



SYSCAN Technology Holdings Limited

矽感科技控股有限公司\*

Stock code: 8083



Interim Report

2008

\* For identification purpose only

## **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.

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*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**

The Group recorded a turnover of approximately HK\$34.96 million for the first half-year of 2008, representing a decrease of 17.97% compared with the same period in 2007. The decrease was mainly due to the continual worsened market condition in USA where a majority of the Group's sales were made. The Group's net profit for the period was approximately HK\$4.69 million, representing an increase by 212% over the same period last year. This was mainly due to the gain on disposal of an associate during the period. The Group continued its effort in cost and expenses control resulting in the decrease in total costs and hence achieving better operating results.

For the three months ended 30 June 2008, the Group achieved sales of approximately HK\$18.92 million, representing a decrease of 18.49% over the same period last year. Gross profit margin increased from 10.23% in last year to 14.07% in current year due to better cost control. As at 30 June 2008, the Group has a total of HK\$10.60 million cash on hand and no outstanding bank loan. The Group's current ratio is at 0.88 times.

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2008.

\* 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 2008 together with the comparative unaudited figures for the corresponding periods in 2007 as follows:

### Condensed Consolidated Income Statement

	Notes	Three months ended June 30		Six months ended June 30	
		2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Turnover	2, 10	<b>18,920</b>	23,211	<b>34,964</b>	42,625
Cost of sales		<b>(16,257)</b>	(20,836)	<b>(30,147)</b>	(37,692)
Gross profit		<b>2,663</b>	2,375	<b>4,817</b>	4,933
Other Income	3	<b>3,010</b>	252	<b>3,147</b>	1,595
Selling and marketing expenses		<b>(1,167)</b>	(1,019)	<b>(3,316)</b>	(2,048)
General and administrative expenses		<b>(2,600)</b>	(3,102)	<b>(6,185)</b>	(6,077)
Research and development expenses		<b>(1,764)</b>	(992)	<b>(3,012)</b>	(1,952)
		<b>(5,531)</b>	(5,531)	<b>(12,513)</b>	(10,077)
Profit/(Loss) from operations		<b>142</b>	(2,486)	<b>(4,549)</b>	(3,549)
Interest income		-	-	-	-
Interest expense		<b>(218)</b>	-	<b>(841)</b>	(644)
Gain/(Loss) on disposal of an associate		<b>10,080</b>	-	<b>10,080</b>	-
Profit/(Loss) before taxation	4	<b>10,004</b>	(2,486)	<b>4,690</b>	(4,193)
Taxation	5	-	-	-	-
Profit/(Loss) after taxation		<b>10,004</b>	(2,486)	<b>4,690</b>	(4,193)
Minority interests		-	-	-	-
Profit/(Loss) attributable to shareholders		<b>10,004</b>	(2,486)	<b>4,690</b>	(4,193)
			Restated		Restated
Earnings/(Loss) per share – basic	6	<b>HK0.72 cents</b>	HK(0.13) cents	<b>HK0.34 cents</b>	HK(0.22) cents
– diluted		<b>HK0.72 cents</b>	-	<b>HK0.34 cents</b>	-
Dividend	11	<b>Nil</b>	-	<b>Nil</b>	-

## Condensed Consolidated Statement of Changes in Equity

	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)
	15,535	(7,037)	8,498

	As at 1 January 2008 (Audited) HK\$'000	Movements HK\$'000	As at 30 June 2008 (Unaudited) HK\$'000
Share capital	4,095	16,380	20,475
Share premium	6,141	–	6,141
Capital reserve	191,973	–	191,973
Statutory reserve fund	439	–	439
Cumulative translation Adjustments	299	1,054	1,353
Accumulated deficit	(108,935)	4,690	(104,245)
	94,012	22,124	116,136

