



SYSCAN Technology Holdings Limited

矽感科技控股有限公司*

Stock code: 8083

Interim Report 2009



* For identification purpose only

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (THE "GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investor should be aware of the potential risk 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 Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim 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 (the "Directors") of SYSCAN Technology Holdings Limited (the "Company") collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, 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)

(Stock Code: 8083)

HIGHLIGHTS

The Group recorded a turnover of approximately HK\$28.5 million for the first half-year of 2009, representing a decrease of 18.48% compared with the same period in 2008. The decrease was mainly due to the continual worsened market condition in the USA where a majority of the Group's sales were made. The Group's operating loss for the six months period was approximately HK\$19.17 million, as against a loss of HK\$5.39 million (excluding the effect of a gain on disposal of an associate in 2008). The increase in operating losses was mainly due to increase in research and development expenses as well as selling and administrative expenses in 2009. Much effort was exerted on R&D in 2009 to speed up the development of new technology and products. More professional and technical persons were recruited and so costs increased. The Group expects new products, especially those applicable to the 2D bar code market, will be launched in the near future. At that time, the Group's performance will be shining.

For the three months ended 30 June 2009, the Group made sales of HK\$17.46 million, representing a decrease of 7.71% over the same period in last year. Gross profit margin increased from 14.07% in last year to 15.58% in current year due to better cost control. As at 30 June 2009, the Group had a total of HK\$22.45 million cash on hand and had no bank loan outstanding. The current ration was at 0.77 times.

The Directors do not recommend the payment of a dividend for the six months ended 30 June 2009.

* *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 2009 together with the comparative unaudited figures for the corresponding periods in 2008 as follows:

Condensed Consolidated Income Statement

	Notes	Three months ended June 30		Six months ended June 30	
		2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Turnover	2, 10	17,461	18,920	28,502	34,964
Cost of sales		(14,740)	(16,257)	(25,681)	(30,147)
Gross profit		2,721	2,663	2,821	4,817
Other Income	3	602	3,010	1,015	3,147
Selling and marketing expenses		(1,062)	(1,167)	(2,862)	(3,316)
General and administrative expenses		(7,709)	(2,600)	(13,885)	(6,185)
Research and development expenses		(2,196)	(1,764)	(5,225)	(3,012)
		(10,967)	(5,531)	(21,972)	(12,513)
Profit/(Loss) from operations		(7,644)	142	(18,136)	(4,549)
Interest income		59	-	59	-
Interest expense		-	(218)	(42)	(841)
Gain/(Loss) on disposal of an associate		-	10,080	-	10,080
Share of loss of an associate		(578)	-	(1,052)	-
Profit/(Loss) before taxation	4	(8,163)	10,004	(19,171)	4,690
Taxation	5	-	-	-	-
Profit/(Loss) after taxation		(8,163)	10,004	(19,171)	4,690
Minority interests		-	-	-	-
Profit/(Loss) attributable to shareholders		(8,163)	10,004	(19,171)	4,690
Earnings/(Loss) per share – basic	6	HK\$(0.4) cents	HK\$0.72 cents	HK\$(0.94) cents	HK\$0.34 cents
– diluted		HK\$(0.4) cents	HK\$0.72 cents	HK\$(0.94) cents	HK\$0.34 cents
Dividend	11	Nil	Nil	Nil	Nil



Condensed Consolidated Statement of Changes in Equity

	As at 1 January 2008 (Audited) HK\$'000	Movements HK\$'000	As at 30 June 2008 (Unaudited) HK\$'000
Share capital	4,095	16,378	20,473
Share premium	6,141	–	6,141
Capital reserve	191,973	–	191,973
Statutory reserve fund	439	–	439
Cumulative translation Adjustments	299	1,056	1,355
Accumulated deficit	(108,935)	4,690	(104,245)
	<hr/> 94,012	22,124	116,136

	As at 1 January 2009 (Audited) HK\$'000	Movements HK\$'000	As at 30 June 2009 (Unaudited) HK\$'000
Share capital	20,473	–	20,473
Share premium	6,141	–	6,141
Capital reserve	191,973	–	191,973
Statutory reserve fund	439	–	439
Cumulative translation Adjustments	811	1,221	2,032
Accumulated deficit	(86,597)	(19,171)	(105,768)
	<hr/> 133,240	(17,950)	115,290



