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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)**

**SUPPLEMENTAL ANNOUNCEMENT**  
**DISCLOSEABLE TRANSACTION IN RELATION TO**  
**SUBSCRIPTION OF SHARES IN VAX**

Reference is made to the announcement of ETS Group Limited (the “**Company**”) dated 30 April 2021 in relation to, among other things, the Subscription (the “**Announcement**”). Capitalised terms used in this announcement shall bear the same meanings as those defined in the Announcement unless the context requires otherwise.

The Board would like to provide the Shareholders and potential investors of the Company with the following additional information in relation to the Subscription.

**INFORMATION OF VAX GROUP**

As stated in the Announcement, 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. The intended business model of VAX is to operate as a regulated virtual asset trading platform and a custodian initially, and later to expand vertically and horizontally to cover the full virtual asset ecosystem. The services to be provided by VAX Group will mainly comprise of (a) virtual asset trading services, (b) virtual asset listing services (the offering of bespoke virtual asset products including the issuance of security token offerings (“**STO**”)), (c) clearing and settlement services, (d) licensed custody solution services (through Hong Kong Virtual Asset (TCSP) Company Limited (“**HKVA TCSP**”), which is a subsidiary of VAX and holds the Trust or Company Service Provider (TCSP) licence obtained from the Registry for Trust and Company Service Providers in Hong Kong), (e) brokerage facilitation services, and (f) brokerage integration services (to be provided at a later stage), all in a regulated manner.

The target customers of VAX will be professional investors, including venture capital firms, asset management firms, brokerage firms, quantitative funds, high net worth individuals, private equity firms, private investment funds, family offices, arbitrage traders, market makers, sovereign wealth, private banks, investment banks, hedge funds and other institutional investors. The targeted potential token issuers for STOs may include (a) small to medium sized enterprises, (b) startup companies and (c) corporates, which may benefit from the tokenization of securitized asset such as real estate, commodities, sustainable contracts, commodities, etc.

The type of virtual assets to be traded by VAX will mainly include (a) mainstream tokens (e.g. BTC (Bitcoin), ETH (Ethereum), LTC (Litecoin), etc.), (b) STOs (i.e. asset-backed tokens), (c) government initiated central bank digital currency (CBDC), and (d) utility tokens (i.e. initial coin offerings (ICO) to be vetted by VAX after its SFC licence has been obtained).

VAX's infrastructure and intangible assets currently owned and/or under development include all of the software relating to the trading platform and wallet of virtual assets and all such intellectual property rights belong to VAX. As at the date of this announcement, VAX has 21 staff, including the management team which comprises of six members, namely Dr. Anthony Ng (as the Chief Executive Officer (CEO)), Mr. Sam Fok (as the Chief Operation Officer (COO)), Mr. Simon Liu (as the Chief Technology Officer (CTO)), and Mr. Ivan Chan (as the Chief Executive Officer (CEO) of HKVA TCSP), being the 4 co-founders of VAX; as well as Mr. Matthew Cheung (as the Chief Strategy Officer (CSO)) and Mr. Tim Mok (as the Head of Trading). The management team of VAX considers its main competitors are mainly other regulated and licensed exchanges or platforms who also target at institutional and professional investors, and the competitive edge of VAX include the management team's crypto related and traditional finance operational experiences and the strategic relationships formed with its investors and partnerships.

As the SFC application is currently still under progress and VAX was specifically established to operate as a licensed virtual asset exchange under the latest Type 7 licensing regime of the SFO, VAX has not yet commenced its intended Type 1 and Type 7 licensed businesses to date, pending the approval of its application by the SFC. As such, VAX Group has been incurring set-up costs, including research and development costs for its virtual asset exchange and operating expenses including salary, rental and other legal and professional fees, therefore recorded consecutive net losses from 12 December 2018 (date of incorporation) to 31 March 2021, as disclosed in the Announcement. It was also disclosed in the Announcement that the unaudited consolidated net asset value of VAX was approximately US\$521,091 as at 31 March 2021. The Company expected that the asset size of VAX will increase upon obtaining the SFC's licence approval in order to comply with the relevant Securities and Futures (Financial Resources) Rules (Chapter 571N, the laws of Hong Kong). With respect to the relevant PRC authorities recently announced regulation regarding activities related to cryptocurrency, VAX will ensure its virtual assets business comply with the relevant rules and regulations in Hong Kong and/or the PRC after its SFC licence has been obtained.

