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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
IN RELATION TO THE DISPOSAL OF
THE ENTIRE EQUITY INTEREST IN A SUBSIDIARY**

THE DISPOSAL

The Board is pleased to announce that, on 12 October 2023 (after trading hours), Eastside Fortune (a direct wholly-owned subsidiary of the Company) entered into (i) the Agreement A, (ii) the Agreement B and (iii) the Agreement C respectively with Ji Tao, Gu Lina and Huan Shuangyuan to dispose of in aggregate the entire equity interest in Gear Future and thereby indirectly disposing of 100% registered equity interest held by Gear Future in each of the Target Companies. The Target Companies are corporations licensed by the SFC to carry on the business of regulated activities under the SFO.

Following the Disposal, the Group will cease to hold any interest in the Target Group.

GEM LISTING RULES IMPLICATIONS

As the transactions contemplated under the Agreement A, the Agreement B and the Agreement C all involve the disposal of equity interest in the Target Group, the transactions contemplated under the Agreement A, the Agreement B and the Agreement C will be aggregated pursuant to Rule 19.22 of the GEM Listing Rules.

As one or more applicable percentage ratios in respect of the respective transactions contemplated under the Agreement A, the Agreement B and the Agreement C are more than 5% but all of them are less than 25%, the entering into of the said agreements and the respective transactions contemplated thereunder constitute a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and are subject to the reporting and announcement requirements, but are exempt from Shareholders' approval requirement under Chapter 19 of the GEM Listing Rules.

The Board is pleased to announce that, on 12 October 2023 (after trading hours), Eastside Fortune (a direct wholly-owned subsidiary of the Company) entered into (i) the Agreement A, (ii) the Agreement B and (iii) the Agreement C respectively with Ji Tao, Gu Lina and Huan Shuangyuan to dispose of in aggregate the entire equity interest in Gear Future and thereby indirectly disposing of 100% registered equity interest held by Gear Future in each of the Target Companies. The principal terms of the Agreement A, the Agreement B and the Agreement C are set out as follows:

(A) THE AGREEMENT A

Date: 12 October 2023 (after trading hours)

Parties: (1) Eastside Fortune (a direct wholly-owned subsidiary of the Company), as seller;

(2) Ji Tao, as buyer.

Subject Matter

Pursuant to the terms of the Agreement A, Eastside Fortune agreed to dispose of 34% registered equity interest in Gear Future to Ji Tao and thereby indirectly disposing of 34% registered equity interest in each of the Target Companies which are engaged in the business of regulated activities under the SFO.

Consideration

The consideration payable by Ji Tao to Eastside Fortune for the transaction contemplated under the Agreement A is HK\$3,028,082. Prior to the entering of the Agreement A, Ji Tao had paid a total sum of HK\$170,000 as the 1st instalment of earnest money (which shall form part of the total consideration). Subject to the terms of the Agreement A, the consideration shall be settled as follows:

- (a) As to the HK\$170,000 already paid by Ji Tao as stakeholder money should be released to the nominee of Eastside Fortune upon the signing of the Agreement A;
- (b) As to the 2nd instalment of earnest money in the sum of HK\$170,000 (which shall form part of the consideration), shall be paid by Ji Tao to the nominee of Eastside Fortune on the Signing and Completion Date; and
- (c) As to the remaining balance of the consideration should be paid by Ji Tao to the nominee of Eastside Fortune following the Signing and Completion Date upon certain conditions being fulfilled.

The consideration was determined after arm's length negotiations between the parties to the Agreement A with reference to, amongst others, the valuation of the consolidated financial position of the Target Group as at 12 October 2023 and the development potential of the business now carried on by the Target Companies.

Conditions

Completion of the transaction contemplated under the Agreement A shall be conditional upon and subject to, amongst others:

- (a) the warranties remaining true, accurate and complete in all material respects; and
- (b) all necessary consents and approvals required to be obtained on the part of the Company, the Target Group and Ji Tao in respect of the Agreement A and the transactions contemplated thereunder having been obtained.

If the conditions set out above have not been satisfied or waived (as the case may be), except for condition (b) above which is incapable of being waived, on or before the Signing and Completion Date, the Agreement A shall cease and determine save for any antecedent breaches.

