



## **SATELLITE DEVICES CORPORATION**

*(incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8172)

### **Characteristics of the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)**

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investor should be aware of the potential risk of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

**The principal means of information dissemination on GEM is publication on the internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.**

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*This announcement, for which the directors of Satellite Devices Corporation collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to Satellite Devices Corporation. 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.*

### THIRD QUARTER RESULTS (UNAUDITED)

The Board of Directors (“Board”) of Satellite Devices Corporation (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the nine months ended 31 December 2005, together with the comparative unaudited figures for the corresponding period in 2004 (the “Relevant Periods”) as follows:

	<i>Note</i>	Nine Months ended 31 December		Three Months ended 31 December	
		2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Turnover	(2)	<b>690</b>	980	<b>230</b>	359
Cost of Location-based Technology Devices and Applications		<b>(41)</b>	(384)	<b>0</b>	(183)
		<b>649</b>	596	<b>230</b>	176
Other Revenue		<b>1</b>	162	<b>(50)</b>	2
Staff Costs		<b>(1,600)</b>	(1,568)	<b>(505)</b>	(551)
Depreciation		<b>(8,797)</b>	(8,849)	<b>(2,924)</b>	(2,950)
Other Operating Expenses		<b>(1,551)</b>	(1,529)	<b>(446)</b>	(781)
Bad Debts Recovery		<b>1,835</b>	0	<b>975</b>	0
Loss Before Taxation		<b>(9,463)</b>	(11,188)	<b>(2,720)</b>	(4,104)
Taxation	(3)	<b>0</b>	0	<b>0</b>	0
Loss Attributable to Shareholders		<b>(9,463)</b>	(11,188)	<b>(2,720)</b>	(4,104)
Interim Dividend per Share (Cents)	(4)	<b>Nil</b>	Nil	<b>Nil</b>	Nil
Loss per Share – Basic (Cents)		<b>(1.61) Cents</b>	(1.89) Cents	<b>(0.48) Cents</b>	(0.69) Cents

Notes:

## 1. Basic of presentation

The accounts have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The HKICPA has issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (the “new HKFRSs”) which are effective for accounting period beginning on or after 1 January 2005. The Group has adopted the new HKFRSs in the preparation of accounts for the period from 1 April 2005 onwards. The adoption of new HKFRSs had no material impact on the Group’s results of operations and financial position.

## 2. Turnover and revenue

The Group is engaged in the design, development and sales of location-based technology devices and applications. Revenue recognized during the Relevant Periods are as follows:

	Nine months ended		Three month ended	
	31 December		31 December	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover				
Mobile positioning units and fleet management systems	690	980	230	359
	<u>690</u>	<u>980</u>	<u>230</u>	<u>359</u>

No activity analysis and geographical analysis have been presented for the nine months and the three months periods ended 31 December 2005 and 2004 as substantially all the Group’s turnover and contribution to results were derived from the design, development, and sales of location based technology devices and application in Hong Kong.

## 3. Taxation

No provision for Hong Kong profits tax has been made as the Group has no assessable profit for the period ended 31 December 2005 and 2004.

No overseas taxation has been provided as the Group’s overseas subsidiary did not have any taxable profit for the period ended 31 December 2005 and 2004.

### *Deferred Taxation*

No deferred tax asset has been recognized in respect of the remaining tax losses due to the unpredictability of future profit streams. The unrecognized tax losses may be carried forward indefinitely.

#### **4. (Loss)/earnings per share**

The calculation of basic (loss)/earnings per share for the nine months ended 31 December 2005 is based on the Group's loss attributable to shareholders of approximately HK\$9,463,000 (2004: HK\$11,188,000) and weighted average number of 596,322,869 ordinary shares (2004: 590,916,000 ordinary shares) in issue during the period.

Diluted (loss)/earnings per share is not presented because there were no dilutive potential ordinary shares outstanding during the period.

### **INTERIM DIVIDENDS**

The Board does not recommend the payment of interim dividend for the nine months ended 31 December 2005.

