



FAST SYSTEMS TECHNOLOGY (HOLDINGS) LIMITED

東光集團有限公司*

(incorporated in the Cayman Islands with limited liability)

2004 Third Quarterly Report

* *For identification purpose only*

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

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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 of the Company, 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

1. The Group has recorded total turnover of approximately HK\$35,692,000 for the nine months ended 30th September, 2004.
2. The Group has recorded a net profit attributable to shareholders for the nine months ended 30th September, 2004 of approximately HK\$18,000, representing a basis earning per share of HK\$0.00 cent.
3. The Directors do not recommend the payment of a dividend for the nine months ended 30th September, 2004.

FINANCIAL RESULTS (UNAUDITED)

The board of directors (the “Board” or the “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 and nine months ended 30th September, 2004, together with the comparative unaudited figures for the corresponding period in 2003 (collectively the “Relevant Periods”) as follows:

	<i>Notes</i>	Three months ended 30th September,		Nine months ended 30th September,	
		2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Turnover	2	11,124	8,858	35,692	39,013
Cost of sales		(8,677)	(8,230)	(27,197)	(32,042)
Gross profit		2,447	628	8,495	6,971
Other revenues		0	16	3	24
Operating expenses					
Distribution costs		(231)	(334)	(652)	(814)
Administrative expenses		(1,957)	(2,000)	(6,124)	(5,861)
Other operating expenses		(267)	(318)	(761)	(990)
Operating (loss)/profit		(8)	(2,008)	961	(670)
Finance costs		(375)	(191)	(940)	(550)
(Loss)/Profit before taxation		(383)	(2,199)	21	(1,220)
Taxation	3	63	441	(3)	(12)
(Loss)/profit after taxation		(320)	(1,758)	18	(1,232)
Basic earnings per share	4	(0.05) cent	(0.29) cent	0.00 cent	(0.21) cent
Diluted earnings per share	4	(0.05) cent	(0.29) cent	0.00 cent	(0.20) cent

Basis of Preparation

1. Principal accounting policies

The principal accounting policies adopted in the preparation of these accounts are as per audited report 2003.

2. Turnover

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

3. Taxation

- (a) The amount of taxation charged to the consolidated profit and loss account represents:

		For the nine months ended 30th September,	
		2004	2003
	Notes	HK\$'000	HK\$'000
Hong Kong profit tax	(i)	—	—
Overseas taxation	(ii)	<u>3</u>	<u>12</u>
		<u><u>3</u></u>	<u><u>12</u></u>

Notes:

- (i) Hong Kong profits tax has been provided for at the rate of 17.5% (2003: 17.5%) on the respective estimated assessable profits of companies within the Group operating in Hong Kong during the year.
- (ii) Overseas taxation represented tax charge on the estimated assessable profits of two subsidiaries operating in the People's Republic of China (the "PRC"), calculated at rates prevailing in the respective areas.

One subsidiary which operates in the PRC is subject to income tax rate of 15% (2003: 15%) on its taxable profit. Another subsidiary has been granted full exemption from the enterprise income tax for two years from its first profit-making year, followed by a 50% reduction in tax rate for the next three years. This subsidiary was in loss-making position for the Relevant Periods and accordingly did not have any taxable profit.

- (b) 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 earnings per share for the nine months ended 30th September, 2004 is based on the Group's unaudited consolidated profit attributable to shareholders of HK\$18,000 and the weighted average number of 600,000,000 ordinary shares in issue during the period.

The calculation of the basic loss per share for the nine months ended 30th September, 2003 is based on the Group's unaudited consolidated loss attributable to shareholders of HK\$1,232,000 and the weighted average number of 600,000,000 ordinary shares in issue during the period.

The diluted earnings per share for the nine months ended 30th September, 2004 is calculated based on the profit of HK\$18,000, and the 613,069,307 ordinary shares deemed to be in issue during the year. The additional 13,069,307 ordinary shares represented 13,069,307 deemed free shares issued due to the difference between the fair market value of HK\$0.202 and the option striking price of HK\$0.158. The computation of diluted earnings per share for the nine months ended 30th September, 2004 does not assume the conversion of convertible notes since the conversion would result in an increase of earnings per share for the period. 60,000,000 share options were granted and US\$1,000,000 convertible notes were issued on 6th June, 2002 and 2nd January, 2004 respectively.

