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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("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 nor any obligation to forecast future 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 investors should be aware of the potential risks 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 of the Stock Exchange 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 Stock Exchange. GEM 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.

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.

HIGHLIGHTS

- Turnover for the year ended 31 December 2007 amounted to HK$380,523,000
- Net loss attributable to shareholders is HK$8,199,000 with basic loss per share of HK1.55 cents

RESULTS

The board (the "Board") of directors (the "Directors") of QUASAR Communication Technology Holdings Limited (the "Company") are pleased to present the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2007, together the audited comparative figures for the corresponding year in 2006 as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
REVENUE	3	**380,523**	250,523
Cost of sales		**(359,220)**	(230,725)
Gross profit		**21,303**	19,798
Other income and gains	3	**547**	1,885
Depreciation of property, plant and equipment		**(95)**	(103)
Staff costs		**(4,495)**	(5,287)
Other expenses		**(6,038)**	(4,268)
Finance costs		**(1,503)**	(2,397)
Other impairment losses		**(17,604)**	(2,602)
(LOSS)/PROFIT BEFORE TAX	5	**(7,885)**	7,026
Tax	6	**(314)**	(802)
(LOSS)/PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**(8,199)**	6,224
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Basic	7	**(1.55) cents**	1.35 cents
Diluted	7	**N/A**	N/A

CONSOLIDATED BALANCE SHEET

31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**406**	159
Other intangible assets		**–**	–
Available-for-sale investments		**–**	1,342
Deferred tax assets		**306**	246
Total non-current assets		**712**	1,747
CURRENT ASSETS			
Inventories		**–**	5,325
Contract works in progress		**3,382**	18,899
Trade receivables	*8*	**63,287**	53,275
Prepayments, deposits and other receivables		**35,095**	16,539
Non-current assets held for sale		**–**	3,822
Cash and bank balances		**24,742**	23,571
Total current assets		**126,506**	121,431
CURRENT LIABILITIES			
Trade payables	*9*	**–**	1,934
Bill payables		**–**	4,544
Trust receipt loans		**12,040**	12,911
Other payables and accruals		**4,752**	5,165
Tax payable		**5,046**	4,668
Due to a related company		**167**	–
Total current liabilities		**22,005**	29,222
NET CURRENT ASSETS		**104,501**	92,209
TOTAL ASSETS LESS CURRENT LIABILITIES		**105,213**	93,956
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**–**	4
Net assets		**105,213**	93,952
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	*10*	**5,865**	5,265
Reserves		**99,348**	88,687
Total equity		**105,213**	93,952

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2007

	Equity attributable to equity holders of the Company					
	Issued capital *HK$'000*	**Share premium** *HK$'000*	**Warrant reserve** *HK$'000*	**Capital reserve** *HK$'000* *(Note a)*	**Retained profits** *HK$'000*	**Total** *HK$'000*
At 1 January 2006	4,063	41,573	–	11,157	19,727	76,520
Issue of shares	1,202	10,006	–	–	–	11,208
Profit for the year	–	–	–	–	6,224	6,224
At 31 December 2006 and at 1 January 2007	5,265	51,579	–	11,157	25,951	93,952
Issue of shares	600	16,800	–	–	–	17,400
Issue of warrants	–	–	2,060	–	–	2,060
Loss for the year	–	–	–	–	(8,199)	(8,199)
At 31 December 2007	5,865	68,379	2,060	11,157	17,752	105,213

Note:

a. Capital reserve represents the difference between the nominal value of the share capital issued by the Company as consideration and the underlying net assets of the subsidiaries acquired pursuant to the group reorganisation.

1. CORPORATE INFORMATION

QUASAR Communication Technology Holdings Limited was a limited liability company incorporated in the Cayman Islands. The registered office of the Company was located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. The Group's principal activities have not changed during the year and was involved in sales and marketing of mobile phone appliance and the relevant parts solution in Mainland China.

2.1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

HKFRS 7	Financial Instruments: Disclosures
HKAS 1 Amendment	Capital Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 7 Financial Instruments: Disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

(b) Amendment to HKAS 1 Presentation of Financial Statements – Capital disclosures

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

(c) HK(IFRIC)-Int 8 Scope of HKFRS 2

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company has only issued equity instruments to Group's employees for identified services provided in accordance with the Group's share option scheme, the interpretation has had no effect on these financial statements.

