SINCE 1983

MOBICON GROUP LIMITED

萬保剛集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1213)

CONTINUING CONNECTED TRANSACTIONS

Reference is made to the prospectus issued by the Company on 24th April, 2001 in which the Company disclosed that MHL (as tenant) had entered into certain lease agreements with M-Bar (as landlord) which constitute connected transactions for the purposes of the repealed Chapter 14 of the Listing Rules. Such transactions are expected to continue pursuant to the terms of the subsisting lease agreements. To enhance the Group's business operations, the Company, through MHL (as tenant), proposes to enter into two other lease agreements with M-Bar (as landlord) in respect of certain additional leased premises.

The Board confirms that the aggregate rentals payable under the above subsisting and proposed lease agreements in each financial year does not exceed the relevant thresholds as set out in Rule 14A.34 of the Listing Rules and therefore, transactions under the above subsisting lease agreements and proposed lease agreements will fall under Rule 14A.34 of the Listing Rules and will only be 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 of directors of the Company pursuant to Rule 14A.47 of the Listing Rules.

DETAILS OF THE TRANSACTIONS

(1) Leases between Mobicon Holdings Limited ("MHL") and M-Bar Limited ("M-Bar")

Reference is made to the sub-section headed "Connected transactions" in the section headed "Business" in the prospectus (the "Prospectus") issued by the Company on 24th April, 2001 in which the Company disclosed that MHL (as tenant), a wholly-owned subsidiary of the Company, had entered into certain lease agreements with M-Bar (as landlord) which constitute connected transactions for the purposes of the repealed Chapter 14 of the Rules Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

As disclosed in the paragraph headed "(1) Leases between MHL and M-Bar Limited" in the sub-section headed "Connected transactions" in the section headed "Business" in the Prospectus, M-Bar is beneficially owned as to 30% by Mr. Hung Kim Fung, Measure, 30% by Ms. Yeung Man Yi, Beryl, 20% by Mr. Hung Ying Fung and as to the remaining 20% by Mr. Yeung Kwok Leung, Allix, all of whom being the executive Directors of the Company. As disclosed therein, by nine respective lease agreements all dated 2nd April, 2001, M-Bar agreed to lease to MHL, an indirect wholly-owned subsidiary of the Company, various premises for a term of five years commencing from 1st February, 2001 to 31st January, 2006. MHL has an option to renew for another three years upon expiry of the initial five-year term at the then prevailing market rent. The same terms shall apply to any renewed lease, except that there will be no option for renewal under the renewed leases.

For easy reference, the Board sets out hereinbelow the particulars of the leased premises, the current monthly rental and the use of the premises under each of the nine lease agreements, which particulars have been set out in the paragraph headed "(1) Leases between MHL and M-Bar Limited" in the sub-section headed "Connected transactions" in the section headed "Business" in the Prospectus:–

	Premises	Gross Floor Area/Saleable Area (sq.ft.)	Current Monthly Rental *(HK$)* *(Notes 1 and 2)*	Use
1.	Units 601-605 on 6th Floor and Units 701-703 on 7th Floor, Hanley House, 776-778 Nathan Road, Mongkok, Kowloon *(Note 3)*	2,942 (saleable) *(Note 3)*	35,000 *(Note 3)*	Office
2.	Shop F on Ground Floor, Lai Ming Building, 223 Tung Choi Street, Mongkok, Kowloon *(Note 4)*	1,142 (saleable)	40,000	Retailing
3.	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	Parking
4.	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	Parking
5.	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	Parking
6.	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	Parking
7.	Units 1-11 on 7th Floor, New Trend Centre, 704 Prince Edward Road East, 104 King Fuk Street, San Po Kong, Kowloon	10,112 (gross)	78,000	Office and storage
8.	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 (gross)	42,000	Office and (for the car park only) parking
9.	Units 5-9 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	3,375 (gross)	28,000	Storage and (for the car park only) parking

Notes:–

1. The current monthly rental is exclusive of rates, Government rent and management charges, all of which are payable by MHL. It is also subject to annual adjustments to the market rate prevailing with effect from each anniversary of the commencement date of the lease for both the initial term and any renewed term of the lease.

2. A rental deposit equivalent to two months' rental was paid by MHL to M-Bar on the date of each of the nine lease agreements.

