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MOBILE TELECOM NETWORK (HOLDINGS) LIMITED **流動電訊網絡(控股)有限公司***

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8266)

MAJOR TRANSACTION

DISPOSAL OF 60% OF THE ISSUED SHARE CAPITAL OF MOBILEMODE LIMITED AND RESUMPTION OF TRADING

The Board announced that on 13 July 2006, MTel as vendor has entered into the Share Purchase Agreement with Mobilestreams as purchaser in relation to the disposal of 60% of the issued share capital of Mobilemode for a cash consideration of EUR1,000,000 (equivalent to HK\$9,800,000).

The Disposal constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules. Pursuant to Rule 19.44 of the GEM Listing Rules, the Disposal is conditional on, approval by the Shareholders at the EGM or written approval of Shareholders be accepted by the Stock Exchange in lieu of holding the EGM. A written approval of Silicon Asia Limited (“Silicon”) and Vodatel Information Limited (“Vodatel”), being majority Shareholders holding 176,169,861 Shares or approximately 37.26% of the issued share capital of the Company and holding 94,573,696 Shares or approximately 20.01% of the issued share capital of the Company respectively, have been obtained for the approval of the Disposal. As the written shareholders’ approval has been obtained from a shareholder or closely allied group of shareholders who together hold more than 50% of the nominal value of the securities giving the right to attend and vote at the general meeting to approve the transaction, a written shareholders’ approval may be accepted in lieu of holding a general meeting. Therefore, no EGM will be required to be held for approval of the Disposal pursuant to GEM Listing Rules 19.44.

A circular containing further information on the Disposal will be dispatched by the Company to the Shareholders as soon as practicable.

As the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 14 July 2006 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 19 July 2006.

* *for identification purpose only*

THE SHARE PURCHASE AGREEMENT

Major terms of the Share Purchase Agreement

Date:

13 July 2006

Vendor:

MTel Limited, a wholly-owned subsidiary of the Company.

Purchaser:

Mobile Streams Plc, a company registered in England and Wales with limited liability, which is an international provider of media content to mobile devices.

Asset to be disposed:

60% issued share capital of the Disposal Company.

Consideration:

The consideration for the 60% interests in the Disposal Company shall comprise of EUR1,000,000, payable in cash by the Purchaser in full to the Vendor in the following manner:

- EUR100,000 as deposit and part payment of the total consideration to the Vendor, which should be paid on execution of Share Purchase Agreement, and
- the balance EUR900,000 of the total consideration upon the Completion.

The consideration has been arrived at after arm's length negotiation between the parties thereto having taken into account the audited consolidated net asset value of the Disposal Company as at 31 March 2006 of approximately HK\$2,354,000 (after deducting the shareholder's loan from Vendor of approximately HK\$780,000). The Directors including independent non-executive directors consider the terms under the Share Purchase Agreement are on normal commercial terms and are fair and reasonable and in the interest of the Shareholders as a whole.

Conditions precedent and Completion:

Completion is conditional upon fulfillment of the following conditions:

- a. the Share Purchase Agreement and the Disposal being approved by the Shareholders who are required under the Listing Rules to vote at the special general meeting of the Shareholders convened by the Company or written approval of the Shareholders be accepted by the Stock Exchange in lieu of the holding a special general meeting of Shareholders (as the case may be);

- b. all waivers, consents or approval of the Stock Exchange in relation to the Disposal and the implementation of the Share Purchase Agreement; and
- c. the warranties (as set out in the Share Purchase Agreement) (“Warranties”) remaining true and accurate and not misleading at Completion with reference to the facts and circumstances then existing. The Warranties are the representations and warranties as to the truthfulness and accuracy of the matters and issues in relation to the good title of the Sale Shares, the financial, trading and other corporate matters of the Disposal Company.

In the event that the above conditions are not fulfilled before 29 September 2006, or such later date as the Vendor and the Purchaser may agree in writing, the Share Purchase Agreement shall lapse and the Deposit (without interest) shall forthwith be returned to the Purchaser if the Vendor fails to fulfil the above conditions. If the Purchaser shall fail to complete the Share Purchase Agreement (other than due to the default of the Vendor) in accordance with the terms and conditions of the Share Purchase Agreement, the Deposit shall be forfeited to the Vendor.

INFORMATION OF THE GROUP AND THE DISPOSAL COMPANY

The Group is principally engaged in the development and provision of mobile data solutions and related services in Hong Kong, People Republic of China, Taiwan, Australia, Singapore and Malaysia. The Group specializes in the development of services such as sporting and infotainment channels, music downloads, picture contents, video streaming, and gaming services. The Group acquired 60% interest of Mobilemode in July 2003 which has principally been engaged in the provision of mobile entertainment and information contents to mobile operators in Australia and Singapore. Mobilemode Oy, Aura Capital Oy, Salmivuori, Jarno Kalle Antero and Salmivuori, Norma Marie are the owners of the remaining 40% interest of Mobilemode. They are independent third-parties of the Company. Each of parties agreed to waive of the pre-emption right.

