SINCE 1983

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 SOUTH AFRICA AND HONG KONG

On 30 September 2013, Mantech Electronics entered into the First Lease and the Second Lease with UGD Property and Tiger Moth respectively to renew the tenancies in respect of the premises situated in South Africa.

On 30 September 2013, MHL entered into the Third Leases with M-Bar to renew the tenancies in respect of the premises situated in Hong Kong.

UGD Property, Tiger Moth and M-Bar are connected persons and the Transactions constitute continuing connected transactions of the Company.

The Board confirms that each of the relevant percentage ratios for the Transactions will, on an annual basis, be less than 5% for the purpose of Rule 14A.34 of the Listing Rules. The Transactions therefore are only subject to the annual review, reporting and announcement requirements as set out in Rules 14A.37 to 14A.41 and Rules 14A.45 to 14A.47 of the Listing Rules.

This announcement is made by the Board pursuant to Rule 14A.47 of the Listing Rules.

* *For identification purposes only*

DETAILS OF THE TRANSACTIONS

A. Renewal of tenancies between Mantech Electronics and UGD Property

On 30 September 2013, Mantech Electronics, an indirect 51% owned subsidiary of the Company (as tenant), and UGD Property (as landlord) entered into a lease to renew the tenancy in respect of following premises in South Africa for a term of thirty-six (36) months commencing from 1 October 2013 and ending on 30 September 2016 (both dates inclusive) at the monthly rental as set out below (exclusive of value added tax and utility charges):-

Premises	Approximate Gross Floor Area *(sq.m.)*	Monthly Rental *(ZAR)*	Deposits *(ZAR)*	Use
The Garage, Ground Floor, First Floor, Basement and Mazzanine areas of 32 Laub Street and the First Floor and Section of Ground Floor of 30 Laub Street including full and exclusive usage of the goods lift and all parking bays of Erf 45, 47 and 49 New Centre Township corresponding to 30 and 32 Laub Street New Centre, Johannesburg, the South Africa	Not less than 3,457.15	113,294.34 (approximately HK$88,482.88) for the period from 1 October 2013 to 30 September 2014 (both dates inclusive) 119,525.53 (approximately HK$93,349.44) for the period from 1 October 2014 to 30 September 2015 (both dates inclusive) 126,099.43 (approximately HK$98,483.65) for the period from 1 October 2015 to 30 September 2016 (both dates inclusive)	Nil	For the sole purpose of conducting the business of an electronics distribution company

Mantech Electronics has the right to terminate the First Lease at any time by giving to UGD Property not less than three (3) calendar months' prior written notice or three months' rentals in lieu of notice.

The above rentals under the First Lease were arrived at after arm's length negotiations and with reference to the valuation prepared by API Property Group C.C., an independent local estate agent, on 25 September 2013.

The rentals in respect of the First Lease will be settled by the internal resources of the Group.

B. Renewal of tenancies between Mantech Electronics and Tiger Moth

On 30 September 2013, Mantech Electronics (as tenant) and Tiger Moth (as landlord) entered into a lease to renew the tenancy in respect of following premises in South Africa for a term of thirty-six (36) months commencing from 1 October 2013 and ending on 30 September 2016 (both dates inclusive) at the monthly rental as set out below (exclusive of value added tax and utility charges):-

Premises	**Approximate Gross Floor Area** *(sq.m.)*	**Monthly Rental** *(ZAR)*	**Deposits** *(ZAR)*	**Use**
Rear section of 12 Lennox Road, Greyville, Durban, the South Africa	460	31,006.45 (approximately HK$24,216.04) for the period from 1 October 2013 to 30 September 2014 (both dates inclusive) 32,711.80 (approximately HK$25,547.92) for the period from 1 October 2014 to 30 September 2015 (both dates inclusive) 34,510.95 (approximately HK$26,953.05) for the period from 1 October 2015 to 30 September 2016 (both dates inclusive)	Nil	For the sole purpose of conducting the business of an electronics distribution company

Mantech Electronics has the right to terminate the Second Lease at any time by giving to Tiger Moth not less than three (3) calendar months' prior written notice or three months' rentals in lieu of notice.

The above rentals under the Second Lease were arrived at after arm's length negotiations and with reference to the valuation prepared by API Property Group C.C., an independent local estate agent, on 25 September 2013.

