



SYSCAN Technology Holdings Limited

矽感科技控股有限公司

Stock code : 8083



SYSCAN

2007
Interim Report

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 increased about 12% in turnover for the six-month period ended 30 June 2007. The Group recorded a turnover of approximately HK\$43 million for the first half-year of 2007. The increase in turnover is mainly contributed by the Group's effort in promoting the Group's core products. With the Group's effort in concentrating its core business of scanner products, the Group recorded a net loss of approximately HK\$4 million for the six-month period ended 30 June 2007, representing a substantial decrease in loss by 64% over the same period last year.

For the three months ended 30 June 2007, the Group achieved sales of approximately HK\$23 million, representing an increase of 30% over the same period last year. Gross profit margin decrease from 35% in last year to 10% in current year due to the highly competitive market condition and exchange rate fluctuation. As at 30 June 2007, the Group has a total of HK\$4.9 million cash on hand and a total bank loan of approximately HK\$144 million and a director loan of HK\$5.8 million. The Group's current ratio is at 0.69 times.

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2007.

* 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 2007 together with the comparative unaudited figures for the corresponding periods in 2006 as follows:

Condensed Consolidated Income Statement

	Notes	Three months ended June 30		Six months ended June 30	
		2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Turnover	2, 11	23,211	17,813	42,625	38,052
Cost of sales		(20,836)	(11,596)	(37,692)	(24,009)
Gross profit		2,375	6,217	4,933	14,043
Other Income	3	252	998	1,595	1,436
Provision for bad and doubtful receivables		-	-	-	-
Selling and marketing expenses		(1,019)	(2,226)	(2,048)	(4,384)
General and administrative expenses		(3,102)	(6,469)	(6,077)	(13,651)
Research and development expenses		(992)	(1,473)	(1,952)	(2,896)
(Loss)/Profit from operations		(2,486)	(2,953)	(3,549)	(5,452)
Interest income		-	50	-	93
Interest expense		-	(4,044)	(644)	(6,160)
(Loss)/Gain on disposal of subsidiary		-	(455)	-	(455)
(Loss)/Profit before taxation	4	(2,486)	(7,402)	(4,193)	(11,974)
Taxation	5	-	-	-	(7)
(Loss)/Profit after taxation		(2,486)	(7,402)	(4,193)	(11,981)
Minority interests		-	118	-	229
(Loss)/Profit attributable to shareholders		(2,486)	(7,284)	(4,193)	(11,752)
(Loss)/Profit per share – Basic	6	HK(0.6) cents	HK(7.1) cents	HK(1) cents	HK(11.5) cents
Dividend	12	-	-	-	-

Condensed Consolidated Statement of Changes in Equity

	As at 1 January 2006 (Audited) HK\$'000	Elimination of Accumulated Losses HK\$'000	Movements HK\$'000	As at 30 June 2006 (Unaudited) HK\$'000
Share capital	1,024	-	-	1,024
Share premium	-	-	-	-
Capital reserve	198,066	-	(198,066)	-
Statutory reserve fund	439	-	-	439
Cumulative translation adjustments	1,889	-	327	2,216
Accumulated deficit	(184,367)	199,150	(17,320)	(2,537)
	<u>17,051</u>	<u>199,150</u>	<u>(215,059)</u>	<u>1,142</u>

	As at 1 January 2007 (Audited) HK\$'000	Movements HK\$'000	As at 30 June 2007 (Unaudited) HK\$'000
Share capital	4,095	-	4,095
Share premium	6,141	-	6,141
Capital reserve	198,066	436	198,502
Statutory reserve fund	439	-	439
Cumulative translation adjustments	2,761	(3,280)	(519)
Accumulated deficit	(195,967)	(4,193)	(200,160)
	<u>15,535</u>	<u>(7,037)</u>	<u>8,498</u>