(d) HK(IFRIC)-Int 9 Reassessment of Embedded Derivatives

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, the interpretation has had no effect on these financial statements.

(e) HK(IFRIC)-Int 10 Interim Financial Reporting and Impairment

The Group has adopted this interpretation as of 1 January 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 8	Operating Segments [1]
HKAS 23 (Revised)	Borrowing Costs [1]
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions [2]
HK(IFRIC)-Int 12	Service Concession Arrangements [4]
HK(IFRIC)-Int 13	Customer Loyalty Programmes [3]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction [4]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 March 2007
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 January 2008

HKFRS 8, which will replace HKAS 14 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group expects to adopt HKFRS 8 from 1 January 2009.

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments, to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group.

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services.

HK(IFRIC)-Int 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 Employee Benefits, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of revenue, other income and gains is as follows:

	2007	2006
	HK$'000	*HK$'000*
Revenue		
Sales of goods	**380,523**	250,523
Other income and gains		
Bank interest income	**404**	291
Exchange gains, net	**82**	83
Others	**61**	1,511
	547	1,885
Total revenue, other income and gains	**381,070**	252,408

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in Mainland China, and over 90% of the Group's assets are located in Mainland China.

Segment information is presented by way of the Group's primary segment reporting basis. No further business segment information is presented as over 90% of the Group's revenue and assets relate to the business of sales and marketing of mobile phone appliance and the relevant parts solution in Mainland China market.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

5. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging:

	2007	2006
	HK$'000	*HK$'000*
Cost of sales	**359,220**	230,725
Amortisation of prepaid licence fees*	**–**	546
Minimum lease payments under operating leases in respect of land and buildings	**373**	545
Auditors' remuneration	**350**	320
Employee benefits expense (including directors' remuneration):		
Wages and salaries	**4,318**	4,987
Others	**85**	196
Pension scheme – defined contributions	**92**	104
	4,495	5,287
Impairment of available-for-sale investments	**1,342**	2,300
Impairment of trade receivables	**304**	302
Impairment of contract works in progress	**12,136**	–
Impairment of non-current assets held for sale	**3,822**	–
	17,604	2,602

* The amortisation of prepaid licence fees for last year are included in "Cost of sales" on the face of the consolidated income statement.

6. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2007	2006
	HK$'000	*HK$'000*
Current tax – Hong Kong		
Charge for the year	**378**	822
Deferred tax	**(64)**	(20)
	314	802

A reconciliation of the tax expense applicable to (loss)/profit before tax using the statutory rates for the countries/jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2007		2006	
	HK$'000	***%***	*HK$'000*	*%*
(Loss)/Profit before tax	**(7,885)**		7,026	
Tax at the statutory tax rate	**(1,380)**	**17.5**	1,230	17.5
Income not subject to tax	**(184)**	**2.3**	(760)	(10.8)
Expenses not deductible for tax	**1,964**	**(24.9)**	737	10.4
Tax losses utilised	**(195)**	**2.5**	(501)	(7.1)
Tax losses not recognised	**165**	**(2.1)**	147	2.1
Others	**(56)**	**0.7**	(51)	(0.7)
Tax charge at effective rate	**314**	**(4.0)**	802	11.4

7. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic (loss)/earnings per share amounts is based on the (loss)/profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the year.

A diluted (loss)/earnings per share amount for the years ended 31 December 2007 and 2006 has not been disclosed as no diluting events existed during the years.

The calculations of basic (loss)/earnings per share are based on:

	2007	2006
	HK$'000	*HK$'000*
(Loss)/Profit		
(Loss)/Profit attributable to equity holders of the Company, used in the basic (loss)/earnings per share calculation:	**(8,199)**	6,224

	Number of shares	
	2007	2006
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic (loss)/earnings per share calculation	**529,739,171**	461,934,240

8. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control team to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest bearing.

