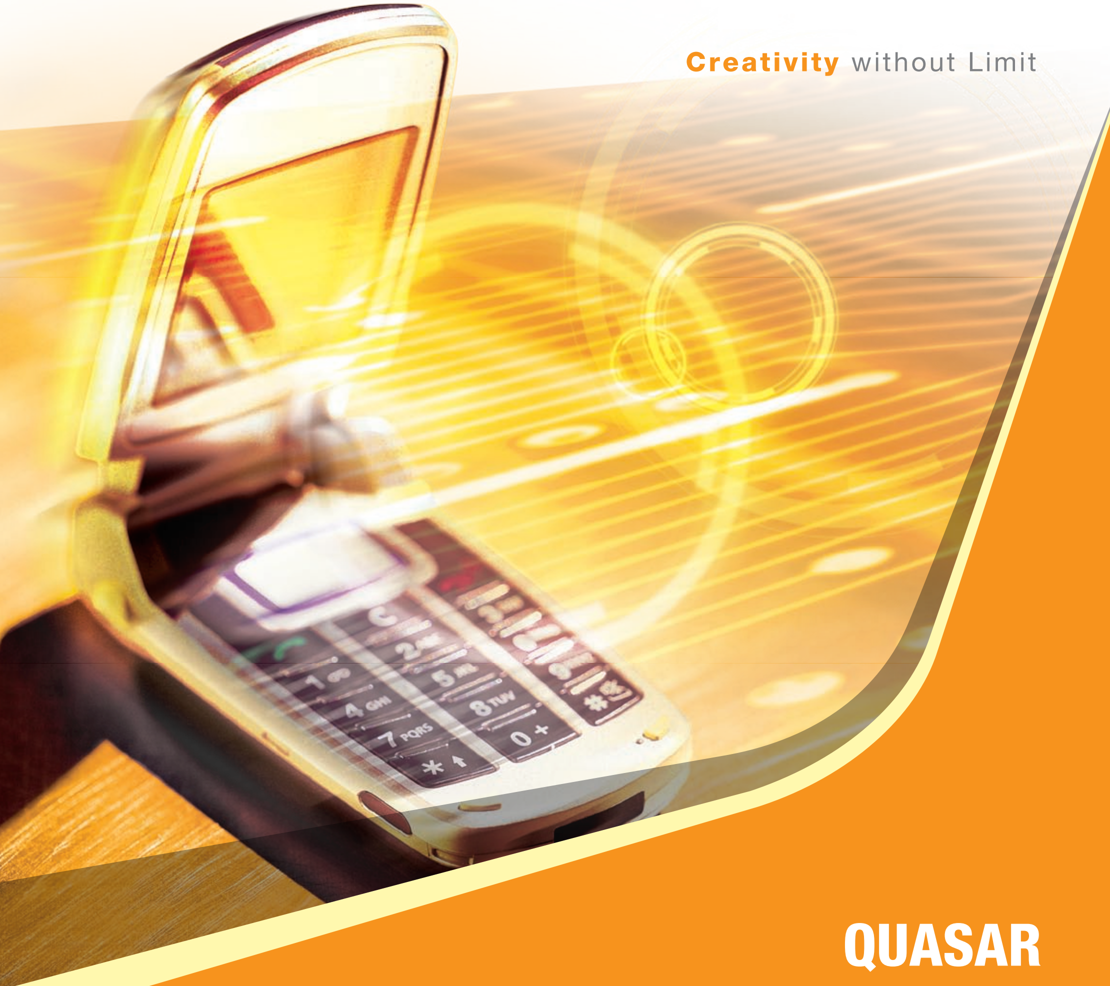
QUASAR
COMMUNICATION TECHNOLOGY

Creativity without Limit



QUASAR
Communication Technology Holdings Limited

(Stock Code: 8171)

*Interim Report **2008***

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. 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 trade on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

