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This announcement, for which the directors of First Mobile Group Holdings Limited (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to First Mobile Group Holdings Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



FIRST MOBILE GROUP HOLDINGS LIMITED
(第一電訊集團有限公司)*
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8110)

DISCLOSEABLE TRANSACTION

On 14th October, 2005, the Company entered into a Share Subscription Agreement (“the Agreement”) with Ace River Investments Limited (“Ace River”), pursuant to which Noble Stand Holdings Limited (“Noble Stand”) will subscribe for 19.9% equity interest in Ace River. Ace River is an investment holding company which holds 100% equity interest in Advanced Wireless Group Limited (“AWG”).

The consideration of the share subscription will be HK\$63 million and derived on a willing buyer-willing seller basis. It will be satisfied by assigning the outstanding debt owed by AWG to the Company of HK\$30 million and the Company’s inventories at book value of HK\$33 million to Ace River.

Since the percentage ratios for the consideration test under Rule 19.07 of the GEM Listing Rules is more than 5% but less than 25%, the transactions as contemplated by the Share Subscription Agreement constitute a discloseable transaction pursuant to Chapter 19 of the GEM Listing Rules and accordingly is subject to the disclosure requirements of Rule 19.06(2) of the GEM Listing Rules but does not require shareholders’ approval.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, Ace River and its shareholders and their respective ultimate beneficial owners are third parties independent of, and are not connected persons of, the Company as at the date of this announcement.

A circular in connection with the Share Subscription Agreement will be dispatched to the shareholders of the Company within 21 days after the publication of this announcement.

* For identification only

BACKGROUND

Ace River is an investment holding company incorporated in the British Virgin Islands. Its principal investment is its 100% equity interest in AWG, an original design and manufacturer of communication equipment and devices. Ace River is currently conducting a capital raising exercise to expand and they have in-principle secured US\$8.0 million from an international private equity fund. Ace River has invited the Group to participate in their exercise as a strategic investor and on 14th October, 2005, the Group entered into a subscription agreement to invest HK\$63 million (approximately US\$8 million) in Ace River.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, AWG and Ace River, their shareholders and their respective ultimate beneficial owners are third parties independent of, and are not connected persons of, the Company as at the date of this announcement.

INFORMATION ON THE COMPANY

The Group is principally engaged in distribution and trading of mobile phones and related accessories in the Asia Pacific region through its distribution network in Hong Kong, mainland China, Malaysia, the Philippines, Taiwan, Macau, Indonesia and Singapore.

INFORMATION ON ACE RIVER

Ace River is an investment holding company incorporated in the British Virgin Islands. Its principal investment is its 100% holding of AWG. The company has an authorized capital of US\$100,000.00 comprising 100,000 ordinary shares of US\$1.00 each of which 61,350 shares have been issued and fully paid. Ace River is currently 100% owned by Central Lead Investments Limited which in turn is beneficially owned by Mr. Lai Soon Peng. Ace River was incorporated on 1st September, 2005 and has not prepared audited financial statements.

INFORMATION ON AWG

AWG is a Hong Kong registered company incorporated on 22nd October, 2001. It is principally engaged in the design, development, manufacture and distribution of communication equipment and devices, with its head office in Hong Kong.

AWG employs approximately 560 employees staffing its China factory, research and development centres in South Korea, China and Hong Kong as well as its marketing, operations, finance and administration departments.

AWG's manufacturing operations are located in Shenzhen, China and has a production facility of 1,820 square metres. Its design, research and development centres are located in South Korea, Hong Kong and China where over 60 engineers of various nationality provide hardware, software, industrial design and mechanical engineering support. AWG has obtained an ISO certificate of Quality Management System (BS EN ISO 9001:2000).

Set out below are the audited consolidated loss before tax, loss after tax and net liabilities of AWG for the two years ended 31st December, 2003 and 2004 respectively.

	31st December, 2004	31st December, 2003
	<i>HK\$</i>	<i>HK\$</i>
Consolidated loss before taxation	(28,668,424)	(36,501,428)
Consolidated loss after taxation	(28,668,424)	(36,501,428)
Consolidated net liabilities	(48,856,236)	(23,117,830)

THE SHARE SUBSCRIPTION AGREEMENT

The Share Subscription Agreement was approved by the Directors at the board meeting on 13th October, 2005 and signed by FTI and Ace River on 14th October, 2005.

Date: 14th October, 2005

Parties: Offeror: Ace River
Subscriber: FTI

Interest to be acquired: 19.9% equity interest in Ace River, and consequently an indirect equity interest in AWG of 19.9%.

Consideration: The Consideration for the Subscription Shares is HK\$63 million.

