



2002 / 2003 Third 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.

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 and three months ended 31 December 2002, together with the comparative unaudited figures for the corresponding periods in 2001 (the "Relevant Periods") as follows:

	Note	Nine months ended 31 December		Three months ended 31 December	
		2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover	2	57,156	22,653	3,109	264
Cost of location-based technology devices and applications		(37,239)	(8,685)	(377)	(48)
		19,917	13,968	2,732	216
Interest income		23	192	1	23
Advertising and promotion costs		(1,979)	(3,682)	(363)	(990)
Staff costs		(7,519)	(4,967)	(2,098)	(1,739)
Depreciation		(5,277)	(5,217)	(1,699)	(1,797)
Other operating expenses		(5,101)	(3,927)	(1,660)	(1,737)
Profit/(loss) before taxation		64	(3,633)	(3,087)	(6,024)
Taxation	3	—	594	510	960
Profit/(loss) attributable to shareholders		64	(3,039)	(2,577)	(5,064)
Interim dividend per share		Nil	Nil	Nil	Nil
Earnings/(loss) per share – basic	4	0.01 cents	(0.61) cents	(0.45) cents	(1.02) cents

Notes:

1. Group reorganization and 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 the 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 Statement of Standard Accounting Practice ("SSAP") 27 "Accounting for group reconstructions" issued by the Hong Kong Society of Accountants ("HKSA"). The unaudited 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.

These unaudited consolidated accounts have been prepared under the historical cost convention and prepared in accordance with SSAPs issued by HKSA and the disclosure requirements in chapter 18 of the GEM Listing Rules.

The unaudited consolidated accounts should be read in conjunction with the 2002 annual accounts.

The accounting policies and methods of computation used in the preparation of the consolidated accounts are consistent with those used in the annual accounts for the year ended 31 March 2002 excepted that the Group has changed certain accounting policies following its adoption of the following SSAPs issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2002:

SSAP 1 (revised) :	Presentation of financial statements
SSAP 11 (revised) :	Foreign currency translation
SSAP 34 :	Employee benefits

2. Turnover

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:

	Nine months ended 31 December		Three months ended 31 December	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Mobile Positioning units and fleet management systems	57,036	22,523	3,109	264
GIS/digital maps	120	130	—	—
	<u>57,156</u>	<u>22,653</u>	<u>3,109</u>	<u>264</u>

No activity analysis and geographical analysis have been presented for the nine months ended 31 December 2002 and 2001 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 applications in Hong Kong.

3. Taxation

No provision for Hong Kong profits tax has been made as the Group has available tax losses carried forward as at 31 December 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/(loss) per share

The calculation of basic earnings per share for the nine months ended 31 December 2002 is based on the Group's earnings attributable to shareholders of approximately HK\$64,000 (2001: loss of HK\$3,039,000) and 576,000,000 shares (2001: 498,240,000 shares) in issue during the period.

The calculation of basic loss per share for the three months ended 31 December 2002 is based on the Group's loss attributable to shareholders of approximately HK\$2,577,000 (2001: HK\$5,064,000) and 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/(loss) 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\$64,000 for the period ended 31 December 2002 (2001: loss of HK\$3,039,000) and the increase in the exchange difference of HK\$7,000 for the period ended 31 December 2002 (2001: Nil), there was no other movement to and from reserves during the Relevant Periods.

INTERIM DIVIDENDS

The Board does not recommend the payment of interim dividend for the nine months ended 31 December 2002 (2001: HK\$Nil).

BUSSINESS OVERVIEW AND PROSPECTS

Business Overview

Since the second quarter, the Group has shifted towards a more revenue-oriented strategy focusing in developing solutions targeting the general electronics consumer market. However, the continuous economic downturn has negatively influenced both the corporate and consumer spending. This has in turn affected the Group's overall performance. For the three months ended 31 December 2002, the Group recorded a turnover of HK\$3.1 million and a loss attributable to shareholders of HK\$2.6 million or a loss per share of HK\$0.45 cents. As compared with respective period in prior year, the turnover for the nine months ended 31 December 2002 increased by 152% to HK\$57.2 million while the earnings attributable to shareholders increased significantly by 102% to HK\$64,000.

On the latest business development front, the Group continues to focus its effort in developing products for the consumer segments. During this quarter, we have successfully completed and launched RoadPilot, which is a PDA-enabled auto-navigation system with full set of Hong Kong road map with voice guidance capabilities. We have also partnered with one of world's largest technology companies to market RoadPilot. Since the launch of RoadPilot, the product has received warm and excited responses from the local market.

Furthermore, Joint Laboratory for GeoInformation Science, which is a major GIS (Geographical Information System) research institute established jointly by two leading research institutions - Chinese Academy of Sciences and Chinese University of Hong Kong, has become the Group's strategic partners. Through the strategic partnership, the Group will receive the latest Infrared aerial photo images of Hong Kong and the 3-dimensional GeoVisualisation technology. These technologies will be incorporated into our future product lines such as 3 dimensional positioning system and location-based devices.

During the 3 months ended 31 December 2002, the Group continued to work closely with its partners in China to market its latest location-based technology products. We have successfully launched a Public Transportation Transit System in Shanghai. We are also working closely with major telecom companies and equipment vendors in developing location based services for their mobile phone customers.

Future Prospect

Although the global economy is still in the midst of recession, there are signs indicating that the recovery is on the way. Nevertheless, we expect that this recovery will be a prolonged one due to the current uncertain global geopolitical scenarios. It is more likely that a modest recovery scenario will come in the second half of 2003 or later. As such, we expect the global corporate IT spending will remain weak in the coming quarter.

Despite the uncertainties of the global economy, location and mobile-based computing and communication products continue to have wide market attentions with increasing number of applications in different industries. The recent introduction of Tablet PC by major technology firms continue to show the trend of a transition for IT usage from traditional PC-based computing environment to more mobile-based. As such, we continue to see the huge potential of business opportunities in GPS (Global Positioning System) and GIS (Geographical Information System), which are the two key components of location-based technology. These business opportunities will become more visible once the global economy and IT spending resumes recovery.

The Group will continue to focus its research and development effort on introducing the latest location based products and services with more emphasis on the consumer electronics segments and projects which have shorter completion cycle and relatively stable group of customers. Some of these projects include products and services such as Personal Tracker (a portable tracking device for people), GPRS mobile location devices, outdoor billboard management system, on-line Auto Navigation System, location-based services for mobile telephones and etc. In addition to these innovative products and services, we are also very dedicated in cost cutting and improving functionalities of our existing product lines.

The global economy is moving in a slow pace towards recovery. Therefore, the forthcoming quarter will present certain challenging business environments towards the Group. Nevertheless, we are confident that the Group is well prepared to face constant challenges to diversify and grow its business. With flexibility of the Group and the turning around of the global economy, the Group is well positioned to capture the potential upside in the location-based products market. We are also confident that the Group's long and short term strategies will continue to achieve success in their respective fields, providing future growth and value to our shareholders.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

As at 31 December 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 Stock 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%
Mr. PUN Wai	Personal	426,000	0.07%

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 interest	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 announcement, 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 directors 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 31 December 2002, no option has been granted or agreed to be granted by the Company under the Scheme.

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 31 December 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 31 December 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 nine months ended 31 December 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, 12 February 2003