



SYSCAN Technology Holdings Limited
矽感科技控股有限公司

INTERIM REPORT 2005

SYSCAN Technology Holdings Limited



Characteristics of The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “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 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 of Hong Kong Limited 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 howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors of SYSCAN Technology Holdings Limited 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 for the purpose of giving information with regard to SYSCAN Technology Holdings Limited. 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.



SYSCAN Technology Holdings Limited

矽感科技控股有限公司*

(Incorporated in Bermuda with limited liability)

HIGHLIGHTS

Facing a very competitive IT environment, the Group has decreased about 77% in turnover for the six-month period ended 30 June 2005. The Group recorded a turnover of approximately HK\$33 million for the first half-year of 2005. The decrease in turnover is mainly contributed by cutting the sales of LCD and CRT monitors. With the Group's effort in concentrating its core business of scanner products, the Group recorded a net loss of approximately HK\$25.1 million for the six-month period ended 30 June 2005, representing a substantial increase in loss by 787.7% over the same period last year.

For the three months ended 30 June 2005, the Group achieved sales of approximately HK\$19.1 million, representing a decrease of 53.3% over the same period last year. The Group has improved its gross margin from 17.4% to 33.4%.

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2005.

* for identification purposes only

FINANCIAL RESULTS

The board of directors (the "Board") of SYSCAN Technology Holdings Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months and the six months ended 30 June 2005 together with the comparative unaudited figures for the corresponding periods in 2004 as follows:

Condensed Consolidated Income Statement

	Notes	Three months ended June 30		Six months ended June 30	
		2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Turnover	2, 10	19,136	40,946	33,457	146,721
Cost of sales		(12,751)	(33,833)	(21,664)	(132,080)
Gross profit		6,385	7,113	11,793	14,641
Other Income	3	1,097	20,631	1,524	20,790
Provision for bad and doubtful receivables		(1,860)	(2,212)	(1,860)	(5,071)
Selling and marketing expenses		(2,881)	(4,713)	(5,260)	(9,706)
General and administrative expenses		(17,271)	(7,632)	(23,403)	(15,421)
Research and development expenses		(1,960)	(7,061)	(4,181)	(8,874)
(Loss)/Profit from operations		(16,490)	6,126	(21,387)	(3,641)
Interest income		16	20	32	200
Interest expense		(2,066)	(2,119)	(3,863)	(4,311)
Gain on deemed disposal of interest in a subsidiary		-	4,228	-	4,228
(Loss)/Profit before taxation	4	(18,540)	8,255	(25,218)	(3,524)
Taxation	5	-	(7)	(7)	(7)
(Loss)/Profit after taxation		(18,540)	8,248	(25,225)	(3,531)
Minority interests		86	257	164	708
(Loss)/Profit attributable to shareholders		(18,454)	8,505	(25,061)	(2,823)
(Loss)/Profit per share – Basic	6	HK(18.0) cents	HK8.3 cents	HK(24.5) cents	HK(2.8) cents
Dividend	11	-	-	-	-

FINANCIAL RESULTS (Cont'd)**Condensed Consolidated Statement of Changes in Equity**

	As at 1 January 2004 (Audited) HK\$'000	Elimination of Accumulated Losses HK\$'000	Movements HK\$'000	As at 30 June 2004 (Unaudited) HK\$'000
Share capital	1,024	–	–	1,024
Share premium	–	–	–	–
Capital reserve	198,068	–	–	198,068
Statutory reserve fund	439	–	–	439
Cumulative translation adjustments	1,592	–	196	1,788
Accumulated deficit	(141,563)	79,107	(2,823)	(65,279)
	<u>59,560</u>	<u>79,107</u>	<u>(2,627)</u>	<u>136,040</u>
		As at 1 January 2005 (Audited) HK\$'000	Movements HK\$'000	As at 30 June 2005 (Unaudited) HK\$'000
Share capital		1,024	–	1,024
Share premium		–	–	–
Capital reserve		198,068	–	198,068
Statutory reserve fund		439	–	439
Cumulative translation adjustments		1,272	233	1,505
Accumulated deficit		(85,496)	(25,061)	(110,557)
		<u>115,307</u>	<u>(24,828)</u>	<u>90,479</u>

