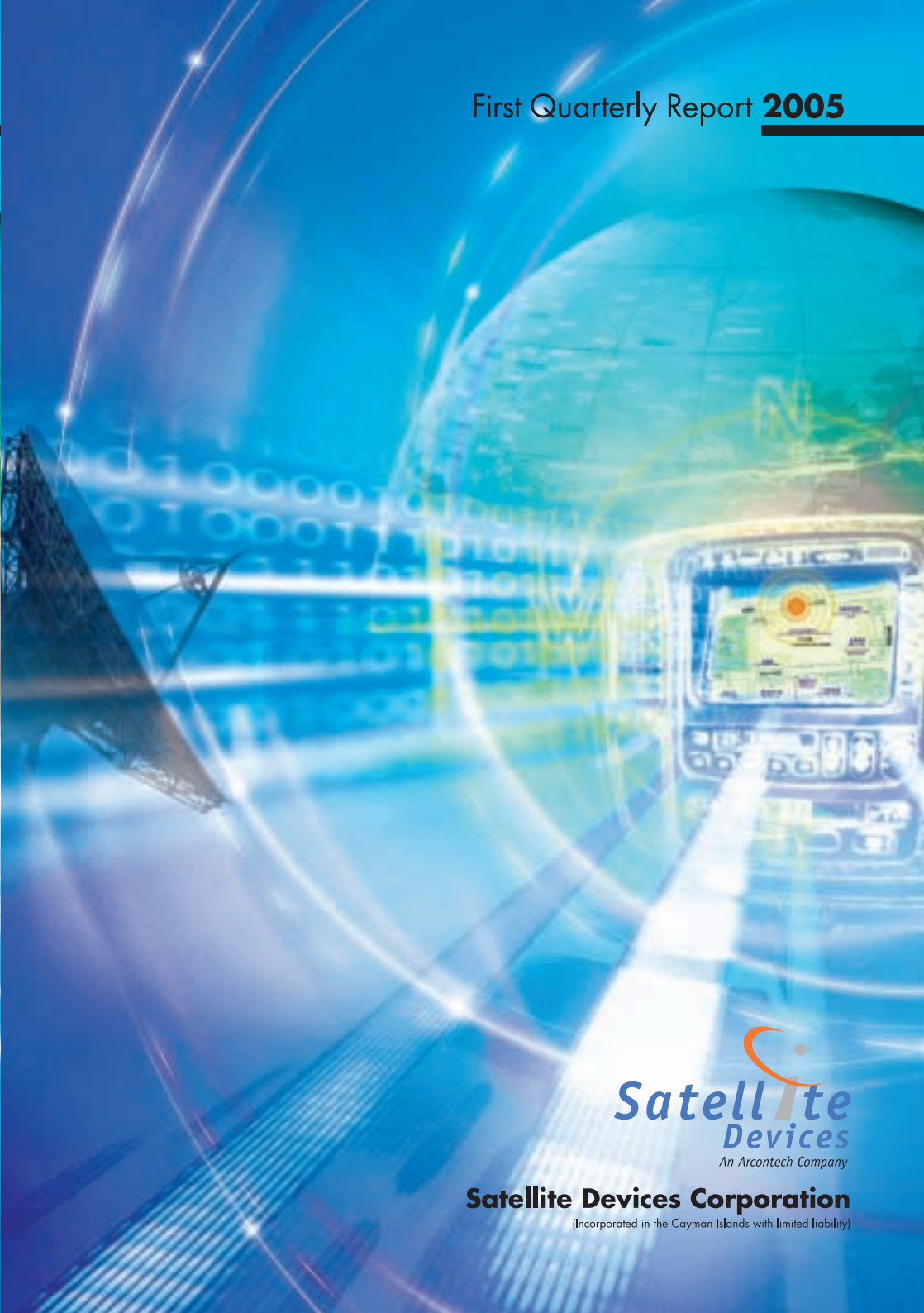


First Quarterly Report **2005**




**Satellite
Devices**
An Arcotech Company

Satellite Devices Corporation

(Incorporated in the Cayman Islands with limited liability)

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. 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 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 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 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.