Completion

Completion of the transaction contemplated under the Agreement A is expected to take place on the same date as the date of the Agreement A, subject to the fulfilment or waiver of the above conditions precedent.

(B) THE AGREEMENT B

Date: 12 October 2023 (after trading hours)

Parties: (1) Eastside Fortune (a direct wholly-owned subsidiary of the Company), as seller;

(2) Gu Lina, as buyer.

Subject Matter

Pursuant to the terms of the Agreement B, Eastside Fortune agreed to dispose of 33% registered equity interest in Gear Future to Gu Lina and thereby indirectly disposing of 33% registered equity interest in each of the Target Companies which are engaged in the business of regulated activities under the SFO.

Consideration

The consideration payable by Gu Lina to Eastside Fortune for the transaction contemplated under the Agreement B is HK\$2,939,021. Prior to the entering of the Agreement B, Gu Lina had paid a total sum of HK\$165,000 as the 1st instalment of earnest money (which shall form part of the total consideration). Subject to the terms of the Agreement B, the consideration shall be settled as follows:

- (a) As to the HK\$165,000 already paid by Gu Lina as stakeholder money should be released to the nominee of Eastside Fortune upon the signing of the Agreement B;
- (b) As to the 2nd instalment of earnest money in the sum of HK\$165,000 (which shall form part of the consideration), shall be paid by Gu Lina to the nominee of Eastside Fortune on the Signing and Completion Date; and
- (c) As to the remaining balance of the consideration should be paid by Gu Lina to the nominee of Eastside Fortune following the Signing and Completion Date upon certain conditions being fulfilled.

The consideration was determined after arm's length negotiations between the parties to the Agreement B with reference to, amongst others, the valuation of the consolidated financial position of the Target Group as at 12 October 2023 and the development potential of the business now carried on by the Target Companies.

Conditions

Completion of the transaction contemplated under the Agreement B shall be conditional upon and subject to, amongst others:

- (a) the warranties remaining true, accurate and complete in all material respects;
- (b) all necessary consents and approvals required to be obtained on the part of the Company, the Target Group and Gu Lina in respect of the Agreement B and the transactions contemplated thereunder having been obtained.

If the conditions set out above have not been satisfied or waived (as the case may be), except for condition (b) above which is incapable of being waived, on or before the Signing and Completion Date, the Agreement B shall cease and determine save for any antecedent breaches.

Completion

Completion of the transaction contemplated under the Agreement B is expected to take place on the same date as the date of the Agreement B, subject to the fulfilment or waiver of the above conditions precedent.

(C) THE AGREEMENT C

Date: 12 October 2023 (after trading hours)

Parties: (1) Eastside Fortune (a direct wholly-owned subsidiary of the Company), as seller;

(2) Huan Shuangyuan, as buyer.

Subject Matter

Pursuant to the terms of the Agreement C, Eastside Fortune agreed to dispose of 33% registered equity interest in Gear Future to Huan Shuangyuan and thereby indirectly disposing of 33% registered equity interest in each of the Target Companies which are engaged in the business of regulated activities under the SFO.

Consideration

The consideration payable by Huan Shuangyuan to Eastside Fortune for the transaction contemplated under the Agreement C is HK\$2,939,021. Prior to the entering of the Agreement C, Huan Shuangyuan had paid a total sum of HK\$165,000 as the 1st instalment of earnest money (which shall form part of the total consideration). Subject to the terms of the Agreement C, the consideration shall be settled as follows:

- (a) As to the HK\$165,000 already paid by Huan Shuangyuan as stakeholder money should be released to the nominee of Eastside Fortune upon the signing of the Agreement C;
- (b) As to the 2nd instalment of earnest money in the sum of HK\$165,000 (which shall form part of the consideration), shall be paid by Huan Shuangyuan to the nominee of Eastside Fortune on the Signing and Completion Date; and
- (c) As to the remaining balance of the consideration should be paid by Huan Shuangyuan to the nominee of Eastside Fortune following the Signing and Completion Date upon certain conditions being fulfilled.