- Reported a revenue of approximately HK$51,520,000 for the six months ended 30 June 2008
- Incurred a net loss after tax of approximately HK$21,253,000 and a basic loss per share of HK3.62 cents for the six months ended 30 June 2008

CONSOLIDATED INCOME STATEMENT

The board (the "Board") of directors of QUASAR Communication Technology Holdings Limited (the "Company") presents the unaudited consolidated results of the Company and its subsidiaries (together, the "Group") for the six months and the three months ended 30 June 2008, together with the unaudited comparative amounts for the corresponding periods in 2007, as follows:

		Six months ended 30 June		**Three months ended 30 June**	
	Notes	**2008**	2007	**2008**	2007
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		Unaudited	Unaudited	**Unaudited**	Unaudited
REVENUE	*3*	**51,520**	172,758	**30,267**	89,397
Cost of sales		**(50,022)**	(158,974)	**(30,314)**	(83,005)
Gross profit/(loss)		**1,498**	13,784	**(47)**	6,392
Other income and gains	*3*	**192**	568	**93**	477
Administrative and other operating expenses		**(20,717)**	(6,187)	**(18,222)**	(3,875)
Finance costs		**(518)**	(925)	**(152)**	(480)
Other impairment losses		**(1,691)**	–	**(846)**	–
Profit/(loss) before tax	*5*	**(21,236)**	7,240	**(19,174)**	2,514
Tax	*6*	**(17)**	(800)	**(17)**	(800)
Profit/(loss) for the period		**(21,253)**	6,440	**(19,191)**	1,714
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					
Basic	*7*	**(3.62) cents**	1.22 cents	**(3.27) cents**	0.33 cents
Diluted	*7*	**N/A**	N/A	**N/A**	N/A

CONSOLIDATED BALANCE SHEET

The unaudited consolidated balance sheet as at 30 June 2008, together with the audited consolidated balance sheet as at 31 December 2007, were as follows:

	Notes	**30 June 2008** *HK$'000* **Unaudited**	31 December 2007 *HK$'000* Audited
NON-CURRENT ASSETS			
Property, plant and equipment		**356**	406
Deferred tax assets		**289**	306
Total non-current assets		**645**	712
CURRENT ASSETS			
Contract works in progress		**1,691**	3,382
Trade receivables	*8*	**46,554**	63,287
Prepayments, deposits and other receivables		**44,073**	35,095
Pledged time deposit		**15,157**	–
Cash and bank balances		**1,330**	24,742
Total current assets		**108,805**	126,506
CURRENT LIABILITIES			
Trade payables	*9*	**219**	–
Trust receipt loans		**10,892**	12,040
Other payables and accruals		**1,868**	4,752
Tax payable		**4,848**	5,046
Due to a related company		**221**	167
Total current liabilities		**18,048**	22,005
NET CURRENT ASSETS		**90,757**	104,501
Net assets		**91,402**	105,213
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	*10*	**5,865**	5,865
Reserves		**85,537**	99,348
		91,402	105,213

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Company						
	Issued capital	Share premium	Warrant reserve	Share option reserve	Capital reserve	(Accumulated losses)/ Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(Note 1)*	*HK$'000*	*HK$'000*
Unaudited							
At 1 January 2008	5,865	68,379	2,060	–	11,157	17,752	105,213
Loss for the period	–	–	–	–	–	(21,253)	(21,253)
Equity-settled share option arrangements	–	–	–	7,442	–	–	7,442
At 30 June 2008	5,865	68,379	2,060	7,442	11,157	(3,501)	91,402
Unaudited							
At 1 January 2007	5,265	51,579	–	–	11,157	25,951	93,952
Profit for the period	–	–	–	–	–	6,440	6,440
At 30 June 2007	5,265	51,579	–	–	11,157	32,391	100,392

Note:

1. 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	
	2008	2007
	HK$'000	*HK$'000*
	Unaudited	Unaudited
Net cash outflows from operating activities	**(7,100)**	(1,931)
Net cash outflows from investing activities	**(15,164)**	–
Net cash outflows from financing activities	**(1,148)**	(697)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(23,412)**	(2,628)
Cash and cash equivalents at beginning of the period	**24,742**	23,571
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**1,330**	20,943
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**1,330**	20,943

Notes:

1. CORPORATE INFORMATION

QUASAR Communication Technology Holdings Limited was a limited liability company incorporated in the Cayman Islands. The registered office of the Company was located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is situated at 26/F, No. 9 Des Voeux Road West, Hong Kong.