## Condensed Consolidated Balance Sheet

	Notes	As at 30 June 2008 (Unaudited) HK\$'000	As at 31 December 2007 (Audited) HK\$'000
<b>Non-current assets</b>			
Intangible assets	7	–	–
Properties, machinery and equipment		<b>13,978</b>	14,349
Interest in an associated company		<b>130,721</b>	135,521
<b>Total non-current assets</b>		<b>144,699</b>	149,870
<b>Current assets</b>			
Inventories		<b>3,454</b>	2,422
Tax prepaid		<b>1,135</b>	617
Trade receivables	8	<b>6,040</b>	4,949
Prepayments, deposits and other receivables		<b>45,907</b>	25,387
Cash and bank balances		<b>10,596</b>	25,349
<b>Total current assets</b>		<b>67,132</b>	58,724
<b>Current liabilities</b>			
Short-term secured bank loans		–	8,633
Trade payables	9	<b>(7,111)</b>	6,058
Due to associates		<b>(21,071)</b>	34,755
Tax payable		–	11
Accruals and other payables		<b>(48,013)</b>	64,775
<b>Total current liabilities</b>		<b>(76,195)</b>	(114,232)
<b>Net current liabilities</b>		<b>(9,063)</b>	(55,508)
<b>Total assets less current liabilities</b>		<b>135,636</b>	94,362
<b>Non-current liabilities</b>			
Interest-bearing borrowings		–	(350)
<b>Net assets</b>		<b>135,636</b>	94,012
<b>Capital and reserves</b>			
Share capital	12	<b>20,475</b>	4,095
Reserves		<b>115,161</b>	89,917
<b>Shareholders' equity</b>		<b>135,636</b>	94,012

## Condensed Consolidated Cash Flow Statement

	For the six months ended June 30	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Net cash (outflow)/inflow from operating activities	<b>(21,169)</b>	4,575
Net cash (outflow)/inflow from investing activities	<b>(140)</b>	(4,606)
Net cash (outflow)/inflow before financing activities	<b>(21,309)</b>	(31)
Net cash inflow/(outflow) from financing activities	<b>6,556</b>	–
Decrease in cash and bank balances	<b>(14,753)</b>	(31)
Cash and bank balances, beginning of the six-month period	<b>25,349</b>	4,919
Cash and bank balances, end of the six-month period	<b>10,596</b>	4,888

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 2007. 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	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Sundries	<b>3,010</b>	252	<b>3,147</b>	1,595

**4. Profit/(Loss) before taxation**

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

	For the three months ended June 30		For the six months ended June 30	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Interest income	-	8	-	21
Interest expense	<b>218</b>	(178)	<b>841</b>	99
Depreciation	<b>198</b>	(407)	<b>511</b>	927
Amortisation	-	37	-	81





## 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 2008 (2007: 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 2008 (2007: Nil).

There was no significant unprovided deferred taxation for the three-month period and the six-month period ended 30 June 2008 (2007: Nil).

## 6. Earnings/(Loss) per share

The calculation of the basic profit/(loss) per share for the three-month period and the six-month period ended 30 June 2008 respectively were based on the unaudited profit attributable to shareholders of approximately HK\$10,004,000 (2007: loss of HK\$2,486,000) for the three-month period ended 30 June 2008 and the unaudited profit attributable to shareholders of approximately HK\$4,690,000 (2007: loss of HK\$4,193,000) for the six-month period ended 30 June 2008 and on the weighted average number of approximately 2,047,286,540 shares (2007: 409,457,308 shares) in issue during the three-month period ended 30 June 2008 and approximately 2,047,286,540 shares (2007: 409,457,308 shares) in issue during the six-month period ended 30 June 2008.

No diluted profit/(loss) per share for 2007 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

	<b>As at 30 June 2008 (Unaudited) HK\$'000</b>	As at 31 December 2007 (Audited) HK\$'000
Trade receivables (net of provision)	<b>6,040</b>	14,578

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

Aging analysis of trade receivables is as follows:

	<b>As at 30 June 2008 (Unaudited) HK\$'000</b>	As at 31 December 2007 (Audited) HK\$'000
Current to 90 days	<b>5,321</b>	6,523
91 to 180 days	<b>37</b>	–
Over 180 days	<b>682</b>	8,055
	<b>6,040</b>	14,578

## 9. Trade payables

	<b>As at 30 June 2008 (Unaudited) HK\$'000</b>	As at 31 December 2007 (Audited) HK\$'000
Trade creditors	<b>7,111</b>	18,294

Aging analysis of trade payables is as follows:

	<b>As at 30 June 2008 (Unaudited) HK\$'000</b>	As at 31 December 2007 (Audited) HK\$'000
Current to 90 days	<b>6,245</b>	1,712
91 to 180 days	<b>505</b>	716
Over 180 days	<b>361</b>	15,866
	<b>7,111</b>	18,294

## 10. 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 2008, analyzed by principal activity and geographical location, are as follows:

a.	Turnover		Contribution to loss before taxation	
	2008 From 1 January to 30 June (unaudited) HK\$'000	2007 From 1 January to 30 June (unaudited) HK\$'000	2008 From 1 January to 30 June (unaudited) HK\$'000	2007 From 1 January to 30 June (unaudited) HK\$'000
By principal activity:				
– optical image capturing devices unit	31,937	40,474	4,400	4,682
– modules unit	185	75	26	9
– chips and other optoelectronic products unit	2,842	2,076	391	242
	<b>34,964</b>	42,625	<b>4,817</b>	4,933
Other income			3,048	1,574
Gain/(Loss) on disposal of an associate			10,080	–
Interest income			99	21
Finance costs			(841)	(644)
Selling and marketing expenses			(3,316)	(2,048)
General and administrative expenses			(6,185)	(6,077)
Research and development expenses			(3,012)	(1,952)
Taxation			–	–
Minority interests			–	–
			<b>4,690</b>	(4,193)

b.

