



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

2004/05
Interim 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.

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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 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.



FINANCIAL PERFORMANCE

The Group has reached an approximate turnover of HK\$621,000 for the six months ended 30 September 2004 as compared to approximately HK\$14,356,000 for the corresponding period in the previous fiscal year.

Net loss of the Group for the six months ended 30 September 2004 was approximately HK\$7,084,000 as compared to approximately HK\$9,953,000 for the corresponding period in the previous fiscal year.

Loss per share of the Group was approximately HK\$0.0120 for the six months ended 30 September 2004 and HK\$0.0169 for the corresponding period in the previous fiscal year.

The Board does not recommend the payment of any dividend for the six months ended 30 September 2004.



INTERIM RESULTS (UNAUDITED)

The Board of Directors (the "Board") of Satellite Devices Corporation (the "Company") announces that the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2004, together with the comparative unaudited figures for the corresponding periods in 2003 (the "Relevant Period") as follows:

Condensed Consolidated Profit & Loss Account

	Six months ended 30 September		Three months ended 30 September	
	2004 HK\$'000 (Unaudited)	2003 HK\$'000 (Unaudited)	2004 HK\$'000 (Unaudited)	2003 HK\$'000 (Unaudited)
Turnover	621	14,356	295	608
Cost of location-based technology devices and applications	(201)	(12,899)	(168)	(178)
	420	1,457	127	430
Other revenue	160		85	
Advertising and promotion costs	(1)	(534)	-	(270)
Staff cost	(1,017)	(2,369)	(599)	(894)
Depreciation	(5,899)	(5,835)	(2,949)	(2,894)
Other operating expenses	(747)	(1,583)	(336)	(633)
Loss on disposal of fixed assets	-	(1,089)	-	(1,089)
(Loss)/profit before taxation	(7,084)	(9,953)	(3,672)	(5,350)
Taxation	-	-	-	-
(Loss)/profit attributable to shareholders	(7,084)	(9,953)	(3,672)	(5,350)
Interim dividend	Nil	Nil	Nil	Nil
(Loss)/earnings per share - basic (cents)	(1.20) cents	(1.69) cents	(0.06) cents	(0.09) cents

Consolidated Balance Sheet

		As at 30 September 2004	As at 31 March 2004
	Note	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Fixed assets		22,846	28,745
Interest in associated companies		4	4
Current assets			
Inventories		1,728	1,873
Trade receivables	8	363	359
Deposits, prepayments and other receivables		81	29
Cash and bank balances		132	55
		2,304	2,316
Current liabilities			
Trade payables	9	365	367
Other payables and accruals		2,380	3,107
Amount due to a fellow subsidiary		2,287	495
Amount due to a director		4,887	4,766
Current portion of obligation under finance leases	10	15	15
		9,934	8,750
Net current (liabilities)/assets		(7,630)	(6,434)
Total assets less current liabilities		15,220	22,315
Capital and reserve			
Share capital	11	59,092	59,092
Reserves		(43,872)	(36,785)
Shareholders' funds		15,220	22,307
Non-current portion of obligation under finance leases		-	8
		15,220	22,315

Condensed Consolidated Cash Flow Statement

	For the Six months ended 30 September 2004 HK\$'000 (Unaudited)	For the Six months ended 30 September 2003 HK\$'000 (Unaudited)
Net cash outflow from operating activities	81	(186)
Net cash outflow from investing activities	—	(2)
	<hr/>	<hr/>
Net cash outflow before financing	81	(188)
Net cash outflow from financing	—	(8)
	<hr/>	<hr/>
Increased/(Decrease) in cash and cash equivalents	81	(196)
Effect of foreign exchange rate changes	(4)	—
Cash and cash equivalents at beginning of the period	55	289
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	<u>132</u>	<u>93</u>
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	<u>132</u>	<u>93</u>

Consolidated Statement of Changes in Equity (Unaudited)

	Share capital	Share premium	Exchange difference	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 April 2003	57,600	34,489	(10)	(24,371)	67,708
Issue of shares	1,492	210	–	–	1,702
Exchange differences	–	–	–	–	–
Loss for the period	–	–	–	(9,953)	(9,953)
	<u>59,092</u>	<u>34,699</u>	<u>(10)</u>	<u>(34,324)</u>	<u>59,457</u>
As at 1 April 2004	59,092	34,699	(13)	(71,470)	22,308
Exchange differences	–	–	(4)	–	(4)
Loss for the period	–	–	–	(7,084)	(7,084)
	<u>59,092</u>	<u>34,699</u>	<u>(17)</u>	<u>(78,554)</u>	<u>15,220</u>

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.