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

2.1 BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Basis of presentation

The interim condensed consolidated financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2007.

Accounting policies

The accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 December 2007.

The Group has adopted the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial statements. Except for in certain cases, giving rise to additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangement
HK(IFRIC)-Int 14	HKAS19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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

HK(IFRIC)-Int 11 HKFRS 2 – Group and Treasury Share Transactions

This interpretation requires arrangements whereby an employee is granted rights to the Group's equity instruments, to be accounted for as an equity-settled scheme, even if the Group buys the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. The adoption of this interpretation did not have any effect on the financial position or performance of the Group.

HK(IFRIC)-Int 12 Service Concession Arrangements

This interpretation requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. As the Group currently has no such transactions, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 14 HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

This interpretation provides guidance on how to assess the limit under HKAS 19 Employee Benefits, on the amount of a refund or reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when minimum funding requirements exist. The adoption of this interpretation did not have any effect on the financial position or performance of the Group.

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

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

HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 23 (Revised)	Borrowing costs [1]
HKAS 27 (Revised)	Consolidated and Separated Financial Statements [3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation [1]
HKFRS 2 (Amendment)	Share-based Payment: Vesting Conditions and Cancellations [1]
HKFRS 3 (Revised)	Business Combinations [3]
HKFRS 8	Operating Segments [1]
HK (IFRIC)-Int 13	Customer Loyalty Programmes [2]
HK (IFRIC)-Int 15	Agreements for Construction of Real Estate [1]
HK (IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation [4]

[1] *Effective for annual periods beginning on or after 1 January 2009*

[2] *Effective for annual periods beginning on or after 1 July 2008*

[3] *Effective for annual period beginning on or after 1 July 2009*

[4] *Effective for annual period beginning on or after 1 October 2008*

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

3. REVENUE, OTHER INCOME AND GAINS

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

An analysis of revenue and other income is as follows:

	Six months ended 30 June		Three months ended 30 June	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	Unaudited	Unaudited	**Unaudited**	Unaudited
Revenue				
Sales of goods	**51,520**	172,758	**30,267**	89,397
Other income and gains				
Bank interest income	**147**	201	**52**	110
Exchange gains, net	**3**	–	**2**	–
Others	**42**	367	**39**	367
	192	568	**93**	477

4. SEGMENTAL INFORMATION

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

No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in Mainland China.

5. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30 June		Three months ended 30 June	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cost of inventories recognized as expense	**50,022**	158,974	**30,314**	83,005
Auditors' remuneration	**240**	176	**90**	88
Minimum lease payments under operating lease in respect of land and buildings	**238**	225	**119**	113
Depreciation	**57**	46	**29**	23
Impairment of contract work in progress	**1,691**	–	**846**	–
Amortisation of prepaid licence fees	**–**	400	**–**	400
Employee benefits expense, including directors' remuneration				
– wages, salaries and others	**1,822**	2,465	**762**	1,246
– equity-settled share option expenses	**7,442**	–	**7,442**	–
– pension scheme contributions	**7**	52	**(16)**	26
	9,271	2,517	**8,188**	1,272

6. TAX

No profits tax or income tax has been provided for the period as the Group did not generate any assessable profits. Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong for the six month period ended 30 June 2007. 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.

