



**Communication Technology
Holdings Limited**

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3rd Quarterly Report 2005

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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

- Report a turnover of approximately HK\$43,393,000 for the Quarterly Period ended 30 September 2005
- Achieved a net profit after tax of approximately HK\$866,000 and a basic earnings per share of HK0.21 cents for the Quarterly Period ended 30 September 2005

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 nine months and the three months (the “Quarterly Period”) ended 30 September 2005, together with the unaudited comparative figures for the corresponding periods in 2004 were as follows:

	<i>Notes</i>	Nine months ended 30 September		Three months ended 30 September	
		2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2004 <i>HK'000</i>
Turnover	2	212,231	506,642	43,393	129,989
Contract costs		(197,035)	(473,627)	(40,373)	(119,917)
		15,196	33,015	3,020	10,072
Other revenue	2	1,543	207	675	148
Other operating expenses		(13,628)	(28,577)	(2,751)	(8,996)
Operating profit		3,111	4,645	944	1,224
Finance costs		(678)	(473)	(108)	(191)
Profit before tax		2,433	4,172	836	1,033
Tax	3	(191)	(38)	30	(16)
Profit for the period		2,242	4,134	866	1,017
Earnings per share					
– Basic (HK cents)	4	0.55	1.02	0.21	0.25

Notes:

1. 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. These unaudited results have been prepared in accordance with the accounting principles generally accepted in Hong Kong and comply with the accounting standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and are prepared under the historical cost convention.

In 2004, the HKICPA issued a number of new and revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (“HKFRSs”) which are effective for accounting period beginning on or after 1 January 2005. The adoption of these HKFRSs has no material impact on the Group’s results of operations and financial position.

2. Turnover and revenue

The principal activity of the Group is the provision of cellular phone solutions services. Revenue recognised during the nine months and three months ended 30 September 2005, together with the comparative figures for the corresponding periods in 2004 were as follows:

	Nine months ended 30 September		Three months ended 30 September	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Turnover				
Revenue from cost plus contracts	212,231	505,965	43,393	129,989
Technical consultancy income	–	677	–	–
	<u>212,231</u>	<u>506,642</u>	<u>43,393</u>	<u>129,989</u>
Other revenue				
Interest income	125	25	15	11
Others	1,418	182	660	137
	<u>1,543</u>	<u>207</u>	<u>675</u>	<u>148</u>
Total revenue	<u>213,774</u>	<u>506,849</u>	<u>44,068</u>	<u>130,137</u>

3. Tax

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits for the nine months ended 30 September 2004 and 2005. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Nine months		Three months	
	ended 30 September		ended 30 September	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax:				
– Hong Kong	191	120	(30)	16
– Elsewhere	–	–	–	–
Deferred tax	–	(82)	–	–
Total tax charge for the period	<u>191</u>	<u>38</u>	<u>(30)</u>	<u>16</u>

4. Earnings per share

The calculation of basic earnings per share is based on the profit for the nine months and three months ended 30 September 2005 of approximately HK\$2,242,000 and HK\$866,000 respectively (profit for the nine months and three months ended 30 September 2004; HK\$4,134,000 and HK\$1,017,000 respectively) and the 406,251,500 ordinary shares in issue during the nine months and three months ended 30 September 2005 (nine months and three months ended 30 September 2004: 406,251,500).

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

5. Reserves

	Share premium <i>HK\$'000</i>	Capital reserves <i>HK\$'000</i>	Exchange reserves <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 January 2004	41,573	11,157	93	22,841	75,664
Exchange difference on translation of overseas operations	–	–	81	–	81
Profit for the period	–	–	–	4,134	4,134
As at 30 September 2004	<u>41,573</u>	<u>11,157</u>	<u>174</u>	<u>26,975</u>	<u>79,879</u>
	Share premium <i>HK\$'000</i>	Capital reserves <i>HK\$'000</i>	Exchange reserves <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 January 2005	41,573	11,157	408	14,000	67,138
Exchange difference on translation of overseas operations	–	–	5	–	5
Profit for the period	–	–	–	2,242	2,242
As at 30 September 2005	<u>41,573</u>	<u>11,157</u>	<u>413</u>	<u>16,242</u>	<u>69,385</u>

INTERIM DIVIDENDS

The directors do not recommend the payment of an interim dividend for the nine months ended 30 September 2005 (nine months ended 30 September 2004: Nil).

