

*The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **FAR EAST TECHNOLOGY INTERNATIONAL LIMITED**

*(Incorporated in Hong Kong with limited liability)*

(Website: <http://www.fet.com.hk>)

(Stock Code: 36)

### **DISCLOSEABLE TRANSACTION ACQUISITION OF CONVERTIBLE NOTES FOR SATELLITE DEVICES CORPORATION FROM FIRST VANTAGE LIMITED**

The Directors of the Company announce that the company has acquired of HK\$8.3 million principal amount of the Convertible Notes of Satellite Devices from First Vantage Limited on 25 August 2006 at a consideration of HK\$4.98 million. Meanwhile the Company has also purchased 54,223,600 Satellite Devices shares i.e. 10.29% of shareholding in Satellite Devices, which was acquired in open market of Stock Exchange and subscription offer share from Satellite Devices during the period from 2 December 2005 to 14 July 2006 at a consideration of approximately HK\$5.5 million which has been settled in cash from internal resources of the Group. Upon full conversion of the Convertible Notes at the Conversion Price plus 54,223,600 Satellite Devices shares, the Company will be interested in a total of 137,223,600 Satellite Devices shares approximately 22.5% of the issued share capital of Satellite Devices as enlarged by the issue of the Satellite Devices Conversion Shares. As at the date of this announcement, no decision has been made as to whether or when or the extent to which the conversion rights attached to the Convertible Notes are to be exercised by the Company. The total consideration for the acquisition of Convertible Notes is at HK\$4.98 million, which has been paid in cash from internal resources of the Group.

The acquisition of the shares of Satellite Device in open market and the acquisition of convertible notes collectively constitute a discloseable transaction under Chapter 14 of the Listing Rules which requires a circular containing details of the transaction to be sent out to shareholders. Provided that the convertible notes to be converted into Satellite Devices shares immediately upon acquisition and aggregated the shareholding in Satellite Devices, all the applicable size test ratios would be less than 25%. Accordingly, the transactions only constitute a discloseable transaction under Chapter 14 of the Listing Rules. A circular will be despatched to shareholders as soon as practicable.

### **Introduction**

The Directors of the Company announce that the company has acquired of HK\$8.3 million principal amount of the Convertible Notes of Satellite Devices from First Vantage Limited on 25 August 2006 at a consideration of HK\$4.98 million. Meanwhile the Company has also purchased 54,223,600 Satellite Devices shares i.e. 10.29% of shareholding in Satellite Devices, which was acquired in open market of Stock Exchange and subscription offer shares from Satellite Devices during the period from 2 December 2005 to 14 July 2006 at a consideration of approximately HK\$5.5 million which has been settled in cash from internal resources of the Group. Upon full conversion of the Convertible Notes at the Conversion Price plus 54,223,600 Satellite Devices shares, the Company will be interested in a total of 137,223,600 Satellite Devices shares approximately 22.5% of the issued share capital of Satellite Devices as enlarged by the issue of the Satellite Devices Conversion Shares. As at the date of this announcement, no decision has been made as to whether or when or the extent to which the conversion rights attached to the Convertible Notes are to be exercised by the Company. The total consideration for the acquisition of Convertible Notes is at HK\$4.98 million, which has been paid in cash from internal resources of the Group.

### **Terms of the Agreement**

<b>Date</b>	:	25 August 2006
<b>Transferor</b>	:	First Vantage Limited
<b>Transferee</b>	:	Far East Technology International Limited
<b>Issuer of Convertible Notes</b>	:	Satellite Devices Corporation
<b>Principal amount of Convertible Note to be Transferred</b>	:	HK\$8.3 million

<b>Consideration</b>	:	HK\$4.98 million
<b>Term of Payment</b>	:	the consideration has been paid on 25 August 2006

The Transferor does not hold any interest in the share capital of the Transferee, and the Transferee does not hold any interest in the share capital of the Transferor.

**Basis of determination of the consideration**

The consideration of HK\$4.98 million was arrived at a discount of 40% on the HK\$8.3 million principal amount of the Convertible Note of Satellite Devices after arm's length negotiations between the Transferor and the Company. Payment of consideration was financed by internal financial resources of the Group. The consideration was also with reference to the closing share market price at HK\$0.07 of Satellite Devices from the Stock Exchange on 23 August 2006.

**Completion of the Agreement**

Bought and sold notes and instrument of transfer should be duly signed, stamped and executed by the Transferor and Transferee.

**Reasons for and benefits of the acquisitions**

One of the Groups' core business is currently engaged in manufacturing and trading of garment. The acquisition of 22.5% effective interest in Satellite Devices, represents an investment by the Group into the retail business. The Group expects an upward performance for retail sector both in Hong Kong and PRC especially that the PRC Government's 11th 5-year plan have emphasis on promoting and stimulating growth in domestic consumption. The Directors consider that the investment in Satellite Devices by the Company, through the acquisition of Convertible Notes of Satellite Devices and purchase of Satellite Devices in open market, will be complementary to the Group's existing manufacturing and trading of garment business.