The consideration was determined after arm's length negotiations between the parties to the Agreement C with reference to, amongst others, the valuation of the consolidated financial position of the Target Group as at 12 October 2023 and the development potential of the business now carried on by the Target Companies.

Conditions

Completion of the transaction contemplated under the Agreement C shall be conditional upon and subject to, amongst others:

- (a) the warranties remaining true, accurate and complete in all material respects; and

- (b) all necessary consents and approvals required to be obtained on the part of the Company, the Target Group and Huan Shuangyuan in respect of the Agreement C and the transactions contemplated thereunder having been obtained.

If the conditions set out above have not been satisfied or waived (as the case may be), except for condition (b) above which is incapable of being waived, on or before the Signing and Completion Date, the Agreement C shall cease and determine save for any antecedent breaches.

Completion

Completion of the transaction contemplated under the Agreement C is expected to take place on the same date as the date of the Agreement C, subject to the fulfilment or waiver of the above conditions precedent.

OPINION OF THE DIRECTORS

The Directors consider that the consideration and the terms of the Agreement A, the Agreement B and the Agreement C are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE COMPANY AND THE PARTIES

The Company is an investment holding company. The Group is principally engaged in the business of providing comprehensive multi-media contract centre services as well as system solutions. The Group also carries out regulated financial activities including securities trading, advisory as well as asset management services through the Target Companies.

Each of Ji Tao, Gu Lina and Huan Shuangyuan is an individual and a merchant. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, each of Ji Tao, Gu Lina and Huan Shuangyuan is third party independent of the Company and its connected persons.

Eastside Fortune is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holdings. Eastside Fortune is a direct wholly owned subsidiary of the Company.

Gear Future is a company incorporated in the British Virgin Islands with limited liability since 20 December 2022 and is principally engaged in investment holdings. Gear Future is an indirect wholly owned subsidiary of the Company through Eastside Fortune. Gear Future directly holds the entire equity interest in each of the Target Companies.

FINANCIAL INFORMATION OF THE TARGET COMPANIES AND THE TARGET GROUP

Gear Future is newly incorporated on 20 December 2022. Set out below is a summary of the unaudited consolidated management accounts for the period from 20 December 2022 to 31 December 2022 and for the period ended 12 October 2023:

	For the period 20 December 2022 to 31 December 2022 <i>HK\$'000</i> (unaudited)	For the period 1 January 2023 to 12 October 2023 <i>HK\$'000</i> (unaudited)
Total income	–	4,065
Net (loss)/profit before taxation	(3)	1,023
	As at 31 December 2022 <i>HK\$'000</i>	As at 12 October 2023 <i>HK\$'000</i>
Total assets	78	7,207
Net assets	75	6,606

Set out below is a summary of the financial figures of Gear Securities Investment Limited, as extracted from its audited financial results for the year ended 31 December 2022 and the unaudited management accounts for the period ended 12 October 2023:

	For the year ended 31 December 2022 <i>HK\$'000</i> (audited)	For the period ended 12 October 2023 <i>HK\$'000</i> (unaudited)
Total income	1,550	4,013
Net (loss)/profit before taxation	(5,525)	1,943
	As at 31 December 2022 <i>HK\$'000</i>	As at 12 October 2023 <i>HK\$'000</i>
Total assets	15,229	6,927
Net assets	1,456	6,400

Set out below is a summary of the financial figures of Gear Asset Management Limited, as extracted from its audited financial results for the year ended 31 December 2022 and the unaudited management accounts for the period ended 12 October 2023:

	For the year ended 31 December 2022 HK\$'000 (audited)	For the period ended 12 October 2023 HK\$'000 (unaudited)
Total income	108	50
Net loss before taxation	(1,254)	(919)
	As at 31 December 2022 HK\$'000	As at 12 October 2023 HK\$'000
Total assets	3,223	2,207
Net assets	3,052	2,134

EFFECT OF THE DISPOSAL

Subject to final audit, it is expected that the Group will realise a gain on disposal of approximately HK\$2,300,000, which is calculated by reference to the unaudited carrying value of the Target Group as at 12 October 2023. The proceeds from the Disposal are currently intended to be used by the Group as general working capital of the Group to fund its business development and other general corporate purposes.