BUSINESS REVIEW AND OUTLOOK

For the nine months ended 30 September 2005, turnover of the Group decreased by approximately 58.1% from HK\$506,642,000 for the corresponding period in 2004 to HK\$212,231,000, while profit before tax fell by 41.7% from HK\$4,172,000 for the corresponding period in 2004 to approximately HK\$2,433,000. In the third quarter of 2005, profit of the Group amounted to approximately HK\$866,000, representing a decline of approximately 14.8% against HK\$1,017,000 for the corresponding period in 2004.

Despite intense competition, the Group was able to enjoy steady gross margin from the offer of quality cellular phone solutions as well as after-sales services to its customers. It had a very effective product mix in place, in addition to the provision of its excellent consultancy services that met the needs of the market.

The Group is finalizing the integration of its operations and the streamlining of its manpower, as a result of which substantial costs were saved for the period. Operating expenses were reduced by approximately HK\$12,390,000 from HK\$28,577,000 for the nine months ended 30 September 2004 to HK\$16,187,000 in 2005. Besides having operation costs saved, the operating environment also improved so that our teams were able to respond to the changing demands of the Group's customers and the evolving industry in a flexible and positive manner.

During the period, the Group launched a number of products carrying various multi-media features. The main selling points of MP3, MP4, Karaoke & high-performance pixels camera products were well-received by customers on the market. By leveraging on our state-of-the-art solutions, the Group marketed trendy and multifunctional PDA phones during the period. The slim outlook and touch-screen features of our PDA phones were able to suit exactly those consumers who looked for a professional image. Other features such as the use of data memory cards as well as the availability of games and videos also held an appeal for young generation with a keen interest in multi-media functions.

On 17 October 2005, the shareholders of the Group approved the disposal of the entire issued share capital of Quasar Communication Technology Korea Ltd., a wholly owned subsidiary of the Company (the “Disposal”). The Group is currently relocating its operations and relevant personnel to China. The Group believes the Disposal represents a very practical means to effectively reduce overhead costs, while at the same time strengthening the R&D and production operations in China.

According to the statistics released by the Ministry of Information Industry quoted on www.chinanews.cn, the number of mobile phone users in China has neared 380 million by the 3rd quarter of 2005, representing 29.1 sets of mobile phones per 100 people. The number of mobile phone users is surging in China on a continuous basis, making China the world’s largest mobile phone market. Mobile phones are very popular in Chinese big cities such as Beijing, Shanghai and Guangzhou, and this popularity is spreading to rural and remote mountainous areas.

By taking advantage of the favourable factors and optimistic outlook, the Group will continue to further expand marketing channels and seek more potential business opportunities.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARE CAPITAL

As at 30 September 2005, the interests and short positions of the directors and the chief executive of the Company 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 were 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 and short positions which they were 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 Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in ordinary shares

Name of director	Number of shares	Type of interest and capacity	Percentage of interests
Ra Chang Ju	14,338,235	Corporate interest <i>(through holding the entire issued shares of Digit Success Investments Limited)</i>	3.53%
Kim Kwang Hoe	15,931,373	Corporate interest <i>(through holding the entire issued shares of People Talent Assets Limited)</i>	3.92%
Ong Se Mon	50,000,000	Corporate and other <i>(through holding the entire issued shares of Pilot Choice Management Limited and Note 1)</i>	12.31%

Note:

- Other than the interest in Pilot Choice Management Limited, Mr. Ong Se Mon is also beneficially interested in the shares registered under 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 Mr. Ong Se Mon is beneficially interested in approximately 0.71% of the issued share capital of PINE Technology. PINE Technology has 10.27% indirect interest in the Company.

