



**Satellite Devices Corporation**  
(Incorporated in the Cayman Islands with limited liability)



**2004/05**  
**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 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 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](http://www.hkgem.com) in order to obtain up-to-date information on GEM-listed issuers.**

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*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 enquires, 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 2004, together with the comparative unaudited figures for the corresponding period in 2004 (the "Relevant Periods") as follows:

	Note	Three months ended 30 June	
		2004 HK\$'000	2003 HK\$'000
Turnover	2	<b>326</b>	13,748
Cost of location-based technology devices and applications		<b>(33)</b>	(12,721)
		<b>293</b>	1,027
Other Revenue		<b>75</b>	–
Advertising and promotion costs		–	(264)
Staff costs		<b>(418)</b>	(1,475)
Depreciation		<b>(2,950)</b>	(2,941)
Other operating expenses		<b>(411)</b>	(950)
(Loss)/profit before taxation		<b>(3,411)</b>	(4,603)
Taxation	3	–	–
(Loss)/profit attributable to shareholders		<b>(3,411)</b>	(4,603)
Interim dividend per share (cents)		<b>Nil</b>	Nil
(Loss)/earnings per share – basic (cents)	4	<b>(0.58) cents</b>	(0.78) cents

Notes:

**1. Basis 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 Society of Accountants ("HKSA").

**2. Turnover and revenue**

The Group is principally engaged in the design, development and sales of location-based technology devices and applications. Turnover represents sales at invoiced value to customers.

No activity analysis and geographical analysis are presented 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 profit tax has been made as the Group had no assessable profit for the years ended 30 Jun 2004 and 2003.

No provision for overseas taxation has been made for the year as the subsidiaries operating in the PRC had no assessable income for PRC taxation purpose.

**4. Loss per share**

The calculation of basic loss per share for the three months ended 30 June 2004 is based on the Group's loss attributable to the shareholders of approximately HK\$3,411,000 (2003: 4,603,000), and the weighted average number of 590,916,000 ordinary shares (2003: 588,129,495 ordinary shares) in issue during the year.

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

**5. Reserves**

Other than the increase in the accumulated loss of HK\$3,411,000 (2003: 4,603,000) for the 3 months ended 30 June 2004, 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 three months ended 30 June 2004 (2003: HK\$Nil).

## ***BUSINESS OVERVIEW AND PROSPECTS***

### ***Business Overview***

During the period under review, the group continued to engage in the provision of location-based technology devices and applications in Hong Kong and the People's of Republic of China (the "PRC").

The turnover was mainly derived from sales of GPSM 2000A and Security Monitoring Services Fees. Under this difficult operating period, the Group decided to change its marketing focus to become more service oriented.

The unaudited loss from operating activities for the 3 months under review has been reduced from HK\$4,603,000 to HK\$3,411,000. This is due to the company's continued efforts to control its expenses while prudently investing in the necessary corporate resources to penetrate new market and add value to new and existing services. Notwithstanding the above results, this is the objective of the Group to adopt stringent cost control and maintain the thin and effective overhead structure. The Group is optimistic in enjoying a fruitful in the coming year.



## ***Future Prospects***

Looking ahead, the Group will continue to pave the way to fortify its business foundation and network so as to increase its range of products and services.

Despite the unfavourable environment, our strategic focus on the provision of location-based technology devices and applications by enriching and expanding the market. The Group has made solid progress in developing business relationship with potential customers. In particular, the Group has successfully secured a major international oil distributor to become a customer of our Fleet Management System. The marketing team is looking for more agents to facilitate our sales of products.

The Group is in the process to install its own Vehicle Monitoring Control Centre so as to reduce the operation costs and with a view of increasing its gross margin as no external supplier would then be required. The first step to apply the license has been implemented. The Vehicle Monitoring Control Centre is expected to be operational in the coming few months.



## **DIRECTORS' INTEREST IN SHARES AND OPTIONS**

As at 30 June 2004, the interest, deemed interests, long position, short positions of the Directors 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:

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

<b>Name of Director</b>	<b>Type of Interest</b>	<b>Number of Shares</b>	<b>Percentage of issued share capital as at 30 June 2004</b>
Mr. Tsoi Siu Ching, Leo	Corporate (Note 1)	387,888,000	65.64%

Directors' interests in options over shares in Arcontech Corporation are referred to above.

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

<b>Name of Director</b>	<b>Name of Company</b>	<b>Type of Interest</b>	<b>Number of shares</b>
Mr. TSOI Siu Ching, Leo	Arcontech Corporation	Corporate (Note 1)	472,384,000
Mr. TSOI Siu Ching, Leo	Arcon Solutions (BVI) Ltd.	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 return holds 472,384,000 shares in the issued share capital of Arcontech Corporation as at 30 June 2004. Arcontech Corporation is in turn deemed to be interest in 387,888,000 shares in the issued share capital of the Company by virtue of its interest in its wholly owned subsidiary Arcon Solutions (BVI) Limited.

Save as disclosed above, as at 30 June 2004, none of the Directors, chief executive of the Company or their respective associates had any interest or short positions in the shares, underlying shares or debentures of the company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company or the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Listing rules relating to Securities Transactions by Directors to be notified to the Company and the Stock Exchange; or (d) to be disclosed in this document pursuant to the requirement of the Takeovers Code.



## **B. 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 30 June 2004, 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 30 June 2004, 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:

<b>Name</b>	<b>Number of Shares</b>	<b>Percentage of issued share capital as at 30 June 2004</b>
Arcon Solutions (BVI) Limited (Note 1)	387,888,000	65.64%

Note 1: Arcontech Corporation is interested in these shares held by its wholly owned subsidiary Arcon Solutions (BVI) Limited. As at 30 June 2004 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.

Saved as disclosed above, the Directors are not aware of any person, other than the Directors or chief executive of the Company, who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO as at 30 June 2004.

## ***COMPETING INTEREST***

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

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

During the three months ended 30 June 2004, 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. LIU Kwong Sang, CHAN Chi Tong and LEUNG Tak Wah. 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, 11 August 2004

*As at the date of this report, the board of directors of the Company comprises two executive directors, namely Messrs. Tsoi Siu Ching, Leo and Leung Tak Wah; and two independent non-executive directors, namely Messrs. Liu Kwong Sang and Chan Chi Tong.*

