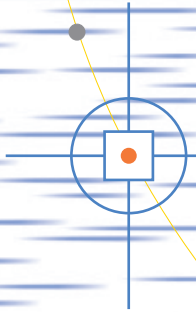




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2002 / 2003 First Quarterly Report

Characteristics of The Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the " Stock Exchange")

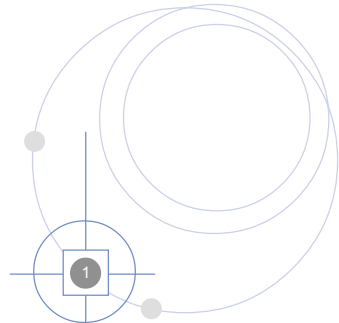
GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks 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 of the Stock Exchange 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 Stock 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 at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, 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 report.

This report, 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 enquiries, confirm that, to the best of their knowledge and belief:- (1) the information contained in this report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



First 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 three months ended 30 June 2002, together with the comparative unaudited figures for the corresponding period in 2001 (the "Relevant Periods") as follows:

		Three months ended 30 June	
	Notes	2002 HK\$'000	2001 HK\$'000
Turnover	2	22,094	11,233
Cost of location-based technology devices and applications		(13,058)	(5,339)
		9,036	5,894
Interest income		12	152
Advertising and promotion costs		(368)	(1,204)
Staff costs		(2,426)	(1,569)
Depreciation		(1,807)	(1,688)
Other operating expenses		(1,353)	(924)
Profit before taxation		3,094	661
Taxation	3	(500)	(94)
Profit attributable to shareholders		2,594	567
Interim dividend per share (cents)		Nil	Nil
Earnings per share — basic (cents)	4	0.45 cents	0.11 cents

Notes:

1 Basis of presentation

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 11 June 2001 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a corporate reorganisation (the "Reorganisation"), as described in Appendix IV of the Prospectus of the Company dated 12 March 2002, to rationalise the group structure in preparation for a listing of the Company's shares on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group on 6 March 2002. The shares of the Company were listed on the GEM on 26 March 2002.

The Reorganisation is accounted for using merger accounting as permitted by Hong Kong Statements of Standard Accounting Practice ("SSAP") 27 "Accounting for group reconstructions" issued by the Hong Kong Society of Accountants ("HKSA"). The consolidated accounts of the Group are prepared as if the Company had been the holding company of the companies comprising the Group from the beginning of the earliest period presented.

The accounts have been prepared under the historical cost convention, and in accordance with SSAP issued by the HKSA and accounting principles generally accepted in Hong Kong.

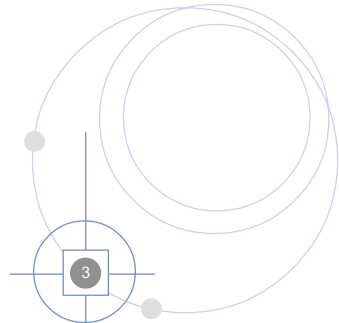
2 Turnover and revenue

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

	Three months ended 30 June	
	2002 HK\$'000	2001 HK\$'000
Mobile Positioning units and fleet management systems	21,974	11,103
GIS/digital maps	120	130
	<u>22,094</u>	<u>11,233</u>

3 Taxation

No provision for Hong Kong profits tax has been made as the Group has available tax losses carried forward as at 30 June 2002 and 2001. The taxation charge in the profit and loss account represented the deferred tax charge arising from the net timing differences in respect of accelerated depreciation allowances and tax losses.



4 Earnings per share

The calculation of basic earnings per share for the three months ended 30 June 2002 is based on the Group's profit attributable to shareholders of approximately HK\$2,594,000 (2001: HK\$567,000) and weighted average number of 576,000,000 shares (2001: 498,240,000 shares) in issue during the period.

In determining the number of shares in issue, a total of 498,240,000 shares issued on the establishment of the Company and on the Reorganization of the Group is deemed to have been in issue since 1 April 2001.

Diluted earnings per share is not presented because there were no dilutive potential ordinary shares outstanding during the Relevant Periods.

5 Reserves

Other than the increase in the retained earnings of the Group of HK\$2,594,000 for the period ended 30 June 2002 (2001: HK\$567,000), there was no movement to and from reserves during the Relevant Periods.

Interim Dividends

The Board does not recommend the payment of interim dividend for the three months ended 30 June 2002 (2001: HK\$Nil).

Business Overview and Prospects

Business review

The Group is an independent provider of location-based technology ("LBT") solutions and innovations. Leveraging on market available Geographical Positioning System (the "GPS") hardware, knowledge and innovations of location-based technology applications, the Group integrates third-party core semiconductor chipsets offered by the GPS chip manufacturers with its proprietary device-level embedded software and external user software to offer users a range of location-based technology applications.

Despite the bleak technology products market faced by the Group, we are pleased to see the Group achieved satisfactory results in the first quarter of the new financial year. The Group's unaudited consolidated turnover and profit attributable to shareholders for the three months ended 30 June 2002 are HK\$22,094,000 (2001: HK\$11,233,000) and HK\$2,594,000 (2001: HK\$567,000), respectively. There is an increase in turnover of 96% with a 357% increase in profit attributable to shareholders over the corresponding period last year.

Compared with the corresponding period in last year, the increase in turnover was mainly attributable to the Group's increased marketing efforts for its GPS hardware products. Despite this favorable comparison, the result was actually short of expectation, as most enterprises had been holding back their capital expenditure from new IT investments because of the global economic downturn and the consumer's demand for technology products was weak. Under the prevailing market conditions, the visibility of the industry was very limited.

The Group has continued in discussions with various public bus companies in Hong Kong in respect of providing fleet management and location-based advertising systems to be installed in buses operated by these companies.

