



QUASAR
COMMUNICATION
TECHNOLOGY
HOLDINGS LIMITED

2003
INTERIM REPORT

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. 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.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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.

HIGHLIGHTS

- achieved a turnover of approximately HK\$708,678,000 for the six months, representing about 8.2% increase compared with same period in last year;
- generated a net profit after tax attributable to shareholders of HK\$5,597,000 with an earnings per share of HK1.38 cents;
- delayed new launch of product solutions by the Group and customers due to the outbreak of severe acute respiratory syndrome.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

The unaudited consolidated results of QUASAR Communication Technology Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) for the six months (the “Half-Yearly Period”) and the three months (the “Quarterly Period”) ended 30 June 2003, together with the unaudited comparative figures for the corresponding periods in 2002 were as follows:

	Notes	Six months ended		Three months ended	
		30 June		30 June	
		2003	2002	2003	2002
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	2	708,678	654,974	199,462	316,918
Contract costs		(689,114)	(639,081)	(190,939)	(306,606)
		19,564	15,893	8,523	10,312
Other revenues	2	382	59	293	57
Other operating expenses		(13,419)	(4,522)	(6,408)	(2,069)
Operating profit before					
taxation	4	6,527	11,430	2,408	8,300
Taxation	5	(930)	(1,663)	(406)	(1,135)
Profit for the period		5,597	9,767	2,002	7,165
Earnings per share					
– Basic (HK cents)	6	1.38	3.00	0.49	2.20

CONDENSED CONSOLIDATED BALANCE SHEET

The unaudited consolidated balance sheet as at 30 June 2003, together with the audited balance sheet as at 31 December 2002 were as follows:

		Unaudited	Audited
		30 June 2003	31 December 2002
	<i>Notes</i>	HK\$'000	HK\$'000
Non-current assets			
Fixed assets		975	817
Investment in securities		9,142	9,142
Intangible assets		11	16
Deferred taxation		47	47
		10,175	10,022
Current assets			
Inventories		16,701	14,191
Trade receivables	7	61,207	147,813
Other receivables and prepayments		9,184	11,717
Cash and bank balances		41,917	38,911
		129,009	212,632
Current liabilities			
Trade payables	8	58,598	139,496
Other payables and accruals		1,255	6,308
Taxation payable		2,530	1,600
		62,383	147,404
Net current assets		66,626	65,228
Total assets less current liabilities		76,801	75,250
Financed by:			
Share capital		4,063	4,063
Reserves		72,738	67,124
Proposed final dividends		–	4,063
		76,801	75,250

CONDENSED CONSOLIDATED STATEMENT OF MOVEMENT IN EQUITY

The unaudited consolidated statement of movement in equity for the Half-Yearly Period, together with the unaudited comparative figures for the corresponding period in 2002 were as follows:

	Share capital	Share premium	Capital reserves	Exchange reserves	Proposed final dividends	(Accumulated losses)/ retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2002							
As previously reported	70	-	11,079	(56)	-	(7,152)	3,941
Effect of deferred tax	-	-	-	-	-	1,043	1,043
	70	-	11,079	(56)	-	(6,109)	4,984
Issue of shares	10	-	-	-	-	-	10
Exchange difference on translation of overseas operations	-	-	-	121	-	-	121
Profit for the period	-	-	-	-	-	9,767	9,767
As at 30 June 2002	80	-	11,079	65	-	3,658	14,882
As at 1 January 2003							
As previously reported	4,063	41,573	11,157	83	4,063	14,264	75,203
Effect of deferred tax	-	-	-	-	-	47	47
	4,063	41,573	11,157	83	4,063	14,311	75,250
Exchange difference on translation of overseas operations	-	-	-	17	-	-	17
Profit for the period	-	-	-	-	-	5,597	5,597
Final dividends paid	-	-	-	-	(4,063)	-	(4,063)
As at 30 June 2003	4,063	41,573	11,157	100	-	19,908	76,801

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

The unaudited consolidated cash flow statement for the Half-Yearly Period, together with the unaudited comparative figures for the corresponding period in 2002 were as follows:

	Six months ended	
	30 June	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from/used in operating activities	7,338	(168)
Net cash used in/generated from investing activities	(266)	5
Net cash used in/generated from financing activities	(4,063)	20
Net increase/(decrease) in cash and cash equivalents	3,009	(143)
Cash and cash equivalents at 1 January	38,911	2,355
Effect of foreign exchange rate changes	(3)	31
	41,917	2,243
Analysis of cash and cash equivalents:		
Cash and bank balances	41,917	2,243

Notes:

1. Group reorganisation and 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.

On 16 July 2002, pursuant to a group reorganisation (the "Reorganisation") in preparation for the listing of the Company's shares on the Growth Enterprises Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group. The shares of the Company were successfully listed on GEM on 31 July 2002.

