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 IN RELATION TO (1) SUPPLY AGREEMENT (2) PURCHASE AGREEMENT

The Board wishes to announce that after the trading hours on 1 April 2014, the Company entered into (i) the Supply Agreement and (ii) the Purchase Agreement, both with PC Supply (i) for the supply of IC, passive components and equipment, and computer and the supply of IT support and services from the Group to the PC Supply Group; and (ii) for the purchase of liquid crystal display, and mobile and computer accessories from the PC Supply Group to the Group respectively.

PC Supply is a private company incorporated in Hong Kong with limited liability on 5 June 2000. As at the date of this announcement, PC Supply is owned as to 99.99% and 0.01% by A Plus and Madam Yeung Man Yi, Beryl respectively. A Plus is owned as to (i) 30%, (ii) 30%, (iii) 20% and (iv) 20% by (i) Dr. Hung Kim Fung, Measure, (ii) Madam Yeung Man Yi, Beryl, (iii) Mr. Hung Ying Fung and (iv) Mr. Yeung Kwok Leung, Allix respectively, all of whom are directors and substantial shareholders of the Company. Accordingly, PC Supply is a connected person of the Company under the Listing Rules. The Supply Agreement, the Purchase Agreement and the transactions contemplated thereunder constitute continuing connected transactions under the Listing Rules.

* *For identification purposes only*

Pursuant to Chapter 14A of the Listing Rules, since the highest applicable percentage ratios of the annual caps under the Supply Agreement and the Purchase Agreement respectively are less than 5%, the Supply Agreement, the Purchase Agreement and the transactions contemplated thereunder are subject to the reporting, annual review and announcement requirements but are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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THE SUPPLY AGREEMENT

Date:	1 April 2014
Parties:	the Company and PC Supply
Transaction:	supply of IC, passive components and equipment, and computer; and supply of IT support and services
Term:	from 1 April 2014 to 31 March 2017
Annual caps for the sales amount and service fees:	(i) HK$2.0 million, (ii) HK$2.5 million and (iii) HK$3.0 million for the period (i) from 1 April 2014 to 31 March 2015, (ii) from 1 April 2015 to 31 March 2016 and (iii) from 1 April 2016 to 31 March 2017 respectively.
Pricing mechanism and basis:	the prices will be determined with reference to market price and be negotiated between the Company and the relevant member(s) of the PC Supply Group on an arm's length basis before each proposed purchase order to be placed or each instruction to be given by the relevant member(s) of the PC Supply Group and on terms no less favourable to the Group than the terms available to any Independent Third Parties. The terms of the payment will be subject to individual purchase order to be placed or individual instruction to be given by the relevant member(s) of the PC Supply Group from time to time.

THE PURCHASE AGREEMENT

Date:	1 April 2014
Parties:	the Company and PC Supply
Transaction:	purchase of liquid crystal display, and mobile and computer accessories
Term:	from 1 April 2014 to 31 March 2017
Annual caps for the purchase amount:	(i) HK$3.0 million, (ii) HK$3.5 million and (iii) HK$4.0 million for the period (i) from 1 April 2014 to 31 March 2015, (ii) from 1 April 2015 to 31 March 2016 and (iii) from 1 April 2016 to 31 March 2017 respectively.
Pricing mechanism and basis:	the prices will be determined with reference to market price and be negotiated between the Company and the relevant member(s) of the PC Supply Group on an arm's length basis before each proposed purchase order to be placed by the Group and on terms no less favourable than the terms of sales of the same products by the relevant member(s) of the PC Supply Group to any Independent Third Parties. The terms of the payment will be subject to individual purchase order to be placed by the relevant member(s) of the Group from time to time.

INFORMATION ABOUT THE PC SUPPLY GROUP

PC Supply is a private company incorporated in Hong Kong with limited liability on 5 June 2000 and is engaged in investment holding. Its principal operating subsidiaries include Clover Display and Kontoy Products. Clover Display is principally engaged in the manufacture and marketing of liquid crystal displays and liquid crystal module products, and provision of tooling and subcontracting services whilst Kontoy Products is principally engaged in the manufacture and trading of electronic and consumable products.