The rentals in respect of the Second Lease will be settled by the internal resources of the Group.

C. Renewal of tenancies between MHL and M-Bar

On 30 September 2013, MHL (as tenant) entered into two tenancy agreements to renew the tenancies in respect of the following premises in Hong Kong with M-Bar for a term of three (3) years commencing from 1 October 2013 to 30 September 2016 (both dates inclusive) at the respective monthly rentals as set out below:-

	Premises	Approximate Gross Floor Area *(sq.ft.)*	Monthly Rental *(HK$)*	Deposits *(HK$)*	Use
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 (from 1/10/2013 to 31/1/2014) 2,000 (from 1/2/2014 to 30/9/2016)	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 (from 1/10/2013 to 31/1/2014) 2,000 (from 1/2/2014 to 30/9/2016)	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 (from 1/10/2013 to 31/1/2014) 2,000 (from 1/2/2014 to 30/9/2016)	4,000	Parking

	Premises	Approximate Gross Floor Area (sq.ft.)	Monthly Rental (HK$)	Deposits (HK$)	Use
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 (from 1/10/2013 to 31/1/2014) 2,000 (from 1/2/2014 to 30/9/2016)	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	90,000 (from 1/10/2013 to 31/1/2014) 93,600 (from 1/2/2014 to 30/9/2016)	187,200	Office
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	42,000 (from 1/10/2013 to 31/1/2014) 43,800 (from 1/2/2014 to 30/9/2016)	87,600	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	73,000 (from 1/10/2013 to 31/1/2014) 76,600 (from 1/2/2014 to 30/9/2016)	153,200	Office and (for the car park only) parking
8.	Portion of 1st Floor, Efficiency House, 35 Tai Yau Street, San Po Kong, Kowloon	10,000	35,000 (from 1/10/2013 to 30/9/2016)	70,000	Storage with ancillary office
9.	3rd Floor, Efficiency House, 35 Tai Yau Street, San Po Kong, Kowloon	20,000	70,000 (from 1/10/2013 to 30/9/2016)	140,000	Storage

MHL has the right to terminate any of the tenancies in respect of 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 Efficiency House. The tenancies in respect of New Trend Centre are exclusive of rates, Government rent and management charges and the tenancies in respect of Efficiency House are inclusive of rates, Government rent and management charges.

The above rentals under the Third Leases were arrived at after arm's length negotiations and with reference to the valuation prepared by DTZ Debenham Tie Leung Limited, an independent property valuer, dated 27 September 2013.

The rentals in respect of the Third Leases will be settled by the internal resources of the Group.

REASONS FOR ENTERING INTO THE FIRST LEASE, THE SECOND LEASE AND THE THIRD LEASES

The Group continues to use the premises under the First Lease and the Second Lease as its offices for its operations in South Africa and the premises under the Third Leases as its retail shops, headquarter, offices and godown spaces for its operations in Hong Kong. By entering into the Leases with UGD Property, Tiger Moth and M-Bar respectively, 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. The tenancies in respect of the premises under the Third Leases were originally due to expire on 31 January 2014. The Board confirms that for saving the costs for complying with the Listing Rules and easier in administering the future renewal of the tenancies, the Board decides to early renew the tenancies in order to tally with the terms among the Leases. The Board was also of the view that given the upward trend of the market rents, the early renewal will also be of the benefit to the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

UGD Property and Tiger Moth are wholly-owned by Mr. Moutinho, an executive director of the Company, and his family whilst 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, UGD Property, Tiger Moth and M-Bar are connected persons of the Company.

The Board confirms that each of the relevant percentage ratios for the Transactions will, on an annual basis, be less than 5% for the purpose of Rule 14A.34 of the Listing Rules. The Transactions therefore constitute continuing connected transactions and are only subject to the annual review, reporting and announcement requirements as set out in Rules 14A.37 to 14A.41 and Rules 14A.45 to 14A.47 of the Listing Rules.

