



FAST SYSTEMS TECHNOLOGY (HOLDINGS) LIMITED
東光集團有限公司*
(incorporated in the Cayman Islands with limited liability)

2002 First Quarterly 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 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 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 report.

This report, for which the directors of Fast Systems Technology (Holdings) Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. 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.



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QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31ST MARCH, 2002

HIGHLIGHTS

- The Group has recorded total turnover of HK\$9,274,000 for the three months ended 31st March, 2002.
- The Group has recorded a net profit attributable to shareholders for the three months ended 31st March, 2002 of HK\$100,000, representing a basis earnings per share of HK\$0.02 cent.
- The Directors do not recommend the payment of a dividend for the three months ended 31st March, 2002.

QUARTERLY FINANCIAL RESULTS (UNAUDITED)

The board of directors (the "Board" and "Directors") of Fast Systems Technology (Holdings) Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the three months ended 31st March, 2002, together with the comparative unaudited figures for the corresponding period in 2001 as follows:

	Notes	For the three months ended	
		31st March	
		2002	2001
		HK\$'000	HK\$'000
Turnover	2	9,274	14,086
Cost of sales		(6,931)	(11,883)
Gross profit		2,343	2,203
Other revenues		14	134
Operating expenses			
Distribution costs		(146)	(330)
Administrative expenses		(1,765)	(1,989)
Other operating income, net		(252)	482
Operating profit		194	500
Finance costs		(74)	(55)
Profit before taxation		120	445
Taxation	3	(20)	(81)
Profit before taxation		100	364
Basic earnings per share (cents)	4	0.02	0.09

Basis of preparation

1. 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 (the “Reorganisation”) in preparation for the listing of its shares on GEM, the Company became the ultimate holding company of the Group on 21st July, 2001. Details of the Reorganisation are set out in the prospectus of the Company dated 27th July, 2001. The shares of the Company were successfully listed on GEM on 10th August, 2001. The results of the Group comprise the results of all companies now comprising the Group using the merger basis of accounting as if the current group structure had been in existence since 1st January, 2000, and where applicable, from their respective dates of incorporation or acquisition by the Group, whichever is later.

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

All significant intra-group transactions and balances have been eliminated on consolidation.

2. Turnover

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

3. Taxation

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 three months ended 31st March 2002 and its corresponding period in 2001.

Overseas taxation represented tax charge on the estimated assessable profits of a subsidiary and a Taiwan branch operating in the People’s Republic of China (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 enterprise 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 three months ended 31st March, 2002 and 31st March, 2001.

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.

	For the three months ended	
	31st March	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profit tax	10	39
Overseas taxation	10	42
	<u>20</u>	<u>81</u>

4. Earnings per share

The calculation of the basic earning per share for the three months ended 31st March, 2002 is based on Group's unaudited consolidated profit attributable to shareholders of HK\$100,000 and the weighted average number of 600,000,000 ordinary shares in issue during the quarter.

The basic earnings per share for the three months ended 31st March, 2001 is calculated based on the profit of HK\$364,000 and an aggregate of 403,333,336 ordinary shares, comprising 3,900,000 shares in issue subsequent to the Reorganisation and 399,433,336 shares issued pursuant to the capitalisation issue to the then shareholders of the Company which were deemed to have been in issue since 1st January, 2001.

Diluted earnings per share is not presented as the Company had no potential dilutive ordinary shares at 31st March, 2002 and 2001.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31st March, 2002 (2001: Nil).

BUSINESS REVIEW

For the three months ended 31st March, 2002, the Group recorded a turnover of approximately HK\$9,274,000. Profit attributable to shareholders of the Group for the three months ended 31st March, 2002 was approximately HK\$100,000 while that of the corresponding period in 2001 was approximately HK\$364,000. The reason for the decrease in the profit is that the demand for synthetic sapphire watch crystals has not recovered in the first quarter of this year.

The Taiwan market was hit severely by the slowdown in demand for synthetic sapphire watch crystals and the Taiwan branch was replaced with a new sales and purchasing agent in early January 2002 in order to reduce operating cost. The management of the Group worked aggressively in the Swiss market as the management of the Group is of the view that this market still offers a lot of potential for growth when the worldwide demand for quality wristwatches rebound.

