



QUASAR
COMMUNICATION TECHNOLOGY HOLDINGS LIMITED

THIRD QUARTERLY REPORT 2003

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.

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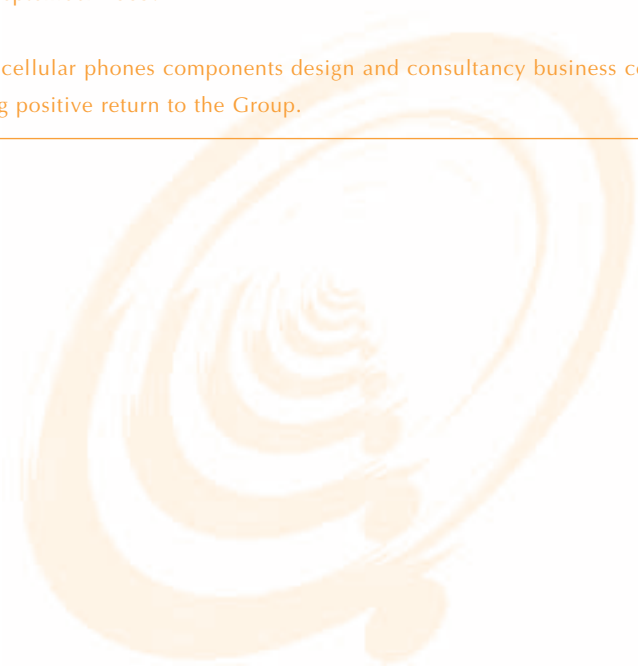
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The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole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

- Turnover reported at approximately HK\$916,772,000 for the nine months ended 30 September 2003.
- Net profit attained at approximately HK\$10,039,000 for the nine months ended 30 September 2003.
- The cellular phones components design and consultancy business continued to bring positive return to the Group.



CONDENSED CONSOLIDATED INCOME STATEMENT

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

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Turnover	2	916,772	968,272	208,094	313,298
Contract costs		(882,900)	(942,405)	(193,786)	(303,324)
		33,872	25,867	14,308	9,974
Other revenues	2	632	161	250	102
Other operating expenses		(22,469)	(8,077)	(9,050)	(3,555)
Operating profit before taxation		12,035	17,951	5,508	6,521
Taxation	3	(1,996)	(2,203)	(1,066)	(540)
Profit for the period		10,039	15,748	4,442	5,981
Earnings per share					
– Basic (HK cents)	4	2.47	4.58	1.09	1.57

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 results have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants. They have been prepared under the historical cost convention.

2. Revenues and turnover

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

	Nine months ended 30 September		Three months ended 30 September	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover				
Revenue from cost				
plus contracts	913,482	957,229	208,047	308,687
Consultancy income	3,290	11,043	47	4,611
	916,772	968,272	208,094	313,298
Other revenues				
Interest income	77	61	22	56
Others	555	100	228	46
	632	161	250	102
	917,404	968,433	208,344	313,400

3. Taxation

Hong Kong Profits Tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profit for the nine months ended 30 September 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 income statements represents:-

	Nine months ended		Three months ended	
	30 September		30 September	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The charge comprises:				
– Hong Kong Profits Tax	758	1,160	(172)	540
– Overseas taxation	1,238	–	1,238	–
Deferred taxation	–	1,043	–	–
	1,996	2,203	1,066	540

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

4. Earnings per share

The calculation of basic earnings per share for the Nine-Month Period and the Quarterly Period are based on the unaudited consolidated net profit attributable to shareholders of approximately HK\$10,039,000 and HK\$4,442,000 respectively, and the weighted average number of 406,251,500 shares. The basic earnings per share for the corresponding nine-month period and quarterly period in 2002 are based on the unaudited consolidated profit attributable to shareholders of approximately HK\$15,748,000 and HK\$5,981,000 respectively, and the weighted average number of 343,750,346 shares and 380,639,614 shares respectively.

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

5. Reserves

	Share premium	Capital reserves	Exchange reserves	(Accumulated losses)/ retained earnings	Total	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
As at 1 January 2002						
As previously reported	–	11,079	(56)	(7,152)	3,871	
Effect of deferred tax	–	–	–	1,043	1,043	
As restated	–	11,079	(56)	(6,109)	4,914	
Allotment of shares	(1)	–	–	–	(1)	
Reserves arising from						
Reorganisation	–	78	–	–	78	
Placing of shares	52,001	–	–	–	52,001	
Placing and listing expenses	(7,179)	–	–	–	(7,179)	
Capitalisation issue	(3,248)	–	–	–	(3,248)	
Exchange difference on translation of overseas operations	–	–	98	–	98	
Profit for the period	–	–	–	15,748	15,748	
As at 30 September 2002	41,573	11,157	42	9,639	62,411	
				Proposed		
	Share	Capital	Exchange	final	Retained	Total
	<i>premium</i>	<i>reserves</i>	<i>reserves</i>	<i>dividends</i>	<i>earnings</i>	<i>HK\$'000</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 1 January 2003						
As previously reported	41,573	11,157	83	4,063	14,264	71,140
Effect of deferred tax	–	–	–	–	47	47
As restated	41,573	11,157	83	4,063	14,311	71,187
Final dividends paid	–	–	–	(4,063)	–	(4,063)
Exchange difference on translation of overseas operations	–	–	(25)	–	–	(25)
Profit for the period	–	–	–	–	10,039	10,039
As at 30 September 2003	41,573	11,157	58	–	24,350	77,138