	Six months ended 30 June		**Three months ended 30 June**	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current tax – Hong Kong				
Charge for the period	**–**	800	**–**	800
Deferred tax				
Charges for the period	**17**	–	**17**	–
	17	800	**17**	800

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

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

A diluted earnings/(loss) per share for the period has not been disclosed as the share options and warrants outstanding during the period had an anti-dilutive effect on basic earnings/(loss) per share. A diluted earnings per share for the six months ended 30 June 2007 has not been disclosed as no diluting events existed during that period.

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

	Six months ended 30 June		**Three months ended 30 June**	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	Unaudited	Unaudited	**Unaudited**	Unaudited
Profit/(loss) attributable to equity holders of the Company, used in the basic earnings/(loss) per share calculation	**(21,253)**	6,440	**(19,191)**	1,714

	Number of shares			
	Six months ended 30 June		**Three months ended 30 June**	
	2008	2007	**2008**	2007
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	**586,451,500**	526,451,500	**586,451,500**	526,451,500

8. TRADE RECEIVABLES

	30 June 2008	31 December 2007
	HK$'000	*HK$'000*
	Unaudited	Audited
Trade receivables	**47,765**	64,498
Impairments	**(1,211)**	(1,211)
	46,554	63,287

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

An aged analysis of the trade receivables as at 30 June 2008 and 31 December 2007, based on the invoice date, is as follows:

	30 June 2008	31 December 2007
	HK$'000	*HK$'000*
	Unaudited	Audited
Within 1 month	**8,994**	14,477
1 to 2 months	**9,675**	21,680
2 to 3 months	**8,505**	14,988
Over 3 months	**19,380**	12,142
	46,554	63,287

The movement in provision for impairment of trade receivables are as follows:

	30 June 2008 *HK$'000* **Unaudited**	31 December 2007 *HK$'000* Audited
At 1 January	**1,211**	907
Impairment loss recognised during the period/year	**–**	304
	1,211	1,211

9. TRADE PAYABLES

An aged analysis of the trade payables as at 30 June 2008 and 31 December 2007, based on the invoice date, is as follows:

	30 June 2008 *HK$'000* **Unaudited**	31 December 2007 *HK$'000* Audited
Within 1 month	**219**	–

10. SHARE CAPITAL

	30 June 2008 *HK$'000* **Unaudited**	31 December 2007 *HK$'000* Audited
Authorised:		
1,000,000,000 ordinary shares of HK$0.01 each	**10,000**	10,000
Issued and fully paid:		
586,451,500 ordinary shares of HK$0.01 each	**5,865**	5,865

11. SHARE OPTION SCHEME

Pursuant to a written resolution of all the shareholders of the Company passed on 16 July 2002, the Company adopted a share option scheme (the "Scheme") for the purpose of providing incentive to directors and eligible employees and, unless otherwise cancelled or amended, will expire on 30 July 2012. Under the Scheme, the directors of the Company may grant options to eligible employees, including executive directors of the Company, and any of its subsidiaries, to subscribe for shares in the Company.

On 9 April 2008, the Company granted a total of 40,000,000 share options to the directors and eligible employees under the Scheme of the Company. As at 30 June 2008, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 40,000,000, representing 6.82% of the shares of the Company in issue.

Details of the options granted under the Scheme and outstanding at 30 June 2008 are as follows:

Grantee	Date of grant	Option period	Outstanding as at 1 January 2008	Granted during the period	Exercise during the period	Outstanding as at 30 June 2008	Exercise price per share option *HK$*
Directors							
Xiang Xin	9 Apr 2008	9 Apr 2008- 8 Apr 2013	–	5,000,000	–	5,000,000	0.28
Wong Chak Keung	9 Apr 2008	9 Apr 2008- 8 Apr 2013	–	5,000,000	–	5,000,000	0.28
Li Tan Yeung, Richard	9 Apr 2008	9 Apr 2008- 8 Apr 2013	–	5,000,000	–	5,000,000	0.28
Cho Hui Jae	9 Apr 2008	9 Apr 2008- 8 Apr 2013	–	5,000,000	–	5,000,000	0.28
Sze Lin Tang	9 Apr 2008	9 Apr 2008- 8 Apr 2013	–	2,500,000	–	2,500,000	0.28
Leung Wing Kin	9 Apr 2008	9 Apr 2008- 8 Apr 2013	–	2,500,000	–	2,500,000	0.28
Zhang Zhan Liang	9 Apr 2008	9 Apr 2008- 8 Apr 2013	–	2,500,000	–	2,500,000	0.28
Employees	9 Apr 2008	9 Apr 2008- 8 Apr 2013	–	12,500,000	–	12,500,000	0.28
			–	40,000,000	–	40,000,000	

Note:

i. The options are measured using the Black-Scholes Option Pricing Model (the "Model") which was performed by an independent valuer, RHL Appraisal Limited. The inputs into the Model are summarised as follows:

Date of grant	9 April 2008
Expected volatility	97.99%
Expected life (year)	5
Risk-free interest rate	2.113%
Expected annual dividend yield	Nil
Fair value per option (HK$)	0.18606

ii. The volatility measured at the standard deviation of expected share price is based on statistical analysis of daily shares over the period of five years from the date immediately preceding the grant date. The above calculation is based on the assumption that there is no material difference between the expected volatility over the whole life of the share options and the historical volatility of the Company shares set out above.

iii. The risk free rate is being yield of 5-year Hong Kong Exchange Fund Notes as at the date of grant.

iv. The Company recognised total expenses of approximately HK$7,442,000 for the six months ended 30 June 2008 in relation to share options granted.

v. The closing market price per ordinary share of HK$0.01 each of the Company immediately before the date on which the options were granted as quoted in the Hong Kong Stock Exchange's daily quotation sheets was HK$0.23.

All the share options were granted to each grantee at a consideration of HK$1.

No relevant share options had been exercised, cancelled or lapsed during the six months ended 30 June 2008.

12. OPERATING LEASES COMMITMENTS

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging of 2 to 5 years.

At 30 June 2008, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2008	31 December 2007
	HK$'000	*HK$'000*
	Unaudited	Audited
Within one year	**410**	410
In the second to fifth year inclusive	**71**	675
	481	1,085

13. CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities at the balance sheet date.

The Company had the following contingent liabilities as at the balance sheet date:

	30 June 2008	31 December 2007
	HK$'000	*HK$'000*
	Unaudited	Audited
Corporate guarantee given in respect of banking facilities granted to certain subsidiaries:		
Maximum amount granted to the subsidiaries	**50,000**	50,000
Amount of facilities utilised by the subsidiaries	**10,892**	12,040

14. POST BALANCE SHEET EVENTS

(i) Pursuant to an ordinary resolution passed on 24 September 2008, the authorised share capital of the Company was increased from HK$10,000,000 divided into 1,000,000,000 shares of HK$0.01 each (each a "Share") to HK$300,000,000 divided into 30,000,000,000 Shares by creation of an additional 29,000,000,000 Shares.

(ii) Pursuant to a special resolution passed on 24 September 2008, subject to and conditional upon the approval of the Registrar of Companies in the Cayman Islands, the name of the Company be changed from "Quasar Communication Technology Holdings Limited" to "China Trends Holdings Limited 中國趨勢控股有限公司".

15. INTERIM DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2008 (six months ended 30 June 2007: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2008, the Group recorded a turnover of approximately HK$51,520,000 (six months ended 30 June 2007: HK$172,758,000), representing a decrease of 70%. The decrease in turnover was due to the fierce competition in the current business operations of the Group.

For the six months ended 30 June 2008, the Group recorded a loss of approximately HK$21,253,000 (six months ended 30 June 2007: profit of HK$6,440,000). The loss incurred in the current period was mainly due to the drop in the profit margin of the current business operations, compensation paid to customers and the equity-settled share option expenses in relation to the share option granted in the current period.

