



**FAST SYSTEMS TECHNOLOGY (HOLDINGS) LIMITED**

**東 光 集 團 有 限 公 司\***

*(incorporated in the Cayman Islands with limited liability)*

**2006 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”)**

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*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\$10,980,000 for the three months ended 31st March, 2006.
2. The Group has recorded a net loss attributable to shareholders for the three months ended 31st March, 2006 of approximately HK\$413,000, representing a basis loss per share of HK\$0.07 cent.
3. The Directors do not recommend the payment of a dividend for the three months ended 31st March, 2006.

## QUARTERLY FINANCIAL RESULTS (UNAUDITED)

The board of directors (the “Board”) 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, 2006, together with the comparative unaudited figures for the corresponding period in 2005 as follows:

		<b>Three months ended 31st March</b>	
	<i>Notes</i>	<b>2006 HK\$'000</b>	2005 HK\$'000 (Restated)
Turnover	2	<b>10,980</b>	14,698
Cost of sales		<b>(8,881)</b>	(12,165)
Gross profit		<b>2,099</b>	2,533
Other revenues	2	<b>419</b>	4
Operating expenses			
Distribution costs		<b>(937)</b>	(629)
Administrative expenses		<b>(1,006)</b>	(1,263)
Other operating expenses		<b>(605)</b>	(460)
Operating (loss)/profit		<b>(30)</b>	185
Finance costs		<b>(383)</b>	(594)
(Loss)/Profit before taxation		<b>(413)</b>	(409)
Taxation	3	<b>0</b>	0
(Loss)/profit after taxation		<b><u>(413)</u></b>	<u>(409)</u>
Basic earnings per share	4	<b><u>(0.07) cent</u></b>	<u>(0.07) cent</u>
Diluted earnings per share	4	<b><u>(0.07) cent</u></b>	<u>(0.07) cent</u>

## BASIS OF PREPARATION

### 1. Principal accounting policies

The principal accounting policies adopted in the preparation of these accounts are consistent with those used in the preparation of the Group's audited report 2005.

### 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:

	<i>Notes</i>	<b>For the three months ended 31st March</b>	
		<b>2006</b>	2005
		<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Hong Kong profit tax	(i)	—	—
Overseas taxation	(ii)	—	—
Overprovisions in prior years		—	—
		<u>—</u>	<u>—</u>
		<u>—</u>	<u>—</u>

*Notes:*

- (i) Hong Kong Profits Tax was provided for at the rate of 17.5% (2005: 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 3 months ended 31st March 2006 is based on the Group's net loss for the year of approximately HK\$413,000 (2005: approximately HK\$409,000) and on 600,000,000 (2005: 600,000,000) ordinary shares in issue during the year.

For the 3 months ended 31st March 2006 and 3 months ended 31st March 2005, 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.

### **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the three months ended 31st March, 2006 (2005: Nil).

### **MANAGEMENT DISCUSSION AND ANALYSIS**

#### **Business Review**

For the three months ended 31st March, 2006, the Group recorded a turnover of approximately HK\$10,980,000 (2005: approximately HK\$14,698,000). Loss attributable to shareholders of the Group for the three months ended 31st March, 2006 was approximately HK\$413,000 while loss attributable to shareholders of the Group for the corresponding period in 2005 was approximately HK\$409,000. Although sales was reduced drastically, the loss for the period was not sharply increase due to managed cost saving and layoff in both synthetic sapphire watch crystal division and ferrules division in anticipation of reduced sales in both divisions.

#### **Sapphire watch crystals division**

The turnover of the sapphire watch crystals for the three months ended 31st March, 2006 was approximately HK\$5,385,000 (2005: approximately HK\$10,504,000) representing a decrease of approximately HK\$5,119,000 which was mainly due to decrease in sales to Hong Kong customers.

#### **Watches distribution division**

The Group's watch distribution division recorded a turnover of approximately HK\$4,626,000 for the three months ended 31st March, 2006 (2005: approximately HK\$2,874,000) representing an increase of approximately HK\$1,752,000. The significant increase in sales was mainly due to success in marketing of watches during first quarter of 2006.

## Optoelectronics products division

The Group's optoelectronics products division recorded a turnover of approximately HK\$969,000 for the three months ended 31st March, 2006 (2005: approximately HK\$1,320,000). Reduction in sales was mainly caused by management decision to concentrate the sales effort to serve high value added customers and thus sales to PRC customers was much lower in the first quarter of 2006.

## Prospects

The Board expects competition in the Hong Kong and Swiss market will still be very keen. However, the sales in the second quarter of 2006 would be stable.

The Board expects that the watch distribution division will generate more revenues in the next quarter and contribute positively to the Group's net profit for 2006.

The Board expects competition on standard ferrule market would be keen and is looking at ways to secure more orders from the specialized ferrules niche market, which offer better price and 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:

	<b>Options held at 1st January, 2006</b>	<b>Options granted during the year</b>	<b>Options held at 31st March, 2006</b>	<b>Exercise price HK\$</b>	<b>Grant Date</b>	<b>Exercisable from</b>	<b>Exercisable until</b>
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 bonds

On 2nd January, 2004, the Company issued a convertible note of US\$1 million (equivalent to approximately HK\$7.8 million) to Shuttle Inc., an independent third party. The convertible note bears interest at 6% per annum which is payable quarterly in arrear from the issue date of 2nd January 2004 to the maturity date of 30th June 2006. The convertible note is guaranteed by the Company and jointly guaranteed by directors, Mr. Liao Lien Shen and Mr. Liao Ko Ping. The holder of the convertible note is entitled to convert in full into 78,000,000 ordinary shares of the Company at any time before the maturity date at a conversion price of HK\$0.10 per ordinary share.

	Convertible Note held at 1st January, 2006	Convertible Note issued during the year	Convertible Note held at 31st March, 2006	Conversion price HK\$	Issued 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 31st March, 2006, 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	11,233,336	—	195,000,000	—	206,233,336

#### 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 31st March, 2006, 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 31st March, 2006, 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.

<b>Name of Shareholder</b>	<b>Capacity</b>	<b>Number of shares</b>	<b>Percentage of issued share</b>
OMAX Technologies Inc.	Beneficial owner	74,776,666 ( <i>Note 1</i> )	12.46%
TIS Securities (HK) Limited	Beneficial owner Interests in controlled corporation	13,760,000 19,400,000 ( <i>Note 2</i> )	2.29% 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 31st March, 2006, 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 31st March, 2006, 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 31st March, 2006.

## **BOARD PRACTICES AND PROCEDURES**

The Company has complied with board practices and procedures as set out in Rules 5.34 to 5.39 of the GEM Listing Rules during the three months ended 31st March, 2006.

## **COMPETING INTERESTS**

During the three months ended 31st March, 2006, 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. Chin Chang Ming, Ms. Sun Hsi Chen, and Mr. Lam Ngai Ming. The chairman of the audit committee is Mr. Chin Chang Ming.

The Company's financial statements for the first quarter ended 31st March, 2006 have been reviewed by the audit committee. The audit committee considered that the relevant financial statements have been prepared in compliance with the applicable accounting principles and requirements of the Stock Exchange, and disclosures have been fully made.

By Order of the Board  
**Liao Ko Ping**  
*Managing Director*

Hong Kong, 15th May, 2006