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**QUASAR COMMUNICATION TECHNOLOGY HOLDINGS LIMITED**

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

(Stock Code: 8171)

**MAJOR TRANSACTION  
INVOLVING ACQUISITION OF APPROXIMATELY 38.29% OF THE ENTIRE  
ISSUED SHARE CAPITAL OF KBT MOBILE CO., LIMITED,  
DISCLOSEABLE TRANSACTION  
INVOLVING DISPOSAL OF THE CDMA SOLUTION AND THE FTA LICENCE,  
FURTHER DELAY IN DESPATCH OF CIRCULAR  
AND  
RESUMPTION OF TRADING**

On 29 December 2006, the Company entered into the KTIC Agreement with KTIC to acquire the KTIC Sale Shares for a total consideration of HK\$19,479,504.20.

On 29 December 2006, the Company entered into the Korea Technology Agreement with Korea Technology to acquire the Korea Technology Sale Shares for a total consideration of HK\$5,063,295.80.

Subsequent to the entering into of the KTIC Agreement and the Korea Technology Agreement, the parties to the KTIC Agreement and the Korea Technology Agreement negotiated further in relation to the terms of the KTIC Agreement and the Korea Technology Agreement. On 30 March 2007, the relevant parties entered into the KTIC Supplemental Agreement and the Korea Technology Supplemental Agreement.

Details of the amendments to terms of the KTIC Agreement and the Korea Technology Agreement as set out in the KTIC Supplemental Agreement and the Korea Technology Supplemental Agreement and the transactions contemplated thereunder are set out below.

## **THE NEW CONSIDERATION SHARES**

The New Consideration Shares represent approximately 16.53% of the existing issued share capital of the Company and approximately 14.18% of the issued share capital of the Company as enlarged by the allotment and issue of the New Consideration Shares.

## **FURTHER DELAY IN DESPATCH OF CIRCULAR**

As additional time is required (i) to finalise the accountants' report on KBT, which needs to be prepared in accordance with the accounting principles generally accepted in Hong Kong instead of the accounting principles generally accepted in Korea, and the pro forma financial statements of the Enlarged Group; and (ii) for the Stock Exchange to approve the content of the New Circular, the despatch of the New Circular will be further delayed from 16 April 2007 to on or before 18 May 2007.

The Company has applied to the Stock Exchange for a waiver from strict compliance with Rule 19.38 of the GEM Listing Rules such that the despatch of the New Circular is to be further postponed to on or before 18 May 2007.

## **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 2 April 2007 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 12 April 2007.

Reference is made to the announcement (the “**Announcement**”) issued by the Company in relation to the major transaction involving acquisition of approximately 22.49% of the entire issued share capital of KBT Mobile Co., Limited and the discloseable transaction involving disposal of the CDMA solution and the FTA licence dated 9 January 2007. Definitions and terms used in this announcement, unless the context requires otherwise, shall bear the same meanings as defined in the Announcement.

## **INTRODUCTION**

### **The KTIC Agreement**

On 29 December 2006, the Company entered into the KTIC Agreement with KTIC to acquire 113,360 KBT Shares, representing approximately 15.61% of the entire issued share capital of KBT before and immediately after Completion, for a total consideration of HK\$19,479,504.20.

The total consideration for the KTIC Sale Shares were to be settled by the Company in the following manner: (i) as to HK\$11,479,504.20 by allotting and issuing 114,795,042 Shares to KTIC credited as fully paid, at the Issue Price on Completion; and (ii) as to the balance of HK\$8,000,000 by delivering to KTIC the Assets owned by subsidiaries of the Company on Completion.

Pursuant to the KTIC Agreement, if all of the conditions are not fulfilled (or as the case may be, waived by the Company) on or before 4:00 p.m. on 27 February 2007, being the date falling 60 days from the date of the KTIC Agreement (or such later date as the Company and KTIC may agree), the KTIC Agreement shall cease and determine.

### **The Korea Technology Agreement**

On 29 December 2006, the Company entered into the Korea Technology Agreement with Korea Technology to acquire 50,000 KBT Shares, representing approximately 6.88% of the entire issued share capital of KBT before and immediately after Completion, for a total consideration of HK\$5,063,295.80.

The total consideration for the Korea Technology Sale Shares were to be settled by the Company by allotting and issuing 50,632,958 Shares to Korea Technology credited as fully paid, at the Issue Price on Completion.