The unaudited consolidated condensed accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice 25, "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

2. Revenues and turnover

The principal activity of the Group is the provision of cellular phone solutions services. Revenues recognised during the Half-Yearly Period and the Quarterly Period, together with the comparative figures for the corresponding periods in 2002 were as follows:

	Six months ended		Three months ended	
	30 June		30 June	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover				
Revenue from cost plus				
contracts	705,435	648,542	198,348	310,837
Consultancy income	3,243	6,432	1,114	6,081
	708,678	654,974	199,462	316,918
Other revenues				
Interest income	55	5	25	3
Other	327	54	268	54
	382	59	293	57
	709,060	655,033	199,755	316,975

3. Segmental information

Over 90% of the Group's turnover and contribution to operating profit are attributable to the provision of cellular phone solutions, are accordingly no analysis of business segment is presented.

No geographical segments analysis is presented as less than 10% of the Group's turnover and contribution to operating profit is attributable to markets outside the PRC.

4. Operating profit before taxation

The operating profit before taxation is stated after charging the following:

	Six months ended		Three months ended	
	30 June		30 June	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Auditors' remuneration	225	180	113	90
Operating lease rental in respect of land and buildings	753	180	368	90
Depreciation	162	80	93	38
Staff costs (including directors' emoluments)				
– salaries, allowances and welfare	6,532	2,453	3,169	1,303
– retirement benefits costs	90	52	37	33
	6,622	2,505	3,206	1,336

5. Taxation

Hong Kong Profits Tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profit for the six months ended 30 June 2002 and 2003. Taxation on overseas profits has been calculated on the estimated assessable profit for the periods at the rates of taxation prevailing in the countries in which the subsidiary operates.

The amount of taxation charged to the consolidated profit and loss account represents:–

	Six months ended		Three months ended	
	30 June		30 June	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The charge comprises:				
– Hong Kong Profits Tax	930	620	406	620
Deferred taxation	–	1,043	–	515
	930	1,663	406	1,135

Deferred taxation are calculated in full on temporary differences under the liability method using a principal tax rate of 17.5% (2002: 16%).

6. Earnings per share

The calculation of basic earnings per share for the Half-Yearly Period and the Quarterly Period are based on the unaudited consolidated net profit attributable to shareholders of approximately HK\$5,597,000 and HK\$2,002,000 respectively, and the weighted average number of 406,251,500 shares. The basic earnings per share for the corresponding half-yearly period and quarterly period in 2002 are based on the unaudited consolidated net profit attributable to shareholders of approximately HK\$9,767,000 and HK\$7,165,000 respectively, and the weighted average number of 325,000,000 shares.

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

7. Trade receivables

The Group has a policy of allowing average credit period of 30 to 60 days to its trade customers. The ageing analysis of the trade receivables as at 30 June 2003 and 31 December 2002 were as follows:

	30 June 2003	31 December 2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	59,248	133,984
1 – 30 days	236	13,829
31 – 60 days	343	–
Over 60 days	1,380	–
	61,207	147,813

8. Trade payables

The ageing analysis of the trade payables as at 30 June 2003 and 31 December 2002 were as follows:

	30 June 2003	31 December 2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	52,328	102,839
1 – 30 days	6,270	36,657
	58,598	139,496

9. Operating lease commitment

As at 30 June 2003, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	30 June 2003	31 December 2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not later than 1 year	784	257
Later than 1 year and not later than 5 years	182	84
	966	341

INTERIM DIVIDENDS

The directors do not recommend the payment of an interim dividend for the Half-Yearly Period and the Quarterly Period.

The Group has not declared any dividends for the corresponding half-yearly period and quarterly period in 2002.

