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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)**

### **CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 25% EQUITY INTEREST AND SALE CLAIMS IN A NON-WHOLLY OWNED SUBSIDIARY**

#### **THE ACQUISITION**

The Board is pleased to announce that on 11 March 2022 (after trading hours), the Purchaser, the Vendor and the other parties entered into the Sale and Purchase Agreement, pursuant to which the Purchaser agreed to purchase and the Vendor agreed to sell the Sale Shares and the Sale Claims at the consideration of approximately Rand 8,630,770 (equivalent to approximately HK\$4,479,370), subject to and upon the terms and conditions as set out in the Sale and Purchase Agreement.

Before the Completion, the Target was owned as to 65% by the Purchaser and 25% by the Vendor respectively. Upon Completion, the Target is owned as to 90% by the Purchaser and remains as a non-wholly owned subsidiary of the Group.

#### **LISTING RULES IMPLICATIONS**

As the Vendor held 25% equity interest in the Target and was its substantial shareholder before the Completion, 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.

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules exceed 1% but are less than 5%, the Acquisition is subject to the reporting and announcement requirements but exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.76 of the Listing Rules.

## THE ACQUISITION

The Board is pleased to announce that on 11 March 2022 (after trading hours), the Purchaser, the Vendor and the other parties entered into the Sale and Purchase Agreement.

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

Date : 11 March 2022

Parties : Purchaser: Langa Holdings (Pty) Ltd, a non-wholly owned subsidiary of the Group

Vendor: Mr. Brendyn Meyer, an individual and a merchant

Before the Completion, the Vendor held 25% equity interest in the Target and was its substantial shareholder. The Vendor is a connected person at the subsidiary level according to Rule 14A.06(9) of the Listing Rules.

Other parties: (1) Target; and

(2) Mr. Zhou, an individual and a merchant, holds 10% equity interest in the Target; save for the aforesaid, and is an Independent Third Party

- Consideration : approximately Rand 8,630,770 (equivalent to approximately HK\$4,479,370), of which approximately Rand 7,720,450 (equivalent to approximately HK\$4,006,910) for Sale Shares, and approximately Rand 910,320 (equivalent to approximately HK\$472,460) for Sale Claims
- Basis of Consideration : The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor with reference to (a) the unaudited net asset value of the Target Group as at 31 December 2021; and (b) the benefits that would be brought to the Group by the Acquisition as explained in more details in the paragraph headed "Reasons for and benefits of the Acquisition" in this announcement. In view of the above, the Board considers that the Acquisition is fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.
- Payment of Consideration : Pursuant to the Sale and Purchase Agreement, the Consideration shall be deposited in full on the Effective Date by the Purchaser into a bank account designated by the Vendor.
- Other terms : (1) The Vendor shall assist the Purchaser to complete the relevant application procedures with the relevant companies registry or government authorities in respect of the Acquisition.
- (2) Mr. Zhou has consented to the sale of Sale Shares by the Vendor and waived his pre-emptive rights in this regard.

The Completion has been taken place on the Effective Date. Upon Completion, the Target is owned as to 90% by the Purchaser and 10% by Mr. Zhou respectively.

## **INFORMATION OF THE PARTIES**

### **Group**

The Group is principally engaged in trading and distribution of electronic components, electrical components, equipment and computer products and mobile accessories and trading of cosmetic products. The Group mainly operates its businesses in Hong Kong, the Asia Pacific region (other than Hong Kong), South Africa and Europe.

### **Purchaser**

The Purchaser is a company incorporated under the laws of South Africa with limited liability and is a non-wholly owned subsidiary of the Group. Its principal business activities are trading and distribution of electronic components, electrical components and equipment in South Africa.

### **Vendor**

Mr. Brendyn Meyer, an individual and a merchant, who held 25% equity interest in the Target before the Completion. Hence, he is a connected person at the subsidiary level according to Rule 14A.06(9) of the Listing Rules.

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, save for the aforesaid, the Vendor is an Independent Third Party.

### **Target**

Target is a company incorporated under the laws of South Africa with limited liability and is a non-wholly owned subsidiary of the Group. It is principally engaged in trading and distribution of electronic components, electrical components and equipment in South Africa.

### **Mr. Zhou**

Mr. Zhou Wenbin, an individual and a merchant, who holds 10% equity interest in the Target. To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, save for the aforesaid, Mr. Zhou is an Independent Third Party.

## INFORMATION ON THE TARGET GROUP

Each of the Target and Switch was incorporated under the laws of South Africa with limited liability. The Target Group is principally engaged in trading and distribution of electronic components, electrical components and equipment in South Africa.

Before the Completion, the Target was owned as to 65%, 25% and 10% by the Purchaser, the Vendor and Mr. Zhou respectively. Upon Completion, the Target is owned as to 90% and 10% by the Purchaser and Mr. Zhou respectively and remains as a non-wholly owned subsidiary of the Group.

Switch was and is owned as to 75% by the Target before and after the Acquisition.

