



**CHINA INNOVATION
INVESTMENT LIMITED**
中國創新投資有限公司
*(incorporated in the Cayman Islands
with limited liability)*
(Stock Code: 1217)



**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)

**ENTRY INTO A COOPERATION LETTER OF INTENT WITH A
SUBSIDIARY OF CNGC ON JOINT INVESTMENT IN A PROJECT
INVOLVING CIVIL AND MILITARY DUAL-USE OPTOELECTRONIC
PRODUCTS**

This joint announcement is made pursuant to Rule 13.09 (1) of the Listing Rules or Rule 17.10 of the GEM Listing Rules, as the case may be.

Reference is made to the joint announcement of China Innovation and QUASAR dated 28 January 2008 in respect of the development of a close cooperation relationship by China Innovation with the Optoelectronic Bureau of 中國兵器工業集團公司 (China North Industries Group Corporation*) (“CNGC”), pursuant to which China Innovation has been granted the first right of refusal to invest in the optoelectronic projects under CNGC. Under the new arrangements by China Innovation, QUASAR will provide consumer electronic product solutions and distribution channels to the CNGC’s Optoelectronic Enterprises.

Accordingly, China Innovation and QUASAR entered into a cooperation letter of intent with Nanjing North Information Industry Group Co., Ltd.* (南京北方信息產業集團有限公司) (“NNII”), a wholly-owned subsidiary of CNGC, on 18 March 2008, pursuant to which the three parties will make a joint investment in the share restructuring of Nanjing North Weihaw Optics Electronics Co., Ltd.* (南京北方慧華光電有限公司) (“NNWO”) which is currently controlled by NNII. Upon completion of the restructuring, NNWO will continue to regard civil and military dual-use optoelectronic products as its principal scope of business, and will be renamed as 北方趨勢科技股份有限公司 (North Trendy Science and Technology Co., Ltd.*) (tentatively, subject to approval by the State Administration for Industry and Commerce).

As the subject transactions may or may not proceed, China Innovation Shareholders and QUASAR Shareholders and investors of China Innovation and QUASAR should exercise with cautions when dealings in the securities of China Innovation and QUASAR.

BACKGROUND DESCRIPTION

China Innovation has developed a close cooperation relationship with the Optoelectronic Bureau of 中國兵器工業集團公司 (China North Industries Group Corporation*) (“CNGC”), and has been granted the first right of refusal to invest in the optoelectronic projects under CNGC. QUASAR has developed a strategic cooperation relationship with China Innovation. Under the arrangements made by China Innovation, QUASAR will provide consumer electronic product solutions and distribution channels to the CNGC’s Optoelectronic Enterprises.

Accordingly, China Innovation and QUASAR entered this cooperation letter of intent with Nanjing North Information Industry Group Co., Ltd.* (南京北方信息產業集團有限公司) (“NNII”), a wholly-owned subsidiary of CNGC, on 18 March 2008, pursuant to which the three parties will make a joint investment in the share restructuring of Nanjing North Weihaw Optics Electronics Co., Ltd.* (南京北方慧華光電有限公司) (“NNWO”) which is currently controlled by NNII. Upon completion of the restructuring, NNWO will continue to regard civil and military dual-use optoelectronic products as its principal scope of business, and will be renamed as 北方趨勢科技股份有限公司 (North Trendy Science and Technology Co., Ltd.*) (tentatively, subject to approval by the State Administration for Industry and Commerce).

MAJOR TERMS OF COOPERATION LETTER OF INTENT

This cooperation letter of intent was jointly executed by CNGC’s wholly-owned subsidiary NNII, China Innovation and QUASAR on 18 March 2008, major terms of which are as follows:

1. Upon reorganization/share restructuring, NNWO is aimed at seeking a listing on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange. The reorganization/share restructuring process shall require the participation of, among others, professional securities house, accounting firm, law firm and appraisal office;
2. NNWO shall carry out the share restructuring based on its net assets and will be renamed as 北方趨勢科技股份有限公司 (North Trendy Science and Technology Co., Ltd.*). The total number of shares of NNWO after share restructuring shall be 120,000,000 at Renminbi 1.0 per share;
3. Upon completion of the reorganization, NNWO shall establish a sound corporate governance structure by setting up shareholders’ meeting, board of directors, and supervisory committee and employing general manager for paying attention to its prominent business and avoiding competition among counterparts in the industry;
4. NNWO shall regard civil and military dual-use optoelectronic products as its principal scope of business;