CHAIRMAN STATEMENT

Financial Review

For the period under review, QUASAR continued to generate positive return to shareholders through solutions development, resources enhancement, customers and market exploration. For the six months ended 30 June 2003, the Group achieved 8.2% increase in the unaudited revenue to approximately HK\$708,678,000 compared to the same period in 2002. The unaudited net profit after tax was approximately HK\$5,597,000 with a basic earnings per share of HK1.38 cents.

Business Review and Outlook

The last quarter was in no doubt a challenging period for all industries. The outbreak of severe acute respiratory syndrome ("SARS") has caused material negative impact all in a sudden to the economy of the infected regions, including product demand and supply, corporate strategy and implementation, and more importantly, consumer purchasing behaviour. To telecommunication industry, the disorder has shortened the life cycle of existing mobile phone models, and more seriously, aggravated the accumulation of surplus inventory throughout the country by different manufacturers and distributors. These had caused delay in the launch of new product solutions by both the Group as well as our customers in the market.

QUASAR did not slow down its product development in spite of such temporary chaos as we are always committed in delivering our customer with the most advanced technology solutions for mobile appliances. We have completed the commercial launch for 1st generation of the PDA phones and at the same time, the Group has commenced the assessment and development work for video telephony, expecting to provide the market with a fresh product by early 2004. Meanwhile, after thorough discussions

with our customers and market study, the development for the 2nd generation of solution of digital product was postponed due to the competitive environment. The management will closely monitor the market condition so as to resume the project and assure a continuation of the Group's revenue and profit margin.

Market focus remained in GSM solutions. QUASAR continued to generate solid revenue from this consultancy and after-sale services to our prolonged customers. At the same time, we have been actively discussing in every aspect for the commercialization of CDMA 2000 1x software solution, which we forecast to have enormous market potential in the next 2 years.

Our business extension to the design and consultancy on components has proven to be successful, improving both our profitability and competitiveness in providing cellular phones solutions to a great extent. The Group has already secured with customers for the delivery of 11 mobile phone models in previous months and we believed such business will continue to grow and provide promising return to the Group.

The PRC remained our principal focus, with tremendous upside potential in the market share attributed to local branded products and the overall demand of advanced mobile appliances. To further build up the network and enhance our image, QUASAR continued to explore new opportunities in other regions. We are in discussion and under viability study with customers in Russia through our Singapore representative office.

Inevitably, the weakened economy requires time to recover. The low penetration rate of mobile phone users in the PRC of approximately 18.3% by June 2003 as well as the continuous million-increase in phone subscribers have demonstrated that the industry has great potential in future growth. QUASAR strongly believes the economic hardship to be temporary and rebound is expected quickly.

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 the listing proceeds as disclosed in the prospectus of the Company. The Group maintained a healthy liquidity position with a current ratio of 2.07 (2002: 1.08), and total cash balances amounted to approximately HK\$41,917,000 (2002: HK\$2,243,000) with no pledged deposits placed in banks for securing any borrowings or banking facilities. As at 30 June 2002 and 2003, the Group did not have any interest bearing bank and other borrowings.

Capital Structure and Fluctuation in Exchange

As at 30 June 2002 and 2003, substantial portion of the assets and liabilities of the Group were current in nature, and the amounts were principally denominated in Hong Kong dollars, Korean Won and US dollars. The Group did not employ any hedging instruments for its receivables or payables as the Directors has implemented adequate control and monitoring procedures on currency exchange and substantial portion of its sales and purchase transactions continued to be on a back-to-back basis. The Directors considered the Group having minimum foreign exchange risk in view of the stability between Hong Kong dollars and US dollars.

Employees

As at 30 June 2003, the Group employed a total of 38 (2002: 13) full-time staff in Hong Kong, Korea and Singapore offices. The total staff costs for the period under review, including directors' emoluments, were approximately HK\$6,622,000 (2002: HK\$2,505,000). The amount comprised salaries, wages and allowance, medical and insurance coverage, pension fund scheme and discretionary bonus. The increase of about 164.4% was principally attributable to the recruitment of more human resources to cater for the expansion of business.