	Turnover		Contribution to loss before taxation	
	2008	2007	2008	2007
	From	From	From	From
	1 January	1 January	1 January	1 January
	to 30 June	to 30 June	to 30 June	to 30 June
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By geographical location:				
– Hong Kong	<b>1,960</b>	12	<b>270</b>	2
– Mainland China	<b>4,664</b>	2,341	<b>643</b>	273
– The United States of America	<b>28,340</b>	40,272	<b>3,904</b>	4,658
	<b>34,964</b>	42,625	<b>4,817</b>	4,933
Other income			<b>3,048</b>	1,574
Gain/(Loss) on disposal of an associate			<b>10,080</b>	–
Interest income			<b>99</b>	21
Finance costs			<b>(841)</b>	(644)
Selling and marketing expenses			<b>(3,316)</b>	(2,048)
General and administrative expenses			<b>(6,185)</b>	(6,077)
Research and development expenses			<b>(3,012)</b>	(1,952)
Taxation			–	–
Minority interests			–	–
			<b>4,690</b>	(4,193)

#### 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 2008 (2007: Nil).

#### 12. Share Capital

On 17 March 2008, 1,637,829,232 rights shares of HK\$0.01 each were issued at an issue price of HK\$0.01 each on the basis of four rights shares for every existing shares held. No share premium had been credited to share premium account. Details of these transactions were set out in the company's prospectus dated 25 February 2008.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

The Group recorded a turnover of approximately HK\$34.96 million for the first half-year of 2008, representing a decrease of 17.97% compared with the same period in 2007. The decrease was mainly due to the continual worsened market condition in USA where a majority of the Group's sales were made. The Group's net profit for the period was approximately HK\$4.69 million, representing an increase by 212% over the same period last year. This was mainly due to the gain on disposal of an associate during the period. The Group continued its effort in cost and expenses control resulting in the decrease in total costs and hence achieving better operating results.

For the three months ended 30 June 2008, the Group achieved sales of approximately HK\$18.92 million, representing a decrease of 18.49% over the same period last year. Gross profit margin increased from 10.23% in last year to 14.07% in current year due to better cost control. As at 30 June 2008, the Group has a total of HK\$10.60 million cash on hand and no outstanding bank loan. The Group's current ratio is at 0.88 times.

### Research and development

For the three-month period ended 30 June 2008, 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 increased by 154% 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 continued to concentrate 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.

For the six-month period ended 30 June 2008, the Group has put ads in various magazines for its own scanners and 2D bar code products, resulting an increase in sales and marketing expenses of 162% over the same period last year. The Group expects these strategies will bring in more new customers to the Group.



## Investment and Acquisition

During the six-month period ended 30 June 2008, the Group did not make any new investment. However, the Group will evaluate new investment and acquisition opportunities in order to bring in revenue to the Group.

## Financial Resources and Liquidity

As at 30 June 2008, the Group has a cash balance of approximately HK\$10.60 million. The RMB-denominated bank borrowing had been fully repaid during the period. As at 30 June 2008, 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 2008, the total current assets over the total current liabilities is 0.88 times. The ratio of all liabilities to total assets is about 35.96%. 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. On 28 June 2007, the Group entered into a subscription agreement with an independent third party investor to subscribe for 80% equity interest of a subsidiary 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 said subscription agreement was terminated by the Company on 23 October 2007 after repeated extension of time allowed to the said independent third investor.

On 30 October 2007, another purchase and sale agreement was made between the Company and a new independent third party whereby the new investor would purchase a 55% equity interest of a subsidiary of the Company for a consideration of approximately RMB126.5 million. The transaction was completed on 30 December 2007. The secured bank loans were then repaid by the consideration thus received and as a result the said writ issued by BOC against the Group was withdrawn on 10 December 2007.

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 2008, 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 116 patents and 174 patents are filed in different countries and regions under processing as of 30 June 2008.