The diluted loss per share for the nine months ended 30th September, 2003 is calculated based on the loss of HK\$1,232,000 and the 613,069,307 ordinary shares deemed to be in issue during the year. The additional 13,069,307 ordinary shares represented 13,069,307 deemed free shares issued due to the difference between the fair market value of HK\$0.202 and the option striking price of HK\$0.158. 60,000,000 share options were granted on 6th June, 2002.

5. Reserves

There has been no movement of reserves, other than retained earnings, during the period (2003: Nil).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30th September, 2004 (2003: Nil).

BUSINESS REVIEW

Total turnover of the Group for the nine months ended 30th September, 2004 amounted to approximately HK\$35,692,000, representing a 8.5% decrease from that of approximately HK\$39,013,000 generated in the corresponding period in 2003. Profit attributable to shareholders of the Group for the nine months ended 30th September, 2004 was approximately HK\$18,000 while that of the corresponding period in 2003 was loss of approximately HK\$1,232,000. Although optoelectronics products division turned around and contributed a small profit to the Group, reduced contribution from sapphire watch crystals division and watches distribution division caused an overall decrease in profit.

Sapphire watch crystals division

The turnover of the sapphire watch crystals for the nine months ended 30th September, 2004 was approximately HK\$25,926,000 (2003: approximately HK\$26,900,000) representing a decrease of approximately HK\$974,000.

Watches distribution division

The turnover of the watches distribution division for the nine months ended 30th September, 2004 was approximately HK\$4,015,000 (2003: HK\$9,383,000) representing a decrease of approximately HK\$5,368,000.

Optoelectronics products division

The Group recorded a turnover of approximately HK\$5,751,000 for the nine months ended 30th September, 2004 (2003: HK\$2,730,000) representing an increase of approximately HK\$3,021,000.

Financial Review

The Group's unaudited consolidated turnover for the nine months ended 30th September, 2004 was approximately HK\$35,692,000, representing a decrease of 8.5% from the same period of last year. However, the gross profit for the nine months ended 30th September, 2004 was approximately HK\$8,495,000, representing an increase of 21.9% from the same period of last year. This was mainly attributed to drastically reduced depreciation in the optoelectronics products division after asset impairment provision made in the 2003 annual accounts.

Operating costs for the nine months ended 30th September, 2004 was approximately HK\$7,537,000, representing a decrease of approximately HK\$128,000 or 1.7% from the same period of last year.

PROSPECTS

Orders for synthetic sapphire watch crystals is expected to be stable in the fourth quarter of 2004.

The Board expects the sales from watch distribution division to improve with introduction of new models and new distributorship in the fourth quarter of 2004 and contribute positively to the Group's net profit for 2004.

The Group achieved sales of approximately HK\$5,751,000 for the nine months ended 30th September, 2004. The Board expects production and sales of ferrules in fourth quarter of 2004 can be further improved.

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 granted 60,000,000 share options under the Share Option Scheme to its directors and employees as follows:

	Options held at 1st January, 2004	Options granted during the year	Options held at 30th September, 2004	Exercise price HK\$	Grant Date	Exercisable from	Exercisable until
Liao Ko Ping	30,000,000	—	30,000,000	0.158	6th June, 2002	6th June, 2005	6th June, 2012
Liao Lien Shen	19,000,000	—	19,000,000	0.158	6th June, 2002	6th June, 2005	6th June, 2012
Continuous Contract employees	11,000,000	—	11,000,000	0.158	6th June, 2002	6th June, 2005	6th June, 2012

CONVERTIBLE NOTES

On 2nd January, 2004, the Company issued to Shuttle Inc., a company incorporated in Taiwan with its shares listed on the Taiwan Stock Exchange and is an independent third party to the Company, a Convertible Note (in the principal amount of US\$1,000,000) bears interest at the rate of 6% per annum which will mature on 30th June, 2006. The principal amount of the Convertible Note can be converted in full into 78,000,000 new shares of the Company (the "Conversion Shares") at a conversion price of HK\$0.10 per share.