OPERATION REVIEW

The Group is principally engaged in sales and marketing of mobile phone appliance and the relevant parts solution in Mainland China market. As set out in the annual report of the Company for the year ended 31 December 2007, as there is fierce competition in the current business operations of the Group, the Board has been seeking opportunities to increase the business scope and the foundation of the Group. In view of the intense competition and falling profit margin, the Company is actively seeking opportunities to other business with higher return than the existing business.

(a) Pursuant to a non-legally binding memorandum of understanding dated 18 December 2007 (the "MOU 1") entered into between the Company and Ocean Space Development Limited (the "Vendor"), an independent third party, the Company was in negotiation with the Vendor for the potential acquisition (the "Proposed Acquisition") of the entire issued share capital of a company which will in turn own the controlling stakes in a PRC company which is engaging in lift door advertisement publications and convenience store door advertisement publications in certain major cities of the PRC. Pursuant to the MOU 1, the to be determined purchase consideration of the Proposed Acquisition is intended to be satisfied by the Company (i) in cash, or (ii) by allotment and issue of new shares of the Company at an issue price of HK$0.35 per share, or (iii) issue of convertible bonds carrying rights to convert into new shares of the Company at a conversion price of HK$0.35 per share, or (iv) issue of promissory notes of the Company, or (v) a combination of any of the above. In return for the granting of the exclusive right for 90 days commencing from the date of signing of the MOU 1 to negotiate the terms of the Proposed Acquisition by the Vendor, the Company was required to place a refundable deposit in the sum of HK$40 million to the Vendor, of which HK$30 million has been paid during the year ended 31 December 2007.

On 18 March 2008 and 7 July 2008, the Company entered into supplemental memorandum of understanding with the Vendor, pursuant to which, the exclusive negotiation period has been extended to 30 June 2008 and 30 September 2008, respectively.

On 20 September 2008, the Company entered into supplemental memorandum of understanding with the Vendor, pursuant to which, the exclusive negotiation period was further extended until the completion of the due diligence review on the Proposed Acquisition and the Company should have the right to terminate the MOU 1 with a three-month prior notice. In addition, the refundable deposit would be decreased from HK$40 million to HK$5 million and the Vendor was required to refund HK$25 million already paid by the Company to the Company or its nominees.

(b) On 28 January 2008, the Company entered into a non-legally binding memorandum of understanding (the "MOU 2") with China Innovation Investment Limited ("China Innovation") (previously known as Sino Technology Investments Company Limited), a then independent third party and a company listed on the Main Board of the Stock Exchange of Hong Kong Limited, in respect of the strategic co-operation in the civil and military dual-use optoelectronic industry. Pursuant to the MOU 2, China Innovation will base on its first-right of refusal to invest in two LED optoelectronic projects of 中國兵器工業集團公司 (China North Industries Group Corporation "CNGC") to provide support to the Company on the manufacturing, assembling and development of LED optoelectronic products and related civil and military dual-use products. The Company will provide strategic solutions and distribution channels to the CNGC's optoelectronic enterprises, which are principally engaged in manufacturing of LED optoelectronic products and are also subject to potential investment by China Innovation.

On 18 March 2008, the Company entered into a cooperation letter of intent (the "LI") with China Innovation and 南京北方信息產業集團有限公司 (Nanjing North Information Industry Group Co., Ltd. "NNII"), a wholly owned subsidiary of CNGC. Pursuant to the LI, the Company, China Innovation and NNII will jointly participate in the share restructuring of 南京北方慧華光電有限公司 (Nanjing North Weihaw Optics Electronics Co., Ltd. "NNWO") which is currently controlled by NNII. Upon completion of the restructuring, NNWO will continue to regard civil and military dual-use optoelectronic products as its principal scope of business. NNWO shall carry out the share restructuring based on its net assets and the total number of shares of NNWO after share restructuring shall be 120,000,000 at Renminbi 1.0 per share.