FINANCIAL INFORMATION ON DISPOSAL COMPANY AND FINANCIAL EFFECTS OF THE DISPOSAL

The audited consolidated net profit of Mobilemode Group for the financial year ended 31 March 2006 was approximately HK\$184,000 and the audited consolidated net profit of Mobilemode Group for the financial year ended 31 March 2005 was approximately HK\$836,000. The service agreement with Optus Mobile Pty Ltd (“Optus”) for provision of ringtone download was expired at the end of 2004 and has not been renewed. Optus is the major customer of Mobilemode and it contributed more than half of turnover to Mobilemode Group for the financial year end 31 March 2005. This event has an adverse impact on Mobilemode’s net profit.

The audited consolidated net asset value of Mobilemode Group as at 31 March 2006 and 2005 were approximately HK\$1.57 million and HK\$1.39 million respectively. As at 31 March 2006, the major assets of Mobilemode Group were trade receivables and accrual income of approximately HK\$3.24 million and bank balance and cash of approximately HK\$2.76 million which in aggregate represented approximately 94% of the audited total assets of the Mobilemode Group. The major liability of Mobilemode Group was accrual and other payable of approximately HK\$3.44 million and amount due to shareholders of approximately HK\$1.06 million, representing approximately 73% and 22% of the audited total liability of Mobilemode Group as at 31 March 2006.

Upon Completion, the Disposal Company, Mobilemode will cease to be a subsidiary of the Company and none of issued share capital held by the Group in Mobilemode after the Disposal. The Group is expected to record a gain of approximately HK\$8,075,000 as a result of the disposal the Disposal Company, which is equal to the difference between the consideration for the Disposal and audited carrying value of the Disposal Company as at 31 March 2006.

USE OF PROCEEDS

The consideration for the Share Purchase Agreement will be used as general working capital for the Group and increase flexibility on investment activities in China market. As at the Latest Practicable Date, the Company has no specific investment plan or identified investment target, which will command usage of the proceeds from the Transaction.

REASONS FOR AND BENEFIT OF ENTERING INTO THE TRANSACTION

In view of the Company will focus on the fast expanding PRC mobile data market in the near future, the Directors consider that more resources should be reallocated in PRC for expansion its business by forming strategic alliances or joint ventures with and investing in telecommunication-related companies. Disposal of Mobilemode can generate positive cash inflow of approximately HK\$9.8 million which can sustain the working capital of the Group and enable potential investment opportunities.

The Group currently has no intention to change their existing principal activities and business strategy. It is, however, the intention of the Group to continues its efforts in exploring other viable business opportunities to further enhance shareholders value and/or overall business prospect of the Group.

The Disposal is therefore part of the Group's business strategies with a view of enhance its competitiveness and financial performance. The Directors believe that the terms of the Transaction are fair and reasonable and in the interest of the shareholders of the Company as a whole.

INFORMATION OF THE PURCHASER

The Purchaser is Mobile Streams Plc, is incorporated in England and Wales and is a listed company in AIM.

To the best of knowledge, information and belief of the Directors having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are independent third parties of the Company and are not connected persons (as defined in the GEM Listing Rules) of the Company.

GENERAL

The Transaction constitutes a major transaction for the Company under the GEM Listing Rules and is subject to the approval of the shareholders of the Company. A written approval of Silicon Asia Limited ("Silicon") and Vodatel Information Limited ("Vodatel"), being majority Shareholders holding 176,169,861 Shares or approximately 37.26% of the issued share capital of the Company and holding 94,573,696 Shares or approximately 20.01% of the issued share capital of the Company respectively, have been

obtained for the approval of the Disposal. Each of Silicon, Vodatel and its ultimate beneficial owner are not in interest party in the Disposal. They are no different from other shareholder. Therefore, they are not required to abstain from voting if the Company was to convene a general meeting for the approval of the Disposal.

As such, pursuant to Rule 19.44 of the GEM Listing Rules, the written approval provided by Silicon and Vodatel constitutes a valid approval of the Disposal and the Company will not be required to convene a physical meeting to approve the Disposal. To the best of knowledge, where the Company discloses unpublished price sensitive information to any shareholder in confidence to solicit the written shareholders' approval, no shareholder is deal in the Company's securities before such information has been made available to the public.

Pursuant to Rule 19.45 of the GEM Listing Rules of closely allied group, there has two members in the closely allied group of shareholders which consists of Silicon Asia Limited ("Silicon") and Vodatel Information Limited ("Vodatel").

Dr Chan Chung, the ultimately beneficial owner of Silicon, the founder and the Chairman of the Company. MobileSurf was initiated by Dr Chan Chung and transferred to the Company on 14 March 2000. The Company entered into a partnership agreement and co-operation agreement with Vodatel Holding Limited, the initial management shareholder, on 22 May 2002 and 2 August 2002 in relation to develop the market for MobileSurf service in the PRC.

The Company had announcement on 30 March 2004 regarding proposed to acquire not more than 10% interest in the Teleconcept-Multimedia N.V., the Public Limited Company incorporated in the Netherlands ("Target Company"), of which Vodatel, through its indirect wholly-owned subsidiary, conditionally agreed to acquire 60% equity interest. Dr Chan Chung is then appointed by Vodatel as an advising board member for the Target Company who gave advice on strategic direction of the Target Company. The Company has not decide yet to proceed the transaction.

