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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)

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
IN RESPECT OF THE LEASES IN HONG KONG**

On 30 September 2016, MHL, a wholly-owned subsidiary of the Company, entered into the Leases with M-Bar to renew the tenancies in respect of the premises situated in Hong Kong.

M-Bar is a connected person and the Transactions constitute continuing connected transactions of the Company.

The Board confirms that each of the applicable percentage ratios for the Transactions is, on an annual basis, less than 5%, the Transactions therefore constitute continuing connected transactions subject to the reporting, announcement and annual review requirements but exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

DETAILS OF THE TRANSACTIONS

Renewal of tenancies between MHL and M-Bar

On 30 September 2016, MHL, a wholly-owned subsidiary of the Company, (as tenant) entered into the Leases with M-Bar to renew the tenancies in respect of the following premises for a term of three years commencing from 1 October 2016 to 30 September 2019 (both dates inclusive) at the respective monthly rentals as set out below:-

| Premises | Gross Floor Area (sq.ft.) | Monthly Rental (HK\$) | Deposits Use (HK\$) |
|--|--|---|--------------------------------|
| 1. Private Car Parking Space No. 6 on 3rd Floor, New Trend Centre, 704 Prince Edward Road East, 104 King Fuk Street, San Po Kong, Kowloon | – | 2,000 (for 1/10/2016 to 30/9/2019) | 4,000 Parking |
| 2. Private Car Parking Space No. 13 on 4th Floor, New Trend Centre, 704 Prince Edward Road East, 104 King Fuk Street, San Po Kong, Kowloon | – | 2,000 (for 1/10/2016 to 30/9/2019) | 4,000 Parking |
| 3. Private Car Parking Space No. 24 on 3rd Floor, New Trend Centre, 704 Prince Edward Road East, 104 King Fuk Street, San Po Kong, Kowloon | – | 2,000 (for 1/10/2016 to 30/9/2019) | 4,000 Parking |
| 4. Private Car Parking Space No. 25 on 3rd Floor, New Trend Centre, 704 Prince Edward Road East, 104 King Fuk Street, San Po Kong, Kowloon | – | 2,000 (for 1/10/2016 to 30/9/2019) | 4,000 Parking |
| 5. Units 1-11 on 7th Floor, New Trend Centre, 704 Prince Edward Road East, 104 King Fuk Street, San Po Kong, Kowloon | 10,112 | 99,000 (for 1/10/2016 to 30/9/2019) | 198,000 Office |

| Premises | Gross Floor Area (sq.ft.) | Monthly Rental (HK\$) | Deposits (HK\$) | Use |
|---|--|---|----------------------------|--|
| 6. Units 1-4 on 8th Floor and Private Car Parking Space No.7 on 3rd Floor, New Trend Centre, 704 Prince Edward Road East, 104 King Fuk Street, San Po Kong, Kowloon | 5,158 | 46,000 (for 1/10/2016 to 30/9/2019) | 92,000 | Office and (for the car park only) parking |
| 7. Units 1-9 on 23rd Floor and Private Car Parking Space No. 6 on 4th Floor, New Trend Centre, 704 Prince Edward Road East, 104 King Fuk Street, San Po Kong, Kowloon | 8,532 | 81,000 (for 1/10/2016 to 30/9/2019) | 162,000 | Office and (for the car park only) parking |
| 8. 3rd Floor, Efficiency House, 35 Tai Yau Street, San Po Kong, Kowloon, Hong Kong | 20,000 | 90,000 (for 1/10/2016 to 30/9/2019) | 180,000 | Storage |
| 9. Portion of 1st Floor, Efficiency House, 35 Tai Yau Street, San Po Kong, Kowloon, Hong Kong | 10,000 | 45,000 (for 1/10/2016 to 30/9/2019) | 90,000 | Storage with ancillary office |

MHL has the right to terminate any of the tenancies in respect of the premises in New Trend Centre at any time by giving to M-Bar not less than three (3) months' prior notice of termination. However, MHL is not entitled to early terminate the tenancies in respect of the premises in Efficiency House. The tenancies in respect of the premises in New Trend Centre are exclusive of rates, Government rent and management charges and the tenancies in respect of the premises in Efficiency House are inclusive of rates, Government rent and management charges.

The above rentals under the Leases were arrived at after arm's length negotiations and with reference to the valuation prepared by DTZ Cushman & Wakefield Limited, an independent property valuer, dated 28 September 2016.

The rentals in respect of the Leases will be settled by the internal resources of the Group. The rental, rates, Government rent and management fee (as the case may be) shall be paid by MHL to M-Bar on a monthly basis. The initial rental, rates, Government rent and initial management fee payable under the tenancies in respect of the premises in New Trend Centre for the period for 1 October 2016 to 31 October 2016 shall be paid in lump sum by MHL to M-Bar on signing of the Leases. Thereafter, the rental, rates, Government rent and management fee for each succeeding month shall be paid by MHL to M-Bar on the first day of

each calendar month. The rental payable under the tenancies in respect of the premises in Efficiency House shall be payable by MHL to M-Bar on the first day of each calendar month starting from 1 October 2016.

