HK\$12.9 million.

Completion took place on 30 April 2021. Upon Completion, the Subscriber owns as to approximately 10.85% of the issued share capital of VAX. As such, the Group's investment in VAX will be accounted for as financial asset at fair value through profit or loss.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratio(s) (as defined under the GEM Listing Rules) with respect to the Subscription exceed(s) 5% but less than 25%, the entering into of the Subscription Agreement constitutes a discloseable transaction on the part of the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the notification and announcement requirements but exempt from the Shareholders' approval requirement under the GEM Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 30 April 2021 (after trading hours of the Stock Exchange), the Subscriber, an indirect wholly-owned subsidiary of the Company, and VAX entered into the Subscription Agreement, pursuant to which the Subscriber has agreed to subscribe for, and VAX has agreed to allot and issue, 165,385 Subscription Shares, representing approximately 10.85% of the issued share capital of VAX as enlarged by the allotment and issue of the Subscription Shares, at the total Subscription Price of HK\$12.9 million.

THE SUBSCRIPTION AGREEMENT

The principal terms of the Subscription Agreement are summarised as follows:

Date : 30 April 2021

Parties : (i) ETS Investments Limited, as the Subscriber; and
(ii) VAX, as the issuer

As at the date of this announcement and immediately prior to Completion, CapxChain Technology holds approximately 4.31% of the entire equity interests of VAX. CapxChain Technology is a company incorporated in Hong Kong and is indirectly wholly-owned by Mr. YS Tang, who is an executive Director and the Chief Executive Officer of the Company. Save as disclosed above, to the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, each of VAX and its ultimate beneficial owners is an Independent Third Party.

Subscription

Pursuant to the terms and conditions of the Subscription Agreement, the Subscriber has agreed to subscribe for, and VAX has agreed to allot and issue 165,385 Subscription Shares, representing approximately 10.85% of the issued share capital of VAX as enlarged by the allotment and issue of the Subscription Shares, at the total Subscription Price of HK\$12.9 million.

Subscription Shares

The Subscription Shares, when allotted and issued, shall rank *pari passu* in all respects among themselves and with the shares of VAX in issue on the date of such allotment and issue.

Subscription Price

The total Subscription Price for the Subscription Shares shall be HK\$12.9 million, representing a subscription price of approximately US\$10.0 per Subscription Share, and shall be paid by the Subscriber to VAX on the date of Completion.

The Subscription Price shall be financed by the internal resources of the Group.

The Subscription Price was determined between the Subscriber and VAX after arm's length negotiations and taking into account of various factors, including (i) the potential business prospects of VAX; (ii) the market value of the entire equity interest of VAX of approximately HK\$130 million as at 29 April 2021 based on the valuation report prepared by B. I. Appraisals Limited, an independent professional valuer, and conducted by adopting market approach; and (iii) the factors as set out in the section headed "Reasons for and benefits of the Subscription" in this announcement.

Completion

Completion shall take place simultaneously upon signing the Subscription Agreement.

Completion took place on 30 April 2021. Upon Completion, the Subscriber owns as to approximately 10.85% of the issued share capital of VAX. As such, the Group's investment in VAX will be accounted for as financial asset at fair value through profit or loss.

THE SHAREHOLDERS' AGREEMENT

Pursuant to the terms and conditions of the Subscription Agreement, VAX irrevocably and unconditionally undertakes and covenants to the Subscriber that it will deliver to the Subscriber the Shareholders' Agreement (in such form and substance satisfactory to the Subscriber) duly signed by VAX and each of the then existing shareholders of VAX within 90 Business Days from the date of Completion (or such later date the Subscriber and VAX may agree).

The Shareholders' Agreement shall set out terms and conditions regulating the affairs, business and management of the Company, and the relationship between VAX and each of its shareholders, including but not limited to board composition, restriction on transfer, pre-emptive right and finance.

INFORMATION OF THE COMPANY AND THE SUBSCRIBER

The Company is an investment holding company and the Group is principally engaged in the business of providing comprehensive multi-media contact centre services and contact centre system and financial services. The principal activities of the Group include provisions of outsourcing inbound and outbound contact services, staff insource service, contact service centre and service centre facilities management service. The Group also carries out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO through Gear Securities Investment Limited and Gear Asset Management Limited, both being an indirect wholly-owned subsidiary of the Company.

The Subscriber is an indirect wholly-owned subsidiary of the Company and is principally engaged in investment holding.

INFORMATION OF VAX GROUP

VAX Group is a virtual asset exchange that provides trading and support services for institutions looking to invest in virtual assets, and the financial technology sector. VAX, which was named in KPMG's "2020 China Leading Fintech 50", aims to bring financial institutions, professional investors, and alliance partners together to accelerate the path towards the virtual asset market.

As at the date of this announcement, VAX holds 100% direct equity interests in 四川瓦可思網絡科技有限公司 (for transliteration purpose only, Sichuan VAX Network Technology Co. Ltd.) ("**Sichuan VAX**"), which is a company established in the PRC and is principally engaged in the provision of software development, data processing, maintenance services for trading platform and technical support in information technology. The scale of Sichuan VAX is expected to grow to a size of approximately 18 staff in 2021.