Dr Chan Chung is the founder of the Company. He became a shareholder and director since the Company established. He is the substantial shareholder who held 41% of issued share capital immediately after the placing and the capitalization issue on 7 May 2003.

Vodatel became a shareholder of the Company who held 9.8% of issued share capital of the Company since 11 December 2001. Vodatel is an initial management shareholder of the Company who held 7.3% of issued share capital immediately after the placing and the capitalization issue on 7 May 2003. The Company issued HK\$1,600,000 convertible notes to Vodatel pursuant to the subscription agreement dated 28 March 2002 and amended by a supplemented agreement dated 27 January 2003. Convertible notes of the Company amounted to HK\$1,600,000 originally issued to Universal Line Venture Limited were disposed to Vodatel on 14 April 2004.

On 9 May 2005 and 8 August 2005, 30,769,230 Shares were issued to Vodatel as a result of conversion of HK\$ 2,400,000 convertible notes at HK\$0.078 each.

Other than routine resolutions at an annual general meeting, the Company had convened one EGM on 6 November 2003 and Dr Chan Chung was appointed by Vodatel to vote under its instruction. Silicon and Vodatel are unanimously votes in a same manner in the EGM.

SUSPENSION AND RESUMPTION OF TRADING

Trading in the Shares were suspended at the request of the Company as from 9:30 a.m. on Friday, 14 July 2006 pending the publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m., on Wednesday, 19 July 2006.

DEFINITIONS

“AIM”	means the Alternative Investment Market of the London Stock Exchange plc
“Board”	the board of Directors
“Company”	Mobile Telecom Network (Holdings) Limited, a company incorporated in the Cayman Islands and whose shares are listed on GEM
“Completion”	the completion of the sale and purchase of the Sale Shares as set out in the Share Purchase Agreement
“Director(s)”	the directors of the Company
“Disposal”	the disposal of the entire ordinary issued shares of the Disposal Company
“Disposal Company”	Mobilemode
“EGM”	the extraordinary general meeting of the Company convened to approve the Disposal
“EUR”	Means Euro, the lawful currency of the member states of the European Union that have adopted the single currency introduced on 1 January 1999 in accordance with the Treaty establishing the European Community, as amended
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	independent third party(ies) not connected with the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates and are not connected persons of the Company

“Latest Practicable Date”	Being the latest practicable date prior to the printing of this announcement
“Mobilemode”	Mobilemode Limited, a company incorporated in Hong Kong with limited liability and a direct non-wholly owned subsidiary of the Vendor
“Mobilemode Australia”	Mobilemode (Australia) PTY Limited, a company incorporated in Australia with limited liability and which is a direct wholly-owned subsidiary of the Mobilemode
“Mobilemode Singapore”	Mobilemode (Singapore) PTE Limited, a company incorporated in Singapore with limited liability and which is a direct wholly-owned subsidiary of the Mobilemode
“Mobilemode Group”	Mobilemode, Mobilemode Australia, Mobilemode Singapore
“Mobilestreams”	Mobile Streams Plc, a company incorporated in United Kingdom with limited liability and which listed in AIM, an Independent Third Party
“Mobile Telecom (BVI)”	Mobile Telecom (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability and which is a direct wholly-owned subsidiary of the Company
“MTel”	MTel Limited, a company incorporated in Hong Kong with limited liability and which is a direct wholly-owned subsidiary of the Mobile Telecom (BVI)
“PRC”	Public Republic of China
“Purchaser”	Mobile Streams Plc, a company incorporated in United Kingdom with limited liability and an Independent Third Party
“Share Purchase Agreement”	the share purchase agreement dated 13 July 2006 entered into between the Company and the Purchaser pursuant to which, the Company agreed to sell, or procure the sale of, and the Purchaser agreed to purchase the Sale Shares
“Sale Shares”	Means the entire issued ordinary shares of the Disposal Company
“Share(s)”	ordinary shares of HK\$0.01 each in the existing share capital of the Company
“Shareholder(s)”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Transaction”	the sale of the Sale Shares by MTel to the Purchaser.
“Vendor”	MTel Limited, the wholly owned subsidiary of Mobile Telecom Network (Holdings) Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

In this announcement, the exchange rate of EUR1 to HK\$9.8 have been used for reference only.

By order of the Board
Mobile Telecom Network (Holdings) Limited
Fok Chi Tak, Eric
Company Secretary

Hong Kong, 18 July 2006

As at the date of this announcement, the Board comprises executive directors namely Dr. Chan Chung (Chairman) and Mr. Chan Wai Kwong, Peter; non-executive directors namely Mr. Goh Yu Min; and independent non-executive directors namely Mr. Jeffery Matthew Bistrong and Mr. Chu Chin Tai, Eric and Mr Chen Kwok Wang, Kester.

This announcement, for which the directors (the “Directors”) of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, 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.

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