PROSPECTS

The demand for synthetic sapphire watch crystals reduced substantially in the 4th quarter of 2001. However, the 1st quarter sales of the Group's synthetic sapphire watch crystals in 2002 recorded by the Group improved and the Board expected sales and orders in the second quarter of 2002 will rebound further.

The Group intends to capitalise on its contact with various prestigious Swiss wristwatch manufacturers and plans to enter into exclusive wristwatch distributorship agreement for the Taiwan region. The Board will consider other exclusive wristwatch distributorship agreements if available.

Though the economic in United States is still uncertain, the Board believes that fiber optic cable is the best transmission vehicle to satisfy the demand for high-speed and huge-capacity data communications and the global market for fiber optic communications will continue to grow in future. The Board also believes that the demand for fiber optic components will also grow due to the trend of utilising optical fiber to replace traditional copper wire as the medium for transmission.

The Group had completed the installation of machineries and equipments in the PRC for the production of ferrules. Final product certification by potential customers is expected to complete in early June 2002 and mass production of ferrules will start after product certification.

The Board is optimistic about the Group's future performance as the Group is currently well positioned in the synthetic sapphire watch crystals market and well prepared for the entrance into the fiber optic market which in turn, will offer further growth potential for the Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31st March, 2002, according to the register required to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), the interests of directors and chief executive of the Company and their associates (as defined in the GEM Listing Rules) in the shares of the Company were as follows:

Name	Number of Shares	Nature of interests	Percentage of interest
Mr. Liao Lien Shen	80,000,000	corporate interests <i>through his holding of the entire issued share capital of and in Grandford Holdings Limited</i>	13.33%
Mr. Liao Ko Ping (Note 1)	1,433,336	personal interests	0.24%
Ms. Ma Chin Jong (Note 1)	195,000,000	corporate interests <i>through her holding of the entire issued share capital of and in Dynasty Resources Limited</i>	32.50%

Save as disclosed above, none of the directors or chief executive of the Company 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 31st March, 2002.

Note

1. Mr. Liao Ko Ping and Ms. Ma Chin Jong are spouses and their deemed interest in the Company is 196,433,336 shares or 32.74% of the issued share capital of the Company.

SUBSTANTIAL SHAREHOLDER'S INTERESTS IN SECURITIES

As at 31st March, 2002, according to the register required to be kept under Section 16(1) of the SDI Ordinance, the following persons (in addition to interest of Mr. Liao Lien Shen, Mr. Liao Ko Ping and Ms. Ma Chin Jong 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. (<i>Note 1</i>)	74,776,666	12.46%

Note

- 1 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 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, are deemed to be interested in 74,776,666 Shares representing approximately 12.46% of the entire issued share capital of the Company. Mr. Huang Ching Fang is also interested in 2,670,000 shares of the Company which are held by Taiunion Investment Limited, a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Mr. Huang Ching Fang.

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 31st March, 2002.

MANAGEMENT SHAREHOLDERS' INTERESTS IN SECURITIES

Other than the interests disclosed above in respect of the substantial shareholders, Directors and chief executive of the Company and their associates (as defined in the GEM Listing Rules), as at 31st March, 2002, no other person is 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.

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 31st March, 2002, there were no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

INTERESTS 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, for a fee, TIS Securities and CSC Asia will act as the Company’s continuing sponsors for the period from 10th August, 2001 to 31st December, 2003.

None of TIS Securities, CSC Asia, their directors, employees and associates, as at 31st March, 2002, 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.

COMPETING INTERESTS

As at 31st March, 2002, none of the directors or the management shareholders of the Company or their respective associates (as defined in 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 comprises two independent non-executive directors, namely Mr. Tam Yeung Kai, Vicko and Mr. Cheng, Isaac. The chairman of the audit committee is Mr. Tam Yeung Kai, Vicko.

The audit committee last met on 14th May, 2002 to discuss matters in relation to the quarterly report ended 31st March, 2002.

By Order of the Board
Liao Lien Shen
Chairman

Hong Kong, 14th May, 2002