Pursuant to the Korea Technology Agreement, if all of the conditions are not fulfilled (or as the case may be, waived by the Company) on or before 4:00 p.m. on 27 February 2007, being the date falling 60 days from the date of the Korea Technology Agreement (or such later date as the Company and Korea Technology may agree), the Korea Technology Agreement shall cease and determine.

In early January 2007, KBT notified the Company that there were certain adjustments to be made in the financial statements of KBT for the year ended 31 December 2006, including (i) impairment loss on intangible assets of approximately KRW497,000,000 (equivalent to approximately HK\$4,074,000), which was attributable to obsolescence of intangible assets; and (ii) written off of inventories of approximately KRW128,000,000 (equivalent to approximately HK\$1,049,000), which was attributable to obsolescence of inventories. In addition, owing to the relocation of the production facilities of KBT from Korea to the PRC starting from the last quarter of 2006, the revenue generated in the second half of the year decreased significantly. As a result of the above, the profit of KBT for the year ended 31 December 2006 was affected significantly and the net asset value of KBT as at 31 December 2006 of KRW3,132,413,000 (equivalent to approximately HK\$26,323,000) was relatively lower than the net asset value of KBT as at 31 July 2006 of KRW8,914,894,000 (equivalent to approximately HK\$72,479,000). As such, the parties to the KTIC Agreement and the Korea Technology Agreement negotiated further in relation to the terms to the KTIC Agreement and the Korea Technology Agreement based on the audited financial statements of KBT for the year ended 31 December 2006 in accordance with the accounting principles generally accepted in Korea to accommodate for these adjustments. On 30 March 2007, the relevant parties entered into the KTIC Supplemental Agreement and the Korea Technology Supplemental Agreement.

Details of the amendments to terms of the KTIC Agreement and the Korea Technology Agreement as set out in the KTIC Supplemental Agreement and the Korea Technology Supplemental Agreement and the transactions contemplated thereunder are set out below.

## **THE KTIC SUPPLEMENTAL AGREEMENT**

Date: 30 March 2007

### **Parties**

Purchaser: the Company

Vendor: KTIC, an associate company of Korea Technology

### **Assets to be acquired**

Pursuant to the KTIC Agreement as supplemented by the KTIC Supplemental Agreement, the Company has agreed to acquire and KTIC has agreed to sell 228,130 KBT Shares, representing approximately 31.41% of the entire issued share capital of KBT before and immediately after the New Completion.

### **Consideration**

The total revised consideration for the New KTIC Sale Shares is HK\$15,135,983.20 and shall be settled by the Company in the following manner:

- (i) as to HK\$7,135,983.20 by allotting and issuing 71,359,832 Shares to KTIC credited as fully paid, at an issue price of HK\$0.10 per New Consideration Share on the New Completion; and
- (ii) as to the balance of HK\$8,000,000 by delivering to KTIC the Assets owned by subsidiaries of the Company on the New Completion.

### **Long-stop date**

If all of the conditions are not fulfilled (or as the case may be, waived by the Company) on or before 4:00 p.m. on 30 June 2007 (or such later date as the Company and KTIC may agree), the KTIC Agreement as supplemented by the KTIC Supplemental Agreement shall cease and determine.

## **THE KOREA TECHNOLOGY SUPPLEMENTAL AGREEMENT**

Date: 30 March 2007

### **Parties**

Purchaser: the Company

Vendor: Korea Technology

## **Assets to be acquired**

Pursuant to the Korea Technology Agreement as supplemented by the Korea Technology Supplemental Agreement, the Company has agreed to acquire and Korea Technology has agreed to sell the Korea Technology Sale Shares, representing approximately 6.88% of the entire issued share capital of KBT before and immediately after the New Completion.

## **Consideration**

The total revised consideration for the Korea Technology Sale Shares is HK\$1,564,016.80 and shall be settled by the Company by allotting and issuing 15,640,168 Shares to Korea Technology credited as fully paid, at an issue price of HK\$0.10 per New Consideration Share on the New Completion.

## **Long-stop date**

If all of the conditions are not fulfilled (or as the case may be, waived by the Company) on or before 4:00 p.m. on 30 June 2007 (or such later date as the Company and Korea Technology may agree), the Korea Technology Agreement as supplemented by the Korea Technology Supplemental Agreement shall cease and determine.

