



FAST SYSTEMS TECHNOLOGY (HOLDINGS) LIMITED

東光集團有限公司*

(incorporated in the Cayman Islands with limited liability)

2001 Half-Year Interim Report

* *For identification purpose only*

Characteristics of The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (The “Stock Exchange”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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

This interim report, for which the directors of Fast Systems Technology (Holdings) Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of giving information with regard to Fast Systems Technology (Holdings) Limited. The directors of Fast Systems Technology (Holdings) Limited, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this interim 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 interim report misleading; and (3) all opinions expressed in this interim report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



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2001 HALF-YEAR INTERIM REPORT

FINANCIAL RESULTS (UNAUDITED)

The board of directors (the "Board" or the "Directors") of Fast Systems Technology (Holdings) Limited (Note 1) (the "Company") is pleased to announce the unaudited combined results of the Company and its subsidiaries (collectively the "Group") for the three months and six months ended 30th June, 2001 respectively, together with the comparative unaudited figures for the corresponding periods in 2000 (collectively the "Relevant Periods") as follows:

| | Notes | Three months ended 30th June | | Six months ended 30th June | |
|--|-------|---------------------------------|-------------------|-------------------------------|-------------------|
| | | 2001 HK\$ '000 | 2000 HK\$ '000 | 2001 HK\$ '000 | 2000 HK\$ '000 |
| Turnover | 2 | 9,772 | 11,704 | 23,858 | 21,165 |
| Cost of sales | | (8,024) | (10,140) | (19,907) | (18,002) |
| Gross profit | | 1,748 | 1,564 | 3,951 | 3,163 |
| Other revenues | | 76 | 92 | 210 | 130 |
| Operating expenses | | | | | |
| Distribution costs | | (388) | (282) | (718) | (413) |
| Administrative expenses | | (1,948) | (1,396) | (3,937) | (2,653) |
| Other operating income, net | | 489 | 165 | 971 | 178 |
| Operating (loss)/profit | | (23) | 143 | 477 | 405 |
| Finance costs | | (123) | (35) | (178) | (95) |
| (Loss)/profit before taxation | | (146) | 108 | 299 | 310 |
| Taxation | 3 | (28) | (17) | (109) | (50) |
| (Loss)/profit attributable to shareholders | | (174) | 91 | 190 | 260 |
| Basic (loss)/earnings per share | 4 | <u>(0.03) cents</u> | <u>0.02 cents</u> | <u>0.03 cents</u> | <u>0.04 cents</u> |

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Notes:

1. Basis of preparation

The Company was incorporated in the Cayman Islands on 18th January, 2001 as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands.

Pursuant to a group reorganisation to rationalize the group structure (the “Reorganisation”) in preparation for the public listing of the Company’s shares on the GEM of the Stock Exchange, the Company became the ultimate holding company of the Group on 21st July, 2001. The shares of the Company were successfully listed on the GEM on 10th August, 2001. The combined results of the Group for the Relevant Periods have been prepared as if the Company had owned 100% of all the existing subsidiaries and Li An Watch Company Limited (“Li An Watch”), a subsidiary disposed of subsequent to 31st December, 2000 pursuant to the Reorganisation, throughout the Relevant Periods or since their respective dates of incorporation or dates of effective acquisition by the Group, whichever is a shorter period.

The principal accounting policies adopted in preparing the unaudited combined results conform with accounting principles generally accepted in Hong Kong.

All significant intra-group transactions and balances have been eliminated when combined.

2. Turnover

Turnover comprised the net invoiced value (excluding value-added tax) of merchandise sold net of allowances for returns and discounts.

3. Taxation

| | Three months ended | | Six months ended | |
|----------------------|--------------------|------------------|-------------------|------------------|
| | 30th June 2001 | 2000 | 30th June 2001 | 2000 |
| | <i>HK\$ '000</i> | <i>HK\$ '000</i> | <i>HK\$ '000</i> | <i>HK\$ '000</i> |
| Hong Kong profit tax | 28 | 0 | 67 | 0 |
| Overseas taxation | 0 | 17 | 42 | 50 |
| | <u>28</u> | <u>17</u> | <u>109</u> | <u>50</u> |

Hong Kong profits tax has been provided for at the rate of 16% on the respective estimated assessable profits of companies within the Group operating in Hong Kong during the Relevant Periods.