Condensed Consolidated Balance Sheet

		As at 30 June 2007 (Unaudited) HK\$'000	As at 31 December 2006 (Audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Intangible assets	7	467	877
Properties, machinery and equipment		10,890	14,073
Properties under development		–	157,229
Interest in an associated company		33,135	33,134
Available-for-sale investment		–	–
		<hr/>	<hr/>
Total non-current assets		44,492	205,313
		<hr/> <hr/>	<hr/> <hr/>
Current assets			
Inventories		2,287	3,097
Asset held for sale	8	12,659	–
Trade receivables	9	14,578	11,918
Prepayments, deposits and other receivables		39,866	40,669
Cash and bank balances		4,888	4,919
		<hr/>	<hr/>
Total current assets		74,278	60,603
		<hr/> <hr/>	<hr/> <hr/>

	As at 30 June 2007 (Unaudited) Notes	As at 31 December 2006 (Audited)
	HK\$'000	HK\$'000
Current liabilities		
Short-term secured bank loans	–	(144,084)
Trade payables	10 (18,294)	(24,840)
Due to associates	(37,056)	(38,579)
Due to a director	(5,850)	(4,590)
Accruals and other payables	(46,954)	(37,890)
	<u>(108,154)</u>	<u>(249,983)</u>
Total current liabilities	(108,154)	(249,983)
Net current liabilities	(33,876)	(189,380)
	<u>(33,876)</u>	<u>(189,380)</u>
Total assets less current liabilities	10,616	15,933
Non-current liabilities		
Interest-bearing borrowings	(2,118)	(398)
	<u>(2,118)</u>	<u>(398)</u>
Net assets	8,498	15,535
	<u>8,498</u>	<u>15,535</u>
Capital and reserves		
Share capital	4,095	4,095
Reserves	4,403	11,440
	<u>4,403</u>	<u>11,440</u>
Shareholders' equity	8,498	15,535
	<u>8,498</u>	<u>15,535</u>

Condensed Consolidated Cash Flow Statement

	For the six months ended June 30	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Net cash inflow from operating activities	4,575	6,011
Net cash (outflow)/inflow from investing activities	<u>(4,606)</u>	<u>(17,611)</u>
Net cash (outflow)/inflow before financing activities	(31)	(11,600)
Net cash inflow/(outflow) from financing activities	<u>–</u>	<u>8,454</u>
Decrease in cash and bank balances	(31)	(3,146)
Cash and bank balances, beginning of the six-month period	<u>4,919</u>	<u>8,140</u>
Cash and bank balances, end of the six-month period	<u><u>4,888</u></u>	<u><u>4,994</u></u>

Notes:

1. Basis of presentation

The accounting policies adopted in preparing the unaudited consolidated results are consistent with those followed in the annual financial statements for the year ended 31 December 2006. The unaudited consolidated results have been prepared under the historical cost convention and in accordance with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of Hong Kong Companies Ordinance and the GEM Listing Rules.

The Group's unaudited consolidated interim results has not been audited by the Company's auditors but has been reviewed by the Company's audit committee.

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.

3. Other income

	For the three months ended June 30		For the six months ended June 30	
	2007	2006	2007	2006
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sundries	252	998	1,595	1,436

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	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Interest income	8	(50)	21	(93)
Interest expense	(178)	4,044	99	6,160
Depreciation	(407)	1,535	927	2,895
Amortisation	37	409	81	809

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 2007 (2006: Nil).

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 2007 (2006: Nil).

There was no significant unprovided deferred taxation for the three-month period and the six-month period ended 30 June 2007 (2006: Nil).

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 2007 respectively were based on the unaudited loss attributable to shareholders of approximately HK\$2,486,000 (2006: loss of HK\$7,284,000) for the three-month period ended 30 June 2006 and the unaudited loss attributable to shareholders of approximately HK\$4,193,000 (2006: loss of HK\$11,752,000) for the six-month period ended 30 June 2007 and on the weighted average number of approximately 409,457,308 shares (2006: 102,364,328 shares) in issue during the three-month period ended 30 June 2007 and approximately 409,457,308 shares (2006: 102,364,328 shares) in issue during the six-month period ended 30 June 2007.

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. Assets held for sale

Reference is made to the Company's announcement dated 17 July 2007. Pursuant to the subscription agreement dated 28 June 2007, the independent third party investor will subscribe for 80% shares of a subsidiary of the Company thereby, upon completion, the said subsidiary will become an associate of the Company. The subscription constitute a deemed disposal of the Company's equity interest in the subsidiary under Rule 19.29 of the GEM Listing Rules.