REASONS FOR ENTERING INTO THE LEASES

The Group continues to use the premises under the Leases as its offices, storage and car parking spaces for its operations in Hong Kong. By entering into the Leases with M-Bar, the Board considers that it helps to save (i) the administrative charges to secure Alternative Comparable Premises; (ii) the removal and relocation costs and incidental expenses for moving to the Alternative Comparable Premises; and (iii) all renovation and setting-up expenses for rendering the Alternative Comparable Premises fit to be used for the existing operations being carried on by the Group.

IMPLICATIONS UNDER THE LISTING RULES

M-Bar is a company beneficially owned in its ordinary share capital as to approximately 30% by Dr. Hung Kim Fung, Measure, approximately 30% by Madam Yeung Man Yi, Beryl, approximately 20% by Mr. Hung Ying Fung and approximately 20% by Mr. Yeung Kwok Leung, Allix, all of whom being the executive directors of the Company. Dr. Hung Kim Fung, Measure and Madam Yeung Man Yi, Beryl are a couple and Mr. Hung Ying Fung and Mr. Yeung Kwok Leung, Allix are brother of Dr. Hung Kim Fung, Measure and Madam Yeung Man Yi, Beryl respectively. Accordingly, M-Bar is a connected person of the Company.

The Board confirms that each of the applicable percentage ratios for the Transactions is, on an annual basis, less than 5%, the Transactions therefore constitute continuing connected transactions subject to the reporting, announcement and annual review requirements but exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Board also confirms that in any financial year, the aggregate amount of rentals payable under the Lease will not exceed HK\$4,428,000 which cap amounts are determined by reference to and on the basis of the terms of the Leases. In this connection, the Board sets out hereinbelow the aggregate rentals payable to M-Bar under the Leases during the period from 1 October 2016 to 30 September 2019:-

| Period | Aggregate rentals payable (HK\$) |
|-------------------------------------|---|
| 1 October 2016 to 30 September 2017 | 4,428,000 |
| 1 October 2017 to 30 September 2018 | 4,428,000 |
| 1 October 2018 to 30 September 2019 | 4,428,000 |

The Board (including the independent non-executive directors of the Company) considers that the Transactions have been entered into in the ordinary and usual course of business of the Company, on normal commercial terms or better and in the interests of the Company and its shareholders as a whole. The terms of the Transactions also reflect an arm's length negotiations on normal commercial terms.

DTZ Cushman & Wakefield Limited, an independent property valuer, has also confirmed in writing on 28 September 2016 that the rental of each of the premises payable by the Group under the Leases is below the prevailing market level.

The Board confirms that save for Dr. Hung Kim Fung, Measure, Madam Yeung Man Yi, Beryl, Mr. Hung Ying Fung and Mr. Yeung Kwok Leung, Allix who are the beneficial owners of M-Bar, none of the directors of the Company has a material interest in the Leases. All interested directors have abstained from voting at the board meeting of the Company approving the Leases.

The Board further confirms that save for the Leases, the Group has not entered into any other continuing connected transaction with any of the directors of the Company and/or his/her associates within the preceding 12-month period.

GENERAL

The Board confirms that the Group is principally engaged in the trading and distribution of electronic parts, components and equipment and computer products, mobile accessories and trading of domestic products whilst the principal activity of M-Bar is holding of properties and investments.

TERMS USED IN THIS ANNOUNCEMENT

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

| | |
|-----------------------------------|--|
| “Alternative Comparable Premises” | alternative premises in location, area and layout comparable to the premises under the Leases |
| “associate(s)” | has the meaning ascribed thereto under the Listing Rules |
| “Board” | the board of Directors |
| “Company” | Mobicon Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code : 1213) |
| “connected person” | has the meaning ascribed thereto under the Listing Rules |
| “Directors” | the directors of the Company (including the independent non-executive directors of the Company) and “Director” shall mean any one of them |
| “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 |

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|---------------------|--|
| “Leases” | the two leases both dated 30 September 2016 entered into between M-Bar as landlord and MHL as tenant, more particulars of which are described under the section headed “Renewal of tenancies between MHL and M-Bar” of this announcement |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “M-Bar” | M-Bar Limited, a company incorporated in Hong Kong (which is owned as to approximately 30%, 30%, 20% and 20% by Dr. Hung Kim Fung, Measure, Madam Yeung Man Yi, Beryl, Mr. Hung Ying Fung and Mr. Yeung Kwok Leung, Allix respectively, all of them are executive directors of the Company), the landlord under the Leases and a connected person of the Company |
| “MHL” | Mobicon Holdings Limited, a wholly-owned subsidiary of the Company |
| “percentage ratios” | the percentage ratios as set out in Rule 14.07 of the Listing Rules |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Transactions” | the transactions under the Leases |
| “%” | per cent |
| “sq. ft.” | square feet |

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

Hong Kong, 30 September 2016

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*