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### **Financial Review**

For the period ended 31 December 2005, the Group recorded a turnover of approximately HK\$690,000 (2004: HK\$980,000) which represents sale of location based technology devices and applications is very competitive. The net loss attributable to shareholders was approximately HK\$9,463,000 (2004: HK\$11,188,000) for the period ended 31 December 2005.

#### **Business Review**

The Group has been providing services and products with its location based technology solutions and innovations. Leveraging on its own brand name, the Group distributes its products and provides services to a solid clientele of high-income consumers owning private vehicles in Hong Kong.

In addition to the optimistic outlook in the existing business, the management has been actively looking for acquisitions of profitable businesses. The group is currently working on an acquisition of a retailing business, Hip Kin Retailing Limited ("HKR"), which is specialized in distribution and brand management in the licensed retail sales of high-end apparel and accessories under established European brand names. HKR currently markets and sells its products to high-income consumers through a network of 4 single-branded outlets in Hong Kong and 2 shopping malls in Taipei.

The Group considers that there are significant potential synergies in marketing, distribution capabilities as well as customer relationships management after the acquisition.

With HKR's strong capabilities in identifying fashionable brands as well as marketing, pricing and distributing products through its own-managed retail network, the Group believes that HKR can contribute to the financial performance and shareholders' return of the Group. Given HKR's solid management capabilities and financial track record, the Group also considers there are growth opportunities in licensing other brands and tapping the mainland China and Macau markets. We expect a bright and favor returns will benefit the Group and the shareholders.

## **DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND DEBENTURES**

As at 31 December 2005, the interest, deemed interest, long position, short position of the Director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO") as recorded in register required to be kept under the Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transaction by Directors of Listed Companies (the "Model Code") in the Listing Rules were as follows:

None of the directors or the chief executive of the Company was interested in any long position and short position in the shares and debenture of the Company or any of its associated corporations.

### **Share options**

The Company adopted a Share Option Scheme (the "Scheme") on 6 March 2002 for the purpose of providing incentives or rewards to eligible participants for their contributions to the Group. Under the terms of the Scheme, the board of directors of the Company (the "Board") may, at their discretion, invite any employees, directors of the Company and/or any of its subsidiaries, any adviser or consultants, distributors, suppliers, agents, customers, partners, joint venture partners, promoter and service providers to the Group to subscribe for ordinary shares of HK\$0.10 each in the Company. The maximum number of shares in respect of which options may be granted under the Scheme may not exceed 30% of the issued share capital of the Company. Upon acceptance of the option, the grantee must pay HK\$1.00 to the Company by way of the consideration for the grant.

As at 31 December 2005, no option has been granted or agreed to be granted by the Company under the Scheme.

Saved as disclosed above, none of the directors or their spouses or children under 18 years of age had any right to subscribe for the shares of the Company, or had exercised any right during the period.

Saved as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company.

## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2005, the register of substantial shareholders maintained pursuant to Section 336 of the SFO showed that other than interest disclosed in “Directors’ and chief executive’s Interest and Short Positions in Shares and Underlying Shares” the following shareholder had notified the Company of their relevant interests or deemed interests in the issued capital of the Company:

### Long position in the shares of the Company

Name	Nature of interest	Number of ordinary shares interested	Approximate percentage of shareholding
Chu Yuet Wah ( <i>note 1</i> )	Interest of controlled corporation	463,052,316	87.90%
Ma Siu Fong ( <i>note 1</i> )	Interest of controlled corporation	463,052,316	87.90%
Kingston Securities Limited ( <i>note 1</i> )	Beneficial owner	395,101,116	75.00%
Acrontech Corporation ( <i>note 2</i> )	Interest of controlled corporation	322,044,000	54.50%
Acron Solution (BVI) Limited ( <i>note 2</i> )	Beneficial owner	322,044,000	54.50%
Kingston Finance Limited ( <i>note 2</i> )	Security interest in shares	322,044,000	54.50%
Fung Chan Man Alex ( <i>note 3</i> )	Beneficial owner	85,000,000	16.10%
Lai Chun Kong ( <i>note 3</i> )	Beneficial owner	85,000,000	16.10%
Everlasting Bright Investments Ltd ( <i>note 3</i> )	Beneficial owner	68,000,000	12.90%
Lau Chun Fat George ( <i>note 3</i> )	Interest of controlled corporation	68,000,000	12.90%
Executive Talent Limited ( <i>note 4</i> )	Beneficial owner	67,585,863	11.44%
Wu Ling Yee ( <i>note 4</i> )	Interest of controlled corporation	67,585,863	11.44%