The consideration is based on a willing buyer willing seller basis and after taking into consideration the potential growth and profitability of AWG, as further explained below.

Payment: Pursuant to the Share Subscription Agreement, the Consideration for the Subscription Shares will be by way of assignment of AWG's debt of HK\$30 million and inventory at book value of HK\$33 million in FTI to Ace River.

Assignment: FTI intends to assign its shares of Ace River to Noble Stand, a 100% subsidiary of FTI whose principal business is investment holding.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Company has built a large distribution network in the Asia Pacific region. It is continually searching for new products to tap on its network. As a research and product development company, AWG provides an opportunity for the Company to get priority access and attractive pricing into new products developed by AWG, allowing the Company to reap higher profit margins. Similarly, the Company believes that its distribution network will be able to assist AWG in its growth and market penetration.

AWG has grown significantly over the last two years. Its revenue has increased from HK\$73.6 million in its financial year ending 2003 to HK\$239.8 million in its financial year ending 2004; i.e. a growth of 226% year on year. It has also secured sales orders totalling in excess of HK\$500 million as at September 2005. As a start-up, AWG had invested heavily in research and development over the last few years. While the company was not profitable in financial year ended 2004, it is expected to be profitable for the period 1 July 2005 to 30 June 2006. The Company envisage that AWG's fast growth will lead to potential profits in AWG and would like to benefit from its potential capital appreciation. The consideration

represents a price sales ratio of 1.3 times of AWG's last year's revenue of HK\$239.8 million. Price to sales ratio is a basis for valuing companies with no earnings track record, startup or high-growth companies. As AWG is a start-up business where research and development expenditure is heavy and early-year losses were incurred, the use of an earnings based valuation is less appropriate.

The Company's payment for the Consideration for the Share Subscription Agreement will not significantly affect the immediate cashflow of the Company as it is paid by HK\$33 million of inventory and HK\$30 million in receivables. The Company is confident that it can fund the investment from internal resources.

The investment is not expected to affect the Company's cashflow and profit for the current financial year.

GEM LISTING RULES IMPLICATIONS

Since the percentage ratios for the consideration test under Rule 19.07 of the GEM Listing Rules is more than 5% but less than 25%, the Transaction constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is subject to the reporting and announcement requirements set out in that chapter applicable to discloseable transactions.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, AWG, its shareholders and their respective ultimate beneficial owners are third parties independent of, and are not connected persons of, the Company as at the date of this announcement.

A circular in connection with the Share Subscription Agreement will be dispatched to the shareholders of the Company within 21 days after the publication of this announcement.

DEFINITIONS

Unless the context otherwise requires, the following terms have the meanings set out below:

“Ace River”	Ace River Investments Limited is a company incorporated in British Virgin Islands with limited liability;
“AWG”	Advanced Wireless Group Limited (領創移動通信集團有限公司), a company incorporated in Hong Kong with limited liability, and is a 100% owned subsidiary of Ace River;
“Central Lead”	Central Lead Investments Limited is a company incorporated in British Virgin Islands with limited liability;
“Company”	First Mobile Group Holdings Limited, a company incorporated in Cayman Islands with limited liability and is listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited;
“Directors”	the Directors of the Company;
“FTI”	First Telecom International Limited, a company incorporated in Hong Kong with limited liability, which is 100% indirectly owned by the Company and which holds 100% of the equity interest in Noble Stand;

“Group”	the Company and its subsidiaries;
“GEM Listing Rules”	the Rules Governing the Listing;
“Noble Stand”	Noble Stand Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, which will hold 19.9% of Ace River;
“Share Subscription Agreement”	an agreement entered into between the FTI, Ace River and AWG to subscribe to the Subscription Shares at a consideration of HK\$63 million; and
“Subscription Shares”	19,900 new ordinary shares of Ace River, of US\$1 each to be purchased by Noble Stand under the Share Subscription Agreement.

For the purpose of this announcement, translations of US\$ into HK\$ are made for illustrations purpose only at the exchange rate of US\$1.00 to HK\$7.80.

By Order of the Board
Ng Kok Hong
Executive Chairman

As at the date of this announcement, the Board comprises:

Executive Directors:

Mr. Ng Kok Hong (*Executive Chairman*)
Mr. Ng Kok Tai (*Executive Deputy Chairman*)
Mr. Ng Kok Yang

Independent Non-executive Directors:

Mr. See Tak Wah
Mr. Wu Wai Chung Michael
Mr. Wong Tin Sang Patrick

Hong Kong, 14th October, 2005

This announcement will remain on the GEM website on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the Company’s website at www.firstmobile.com.