Overseas taxation represented tax charge on the estimated assessable profits of the subsidiary and a Taiwan branch operating in the PRC and Taiwan respectively, calculated at rates prevailing in the respective countries.

The subsidiary which operates in the PRC is subject to a preferential income tax rate of 15% on its taxable profit. The subsidiary has been granted full exemption from the enterprises income tax for two years from its first profit-making year, for tax purposes, (being the year ended 31st December, 1998) followed by a 50% reduction in tax rate for the next three years.

The branch of the Group which operates in Taiwan is subject to an income tax rate of 30% on any estimated assessable profits. The Taiwan branch has no assessable profit chargeable to income tax for the Relevant Periods.

No recognition of the potential deferred taxation asset relating to tax losses has been made as the recoverability of this potential deferred taxation asset is uncertain.

4. Loss/earnings per share

The calculation of the basic (loss)/profit per share for the three months and six months ended 30th June, 2001 is based on the respective unaudited combined (loss)/profit attributable to shareholders of HK\$(174,000) and HK\$190,000 (2000: HK\$91,000 and HK\$260,000) and the weighted average number of 600,000,000 (2000: 600,000,000) ordinary shares outstanding and on the Reorganisation of the Group is deemed to have been in issue since 1st January, 2000.

Diluted earnings per share for the Relevant Periods was not disclosed as there were no dilutive potential ordinary shares.

5. No movement had been made to and from reserves during the Relevant Periods.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th June, 2001 (2000: Nil).

BUSINESS OBJECTIVES REVIEW

As this interim report covers activities up to 30th June, 2001 only, all business objectives stated in the paragraph headed "Statement of business objectives" in the section headed "Future plans and prospects" of the Company's prospectus which was issued on 27th July, 2001 are still in progress and no further update is applicable.

BUSINESS REVIEW

For the six months ended 30th June, 2001, the Group recorded a turnover of approximately HK\$23,858,000. Profit attributable to shareholders of the Group for the six months ended 30th June, 2001 was approximately HK\$190,000, representing a decrease of approximately HK\$70,000 compared to that of the six months ended 30th June, 2000, as the demand for sapphire watch crystals decreased in the second quarter of the year.

The Taiwanese market was hit severely by the slow down in demand for sapphire watch crystals and the Company will try to market aggressively in the Switzerland to maintain healthy sales growth in 2001.

PROSPECTS

Although the Internet industry is not growing as expected in last year, the demand for broadband has risen substantially. As the best transmission method to satisfy the demand for high-speed and huge-capacity data communication, the global market for fiber optic communications has grown rapidly during these two years with an annual growth rate of approximately 20 per cent.. It is expected to grow at even higher rate in the near future due to the trend of utilizing optical fiber to replace traditional copper wire as the medium for transmission.

Driven by the accelerating growth rate in the fiber optic industry, there have been shortages of ceramic ferrules, the critical component of fiber optic connector. The Group will soon install machineries and equipments in the People's Republic of China to meet the increasing demands for its products.

The Board is optimistic about the Group's future performance as the Group is currently position well in the sapphire watch crystals market and the fiber optic market and will offer further growth potential for the Group.