As at the date of this announcement, PC Supply is owned as to 99.99% and 0.01% by A Plus and Madam Yeung Man Yi, Beryl respectively and A Plus is owned as to (i) 30%, (ii) 30%, (iii) 20% and (iv) 20% by (i) Dr. Hung Kim Fung, Measure, (ii) Madam Yeung Man Yi, Beryl, (iii) Mr. Hung Ying Fung and (iv) Mr. Yeung Kwok Leung, Allix respectively, all of whom are directors and substantial shareholders of the Company.

REASONS FOR ENTERING INTO THE SUPPLY AGREEMENT AND THE PURCHASE AGREEMENT

The Supply Agreement

On 11 July 2011, the Company entered into a supply agreement with Clover Display for the supply of IC, passive components and equipment from the Group to Clover Display. The Company made an announcement on 12 July 2011 in accordance with the requirements under the Listing Rules. During the three financial years ended 31 March 2012, 31 March 2013 and 31 March 2014, the sales made by the Company to Clover Display amounted to approximately HK$1,224,000, HK$588,000 and HK$1,217,000. The Group also sold computer and provided IT support and services to Clover Display during the period between August 2013 and March 2014. The Company and Clover Display intend to renew the supply agreement, which expired on 31 March 2014. For better administration and management and at the request of Clover Display, the Company entered into the Supply Agreement with PC Supply, the holding company of Clover Display.

Annual Caps

Based on the historical amounts of sales to Clover Display as mentioned above and the increasing demand as expected by the Board for electronic parts and components as a result the recovery of electronic products market in Europe in the coming years, the annual caps for the sales amount and the service fees to the PC Supply Group for the three years ending 31 March 2017 under the Supply Agreement are set out below:-

Annual cap for the sales amount and the service fees for the period from 1 April 2014 to 31 March 2015	**Annual cap for the sales amount and the service fees for the period from 1 April 2015 to 31 March 2016**	**Annual cap for the sales amount and the service fees for the period from 1 April 2016 to 31 March 2017**
HK$2.0 million	HK$2.5 million	HK$3.0 million

The Purchase Agreement

The principal activity of the Company is investment holding. The principal activities of the Group are trading and distribution of electronic parts, components and equipment and computer products and accessories. From time to time, the customers of the Group looked for liquid crystal display, and mobile and computer accessories. As the PC Supply Group is strong at manufacture of liquid crystal displays and liquid crystal module products, the Company made purchase of (i) liquid crystal display and mobile and computer accessories from Clover Display in the amounts of approximately HK$166,000 and HK$726,000 and HK$797,000; and (ii) mobile and computer accessories from Kontoy Products in the amounts of approximately HK$nil and HK$nil and HK$459,000 during the three financial year ended 31 March 2012, 31 March 2013 and 31 March 2014, respectively and on sold the same to the customers of the Group. In order to continue the purchase in the next couple of years, to ensure the long term cooperation between the Group and the PC Supply Group and to comply with the relevant requirements under the Listing Rules, the Company entered into the Purchase Agreement with PC Supply.

The Board considers that the entering into of the Purchase Agreement is beneficial to the Company and its shareholders as a whole on the basis that (i) PC Supply is able to offer the supply of the liquid crystal display, and mobile and computer accessories at costs more favourable than the prevailing market rate; (ii) the Group can save time and effort on sourcing of such goods; and (iii) the Group can also expand the range of products that may be offered to its customers.