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:

Six months ended 30 September		Three month ended 30 September	
2004	2003	2004	2003
HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)

Turnover

Mobile positioning
units and fleet
management
systems

<u>621</u>	<u>14,356</u>	<u>295</u>	<u>608</u>
<u>621</u>	<u>14,356</u>	<u>295</u>	<u>608</u>

No activity analysis and geographical analysis are presented for the six months and three months ended 30 September 2004 and 2003 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. Operating profit

Operating profit is stated after charging the following:

Six months ended 30 September		Three month ended 30 September	
2004	2003	2004	2003
HK\$'000	HK\$'000	HK\$'000	HK\$'000

Depreciation:

Owned fixed assets

Leased fixed assets

<u>5,891</u>	<u>5,827</u>	<u>2,945</u>	<u>2,890</u>
<u>8</u>	<u>8</u>	<u>4</u>	<u>4</u>
<u>5,899</u>	<u>5,835</u>	<u>2,949</u>	<u>2,894</u>

4. Staff costs

	Six months ended		Three month ended	
	30 September		30 September	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Wages and salaries	959	2,347	572	843
Retirement scheme contribution	58	22	27	51
	<u>1,017</u>	<u>2,369</u>	<u>599</u>	<u>894</u>

5. Taxation

No provision for Hong Kong profits tax has been made as the Group has no assessable profit for the period ended 30 September 2004 and 2003.

No overseas taxation has been provided as the Group's overseas subsidiary did not have any taxable profits for the period ended 30 September 2004 and 2003.

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.

6. (Loss)/earnings per share

The calculation of basic (loss)/earnings per share for the six months ended 30 September 2004 is based on the Group's loss attributable to shareholders of approximately HK\$7,084,000 (2003: HK\$9,953,000) and weighted average number of 590,916,000 ordinary shares (2003: 588,129,495 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.

7. Capital expenditure

	Fixed assets <i>HK\$'000</i>
6 months ended 30 September 2004	
Opening net book amount	28,745
Depreciation	(5,899)
	<hr/>
Closing net book amount	<u>22,846</u>

8. Trade receivables

Details of ageing analysis of trade receivables were as follows:

	As at 30 September 2004 HK\$'000	As at 31 March 2004 <i>HK\$'000</i>
0 – 30 days	114	239
31 – 60 days	53	63
61 – 90 days	25	12
Over 90 days	15,388	15,262
	<hr/>	<hr/>
	15,580	15,576
Less: Provision for doubtful debts	(15,217)	(15,217)
	<hr/>	<hr/>
	363	359
	<hr/> <hr/>	<hr/> <hr/>

Customers are generally granted with credit terms of 30 to 90 days.

9. Trade payable

Details of ageing analysis of trade payable were as follows:

	As at 30 September 2004 HK\$'000	As at 31 March 2004 HK\$'000
0 – 30 days	–	33
31 – 60 days	–	–
61 – 90 days	–	–
Over 90 days	<u>365</u>	<u>334</u>
	<u>365</u>	<u>367</u>

10. Long term liabilities

	As at 30 September 2004 HK\$'000	As at 31 March 2004 HK\$'000
Obligations under leases	15	29
Current portion of long-term liabilities	<u>15</u>	<u>(14)</u>
	<u>–</u>	<u>15</u>



As at 30 September 2004, the Group's obligations under finance leases were repayable as follows:

	As at 30 September 2004 HK\$'000	As at 31 March 2004 HK\$'000
Within one year	16	16
In the second year	–	9
In the third to fifth year	–	–
	<u>16</u>	<u>25</u>
Future finance charges on finance leases	(1)	(2)
	<u><u>15</u></u>	<u><u>23</u></u>

The present value of finance liabilities is as follows:

Within one year	15	15
In the second year	–	8
In the third to fifth year	–	–
	<u>15</u>	<u>23</u>

11. Share capital

	As at 30 September 2004 HK\$'000	As at 31 March 2004 HK\$'000
<i>Authorized:</i>		
10,000,000,000 ordinary shares HK\$0.10 each	<u><u>1,000,000</u></u>	<u><u>1,000,000</u></u>
<i>Issued and fully paid:</i>		
590,920,000 ordinary shares	<u><u>59,092</u></u>	<u><u>59,092</u></u>



12. Commitment

(a) *Commitments under operating leases*

As at 30 September 2004 and 31 March 2003, the Group had future aggregate minimum lease payment under non-cancellable operating leases in respect of land and buildings.

	As at 30 September 2004 HK\$'000	As at 31 March 2004 HK\$'000
Within one year	53	–
In the second to fifth year	36	–
	89	–

(b) *Capital commitments in respect of acquisition of fixed assets*

As at 30 September 2004 and 31 March 2004, the Group had commitments in respect of acquisition of fixed assets as follows:

	As at 30 September 2004 HK\$'000	As at 30 March 2004 HK\$'000
Contracted but not provided for	540	540
Authorized but not contracted for	–	–
	540	540

INTERIM DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2004.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Review

For the period ended 30 September 2004, the Group has undergone a hardship period since the overall market is still weak. The Group recorded a turnover of approximately HK\$621,000 (2003: HK\$14,356,000) for the six months ended 30 September 2004 which represents sales of location-based technology devices and applications. The net loss attributable to shareholders was reduced from approximately HK\$9,953,000 to HK\$7,084,000 for the period ended 30 September 2004 and corresponding period in 2003.