The relevant parts of the assets and liabilities of the subsidiary concerned have been reclassified to reflect the deemed disposal.

9. Trade receivables

	As at 30 June 2007 (Unaudited) HK\$'000	As at 31 December 2006 (Audited) HK\$'000
Trade receivables (net of provision)	14,578	11,918

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 2007 (Unaudited) HK\$'000	As at 31 December 2006 (Audited) HK\$'000
Current to 90 days	6,523	12,193
91 to 180 days	-	-
Over 180 days	8,055	(275)
	14,578	11,918

10. Trade payables

	As at 30 June 2007 (Unaudited) HK\$'000	As at 31 December 2006 (Audited) HK\$'000
Trade creditors	<u>18,294</u>	<u>24,840</u>

Aging analysis of trade payables is as follows:

	As at 30 June 2007 (Unaudited) HK\$'000	As at 31 December 2006 (Audited) HK\$'000
Current to 90 days	1,712	7,677
91 to 180 days	716	2,670
Over 180 days	<u>15,866</u>	<u>14,493</u>
	<u>18,294</u>	<u>24,840</u>

11. Turnover and segment information

The Group's turnover and contribution to profit before taxation for the six-month period from 1 January to 30 June 2007, analyzed by principal activity and geographical location, are as follows:

a.	Turnover		Contribution to loss before taxation	
	2007 From 1 January to 30 June (unaudited) HK\$'000	2006 From 1 January to 30 June (unaudited) HK\$'000	2007 From 1 January to 30 June (unaudited) HK\$'000	2006 From 1 January to 30 June (unaudited) HK\$'000
By principal activity:				
– optical image capturing devices unit	40,098	33,423	4,682	12,335
– modules unit	75	970	9	358
– chips and other optoelectronic products unit	2,076	3,659	242	1,350
	<u>42,249</u>	<u>38,052</u>	<u>4,933</u>	<u>14,043</u>
Other income			1,574	1,436
(Loss)/Gain on disposal of subsidiary			–	(455)
Interest income			21	93
Finance costs			(644)	(6,160)
Selling and marketing expenses			(2,048)	(4,384)
Provision for bad and doubtful receivables			–	–
General and administrative expenses			(6,077)	(13,651)
Research and development expenses			(1,952)	(2,896)
Taxation			–	(7)
Minority interests			–	229
			<u>(4,193)</u>	<u>(11,752)</u>

b.	Turnover		Contribution to loss before taxation	
	2007 From 1 January to 30 June (unaudited) HK\$'000	2006 From 1 January to 30 June (unaudited) HK\$'000	2007 From 1 January to 30 June (unaudited) HK\$'000	2006 From 1 January to 30 June (unaudited) HK\$'000
By geographical location:				
- France	-	261	-	96
- Germany	-	100	-	37
- Korea	-	437	-	161
- Singapore	-	5	-	2
- Taiwan	-	319	-	118
- Hong Kong	12	234	2	86
- Mainland China	2,341	3,951	273	1,458
- The United States of America	39,896	32,182	4,658	11,876
- Spain	-	469	-	173
- Others	-	94	-	36
	<u>42,249</u>	<u>38,052</u>	<u>4,933</u>	14,043
Other income			1,574	1,436
Gain on deemed disposal of interest in a subsidiary			-	(455)
Interest income			21	93
Finance costs			(644)	(6,160)
Selling and marketing expenses			(2,048)	(4,384)
Provision for bad and doubtful receivables			-	-
General and administrative expenses			(6,077)	(13,651)
Research and development expenses			(1,952)	(2,896)
Taxation			-	(7)
Minority interests			-	229
			<u>(4,193)</u>	<u>(11,752)</u>

12. 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 2007 (2006: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Facing a very competitive IT environment, the Group has increased about 12% in turnover for the six-month period ended 30 June 2007. The Group recorded a turnover of approximately HK\$43 million for the first half-year of 2007. The increase in turnover is mainly contributed by the Group's effort in promoting the Group's core products. With the Group's effort in concentrating its core business of scanner products, the Group recorded a net loss of approximately HK\$4 million for the six-month period ended 30 June 2007, representing a substantial decrease in loss by 64% over the same period last year.