FINANCIAL RESULTS (Cont'd)
Condensed Consolidated Balance Sheet

	Notes	As at 30 June 2005 (Unaudited) HK\$'000	As at 31 December 2004 (Audited) HK\$'000
Non-current assets			
Intangible assets	7	2,196	6,272
Properties, machinery and equipment		25,428	41,364
Properties under development		128,389	127,807
Interest in an associated company		10,434	17,241
Long-term investments		13,871	9,342
Total non-current assets		<u>180,318</u>	<u>202,026</u>
Current assets			
Inventories		27,259	33,355
Trade receivables	8	12,000	23,167
Prepayments, deposits and other receivables		22,311	16,467
Cash and bank balances		13,263	23,162
Amount due from an associated company		3,666	-
Total current assets		<u>78,499</u>	<u>96,151</u>
Current liabilities			
Short-term secured bank loans		(120,485)	(140,375)
Trade payables	9	(23,363)	(27,164)
Current portion of interest-bearing borrowings		(145)	(145)
Due to a director		(3)	(3)
Accruals and other payables		(22,719)	(8,760)
Total current liabilities		<u>(166,715)</u>	<u>(176,447)</u>
Net current liabilities		<u>(88,216)</u>	<u>(80,296)</u>
Total assets less current liabilities		<u>92,102</u>	<u>121,730</u>
Non-current liabilities			
Interest-bearing borrowings		(575)	(616)
		<u>91,527</u>	<u>121,114</u>
Minority interests		(1,048)	(5,807)
Net assets		<u>90,479</u>	<u>115,307</u>
Capital and reserves			
Share capital		1,024	1,024
Reserves		200,012	199,779
Accumulated deficit		(110,557)	(85,496)
Shareholders' equity		<u>90,479</u>	<u>115,307</u>

FINANCIAL RESULTS (Cont'd)
Condensed Consolidated Cash Flow Statement

	For the six months ended June 30	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Net cash inflow from operating activities	2,809	15,765
Net cash inflow/outflow from investing activities	11,818	(2,048)
Net cash inflow before financing activities	14,627	13,717
Net cash outflow/inflow from financing activities	(24,526)	3,608
Decrease/Increase in cash and bank balances	(9,899)	17,325
Cash and bank balances, beginning of the six-month period	23,162	24,759
Cash and bank balances, end of the six-month period	<u>13,263</u>	<u>42,084</u>

Notes:

1. Basis of presentation

The condensed interim financial statements have been prepared in accordance with the Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. The accounting policies adopted are consistent with those set out in the annual financial statements for the year ended 31 December 2004.

The condensed interim financial statements are unaudited, but have been reviewed by the audit committee.

In 2004, the HKICPA issued a number of new and revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards ("HKFRS") which are effective for accounting periods beginning on or after 1st January, 2005. The adoption of these HKFRS has no material impact on the Group's results of operations and financial position.

Significant transactions and balances among the companies comprising the Group have been eliminated on consolidation.

2. Turnover comprises the net invoiced value of merchandise sold after allowances for returns and discounts and exclusion of value-added tax.

FINANCIAL RESULTS (Cont'd)**3. Other income**

	For the three months ended June 30		For the six months ended June 30	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Sales of Patents	–	18,868	–	18,868
Written back of inventories	–	1,200	–	1,200
Sundries	1,097	563	1,524	722
	1,097	20,631	1,524	20,790

4. (Loss)/Profit before taxation

(Loss)/Profit before taxation was determined after charging (crediting):

	For the three months ended June 30		For the six months ended June 30	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Interest income	(16)	(20)	(32)	(200)
Interest expense	2,066	2,119	3,863	4,311
Depreciation	1,900	1,460	3,815	3,122
Amortisation	(88)	356	241	627

5. Taxation

No provision for Hong Kong profits tax was made as the Group had no assessable profit in Hong Kong during the three-month period and the six-month period ended 30 June 2005 (2004: Nil).

The United States subsidiary had no assessable profit subject to United States federal income tax and California State income tax and, consequently, was liable to California State income tax of approximately HK\$7,000 (2004: HK\$7,000), being the minimum amount for a company in a tax loss position.