Condensed Consolidated Balance Sheet

	Notes	As at 30 June 2009 (Unaudited) HK\$'000	As at 31 December 2008 (Audited) HK\$'000
Non-current assets			
Intangible assets	7	–	–
Properties, machinery and equipment		13,857	14,841
Interest in an associated company		118,947	119,999
Total non-current assets		132,804	134,840
Current assets			
Inventories		3,033	3,073
Tax prepaid		828	530
Trade receivables	8	6,873	3,361
Prepayments, deposits and other receivables		14,651	8,435
Financial assets at fair value through profit or loss		1,139	1,139
Cash and bank balances		22,452	30,230
Total current assets		48,976	46,768
Current liabilities			
Short-term secured bank loans		–	–
Trade payables	9	(5,849)	(6,121)
Due to associates, net		(33,582)	(19,098)
Tax payable		(396)	–
Accruals and other payables		(24,052)	(23,149)
Total current liabilities		(63,879)	(48,368)
Net current liabilities		(14,903)	(1,600)
Total assets less current liabilities		117,901	133,240
Non-current liabilities			
Interest-bearing borrowings		–	–
Net assets		117,901	133,240
Capital and reserves			
Share capital		20,473	20,473
Reserves		94,817	112,767
Minority interest		115,290	133,240
		2,611	–
		117,901	133,240



Condensed Consolidated Cash Flow Statement

	For the six months ended June 30	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Net cash (outflow)/inflow from operating activities	(7,778)	(21,169)
Net cash (outflow)/inflow from investing activities	–	(140)
Net cash (outflow)/inflow before financing activities	(7,778)	(21,309)
Net cash inflow/(outflow) from financing activities	–	6,556
Decrease in cash and bank balances	(7,778)	(14,753)
Cash and bank balances, beginning of the six-month period	30,230	25,349
Cash and bank balances, end of the six-month period	22,452	10,596



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 2008. 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	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Sundries	602	3,010	1,015	3,147

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	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Interest income	59	–	59	–
Interest expense	–	218	–	841
Depreciation	166	198	332	511
Amortisation	–	–	–	–



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 2009 (2008: 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 2009 (2008: Nil).

There was no significant unprovided deferred taxation for the three-month period and the six-month period ended 30 June 2009 (2008: Nil).

6. Earnings/(Loss) per share

The calculation of the basic loss per share for the three-month period and the six-month period ended 30 June 2009 respectively were based on the unaudited loss attributable to shareholders of approximately HK\$8.16 million (2008: profit of HK\$10,004,000) for the three-month period ended 30 June 2009 and the unaudited loss attributable to shareholders of approximately HK\$19.17 million (2008: profit of HK\$4,690,000) for the six-month period ended 30 June 2009 and on the weighted average number of approximately 2,047,286,540 shares (2008: 2,047,286,540 shares) in issue during the three-month period ended 30 June 2009 and approximately 2,047,286,540 shares (2008: 2,047,286,540 shares) in issue during the six-month period ended 30 June 2009.

No diluted loss per share for 2009 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 2009 (Unaudited) HK\$'000	As at 31 December 2008 (Audited) HK\$'000
Trade receivables (net of provision)	6,873	3,361

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 2009 (Unaudited) HK\$'000	As at 31 December 2008 (Audited) HK\$'000
Current to 90 days	2,982	3,361
91 to 180 days	114	–
Over 180 days	3,777	–
	6,873	3,361



9. Trade payables

	As at 30 June 2009 (Unaudited) HK\$'000	As at 31 December 2008 (Audited) HK\$'000
Trade creditors	5,849	6,121

Aging analysis of trade payables is as follows:

	As at 30 June 2009 (Unaudited) HK\$'000	As at 31 December 2008 (Audited) HK\$'000
Current to 90 days	4,059	5,625
91 to 180 days	392	341
Over 180 days	1,398	155
	5,849	6,121



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 2009, analyzed by principal activity and geographical location, are as follows:

a.	Turnover		Contribution to loss before taxation	
	2009 From 1 January to 30 June (unaudited) HK\$'000	2008 From 1 January to 30 June (unaudited) HK\$'000	2009 From 1 January to 30 June (unaudited) HK\$'000	2008 From 1 January to 30 June (unaudited) HK\$'000
By principal activity:				
– optical image capturing devices unit	18,043	31,937	1,781	4,400
– modules unit	5,693	185	568	26
– chips and other optoelectronic products unit	4,766	2,842	472	391
	28,502	34,964	2,821	4,817
Other income			1,015	3,048
Gain/(Loss) on disposal of an associate			–	10,080
Interest income			59	99
Finance costs			(42)	(841)
Selling and marketing expenses			(2,862)	(3,316)
General and administrative expenses			(13,885)	(6,185)
Research and development expenses			(5,225)	(3,012)
Share of loss of associates			(1,052)	–
Taxation			–	–
Minority interests			–	–
			(19,171)	4,690



b.