## **CONSIDERATION**

The revised consideration for the New KTIC Sale Shares was agreed between the Company and KTIC and the revised consideration for the Korea Technology Sale Shares was agreed between the Company and Korea Technology after arm's length negotiations with reference to (i) KBT's expertise in the development and manufacture of 3G mobile appliance in South Korea; (ii) the results of the preliminary due diligence on KBT based on the audited financial statements of KBT for the period ended 31 July 2006 prepared in accordance with the accounting principles generally accepted in Korea conducted by the Group; and (iii) the audited financial statements of KBT for the year ended 31 December 2006 prepared in accordance with the accounting principles generally accepted in Korea. The difference in the consideration per New Sale Shares and Sale Shares was made at the request of KTIC and Korea Technology. The Directors consider the payment terms of the aggregate consideration under the New Agreements to be fair and reasonable.

## **THE NEW CONSIDERATION SHARES**

The 87,000,000 new Shares will be issued (as to 71,359,832 new Shares to KTIC and as to 15,640,168 new Shares to Korea Technology) at an issue price of HK\$0.10 per New Consideration Share, credited as fully paid on the New Completion. Such issue price is equivalent to the original issue price under the Agreements.

Based on the closing price of HK\$0.14 per Share as quoted on the Stock Exchange on 30 March 2007, being the last trading day immediately prior to the date of this announcement, the New Consideration Shares has a total value of HK\$12,180,000.

The New Consideration Shares represent approximately 16.53% of the existing issued share capital of the Company and approximately 14.18% of the issued share capital of the Company as enlarged by the allotment and issue of the New Consideration Shares.

## CHANGES IN SHAREHOLDING STRUCTURE

The following table sets out the shareholding structure of the Company (i) as at the date of this announcement and before the New Completion; and (ii) immediately after the New Completion and the allotment and issue of the New Consideration Shares:

	As at the date of this announcement and before the New Completion		Immediately after the New Completion and the allotment and issue of the New Consideration Shares	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Shin Dong Hoon	81,200,000	15.42%	81,200,000	13.24%
Choice Media Investments Limited ("Choice Media") (Note 1)	74,621,186	14.17%	74,621,186	12.16%
Pilot Choice Management Limited ("Pilot Choice") (Note 2)	55,536,000	10.55%	55,536,000	9.05%
i.Concept Inc. ("i.Concept") (Note 3)	41,740,196	7.93%	41,740,196	6.80%
KTIC (Note 4)	39,000,000	7.41%	110,359,832	17.99%
Korea Technology (Note 5)	–	–	15,640,168	2.55%
Public Shareholders	234,354,118	44.52%	234,354,118	38.21%
Total:	<u>526,451,500</u>	<u>100%</u>	<u>613,451,500</u>	<u>100%</u>

*Notes:*

1. The Shares are registered in the name of Choice Media. Mr. Chan Ka Wo, an executive Director, 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 Shares registered in the name of Choice Media.
2. The entire issued share capital of Pilot Choice is legally and beneficially owned by Mr. Ong Se Mon, an executive Director. The Shares referred herein relate to the same parcel of Shares held by Pilot Choice. Mr. Ong Se Mon is also beneficially interested in an approximately 0.63% of the issued share capital of PINE Technology Holdings Limited (“PINE Technology”), the issued shares of which are listed on GEM. PINE Technology has indirect interests in the Company through i.Concept.
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 which 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 the Shares registered in the name of i.Concept.
4. The issued share capital of KTIC is owned as to approximately 45.05% by Korea Technology.
5. Korea Technology is a company listed on the Korea Securities Dealers Automated Quotation.

Upon the New Completion, the Group will hold approximately 38.29% of the entire issue share capital of KBT and the Revised Proposed Acquisitions will be accounted as an interest in an associate in the consolidated financial statements of the Group.

## **INFORMATION ON KBT**

KBT is principally engaged in the development and manufacturing of electronic products and parts of GSM mobile phones. Other than the large international companies based in South Korea, such as LG, Samsung and Pantech, KBT is one of the few local South Korean companies that have the capabilities to develop 3G mobile appliances. According to the statistics released by the Small-medium Size Enterprise Authority in South Korea in 2005, KBT was ranked as the 72nd most promising companies in South Korea (including listed companies and non-listed companies). In 2005, KBT was also selected as the Innovation-Business Company and Special Military Service Company for Professional Research by Korea Technology Credit Guarantee Fund and Military Manpower Administration respectively.

According to the audited financial statements of KBT for the year ended 31 December 2006 prepared in accordance with the accounting principles generally accepted in Korea, the turnover was approximately KRW62,016,368,000 (equivalent to approximately HK\$508,331,000), the net loss before taxation and extraordinary items was approximately KRW5,071,384,000 (equivalent to approximately HK\$41,569,000) and the net loss after taxation and extraordinary items was approximately KRW4,619,573,000 (equivalent to approximately HK\$37,865,000).

