



## **QUASAR COMMUNICATION TECHNOLOGY HOLDINGS LIMITED**

**思拓通訊科技控股有限公司\***

*(incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8171)

### **THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2007**

#### **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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*This announcement, 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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

\* for identification purposes only

## HIGHLIGHTS

- Report a turnover of approximately HK\$230,685,000 for the period ended 30 September 2007
- Achieved a net profit after taxation of approximately HK\$9,464,000 and a basic earnings per share of HK1.8 cents for the period ended 30 September 2007

## CONSOLIDATED INCOME STATEMENT

The Board (the “Board”) of 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 nine months and the three months ended 30 September 2007, together with the unaudited comparative amounts for the corresponding periods in 2006, as follows:

	<i>Notes</i>	Nine months ended 30 September		Three months ended 30 September	
		2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
REVENUE	2	<b>230,685</b>	150,519	<b>57,927</b>	50,555
Cost of sales		<b>(211,547)</b>	(138,119)	<b>(52,573)</b>	(46,486)
Gross profit		<b>19,138</b>	12,400	<b>5,354</b>	4,069
Other income	2	<b>672</b>	947	<b>104</b>	33
Other operating expenses		<b>(8,335)</b>	(7,102)	<b>(2,148)</b>	(2,446)
Finance costs		<b>(1,111)</b>	(2,018)	<b>(186)</b>	(665)
Profit before taxation		<b>10,364</b>	4,227	<b>3,124</b>	991
Taxation	3	<b>(900)</b>	(300)	<b>(100)</b>	(64)
Profit for the period		<b><u>9,464</u></b>	<b><u>3,927</u></b>	<b><u>3,024</u></b>	<b><u>927</u></b>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY					
Basic					
– For profit for the period	4	<b><u>1.80 cents</u></b>	<b><u>0.88 cents</u></b>	<b><u>0.57 cents</u></b>	<b><u>0.19 cents</u></b>
Diluted					
– For profit for the period	4	<b><u>N/A</u></b>	<b><u>N/A</u></b>	<b><u>N/A</u></b>	<b><u>N/A</u></b>

Notes:

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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 accounting policies adopted in preparing the unaudited consolidated results were in consistent with those applied for the audited annual report for the year ended 31 December 2006.

## 2. REVENUE AND OTHER INCOME

The principal activity of the Group was involved in sales and marketing of mobile appliance and its relevant parts solution in Mainland China. Revenue, which is also the Group's turnover, represents the value of services rendered during the period.

An analysis of revenue and other income is as follows:

	Nine months ended 30 September		Three months ended 30 September	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Revenue				
Rendering of services	<u>230,685</u>	<u>150,519</u>	<u>57,927</u>	<u>50,555</u>
Other income				
Interest income	287	214	86	37
Others	<u>385</u>	<u>733</u>	<u>18</u>	<u>(4)</u>
	<u>672</u>	<u>947</u>	<u>104</u>	<u>33</u>

## 3. TAXATION

Hong Kong profits tax has been made for the nine months and three months ended 30 September 2007 (nine months and three months ended 30 September 2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. 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 nine months and three months ended 30 September 2007 (nine months and three months ended 30 September 2006: Nil).

	Nine months ended 30 September		Three months ended 30 September	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Group				
Current – Hong Kong				
Charge for the current period	<u>900</u>	<u>300</u>	<u>100</u>	<u>64</u>

#### 4. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the net profit for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the period.

A diluted earnings per share for the period has not been disclosed as no diluting events existed during the period.

The calculations of basic earnings per share are based on:

	Nine months ended 30 September		Three months ended 30 September	
	2007	2006	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Earnings</b>				
Net profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	<u>9,464</u>	<u>3,927</u>	<u>3,024</u>	<u>927</u>
<b>Shares</b>				
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	Nine months ended 30 September		Three months ended 30 September	
	2007	2006	2007	2006
	<u>526,451,500</u>	<u>444,620,731</u>	<u>526,451,500</u>	<u>487,451,500</u>

