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## **MOBICON GROUP LIMITED**

**萬保剛集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1213)**

### **DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF 10% EQUITY INTEREST IN A NON-WHOLLY OWNED SUBSIDIARY**

#### **THE ACQUISITION**

On 8 December 2017 (after trading hours), the Purchaser entered into the Sale and Purchase Agreement with the Vendor, pursuant to which the Purchaser agreed to purchase and the Vendor agreed to sell the Sale Shares at the Consideration of 12 million Rand (approximately HK\$6.9 million), subject to and upon the terms and conditions as set out in the Sale and Purchase Agreement.

Completion of the Acquisition took place on the same date as the date of the Sale and Purchase Agreement.

Before the Acquisition, the Target was a non-wholly owned subsidiary of the Group and held as to 51% by the Purchaser and 49% by the Vendor. Upon Completion, the Target is owned as to 61% by the Purchaser and 39% by the Vendor and remains as a non-wholly owned subsidiary of the Group.

## **IMPLICATIONS UNDER THE LISTING RULES**

As one or more of the applicable percentage ratios under Chapter 14 of the Listing Rules exceed(s) 5% but is/are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Before the Acquisition, the Vendor held 49% equity interest in the Target and accordingly was its substantial shareholder. Besides, the Vendor is a director of five subsidiaries of the Group, namely Mobicon International Limited, Langa, Mantech Electronics, MBM Properties and the Target. The Vendor is a connected person at the subsidiary level according to Rule 14A.06(9) of the Listing Rules.

Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. By virtue of Rule 14A.101 of the Listing Rules, since (1) the Vendor is a connected person at the subsidiary level; (2) the Board has approved the Acquisition; and (3) the independent non-executive Directors have confirmed that the terms of the Acquisition are fair and reasonable and the Acquisition is on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole, the Acquisition is subject to the reporting and announcement requirements, and is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **THE ACQUISITION**

On 8 December 2017 (after trading hours), the Purchaser entered into the Sale and Purchase Agreement with the Vendor, pursuant to which the Purchaser has agreed to purchase and the Vendor has agreed to sell the Sale Shares at the Consideration of 12 million Rand (approximately HK\$6.9 million), subject to and upon the terms and conditions as set out in the Sale and Purchase Agreement. Upon Completion which took place on the same date as the date of the Sale and Purchase Agreement, the Target is owned as to 61% by the Purchaser and 39% by the Vendor and remains as a non-wholly owned subsidiary of the Group.

## **THE SALE AND PURCHASE AGREEMENT**

The salient terms of the Sale and Purchase Agreement are as follows:

### **Date**

8 December 2017

### **Parties**

Purchaser: Mobicon International Limited, an indirect wholly-owned subsidiary of the Company

Vendor: Mr. Manuel Arnaldo De Sousa Moutinho, an individual businessman

Before the Acquisition, the Vendor held 49% equity interest in the Target and accordingly is its substantial shareholder. Besides, the Vendor is a director of five subsidiaries of the Group, namely Mobicon International Limited, Langa, Mantech Electronics, MBM Properties and the Target. The Vendor is a connected person at the subsidiary level according to Rule 14A.06(9) of the Listing Rules.

### **Assets purchased**

Pursuant to the Sale and Purchase Agreement, the Purchaser has agreed to purchase, and the Vendor has agreed to sell the Sale Shares, representing 10% equity interest in the Target.

### **Consideration**

The Consideration for the Acquisition is 12 million Rand (approximately HK\$6.9 million), which shall be deposited by the Purchaser into a bank account designated by the Vendor within 3 Business Days upon Completion.

The Consideration is funded by the internal resources of the Group and bank financing.

### **Basis of Consideration**

The Consideration for the Acquisition was arrived at after arm's length negotiations between the Purchaser and the Vendor having taken into account of various factors, such as the prospect of electronic trading in the South Africa and the net asset value of the Target.

## **Completion of the Acquisition**

Completion took place on the same date as the date of the Sale and Purchase Agreement.

Upon Completion, the Target was owned as to 61% by the Purchaser and 39% by the Vendor.

## **INFORMATION OF THE PURCHASER AND THE GROUP**

The Purchaser is a company incorporated under the laws of the British Virgin Islands with limited liability and is an investment holding company and a non-wholly owned subsidiary of the Group which is principally engaged in the business of (1) the distribution of electronic components, automation parts and equipment; (2) the computer business which includes (i) the retail sales of computer products and smartphone accessories and (ii) the distribution of computer products and consumer products; and (3) the cosmetic retail business.

## **REASONS AND BENEFITS FOR THE ACQUISITION**

The Company considers that South Africa is still a country with potential for sustainable expansion of electronic trading and vast business opportunities. The Acquisition can enable the introduction of Chinese products to the region which may increase the Group's sales and hence the profits of the Group. By increasing investment in South Africa, the Board believes that it will give greater return to the Shareholders.

The Directors (including the independent non-executive Directors) consider the terms of the Sale and Purchase Agreement are fair and reasonable and the Acquisition is on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole. Two directors, namely Dr. Hung Kim Fung, Measure and Madam Yeung Man Yi, Beryl, abstained from voting from the Board resolutions approving the Sale and Purchase Agreement due to the fact that both of them are also directors of the Target. Save as disclosed above, none of the Directors has a material interest in the transactions contemplated under the Sale and Purchase Agreement or is required to abstain from voting from the Board resolutions for considering and approving the same pursuant to the bye-laws of the Company.

