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2006
INTERIM REPORT



QUASAR Communication Technology Holdings Limited

(Stock Code: 8171)

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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

- Reported a turnover of approximately HK\$99,964,000 for the period ended 30 June 2006
- Achieved a net profit after tax of approximately HK\$3,000,000 and a basic earnings per share for continuing operations of HK0.71 cents for the period ended 30 June 2006

CONSOLIDATED INCOME STATEMENT

The unaudited consolidated results of QUASAR Communication Technology Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) for the six months and the three months ended 30 June 2006, together with the unaudited comparative amounts for the corresponding periods in 2005 were as follows:

	Notes	Six months ended 30 June		Three months ended 30 June	
		2006	2005	2006	2005
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
CONTINUING OPERATIONS					
REVENUE	2	99,964	137,561	39,005	56,153
Cost of sales		(91,633)	(130,074)	(35,983)	(54,529)
Gross profit		8,331	7,487	3,022	1,624
Other income	2	914	459	622	214
Other operating expenses		(4,656)	(2,914)	(1,964)	(56)
Finance costs		(1,353)	(570)	(643)	(308)
Profit before tax	4	3,236	4,462	1,037	1,474
Tax	5	(236)	(221)	(236)	(221)
Profit for the period from continuing operations		3,000	4,241	801	1,253
LOSS FROM DISCONTINUED OPERATION					
	6	–	(2,865)	–	(720)
Profit for the period		3,000	1,376	801	533

	<i>Notes</i>	Six months ended 30 June		Three months ended 30 June	
		2006	2005	2006	2005
		HK\$	HK\$	HK\$	HK\$
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY					
Basic					
- For profit for the period	7	<u>0.71 cents</u>	0.34 cents	<u>0.18 cents</u>	<u>0.13 cents</u>
- For profit from continuing operations	7	<u>0.71 cents</u>	1.04 cents	<u>0.18 cents</u>	<u>0.31 cents</u>
Diluted					
- For profit for the period	7	<u>N/A</u>	N/A	<u>N/A</u>	<u>N/A</u>
- For profit from continuing operations	7	<u>N/A</u>	N/A	<u>N/A</u>	<u>N/A</u>

CONSOLIDATED BALANCE SHEET

The unaudited consolidated balance sheet as at 30 June 2006, together with the audited consolidated balance sheet as at 31 December 2005 were as follows:

	Unaudited	Audited
	30 June	31 December
<i>Notes</i>	2006	2005
	HK\$'000	HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	203	234
Other intangible assets	–	–
Available-for-sale investments	3,642	3,642
Deferred tax assets	246	246
Prepaid licence fees	4,368	4,368
	8,459	8,490
CURRENT ASSETS		
Inventories	1,497	9,875
Contract works in progress	9,724	20,595
Trade receivables	61,433	46,487
Prepayments, deposits and other receivables	11,368	11,742
Cash and bank balances	20,347	62,602
	104,369	151,301
CURRENT LIABILITIES		
Trade payables	7,779	7,810
Bill payables	–	15,639
Trust receipt loans	11,646	54,854
Other payables and accruals	2,559	979
Tax payable	4,082	3,965
	26,066	83,247

	Unaudited	Audited
	30 June	31 December
<i>Notes</i>	2006	2005
	HK\$'000	HK\$'000
NET CURRENT ASSETS	<u>78,303</u>	<u>68,054</u>
TOTAL ASSETS LESS		
CURRENT LIABILITIES	86,762	76,544
NON-CURRENT LIABILITIES		
Deferred tax liabilities	<u>24</u>	<u>24</u>
Net assets	<u>86,738</u>	<u>76,520</u>
EQUITY		
Issued capital	<i>10</i> 4,875	4,063
Reserves	<u>81,863</u>	<u>72,457</u>
Equity attributable to equity holders of the Company	<u>86,738</u>	<u>76,520</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Company					
	Issued capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
Unaudited						
At 1 January 2006	4,063	41,573	–	11,157	19,727	76,520
Profit for the period	–	–	–	–	3,000	3,000
Issue of shares	812	6,496	–	–	–	7,308
Share issue expenses	–	(90)	–	–	–	(90)
At 30 June 2006	<u>4,875</u>	<u>47,979</u>	<u>–</u>	<u>11,157</u>	<u>22,727</u>	<u>86,738</u>
Unaudited						
At 1 January 2005	4,063	41,573	408	11,157	14,000	71,201
Profit for the period	–	–	–	–	1,376	1,376
At 30 June 2005	<u>4,063</u>	<u>41,573</u>	<u>408</u>	<u>11,157</u>	<u>15,376</u>	<u>72,577</u>