3. On 1st April, 2003, the Group ceased to lease the premises situated at Units 601-605 on 6th Floor, Hanley House, 776-778 Nathan Road, Mongkok, Kowloon, Hong Kong. As a result, the gross floor area/saleable area has been reduced from 2,942 sq.ft. (saleable) to 1,497 sq.ft. (saleable) whilst the current monthly rental has been reduced from the original HK$35,000 to HK$17,500 with effect from 1st April, 2003.

4. On 31st July, 2002, the Group ceased to lease the premises situated at Shop F on Ground Floor, Lai Ming Building, 223 Tung Choi Street, Mongkok, Kowloon, Hong Kong from M-Bar.

For the purpose of this announcement, the remaining eight subsisting lease agreements are hereby collectively referred to as the "Subsisting Lease Agreements".

The Board confirms that there had not been any rental adjustment under the Subsisting Lease Agreements during the period from 1st February, 2001 to the date hereof. In this connection, the Board also confirms that the rental reduction as set out in Note 3 above, which was made in proportion to the gross floor area/saleable area of the relevant leased premises being reduced, does not constitute any rental adjustment under the subsisting lease agreement in respect of the leased premises situated at Units 701-703 on 7th Floor, Hanley House, 776-778 Nathan Road, Mongkok, Kowloon.

As disclosed in the sub-section headed "Connected transactions" in the section headed "Business" of the Prospectus, the Company has obtained from The Stock Exchange of Hong Kong Limited (the "Stock Exchange") a conditional waiver (the "Waiver") from the disclosure requirement under Rule 14.25(1) of the repealed Chapter 14 of the Listing Rules in respect of the Subsisting Lease Agreements for a period from 1st February, 2001 to 31st January, 2004.

Following the expiration of the Waiver on 31st January, 2004, the Board understands that the transactions under the Subsisting Lease Agreements during the remaining two years of the lease period (i.e. the period from 1st February, 2004 to 31st January, 2006) will be subject to the relevant provisions of the Listing Rules. In this connection, the Board confirms that the aggregate rentals paid and payable to M-Bar by MHL under the Subsisting Lease Agreements and the First Lease Agreement (as hereinbelow defined) during the period from 1st February, 2004 to 31st July, 2004 amounted to HK$1,063,500.00. The Board confirms that the said sum does not exceed the relevant thresholds which require any reporting, announcement or independent shareholders' approval requirements for the purposes of Chapter 14A of the Listing Rules. For the purposes of the old Chapter 14 of the Listing Rules (which was repealed on 31st March, 2004), the Board confirms that the aggregate rentals paid to M-Bar by MHL under the Subsisting Lease Agreements during the period from 1st February, 2004 to 31st March, 2004 which amounted to HK$347,000.00 is less than the higher of HK$1,000,000.00 or 0.03% of the book value of the net tangible assets of the Company as disclosed in its published consolidated audited accounts for the financial year ended 31st March 2003 and is therefore exempted from all the disclosure and shareholders' approval requirements under the repealed Chapter 14 of the Listing Rules.

(2) Proposed new leases between MHL and M-Bar

To enhance the Group's business operations and pursuant to Rule 14A.35 of the Listing Rules, the Company, through MHL (as tenant), proposes to enter into with M-Bar (as landlord) a lease agreement (the "First Lease Agreement") in respect of Units 1-2 on 23rd Floor, New Trend Centre, 704 Prince Edward Road East, 104 King Fuk Street, San Po Kong, Kowloon, Hong Kong with a gross floor area of approximately 2,520 sq.ft. for a term of one year commencing from 1st July, 2004 to 30th June, 2005 (both dates inclusive) at a monthly rental of HK$22,500, exclusive of rates, Government rent and management charges, all of which are payable by MHL. A rental deposit of HK$45,000 will be payable by MHL to M-Bar on the date of the First Lease Agreement.