DIRECTORS' INTERESTS IN SECURITIES

As at 10th August, 2001, the date of listing of the Company's shares on the GEM, the interests of the Directors in the shares of the Company as recorded in the register required to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

| Name | Number of Shares | Nature of interests | Percentage of interests |
|--------------------|------------------|--|-------------------------|
| Mr. Liao Lien Shen | 80,000,000 | corporate interests <i>through his holding of the entire issued shares of and in Grandford Holdings Limited</i> | 13.33% |
| Mr. Liao Ko Ping | 30,203,336 | personal interests | 5.03% |
| Ms. Ma Chin Jong | 210,000,000 | corporate interests <i>through her holding of the entire issued shares of and in Dynasty Resources Limited</i> | 35.00% |

DIRECTORS' RIGHT TO SUBSCRIBE FOR EQUITY OR DEBT SECURITIES

Save as disclosed above, none of the Directors or their spouse or children under the age of 18 was granted by the Company or any of its subsidiaries any right to subscribe for equity or debt securities of the Company or any body corporate, or had exercised any such right as at 10th August, 2001.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 10th August, 2001, according to the register required to be kept under Section 16(1) of the SDI Ordinance, the following persons (in addition to the interests of Mr. Liao Lien Shen, Mr. Liao Ko Ping (Note 1) and Ms. Ma Chin Jong (Note 1) disclosed above) were interested in 10 per cent. or more of the issued share capital of the Company:

| Name | Number of shares | Percentage of issued share |
|---------------------------------|------------------|----------------------------|
| OMAX Technologies Inc. (Note 2) | 66,666,666 | 11.11% |

Notes:

1. Mr. Liao Ko Ping and Ms. Ma Chin Jong are spouses and their deemed interest in the Company was 240,203,336 shares representing approximately 40.03% of the entire issued share capital of the Company.
2. By virtue of section 8(2)(a) of the SDI Ordinance, Mr. Huang Ching Fang, Mr. Huang Ching Yun, Mr. Huang Sheng Chia and Mr. Kodo Yasumasa, being the beneficial shareholders of OMAX Technologies, Inc. who are collectively entitled to exercise or control the exercise of more than one-third of the voting power at general meetings of OMAX Technologies, Inc. are deemed to be interested in 66,666,666 shares of the Company.

Save as disclosed above, the Company has not been notified of any other interests representing 10% or more of the entire issued share capital of the Company as at 10th August, 2001.

MANAGEMENT SHAREHOLDERS' INTERESTS

Other than the interests disclosed above in respect of the substantial shareholders, Directors and their associates, as at 10th August, 2001, the following persons are individually and/or collectively entitled to exercise or control the exercise of five per cent. or more of the voting power at the general meetings of the Company and are able, as a practicable manner, to direct or influence the management of the Company:

| Name | Number of Shares beneficially held | Approximate percentage of issued shares |
|---------------------------------------|------------------------------------|---|
| Mr. Chang Wu Hsiung (<i>Note 1</i>) | 56,130,000 | 9.36% |

Note:

1. Mr. Chang Wu Hsiung is a senior management employee of the Group.

OUTSTANDING SHARE OPTIONS

On 21st July, 2001, the Company adopted a share option scheme (the "Share Option Scheme"), the principal terms of which are set out in the section headed "Share Option Scheme" in appendix IV to the Company's prospectus dated 27th July, 2001. Since the adoption of the Share Option Scheme, the Company has not granted any option under the Share Option Scheme to its Directors and employees.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Up to 10th August, 2001, there had been no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

INTEREST OF SPONSORS

TIS Securities (Hong Kong) Limited ("TIS Securities") and CSC Asia Limited ("CSC Asia") have entered into a sponsorship agreement with the Company whereby, TIS Securities and CSC Asia will receive a fee for acting as the Company's continuing sponsors for the period from 10th August, 2001 to 31st December, 2003.

None of TIS Securities and CSC Asia, their directors, employees and associates, has any interest in the securities of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group as at 10th August, 2001.

COMPETING INTERESTS

As at 10th August, 2001, none of the Directors or the substantial shareholders or the management shareholders of the Company or their respective associates (as defined in the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”)) had an interest in a business that competed with or might compete with the business of the Group.

AUDIT COMMITTEE

As required by Rule 5.23 of the GEM Listing Rules, the Company has established an audit committee with written terms of reference which deal clearly with its authority and duties. The audit committee’s principal duties are the review and supervision of the Company’s financial reporting process and internal control systems. The audit committee has met once since its formation in August 2001.

By Order of the Board
Liao Lien Shen
Chairman

Hong Kong, 15th August, 2001