No provision for Mainland China enterprise income tax was made as the Mainland China subsidiaries had no assessable profit during the three-month period and the six-month period ended 30 June 2005 (2004: Nil).

No provision for Taiwan income tax was made as the Group had no assessable profit in Taiwan during the three-month period and the six-month period ended 30 June 2005 (2004: Nil).

There was no significant unprovided deferred taxation for the three-month period and the six-month period ended 30 June 2005 (2004: Nil).

FINANCIAL RESULTS (Cont'd)**6. (Loss)/profit per share**

The calculation of the basic (loss)/profit per share for the three-month period and the six-month period ended 30 June 2005 respectively were based on the unaudited loss attributable to shareholders of approximately HK\$18,454,000 (2004: profit of HK\$8,505,000) for the three-month period ended 30 June 2005 and the unaudited loss attributable to shareholders of approximately HK\$25,061,000 (2004: loss of HK\$2,823,000) for the six-month period ended 30 June 2005 and on the weighted average number of approximately 102,364,328 shares (2004: 102,364,328 shares) in issue during the three-month period ended 30 June 2005 and approximately 102,364,328 shares (2004: 102,364,328 shares) in issue during the six-month period ended 30 June 2005.

No diluted (loss)/profit per share is presented as the outstanding employee share options are anti-dilutive.

7. Intangible assets

The amount represents the unamortised portion of software development fee at the end of the six-month period.

8. Trade receivables

	As at 30 June 2005 (Unaudited) HK\$'000	As at 31 December 2004 (Audited) HK\$'000
Trade receivables (net of provision)	<u>12,000</u>	<u>23,167</u>

The Group normally grants to its customers credit periods ranging from one to three months.

Aging analysis of trade receivables is as follows:

	As at 30 June 2005 (Unaudited) HK\$'000	As at 31 December 2004 (Audited) HK\$'000
Current to 90 days	8,896	17,961
91 to 180 days	1,309	-
Over 180 days	1,795	5,206
	<u>12,000</u>	<u>23,167</u>

FINANCIAL RESULTS (Cont'd)**9. Trade payables**

	As at 30 June 2005 (Unaudited) HK\$'000	<i>As at 31 December 2004 (Audited) HK\$'000</i>
<i>Trade creditors</i>	<u>23,363</u>	<u>27,164</u>

Aging analysis of trade payables is as follows:

	As at 30 June 2005 (Unaudited) HK\$'000	<i>As at 31 December 2004 (Audited) HK\$'000</i>
<i>Current to 90 days</i>	3,926	21,717
<i>91 to 180 days</i>	3,393	3,391
<i>Over 180 days</i>	16,044	2,056
	<u>23,363</u>	<u>27,164</u>

FINANCIAL RESULTS (Cont'd)**10. Turnover and segment information**

The Group's turnover and contribution to loss before taxation for the six-month period from 1 January to 30 June 2005, analyzed by principal activity and geographical location, are as follows:

	Turnover		Contribution to loss before taxation	
	2005 From 1 January to 30 June (unaudited) HK\$'000	2004 From 1 January to 30 June (unaudited) HK\$'000	2005 From 1 January to 30 June (unaudited) HK\$'000	2004 From 1 January to 30 June (unaudited) HK\$'000
<i>By principal activity:</i>				
- optical image capturing devices unit	26,323	19,388	9,278	1,935
- modules unit	2,405	3,640	847	363
- chips and other optoelectronic products unit	4,729	9,008	1,668	899
- LCD and CRT monitors unit	-	114,685	-	11,444
	33,457	146,721	11,793	14,641
Other income			1,524	20,790
Gain on deemed disposal of interest in a subsidiary			-	4,228
Interest income			32	200
Finance costs			(3,863)	(4,311)
Selling and marketing expenses			(5,260)	(9,706)
Provision for bad and doubtful receivables			(1,860)	(5,071)
General and administrative expenses			(23,403)	(15,421)
Research and development expenses			(4,181)	(8,874)
Taxation			(7)	(7)
Minority interests			164	708
			(25,061)	(2,823)

FINANCIAL RESULTS (Cont'd)**10. Turnover and segment information (Cont'd)**

b.