For the three months ended 30 June 2007, the Group achieved sales of approximately HK\$23 million, representing an increase of 30% over the same period last year. Gross profit margin decreased from 35% in last year to 10% in current year due to the highly competitive market condition and exchange rate fluctuation. As at 30 June 2007, the Group has a total of HK\$4.9 million cash on hand and a total bank loan of approximately HK\$144 million and a director loan of HK\$5.8 million. The Group's current ratio is at 0.69 times.

Research and development

For the three-month period ended 30 June 2007, the Group has continued its effort in strengthening its research and development team on existing, as well as, new products, including the 2D barcode technology. The research and development expenses had been decreased by 33% as compared to the corresponding period last year.

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 has finished the sample 2D barcode products and had sent to its customers for evaluation. The Group had put various ads in magazine and newspapers to promote the Group's products.

Investment and Acquisition

During the six-month period ended 30 June 2007, the Group had entered into a Share Subscription Agreement, pursuant to which 80% of the enlarged share capital of Syscan Manufacturing Limited, a wholly owned subsidiary of the Group, will be allotted to an Independent Third Parties at a consideration of RMB184 million (equivalent to approximately HK\$184 million). Upon completion of the abovementioned Share Subscription Agreement, Syscan Manufacturing Limited will cease to be a subsidiary and become an associate of the Group. Reference is made to the Group's announcement dated 17 July 2007 regarding the above share subscription transaction.

Financial Resources and Liquidity

As at 30 June 2007, the Group has a cash balance of approximately HK\$4.9 million. The RMB-denominated total bank borrowing is approximately HK\$144 million, secured by the Group's land use right and office premises in Shenzhen. These borrowings comprised: (1) one-year term bank loan of RMB120 million plus overdue interest and a director loan of HK\$5.8 million, which had matured in April 2006 pending the renewal of the bank loan and, without repayment and interest term respectively, 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 2007, the total current assets over the total current liabilities is 0.69 times. The ratio of all liabilities to total assets is about 93%. As most sales are made in US dollar, no hedging arrangement is made to offset the exposures to fluctuations in exchange rates.

During the year 2006, the Group experienced financial difficulties and was unable to repay the loans and interest (approximately RMB144 million) owed to the Bank of China ("BOC"), Shenzhen, which resulted into a writ being issued by BOC on March 2006 against the Group. Pursuant to the Share Subscription Agreement entered into between the Group and an Independent Third Parties, as stipulated in the Group's announcement dated 17 July 2007, and continuous negotiations between the Group and BOC, it is estimated that the overdue loans and interests be settled by the end of 2007. As a result, the Directors expected the writ will be withdrawn within 2007 accordingly. Save as disclosed above, the Directors are not aware of any other contingent liability.



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 2007, the Group has 49 trademarks, product names and logos applications filed under processing in different countries and regions, of which 21 trademarks have been approved. In addition, the Group has been granted 95 patents and 168 patents are filed in different countries and regions under processing as of 30 June 2007.

Employees

As at 30 June 2007, the Group has approximately 312 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 years.

Directors' and Chief Executive's Interests

As at 30 June 2007, 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	189,882,409	-	41,240,000 (Note 1)	-	231,122,409	56.45%
Mr Jin Qingjun	50,000	-	-	-	50,000	0.01%

Note:

1. 19,200,000 shares and 22,040,000 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).

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 2007, no options have been granted to the Directors of the Company under Share Option Scheme A.

Details of the options granted to the Directors of the Company under Share Option Scheme B since its adoption and up to 30 June 2007 are as follows:

Name	Date of grant (dd/mm/yy)	Exercise period (dd/mm/yy)	Subscription price per share	No. of underlying shares comprising the options granted	No. of underlying shares comprising the options exercised	No. of underlying shares comprising the options lapsed	No. of underlying shares comprising the options outstanding
Mr Cheung Wai	19/6/2000	19/6/2001 to 18/6/2010	HK\$1.65	1,000,000	-	-	1,000,000
				<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>

Since its adoption and up to 30 June 2007, no options have been granted to the Directors of the Company under Share Option Scheme C.