#### Notes:

1. Kingston Securities Limited is deemed to be interested in 395,101,116 shares in the Company by virtue of the Underwriting Agreement, representing approximately a total of 75.00% of the enlarged issued share capital of the Company after the completion of the Proposed Open Offer. Chu Yuet Wah is deemed to be interested in 463,052,316 shares in the Company as a result of her being beneficially interested in 51% of the share capital of Kingston Securities Limited. Ma Siu Fong is deemed to be interested in 463,052,316 shares in the Company as a result of her being beneficially interested in 49% of the share capital of Kingston Securities Limited.
2. Acrontech Corporation is deemed to be interested in 322,044,000 shares in the Company as a result of it being beneficially interested in the entire share capital of Acron Solution (BVI) Limited, which in turn holds 322,044,000 shares in the Company. Acron Solution (BVI) Limited had granted a security interest over 322,044,000 shares as security to Kingston Finance Limited.

3. Fung Chan Man Alex, Lai Chun Kong and Everlasting Bright Investments Ltd are deemed to be interested in 85,000,000, 85,000,000 and 68,000,000 shares in the Company respectively by virtue of a sub-underwriting agreement entered with Kingston Securities Limited to sub-underwriter 238,000,000 underwritten Offer Shares, representing approximately a total of 45.19% of the enlarged issued share capital of the Company after the completion of the Proposed Open Offer. Lau Chun Fat George is deemed to be interested in 68,000,000 shares in the Company as a result of him being beneficially interested in the entire share capital of Everlasting Bright Investments Ltd.
4. Wu Ling Yee is deemed to be interested in 67,585,863 shares in the Company as a result of her being beneficially interested in the entire share capital of Executive Talent Limited, which in turn holds 67,585,863 shares in the Company.

## **COMPETING INTEREST**

None of the Directors, initial management shareholders and their respective associates of the Company has interest in a business which competes or may compete with the business of the Group.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the nine months ended 31 December 2005, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **AUDIT COMMITTEE**

The audit committee has three members comprising Messrs. Lum Pak Sum, Wan Kwok Pan and Sum Chun Ho. Mr. Lum Pak Sum has been appointed chairman of the audit committee. The terms of reference of the audit committee have been established with regard to rules 5.23 to 5.25 of the GEM Listing Rules. The primary duties of the audit committee are (i) to review the Company's annual reports and accounts, half-yearly and quarterly reports, (ii) to provide advice and comments thereon to the Board, and (iii) to review and supervise the financial reporting process and internal control procedures of the group. The audit committee held four meetings during the year. At the meetings, the committee focused on examining and approving the interim results for the nine months ended 31 December 2005 and the quarterly results for the nine months ended 31 December 2004.

## **CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS**

For the period under review, the Company has adopted a code of conduct regarding directors' securities transaction on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing rules. Having made specific enquires of all the Directors, the Directors have complied with required standard of dealings and code of conduct regarding directors' securities transactions for the period under review.

## **CODE OF CORPORATE GOVERNANCE PRACTICES**

The Company has complied with the required code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules for the nine months ended 31 December 2005, except that the Company has not set up the remuneration committee.

## **CODE OF BOARD PRACTICE**

The Directors are of the opinion that the Company has complied with the Code of Best Practice as set out in Rules 5.35 and 5.45 of the GEM Listing rules since the Company's listing on GEM in 2002.

By Order of the Board  
**Leung Tak Wah**  
*Executive Director*

Hong Kong, 13 February 2006

*As as the date of this report, the board of directors of the Company comprising three executive directors, namely Messrs. Lo Mun Lam, Raymond, Leung Tak Wah and Ms. Yu Wai Yin, Vicky and three independent non-executive directors namely, Messrs. Lum Pak sum, Wan Kwok Pan, and Sum Chun Ho.*