	Turnover		Contribution to loss before taxation	
	2005 From 1 January to 30 June (unaudited) HK\$'000	2004 From 1 January to 30 June (unaudited) HK\$'000	2005 From 1 January to 30 June (unaudited) HK\$'000	2004 From 1 January to 30 June (unaudited) HK\$'000
<i>By geographical location:</i>				
- Canada	43	-	15	-
- France	-	290	-	29
- Germany	73	192	26	19
- Korea	229	976	81	97
- Singapore	1,687	414	594	41
- Taiwan	69	83,619	24	8,344
- Hong Kong	395	92	139	10
- Mainland China	8,051	19,210	2,837	1,917
- Japan	-	312	-	31
- The United States of America	21,575	41,530	7,603	4,144
- The United Kingdom	-	5	-	1
- Spain	682	-	240	-
- Others	653	81	234	8
	33,457	146,721	11,793	14,641
Other income			1,524	20,790
Gain on deemed disposal of interest in a subsidiary			-	4,228
Interest income			32	200
Finance costs			(3,863)	(4,311)
Selling and marketing expenses			(5,260)	(9,706)
Provision for bad and doubtful receivables			(1,860)	(5,071)
General and administrative expenses			(23,403)	(15,421)
Research and development expenses			(4,181)	(8,874)
Taxation			(7)	(7)
Minority interests			164	708
			(25,061)	(2,823)

11. Interim dividend

The Board does not recommend the payment of an interim dividend for the three-month period and the six-month period ended 30 June 2005 (2004: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Facing a very competitive IT environment, the Group has decreased about 77% in turnover for the six-month period ended 30 June 2005. The Group recorded a turnover of approximately HK\$33 million for the first half-year of 2005. The decrease in turnover is mainly contributed by cutting the sales of LCD and CRT monitors. With the Group's effort in concentrating its core business of scanner products, the Group recorded a net loss of approximately HK\$25.1 million for the six-month period ended 30 June 2005, representing a substantial increase in loss by 787.7% over the same period last year.

For the three months ended 30 June 2005, the Group achieved sales of approximately HK\$19.1 million, representing a decrease of 53.3% over the same period last year. The Group has improved its gross margin from 17.4% to 33.4%. As at 30 June 2005, the Group has a total of HK\$13.2 million cash on hand and a total bank loan of approximately HK\$121.2 million. The Group's current ratio is at 0.47 times.

Research and development

For the three-month period ended 30 June 2005, the Group has continued its effort in strengthening its research and development team on existing, as well as, new products. The research and development expenses had been decreased by 72.2% as compared to the corresponding period last year.

The Group continues to refine the 2D barcode technology. Based on the 2D barcode technology, the Group has also developed a new credit card reader and ID card reader using the Group's CM code. The Group expects the first delivery of these machines very soon.

Production

The directors believe that the current production capacity can fulfill the production needs in the coming year.

Sales and Marketing

The Group has concentrated its efforts on selling its own proprietary optical image capturing devices units, modules units and chips and other optoelectronic products units which have much higher gross profit margins. The Group do not make any sales for LCD and CRT monitors unit due to the very competitive markets and very low profit margins.

Investment and Acquisition

During the six-month period ended 30 June 2005, the Group purchased 90% equity interest in Syscan Digital Systems Co., Ltd. at a consideration of RMB1.

Financial Resources and Liquidity

As at 30 June 2005, the Group has a cash balance of approximately HK\$13,263,000. The RMB-denominated total bank borrowing is HK\$113,208,000, secured by the Group's land use right and office premises in Shenzhen. These bank borrowings comprised: (1) two one-year term loan of RMB120,000,000 and US\$930,000, which will mature in April 2006 and August 2005 and (2) two mortgaged loans of RMB710,000 and RMB417,000 which will respectively mature in October 2012 and November 2007. The interest rates for the aforesaid bank loans range from 4.5% to 7.25%.