INTERIM DIVIDENDS

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

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

CHAIRMAN STATEMENT

Financial Review

Passing through the difficulties in the first half of the financial year resulting from the widespread of SARS around the globe, especially in Mainland China, QUASAR gradually recovered from the impact and adverse market. The net profit attributable to shareholders got an encouraging improvement compared to last quarter, amounting to HK\$10,039,000. For the nine months ended 30 September 2003, the Group recorded a total turnover of approximately HK\$917 million, representing a slight decrease of 5.3% against the same period in 2002. The basic earnings per share was HK2.47 cents (2002: HK4.58 cents).

Business Review and Outlook

During the period under review, the principal focus of the industry in the PRC remained in the clearance of handset inventory. Such situation persistently led to a slow down of new products rollout by most of the market participants including manufacturers, distributors and retailers. Our clients were among them and we experienced the delay of launching new customized solutions at the same time. Nevertheless, our business operation sustained to be healthy and profitable with steady returns generated from our cellular phones components design and consultancy business, which again, proven to be in a right direction towards delivery of total solutions.

Believing our growth momentum lies on the provision of new and customized solutions to our customers as well as the general user market, we did not reduce the speed of our research and development under the temporary SARS chaos. Instead, the Group continued to pay attention and put all our efforts and resources to achieve the product launch schedule. We are in the process of development of Video Telephony and SMART phone, and target to delivery the solutions in 1st half 2004.

QUASAR always keeps track on the technology transformation of mobile appliances. The product evolution in our roadmap shows clearly our early insight and understanding of the industry, and more importantly, demonstrates our strength and ability to clients and secures the relationship with them as enduring business partners. We will continue to explore new business through channel development and market expansion. Meanwhile, the management will monitor closely the situation in the Mainland and determine the resumption of office setup in Beijing so as to enhance our sales and marketing capabilities in the country.

The economic environment in the Asia Pacific region is returning to the pre-SARS situation much quicker than expectation. Through the Singapore office, we extend our business contact to countries like Thailand, Indonesia and India with remarkable opportunities for both GSM and CDMA cellular phone solutions. We will continue our discussion with different customers to enlarge our business geographical coverage in coming year.

Despite the hardship in the past months, with company restructures and consolidations undertaken by small entities to listed conglomerates, QUASAR is determined and confident to increase up the business scope and operating scale to foster our corporate brand image, and to meet and capture our coming enormous opportunities. The office expansions in Hong Kong and Korea were undergone during the quarter, benchmarking our commitment and dedication in the deployment of more resources to deliver advanced solutions, quality products and comprehensive after-sales services. We trust that such strategic move will bring forthwith both tangible and intangible benefits to the Group as well as to our shareholders.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARE CAPITAL

As at 30 September 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	<i>(Note 1)</i>	<i>(Note 1)</i>	Corporate and other <i>(Note 1)</i>	<i>(Note 1)</i>

Note:

- 1 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 22,540,000 shares of PINE Technology which represents approximately 3.3% 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 September 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	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%

Name of shareholders	Capacity	Number of shares	Approximate percentage of interests
PINE Technology (Note 2)	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 (Note 3)	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 arrangements to enable the directors 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 September 2003.

COMPETING INTERESTS

As at 30 September 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.

DISCLOSURE OF TRADING BALANCE ARISING FROM SALES TRANSACTIONS CONDUCTED BY THE GROUP IN ITS ORDINARY COURSE OF BUSINESS

The following disclosure is made in pursuant to Rules 17.15 and 17.22 of the GEM Listing Rules.

As at 30 September 2003, two customers of the Group, who are independent parties not connected to any of the directors of the Company, the chief executives of the Company and its subsidiaries, the substantial shareholders (within the meaning of the GEM Listing Rules) of the Company and their respective associates (within the meaning of the GEM Listing Rules), had trading balances with the Group of approximately HK\$34,515,000 and HK\$24,647,000, representing approximately 45.9% and 32.8% respectively of the audited consolidated net tangible assets ("NTA") of the Group of approximately HK\$75,187,000 as at 31 December 2002.

The above-mentioned customers are major cellular phone companies in the PRC to whom the Group provides cellular phone solutions. Such trading balances were resulted from sales to such customers by the Group in its ordinary course of business and on normal commercial terms. The Group's customers are normally granted credit period of 1 month to 2 months. The Group required the customers to settle the trade receivables by irrevocable letter of credit before procurement of delivery of cellular phone solutions. None of the above balances were overdue. No collateral was required to be made by such customers and no interest was charged on the trading balances.

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 September 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 nine months ended 30 September 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 September 2003 and 7 November 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 September 2003 and 7 November 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 Lo Hang Fong.

The Committee has already reviewed the Group's unaudited quarterly report for the nine months ended 30 September 2003.

By order of the Board

QUASAR Communication Technology Holdings Limited

Ra Chang Ju

Chairman

Hong Kong, 12 November 2003