The Group has embarked on the research and development of GSM modules which involve the integration of the LBT solutions and geographical information system (the "GIS"). The Group has also formed new partnerships and/or devised co-operation plans with more industry players in order to form a solid foundation for the development of new and innovative LBT applications.

Future Prospects

LBT is increasing its popularity rapidly and globally. It is perhaps one of the fastest growing sectors in the emerging technology market. At the same time, LBT is also broadening its business and commercial applications, especially, in the logistic industry.

As such, we see huge business opportunities in the LBT, to emerge in the coming years. The GPS, as one of the key location components for the LBT, will also enjoy the huge business opportunities arising from the emerging of the LBT.

The Group will continue to strategically focus on research and development and keep on strengthening the competitive edge of its core technology such as gyro technology and digital map. The Group will also keep on improving its hardware platform, the GPS hardware, wireless communication, dead-reckoning technology, auto-navigation system and electronic gyro technology. At the same time, the Group will put more resources on recognizing, mastering and developing technology in relation to the information business, M-commerce, location-based advertising system, logistic business and intelligent transportation system.

The Group will continue the development of geographical information system for major cities in the PRC. The Group is also negotiating with a number of internet services providers and content providers for provision of LBT services via the Internet.

The Group is well positioned to capture the growth in the LBT market. Since the Group will keep on launching new products with personal tracking system, location based advertising system and geographical information system, and has put great effort in business development and marketing, the Group believes that its business will improve in the foreseeable future.

Directors' Interests in Shares and Options

As at 30 June 2002, the interests of the Directors and their associates in the share capital of the Company and its associated corporations as required to be recorded in the register maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") of the Company or which required, pursuant to rules 5.40 to 5.49 of the GEM Listing Rules, to be notified to the Company and the Exchange were as follows:

A. Ordinary shares of HK\$0.10 each of the Company

Name of Director	Type of interest	Number of shares	Percentage of issued share capital
Mr. TSOI Siu Ching, Leo	Corporate (Note 1)	387,888,000	67.34%
Ms. KOU Zhi Hui	Personal	2,130,000	0.37%
Mr. PUN Wai	Personal	426,000	0.07%

Ms. KOU Zhi Hui's interests in options over shares in Arcontech Corporation are referred to below.

The Director's interests in Arcontech Corporation, an intermediate holding company of the Group and Arcon Solutions (BVI) Limited, an immediate holding company of the Group are as follows:

Name of Director	Name of Company	Type of interests	Number of shares
Mr. TSOI Siu Ching, Leo	Arcontech Corporation	Corporate (Note 1)	472,384,000
Mr. TSOI Siu Ching, Leo	Arcon Solutions (BVI) Limited	Corporate (Note 1)	3,250 shares of US\$1.00 each

Note 1: Mr. TSOI Siu Ching, Leo is the beneficial owner of Upgrade Technology Limited which in turn holds 472,384,000 shares in the issued share capital of Arcontech Corporation. Arcontech Corporation is in turn deemed to be interested in 387,888,000 shares in the issued share capital of the Company by virtue of its interests in its wholly owned subsidiary Arcon Solutions (BVI) Limited.

Save as disclosed above, as at the date of this report, none of the directors or their associates had any interests in the share capital of the Company and its associated corporations as defined in the SDI Ordinance.

B. Share options

The Company adopted a Share Option Scheme (the "Scheme") on 6 March 2002. Under the terms of the Scheme, the Board of the Company may, at their discretion, invite any employees, directors of the Company and/or any of its subsidiaries, any adviser or consultant, 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 consideration for the grant.

As at 30 June 2002, no option has been granted or agreed to be granted by the Company under the Scheme.

Ms. KOU Zhi Hui, a director of the Company does, however, have options to subscribe for 3,600,000 shares in Arcontech Corporation, an intermediate holding company of the Company, and one of the Company's associated corporations (as such terms is defined in the SDI Ordinance referred to above). No such options were exercised up to the date of this report.

Save 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.

Save 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 30 June 2002, according to the register of substantial shareholders maintained under section 16(1) of the SDI Ordinance, the following person is interested in 10% or more of the Company's issued share capital:

Name	Number of shares	Percentage of issued share capital
Arcon Solutions (BVI) Limited (Note 1)	387,888,000	67.34%

Note 1: Arcontech Corporation is interested in these shares held by its wholly owned subsidiary Arcon Solutions (BVI) Limited. Upgrade Technology Limited is also interested in these shares by virtue of its holding of 472,384,000 shares in the issued capital of Arcontech Corporation. Mr. TSOI Siu Ching, Leo is in turn interested in these shares through Upgrade Technology Limited, a company in which Mr. TSOI Siu Ching, Leo holds 100% of its issued share capital.

Competing Interests

None of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) has an interest in a business which competes or may compete with the business of the Group.

Sponsor's Interests

As updated and notified by the Company's sponsor, ICEA Capital Limited (the "Sponsor"), as at 30 June 2002, an employee of the Sponsor not involved in providing advice to the Company held 3,000 shares in the Company.

Save as disclosed above, neither the Sponsor nor its directors or employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in the securities of the Company or any member of the Group or any rights to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.

Pursuant to the sponsorship agreement dated 11 March 2002 entered into between the Company and the Sponsor, the Sponsor will receive sponsorship fees for acting as the Company's retained sponsor until 31 March 2004.

Purchase, Sale or Redemption of Listed Securities

During the three months ended 30 June 2002, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Audit Committee

The Company established an audit committee on 6 March 2002. The audit committee has three members comprising Messrs. LIU Kwong Sang, CHAN Chi Tong and PUN Wai. Mr. LIU Kwong Sang 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.

By Order of the Board
Tsoi Siu Ching, Leo
Chairman

Hong Kong, 31 July 2002