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**QUASAR**  
Communication Technology Holdings Limited

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*This report, for which the directors of QUASAR Communication Technology Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to QUASAR Communication Technology Holdings Limited. 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.*

## CONSOLIDATED INCOME STATEMENT

The board (the “Board”) of directors (the “Directors”) of QUASAR Communication Technology Holdings Limited (the “Company”) presents the unaudited consolidated results of the Company and its subsidiaries (together, the “Group”) for the three months ended 31 March 2008, together with the unaudited comparative figures for the corresponding period in 2007, as follows:

		<b>Three months ended 31 March</b>	
		<b>2008</b>	2007
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
Turnover	2	<b>21,253</b>	83,361
Cost of sales		<b>(19,708)</b>	(75,969)
Gross profit		<b>1,545</b>	7,392
Other revenue	2	<b>99</b>	91
Other operating expenses		<b>(3,340)</b>	(2,312)
Finance costs		<b>(366)</b>	(445)
Profit/(loss) before tax		<b>(2,062)</b>	4,726
Tax	3	<b>-</b>	-
Profit/(loss) for the period		<b>(2,062)</b>	4,726
Earnings/(loss) per share			
– Basic (HK cents)	4	<b>(0.35)</b>	0.90

Notes:

## 1. BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands on 4 April 2002, as an exempted company with limited liability, under the Companies Law of the Cayman Islands. The Group's unaudited consolidated results for the three months ended 31 March 2008 have been prepared in accordance with Chapter 18 of the GEM Listing Rules.

The Group's unaudited consolidated results for the three months ended 31 March 2008 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, and accounting principles generally accepted in Hong Kong. The accounting policies adopted in preparing these first quarterly results are consistent with those used in the Company's annual audited consolidated financial statements for the year ended 31 December 2007. The first quarterly results are unaudited but have been reviewed by the Company's audit committee.

## 2. TURNOVER AND REVENUE

The principal activity of the Group was involved in sales and marketing of mobile appliance and its relevant parts solution mainly in Mainland China. An analysis of other revenue for the period ended 31 March 2008, together with the comparative figures for the corresponding period in 2007, were as follows:

	<b>Three months ended 31 March</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Other revenue		
Interest income	95	91
Others	4	–
	<u>99</u>	<u>91</u>

**3. TAX**

No provision for Hong Kong profits tax has been made for the three months ended 31 March 2008 (three months ended 31 March 2007: Nil) as the Group did not generate any assessable profits in Hong Kong. Taxes on profits assessable elsewhere have been calculated at the rates prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. No profits tax or income tax has been provided for the three months ended 31 March 2008 (three months ended 31 March 2007: Nil).

**4. EARNINGS/(LOSS) PER SHARE**

The calculation of basic earnings/(loss) per share for the three months ended 31 March 2008 is based on the unaudited net loss attributable to the equity holders of the Company for the three months ended 31 March 2008 of approximately HK\$2,062,000 (three months ended 31 March 2007: net profit of HK\$4,726,000) and 586,451,500 ordinary shares in issue during the three months ended 31 March 2008 (three months ended 31 March 2007: 526,451,500).

No diluted earnings/(loss) per share has been presented as the Company has no dilutive potential shares.

**5. RESERVES**

	<b>Share premium</b>	<b>Warrant reserve</b>	<b>Capital reserve</b>	<b>Retained profits</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 1 January 2007	51,579	–	11,157	25,951	88,687
Profit for the period	–	–	–	4,726	4,726
As at 31 March 2007	<u>51,579</u>	<u>–</u>	<u>11,157</u>	<u>30,677</u>	<u>93,413</u>
As at 1 January 2008	68,379	2,060	11,157	17,752	99,348*
Loss for the period	–	–	–	(2,062)	(2,062)
As at 31 March 2008	<u>68,379</u>	<u>2,060</u>	<u>11,157</u>	<u>15,690</u>	<u>97,286</u>

\* Approval by the Board on 27 March 2008 and subject to shareholders' approval in the forthcoming annual general meeting.

## **INTERIM DIVIDENDS**

The Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2008 (three months ended 31 March 2007: Nil).

## **BUSINESS REVIEW AND OUTLOOK**

For the three months ended 31 March 2008, the Group recorded a turnover of approximately HK\$21,253,000 (period ended 31 March 2007: HK\$83,361,000), representing a decrease of approximately 74.50% as compared to that of previous period. Loss attributable to equity holders of the Company for the three months ended 31 March 2008 was approximately HK\$2,062,000 (period ended 31 March 2007: profit HK\$4,726,000). The loss incurred in the current period was mainly due to the effect of snow disaster in Mainland China.