Significant Investments and Material Acquisitions

During the period under review, the Group has no significant investment or material acquisitions. The Group continued to maintain its 8% long term interest in a joint venture named Hangzhou Young-Bird Communication Telecom Co., Ltd which is principally engaged in the design, manufacture, sale and maintenance of CDMA repeaters.

Contingent Liabilities

There were guarantees given to banks by the Company in respect of banking facilities available to certain wholly owned subsidiaries. As at 30 June 2003, the Group had commitment under operating lease amounting to approximately HK\$966,000 and there was no charges on any assets of the Group.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a summary of the actual progress of the Group compared with the business objectives set out in the prospectus of the Company for the period from 1 January 2003 to 30 June 2003.

Business objectives as stated in the Prospectus

Actual business progress/change in business objective

Cellular phone solutions development

CDMA2000 1x cellular phones

- prototype formulation and specification for 2nd generation

The Group was still in discussion with customers on the commercialization of the 1st generation and the viability study and assessment of 2nd generation was commenced at its initial stage.

PDA phones

- prototype formulation and specification for 2nd generation

The 1st generation was launched in 2nd quarter of 2003. The directors considered the existing market environment to be immature for the 2nd generation and therefore postponed the development schedule.

Video Telephony

- technical viability assessment, specification definition and software development for 1st generation

The solution development for Video Telephony was commenced and was still in progress by end of the period under review.

Other solutions development

Digital product

- technical viability assessment and specification definition for 2nd generation

The directors decided to postpone the solution development of the digital product due to competitive market condition.

Business objectives as stated in the Prospectus

Actual business progress/change in business objective

CDMA2000 1x repeaters

- installation and provision of maintenance service on CDMA2000 1x repeaters

The joint venture investment, Hangzhou Young-Bird Telecom Communication Co. Ltd. (the "JV") has installed repeaters in Anhui province, and will install in Neimeng province. The JV has also commenced its after-sales maintenance service

Sales and marketing capability

- setting up sales office in Beijing

The set up of Beijing office was postponed due to the outbreak of SARS in the PRC

Others

- Office expansion
- installation of management information system

The office expansion was scheduled in 4th quarter of 2003

The installation of management information system was completed in advance during the 2nd half of 2002 and early 2003

USE OF PROCEEDS

The proceeds from the Company's issue of new shares at the time of its listing on GEM of the Stock Exchange on 31 July 2002, after deduction of the related issue expenses, were applied as follows:

	As stated in prospectus up to 30 June 2003 HK\$'000	Actual use of proceeds up to 30 June 2003 HK\$'000
Cellular phone solution development		
<i>CDMA2000 1x cellular phone</i>	4,680	3,646
<i>PDA phones</i>	2,574	2,131
<i>Video Telephony</i>	1,950	2,074
Other solution development		
<i>Digit product</i>	864	–
<i>CDMA2000 1x repeaters</i>	7,800	7,800
Sales & marketing capabilities	1,560	965
Technical support capabilities	1,716	105
Others	4,118	3,591
	25,262	20,312

As at 30 June 2003, the balance of the unused proceeds which are not immediately applied are placed on deposits with financial institutions in Hong Kong.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARE CAPITAL

As at 30 June 2003, the interests and short positions of the directors and chief executives in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO")) which are 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 or short positions which they are 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 the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Long positions in the shares

Name	Number of shares	Capacity	Type of interests	Approximate Percentage of interests
Jo Won Seob	32,500,000	Interest of a controlled corporation <i>(through his holding of the entire issued shares of and in Brilliant Trade Developments Limited)</i>	Corporate	8.00%
Park Seung Rae	32,500,000	Interest of a controlled corporation <i>(through his holding of the entire issued shares of and in Prime Media Consultants Limited)</i>	Corporate	8.00%
Kim Kwang Hoe	15,931,373	Interest of a controlled corporation <i>(through his holding of the entire issued shares of and in People Talent Assets Limited)</i>	Corporate	3.92%
Ra Chang Ju	14,338,235	Interest of a controlled corporation <i>(through his holding of the entire issued shares of and in Digit Success Investments Limited)</i>	Corporate	3.53%
Ong Se Mon	(Note 1)	(Note 1)	Corporate and other (Note 1)	(Note 1)

Note:

- These shares are registered in 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 Ong Se Mon is beneficially interested in 90,804,000 shares of PINE Technology which represents approximately 13.3% of the issued share capital of PINE Technology