Note:

- 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.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 June	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
– continuing operations	(6,244)	(27,577)
– discontinued operation	–	–
	<hr/>	<hr/>
Net cash outflows from operating activities	(6,244)	(27,577)
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES:		
– continuing operations	(21)	20
– discontinued operation	–	927
	<hr/>	<hr/>
Net cash inflows/(outflows) from investing activities	(21)	947
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES:		
– continuing operations	(35,990)	(6,182)
– discontinued operation	–	–
	<hr/>	<hr/>
Net cash outflows from financing activities	(35,990)	(6,182)
	<hr/>	<hr/>
NET DECREASE IN CASH AND CASH EQUIVALENTS		
	(42,255)	(32,812)
Cash and cash equivalents at beginning of the period	62,602	57,417
Effect of foreign exchange rate changes, net	–	8
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD		
	20,347	24,613
	<hr/> <hr/>	<hr/> <hr/>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	20,347	24,613
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Notes:

1. Basis of preparation and accounting policies

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 consolidated interim report have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies adopted in preparing the unaudited consolidated interim report were in consistent with those applied for the audited annual financial report for the year ended 31 December 2005.

2. Revenue and other income

The principal activity of the Group was involved in sales and marketing of mobile appliance and its relevant parts solution. Revenue, which is also the Group’s turnover, represents the value of services rendered during the period.

An analysis of revenue and other income is as follows:

	Six months ended 30 June		Three months ended 30 June	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Revenue				
Rendering of services				
– Continuing operations	99,964	137,561	39,005	56,153
– Discontinued operation	–	31,277	–	11,063
	99,964	168,838	39,005	67,216
Other income				
Interest income	177	92	58	56
Others	737	367	564	158
	914	459	622	214

3. Segmental information

Over 90% of the Group's turnover and contribution to operating profit are attributable to the provision of cellular phone solutions, and 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 are attributable to markets outside the PRC.

4. Profit before tax

The Group's profit before tax is arrived at after charging:

	Six months ended 30 June		Three months ended 30 June	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Cost of inventories sold	91,633	130,074	35,983	54,529
Auditors' remuneration	160	210	160	105
Minimum lease payments under operating lease in respect of land and buildings	267	217	132	108
Depreciation	52	113	26	55
Employee benefits expense, including directors' remuneration – wages, salaries and others	2,458	2,225	941	978
– net pension scheme contributions	45	38	18	17
	2,503	2,263	959	995

5. Tax

Hong Kong profits tax has been made for the six months and three months ended 30 June 2006 (six months and three months ended 30 June 2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. No profits tax or income tax has been provided for the six months and three months ended 30 June 2006 (six months and three months ended 30 June 2005: Nil).

	Six months ended 30 June		Three months ended 30 June	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Group				
Current – Hong Kong				
Charge for the current period	236	221	236	221

6. Discontinued operation

On 17 October 2005, the shareholders of the Company approved the disposal of the entire issued share capital of Quasar Communication Technology Korea Ltd (“Quasar Korea”), a wholly owned subsidiary of the Company, which was completed on 19 October 2005. Quasar Korea is principally engaged in the development of software and solutions for mobile appliances in the Republic of Korea.