Following the Disposal, the Group will no longer have any interest in Gear Future (and hence the Target Group) and Gear Future (as well as the Target Group) will cease to be accounted as a subsidiary of the Group.

REASON FOR THE DISPOSAL

Based on the unaudited consolidated management accounts for the period ended 12 October 2023, it is estimated that upon the Signing and Completion Date, the Group will record a total gain of approximately HK\$2,300,000 on the Disposal. The actual gain or loss as a result of the Disposal to be recorded by the Group is subject to final audit to be performed by the Company's auditors. After deducting the expenses relating to the Disposal, the net proceeds of approximately HK\$8,906,124 is expected to be applied towards the general working capital of the Group to fund its business development and other general corporate purposes.

The Board is of the view that the Disposal provides a good opportunity for the Group to realise its investment in the Target Group and the proceeds from the Disposal will improve the financial position and increase the general working capital of the Group.

Following the Disposal, the Group shall cease to have any interests in the Target Group.

Taking into account the abovementioned factors, the Directors consider that the terms and conditions of the Agreement A, the Agreement B and the Agreement C and the transactions contemplated thereunder are fair and reasonable and on normal commercial terms and are in the interests of the Company and Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As the transactions contemplated under the Agreement A, the Agreement B and the Agreement C all involve the disposal of equity interest in the Target Group, the transactions contemplated under the Agreement A, the Agreement B and the Agreement C will be aggregated pursuant to Rule 19.22 of the GEM Listing Rules.

As one or more applicable percentage ratios in respect of the respective transaction contemplated under the Agreement A, Agreement B and the Agreement C are more than 5% but all of them are less than 25%, the entering into of the said agreements and the respective transactions contemplated thereunder constitute a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and are subject to the reporting and announcement requirements, but are exempt from Shareholders' approval requirement under Chapter 19 of the GEM Listing Rules.

DEFINITIONS

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

“Agreement A”	the sale and purchase agreement entered into by Eastside Fortune of the one part and Ji Tao of the other part dated 12 October 2023 in relation to the disposal of 34% registered equity interest in Gear Future to Ji Tao
“Agreement B”	the sale and purchase agreement entered into by Eastside Fortune of the one part and Gu Lina of the other part dated 12 October 2023 in relation to the disposal of 33% registered equity interest in Gear Future to Gu Lina
“Agreement C”	the sale and purchase agreement entered into by Eastside Fortune of the one part and Huan Shuangyuan of the other part dated 12 October 2023 in relation to the disposal of 33% registered equity interest in Gear Future to Huan Shuangyuan
“Board”	the board of directors of the Company

“Company”	ETS Group Limited, being a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on GEM (stock code 8031)
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	director(s) of the Company
“Disposal”	the transactions contemplated under the Agreement A, the Agreement B and the Agreement C respectively to dispose of in aggregate the entire equity interest in Gear Future
“Eastside Fortune”	Eastside Fortune Limited, a company with limited liability incorporated in the British Virgin Islands
“Gear Future”	Gear Future Limited, a company with limited liability incorporated in the British Virgin Islands
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Shareholder(s)”	shareholder(s) of the Company
“Signing and Completion Date”	has the meaning ascribed to it under each of the Agreement A, the Agreement B and the Agreement C
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Target Companies”	collectively Gear Asset Management Limited and Gear Securities Investment Limited, companies with limited liability both incorporated under the laws of Hong Kong

“Target Group”

collectively Gear Future and the Target Companies

By order of the Board

ETS Group Limited

Tang Yiu Sing

Executive Director and Chief Executive Officer

Hong Kong, 12 October 2023

As at the date of this announcement, the executive directors of the Company are Mr. Tang Yiu Sing and Mr. Yeung Ka Wing; and the independent non-executive directors of the Company are Mr. Cheung Kong Ting, Mr. Wong Kam Tai and Ms. Kwong Yuk Ying.

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 website of the Stock Exchange at www.hkexnews.hk for at least 7 days from the date of its publication and on the Company’s website at www.etsgroup.com.hk.