



FAST SYSTEMS TECHNOLOGY (HOLDINGS) LIMITED

東光集團有限公司*

(incorporated in the Cayman Islands with limited liability)

2005 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.

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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, 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\$28,075,000 for the six months ended 30th June, 2005.
2. The Group has recorded a net loss attributable to shareholders for the six months ended 30th June, 2005 of approximately HK\$1,341,000, representing a basis loss per share of HK\$0.22 cent.
3. The Directors do not recommend the payment of a dividend for the six months ended 30th June, 2005.

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 and six months ended 30th June, 2005, together with the comparative unaudited figures for the corresponding period in 2004 (collectively the “Relevant Periods”) as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	<i>Notes</i>	Three months ended 30th June,		Six months ended 30th June,	
		2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Turnover	2	13,377	15,366	28,075	24,568
Cost of sales		(11,508)	(12,062)	(23,673)	(18,520)
Gross profit		1,869	3,304	4,402	6,048
Other revenues	2	6	2	10	3
Operating expenses					
Distribution costs		(174)	(291)	(303)	(421)
Administrative expenses		(2,099)	(2,049)	(3,862)	(4,167)
Other operating expenses		(91)	(131)	(551)	(494)
Operating (loss)/profit		(489)	835	(304)	969
Finance costs		(443)	(273)	(1,037)	(565)
(Loss)/Profit before taxation		(932)	562	(1,341)	404
Taxation	3	0	(80)	0	(66)
(Loss)/profit after taxation		(932)	482	(1,341)	338
Basic (loss)/earnings per share	4	(0.16 cent)	0.08 cent	(0.22 cent)	0.06 cent
Diluted (loss)/earnings per share	4	(0.16 cent)	0.08 cent	(0.22 cent)	0.06 cent

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited	Audited
		30th June,	31st December,
		2005	2004
	<i>Note</i>	HK\$'000	HK\$'000
Non-current assets		<u>19,796</u>	<u>20,987</u>
Current assets	5	21,133	27,925
Current liabilities	6	<u>(18,836)</u>	<u>(25,281)</u>
Net current (liability)/assets		<u>2,297</u>	<u>2,644</u>
Total assets less current liabilities		<u>22,092</u>	<u>23,631</u>
Financed by:			
Shareholders' funds/(capital deficiency)		14,259	15,600
Obligation under finance lease — repayable over 1 year		33	231
Convertible notes		<u>7,800</u>	<u>7,800</u>
		<u>22,092</u>	<u>23,631</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For six months ended 30th June, 2005

	Unaudited Six months ended 30th June,	
	2005	2004
	HK\$'000	HK\$'000
Net cash inflow/(outflow) from operating activities	838	(8,935)
Net cash outflow from returns on investments and servicing of finance	(1,027)	(448)
Taxation paid	0	394
Net cash inflow from investing activities	1,680	551
Net cash (outflow)/inflow from financing	(3,099)	8,286
	<hr/>	<hr/>
(Decrease)/increase in cash and cash equivalents	(1,608)	(152)
Cash and cash equivalents at 1st January	2,984	4,081
	<hr/>	<hr/>
Cash and cash equivalents at 30th June	1,376	3,929
Analysis of the balances of cash and cash equivalents		
Pledged deposits	0	1,418
Bank balances and cash	1,376	2,511
	<hr/>	<hr/>
	1,376	3,929
	<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2005

	Share capital	Share premium	Contributed surplus	Revaluation reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2005	60,000	1,797	14,608	3,137	(63,942)	15,600
Net (loss) for the year	—	—	—	—	(1,341)	(1,341)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30th June, 2005	60,000	1,797	14,608	3,137	(65,283)	14,259
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 1st January, 2004	60,000	1,797	14,608	3,137	(58,146)	21,396
Net profit for the year	—	—	—	—	338	338
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30th June, 2004	60,000	1,797	14,608	3,137	(57,808)	21,734
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

BASIS OF PREPARATION

1. Principal accounting policies

The principal accounting policies adopted in the preparation of these accounts are as per audited report 2004.