5. RESERVES

	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Warrants reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 January 2007	51,579	11,157	–	25,951	88,687
Profit for the period	–	–	–	9,464	9,464
Issue of warrants	–	–	1,160	–	1,160
	<u>51,579</u>	<u>11,157</u>	<u>1,160</u>	<u>35,415</u>	<u>99,311</u>
As at 30 September 2007	<u>51,579</u>	<u>11,157</u>	<u>1,160</u>	<u>35,415</u>	<u>99,311</u>
	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Warrants reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 January 2006	41,573	11,157	–	19,727	72,457
Profit for the period	–	–	–	3,927	3,927
Issue of shares	6,496	–	–	–	6,496
Share issue expenses	(90)	–	–	–	(90)
	<u>47,979</u>	<u>11,157</u>	<u>–</u>	<u>23,654</u>	<u>82,790</u>
As at 30 September 2006	<u>47,979</u>	<u>11,157</u>	<u>–</u>	<u>23,654</u>	<u>82,790</u>

## **INTERIM DIVIDENDS**

The directors do not recommend the payment of an interim dividend for the nine months ended 30 September 2007 (nine months ended 30 September 2006: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business review and outlook**

For the nine months ended 30 September 2007, turnover of the Group increased by approximately 53.26% to around HK\$230,685,000 (for the nine months period ended 30 September 2006: HK\$150,519,000). The upsurge in turnover was due to the fact that (i) general favourable macro-economic and micro-economic environment of the People's of Republic of China (the "PRC"); (ii) the Group's focus on the product with features on music-functioning and online mobile entertainment or even higher-valued models like PDA phones and high-resolution camera phones which are the growing trends in the PRC mobile phone markets; and (iii) a solid customer base established by the Group.

Based on the latest statistics released by the Ministry of Information Industry of the PRC, the mobile phone users in the PRC reached to 523 million by the end of September 2007, representing 62 million higher than that at the beginning of 2007. It is also generally believed that there will be double-digit increment for the mobile phone subscribers in the PRC in the next 2 years. According to the International Mobile-phone Industry Exposition held on 18–20 May 2007, it revealed that China has become the world largest mobile phone manufacturing base and consumer market. The stable and healthy growth recorded in the PRC mobile phone market as noted in the first half of 2007 was due to the fact that (i) continuous increase in market demand driven by the rural markets in the PRC; (ii) the rapid growth of low-end mobile phone market stimulated by the low-income townspeople; (iii) continuous increase in market demand for smart phones with features of music, high-pixel camera and video playing and receiving broadcast TV programming driven by young adults with strong purchasing power; and (iv) faster pace of new types of mobile phones launched into the PRC mobile phone market. On 12 October 2007, the State Council announced that it will eliminate the long-held handset approval system. Such steps will be a positive development for the whole PRC mobile phone industry as commented by market analysts. The general market sentiment is that 3G may be launched in the PRC before the 2008 Beijing Olympics and such outlook further accelerates the 3G development in the PRC.

A warrant placing agreement signed between a subscriber and the Company on 28 May 2007 was completed on 3 July 2007. The total gross fund raising approximately HK\$1,160,000 was used as general working capital of the Group.

On 3 July 2007, the Company entered into a termination agreement to terminate the acquisition of 38.29% of the entire issued share capital of KBT Mobile Co., Limited. The termination did not have any material adverse impact on the business of the Group and was of the best interests of the shareholders. The Group still takes an active interest in identifying other opportunities that may help to enhance the development of the 3G mobile phone products of the Group in the PRC in the future.

With the continuous booming effect of both macro-economic and micro-economic environment of the PRC, the persistent favourable existing and ongoing specific regulations governing on the PRC mobile phone industry, the high potential development in the China's rural market, the emergence of 3G in the PRC in the near future and the opportunities created by the 2008 Beijing Olympic Games, we are very confident that the PRC mobile phone industry is now at its prosperous period. We are confident to grasp this growth opportunities so as to maximise returns for our shareholders.

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

As at 30 September 2007, the interests and short positions of the directors and the chief executive of the Company 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) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

### **Long positions in ordinary shares**

<b>Name of director</b>	<b>Number of shares</b>	<b>Type of interest and capacity</b>	<b>Percentage of interests</b>
Chan Ka Wo	74,621,186	Corporate interest <i>(through holding the entire issued shares of Choice Media Investments Limited)</i>	14.17%
Ra Chang Ju	14,338,235	Corporate interest <i>(through holding the entire issued shares of Digit Success Investments Limited)</i>	2.72%
Ong Se Mon	55,536,000	Corporate and other <i>(through holding the entire issued shares of Pilot Choice Management Limited and Note 1)</i>	10.55%

#### *Note:*

- Other than the interest in Pilot Choice Management Limited, Mr. Ong Se Mon is also beneficially interested in the shares registered under the name of i.Concept Inc. ("i.Concept") and i.Concept is an indirect wholly owned subsidiary of PINE Technology Holdings Limited ("PINE Technology") and Mr. Ong Se Mon is beneficially interested in approximately 0.14% of the issued share capital of PINE Technology. PINE Technology has 5.99% indirect interest in the Company.