As at 31 December 2006, the net asset value of KBT is approximately KRW3,132,413,000 (equivalent to approximately HK\$26,323,000). The principal assets of KBT were cash and bank balances (including time deposits) and inventories of approximately KRW2,166,905,000 (equivalent to approximately HK\$18,209,000) and approximately KRW1,769,776,000 (equivalent to approximately HK\$14,872,000) respectively and the principal liabilities of KBT were short term bank borrowings and trade payables of approximately KRW2,700,000,000 (equivalent to approximately HK\$22,689,000) and approximately KRW803,530,000 (equivalent to approximately HK\$6,752,000) respectively.

## **REASONS FOR ENTERING INTO THE KTIC SUPPLEMENTAL AGREEMENT AND THE KOREA TECHNOLOGY SUPPLEMENTAL AGREEMENT**

In early January 2007, KBT notified the Company that there were certain adjustments to be made in the financial statements of KBT for the year ended 31 December 2006, including (i) impairment loss on intangible assets; and (ii) written off of inventories. In addition, owing to the relocation of the production facilities of KBT from Korea to the PRC starting from the last quarter of 2006, the revenue generated in the second half of the year decreased significantly. As a result of the above, the profit of KBT for the year ended 31 December 2006 was affected significantly and the net asset value of KBT as at 31 December 2006 was relatively lower than the net asset value of KBT as at 31 July 2006.

After taking into account of the audited financial statements of KBT for the year ended 31 December 2006 prepared in accordance with the accounting principles generally accepted in Korea, the parties to KTIC Agreement and the Korea Technology Agreement negotiated further in relation to the terms of the KTIC Agreement and the Korea Technology Agreement. The consideration for the Revised Proposed Acquisitions was determined based on a similar fair value of the assets to be acquired per Hong Kong dollar to be paid by the Company as the consideration for the initial Proposed Acquisitions.

The Directors consider that the Revised Proposed Acquisitions would have a positive impact on the future development of the 3G mobile phone products of the Group in the PRC and other new market segments.

According to Analysys International, a company principally engaged in the provision of business information in relation to technology, media and telecom industry in the PRC on the internet, The PRC's 3G subscriber base will reach to 270 million by 2011. Currently, only large international mobile phone manufacturers have the technology to develop 3G mobile appliances. Although the Group has a solid existing customer base in the PRC, the Group does not have any operations relating to 3G mobile phone products.

KBT is one of the South Korean companies who have the capabilities to develop 3G mobile appliances. KBT is expected to complete its development of 3G mobile appliances by the end of 2007. Therefore, by combining technology of KBT to develop 3G mobile appliances and the solid existing customer base of the Group in the PRC, the Group and KBT could form a business alliance through the Revised Proposed Acquisitions, to allow the Group to grasp the potential business opportunities in the PRC in the near future.



KBT also has a large customer base in Taiwan, Middle-east and South America. The Revised Proposed Acquisitions could enlarge and widen the existing customer base of the Group, which will be beneficial to the future development of the Group.

Based on the above-mentioned reasons, the Directors believe that the Revised Proposed Acquisitions would further enhance the future growth of the Group in order to maximise returns to Shareholders.

After taking into account of the audited the financial statements of KBT for the year ended 31 December 2006 prepared in accordance with the accounting principles generally accepted in Korea, the Directors consider that the amendments to the terms of the New Agreements are sufficient to offset the effects of lowered net asset value of KBT as at 31 December 2006. Based on the above, the Directors are of the view that the terms of the Revised Proposed Acquisitions are fair and reasonable and the Revised Proposed Acquisitions are in the interests of the Company and the Shareholders as a whole.

Upon the New Completion, the Group will hold approximately 38.29% of the entire issue share capital of KBT and the Revised Proposed Acquisitions will be accounted as an interest in an associate in the consolidated financial statements of the Group.