Annual Caps

Based on the historical amounts of purchase from the PC Supply Group as mentioned above and the gradual growth of the Group's business as expected by the Board in the trading of liquid crystal display, and mobile and computer accessories, the annual caps for the purchase amounts from the PC Supply Group for the three years ending 31 March 2017 under the Purchase Agreement are set out below:-

Annual cap for the purchase amount for the period from 1 April 2014 to 31 March 2015	**Annual cap for the purchase amount for the period from 1 April 2015 to 31 March 2016**	**Annual cap for the purchase amount for the period from 1 April 2016 to 31 March 2017**
HK$3.0 million	HK$3.5 million	HK$4.0 million

IMPLICATIONS UNDER THE LISTING RULES

As PC Supply is a connected person of the Company, the Supply Agreement, the Purchase Agreement and the transactions contemplated thereunder constitute continuing connected transactions under the Listing Rules. Pursuant to Chapter 14A of the Listing Rules, since the highest applicable percentage ratios of the annual caps under the Supply Agreement and the Purchase Agreement, respectively are less than 5%, the Supply Agreement, the Purchase Agreement and the transactions contemplated thereunder are subject to the reporting, annual review and announcement requirements but are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Company will re-comply with the Listing Rules if (i) the above caps for the sales amounts and the service fees and/or (ii) the above caps for the purchase amounts are exceeded or when the Supply Agreement and/or the Purchase Agreement is/are renewed or there is a material change to the terms of the Supply Agreement and/or the Purchase Agreement.

During the last twelve months before the date of this announcement, the Company received commission or rebate from PC Supply in the aggregate amount of HK$103,819. Since all the applicable percentage ratios relating to the such transactions are less than 0.1%, they are within the de minimis exemption under Rule 14A.33(3) of the Listing Rules and are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. However, the Directors will monitor such transactions and will comply with the requirements of the Listing Rules if the amount of such transactions exceeds the de minimis exemption under the Listing Rules.

The Board (including the independent non-executive Directors) considers that the Supply Agreement, the Purchase Agreement and the transactions contemplated thereunder have been and will be 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 the terms available to any Independent Third Parties, and are fair and reasonable and in the interests of the shareholders of the Company as a whole. The terms of the Supply Agreement and the Purchase Agreement also reflect an arm's length negotiations on normal commercial terms.

As PC Supply is a connected person of the Company, the connected Directors, namely Dr. Hung Kim Fung, Measure, Madam Yeung Man Yi, Beryl, Mr. Hung Ying Fung and Mr. Yeung Kwok Leung, Allix abstained from voting in the Board meeting approving the Supply Agreement, the Purchase Agreement and the transactions contemplated thereunder.

DEFINITIONS

"A Plus"	A Plus Computer Shop Limited, a private company incorporated in Hong Kong with limited liability on 14 April 1999 and is owned as to (i) 30%, (ii) 30%, (iii) 20% and (iv) 20% by (i) Dr. Hung Kim Fung, Measure, (ii) Madam Yeung Man Yi, Beryl, (iii) Mr. Hung Ying Fung and (iv) Mr. Yeung Kwok Leung, Allix respectively, all of whom are directors and substantial shareholders of the Company
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Clover Display"	Clover Display Limited, a private company incorporated in Hong Kong with limited liability on 24 May 1983 and is owned as to 60% by PC Supply. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the remaining 40% equity interest in Clover Display is held by Independent Third Parties. It is principally engaged in the manufacture and marketing of liquid crystal displays and liquid crystal module products, and provision of tooling and subcontracting services
"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
"Independent Third Parties"	third parties who are independent of the Company and the connected person of the Company
"Kontoy Products"	Kontoy Products Company Limited, a private company incorporated in Hong Kong with limited liability on 21 August 1979 and is owned as to 60% by PC Supply. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the remaining 40% equity interest in Kontoy Products is held by Independent Third Parties. It is principally engaged in the manufacture and trading of electronic and consumable products
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PC Supply"	PC Supply Limited, a private company incorporated in Hong Kong with limited liability on 5 June 2000 and is owned as to 99.99% and 0.01% by A Plus and Madam Yeung Man Yi, Beryl respectively
"PC Supply Group "	PC Supply and its subsidiaries, including Clover Display and Kontoy Products
"Purchase Agreement"	the Purchase Agreement dated 1 April 2014 and entered into between the Company and PC Supply
"Stock Exchange"	The Stock Exchange of Hong Kong Limited; and
"Supply Agreement"	the Supply Agreement dated 1 April 2014 and entered into between the Company and PC Supply

By Order of the Board
Hung Kim Fung, Measure
Chairman

Hong Kong, 1 April 2014

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.