Save as disclosed above, as at 30 September 2005, none of the directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were 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 and short positions which they were 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 Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

At 30 September 2005, the persons who have interests in shares of the Company as recorded in the register required to be kept under section 336 of the SFO or have otherwise notified to the Company were as follows:

Long positions in ordinary shares

Name of shareholder	Capacity	Number of shares	Percentage of interests
Choice Media Investments Limited ("Choice Media") (Note 1)	Beneficial owner	74,621,186	18.37%
Mr. Chan Ka Wo (Note 1)	Corporate interests	74,621,186	18.37%
Pilot Choice Management Limited (Note 2)	Beneficial owner	50,000,000	12.31%
i.Concept (Note 3)	Beneficial owner	41,740,196	10.27%
Pan Eagle Limited (Note 3)	Corporate interests	41,740,196	10.27%
Pine Technology (BVI) Limited (Note 3)	Corporate interests	41,740,196	10.27%
PINE Technology (Note 3)	Corporate interests	41,740,196	10.27%
Shenyin Wanguo Strategic Investments (H.K.) Limited (Note 4)	Beneficial owner	20,000,000	4.92%
Shenyin Wanguo Trading (H.K.) Limited (Note 4)	Beneficial owner	21,628,000	5.32%
Shenyin Wanguo (H.K.) Limited (Note 4)	Corporate interests	41,628,000	10.25%

Short positions in ordinary shares

Name of shareholder	Capacity	Number of shares	Percentage of interests
i.Concept	Beneficial owner	20,312,575	5.00%
Pan Eagle Limited	Corporate interests	20,312,575	5.00%
Pine Technology (BVI) Limited	Corporate interests	20,312,575	5.00%
PINE Technology	Corporate interests	20,312,575	5.00%

Notes:

1. These shares are registered in the name of Choice Media. Mr. Chan Ka Wo legally and beneficially owns the entire issued share capital of Choice Media. Accordingly, Mr. Chan Ka Wo is deemed to be interested in all the share registered in the name of Choice Media.
2. The entire issued share capital of Pilot Choice Management Limited is legally and beneficially owned by Mr. Ong Se Mon. The shares referred to herein relate to the same parcel of shares in the Company held by Pilot Choice Management Limited.
3. The entire issued share capital of i.Concept is legally and beneficially owned by Pan Eagle Limited and the entire issued share capital of 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.
4. 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 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.

Save as disclosed above, as at 30 September 2005, the Company has not been notified of any other person (other than a director or the chief executive of the Company) having an interest or short position in shares of Company representing 5% or more of the issued share capital of the Company.

COMPETING INTERESTS

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 during the period under review.

SHARE OPTION SCHEME

As at 30 September 2005, no option has been granted or agreed to be granted by the Company under the share option scheme.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period under review.

BOARD PRACTICES AND PROCEDURES

The Company had complied throughout the period under review with the minimum standards of good practice concerning the general management responsibilities of the board of directors as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

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. Lo Hang Fong, Mr. Li Meng Long and Mr. Choy Mun Kei.

The Committee has already reviewed the Group's unaudited quarterly report for the nine months ended 30 September 2005.

DIRECTORS OF THE COMPANY

Executive directors of the Company as at the date of this announcement are Mr. Ra Chang Ju and Mr. Ong Se Mon and the independent non-executive directors of the Company as at the date of this report are Mr. Lo Hang Fong, Mr. Li Meng Long and Mr. Choy Mun Kei.

By order of the Board

QUASAR Communication Technology Holdings Limited

Ra Chang Ju

Chairman

Hong Kong, 10 November 2005