## **Employees**

As at 30 June 2008, 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 2008, 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	749,412,045	-	93,700,000 (Note 1)	-	843,112,045	41.18%
Mr Jin Qingjun	50,000	-	-	-	50,000	0.0024%

Note:

1. 93,700,000 Shares are held by Simrita Investments Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly and beneficially owned by Mr Cheung Wai.
2. As detailed note 12, an one for four Rights Issue became unconditional on 12 March 2008. Mr Cheung Wai took all the eligible rights shares as a qualified shareholder. After the rights issue, Mr Cheung holds 749,412,045 and 93,700,000 shares in personal interests and corporate interests respectively, with the total effective percentage holding remained as 41.18%.

### 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 2008, 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 2008 are as follows:

<b>Name</b>	<b>Date of grant</b> (dd/mm/yy)	<b>Exercise period</b> (dd/mm/yy)	<b>Subscription price per share</b>	<b>No. of Underlying shares comprising the options granted</b>	<b>No. of underlying shares comprising the options exercised</b>	<b>No. of underlying shares comprising the options lapsed</b>	<b>No. of underlying shares comprising the options outstanding</b>
Mr Cheung Wai	19/6/2000	19/6/2001 to 18/6/2010	HK\$0.44 (Note)	3,750,000	-	-	3,750,000
				<hr/> 3,750,000	-	-	<hr/> 3,750,000

*Note:*

As detailed in note 12, an one for four rights issue became unconditional on 12 March 2008. The above figures had been adjusted and restated to reflect the effect of the said rights issue.

Since its adoption and up to 30 June 2008, no options have been granted to the Directors of the Company under Share Option Scheme C.

Save as disclosed above, as at 30 June 2008, 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 2008, 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	843,112,045	41.18%

Note:

- Details of the interests of Mr Cheung Wai is detailed 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 Rights Issue on 14 March 2008 and adjustment of share options on 26 May 2008, 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	After adjustment Subscription price per share	Beginning of year	Number of underlying shares			Balance as at 30 June 2008
					Granted during the six-month period	Lapsed during the six-month period	Exercised during the six-month period	
Employees working Under continuous employee contracts	2 March 2000	2 March 2000 to 1 March 2010	HK\$0.0646	420,000	-	(120,000)	-	300,000
				420,000	-	(120,000)	-	300,000

## Scheme B

Class of optionees	Date of grant	Exercise period	After adjustment Subscription price per share	Beginning of year	Number of underlying shares			Balance as at 30 June 2008
					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\$0.44	3,750,000	-	-	-	3,750,000
Employees working under continuous employee contracts	12 July 2000	12 July 2001 to 11 July 2010	HK\$0.328	75,000	-	-	-	75,000
	4 December 2000	4 December 2001 to 3 December 2010	HK\$0.1355	150,000	-	-	-	150,000
	17 January 2001	17 January 2002 to 16 January 2011	HK\$0.2747	600,000	-	-	-	600,000
	13 August 2001	13 August 2002 to 12 August 2011	HK\$0.368	225,000	-	-	-	225,000
				4,800,000	-	-	-	4,800,000

## Scheme C


Class of optionees	Date of grant	Exercise period	After adjustment Subscription price per share	Beginning of year	Number of underlying shares			Balance as at 30 June 2008
					Granted during the six-month period	Lapsed during the six-month period	Exercised during the six-month period	
Employees working Under continuous employee contracts	14 May 2002	14 May 2003 to 13 May 2012	HK\$0.1883	3,225,000	-	(187,500)	-	3,037,500
	14 August 2002	14 August 2003 to 13 August 2012	HK\$0.1333	2,587,500	-	-	-	2,587,500
	26 March 2003	26 March 2004 to 25 March 2013	HK\$0.1333	2,370,000	-	(202,500)	-	2,167,500
All other optionees	14 May 2002	14 May 2003 to 13 May 2012	HK\$0.1883	750,000	-	-	-	750,000
	14 August 2002	14 August 2003 to 13 August 2012	HK\$0.1333	3,750,000	-	(3,750,000)	-	-
				12,682,500	-	(4,140,000)	-	8,542,500

The Directors consider it inappropriate to value all the options that can be granted during the six-month period ended 30 June 2008 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 2008, 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 2008, 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 2008, 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 2008 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 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 2008 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 2008 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, 13 August 2008

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

### ***Executive Directors***

Cheung Wai, Chairman  
Zhang Ming

### ***Independent Non-executive Directors***

Fong Chi Wah  
Jin Qingjun  
Wang Ruiping