The results of Quasar Korea for the period were presented below:

	Six months ended		Three months ended	
	30 June		30 June	
	2006	2005	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE	-	31,277	-	11,063
Cost of sales	-	(26,588)	-	(9,173)
Gross profit	-	4,689	-	1,890
Expenses	-	(7,554)	-	(2,610)
Loss before tax	-	(2,865)	-	(720)
Tax	-	-	-	-
Loss for the period	-	(2,865)	-	(720)

7. Earnings per share attributable to ordinary equity holders of the Company

The calculation of basic earnings per share is based on the net profit for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the period.

A diluted earnings per share for the period has not been disclosed as no diluting events existed during the period.

The calculations of basic earnings per share are based on:

	Six months ended 30 June		Three months ended 30 June	
	2006	2005	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings				
Net profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation:				
From continuing operations	3,000	4,241	801	1,253
From discontinued operation	–	(2,865)	–	(720)
	<hr/>	<hr/>	<hr/>	<hr/>
Net profit attributable to ordinary equity holders of the Company	3,000	1,376	801	533
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	Number of shares			
	Six months ended 30 June		Three months ended 30 June	
	2006	2005	2006	2005
Shares				
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	422,850,395	406,251,500	439,266,885	406,251,500
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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 department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

The aged analysis of the trade receivables as at 30 June 2006 and 31 December 2005, based on the invoice date, is as follows:

	Unaudited 30 June 2006 <i>HK\$'000</i>	Audited 31 December 2005 <i>HK\$'000</i>
Within 1 month	11,352	11,955
1 to 2 months	13,954	15,099
2 to 3 months	9,703	14,171
Over 3 months	26,424	5,262
	61,433	46,487

9. Trade payables

The aged analysis of the trade payables as at 30 June 2006 and 31 December 2005, based on the invoice date, is as follows:

	Unaudited	Audited
	30 June	31 December
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 month	6,910	6,004
1 to 2 months	–	839
2 to 3 months	–	290
Over 3 months	869	677
	<u>7,779</u>	<u>7,810</u>

10. Share Capital**Shares**

	Unaudited	Audited
	30 June	31 December
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Authorised:		
1,000,000,000 (31 December 2005: 1,000,000,000) ordinary shares of HK\$0.01 each	10,000	10,000
Issued and fully paid:		
487,451,500 (31 December 2005: 406,251,500) ordinary shares of HK\$0.01 each	4,875	4,063

11. Post balance sheet event

The Group entered into a sale and purchase agreement on 9 December 2005 to acquire 50% of the registered and paid up capital of 東莞市晶捷電訊產品有限公司 (“Dongguan Jingjie”). As the approvals, consents, authorisation and licences from the relevant PRC authorities and the Administrative Bureau of Industry and Commerce in relation to the acquisition of Dongguan Jingjie, have not yet been obtained by the end of July 2006 as agreed by the vendor and the Group, the conditions precedent to the sale and purchase agreement have not been fulfilled. Accordingly, the acquisition of Dongguan Jingjie will not proceed and the sale and purchase agreement shall cease and determine in accordance with the terms specified in the sale and purchase agreement. In this regard, the parties to the sale and purchase agreement on 31 July 2006, entered into a termination agreement to terminate the sale and purchase agreement with immediate effect.

As agreed between the vendor and the Group, the deposit of HK\$7,500,000, representing the entire amount of the consideration of the acquisition of Dongguan Jingjie, which was paid as deposit by the Group to the vendor on the date of signing of the sale and purchase agreement, will be refunded to the Group as soon as possible but not later than 31 August 2006.

The directors consider that the termination of the sale and purchase agreement has no material adverse impact on the business of the Group.

INTERIM DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2006 (six months ended 30 June 2005: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and outlook

For the six months ended 30 June 2006, turnover of the Group decreased by approximately 27.33% to around HK\$99,964,000 (six months period ended 30 June 2005: HK\$137,561,000). The decline in turnover was due to (i) the continuous consolidation of the business of the Group in the PRC in the current period; and (ii) the keen competition in the mobile phone market in the PRC.