An aged analysis of the trade receivables as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within 1 month	**14,477**	27,205
1 to 2 months	**21,680**	9,622
2 to 3 months	**14,988**	2,274
Over 3 months	**12,142**	14,174
	63,287	53,275

9. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within 1 month	**–**	–
1 to 2 months	**–**	–
2 to 3 months	**–**	–
Over 3 months	**–**	1,934
	–	1,934

The trade payables are non-interest bearing and are normally settled on 60-day terms.

10. SHARE CAPITAL

Shares

	Company 2007 HK$'000	2006 HK$'000
Authorised:		
1,000,000,000 (2006: 1,000,000,000) ordinary shares of HK$0.01 each	**10,000**	10,000
Issued and fully paid:		
586,451,500 (2006: 526,451,500) ordinary shares of HK$0.01 each	**5,865**	5,265

A summary of the transactions during the year with reference to the above movements in the Company's issued ordinary share capital is as follows:

	Number of shares in issue	Issued share capital *HK$'000*	Share premium account *HK$'000*	Total *HK$'000*
At 1 January 2006	406,251,500	4,063	41,573	45,636
Issue of shares:				
On 24 May 2006	81,200,000	812	6,496	7,308
On 1 November 2006	39,000,000	390	3,510	3,900
	120,200,000	1,202	10,006	11,208
At 31 December 2006 and 1 January 2007	526,451,500	5,265	51,579	56,844
Issue of shares:				
On 12 December 2007	60,000,000	600	16,800	17,400
At 31 December 2007	586,451,500	5,865	68,379	74,244

11. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation.

DIVIDEND

The Directors did not recommend a final dividend for the year ended 31 December 2007 (2006: Nil).

CHAIRMAN'S STATEMENT

On behalf of the Board (the "Board") of directors (the "Directors") of QUASAR Communication Technology Holdings Limited (the "Company"), I am pleased to present to you the audited results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2007.

Financial review

During the year ended 31 December 2007, the Group recorded a turnover approximately HK$380,523,000 (2006: HK$250,523,000), representing an increase of 52%. The increase in turnover was due to the fact that (i) general favourable macro-economic and micro-economic environment of the People's Republic of China (the "PRC"); and (ii) a solid customer base established by the Group.

During the year ended 31 December 2007, the Group recorded a loss for the year approximately HK$8,199,000 (2006: profit of HK$6,224,000). The loss for the year was mainly due to (i) impairment loss made on the contract works in progress of HK$4,206,000 relating to CDMA solutions, originally proposed to be a part of the consideration of the acquisition of 38.19% of the entire issued share capital of KBT Mobile Co. Limited (the "Acquisition") and the Acquisition was finally terminated in July 2007, with reason for the impairment as stated in (ii); (ii) impairment loss made on the contract works in progress of HK$7,930,000 relating to the remaining CDMA solutions which were considered to be obsolete in the PRC mobile phone market due to the continuing shrinkage of the CDMA mobile phone market in the PRC; and (iii) impairment loss made on the FTA licenses of HK$3,822,000, originally proposed to be another part of the consideration of the Acquisition and the Acquisition was finally terminated in July 2007, which were considered to be obsolete as there was no potential buyer identified for its acquisition after the termination of the Acquisition with minimal future economic benefits generated. The reason for the huge impairment losses made in the current year is due to the anticipated re-positioning of the Group's businesses in the near future after the Board has been actively exploring other businesses, as detailed in operational review, with higher return than the existing business for broadening the Group's business base as the competition of the Group's existing business is very keen. As such, the Board re-considered that it is appropriate to make impairment loss on the assets with uncertain and minimal future economic benefits generated to the Group. The net profit for the year of the Group would be HK$7,759,000 (instead of a net loss for the year of HK$8,199,000) if the above-mentioned effect on the one off impairment loss made in the current year was excluded.

Operational review

The Acquisition was finally terminated on 3 July 2007. The termination of the Acquisition did not have any material adverse impact on the business of the Group and was of the best interests of the shareholders.