The Board also confirms that in any financial year, the aggregate amount payable (i) under the First Lease and the Second Lease and (ii) under the Third Leases will not exceed (i) ZAR1,877,090 (approximately HK$1,466,007.29) and (ii) HK$3,924,000 respectively, which cap amounts are determined by reference to and on the basis of the previous leases and the terms of the Leases. In this connection, the Board sets out hereinbelow the aggregate rentals payable to (i) UGD Property and Tiger Moth under the First Lease and the Second Lease; and (ii) M-Bar under the Third Leases during the period from 1 October 2013 to 30 September 2016:-

(i) payable to UGD Property and Tiger Moth

Period	**Aggregate rentals payable** *(ZAR)*
1 October 2013 to 31 March 2014	865,804.74
1 April 2014 to 31 March 2015	1,779,228.72
1 April 2015 to 31 March 2016	1,877,086.26
1 April 2016 to 30 September 2016	963,662.28

(ii) payable to M-Bar

Period	**Aggregate rentals payable** *(HK$)*
1 October 2013 to 31 March 2014	1,926,000
1 April 2014 to 31 March 2015	3,924,000
1 April 2015 to 31 March 2016	3,924,000
1 April 2016 to 30 September 2016	1,962,000

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 on terms no less favourable to the Company than terms available from independent third parties, and are fair and reasonable 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.

API Property Group C.C., an independent local estate agent in South Africa, has also confirmed in writing on 25 September 2013 that the renewal rentals under the First Lease and the Second Lease are in line with the prevailing rental rates and the annual escalation rate of 5.5% compound is lower than the market average whilst DTZ Debenham Tie Leung Limited, an independent property valuer, has also confirmed in writing on 27 September 2013 that the rentals under the Third Leases are fair and reasonable (as far as the Group is concerned) and which are favourable to the Group.

The Board confirms that save for Mr. Moutinho who is a beneficial owner of UGD Property and Tiger Moth, none of the Directors has a material interest in the First Lease or the Second Lease. The Board also confirms that save 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 has a material interest in the Third 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 previous leases/tenancy agreements which were renewed by 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 and mobile accessories whilst the principal activity of each of UGD Property, Tiger Moth and 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

"First Lease"	the new lease dated 30 September 2013 and entered into between UGD Property as landlord and Mantech Electronics as tenant, more particulars of which are described in paragraph A of this announcement
"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
"Leases"	collectively, the First Lease, the Second Lease and the Third Leases
"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%, approximately 30%, approximately 20% and approximately 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 Third Leases and a connected person of the Company
"Mantech Electronics"	Mantech Electronics (Proprietary) Limited, an indirect 51% owned subsidiary of the Company (the remaining indirect 49% equity interest is held by Mr. Moutinho)
"MHL"	Mobicon Holdings Limited, an indirect wholly-owned subsidiary of the Company
"Mr. Moutinho"	Mr. Manuel Arnaldo de Sousa Moutinho, an executive director of the Company
"percentage ratios"	the percentage ratios as set out in Rule 14.07 of the Listing Rules
"Second Lease"	the new lease dated 30 September 2013 and entered into between Tiger Moth as landlord and Mantech Electronics as tenant, more particulars of which are described in paragraph B of this announcement
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Third Leases"	collectively, the two tenancy agreements both dated 30 September 2013 and entered into between M-Bar as landlord and MHL as tenant, more particulars of which are described in paragraph C of this announcement
"Tiger Moth"	Tiger Moth Trading No.53 (Pty) Ltd., a company incorporated in South Africa which is wholly-owned by Mr. Moutinho and his family, the landlord under the Second Lease and a connected person of the Company
"Transactions"	the transactions under the Leases
"UGD Property"	UGD Property (Pty) Ltd., a company incorporated in South Africa which is wholly-owned by Mr. Moutinho and his family, the landlord under the First Lease and a connected person of the Company
"ZAR"	South African Rand, the lawful currency of South Africa
"%"	per cent
"sq. ft."	square feet
"sq. m."	square metres

In this announcement, ZAR has been converted into HK$ at the exchange rate of ZAR1=HK$0.781 which is for illustration purpose only. No representation is made that any amount in ZAR has been or could have been or can be converted at such rate or any other rates or at all.

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

Hong Kong, 30 September 2013

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, Mr. Yeung Kwok Leung, Allix and Mr. Manuel Arnaldo de Sousa Moutinho as executive Directors and Mr. Charles E. Chapman, Dr. Leung Wai Cheung and Mr. Ku Wing Hong, Eric as independent non-executive Directors.