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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
AND
CONNECTED TRANSACTION**

SUMMARY

On 3rd July, 2006, Vendor and Purchaser entered into a sale and purchase agreement wherein Vendor has agreed to sell and Purchaser has agreed to purchase the Vendor's 70% equity interest in CTI for a total consideration of HK\$1.

Since the percentage ratio for the profit test under Rule 19.07 of the GEM Listing Rules is more than 5% but less than 25%, the transaction as contemplated by the Agreement constitutes 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.

Purchaser is a substantial shareholder of CTI which is an indirect subsidiary of the Company. Mr. Frank CD Huang, a director of CTI, is also a director and substantial shareholder of Purchaser. The Agreement and the transaction therein constitute a connected transaction pursuant to Chapter 20 of the GEM Listing Rules and accordingly is subject to the disclosure requirements of Rule 20.32 of the GEM Listing Rules.

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

* For identification purpose only

THE AGREEMENT

The salient terms of the Agreement are set out below.

Date

3rd July, 2006

Parties

First E-Pro Limited (“Vendor”)
China Huge International Limited (“Purchaser”)
Frank CD Huang (“Guarantor”)

Disposal

CTI is a holding company held by Vendor, Purchaser and Magic Technology in the proportion 70%, 26% and 4% respectively. CTI holds a 100% equity interest in CTAU and CTNZ, and a 60% equity interest in CTMY.

Pursuant to the Agreement, Vendor will sell and Purchaser will purchase the Sale Shares.

Consideration

The consideration of HK\$1 for the Sale Shares shall be payable in cash upon completion of the transaction.

The consideration was arrived at on a willing buyer willing seller basis, taking into account the various factors as further explained in the section “Rationale and Effects of the Disposal” hereinbelow.

Completion

Completion shall take place on the third Business Day after the execution of this Agreement. Upon completion, Disposed Subsidiaries will cease to be subsidiaries of the Company.

INFORMATION ON CTI

CTI is principally the holding company of the CT Subsidiaries. CT Subsidiaries, except for CTMY which is dormant, are engaged in the provision of inter-city/international telecommunication services using Voice-over-IP technology.

Set out below are the proforma/unaudited consolidated profit/(loss) before taxation, profit/(loss) after taxation and net assets/(liabilities) of Disposed Subsidiaries for the two years ended 31st December, 2004 and 2005 respectively.

	31st December, 2005 HK\$	31st December, 2004 HK\$
Consolidated profit/(loss) before taxation	6,705,000	(6,104,000)
Consolidated profit/(loss) after taxation	9,003,000	(9,891,000)
Consolidated net assets/(liabilities)	1,030,000	(3,607,000)

RATIONALE AND EFFECTS OF THE DISPOSAL

The Group is principally engaged in the trading, distribution and retailing of mobile phones. The Purchaser is an investment holding company.

Market conditions in the Voice-over-IP markets in which the Disposed Subsidiaries operate have proven to be increasingly challenging. The consolidated loss before taxation incurred by the Disposed Subsidiaries for the four months ended 30th April, 2006 is approximately HK\$0.5 million. Recent developments in the market, including the entry of national fixed line carrier into the Voice-over-IP segment and higher termination charges by suppliers, have all contributed to a much tougher market condition than before, resulting in further intense competition and eroding profit margin.

Since the Company's earlier disposal as announced on 29th October, 2005, the Group had further advanced HK\$1.8 million to the Disposed Subsidiaries for working capital purposes. The Board believes that the Disposed Subsidiaries would continue to need significant cash investment, which the Board is unwilling to do as it views the business as lacking prospects and no longer viable. In view of this, the Board therefore made the decision to dispose the Sale Shares to the Purchaser for a nominal consideration. As at the time of disposal, the Disposed Subsidiaries had total outstanding liabilities of approximately HK\$9.6 million.

The Group will no longer be responsible for any costs, claims, actions and liabilities in relation to the Disposed Subsidiaries from the date of the Agreement. As a result of this disposal, the Group would cease to have any interest in the Chi Tel group of companies and would mark the Group's exit from the Voice-over-IP business. This disposal is in line with the Group's ongoing restructuring strategy to address non-profitable business units within the Group and to return the Group to its core strength and competencies.

The Directors, including the independent non-executive Directors, consider that the terms of the Agreement are fair and reasonable and are in the interests of the Group and its shareholders as a whole.

Based on the consideration of HK\$1 and the unaudited consolidated net assets of Disposed Subsidiaries as at 30th April, 2006 of approximately HK\$0.4 million, the Group expects to record an (unaudited) loss of approximately HK\$10.4 million from the disposal of the Sale Shares, principally composed of the write off of advances to Disposed Subsidiaries of HK\$2.7 million and goodwill of HK\$7.8 million.

GEM LISTING RULES IMPLICATIONS

Since the percentage ratio for the profit test under Rule 19.07 of the GEM Listing Rules is more than 5% but less than 25%, the transaction as contemplated by the Agreement constitutes 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.

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DEFINITIONS

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

“Agreement”	the sale and purchase agreement dated 3rd July, 2006 entered into between Vendor and Purchaser in relation to the disposal of Sale Shares
“Business Day”	a day (other than a Saturday or a Sunday) on which banks are generally open for business in Hong Kong
“Company”	First Mobile Group Holdings Limited, a company incorporated in Cayman Islands with limited liabilities and is listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited
“CTAU”	Chi Telecom Pty Ltd., a company incorporated in Australia with limited liabilities
“CTI”	Chi Tel Investments Limited, a company incorporated in British Virgin Islands with limited liabilities
“CTMY”	Chi Tel Malaysia Sdn. Bhd., a company incorporated in Malaysia with limited liabilities, and is presently dormant
“CTNZ”	Chi Tel NZ Limited, a company incorporated in New Zealand with limited liabilities
“CT Subsidiaries”	CTAU, CTNZ and CTMY
“Directors”	the directors of the Company
“Disposed Subsidiaries”	CTI, CTAU, CTNZ and CTMY
“Group”	the Company and its subsidiaries
“GEM Listing Rules”	Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited
“Magic Technology”	Magic Technology Limited, a company incorporated in the British Virgin Islands with limited liabilities
“Purchaser”	China Huge International Limited, a company incorporated in Hong Kong with limited liabilities
“Sale Shares”	624,575 ordinary shares of US\$1.00 each in CTI, representing 70% of the issued and paid-up share capital of CTI
“Shareholders”	holders of shares of the Company

“Substantial shareholder” has the meaning ascribed to that term under the GEM Listing Rules

“Vendor” First E-Pro Limited, a company incorporated in Hong Kong with limited liabilities, is an indirect wholly-owned subsidiary of the Company

By Order of the Board
Ng Kok Hong
Executive Chairman

Hong Kong, 3rd July, 2006

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

Executive Directors:

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

Independent Non-executive Directors:

See Tak Wah
Wu Wai Chung Michael
Wong Tin Sang Patrick

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.