Save as disclosed above, as at 30 September 2007, none of the directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of 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) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) 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 30 September 2007, the persons who have interests in shares of the Company as recorded in the register required to be kept under section 336 of the SFO or have otherwise notified to the Company were as follows:

### Long positions in ordinary shares

Name of shareholder	Capacity	Number of shares	Percentage of interests
Shin Dong Hoon	Beneficial owner	81,200,000	15.42%
Choice Media Investments Limited ("Choice Media") (Note 1)	Beneficial owner	74,621,186	14.17%
Pilot Choice Management Limited (Note 2)	Beneficial owner	55,536,000	10.55%
i.Concept (Note 3)	Beneficial owner	31,520,196	5.99%
Pan Eagle Limited (Note 3)	Corporate interests	31,520,196	5.99%
Pine Technology (BVI) Limited (Note 3)	Corporate interests	31,520,196	5.99%
PINE Technology (Note 3)	Corporate interests	31,520,196	5.99%
Shenyin Wanguo Strategic Investments (H.K.) Limited (Note 4)	Beneficial owner	20,000,000	3.80%
Shenyin Wanguo Trading (H.K.) Limited (Note 4)	Beneficial owner	20,900,000	3.97%
Shenyin Wanguo (H.K.) Limited (Note 4)	Corporate interests	40,900,000	7.77%
Kwon Ikjoo	Beneficial owner	39,000,000	7.41%

### Short positions in ordinary shares

Name of shareholder	Capacity	Number of shares	Percentage of interests
i.Concept	Beneficial owner	20,312,575	3.86%
Pan Eagle Limited	Corporate interests	20,312,575	3.86%
Pine Technology (BVI) Limited	Corporate interests	20,312,575	3.86%
PINE Technology	Corporate interests	20,312,575	3.86%



*Notes:*

1. These shares are registered in the name of Choice Media. Mr. Chan Ka Wo legally and beneficially owns the entire issued share capital of Choice Media. Accordingly, Mr. Chan Ka Wo is deemed to be interested in all the share registered in the name of Choice Media.
2. The entire issued share capital of Pilot Choice Management Limited is legally and beneficially owned by Mr. Ong Se Mon. The shares referred to herein relate to the same parcel of shares in the Company held by Pilot Choice Management Limited.
3. The entire issued share capital of i.Concept is legally and beneficially owned by Pan Eagle Limited and the entire issued share capital of Pan Eagle Limited is legally and beneficially owned by Pine Technology (BVI) Limited. The entire issued share capital of Pine Technology (BVI) Limited is, in turn, legally and beneficially owned by PINE Technology. Accordingly, each of Pan Eagle Limited, Pine Technology (BVI) Limited and PINE Technology is deemed to be interested in all the shares registered in the name of i.Concept.
4. 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 30 September 2007, the Company has not been notified of any person (other than a director or the chief executive of the Company) having an interest or short position in shares of the Company representing 5% or more of the issued share capital of the Company.

## **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 30 September 2007, no option has been granted or agreed to be granted by the Company under the share option scheme.

## **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. However, they 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.

## **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 on 16 July 2002 in accordance with the requirements of the GEM Listing Rules. The audit committee has three members comprising Mr. Lo Hang Fong, Mr. Li Meng Long and Mr. Choy Mun Kei.

The Group's unaudited consolidated results for the nine months ended 30 September 2007 have been reviewed by the audit committee, which was of the opinion that such results have complied with the applicable Hong Kong Financial Reporting Standards and that adequate disclosures have been made.

## **DIRECTORS OF THE COMPANY**

As at the date of this announcement, executive directors of the Company are Mr. Chan Ka Wo, Mr. Ra Chang Ju, Mr. Ong Se Mon and Mr. Cho Hui Jae and the independent non-executive directors of the Company are Mr. Lo Hang Fong, Mr. Li Meng Long and Mr. Choy Mun Kei.

By order of the Board  
**QUASAR Communication Technology Holdings Limited**  
**Chan Ka Wo**  
*Chairman*

Hong Kong, 31 October 2007

*This announcement will remain on GEM Website on the "Latest Company Announcement" page for at least 7 days from the date of its posting.*