Accordingly, the Directors consider that the entering into of the Agreement is in the interest of the Company and its Shareholders as a whole and the terms of the Agreement are fair and reasonable in so far as the Company and the Shareholders are concerned.

**Terms of Convertible Note**

The terms of the Convertible Note have been negotiated on arm's length basis the principal terms of which are summarized below:

*Principal amount*

The principal amount of the convertible note is at HK\$8.3 million.

*Issue Date*

31 July 2006

*Interest*

The Convertible Note is non-interest bearing.

### *Maturity*

3 years from the date of the issue on 31 July 2006 i.e. Convertible Notes become maturity on 30 July 2009. On maturity, to the extent that the Convertible Note is not redeemed or converted, Satellite Devices will repay the Convertible Notes.

### *Denomination*

In multiple of HK\$100,000.

### *Conversion Price*

HK\$0.1 per share, which is subject to adjustment provisions as standard terms for convertible securities of similar type. The adjustment events will arise as a result of certain change in the share capital of Satellite Devices including consolidation or sub-division of shares, capitalization of profits or reserves, capital distribution in cash or specie or subsequent issue of securities in the Satellite Devices.

### *Conversion*

Holder of the Convertible Note may convert the whole or part of the principal amount of the relevant Convertible Note (in multiple of HK\$100,000) into shares as determined by dividing the principal amount of the relevant Convertible Note outstanding at the time of conversion by the conversion price. There is no automatic conversion on maturity of the Convertible Note.

The Company may only convert the whole or any part of the outstanding principal amount if immediately after any such conversion the Company together with parties acting in concert with it within the meaning of the Takeovers Code do not control 30% or more of the voting power at a general meeting of the Satellite Devices

### *Conversion period*

The holders of the Convertible Note shall have the right at any time after six month of the date of issue of the relevant Convertible Note to convert all or part of the principal amount of the relevant Convertible Note outstanding at any time into Conversion Shares at the price of HK\$0.10 per Conversion Share provided that an integral multiple of HK\$100,000 be converted at any time and save that if the outstanding principal amount of the relevant Convertible Note is less than HK\$100,000, the whole (but not part only) of the outstanding principal amount of the relevant Convertible Note must be converted.

### *Voting*

The Company will not be entitled to receive notice of attend or vote at any meeting of Satellite Devices by reason only of it being the holder of the Convertible Notes.

### *Ranking*

The Satellite Devices Conversion Shares will rank *pari passu* in all respects among themselves and with all other shares in issue on the date of such allotment and issue.

### *Redemption by the Satellite Devices*

The Satellite Devices shall have the right to redeem the whole or any part of the outstanding principal amount of the relevant Convertible Note at any time.

### *Transferability*

The Convertible Note is freely transferable, provided that the holders of the Convertible Note must inform Satellite Devices of each transfer or assignment made by them. The Satellite Devices undertakes to notify the Stock Exchange if any of the Convertible Note is transferred to a connected person (as defined in the GEM Listing Rules).

### *Events of default*

All Convertible Note contain an event of default provision which provides that on the occurrence of certain events of default specified in the Convertible Note (e.g. liquidation), each of the holders of the Convertible Note shall be entitled to demand for immediate repayment of the principal amount outstanding under the relevant Convertible Note.

### **Accounting Treatment of Convertible Notes and Equity Interest in Satellite Devices**

Before the conversion of convertible notes, convertible notes and 54,223,600 Satellite Devices shares (10.29% equity interest) are both stated at fair value at financial year ending as investment in convertible notes and available-for-sale investments respectively under non-current assets of the Company's balance sheet.

Provided that after the conversion of Convertible Notes, 137,223,600 Satellite Devices shares (22.5% effective equity interest) would be accounted for as interest in associates using the equity method of accounting at financial year ending under non-current assets of the Company's balance sheet.

### **Information on the Company**

The Company acts as an investment holding company. The principal activities of its subsidiaries, associates and a jointly controlled entity are information technology, manufacturing and trading of garment and commodity concrete. Investment in properties for rental purpose, property development and investment in securities.

### **Information on Satellite Devices Corporation**

Satellite Devices is a provider of location-based technology solutions and innovations. Leveraging on its expertise in market available GPS hardware, knowledge and innovations of location-based technology applications, the Group integrates third-party core semi-conductor chipsets offered by worldwide GPS chip manufacturers with its proprietary device-level embedded software and external user software to offer users a range of location-based technology applications. On 31 July 2006, Satellite Devices acquired Hip Kin Retailing Ltd. ("HKR"). HKR is a distribution and brand management company engaged in the licensed retail sales of high-end, chic apparel and accessories under third-party European brand names.