## **INFORMATION ON THE TARGET GROUP**

Before the Acquisition, the Target was a non-wholly owned subsidiary of the Group and was held as to 51% by the Purchaser and 49% by the Vendor. Upon Completion, the Target is owned as to 61% by the Purchaser and 39% by the Vendor and remains as a non-wholly owned subsidiary of the Group. The Target was incorporated under the laws of the British Virgin Islands with limited liability. It owns the entire issued share capital of Langa, which in turn owns the entire issued share capital of Mantech Electronics and the entire issued share capital

of MBM Properties. The Target Group is principally engaged in (i) electronic component distribution and (ii) property holding and investment in the South Africa.

The following table sets out the audited consolidated financial information of the Target Group for the years ended 31 March 2016 and 2017:

	<b>For the year ended 31 March 2016</b>	<b>For the year ended 31 March 2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net profit before taxation	20,637	14,045
Net profit after taxation	15,131	9,346
Net assets value	41,334	41,900

The unaudited net asset value of the Target as at 30 September 2017 was approximately HK\$45,971,000.

The original cost of the Target invested by the Vendor is the capital contribution made by the Vendor in the Target since its incorporation. The Directors do not consider that the original cost of the Target invested by the Vendor is directly relevant to the determination of the consideration of the Acquisition.

## **IMPLICATIONS UNDER THE LISTING RULES**

As one or more of the applicable percentage ratios of the Acquisition, as calculated in accordance with Chapter 14 of the Listing Rules in respect of the Sale and Purchase Agreement, exceed(s) 5% but is/are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements.

Before the Acquisition, the Vendor held 49% equity interest in the Target and accordingly is its substantial shareholder. Besides, the Vendor is a director of five subsidiaries of the Group, namely Mobicon International Limited, Langa, Mantech Electronics, MBM Properties and the Target. The Vendor is a connected person at the subsidiary level according to Rule 14A.06(9) of the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

By virtue of Rule 14A.101 of the Listing Rules, since (1) the Vendor is a connected person at the subsidiary level; (2) the Board has approved the Acquisition; and (3) the independent non-executive Directors have confirmed that the terms of the Acquisition are fair and reasonable and the Acquisition is on normal commercial terms or better and in the interests of

the Company and its Shareholders as a whole, the Acquisition is subject to the reporting and announcement requirements, and is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **DEFINITIONS**

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

- “Acquisition” the acquisition of the Sale Shares in the Target by the Purchaser from the Vendor pursuant to the Sale and Purchase Agreement;
- “Board” the board of Directors;
- “Business Day(s)” any day (other than a Saturday, Sunday or a public holiday) on which licenced banks in Hong Kong are generally open for normal banking business;
- “Company” Mobicon Group Limited (萬保剛集團有限公司\*), a company incorporated in Bermuda with limited liability whose Shares are listed and traded on the Stock Exchange under stock code: 1213;
- “Completion” the completion of the Acquisition pursuant to the terms and conditions of the Sale and Purchase Agreement;
- “connected person(s)” has the same meaning ascribed thereto under the Listing Rules;
- “Consideration” the total sum of 12 million Rand (approximately HK\$6.9 million) payable by the Purchaser to the Vendor within 3 Business Days upon Completion pursuant to the terms and conditions of the Sale and Purchase Agreement;
- “Director(s)” the director(s) of the Company;
- “Group” the Company and its subsidiaries;

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administration Region of the PRC;
“Langa”	Langa Holdings (Proprietary) Limited, a company incorporated under the laws of South Africa with limited liability and is a wholly-owned subsidiary of the Target;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“Mantech Electronics”	Mantech Electronics (Proprietary) Limited, a company incorporated under the laws of South Africa with limited liability and is a wholly-owned subsidiary of Langa;
“MBM Properties”	MBM Properties (Proprietary) Limited, a company incorporated under the laws of South Africa with limited liability and is a wholly-owned subsidiary of Mantech Electronics;
“Purchaser”	Mobicon International Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and is an indirect wholly-owned subsidiary of the Company;
“Rand”	South African Rand, the lawful currency of South Africa;
“Sale and Purchase Agreement”	the sale and purchase agreement entered into between the Purchaser and the Vendor on 8 December 2017 (after the trading hours) relating to the Acquisition;
“Sale Shares”	the 100 ordinary shares of US\$1.00 each of the Target to be purchased by the Purchaser from the Vendor, representing 10% equity interest in the Target, pursuant to the terms and conditions of the Sale and Purchase Agreement;
“Share(s)”	share(s) of the Company;

“Shareholder(s)”	holder(s) of the issued share(s) of the Company;
“South Africa”	the Republic of South Africa;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	has the same meaning ascribed thereto under the Listing Rules;
“Target”	Mobicon-Mantech Holdings Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and is a non-wholly owned subsidiary of the Group held as to 51% by the Purchaser and 49% by the Vendor before the Acquisition;
“Target Group”	collectively, the Target, Langa, Mantech Electronics and MBM Properties; and
“Vendor”	Mr. Manuel Arnaldo De Sousa Moutinho, an individual businessman, who is a director of five subsidiaries of the Company, namely Mobicon International Limited, the Target, Langa, Mantech Electronics and MBM Properties and is a connected person at the subsidiary level according to Rule 14A.06(9) of the Listing Rules.

*For reference only, an exchange rate of HK\$1.00 to Rand 1.74 has been used for the conversion of Rand into HK\$ in this announcement.*

By order of the Board  
**MOBICON GROUP LIMITED**  
**Hung Kim Fung, Measure**  
*Chairman*

Hong Kong, 8 December 2017

*As at the date of this announcement, the board of directors of the Company comprises Dr. Hung Kim Fung, Measure, Madam Yeung Man Yi, Beryl, Mr. Hung Ying Fung and Mr. Yeung Kwok Leung, Allix as executive Directors and Mr. Charles E. Chapman, Dr. Leung Wai Cheung and Mr. Ku Wing Hong, Eric as independent non-executive Directors.*

\* *For identification purpose only*