Save as disclosed above, as at 30 June 2007, 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 2007, 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

Name	Capacity	Nature of interests	Number of shares	Percentage of issued share capital
Mr Cheung Wai (Note 1)	Beneficial owner	Personal & Corporate	231,122,409	56.45%

Notes:

1. Details of the interests of Mr Cheung Wai is duplicated in the section "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS" disclosed above.

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 a result of the Open Offer on 7 July 2006 and as at 30 June 2007, 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	Number of underlying shares				Balance as at 30 June 2007
				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	2 March 2000	2 March 2000 to 1 March 2010	HK\$0.2422	2,008,000	-	(1,896,000)	-	112,000
Suppliers of goods and services	-	-	-	-	-	-	-	-
All other optionees	2 March 2000	2 March 2000 to 1 March 2010	HK\$0.2422	2,288,000	-	(2,288,000)	-	-
				<u>4,296,000</u>	<u>-</u>	<u>(4,184,000)</u>	<u>-</u>	<u>112,000</u>

Scheme B

Class of optionees	Date of grant	Exercise period	Subscription price per share	Number of underlying shares				Balance as at 30 June 2007
				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	19 June 2000	19 June 2001 to 18 June 2010	HK\$1.65	2,000,000	-	(1,000,000)	-	1,000,000
	17 January 2001	17 January 2002 to 16 January 2011	HK\$1.03	3,600,000	-	(3,600,000)	-	-
Optionees with options granted in excess of the individual limit	4 December 2000	4 December 2001 to 3 December 2010	HK\$0.508	-	-	-	-	-
Employees working under continuous employee contracts	12 July 2000	12 July 2001 to 11 July 2010	HK\$1.23	170,000	-	(150,000)	-	20,000
	4 December 2000	4 December 2001 to 3 December 2010	HK\$0.508	140,000	-	(100,000)	-	40,000
	17 January 2001	17 January 2002 to 16 January 2011	HK\$1.03	1,860,000	-	(1,700,000)	-	160,000
	13 August 2001	13 August 2002 to 12 August 2011	HK\$1.38	940,000	-	(880,000)	-	60,000
Suppliers of goods and services	-	-	-	-	-	-	-	-
All other optionees	4 December 2000	4 December 2001 to 3 December 2010	HK\$0.508	-	-	-	-	-
	17 January 2001	17 January 2002 to 16 January 2011	HK\$1.03	-	-	-	-	-
				8,710,000	-	(7,430,000)	-	1,280,000

Scheme C

Class of optionees	Date of grant	Exercise period	Subscription price per share	Number of underlying shares				Balance as at 30 June 2007
				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\$0.706	2,940,000	-	(2,080,000)	-	860,000
	14 August 2002	14 August 2003 to 13 August 2012	HK\$0.50	1,670,000	-	(980,000)	-	690,000
	12 November 2002	12 November 2003 to 11 November 2012	HK\$0.50	100,000	-	(100,000)	-	-
	26 March 2003	26 March 2004 to 25 March 2013	HK\$0.50	2,294,000	-	(1,662,000)	-	632,000
	13 August 2003	13 August 2004 to 12 August 2013	HK\$0.50	560,000	-	(560,000)	-	-
Suppliers of goods and services	-	-	-	-	-	-	-	-
All other optionees	14 May 2002	14 May 2003 to 13 May 2012	HK\$0.706	260,000	-	(60,000)	-	200,000
	14 August 2002	14 August 2003 to 13 August 2012	HK\$0.50	1,400,000	-	(400,000)	-	1,000,000
	12 November 2002	12 November 2003 to 11 November 2012	HK\$0.50	200,000	-	(200,000)	-	-
				9,424,000	-	(6,042,000)	-	3,382,000



The Directors consider it inappropriate to value all the options that can be granted during the six-month period ended 30 June 2007 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 2007, 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 2007, 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 2007, 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 2007 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 four independent non-executive directors, namely Mr Lo Wai Ming, Mr Fong Chi Wah, Mr Jin Qingjun and Mr Wang Ruiping. 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 2007 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 2007 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, 14 August 2007



As at the date of this report, the Board comprises the following members:

Executive Directors

Cheung Wai, *Chairman*

Zhang Ming

Independent Non-executive Directors

Lo Wai Ming

Fong Chi Wah

Jin Qingjun

Wang Ruiping