During the period under review, the Group recorded a profit from continuing operations of approximately HK\$3,000,000 (2005: HK\$4,241,000), representing a decrease of 29.26% (2005: 55.85%). The decrease was resulted from the net exchange gain of HK\$1,393,000 arising from the translation of the monetary assets and liabilities denominated in Korea Won for the corresponding period in last year. Taking such effect into account, the adjusted profit from continuing operations for the six month period ended 30 June 2005 amounted to HK\$2,848,000. An increase of 5.34% was noted in the adjusted profit from continuing operations. The surge in the adjusted profit from continuing operations was a result of (i) the implementation of the Group's restructuring which was completed in the fourth quarter of 2005; and (ii) effective cost control. Earnings per share for the profit from continuing operations was HK0.71 cents (2005: HK1.04 cents) for the period under review.

It is encouraging that the Group was able to achieve substantial improvements on gross profit, gross margin and net profit for the period. This demonstrates that our strategies of consolidating business activities and uplifting our competitiveness, as well as integration of our operations have brought about positive results to the Group.

By the end of June 2006, there were approximately 70 (end of December 2005: approximately 60) enterprises authorised to produce mobile phones in the PRC. In general, the market recorded a double-digit increment in terms of the sales volume as compared to 2005. According to Asia Times, the mobile phone market in the PRC will have a double-digit growth this year, which is likely to exceed 20%. By the end of June 2006, the number of mobile phone users in the PRC reached 426 million, which had increased by 32.94 million when compared to the beginning of 2006. Sinocast also mentioned that industry analysts expected that Chinese telecommunication carriers would lower mobile phone charges gradually, which would lead to a further expansion in the number of mobile phone users. The increase in the number of authorised licensed mobile phone manufacturers and the increasing demand for mobile phones in the PRC are both favourable to the Group's business and, hence will broaden our customer

base. The Group will strive to provide more sophisticated features and customised products in order to satisfy the market's specific needs for low-end and multimedia mobile phones. The Group will also keep abreast of the market trends so as to capture the anticipated blooming effect.

The Company entered into a subscription agreement with a new subscriber on 8 May 2006 and raised approximately HK\$7,200,000 to be used as general working capital of the Group. The Group will explore business opportunities and at the same time strengthen its existing core business.

On 31 July 2006, the Group entered into a termination agreement to terminate the acquisition of 50% of the registered and paid up capital of Dongguan Jingjie. The termination does not have any material adverse impact on the business of the Group and is of the best interests of the shareholders. The Group will look for other opportunities to enhance its control on quality in the manufacturing process in the future.

We are confident that the industry is back on the track and is witnessing the second blossom with China's mobile phone market. It is expected that the mobile phone industry will continue to have a healthy development this year. The Group will commit to exploring new business opportunities so as to maximise returns to shareholders.

Liquidity, financial resources and gearing

The Group continued to finance its product solutions development and operation mainly through internally generated fund. As mentioned above, the Company entered into a subscription agreement with the new subscriber in the current period to raise fund approximately of HK\$7,200,000 which was used as the Group's general working capital.

The Group maintained a healthy liquidity position with a current ratio of approximately 4.00 (30 June 2005: 1.67) and total cash on hand amounted to approximately HK\$20,347,000 (30 June 2005: HK\$24,613,000) with no pledged deposits placed in banks for securing any borrowings or banking facilities. As at 30 June 2006, the gearing ratio based on total debts over total equity was approximately 13.43% (30 June 2005: 10.96%).

Capital structure and fluctuation in exchange

During the period under review, sales and purchases of the Group were mainly transacted in US dollars and Hong Kong dollars. As at 30 June 2006, substantial portion of the assets and liabilities of the Group were current in nature, and the amounts were principally denominated in US dollars and Hong Kong dollars, foreign exchange risk was considered to be minimal.