The audited net loss before/after taxation and net assets value/(net liabilities) of Satellite Devices for the year ended 31 December 2005 and 31 December 2004 respectively were as follows:

	<b>31.12.2005</b>	<b>31.12.2004</b>
	<i>HK\$</i>	<i>HK\$</i>
Net loss before taxation	17.73 million	17.16 million
Net loss after taxation	17.73 million	17.16 million
(Net liabilities)/net assets value	(5.83 million)	5.14 million

### **Information on the Transferor**

First Vantage Limited, a company incorporated in British Virgin Islands and the principal activity of the company is an investment holding company.

The Directors confirm that to the best of their knowledge information and belief having made all reasonable enquiry, the Transferor and the ultimate beneficial owner of the Transferor are third parties independent of the Company and connected persons of the Company.

### **Listing Rules Implications**

The acquisition of the shares of Satellite Device in open market and the acquisition of convertible notes collectively constitute a discloseable transaction. Provided that the convertible notes to be converted into Satellite Devices shares immediately upon acquisition and aggregated the shareholding in Satellite Devices, all the applicable size test ratios would be less than 25%. Accordingly, the transactions only constitute a discloseable transaction under Chapter 14 of the Listing Rules. A circular in compliance with Chapter 14 of the Listing Rules is being prepared and will be despatched to shareholders as soon as practicable.

### **General**

The English text of this announcement shall prevail over the Chinese text.

### **Definition**

In this announcement the following words have the following meanings unless the context requires otherwise:

- “Agreement”                      the agreement on 25 August 2006 entered into between the Company and First Vantage Limited in respect of the acquisition of HK\$8.3 million principal amount of the Convertible Notes of Satellite Devices for a total consideration of HK\$4.98 million
- “Company”                         Far East Technology International Limited, a company incorporated in Hong Kong and the shares of which are listed on the Stock Exchange

- “Conversion Price” HK\$0.1 per share, which is subject to adjustment provisions as standard terms for convertible securities of similar type. The adjustment events will arise as a result of certain change in the share capital of Satellite Devices including consolidation or sub-division of shares, capitalization of profits or reserves, capital distribution in cash or specie or subsequent issue of securities in the Satellite Devices
- “Convertible Note(s)” the principal amount of HK\$8.3 million Satellite Devices convertible notes which entitle the holder thereof to convert the principal amount outstanding into Satellite Devices Conversion Shares at the Conversion Price (subject to adjustment). The convertible note is non-interest bearing and becomes maturity on 30 July 2009. The holders of the convertible note shall have the right at any time after six month of the date of issue on 31 July 2006 of the relevant Convertible Note to convert all or part of the principal amount of the relevant convertible note outstanding at any time into Satellite Devices Conversion Shares at the price of HK\$0.10 per conversion share provided that an integral multiple of HK\$100,000 be converted at any time and save that if the outstanding principal amount of the relevant convertible note is less than HK\$100,000, the whole (but not part only) of the outstanding principal amount of the relevant convertible note must be converted. The conversion shares will rank pari passu in all respects among themselves and with all other existing shares in issue on the date of such allotment and issue. Satellite Devices shall have the right to redeem the whole or any part of the outstanding principal amount of the relevant convertible note at any time. The convertible note is freely transferable, provided that the holders of convertible note must inform Satellite Devices of each transfer or assignment made by them
- “Directors” directors of the Company
- “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 PRC
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China, excluding for the purposes of this announcement, Hong Kong and Macau
“Satellite Devices”	Satellite Devices Corporation, a company incorporated in Cayman Island with limited liability, the shares of which are listed on the Growth Enterprise Market (“GEM”) of the Stock Exchange
“Satellite Devices Conversion Shares”	Satellite Devices Shares which would fall to be issued by Satellite Devices upon the exercise of the conversion rights attached to the Convertible Notes at the then effective
“Satellite Devices Shares”	fully paid ordinary share(s) of HK\$0.01 each in the share capital of Satellite Devices
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transferor”	First Vantage Limited, a company incorporated in British Virgin Islands
“%” or “per cent”	Percentage

By Order of the Board  
**Far East Technology International Limited**  
**Duncan Chiu**  
*Managing Director and Chief Executive Officer*

Hong Kong, 5 September 2006

*As at the date of this announcement, the executive directors are Mr. Deacon Te Ken Chiu, Mr. Duncan Chiu and Mr. Dennis Chiu, the non-executive directors are Tan Sri Dato’ David Chiu, Mr. Daniel Tat Jung Chiu, Mr. Derek Chiu, Mr. Desmond Chiu and Ms. Margaret Chiu; and the independent non-executive directors are Dr. Lee G. Lam, Mr. Ryan Yen Hwung Fong and Mr. Hing Wah Yim.*



*Please also refer to the published version of this announcement in  
The Standard and Hong Kong Economic Times.*