



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

2004/05
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 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 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 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.



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 2004, together with the comparative unaudited figures for the corresponding periods in 2003 (the "Relevant Periods") as follows:

	Note	Nine Months ended 31 December		Three Months ended 31 December	
		2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Turnover	2	980	14,657	359	301
Cost of location-based technology devices and applications		(384)	(13,038)	(183)	(139)
		596	1,619	176	162
Other Revenue		162	-	2	-
Advertising and promotion costs		(5)	(850)	(4)	(316)
Staff costs		(1,568)	(3,152)	(551)	(783)
Depreciation		(8,849)	(8,671)	(2,950)	(2,836)
Other operating expenses		(1,524)	(2,168)	(777)	(585)
Loss on disposal of fixed assets		-	(1,089)	-	-
(Loss)/profit before taxation		(11,188)	(14,311)	(4,104)	(4,358)
Taxation	3	-	-	-	-
(Loss)/Profit attributable to shareholders		(11,188)	(14,311)	(4,104)	(4,358)
Interim dividend per share (cents)		Nil	Nil	Nil	Nil
(Loss)/earnings per share - basic (cents)	4	(1.89) cents	(2.43) cents	(0.69) cents	(0.76) cents

Notes:

1. Basic of presentation

The accounts have been prepared under the historical cost convention and in accordance with accounting standards generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants. ("HKICPA")

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:

	Nine months ended 31 December		Three months ended 31 December	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Turnover				
Mobile positioning units and fleet management systems	980	14,652	359	296
GIS/digital maps	–	5	–	5
	<u>980</u>	<u>14,657</u>	<u>359</u>	<u>301</u>

No activity analysis and geographical analysis have been presented for the nine months and the three months periods ended 31 December 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 application in Hong Kong.

3. Taxation

No provision for Hong Kong profits tax has been made as the Group has no assessable profit for the period ended 31 December 2004 and 2003.

No overseas taxation has been provided as the Group's overseas subsidiary did not have any taxable profit for the period ended 31 December 2004 and 2003.

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.

4. (Loss)/earnings per share

The calculation of basic (loss)/earnings per share for the nine months ended 31 December 2004 is based on the Group's loss attributable to shareholders of approximately HK\$11,188,000 (2003: 14,311,000) and weighted average number of 590,916,000 ordinary shares (2003: 590,048,160 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 Relevant Periods.

5. Reserves

Other than the increase in the accumulated losses of HK\$11,188,000 (2003: HK\$14,311,000) for the nine months ended 31 December 2004 and the increase of exchange difference of HK\$3,000 for the nine months ended 31 December 2004, there was no further 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 2004 (2003: HK\$Nil).

BUSINESS OVERVIEW AND PROSPECTS

Business Overview

i. Sales

With the increased marketing and promotion effort of the marketing department, we believe the number of members for subscription of services will be increased in coming months since we have put effort in seeking opportunities for co-operation with great luxurious private cars agents to develop our business. Canful Motors Ltd. (金濤汽車有限公司) became the first partner. Their grand opening ceremony with famous stars of the two tiers car-park show room in Tsim Sha Tsui East has been furnished in 20 January 2005.



ii. Expenses

As a result of the corporate strategy, the Group successfully reduced approximately 30% of the staff costs for this quarter. Hence, the loss for the quarter has been decreased approximately by 6%.

Future Prospect

Although the contract with Chubb for sharing the business of monitoring the vehicles will be terminated in January 2005, we have confidence that the business is still a sound industry. The Group has already prepared to invest in setting up its own control centre in North Point after the termination. The operations license has been approved by the Police. It is expected that the operations will be worked more smoothly and we will provide better services to the subscribers and also the turnover will be higher.

With the track record of providing reliable and efficient location – based technology devices and applications, the Group is negotiating with one of the largest telecommunication company in Macau jointly to provide Bus Fleet Information System (Phase I) and Location – Based Commercial System (Phase II) for the buses company in Macau. It will involve at least 300 vehicles. Once the systems extended to China Cities, it is suitable for used by the buses, taxi, and tour buses. The Group's turnover will certainly increase dramatically.

The Group is now re-engineering our products by developing GPRS Solution replacing currently using SMS messages. The costs for communication channel will be substantially reduced.

DIRECTORS' INTEREST IN SHARES AND OPTIONS

As at 31 December 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 31 December 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 Ugrade Technology Limited which in return holds 472,384,000 shares in the issued share capital of Arcontech Corporation as at 31 December 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 31 December 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 31 December 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 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 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 31 December 2004
Arcon Solutions (BVI) Limited (Note 1)	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 31 December 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 31 December 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 nine months ended 31 December 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, 4 February 2005

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.