SUBSTANTIAL SHAREHOLDERS

So far as was known to any director or chief executive of the Company, as at 30 June 2003, the persons or companies (not being a director or chief executive of the Company) who had equity interests or short positions in the shares or underlying shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly deemed to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

Long positions in the shares

Name of shareholders	Capacity	Number of shares	Approximate percentage of interests
Choice Media Investments Limited (“Choice Media”)	Beneficial owner	148,121,186	36.46%
Chan Ka Wo (<i>Note 1</i>)	Interest of a controlled corporation	148,121,186	36.46%
i.Concept (<i>Note 2</i>)	Beneficial owner	41,740,196	10.27%
Pan Eagle Limited (<i>Note 2</i>)	Interest of a controlled corporation	41,740,196	10.27%
Pine Technology (BVI) Limited (<i>Note 2</i>)	Interest of a controlled corporation	41,740,196	10.27%
PINE Technology	Interest of a controlled corporation	41,740,196	10.27%
Shenyin Wanguo Strategic Investments (H.K.) Limited	Beneficial owner	20,000,000	4.92%
Shenyin Wanguo Trading (H.K.) Limited	Beneficial owner	17,528,000	4.31%
Shenyin Wanguo (H.K.) Limited (<i>Notes 3</i>)	Interest of a controlled corporation	37,528,000	9.23%

Notes:

1. These shares are registered in the name of Choice Media. Chan Ka Wo legally and beneficially owns the entire share capital of Choice Media. Accordingly, 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 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.
3. 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 is deemed 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.

DIRECTORS' AND CHIEF EXECUTIVES' RIGHT TO ACQUIRE SHARES OR DEBT SECURITIES

Save as disclosed above, neither the Company nor any of its subsidiaries was a party to any arrangement to enable the directors and chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debts securities, including benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the directors and chief executives of the Company, or their spouses or children under the age of 18 had any right to subscribe for securities of the Company, or any body corporate, or had exercised any such right as at 30 June 2003.

COMPETING INTERESTS

As at 30 June 2003, 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.

COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

The Company had complied throughout the period under review the minimum standards of good practice concerning the general management responsibilities of the board of directors as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.

SHARE OPTION SCHEME

Pursuant to the written resolutions of all shareholders of the Company passed on 16 July 2002, the Company adopted a Share Option Scheme, the principal terms of which are set out in the paragraph headed "Share Option Scheme" in Appendix V to the Company's prospectus dated 25 July 2002. As at 30 June 2003, no option had been granted or agreed to be granted by the Company under the Share Option Scheme.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2003, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

SPONSOR'S INTERESTS

As at 30 June 2003 and 8 August 2003, Shenyin Wanguo Strategic Investments (H.K.) Limited, an affiliated company of the Company's sponsor, Shenyin Wanguo Capital (H.K.) Limited (the "Sponsor"), was interested in 20,000,000 shares of the Company. In addition, Shenyin Wanguo Trading (H.K.) Limited, an affiliated company of the Sponsor was interested in 17,528,000 shares as at 30 June 2003 and 8 August 2003. Save as disclosed herein, none of the Sponsor, its directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in the securities of the Company or any member of the Group or any rights to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.

Pursuant to the agreement dated 25 July 2002, entered into between the Company and the Sponsor, the Sponsor will receive usual sponsorship fees for acting as the Company's retained sponsor for the remainder of the financial year of the Company ending 31 December 2002 and the two years ending on 31 December 2004.

AUDIT COMMITTEE

The Company established an audit committee (the "Committee") on 16 July 2002 with written terms of reference in compliance with the requirements as set out in Rules 5.23, 5.24 and 5.25 of the GEM Listing Rules. The Committee has two members comprising the two independent non-executive directors, Lee Kin Keung and Navin Kumar Aggarwal. On 1 August 2003, Navin Kumar Aggarwal resigned from the Committee and Lo Hang Fong was appointed as a member of the Committee.

The Committee has already reviewed the Group's unaudited interim report for the six months ended 30 June 2003.

By order of the Board

QUASAR Communication Technology Holdings Limited

Ra Chang Ju

Chairman

Hong Kong, 13 August 2003