## **REASONS FOR AND BENEFITS OF THE SUBSCRIPTION**

As stated in the Announcement, the Board considered that the entering into of the Subscription Agreement with VAX, a company which is currently applying to the SFC for obtaining licences 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. With respect to the Board's assessment on the business risks and industry risks in relation to VAX's business and the impact of the relevant regulation on its business operations and financial positions, the Company has performed due diligence work on VAX and its business and has assessed the regulatory environment in which VAX will operate. Accordingly, the Board considers that since VAX is applying to the SFC for Type 7 licence to fully adhere to all the applicable SFC regulations, codes and guidelines, in order to operate as a licensed and regulated platform under the stringent requirements of a SFC licensed corporation, any potential risks which may arise shall be managed in a professional and regulated manner according to the standards required for regulated activities under the SFO. In addition, the Board has also made reference to other companies which has been granted or are in the process of applying for Type 7 licence from the SFC. Accordingly, the Board is of the view that the potential business prospects of VAX shall be positive after its SFC licence has been obtained and commencement of its business, and therefore considers the Subscription is in the interests of the Company and its shareholders as a whole.

As stated in the Announcement, the Group is and has been carrying out, inter alia, 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 Group believes that 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 its customers. With respect to the synergy between VAX and the existing licensed business of the Company, including the services provided and the list of customers of the Company's existing licensed business, the Board considers that the Subscription can expand the customer base of the existing licensed business of the Group under Gear Securities Investment Limited, which will consider to apply to expand its business scope under Type 1 regulated activity to engage in the distribution of STOs to both its current and future professional investor clients after VAX has obtained its SFC licence to engage in Type 7 (providing automated trading services) regulated activity. Accordingly, the Group will be able to broaden its range of financial products or service offering to include STOs through VAX, to cross-sell its existing financial products or services to VAX's existing and future customers, and also expand its services under Type 1 licence to distribution of STOs, thereby potentially increasing the Group's customer base as a whole. Therefore, in addition to continue managing the traditional financial business in securities trading and advisory services and asset management services, the Group also aims

to explore the development and capture the opportunities arising from the area of tokenization of assets using blockchain technology as well as virtual assets investment, all within the regulation regime of the SFC, which will be complementary to the existing financial business of the Group.

In light of the above, the Board considers that the Subscription will enable the Group to tap into the virtual asset trading exchange business through VAX once the said approval from the SFC has been obtained, thereby setting ground for future business cooperation with VAX and its associates if opportunities arise. The Board believes that the virtual asset trading exchange business will complement with the existing financial business of the Group, thereby expanding its customer base by gaining market share in the growing institutional and professional investor segment in the digital asset space.

## **SUBSCRIPTION PRICE**

As stated in the Announcement, 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 ("**Valuation Report**") prepared by B. I. Appraisals Limited (the "**Valuer**"), 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 the Announcement.

In order to assess the fairness and reasonableness of the Subscription Price, the Company engaged the Valuer to conduct a valuation on 100% equity interest in VAX (the "**Valuation**"). As provided in the Valuation Report issued by the Valuer, the Valuation was conducted on the basis of market-based approach and the market value of 100% equity interest in VAX as at 29 April 2021 was valued at approximately HK\$130 million, which was computed based on price-to-book ratio of the Valuer's selected market comparable companies and the unaudited consolidated net asset value of VAX as at 31 March 2021 of approximately US\$521,091, subject to certain discount rate.

According to the Valuer, the market comparable companies were selected with reference to the following selection criteria: (a) the companies are principally engaged in virtual asset trading platform, and (b) the financial information of the companies is available to the public. The Valuer considered the selected comparable companies were fair, reasonable, representative and exhaustive under the selection criteria as the selected comparable companies operate similar business as that of VAX and also based on the assumptions that (i) VAX's Type 1 and Type 7 licences' application is expected to be approved on or before the end of 2021, (ii) VAX will be ready to engage in virtual asset trading platform business upon obtaining the approval from the SFC in respect of the said application.

The Board considers the Valuer's valuation of VAX, including its bases and assumptions, are fair and reasonable, after reviewing the Valuation Report and understanding the underlying valuation methodology, and on the basis that the Subscription Price of HK\$12.9 million (with respect to the subscription of approximately 10.85% equity interests in VAX) as determined based on arm's length negotiations between the Subscriber and VAX is at an implied discount of approximately 8.54% to the Valuation of VAX as performed by the Valuer based on market comparables. Also, the Board has taken into account of the potential business prospects of VAX. As disclosed in the Announcement, the management of the Group believed 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. Accordingly, the Board considers that the terms and conditions of the Subscription Agreement, including the Subscription Price, are therefore fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **THE SHAREHOLDERS' AGREEMENT**

As stated in the Announcement, 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.

As at the date of this announcement, the Subscriber is still in the course of discussing and negotiating on the terms of the Shareholders' Agreement with VAX and its shareholders. Further announcement will be made by the Company in respect of the salient terms of the Shareholders' Agreement as and when appropriate in accordance with the GEM Listing Rules.

The above supplemental information does not affect other information contained in the Announcement. All information in the Announcement remains unchanged.

By order of the Board

**ETS Group Limited**

**Tang Yiu Sing**

*Executive Director and Chief Executive Officer*

Hong Kong, 25 June 2021

*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. 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](http://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](http://www.etsgroup.com.hk).*