As at 30 June 2005, the total current assets over the total current liabilities is 0.47 times. The ratio of all liabilities to total assets is about 65.0%. As most sales are made in US dollar, no hedging arrangement is made to offset the exposures to fluctuations in exchange rates.

As at 30 June 2005, the Group has no contingent liability as the Directors are aware.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)**Intellectual Property**

The Directors believe that the intellectual property is an important asset of the Group as our revenue is based on the fruits of years of vigorous research and development as well as marketing efforts. As of 30 June 2005, the Group has 43 trademarks, product names and logos applications filed under processing in different countries and regions, of which 20 trademarks have been approved. In addition, the Group has been granted 91 patents and 64 patents are filed in different countries and regions under processing as of 30 June 2005.

Employees

As at 30 June 2005, the Group has approximately 355 employees. The Directors believe that good quality of its employees is a company asset which affects growth and improves profitability. Employees are remunerated according to their performance and work experience. In addition to basic salaries and retirement scheme, staff benefits include share options and performance bonus.

Future Prospects

The Group will continue to explore different business opportunities and will concentrate on its core business. The Group believes the introduction of the new 2D barcode products will bring significant contribution to the Group in the coming year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 30 June 2005, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (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 of Hong Kong Limited (the "Stock Exchange") pursuant to the required standards of dealing by directors of the Company as referred to in Rule 5.46 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") are as follows:

Long Positions in shares of the Company

Name	Number of ordinary shares held				Total	Percentage of issued share capital
	Personal interests	Family interests	Corporate interests	Other interests		
Mr Cheung Wai	720,000	-	10,310,000 (Note 2)	-	11,030,000	10.78%
Mr Darwin Hu	3,840,000	1,615,600 (Note 1)	-	-	5,455,600	5.33%
Mr Jin Qingjun	50,000	-	-	-	50,000	0.049%

Notes:

1. These shares were held by Mrs Sonya Hsiu-Yu Hu, the spouse of Mr Darwin Hu.
2. 4,800,000 shares and 5,510,000 shares were held by Haing Assets Limited and Simrita Investments Limited respectively (both companies are incorporated in the British Virgin Islands and are beneficially owned by Mr Cheung Wai).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS (Cont'd)**Long positions in underlying shares of the Company**

On 2 March 2000, the Company adopted Share Option Scheme A and Scheme B under which share options to subscribe for shares of the Company may be granted under the terms and conditions stipulated in Scheme A and Scheme B.

Share Option Scheme A ceased to be effective (save for the options granted) upon the listing of the Company on 14 April 2000. At the annual general meeting of the Company held on 26 April 2002, shareholders of the Company approved the adoption of a new Share Option Scheme C and the termination of Share Option Scheme B.

Since its adoption and up to 30 June 2005, no options have been granted to the Directors of the Company under both Share Option Scheme A and Scheme B.

Details of the options granted to the Directors and Chief Executive of the Company under Share Option Scheme B since its adoption and up to 30 June 2005 are as follows:

<u>Name</u>	<u>Date of grant</u> (dd/mm/yy)	<u>Exercise period</u> (dd/mm/yy)	<u>Subscription price per share</u>	<u>No. of underlying shares comprising the options granted</u>	<u>No. of underlying shares comprising the options exercised</u>	<u>No. of underlying shares comprising the options lapsed</u>	<u>No. of underlying shares comprising the options outstanding</u>
Mr Cheung Wai	19/6/2000	19/6/2001 to 18/6/2010	HK\$3.30	500,000	-	-	500,000
Mr Darwin Hu	19/6/2000	19/6/2001 to 18/6/2010	HK\$3.30	500,000	-	-	500,000
	17/1/2001	17/1/2002 to 16/1/2011	HK\$2.06	1,800,000	-	-	1,800,000
Mr Chan Man Ching	4/12/2004	4/12/2001 to 3/12/2010	HK\$1.016	50,000	-	-	50,000
				<u>2,850,000</u>	<u>-</u>	<u>-</u>	<u>2,850,000</u>