Business Review

For the six months ended 30 September 2004, location-based technology devices and applications are remained as the major business of the Group. During the period under review, the Group continues to face the difficult market situations.

The Group has focused on developing and implementing the location-based technology solutions and products: – Global Positioning System (GPS), Geographical Information System (GIS), Dead-Reckoning Technology, and Telemetry System.

Based on the above-mentioned core technologies, the Group has offered the following products and solution: (1) Mobile Positioning Unit, (2) Fleet Management System, (3) Vehicle Tracking System, (4) Auto-Navigation System, (5) Intelligent Transportation System, (6) M-Commerce and Location-Based Advertising System and (7) Personal Tracking System.

Prospects

Vehicle Management System

Our marketing team has identified several major vehicle fleet to employ our GPS/GIS and wireless communication technology, together with 3G Sky Eye Vehicle Fleet Management System to control the operations of fleet management. The features include driver identification, daily vehicle tracking movement log, speeding buzzer, daily vehicle activities log and daily/monthly exception report.

Speed Control Monitoring System

The Group is successfully negotiating with "Public Light Bus Drivers and Owners Association" for the implementation of our GPS to monitor the discipline of Public Light Bus Drivers travelling on the road. A exception report showing the time, place, speed of individual driver drove over the speed limit control will be provided for the management. The solution will reduce the travel accidents and place a caution to the drivers. It is expect that this project will contribute income from next quarter.

Financial Resources and Liquidity

As at 30 September 2004, the Group had total asset of approximately HK\$25 million, which was mainly financed by current liability of approximately HK\$10 million and shareholders' funds amounting to HK\$15 million approximately.

Current assets amounted to HK\$2 million which mainly comprised of HK\$1.7 million of inventory. The Group had a working capital ratio of approximately 0.23. Fixed assets of the Group amounted to approximately HK\$23 million.

The revenues of the Group are denominated mostly in Hong Kong Dollars. The Group has minimal exposure to foreign exchange fluctuations and seldom needs to make use of financial instruments for hedging purposes.

The Group has no banking facilities available or any bank loans outstanding as at 30 September 2004.



Employees

As at 30 September 2004, the Group had a total of 23 of full time employees, who are engaged in the following operations:

Engineering and R&D	19
Sales and Marketing (including field application engineers)	2
Finance, Accounting, Operation and Administration	2
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Total headcount	23
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Employees in both Hong Kong and Mainland China are remunerated according to their performance and work experience. In addition to basic salaries, staff benefits include medical scheme, share options and performance bonus.

Business outlook

While the Group has decreased its business activities heavily as a measure to combat the current difficult operating environment, the Group has confident that the situation will turn around. The Group continues the development of location based technology in various markets and segments, and in particular in the market for fleet management, GPS system in public light buses, and in taxi for theft alarm services.

DIRECTORS' INTEREST IN SHARES AND OPTIONS

As at 30 September 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 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 List Companies (the "Model Code") in the Listing Rules were as follows:

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

Name of Director	Type of interest	Number of share	Percentage of Issued share Capital as at 30 September 2004
Mr. Tsoi Siu Ching, Leo	Corporate (Note 1)	387,888,000	65.64%

Directors' interest 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:

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) 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 September 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 September 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 position which he is taken or deemed to have under provision of 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 Takeover code.

B. Share Option

The Company adopted a Share Option Scheme (the "Scheme") on 6 March 2002 for the purpose of providing incentive 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 services 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 September 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.

Save as disclosed above, at not 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 September 2004, the register of substantial shareholders maintained pursuant to Section 336 of the SFO showed that other than interest disclosed in "Directors' interest in Shares and Options", the following shareholder had notified the company of their relevant interests or deemed interests in the issued capital of the Company.

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

Note 1: Arcontech Corporation is interest in these shares held by its wholly owned subsidiary Arcon Solutions (BVI) Limited. As at 30 September 2004 Upgrade Technology Limited is also interest 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 interest 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 Director 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 September 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 six months ended 30 September 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 Huang Hai Wen. Mr. LIU Kwong Sang has been appointed chairman of the audit committee. The terms of reference of the audit committee has been established with regard to rules 5.28 to 5.33 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.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

For the period under review, the Company has adopted a code of conduct regarding directors' securities transactions 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 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 to 5.45 of the GEM Listing Rules since the Company's listing on GEM in March 2002.

By Order of the Board

Tsoi Siu Ching, Leo

Chairman

Hong Kong, 12 November 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 three independent non-executive directors, namely Messrs. Liu Kwong Sang, Chan Chi Tong and Huang Hai Wen.