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 2005, together with the comparative unaudited figures for the corresponding period in 2004 (the "Relevant Periods") as follows:

		Three months ended	
		30 June	
		2005	2004
	Note	HK\$'000	HK\$'000
Turnover	2	239	326
Cost of location-based technology devices and application		(34)	(33)
		205	293
Other Revenue		1	75
Advertising and promotion costs		–	–
Staff Costs		(686)	(418)
Depreciation		(2,938)	(2,950)
Other operating expenses		(450)	(411)
Loss before taxation		(3,868)	(3,411)
Taxation	3	–	–
Loss attributable to shareholders		(3,868)	(3,411)
Interim Dividend per share (cents)		Nil	Nil
Loss per share			
– basic (cents)	4	(0.65) cents	(0.58) cents

Notes:

1. Basis of presentation

The accounts have been prepared under the historical cost convention with accounting principal 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 principally engaged in the design, development and sales of location-based technology devices and applications. Turnover represents sales at invoiced value to customers.

	Three months ended 30 June	
	2005 HK\$'000	2004 HK\$'000
Turnover		
Sale of goods	239	326
Other revenues		
Sundry income	1	75
Total revenues	<u>240</u>	<u>401</u>

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 2005 and 2004.

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.

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 per share

The calculation of basic loss per share for the three months ended 30 June 2005 is based on the Group's loss attributable to the shareholders of approximately HK\$3,868,000 (2004: 3,411,000), and the weighted average number of 590,916,000 ordinary shares (2004: 590,916,000 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 Period.

5. Reserves

Other than the increase in the accumulated loss of \$3,868,000 (2004: 3,411,000) for the 3 months ended 30 June 2005, 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 2005 (2004: HK\$Nil).

BUSINESS OVERVIEW AND PROSPECTS

Business Overview

During the period under review, the company was principally engaged in the design, research, development and sale of location-based technology devices and applications in Hong Kong and PRC.

For the three months ended 30 June 2005, the Company reported an unaudited turnover of approximately HK\$239,000, representing a decrease by 27% as compared to previous period. This reflects that the market is very competitive. The Company has put more effort on sales strategy in order to improve the sales performance.

The staff costs for the three months ended 30 June 2005 has been increased approximately by 64% as compared to previous period. This is mainly attributable to the fact that we had set up our own control centre with a team of well trained operators. The Company continues to adopt stringent cost control and maintain the thin and effective overhead structure.

Future Prospects

With the continuous research and development, the Company is optimistic in enjoying a fruitful in the coming year. The new developed technology will certainly stimulate the huge market demand. The Company is leading in the industry.

With a very good relationship with the large car dealers and insurance companies, the business prospect is extreme wide and open. We believe our sale level will be more concrete in the near future. The Company anticipates that the profit and loss would rise in this year ended and a positive net margin will be generated especially in the close of year ended.



DIRECTORS' INTEREST IN SHARES AND OPTIONS

As at 30 June 2005, the interest, deemed interest, long position, short position of the Director 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 VX 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

Name of Director	Type of Interest	Number of Shares	Percentage of Issued share Capital as at 30 June 2005
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:

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 June 2005. 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 2005, none of the Directors, chief executive of the Company or their respective associates had any interest or short positions in 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 2005, 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 2005, 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:

Name	Number of Shares	Percentage of issued share capital as at 30 June 2005
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 30 June 2005 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 2005.

COMPETING INTEREST

None of the Directors, initial management shareholders and their respective associates of the Company has 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 HUANG Hai Wen. 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. At the meeting, the committee focused on examining and approving the quarterly results for the three months ended 30 June 2005 and the quarterly results for the three months ended 30 June 2004.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

For the period under review, the Company has adopted a code of conduct regarding directors' securities transaction 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 and 5.45 of the GEM Listing rules since the Company's listing on GEM in 2002.

By Order of the Board
Tsoi Siu Ching, Leo
Chairman

Hong Kong, 12 August 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.