Due to the expected continuing expansion in the Group's business operations in the coming year, the Board considers that more office spaces would be required for the Group's daily operations. As a result, the Company, through MHL (as tenant), proposes to lease from M-Bar (as landlord) two additional units at the same premises situated at 23rd Floor, New Trend Centre, 704 Prince Edward Road East, 104 King Fuk Street, San Po Kong, Kowloon, Hong Kong by entering into another lease agreement (the "Second Lease Agreement") in respect of Units 1-4 on 23rd Floor, New Trend Centre, 704 Prince Edward Road East, 104 King Fuk Street, San Po Kong, Kowloon, Hong Kong with a gross floor area of approximately 5,157 sq.ft. for a term of three years commencing from 1st July, 2005 to 30th June, 2008 (both dates inclusive) at a monthly rental of HK$45,000, exclusive of rates, Government rent and management charges, all of which are payable by MHL. A rental deposit of HK$90,000 will be payable by MHL to M-Bar on or before 1st July, 2005 (i.e. the commencement date of the term under the Second Lease Agreement).

By entering into the Second Lease Agreement with M-Bar at the moment, the Board considers that it helps saving the administrative charges to secure alternative premises in location, area and layout comparable to its other existing offices at New Trend Centre, 704 Prince Edward Road East, 104 King Fuk Street, San Po Kong, Kowlooon, Hong Kong (the "Alternative Comparable Premises") and to procure the signing of a new tenancy agreement in respect of the Alternative Comparable Premises upon expiry of the First Lease Agreement. Moreover, the Board also considers that it further helps saving the removal and relocation costs and incidental expenses for moving to the Alternative Comparable Premises, and all renovation and setting-up expenses for rendering the Alternative Comparable Premises fit to be used for the then existing operations being carried on at Units 1-2 on 23rd Floor, New Trend Centre, 704 Prince Edward Road East, 104 King Fuk Street, San Po Kong, Kowloon, Hong Kong.

MHL will also have the right to terminate the proposed lease agreements at any time by giving to M-Bar not less than three months' prior notice of termination.

The leased premises as referred to in the First Lease Agreement and the Second Lease Agreement will be occupied by the Group for office purpose.

For the purpose of this announcement, the First Lease Agreement and the Second Lease Agreement are hereby collectively referred to as the "New Lease Agreements".

LISTING RULES IMPLICATIONS

The Board confirms that each of the relevant percentage ratios will, on an annual basis, be less than 2.5% for the purposes of Rule 14A.34 of the Listing Rules. The Board therefore understands that the transactions under the Subsisting Lease Agreements and the New Lease Agreements as referred to in paragraphs (1) and (2) above (collectively, the "Transactions") 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 contemplates that in any financial year the aggregate amount payable in respect of the Transactions will not exceed HK$3,000,000 which cap amount is determined by reference to and on the basis of the terms of the relevant Subsisting Lease Agreements and New Lease Agreements and the historical rentals paid to M-Bar by MHL. In this connection, the Board sets out hereinbelow the aggregate historical rentals paid to M-Bar by MHL under the Subsisting Lease Agreements during the period from 1st February, 2001 to 31st July, 2004:–

Period	**Aggregate rentals paid** *(HK$)*
1st February, 2001 to 31st January, 2002	2,772,000
1st February, 2002 to 31st January, 2003	2,532,000
1st February, 2003 to 31st January, 2004	2,117,000
1st February, 2004 to 31st July, 2004	1,041,000

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

The Board (including the independent non-executive Directors) considers that the Transactions have been and will be entered into in the ordinary and usual course of business of the Group, on normal commercial terms or on terms no less favourable to the Group than terms available from independent third parties, and are fair and reasonable and in the interests of the shareholders of the Company as a whole. The Board also believes that it is impractical and uneconomical for the Group to find any replacement for the leased premises nor would it be economical for the Group to seek any new leased premises with facilities and fixtures of comparable standard and at a rent and on terms favourable to the Group.

DTZ Debenham Tie Leung Limited, an independent property valuer, has also confirmed in writing on 21st July, 2004 and 25th August, 2004 that the rental payable by MHL under each of the Subsisting Lease Agreements and the New Lease Agreements is fair and reasonable and at comparable market rates (and in the case of the Second Lease Agreement, expected market rates) and the terms and proposed terms of the Transactions also reflect an arm's length negotiations on normal commercial terms.

As at the date of this announcement, the Board comprises Mr. 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, Mr. Leung Wai Cheung and Mr. Chow Shek Fai as independent non-executive directors.

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

Hong Kong, 26th August, 2004

** for identification purpose only*

"Please also refer to the published version of this announcement in The Standard."