The Conversion Shares (assuming conversion in full of the Convertible Note at the conversion price) represent approximately 13.00% of the existing issued ordinary share capital of the Company and approximately 11.50% of the issued ordinary share capital of the Company as enlarged by the Conversion Shares (assuming that up to the date of completion of the conversion, there will be no change in the issued ordinary share capital of the Company).

	Convertible Note held at 1st January, 2004	Convertible Note issued during the year	Convertible Note held at 30th September, 2004	Conversion price HK\$	Issue Date	Convertible from	Convertible until
Shuttle Inc.	—	US\$1,000,000	US\$1,000,000	0.10	2nd January, 2004	2nd January, 2004	30th June, 2006

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30th September, 2004, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors as referred to in Rule 5.4 of the GEM Listing Rules were as follows:

Long positions in shares

Name of Director	Note	No. of Shares held				Total
		Personal Interest	Family Interest	Corporate Interest	Other Interest	
Mr. Liao Lien Shen	1	—	—	80,000,000	—	80,000,000
Mr. Liao Ko Ping	2	1,233,336	—	195,000,000	—	196,233,336

Notes:

- 80,000,000 Shares are held by Grandford Holdings Limited which is wholly owned by Mr. Liao Lien Shen.
- 195,000,000 Shares are held by Dynasty Resources Limited which is wholly owned by Mr. Liao Ko Ping.

Save as disclosed above, as at 30th September, 2004, none of the directors and chief executive of the Company has any interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors as referred to in Rule 5.4 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDER'S INTERESTS IN SECURITIES

As at 30th September, 2004, the following persons (other than the directors and chief executive of the Company) had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Name of Shareholder	Capacity	Number of shares	Percentage of issued share
OMAX Technologies Inc.	Beneficial owner	74,776,666 (<i>Note 1</i>)	12.46%
TIS Securities (HK) Limited	Beneficial owner	13,760,000	2.29%
	Interests in controlled corporation	19,400,000 (<i>Note 2</i>)	3.23%

Notes:

1. By virtue of the provisions of the SFO, 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 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 representing approximately 0.45% of the entire issued share capital 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.
2. Such 19,400,000 shares were held by Taiwan International Capital (HK) Limited, which is a wholly owned subsidiary of TIS Securities (HK) Limited.

Save as disclosed above, as at 30th September, 2004, the directors were not aware of any other person (other than the directors and chief executives of the Company) who had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

MANAGEMENT SHAREHOLDERS' INTERESTS IN SECURITIES

Other than the interests disclosed above in respect of the substantial shareholders, the directors and chief executive of the Company and their associates (as defined in the GEM Listing Rules), as at 30th September, 2004, 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.

PURCHASE, SALE, REDEMPTION OR CANCELLATION OF SHARES BY THE COMPANY AND/OR SUBSIDIARIES

Neither the Company nor its subsidiaries has purchased, sold, redeemed or cancelled any of the Company's shares during the nine months ended 30th September, 2004.

BOARD PRACTICES AND PROCEDURES

The Company has complied with board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules during the nine months ended 30th September, 2004.

COMPETING INTERESTS

During the nine months ended 30th September, 2004, 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 5.28 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 three independent non-executive directors, namely Mr. Tam Yeung Kai, Vicko, Mr. Cheng, Isaac and Mr. Lam Ngai Ming. The chairman of the audit committee is Mr. Tam Yeung Kai, Vicko.

The audit committee last met on 11th November, 2004 to discuss matters in relation to the third quarter report for nine months ended 30th September, 2004.

By Order of the Board
Liao Ko Ping
Managing Director

Hong Kong, 11th November, 2004

Members of the Board:

Liao Lien Shen, *Chairman*

Liao Ko Ping, *Managing Director*

Liao Chin Te, *Executive Director*

Tam Yeung Kai, Vicko *Independent Non-executive Director*

Cheng, Isaac *Independent Non-executive Director*

Lam Ngai Ming *Independent Non-executive Director*