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS (Cont'd)**Scheme C**

<u>Name</u>	<u>Date of grant</u> (dd/mm/yy)	<u>Exercise period</u> (dd/mm/yy)	<u>Subscription price per share</u>	<u>No. of underlying shares comprising the options granted</u>	<u>No. of underlying shares comprising the options exercised</u>	<u>No. of underlying shares comprising the options lapsed</u>	<u>No. of underlying shares comprising the options outstanding</u>
Mr Chan Man Ching	14/5/2002	14/5/2003 to 13/5/2012	HK\$1.412	50,000	-	-	50,000
	12/11/2002	12/11/2003 to 11/11/2012	HK\$1.00	200,000	-	-	200,000
				250,000	-	-	250,000

Save as disclosed above, as at 30 June 2005, none of the directors had any interest or short positions in any shares, underlying shares or debentures of the Company or any of 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 required standards of dealing by directors of the Company as referred to in Rule 5.46 of the GEM Listing Rules.

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 30 June 2005, there was no other person (other than a director or chief executive of the Company) who had any 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.

Long positions in shares of the Company

<u>Name</u>	<u>Capacity</u>	<u>Nature of interests</u>	<u>Number of shares</u>	<u>Percentage of issued share capital</u>
Mr Cheung Wai (Note 1)	Beneficial owner	Personal & Corporate	11,030,000	10.78%
Mr Darwin Hu (Note 1)	Beneficial owner	Personal & Family	5,455,600	5.33%
Mr Joseph Liu (Note 2)	Beneficial owner	Personal & Family	7,200,000	7.03%

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS*(Cont'd)*

Notes:

1. *Details of the interests of Mr Cheung Wai and Mr Darwin Hu are duplicated in the section "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS" disclosed above.*
2. *In addition to 1,920,000 shares held by Mr Joseph Liu, 5,280,000 shares are held by Messrs Emmy Liu, Shirley Liu, Hui Chuan Liu and H. S. Liu, family associates of Mr Joseph Liu.*

EMPLOYEE SHARE OPTIONS

The Company has three employee share option schemes, namely Share Option Scheme A, Share Option Scheme B and Share Option Scheme C (collectively the "Schemes"). As at 30 June 2005, details of all the share options (including the options granted to the directors of the Company disclosed above in the sub-section "Long positions in underlying shares of the Company" under the section "DIRECTORS AND CHIEF EXECUTIVE'S INTERESTS") under the Schemes are as follows:

Scheme A

Class of optionees	Date of grant	Exercise period	Subscription price per share	Beginning of year	Number of underlying shares				
					Granted during the six-month period	Lapsed during the six-month period	Exercised during the six-month period	Balance as at 30 June 2004	
Directors, chief executive, management shareholders or substantial shareholders or their respective associates	-	-	-	-	-	-	-	-	
Optionees with options granted in excess of the individual limit	-	-	-	-	-	-	-	-	
Employees working under continuous employee contracts	2 March 2000	2 March 2000 to 1 March 2010	HK\$0.4844	2,124,000	-	(1,120,000)	-	1,004,000	
Suppliers of goods and services	-	-	-	-	-	-	-	-	
All other optionees	2 March 2000	2 March 2000 to 1 March 2010	HK\$0.4844	1,144,000	-	-	-	1,144,000	
					<u>3,268,000</u>	<u>-</u>	<u>(1,120,000)</u>	<u>-</u>	<u>2,148,000</u>

EMPLOYEE SHARE OPTIONS (Cont'd)

Scheme B

Class of optionees	Date of grant	Exercise period	Subscription price per share	Number of underlying shares				
				Beginning of year	Granted during the six-month period	Lapsed during the six-month period	Exercised during the six-month period	Balance as at 30 June 2005
Directors, chief executive, management shareholders or substantial shareholders or their respective associates	19 June 2000	19 June 2001 to 18 June 2010	HK\$3.30	1,000,000	-	-	-	1,000,000
	17 January 2001	17 January 2002 to 16 January 2011	HK\$2.06	1,800,000	-	-	-	1,800,000
Optionees with options granted in excess of the individual limit	-	-	-	-	-	-	-	-
Employees working under continuous employee contracts	12 July 2000	12 July 2001 to 11 July 2010	HK\$2.46	85,000	-	-	-	85,000
	4 December 2000	4 December 2001 to 3 December 2010	HK\$1.016	170,000	-	(50,000)	-	120,000
	17 January 2001	17 January 2002 to 16 January 2011	HK\$2.06	940,000	-	(10,000)	-	930,000
	13 August 2001	13 August 2002 to 12 August 2011	HK\$2.75	570,000	-	(100,000)	-	470,000
Suppliers of goods and services	-	-	-	-	-	-	-	-
All other optionees	4 December 2000	4 December 2001 to 3 December 2010	HK\$1.016	-	-	-	-	-
	17 January 2001	17 January 2002 to 16 January 2011	HK\$2.06	-	-	-	-	-
				4,565,000	-	(160,000)	-	4,405,000

