SINCE 1983

MOBICON GROUP LIMITED

萬保剛集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1213)

DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF A WHOLLY OWNED SUBSIDIARY

THE DISPOSAL

On 27 September 2018 (after trading hours), the Vendors have agreed to sell the Sale Shares and the Loan Vendors have agreed to assign the Sale Loan and the Purchaser, has agreed to purchase the Sale Shares and take up the assignment of the Sale Loan at the Consideration of HK$4,560,415 subject to and upon the terms and conditions of the Sale and Purchase Agreement.

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

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios in respect of the Disposal exceed 5% but all are less than 25%, the Disposal constitutes a discloseable transaction of the Company, and is subject to reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules. As the Purchaser is the son of Dr. Hung Kim Fung Measure and Madam Yeung Man Yi Beryl, executive Directors, the Purchaser is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. The Disposal therefore also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios in respect of the Disposal are less than 25% and the total consideration is less than HK$10,000,000, the Disposal is exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

INTRODUCTION

On 27 September 2018 (after trading hours), the Vendors have agreed to sell the Sale Shares and the Loan Vendors have agreed to assign the Sale Loan and the Purchaser, has agreed to purchase the Sale Shares and take up the assignment of the Sale Loan at the Consideration of HK$4,560,415 subject to and upon the terms and conditions of the Sale and Purchase Agreement.

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are set out below.

Date

27 September 2018

Parties

(1) The Purchaser:	Mr. Hung Lok Tin, an individual businessman. He is the son of Dr. Hung Kim Fung Measure and Madam Yeung Man Yi Beryl, both are executive Directors;
(2) The Share Vendor:	A Plus Computer Holdings Limited, a wholly owned subsidiary of the Group;
(3) The Deferred Share Vendors:	Dr. Hung Kim Fung Measure, Madam Yeung Man Yi Beryl, Mr. Hung Ying Fung and Mr. Yeung Kwok Leung, Allix. All of them are executive Directors; and
(4) The Loan Vendors:	Mobicon Holdings Limited and A Plus Computer Holdings Limited, both are wholly owned subsidiaries of the Group.

Assets to be disposed of

Pursuant to the Sale and Purchase Agreement, the Vendors have agreed to sell the Sale Shares and the Loan Vendors have agreed to assign the Sale Loan and the Purchaser, has agreed to purchase the Sale Shares and take up the assignment of the Sale Loan. The Target Company is principally engaged in trading and distribution of computer products, mobile accessories and provision of IT outsourcing and solution services in Hong Kong. Upon Completion, the Target Company will be owned as to 100% by the Purchaser, and accordingly, the Target Company will cease to be a subsidiary of the Group.

Consideration

The Consideration shall be HK$4,560,415 being the total of the Loan Consideration and the Share Consideration and it shall be paid by the Purchaser to the Vendors and the Loan Vendors upon Completion in the following manner:

(i) HK$1.00 to the Share Vendor by way of cash;

(ii) HK$1.00 to each of the Deferred Share Vendors by way of cash;

(iii) HK$2,438,990 to Loan Vendor A by way of cheque drawn by the Purchaser in favour of Loan Vendor A; and

(iv) HK$2,121,420 to Share Vendor by way of cheque drawn by the Purchaser in favour of Share Vendor.

The Consideration was determined among the Vendors, the Loan Vendors and the Purchaser after arm's length negotiation having taken into consideration various factors such as the business performance and financial position of the Target Company. The Directors consider the terms of the Sale and Purchase Agreement are fair and reasonable.

Completion

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

Anti-competition undertaking by the Purchaser

The Purchaser irrevocably undertakes and confirms that upon Completion, he will not and shall procure his associates will not at any time during the period commencing from the date of Completion up to 24 months from the date of Completion:

(a) directly or indirectly carry on or be engaged or concerned or interested in any business in Hong Kong similar to any business carried on by the Group from time to time; or

(b) at any time use the name or trading style of any members of the Group, or any trademarks or logos or device similar in appearance to any trade marks, in Hong Kong, or represent itself as carrying on or continuing or being connected with the Group or its business for any purpose whatsoever.

Governing laws

The Sale and Purchase Agreement shall be governed by and construed in accordance with the laws of Hong Kong Special Administrative Region.

INFORMATION OF THE PURCHASER

The Purchaser is an individual businessman. He is the son of Dr. Hung Kim Fung Measure and Madam Yeung Man Yi Beryl, both are executive Directors. The Purchaser therefore is a connected person of the Company pursuant to Chapter 14A of the Listing Rules.

INFORMATION ABOUT THE TARGET COMPANY

The Target Company is a company incorporated in Hong Kong. Its principal business is trading and distribution of computer products, mobile accessories and provision of IT outsourcing and solution services in Hong Kong. Before the Disposal, the Target Company is a wholly owned subsidiary of the Group.

The unaudited consolidated financial information of the Target Company for the six months ended 30 September 2017 and the audited consolidated financial information of the Target Company for the two years ended 31 March 2017 and 31 March 2018 are set out below:

	For the six months ended 30 September 2017 (unaudited) *Approximately HK$'000*	**For the financial year ended 31 March 2017** (audited) *Approximately HK$'000*	**For the financial year ended 31 March 2018** (audited) *Approximately HK$'000*
Net loss before taxation	163	13	1,000
Net loss after taxation	163	13	1,000

As at 31 August 2018, the unaudited consolidated net liabilities value of the Target Company was approximately HK$4.6 million.