The new shareholding structure of NNWO upon completion of the share restructuring shall be as follows: (i) Renminbi 54,000,000 shall be contributed in aggregate by the former shareholders and staff company of NNWO, representing 45% of the capital; (ii) Renminbi 36,000,000 shall be contributed by China Innovation, representing 30% of the capital; and (iii) technology and distribution channels with an equivalent value of Renminbi 30,000,000 (subject to appraisal results) shall be contributed by the Company, representing 25% of the capital.

On 18 June 2008, the Company entered into a Cooperation framework agreement (the "Co-op Framework Agreement") with China Innovation and 北京北方光靈公司 (China Opto-Electro Industries Co. Ltd "COEI"), a wholly owned subsidiary of CNGC. Pursuant to the Co-op Framework Agreement, the Company and China Innovation will be granted a first right of refusal to acquire not more than 30% equity interest or not more than 30 million shares of COEI under the capital restructuring of COEI. Furthermore, the Company and China Innovation will contribute their first right of refusal to invest in the two LED Optoelectronic projects and NNWO into COEI.

(c) On 1 February 2008, the Company entered into a non-legally binding memorandum of understanding (the "MOU 3") with Chi Mei Optoelectronics Corporation ("CMO"), an independent third party and the common shares of which are listed on the Taiwan Stock Exchange, and its wholly owned subsidiary, in respect of the overall co-operation in the LED new lighting products and the LCD related commercial products and technologies. Pursuant to the MOU 3, the Company will (i) provide product specification of the market demand for the purpose of research and development and production of the LED new lighting products; (ii) establish demonstration centres for the LED new lighting products in major cities of the PRC; and (iii) provide distribution channels for the LED new lighting products in the PRC. On the other hand, CMO and its subsidiary will (i) provide the parts for the LED new lighting products as well as procure suppliers of related parts and components; (ii) provide the assembling and manufacturing flow process of LED new lighting products and training to the manufacturers designated by the Company; (iii) use its commercially best effort to ensure long-term stable supply of parts and components and other up-stream products to the manufacturers designated by the Company of LED new lighting products or any new manufacturing entities to be established by the Company in the future; and (iv) use its commercially best effort to provide to the Company the LCD related commercial products and other final products.

We will strive to maintain our market share in the current business operations at the same time explore new businesses, such as the media and advertisement publication, civil and military dual-use optoeletronic and consumer electronic products as mentioned above, so as to bring a reasonable return to our shareholders.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

The Group continued to finance its operation and expenditure mainly through internally generated fund.

The Group maintained a healthy liquidity position with a current ratio of approximately 6.03 (30 June 2007: 4.51) and total cash and bank balances amounted to approximately HK$16,487,000 (30 June 2007: HK$20,943,000) including pledged deposits of HK$15,157,000 (30 June 2007: nil) placed in banks for securing banking facilities available to two subsidiaries. As at 30 June 2008, the gearing ratio based on total debts over total equity was approximately 11.92% (30 June 2007: 12.17%).

CAPITAL STRUCTURE AND FLUCTUATION IN EXCHANGE

There was no movement in the capital structure during the six months ended 30 June 2008.

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 2008, 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 2008, there was a total of 7 (30 June 2007: 22) staff employed by the Group. The staff costs, including directors' remuneration, for the six months period ended 30 June 2008 were approximately HK$1,829,000 (six months period ended 30 June 2007: HK$2,517,000). The total amount comprised salaries, wages and allowance, medical and insurance coverage, pension fund scheme and discretionary bonus. In addition, the Group recognised total expenses of approximately HK$7,442,000 for the six months ended 30 June 2008 in relation to share option granted.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS

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

As at 30 June 2008 and 31 December 2007, neither the Group nor the Company had any significant commitments.