Employees

As at 30 June 2006, there was a total of 22 (30 June 2005: 24) full-time staff employed by the Group. The staff costs, including directors' remuneration, for the six months period ended 30 June 2006 were approximately HK\$2,503,000 (six months period ended 30 June 2005: HK\$2,263,000). The total amount comprised salaries, wages and allowance, medical and insurance coverage, pension fund scheme and discretionary bonus.

Significant investments and material acquisitions

During the period under review, the Group did not have any significant investment or material acquisitions. The Group continued to maintain its 8% long-term interest in the joint venture (the "JV"), Hangzhou Young-Bird Communication Telecom Co., Ltd. The JV is principally engaged in the design, manufacture, sale and maintenance of CDMA repeaters.

As at 30 June 2006 and 31 December 2005, neither the Group nor the Company had any significant commitments.

Charge and contingent liabilities

There were guarantees to the extent of HK\$160,000,000 (30 June 2005: HK\$202,120,000) given to banks by the Company in respect of banking facilities available to certain wholly owned subsidiaries. As at 30 June 2006, there was no charges on any assets of the Group.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARE CAPITAL

As at 30 June 2006, 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 Futures 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
Chan Ka Wo	74,621,186	Corporate interest <i>(through holding the entire issued shares of Choice Media Investment Limited)</i>	15.31%
Ra Chang Ju	14,338,235	Corporate interest <i>(through holding the entire issued shares of Digit Success Investments Limited)</i>	2.94%
Ong Se Mon	55,536,000	Corporate and other <i>(through holding the entire issued shares of Pilot Choice Management Limited and Note 1)</i>	11.39%

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 0.61% 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 June 2006, 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 June 2006, 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
Shin Dong Hoon	Beneficial owner	81,200,000	16.66%
Choice Media Investments Limited (Note 1)	Beneficial owner	74,621,186	15.31%
Pilot Choice Management Limited (Note 2)	Beneficial owner	55,536,000	11.39%
i.Concept (Note 3)	Beneficial owner	41,740,196	8.56%
Pan Eagle Limited (Note 3)	Corporate interests	41,740,196	8.56%
Pine Technology (BVI) Limited (Note 3)	Corporate interests	41,740,196	8.56%
PINE Technology (Note 3)	Corporate interests	41,740,196	8.56%
Shenyin Wanguo Strategic Investments (H.K.) Limited (Note 4)	Beneficial owner	20,000,000	4.10%
Shenyin Wanguo Trading (H.K.) Limited (Note 4)	Beneficial owner	21,628,000	4.44%
Shenyin Wanguo (H.K.) Limited (Note 4)	Corporate interests	41,628,000	8.54%

Short positions in ordinary shares

Name of shareholder	Capacity	Number of shares	Percentage of interests
i.Concept	Beneficial owner	20,312,575	4.17%
Pan Eagle Limited	Corporate interests	20,312,575	4.17%
Pine Technology (BVI) Limited	Corporate interests	20,312,575	4.17%
PINE Technology	Corporate interests	20,312,575	4.17%

Notes:

1. These shares are registered in the name of Choice Media Investments Limited. Mr. Chan Ka Wo legally and beneficially owns the entire issued share capital of Choice Media Investments Limited. Accordingly, Mr. Chan Ka Wo is deemed to be interested in all the share registered in the name of Choice Media Investments Limited.
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 June 2006, 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.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the period under review.

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 June 2006, 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.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the period 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. However, they 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code for dealing in securities of the Company by the directors. All directors confirmed that they complied with the required standards as set out in the Rules 5.48 to 5.67 of the GEM Listing Rules throughout the period under review.

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 consolidated interim report for the six months ended 30 June 2006.

DIRECTORS OF THE COMPANY

As at the date of this report, executive directors of the Company are Mr. Chan Ka Wo, Mr. Ra Chang Ju and Mr. Ong Se Mon and the independent non-executive directors of the Company are Mr. Lo Hang Fong, Mr. Lee Meng Long and Mr. Choy Mun Kei.

By order of the Board

QUASAR Communication Technology Holdings Limited

Chan Ka Wo

Chairman

Hong Kong, 11 August 2006