Upon Completion, the Target Company will cease to be a subsidiary of the Group.

REASONS FOR THE DISPOSAL

The Group 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 retails sales of computer products, smartphone accessories, distribution of computer products and provision of IT outsourcing and solution services and (ii) the distribution of computer products and consumer products; and (3) the cosmetic retails business.

The Company considers the Disposal would be beneficial to the Group because the Target Company had incurred losses for the past 10 years in the amount of approximately HK$4.2 million and the Directors are of the view that the outlook of the business of retails sales of computer products, smartphone accessories, distribution of computer products and provision of IT outsourcing and solution services is gloomy.

After taking into account factors such as the gloomy market outlook and the accrued losses of the Target Company, the Directors (including the independent non-executive Directors) are of the view that the terms of the Sale and Purchase Agreement are fair and reasonable, the Disposal is on normal commercial terms or better and in the ordinary and usual course of business of the Group, and is in the interests of the Company and the Shareholders as a whole. Save and except those executive Directors who are the Deferred Share Vendors each of whom will be entitled to a nominal consideration of HK$1 for the sale of his/her respective Sale Shares, none of the Directors has a material interest in the Disposal or is required to abstain from voting on the board resolutions for approval of the same.

The Directors (including the independent non-executive Directors) consider that the terms of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE DISPOSAL

Upon Completion, the Target Company will cease to be a subsidiary of the Group and the financial results of the Target Company will cease to be consolidated into those of the Group.

The Disposal is expected to recognize an unaudited gain of approximately HK$0.2 million from the Disposal, being the difference between (i) the Consideration for the Disposal and (ii) the aggregate of the estimated unaudited consolidated total net asset value of the Target Company as recorded in the Group's financial statement as at the date of Completion, the carrying value of goodwill as at Completion and the estimated expenses to be incurred from the Disposal. The actual gain 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. The sales proceeds will be applied as general working capital of the Group.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios in respect of the Disposal exceed 5% but all are less than 25%, the Disposal constitutes a discloseable transaction of the Company, and is subject to reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules. As the Purchaser is the son of Dr. Hung Kim Fung Measure and Madam Yeung Man Yi Beryl, executive Directors, the Purchaser is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. The Disposal therefore also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios in respect of the Disposal are less than 25% and the total consideration is less than HK$10,000,000, the Disposal is exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

DEFINITIONS

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

"associate(s)"	has the meanings ascribed to it under the Listing Rules;
"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 (Stock Code: 1213);
"Completion"	the completion of the Disposal 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"	HK$4,560,415 being the total of the Loan Consideration and the Share Consideration payable by the Purchaser to the Vendors and the Loan Vendors pursuant to the terms and conditions of the Sale and Purchase Agreement;
"Deferred Share Vendors"	Dr. Hung Kim Fung Measure, Madam Yeung Man Yi Beryl, Mr. Hung Ying Fung and Mr. Yeung Kwok Leung, Allix, each a Director;
"Director(s)"	the director(s) of the Company;
"Disposal"	the disposal of the Sale Shares by the Share Vendor and the Deferred Share Vendors and the assignment of the Sale Loan by the Loan Vendors to the Purchaser pursuant to the terms and conditions of the Sale and Purchase Agreement;
"Group"	the Company and its subsidiaries;
"HK$"	Hong Kong Dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Loan Consideration"	an amount equal to the Sale Loan, being the consideration for the assignment of the Sale Loan from the Loan Vendors to the Purchaser;
"Loan Vendors"	Share Vendor and Loan Vendor A;
"Loan Vendor A"	Mobicon Holdings Limited (萬保剛電子集團有限公司), a company incorporated in Hong Kong and is a wholly owned subsidiary of the Group;
"Purchaser"	Mr. Hung Lok Tin, an individual businessman, who is the son of Dr. Hung Kim Fung Measure and Madam Yeung Man Yi Beryl, both are executive Directors;
"Sale and Purchase Agreement"	the agreement dated 27 September 2018 and entered into between the Vendors, the Loan Vendors and the Purchaser for the sale and purchase of the Sale Shares and the assignment of the Sale Loan;
"Sale Loan"	all amounts, including principal and interest, owing by the Target Company to the Loan Vendors as at the Completion Date, being HK$2,438,990 due to Loan Vendor A and HK$2,121,420 due to Share Vendor;
"Sale Shares"	one hundred (100) issued ordinary shares of the Target Company and one million (1,000,000) issued deferred shares of the Target Company, collectively representing the entire issued share capital of the Target Company as at the date of the Sale and Purchase Agreement;
"Share(s)"	ordinary shares of the Company with a par value of HK$0.1 each;
"Shareholder(s)"	holder(s) of Shares;
"Share Consideration"	HK$5.00;

"Share Vendor"	A Plus Computer Holdings Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and is a wholly owned subsidiary of the Group;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"substantial shareholder"	has the same meaning ascribed thereto under the Listing Rules;
"Target Company"	Maxfair Distribution Limited (萬豐來有限公司), a company incorporated in Hong Kong and is a wholly owned subsidiary of the Group before the Disposal; and
"Vendors'	the Share Vendor and the Deferred Share Vendors.

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

Hong Kong, 27 September 2018

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*