For the three months ended 31 March 2008, the Group still mainly focuses on its core business which is sales and marketing of mobile phone appliance and the relevant parts solution in Mainland China while at the same time, the Group has been actively exploring other businesses, such as media and advertisement publication, civil and military dual-use optoelectronic and consumer electronic products, for the anticipated re-positioning of the Group's business in the near future. Therefore, there is a consolidation of the Group's core business and decrease in operation noted in the current period as the Board needed to re-consider to allocate the resources between the Group's existing business and the proposed new businesses.

The Board expects that 2008 is a promising and challenging year for the Group. With continuous consolidation of the Group's core businesses while at the same time expanding the Group's businesses through horizontal growth, the Board is confident to maximise the returns to shareholders in 2008.

## **DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARE CAPITAL**

As at 31 March 2008, none of the Directors nor the chief executive of the Company had or was deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) are required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

## SUBSTANTIAL SHAREHOLDERS

At 31 March 2008, the following interests and short positions of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Long positions:

Name of shareholder	Note	Capacity and nature of interest	Number of shares held	Percentage of the Company's issued share capital
Shin Dong Hoon		Beneficial owner	81,200,000	13.85%
Pretty Profit Enterprises Ltd		Beneficial owner	60,000,000	10.23%
Shenyin Wanguo Strategic Investments (H.K.) Limited	1	Beneficial owner	20,000,000	3.41%
Shenyin Wanguo Trading (H.K.) Limited	1	Beneficial owner	20,900,000	3.56%
Shenyin Wanguo (H.K.) Limited	1	Corporate interests	40,900,000	6.97%
Kwon Ikjoo		Beneficial owner	39,000,000	6.65%

Note:

- The entire issued share capital of Shenyin Wanguo Strategic Investments (H.K.) Limited and Shenyin Wanguo Trading (H.K.) Limited are legally and beneficially owned by Shenyin Wanguo (H.K.) Limited. Accordingly, Shenyin Wanguo (H.K.) Limited to be interested in all the shares registered in the name of Shenyin Wanguo Strategic Investments (H.K.) Limited and Shenyin Wanguo Trading (H.K.) Limited.

Save as disclosed above, as at 31 March 2008, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section "Directors' and chief executive's interests in share capital" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the period under review.

## **COMPETING INTERESTS**

None of the Directors or the management shareholders of the Company or their respective associates as defined in the GEM Listing Rules had any interest in business that competed or might compete with business of the Group during the period under review.

## **SHARE OPTION SCHEME**

As at 31 March 2008, no option has been granted or agreed to be granted by the Company under the share option scheme. On 9 April 2008, 40,000,000 options were granted to Directors and certain employees.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period under review.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

During the period under review, the Company has complied with the requirements of the code provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 15 of the GEM Listing Rules, except that the Company has no fixed terms of appointment for independent non-executive Directors and segregation of duties of the chairman and chief executive officer. Independent non-executive Directors are appointed subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provision of the Bye-laws. Such practice deviates from the provision A.4.1 of the CG Code which requires that non-executive Directors be appointed for a specific term. The Board has discussed and concluded the current practice of appointing independent non-executive Directors without specific terms but otherwise subject to rotation and re-election by shareholders was fair and reasonable, and does not intend to change the current practice at the moment. The non-segregation of duties of chairman and chief executive officer deviates from the provision A.2.1 of the CG Code and is on a temporary basis only after discussion and confirmation by the Board.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code for dealing in securities of the Company by the Directors. All Directors confirmed that they complied with the required standards as set out in the Rules 5.48 to 5.67 of the GEM Listing Rules throughout the period under review.

## **AUDIT COMMITTEE**

The Company established an audit committee (the “Committee”) on 16 July 2002 in accordance with the requirements of the GEM Listing Rules. The Committee has three members comprising Mr. Sze Lin Tang, Mr. Leung Wing Kin and Mr. Zhang Zhan Liang.

The Group’s unaudited consolidated results for the three months ended 31 March 2008 have been reviewed by the Committee, which was of the opinion that such results have complied with the applicable HKFRSs and that adequate disclosures have been made.

## **DIRECTORS OF THE COMPANY**

As at the date of this report, the executive Directors are Mr. Xiang Xin, Mr. Wong Chak Keung, Mr. Cho Hui Jae and Mr. Li Tan Yeung, Richard and the independent non-executive Directors are Mr. Sze Lin Tang, Mr. Leung Wing Kin and Mr. Zhang Zhan Liang.

By order of the Board  
**QUASAR Communication Technology Holdings Limited**  
**Xiang Xin**  
*Chairman*

Hong Kong, 15 May 2008