The Company entered into two subscription agreements in respect of the issue of warrants with two new subscribers on 28 May 2007 and 21 November 2007, respectively. The Company also entered into another subscription agreement in respect of the issue of new shares with one new subscriber on 21 November 2007. Approximately HK$19,460,000 was raised in aggregate which was used as general working capital for the acceleration of the growth of the Group so as to minimise any unnecessary finance costs incurred.

On 18 December 2007, the Company entered into a memorandum of understanding to acquire Legend Century Investments Limited ("Legend Century"). Legend Century's subsidiary is the pioneering and leading door media group in the PRC. Such possible acquisition provides a good opportunity for the Group to expand into the booming media and advertisement publication businesses in the PRC.

On 28 January 2008, the Company entered into a memorandum of understanding with China Innovation Investment Limited (previous known as Sino Technology Investments Company Limited) for establishment of a strategic co-operation in the civil and military dual-use optoeletronic industry. Such possible co-operation helps the Group to develop its business in optoelectronic industry. On 18 March 2008, the Company entered into a cooperation letter of intent with China Innovation Investment Limited and one PRC company to participate in a restructuring exercise so as to enter into the in optoelectronics industry.

On 1 February 2008, the Company entered into a memorandum of understanding with Chi Mei Lighting Technology Corporation and Chi Mei Optoelectronics Corporation for possible co-operation in the LED lighting products and LCD related commercial products and technologies. Such possible co-operation provides another good opportunity for the Group to tap into high growth consumer electronic products market in the PRC.

Prospect

We expect 2008 to be a more promising and challenging year for the Group. Leverage on our prudent and experienced management and our strong and determined workforce, we will strive to maintain and further expand our market share while at the same time explore new businesses, such as the media and advertisement publication, civil and military dual-use optoeletronic and consumer electronic products as mentioned above, so as to bring along greater return to our shareholders.

The growth and success of the Group can only be accomplished with the efforts and excellent performance of all staff, together with the support of our business partners and bankers. I would like to take this opportunity to express my most sincere gratitude towards their contributions. We will devote our best efforts to deliver the best results in upcoming years.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity, financial resources and gearing

The Group continued to finance its operation and capital expenditure through internally generated fund, and support certain product solutions development and business expansion from issue of new shares and warrants. The Group maintained a healthy liquidity position with a current ratio of approximately 5.75 (2006: 4.16) and total cash and bank balances amounted to approximately HK$24,742,000 (2006: HK$23,571,000) with no pledged deposits placed in banks for securing any borrowings or banking facilities. As at 31 December 2007, the gearing ratio based on total liabilities over total assets was approximately 17.30% (2006: 23.73%).

Capital structure and fluctuation in exchange

Saved as disclosed in the consolidated statement of changes in equity, there is no movement in the capital structure during the year.

During the year under review, sales and purchases of the Group were mainly transacted in United States dollars and Hong Kong dollars. As at 31 December 2007, substantial portion of the assets and liabilities of the Group were current in nature, and the amounts were principally denominated in United States dollars and Hong Kong dollars, foreign exchange risk was considered to be minimal.

Employees

As at 31 December 2007, there was a total of 15 (2006: 22) full-time staff employed by the Group. The staff costs, for the year including directors' remuneration were approximately HK$4,495,000 (2006: HK$5,287,000).

Significant investments and material acquisitions

During the year under review, the Group did not have any significant investment or material acquisitions.

Charge, contingent liabilities and commitments

There were guarantees to the extent of HK$50,000,000 (2006: HK$40,000,000) given to banks by the Company in respect of banking facilities available to certain wholly owned subsidiaries. As at 31 December 2007, the Group had commitment under operating lease amounting to approximately HK$1,085,000 (2006: HK$399,000) and there was no charges on any assets of the Group.

Purchase, sale or redemption of listed securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the year 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.

BOARD PRACTICES AND PROCEDURES

The Company was in compliance with the Board Practices and Procedures as set out in Rule 5.34 of the GEM Listing Rules throughout the year.

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 Committee has already reviewed the Group's audited consolidated annual results for the year ended 31 December 2007.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

None of the directors, initial management shareholders or their respective associates of the Company has an interest in a business which competes or may compete with the business of the Group.

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

Hong Kong, 27 March 2008

As at the date of this announcement, 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.

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 purposes only*