2. Turnover, Business and Geographical Segments

Preliminary reporting format — business segment

Six months ended 30th June, 2005

	Synthetic sapphire watch crystals <i>HK\$'000</i>	Optoelectronic products <i>HK\$'000</i>	Watches distribution <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover	<u>18,390</u>	<u>3,363</u>	<u>6,322</u>	<u>28,075</u>
Segment results	<u>1,716</u>	<u>(477)</u>	<u>534</u>	1,773
Interest income				10
Unallocated expenses				<u>(2,087)</u>
Profit from operations				(304)
Finance costs				<u>(1,037)</u>
Profit before taxation				(1,341)
Income tax charge				<u>0</u>
Net profit for the year				<u>(1,341)</u>

Six months ended 30th June, 2004

	Synthetic sapphire watch crystals <i>HK\$'000</i>	Optoelectronic products <i>HK\$'000</i>	Watches distribution <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover	<u>18,351</u>	<u>3,649</u>	<u>2,568</u>	<u>24,568</u>
Segment results	<u>2,975</u>	<u>15</u>	<u>213</u>	3,203
Interest income				3
Unallocated expenses				<u>(2,237)</u>
Profit from operations				969
Finance costs				<u>(565)</u>
Profit before taxation				404
Income tax charge				<u>(66)</u>
Net profit for the year				<u>338</u>

Secondary reporting format — geographical segments

Turnover for six months ended 30th June

	2005 HK\$'000	2004 <i>HK\$'000</i>
Europe	8,590	14,219
Hong Kong	9,626	3,397
Taiwan	8,209	4,588
PRC	1,650	2,364
Total	28,075	24,568

3. Taxation

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

		For the six months ended 30th June,	
	<i>Notes</i>	2005 HK\$'000	2004 <i>HK\$'000</i>
Hong Kong profit tax	<i>(i)</i>	0	61
Overseas taxation	<i>(ii)</i>	0	5
		0	66

Notes:

- (i) Hong Kong Profits Tax was provided for at the rate of 17.5% (2004: 17.5%) on the respective estimated assessable profits of the companies within the Group operating in Hong Kong during the year. The Company and the subsidiaries operated in Hong Kong were in loss-making position for the current year and accordingly did not have any taxable profit.
- (ii) Taxation for other regions in the PRC represented tax charge on the estimated assessable profits of two PRC subsidiaries calculated at rates prevailing in the PRC. Both PRC subsidiaries were in loss-making position for the current year 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 basic loss per share for the six months ended 30th June, 2005 is based on the Group's net loss for the year of approximately HK\$1,341,000 (2004: approximately net profit of HK\$338,000) and on 600,000,000 (2004: 600,000,000) ordinary shares in issue during the year.

For the 6 months ended 30th June, 2005 and six months ended 30th June, 2004, the computation of diluted loss per share did not assume the exercise of the Company's outstanding share options and outstanding convertible note since their exercise would result in a decrease in loss per share.

5. Current assets

At 30th June, 2005, the balance of current assets included trade receivables of HK\$9,471,000 (31st December, 2004: HK\$12,334,000). The Group's terms on credit sales primarily range from 30 to 90 days.

The ageing analysis of the trade receivables at reporting date is as follows:

	30th June, 2005	31st December, 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	3,770	6,708
31 — 60 days	3,138	2,544
61 — 90 days	1,488	2,054
Over 90 days	1,075	1,028
	<hr/> 9,471 <hr/>	<hr/> 12,334 <hr/>

6. Current liabilities

At 30th June, 2005, the balance of current liabilities included trade payables of HK\$6,073,000 (31st December, 2004: approximately HK\$9,360,000). The ageing analysis of the trade payables at reporting date is as follows:

	30th June, 2005	31st December, 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	1,604	3,719
31 — 60 days	985	1,788
61 — 90 days	1,211	663
Over 90 days	2,273	3,190
	<hr/> 6,073 <hr/>	<hr/> 9,360 <hr/>

7. Commitments

(a) Capital commitments

At 30th June, 2005, the Group had no capital commitments (2004: Nil) contracted but not provided for in respect of the purchases and construction of fixed assets.

(b) Commitments under operating leases

At 30th June, 2005, the Group had future aggregate minimum lease payments under noncancellable operating leases as follows:

	Land and buildings		Other fixed assets	
	30th June, 2005 HK\$'000	31st December, 2004 HK\$'000	30th June, 2005 HK\$'000	31st December, 2004 HK\$'000
Less than one year	160	160	—	2
More than one year and less than five years	13	94	—	—
	<u>173</u>	<u>254</u>	<u>—</u>	<u>2</u>

8. Contingent liabilities

At 30th June, 2005, the Group had no material contingent liabilities (31st December, 2004: Nil).

The Company provided unlimited corporate guarantee for bank facilities of subsidiaries aggregating to HK\$3,900,000 (31st December, 2004: HK\$9,624,710), of which a total of HK\$Nil (31st December, 2004: HK\$7,831,083) was utilised at 30th June, 2004.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th June, 2005 (2004: Nil).