The exchange to be operated by VAX will provide a curated venue for professionals and institutions to trade virtual assets and offer catered listing rules and guidance for virtual assets and security tokens. It aims to run "24/7 Real-Time" transactions around the clock with market liquidity to allow trading operations to function efficiently and effectively.

As at the date of this announcement, VAX has filed an application with the SFC for the purpose of obtaining licenses to carry out Type 1 (Dealing in Securities) and Type 7 (Providing Automated Trading Services) regulated activities as defined under the SFO for the regulation of virtual asset trading platforms in Hong Kong.

VAX is also expanding its horizontal businesses to cover institutional grade custodial services which they have received their Trust or Company Service Provider (TCSP) license in 2019 and will operate as a full licensed trust company in compliant with the strictest requirements of anti-money laundering (AML), counter terrorist financing (CTF) and financial action task force (FATF). This custodial arm aims to provide the highest level of clearing and settlement services alongside with a full insurance coverage to safeguard investor assets. Hence, the investors will be able to retain full control of their assets under custody.

VAX also offers other services including over-the-counter services which provides immediate quotation between fiat and virtual assets and other distributed ledger technology services to capture the benefits of new technologies as a new tech board. The objective is to build an end-to-end ecosystem with strategic partners or investors to capture the full value chain.

Set out below is extract of the audited consolidated financial information of VAX and its subsidiaries for the period from 12 December 2018 (the date of incorporation) to 31 December 2019 and the unaudited consolidated financial information for the year ended 31 December 2020 and the three months ended 31 March 2021 respectively:

	For the period from 12 December 2018 (date of incorporation) to 31 December 2019 (audited) US\$	For the year ended 31 December 2020 (unaudited) US\$	For the three months ended 31 March 2021 (unaudited) US\$
Profit/(Loss) before tax	(6,454)	(116,866)	(65,780)
Profit/(Loss) after tax	(6,454)	(116,866)	(65,780)

As at 31 March 2021, the unaudited consolidated net asset value of VAX was approximately US\$521,091.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The management of the Group believes regulated financial services on digital assets will likely become a trend of the worldwide capital market in the near coming future, and in addition to managing the traditional financial business in securities trading and advisory services and asset management services, the Group is interested to further explore the development and opportunities in tokenization of assets using blockchain technology as well as providing corresponding consulting and advisory services on virtual assets investment under regulations of the authorities.

The Group believes there is great potential in the development of virtual assets in Hong Kong and can further leverage on the synergies with its traditional financial business, experience and resources to expand financial service scopes and create more value for our customers. The entering into of the Subscription Agreement with VAX, a company which is currently applying to the SFC for obtaining licenses to carry out Type 1 (dealing in securities) and Type 7 (providing automated trading services) regulated activities under the SFO, represents a good potential investment opportunity at an early stage, as well as a significant synergetic move for the Group's strategical development in virtual assets services by providing a legitimate secondary trading platform for the financial products.

The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Subscription Agreement (including the Subscription Price) are on normal commercial terms, fair and reasonable and are in the interests of the Company and the 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) with respect to the Subscription exceed(s) 5% but less than 25%, the entering into of the Subscription Agreement constitutes a discloseable transaction on the part of the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the notification and announcement requirements but exempt from the Shareholders' approval requirement under the GEM Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors from time to time
“Business Day”	a day (other than a Saturday, Sunday, public or statutory holiday and days on which a typical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“CapxChain Technology”	CapxChain Technology Limited, a company incorporated in Hong Kong with limited liability and indirectly wholly-owned by Mr. YS Tang
“Company”	ETS Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM (stock code: 8031)
“Completion”	completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Director(s)”	the director(s) of the Company

“GEM”	GEM operated by 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”	any person or company and its respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is/are not connected person(s) of the Company and are third parties independent of and not connected with the Company and its connected person(s) in accordance with the GEM Listing Rules
“Mr. YS Tang”	Mr. Tang Yiu Sing, an executive Director and the Chief Executive Officer of the Company
“PRC”	People’s Republic of China
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Shares
“Shareholders’ Agreement”	the shareholder’s agreement to be entered into amongst VAX, the Subscriber and the then existing shareholders of VAX in relation to, among other matters, the affairs, business and management of VAX, and its relationship to each of its shareholders, setting out terms including but not limited to, its board composition, restriction on transfer, pre-emptive right and finance, in such form and substance satisfactory to the Subscriber
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subscriber”	ETS Investments Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“Subscription”	the subscription of the Subscription Shares by the Subscriber pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 30 April 2021 and entered into between the Subscriber and VAX in relation to the Subscription
“Subscription Price”	HK\$12.9 million, representing a subscription price of approximately US\$10.0 per Subscription Share
“Subscription Shares”	165,385 new shares of VAX, representing approximately 10.85% of the issued share capital of VAX as enlarged by the allotment and issue of such subscription shares, each a “Subscription Share”
“VAX”	Hong Kong Virtual Asset Exchange Limited, a company incorporated in Hong Kong with limited liability
“VAX Group”	VAX and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	US dollars, the lawful currency of the United States of America
“%”	per cent

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

Hong Kong, 30 April 2021

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 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 Listed Company Information” 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.