The following table sets out the unaudited consolidated financial information of the Target Group for the two years ended 31 March 2020 and 31 March 2021, respectively:

	<b>For the year ended 31 March 2020</b>	<b>For the year ended 31 March 2021</b>
	<i>Approximate</i>	<i>Approximate</i>
Net profit/(loss) before taxation	Rand 1,046,000	Rand (5,001,200)
Net profit/(loss) after taxation	Rand 666,400	Rand (3,608,100)
Net asset value	Rand 20,363,000	Rand 20,504,700

The unaudited net asset value of the Target Group as at 31 December 2021 was approximately Rand 26,648,680.

According to the Vendor, the original cost incurred by him for acquiring the Sale Shares in 2019 was approximately Rand 4,044,000.

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

Despite a net loss was incurred by the Target Group for the year ended 31 March 2021 due to the lockdown for around 50 days from April to May 2020 in South Africa, the financial performance of the Target Group recovered after such lockdown. Therefore, the Board considers the Target Group has a positive prospect in the market.

The Company considers that South Africa is a country with great potential for sustainable expansion of electronic and electrical trading business and vast entrepreneurial opportunities. By increasing its investment in companies conducting electronic and electrical trading business in South Africa, the Board believes that the Acquisition will give a greater return to the Shareholders.

The Board considers the terms of the Sale and Purchase Agreement are in alignment with the Group's overall strategic development and would benefit the expansion of the Group's trading and distribution of electrical products and components in South Africa and the Group's long-term business development.

The Board (including all independent non-executive Directors) is of the view that 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 the Shareholders as a whole.

Payment of the Consideration was funded by internal resources of the Group.

None of the Directors had any material interest in the transactions contemplated under the Sale and Purchase Agreement or was required to abstain from voting on the Board resolution.

## **LISTING RULES IMPLICATIONS**

As the Vendor held 25% equity interest in the Target and was its substantial shareholder before the Completion, 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.

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules exceed 1% but are less than 5%, the Acquisition is subject to the reporting and announcement requirements but exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.76 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 (i) Sale Shares in the Target and (ii) Sale Claims by the Purchaser from the Vendor pursuant to the Sale and Purchase Agreement;
“Board”	the board of Directors;
“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 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;
“connected person at the subsidiary level”	has the same meaning ascribed thereto under the Listing Rules;
“connected transaction(s)”	has the same meaning ascribed thereto under the Listing Rules;

“Consideration”	approximately Rand 8,630,770 (equivalent to approximately HK\$4,479,370), being the total consideration for the Acquisition;
“Director(s)”	the director(s) of the Company;
“Effective Date”	11 March 2022;
“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;
“Independent Third Party(ies)”	person(s) independent of the Company and its connected persons;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Zhou”	Mr. Zhou Wenbin, an individual and a merchant, who holds 10% equity interest in the Target, save for the aforesaid, is an Independent Third Party;
“Purchaser”	Langa Holdings (Pty) Ltd, a company incorporated under the laws of South Africa with limited liability, a non-wholly owned subsidiary of the Group;
“Rand”	South African Rand, the lawful currency of South Africa;
“Sale and Purchase Agreement”	the sale of shares and settlement agreement entered into among the Purchaser, the Vendor, the Target and Mr. Zhou on 11 March 2022 (after trading hours) relating to the Acquisition;
“Sale Claims”	any and all claims on shareholder’s loan account which the Vendor may have against the Target Group, pursuant to the terms and conditions of the Sale and Purchase Agreement;



“Sale Shares”	the 25 ordinary shares of the Target to be acquired by the Purchaser from the Vendor, representing 25% equity interest in the Target, pursuant to the terms and conditions of the Sale and Purchase Agreement;
“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;
“Switch”	Switch Technique (KZN) (Pty) Ltd, a company incorporated under the laws of South Africa with limited liability, which was and is owned as to 75% by the Target before and after the Acquisition;
“Target”	Swan Electric (Pty) Ltd, a company incorporated under the laws of South Africa with limited liability, which was owned as to 65% by the Purchaser, 25% by the Vendor and 10% by Mr. Zhou respectively before the Completion; and is owned as to 90% by the Purchaser and 10% by Mr. Zhou respectively upon the Completion;
“Target Group”	collectively, the Target and Switch;
“Vendor”	Mr. Brendyn Meyer, an individual and a merchant, who held 25% equity interest in the Target before the Completion; save for the aforesaid, is an Independent Third Party; and
“%”	per cent.

For reference only, an exchange rate of HK\$1.00 to Rand 0.519 has been used for the conversion of Rand into HK\$ in this announcement. This rate is for the purpose of illustration only and does not constitute a representation that any amount has been, could have been converted at the above rate or any other rates.

By Order of the Board  
**Mobicon Group Limited**  
**Hung Kim Fung, Measure**  
*Chairman*

Hong Kong, 11 March 2022

*As at the date of this announcement, the Board 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*