BUSINESS REVIEW

Total turnover of the Group for the six months ended 30th June, 2005 amounted to approximately HK\$28,075,000, representing a 14.3% increase from that of approximately HK\$24,568,000 generated in the corresponding period in 2004. Loss attributable to shareholders of the Group for the six months ended 30th June, 2005 was approximately HK\$1,341,000 while that of the corresponding period in 2004 was approximately profit of HK\$338,000. Optoelectronics products division turned into loss in the first six months of 2005 due to heavy price competition. In addition reduced contribution from sapphire watch crystals division caused the Group to turn into loss in the first six months of 2005. Increase turnover from watch distribution division helped to reduce the net loss of the Group.

Sapphire watch crystals division

The turnover of the sapphire watch crystals for the six months ended 30th June, 2005 was approximately HK\$18,390,000 (2004: approximately HK\$18,351,000) representing an slight increase of approximately HK\$39,000.

Watches distribution division

The turnover of the watches distribution division for the six months ended 30th June, 2005 was approximately HK\$6,322,000 (2004: HK\$2,568,000) representing an increase of approximately HK\$2,754,000.

Optoelectronics products division

The Group recorded a turnover of approximately HK\$3,363,000 for the six months ended 30th June, 2005 (2004: HK\$3,649,000) representing a decrease of approximately HK\$286,000.

Financial Review

The Group's unaudited consolidated turnover for the six months ended 30th June, 2005 was approximately HK\$28,705,000, representing an increase of 14.3% from the same period of last year. However, the gross profit for the six months ended 30th June, 2005 was approximately HK\$4,402,000, representing a decrease of 27.2% from the same period of last year. This was mainly attributed to drastically reduced profit margin in both the sapphire watch crystal division and the optoelectronics products division.

Operating costs for the six months ended 30th June, 2004 was approximately HK\$4,716,000, representing a decrease of approximately HK\$366,000 or 7.2% from the same period of last year.

Liquidity and Financial Resources

As at 30th June, 2005, the Group had cash and bank balance of approximately HK\$1,376,000 which was approximately HK\$2,553,000 lower than that at 30th June, 2004.

As at 30th June, 2005, the Group had short term bank loans totaling approximately HK\$396,000. The bank loans were mainly to provide additional working capital for the Group. In addition, the Group had convertible bond of approximately HK\$7,800,000 to finance its fixed assets addition. As at 30th June, 2005, the Group had unutilized banking facilities totaling approximately HK\$3,900,000.

In view of the current cash position, the banking facilities available and the future cash flow from operation, the Directors believed that the Group has sufficient financial resources to meet its operation need.

Foreign Exchange

The Group normally uses receipts from customers and bank loans to pay its suppliers and meet its capital need. Receipt are mainly denominated in Swiss Francs, Hong Kong Dollar and Taiwan Dollar while payments are denominated in Euro, Swiss Francs, RMB, Taiwan Dollar and Hong Kong Dollar. While the Group does not currently engaged in hedging to manage its currency risk, as it considers the cost associated with such hedging arrangements would exceed the benefits, management will continue to monitor the relevant circumstances and will take such measures as it deem prudent.

PROSPECTS

Orders for synthetic sapphire watch crystals is expected to be stable in the third quarter of 2005. However, profit margin will be under pressure as Hong Kong customers are very price sensitive.

The Board expects the sales from watch distribution division to improve with introduction of new models in the second half year of 2005 and contribute positively to the Group's net profit for 2005.

The Group achieved sales of approximately HK\$3,362,000 for the six months ended 30th June, 2005 from optoelectronics products division. The Board expects to target the niche market that are under less competition.

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, 2005	Options granted during the year	Options held at 30th June, 2005	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 and listed in the Taiwan Stock Exchange, 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 and will mature on 30th June, 2006. The principal amount of the Convertible Note can be converted in full into 78,000,000 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, there will be no change in the issued ordinary share capital of the Company).

	Convertible Note held at 1st January, 2005	Convertible Note issued during the year	Convertible Note held at 30th June, 2005	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 June, 2005, 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			Other Interest	Total
		Personal Interest	Family Interest	Corporate 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:

1. 80,000,000 Shares are held by Grandford Holdings Limited which is wholly owned by Mr. Liao Lien Shen.
2. 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 June, 2005, 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 June, 2005, 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 June, 2005, 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 June, 2005, 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 three months ended 30th June, 2005.

BOARD PRACTICES AND PROCEDURES

The Company has complied with board practices and procedures as set out in Code on Corporate Governance Practices of the GEM Listing Rules during the six months ended 30th June, 2005.

COMPETING INTERESTS

During the six months ended 30th June, 2005, 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 August, 2005 to discuss matters in relation to the interim report for six months ended 30th June, 2005.

By Order of the Board
Liao Ko Ping
Managing Director

Hong Kong, 11th August, 2005