



**FAST SYSTEMS TECHNOLOGY (HOLDINGS) LIMITED**

**東光集團有限公司\***

*(incorporated in Cayman Islands with limited liability)*

**2006 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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*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\$39,880,000 for the nine months ended 30th September, 2006.
2. The Group has recorded a net loss attributable to shareholders for the nine months ended 30th September, 2006 of approximately HK\$924,000, representing a basic loss per share of HK\$0.15 cent.
3. The Directors do not recommend the payment of a dividend for the nine months ended 30th September, 2006.

## 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, 2006, together with the comparative unaudited figures for the corresponding period in 2005 (collectively the “Relevant Periods”) as follows:

	Notes	Three months ended 30th September,		Nine months ended 30th September,	
		2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000 (Restated)
Turnover	2	<b>15,178</b>	16,738	<b>39,880</b>	44,813
Cost of sales		<b>(12,986)</b>	(15,764)	<b>(31,952)</b>	(39,603)
Gross profit		<b>2,192</b>	974	<b>7,928</b>	5,210
Other revenues	2	<b>8</b>	1	<b>432</b>	11
Operating expenses					
Distribution costs		<b>(425)</b>	(121)	<b>(2,005)</b>	(424)
Administrative expenses		<b>(1,143)</b>	(3,066)	<b>(3,235)</b>	(6,797)
Other operating expenses		<b>(1,183)</b>	(11)	<b>(3,079)</b>	(562)
Operating (loss)/profit		<b>(551)</b>	(2,223)	<b>41</b>	(2,562)
Finance costs		<b>(231)</b>	(369)	<b>(965)</b>	(1,356)
(Loss)/Profit before taxation		<b>(782)</b>	(2,592)	<b>(924)</b>	(3,918)
Taxation	3	<b>106</b>	0	<b>0</b>	0
(Loss)/profit after taxation		<b>(676)</b>	(2,592)	<b>(924)</b>	(3,918)
Basic earnings per share	4	<b>(0.11) cent</b>	(0.43) cent	<b>(0.15) cent</b>	(0.65) cent
Diluted earnings per share	4	<b>(0.11) cent</b>	(0.43) cent	<b>(0.15) cent</b>	(0.65) cent

## BASIS OF PREPARATION

### 1. Principal accounting policies

The principal accounting policies adopted in the preparation of these accounts are as per 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/(credited) to the consolidated profit and loss account represents:

		For the nine months ended 30th September,	
	Notes	2006 HK\$'000	2005 HK\$'000
Hong Kong profit tax	(i)	—	—
Overseas taxation	(ii)	—	—
		<u>—</u>	<u>—</u>
		<u>—</u>	<u>—</u>

Notes:

- (i) Hong Kong profits tax has been provided for at the rate of 17.5% (2005: 17.5%) on the respective estimated assessable profits of 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 9 months ended 30th September, 2006 is based on the Group's net loss for the year of approximately HK\$924,000 (2005: approximately net loss of HK\$3,918,000) and on 600,000,000 (2005: 600,000,000) ordinary shares in issue during the year.

For the 9 months ended 30th September, 2006 and 9 months ended 30th September, 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.

#### **5. Reserves**

There has been no movement of reserves, other than retained earnings, during the period (2005: Nil).

### **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the nine months ended 30th September, 2006 (2005: Nil).

### **BUSINESS REVIEW**

Total turnover of the Group for the nine months ended 30th September, 2006 amounted to approximately HK\$39,880,000, representing a 11.0% decrease from that of approximately HK\$44,813,000 generated in the corresponding period in 2005. Loss attributable to shareholders of the Group for the nine months ended 30th September, 2006 was approximately HK\$820,000 while that of the corresponding period in 2005 was loss of approximately HK\$3,918,000. Reduced sales, continuing price pressure on optoelectronics products, low contribution from sapphire watch crystals division and watches distribution division caused an overall loss.

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

The turnover of the sapphire watch crystals for the nine months ended 30th September, 2006 was approximately HK\$17,022,000 (2005: approximately HK\$23,400,000) representing a decrease of approximately HK\$6,378,000.

#### **Watches distribution division**

The turnover of the watches distribution division for the nine months ended 30th September, 2006 was approximately HK\$19,455,000 (2005: HK\$16,195,000) representing an increase of approximately HK\$3,260,000.

## **Optoelectronics products division**

The Group recorded a turnover of approximately HK\$3,404,000 for the nine months ended 30th September, 2006 (2005: HK\$5,218,000) representing a decrease of approximately HK\$1,814,000.

## **FINANCIAL REVIEW**

The Group's unaudited consolidated turnover for the nine months ended 30th September, 2006 was approximately HK\$39,880,000, representing a decrease of 11.0% from the same period of last year. However, the gross profit for the nine months ended 30th September, 2006 was approximately HK\$7,928,000, representing an increase of 52.2% from the same period of last year. Although sales generated by optoelectronics products division was decreased by approximately HK\$1,814,000, it managed to reduced its loss in the first 9 months of 2006 due to controlled labour and production costs. In addition higher contribution from sapphire watch crystals division caused the Group to reduced its loss in the first 9 months of 2006. Contribution from watch distribution division was reduced due to lower markup to attract customers in Taiwan.

Operating costs for the nine months ended 30th September, 2006 was approximately HK\$8,319,000, representing an increase of approximately HK\$536,000 or 6.9% from the same period of last year. Increase in operating expenses was mainly attributable to the expanded Taiwan service centre to meet the increased sales of watches in Taiwan.

## **PROSPECTS**

Orders for synthetic sapphire watch crystals is expected to be weak in the fourth quarter of 2006.

The Board expects the sales from watch distribution division to improve with introduction of new models in the fourth quarter of 2006 and contribute positively to the Group's net profit for 2006.

The Group achieved sales of approximately HK\$3,404,000 from the optoelectronics products division for the nine months ended 30th September, 2006. The Board expects production and sales of ferrules in fourth quarter of 2006 remains low as the Board expects to concentrate its effort on the niche market that are under less competition and control its labour and production costs.

## 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, 2006	Options granted during the year	Options held at 30th September, 2006	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, 2006	Convertible Note expired during the year	Convertible Note held at 30th September, 2006	Conversion price	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

The Convertible Note was matured in 30th June, 2006, and was repaid in July 2006.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30th September, 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 5.46 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, 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 5.46 of the GEM Listing Rules.



## SUBSTANTIAL SHAREHOLDER'S INTERESTS IN SECURITIES

As at 30th September, 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	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, 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.

## **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, 2006.

## **COMPETING INTERESTS**

During the nine months ended 30th September, 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 nine months ended 30th September, 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, 14th November, 2006