CHARGE AND CONTINGENT LIABILITIES

There were guarantees to the extent of HK$50,000,000 (30 June 2007: HK$50,000,000) given to banks by the Company in respect of banking facilities available to certain wholly owned subsidiaries. As at 30 June 2008, there was pledge of time deposit in the amount of approximately HK$15,157,000 by the Company.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARE CAPITAL

As at 30 June 2008, 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:

SHARE OPTIONS

Name of Director	Date of grant	Exercise period	Capacity	Exercise price per share *HK$*	No. of underlying share of the Company comprised the Options outstanding as at 30 June 2008	Approximate percentage of interest
Xiang Xin	9 Apr 2008	9 Apr 2008 to 8 Apr 2013	Beneficiary owner	0.28	5,000,000	0.85%
Li Tan Yeung Richard	9 Apr 2008	9 Apr 2008 to 8 Apr 2013	Beneficiary owner	0.28	5,000,000	0.85%
Wong Chak Keung	9 Apr 2008	9 Apr 2008 to 8 Apr 2013	Beneficial owner	0.28	5,000,000	0.85%
Cho Hui Jae	9 Apr 2008	9 Apr 2008 to 8 Apr 2013	Beneficial owner	0.28	5,000,000	0.85%
Sze Lin Tang	9 Apr 2008	9 Apr 2008 to 8 Apr 2013	Beneficial owner	0.28	2,500,000	0.43%
Leung Wing Kin	9 Apr 2008	9 Apr 2008 to 8 Apr 2013	Beneficial owner	0.28	2,500,000	0.43%
Zhang Zhan Liang	9 Apr 2008	9 Apr 2008 to 8 Apr 2013	Beneficial owner	0.28	2,500,000	0.43%

Save as disclosed above, as at 30 June 2008, none of the directors and 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 2008, 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
Kwon Ikjoo	Beneficial owner	39,000,000	6.65%
Jo Won Seob	Beneficial owner	81,200,000	13.85%
Shenyin Wanguo Strategic Investments (H.K.) Limited *(note 1)*	Beneficial owner	20,000,000	3.41%
Shenyin Wanguo Trading (H.K.) Ltd. *(note 1)*	Beneficial owner	20,900,000	3.56%
Shenyin Wanguo (H.K.) Limited *(note 1)*	Corporate interests	40,900,000	6.97%
Pretty Profit Enterprises Ltd.	Beneficial owner	60,000,000	10.23%
Cheung Chun Yip *(note 2)*	Corporate interests	60,000,000	10.23%

Notes:

1. The entire issued share capital of Shenyin Wanguo Strategic Investments (H.K.) Limited and Shenyin Wanguo Trading (H.K.) Ltd. 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.) Ltd..

2. Pretty Profit Enterprises Ltd is a private company wholly and beneficially owned by Ms. Cheung Chun Yip.

Save as disclosed above, as at 30 June 2008, 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.

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.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

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. Sze Lin Tang. Mr. Leung Wing Kin and Mr. Zhang Zhan Liang.

The Committee and the auditors have already reviewed the Group's unaudited consolidated interim results for the six months ended 30 June 2008.

BREACH OF GEM LISTING RULES

The delay in announcement of the unaudited results and despatch of the interim report of the Company for the six months ended 30 June 2008 constitute breaches of Rules 18.53 and 18.78 of the GEM Listing Rules. In this regard, the Stock Exchange has indicated that it reserves the rights to take appropriate actions against the Company and/or the Directors.

DIRECTORS OF THE COMPANY

As at the date of this report, the executive Directors are Mr. Xiang Xin, Mr. Yang Xiao Ming Mr. Wong Chak Keung and Mr. Cho Hui Jae and the independent non-executive Directors are Mr. Sze Lin Tang, Mr. Leung Wing Kin and Mr. Zhang Zhan Liang.

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

Hong Kong, 14 October 2008