5. the shareholding structure of NNWO upon completion of the reorganization/share restructuring shall be as follows: Renminbi 54,000,000 shall be contributed in aggregate by the former shareholders and staff company of NNWO, representing 45% of the capital; Renminbi 36,000,000 shall be contributed by China Innovation, representing 30% of the capital; and technology and distribution channels with an equivalent value of Renminbi 30,000,000 (subject to appraisal results) shall be contributed by QUASAR, representing 25% of the capital;
6. With respect to reorganization/share restructuring NNWO shall formulate relevant articles of association and carry out operations in compliance with the laws and regulations of China; and
7. A working team shall be set up as soon as possible to work on cooperation matters such as asset appraisal, execution of a joint venture agreement, articles of association and on various preparations.

REASONS FOR ENTERING INTO THE COOPERATION LETTER OF INTENT

China Innovation is an investment company pursuant to Chapter 21 of the Listing Rules. Its principal objective is to invest in listed and unlisted companies in Hong Kong and China so as to gain profit from medium-term capital appreciation. With respect to the investment in unlisted companies, China Innovation has designated the reorganization/share restructuring of national defense and military industries (particularly, those engaged in the commercialization and development of technologies used in military for commercial and civil applications) as its investment objective. The board of directors of China Innovation believes the investment in the reorganization/share restructuring of NNWO will help China Innovation to achieve the objective.

QUASAR is principally engaged in provision of mobile phone solutions. In view of the intense competition and falling profit margin, QUASAR is actively working with China Innovation to seek opportunities to broaden the market base for consumer electronic product solutions. The board of directors of QUASAR believes that the move into the market of civil and military dual-use optoelectronic products by investing its technology and distribution channels in the reorganization/share restructuring of NNWO will help QUASAR broaden its revenue and market bases, and is in the interests of the QUASAR Shareholders.

GENERAL

This joint announcement is intended to set out the salient features of the cooperation letter of intent. Further announcement(s) will be made by China Innovation and QUASAR, respectively in respect of any possible transactions and actions which will be taken to comply with the disclosure and/or approval requirements under the Listing Rules and GEM Listing Rules, respectively.

If the transactions contemplated under the cooperation letter of intent are materialized, the subject transactions may constitute notifiable transactions for China Innovation and QUASAR under Rule 14.06 of the Listing Rules and Rule 19.06 of the GEM Listing Rules, respectively. As the subject transactions may or may not proceed, China Innovation Shareholders and QUASAR Shareholders and investors of China Innovation and QUASAR should exercise with cautions when dealing in the securities of China Innovation and QUASAR.

DEFINITIONS IN THIS ANNOUNCEMENT

In this announcement, the following expressions have the meanings set out below, unless the context requires otherwise:

“GEM”	The Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“QUASAR”	QUASAR Communication Technology Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on GEM
“QUASAR Director(s)”	the director(s) of QUASAR, including the independent non-executive director(s) of QUASAR
“QUASAR Shareholder(s)”	holder(s) of the QUASAR Share(s)
“CNGC’s Optoelectronic Enterprises”	all of the optoelectronic enterprises under the management and administration of CNGC and will be subject to capital restructuring
“China Innovation”	China Innovation Investment Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“China Innovation Director(s)”	the director(s) of China Innovation, including the independent non-executive director(s) of China Innovation
“China Innovation Shareholder(s)”	holder(s) of the China Innovation Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By order of the Board
China Innovation Investment Limited
Xiang Xin
*Executive Director and
Chief Executive Officer*

By order of the Board
**QUASAR Communication
Technology Holdings Limited**
Li Tan Yeung Richard
Executive Director

Hong Kong, 18 March 2008

As at the date of this announcement, the executive Directors of China Innovation are Mr. Xiang Xin (Chief Executive Officer), Mr. Chan Cheong Yee and Mr. Wong Chak Keung; the non-executive Directors are Mr. Wang Qing Yu (Chairman) and Mr. Ng Kwong Chue Paul; and the independent non-executive Directors are Mr. David Wang Xin, Mr. Zang Hong Liang and Mr. Lee Wing Hang.

As at the date of this announcement, the executive Directors of QUASAR are Ms. Yu Xiao Min (Chairwoman), Mr. Xiang Xin (Chief Executive Officer), 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.

This announcement, for which the QUASAR Directors collectively and individually accept full responsibilities, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to QUASAR. The QUASAR Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material aspects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) 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.

This announcement will remain on GEM website on the “Latest Company announcements” page for at least 7 days from the date of its posting.

** For identification only*