EMPLOYEE SHARE OPTIONS (Cont'd)**Scheme C**

Class of optionees	Date of grant	Exercise period	Subscription price per share	Number of underlying shares				Balance as at 30 June 2005
				Beginning of year	Granted during the six-month period	Lapsed during the six-month period	Exercised during the six-month period	
Directors, chief executive, management shareholders or substantial shareholders or their respective associates	-	-	-	-	-	-	-	-
Optionees with options granted in excess of the individual limit	-	-	-	-	-	-	-	-
Employees working under continuous employee contracts	14 May 2002	14 May 2003 to 13 May 2012	HK\$1.412	1,660,000	-	-	-	1,660,000
	14 August 2002	14 August 2003 to 13 August 2012	HK\$1.00	1,135,000	-	(300,000)	-	835,000
	12 November 2002	12 November 2003 to 11 November 2012	HK\$1.00	250,000	-	-	-	250,000
	26 March 2003	26 March 2004 to 25 March 2013	HK\$1.00	1,847,000	-	(700,000)	-	1,147,000
	13 August 2003	13 August 2004 to 12 August 2013	HK\$1.00	280,000	-	-	-	280,000
Suppliers of goods and services	-	-	-	-	-	-	-	-
All other optionees	14 May 2002	14 May 2003 to 13 May 2012	HK\$1.412	-	-	-	-	-
	14 August 2002	14 August 2003 to 13 August 2012	HK\$1.00	700,000	-	-	-	700,000
	12 November 2002	12 November 2003 to 11 November 2012	HK\$1.00	100,000	-	-	-	100,000
				5,972,000	-	(1,000,000)	-	4,972,000

EMPLOYEE SHARE OPTIONS *(Cont'd)*

The Directors consider it inappropriate to value all the options that can be granted during the six-month period ended 30 June 2005 under all the schemes of the Company on the assumption that a number of factors crucial for the valuation cannot be determined. Such factors include the exercise period, the date of exercise and the conditions, such as performance targets, if any, that an option is subject to. Accordingly, any valuation of the options based on various speculative assumptions would be meaningless and misleading to the shareholders.

Save as disclosed above, during the six-month period ended 30 June 2005, none of the Directors, employees and eligible optionees of the Company or its subsidiaries were granted share options to subscribe for shares in the Company.

COMPETING INTERESTS

The Directors are not aware of, as at 30 June 2005, any business or interest of each Director, management shareholder and the respective associates of each that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six-month period ended 30 June 2005, there were no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

BOARD PRACTICES AND PROCEDURES

The Company has complied throughout the six-month period ended 30 June 2005 the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

AUDIT COMMITTEE

The Company established an audit committee (the "Committee") on 2 May 2000 with written terms of reference in compliance with the GEM Listing Rules. The Committee comprises three independent non-executive directors, namely Mr Lo Wai Ming, Mr Fong Chi Wah and Mr Jin Qingjun. The primary duties of the Committee are to review and supervise the financial reporting process and internal control systems of the Group.

The Committee (who were of the opinion that the preparation of the unaudited results for the six-month period ended 30 June 2005 has complied with applicable accounting standards, the Stock Exchange and legal requirements and that adequate disclosures had been made) has reviewed the Company's unaudited results for the six-month period ended 30 June 2005 and the draft of this report, and has provided advice and comments thereon.

By Order of the Board
SYSCAN Technology Holdings Limited
Cheung Wai
Chairman

Hong Kong, 12 August 2005