## **GEM LISTING RULES IMPLICATIONS**

The Revised Proposed Acquisitions when aggregated constitute a major transaction on the part of the Company under the GEM Listing Rules and is subject to the approval of the Shareholders at the EGM and the Revised Proposed Disposal constitutes a discloseable transaction on the part of the Company under the GEM Listing Rules. As at the date of this announcement, KTIC is interested in 39,000,000 Shares. To the best of the Directors' knowledge, other than KTIC, no other Shareholder has any material interests in the New Agreements and the transactions contemplated thereunder as at the date of this announcement. As KTIC and its associates will be required to abstain from voting for the relevant resolution to approve the New Agreements and the transactions contemplated thereunder at the EGM, the Revised Proposed Acquisitions will be subject to, among other things, the approval of the Shareholders other than KTIC and its associates at the EGM by way of poll. A circular containing, among other matters, further details of the Revised Proposed Acquisitions, the Revised Proposed Disposal and a notice to convene the EGM will be despatched to the Shareholders as soon as possible.

## **FURTHER DELAY IN DESPATCH OF CIRCULAR**

Reference is made to the Announcement, the announcement (the "Second Announcement") issued by the Company in relation to the delay in despatch of the circular (the "Circular") containing, among other things, details of the Proposed Acquisitions and the Proposed Disposal, information regarding the Group and a notice of the EGM dated 31 January 2007 and the announcement (the "Third Announcement") issued by the Company in relation to the further delay in despatch of Circular dated 12 March 2007.

Pursuant to Rule 19.38 of the GEM Listing Rules, the Company is required to despatch the Circular to the Shareholders within 21 days after the publication of the Announcement, which should be on or before 31 January 2007. As disclosed in the Second Announcement and the Third Announcement, the Company had applied to the Stock Exchange for a waiver from strict compliance with Rule 19.38 of the GEM Listing Rules such that the despatch of the Circular was delayed to on or before 16 April 2007. During the period from 17 March 2007 to 11 April 2007, the reporting accountants were preparing the accountants' report on KBT for the year ended 31 December 2006, which needs to be prepared in accordance with the accounting principles generally accepted in Hong Kong instead of the accounting principles generally accepted in Korea, and the pro forma financial statements of the Enlarged Group.

As additional time is required (i) to finalise the accountants' report on KBT, which needs to be prepared in accordance with the accounting principles generally accepted in Hong Kong instead of the accounting principles generally accepted in Korea, and the pro forma financial statements of the Enlarged Group; and (ii) for the Stock Exchange to approve the Circular incorporating the terms and conditions in the New Agreements (the "New Circular"), the despatch of the New Circular will be further delayed from 16 April 2007 to on or before 18 May 2007.

The Company has applied to the Stock Exchange for a waiver from strict compliance with Rule 19.38 of the GEM Listing Rules such that the despatch of the New Circular is to be further postponed to on or before 18 May 2007.

## **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 2 April 2007 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 12 April 2007.

## **DEFINITIONS**

In addition to the capitalised terms as defined in the Announcement, the following words and expressions shall have the following meanings when used herein:

"KBT Shares"	shares of KRW5,000 each in the share capital of KBT
"Korea Technology Supplemental Agreement"	the supplemental sale and purchase agreement dated 30 March 2007 entered into between the Company and Korea Technology in relation to the sale and purchase of the Korea Technology Sale Shares
"KTIC Supplemental Agreement"	the supplemental sale and purchase agreement dated 30 March 2007 entered into between the Company and KTIC in relation to the sale and purchase of the New KTIC Sale Shares

“New Agreements”	the KTIC Agreement as supplemented by the KTIC Supplemental Agreement and the Korea Technology Agreement as supplemented by the Korea Technology Supplemental Agreement
“New Completion”	completion of the sale and purchase of the New Sales Shares in accordance with the terms and conditions of the New Agreements
“New Consideration Shares”	87,000,000 new Shares to be allotted and issued by the Company (as to 71,359,832 new Shares to KTIC and as to 15,640,168 new Shares to Korea Technology) as part consideration for the Revised Proposed Acquisitions
“New KTIC Sale Shares”	228,130 KBT Shares
“New Sale Shares”	the New KTIC Sale Shares and the Korea Technology Sale Shares
“Revised Proposed Acquisitions”	the proposed acquisitions of the New Sale Shares by the Company as contemplated under the New Agreements
“Revised Proposed Disposal”	the proposed disposal of the Assets by the Company as contemplated under the KTIC Agreement as supplemented by the KTIC Supplemental Agreement

For the purpose of this announcement, unless otherwise specified, conversions of (i) KRW into HK\$ for the year ended 31 December 2006 are based on the approximate average exchange rate of KRW122 to HK\$1.00; and (ii) KRW into HK\$ as at 31 December 2006 are based on the approximate exchange rate of KRW119 to HK\$1.00.

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

Hong Kong, 11 April 2007

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

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. 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.*

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