	Turnover		Contribution to loss before taxation	
	2009 From 1 January to 30 June (unaudited) HK\$'000	2008 From 1 January to 30 June (unaudited) HK\$'000	2009 From 1 January to 30 June (unaudited) HK\$'000	2008 From 1 January to 30 June (unaudited) HK\$'000
By geographical location:				
– Hong Kong	3,388	1,960	335	270
– Mainland China	5,796	4,664	574	643
– The United States of America	17,744	28,340	1,756	3,904
– Asia Pacific	1,574	–	156	–
	28,502	34,964	2,821	4,817
Other income			1,015	3,048
Gain/(Loss) on disposal of an associate			–	10,080
Interest income			59	99
Finance costs			(42)	(841)
Selling and marketing expenses			(2,862)	(3,316)
General and administrative expenses			(13,885)	(6,185)
Research and development expenses			(5,225)	(3,012)
Share of loss of associates			(1,052)	–
Taxation			–	–
Minority interests			–	–
			(19,171)	4,690

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 2009 (2008: Nil).



MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group recorded a turnover of approximately HK\$28.5 million for the first half-year of 2009, representing a decrease of 18.48% compared with the same period in 2008. The decrease was mainly due to the continual worsened market condition in the USA where a majority of the Group's sales were made. The Group's operating loss for the six months period was approximately HK\$19.17 million, as against a loss of HK\$5.39 million (excluding the effect of a gain on disposal of an associate in 2008). The increase in operating losses was mainly due to increase in research and development expenses as well as selling and administrative expenses in 2009. Much effort was exerted on R&D in 2009 to speed up the development of new technology and products. More professional and technical persons were recruited and so costs increased. The Group expects new products, especially those applicable to the 2D bar code market, will be launched in the near future. At that time, the Group's performance will be shining.

For the three months ended 30 June 2009, the Group made sales of HK\$17.46 million, representing a decrease of 7.71% over the same period in last year. Gross profit margin increased from 14.07% in last year to 15.58% in current year due to better cost control. As at 30 June 2009, the Group had a total of HK\$22.45 million cash on hand and had no bank loan outstanding. The current ration was at 0.77 times.

Research and development

For the three-month period ended 30 June 2009, 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 24.49% 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 2009, the Group adopted more-client-oriented promotional strategies to promote 2D barcode products, resulting (13%) decrease in sales and marketing expenses over the same period last year.



Investment and Acquisition

During the six-month period ended 30 June 2009, 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 2009, the Group has a cash balance of approximately HK\$22.45 million and no bank loans outstanding. As at 30 June 2008, borrowings comprised: (1) one-year term bank loan of RMB120 million plus overdue interest, 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 2009, the total current assets over the total current liabilities is 0.77 times. The ratio of all liabilities to total assets is about 35%. As most sales are made in US dollar, no hedging arrangement is made to offset the exposures to fluctuations in exchange rates.

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 2009, the Group has 55 trademarks registered in different countries and regions, of which 22 trademarks have been approved. In addition, the Group has been granted 117 patents and 181 patents are filed in different countries and regions, and 24 patents is under processing as of 30 June 2009.

Employees

As at 30 June 2009, the Group has approximately 310 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 2009, 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				Percentage of issued Total share capital	
	Personal interests	Family interests	Corporate interests	Other interests		
Mr Cheung Wai	843,112,045	-	-	-	843,112,045	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 2009, 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 2009 are as follows:

Scheme B

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\$0.44 (Note)	3,750,000	-	-	3,750,000
				3,750,000	-	-	3,750,000

Details of the options granted to the Directors of the Company under Share Option Scheme C since its adoption and up to 30 June 2009 are as follows:

Scheme C

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 cancelled/lapsed	No. of underlying shares comprising the options outstanding
Mr Cheung Wai	13/8/2008	13/8/2009 to 12/8/2018	HK\$0.06	20,000,000	-	-	20,000,000
Mr Zhang Ming	13/8/2008	13/8/2009 to 12/8/2018	HK\$0.06	20,000,000	-	-	20,000,000
				40,000,000	-	-	40,000,000



Save as disclosed above, as at 30 June 2009, 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 2009, 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	843,112,045	41.18%

Note:

1. 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	Subscription price per share	Beginning of year	Number of underlying shares			Balance as at 30 June 2009
					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	300,000	-	-	-	300,000
				300,000	-	-	-	300,000

Scheme B

Class of optionees	Date of grant	Exercise period	Subscription price per share	Beginning of year	Number of underlying shares			Balance as at 30 June 2009
					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	Subscription price per share	Beginning of year	Number of underlying shares			Balance as at 30 June 2009
					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	13 August 2008	13 August 2009 to 12 August 2018	HK\$0.06	72,000,000	-	10,000,000	-	62,000,000
Employees working under continuous employee contracts	14 May 2002	14 May 2003 to 13 May 2012	HK\$0.1883	3,037,500	-	-	-	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	2,167,500	-	-	-	2,167,500
	13 August 2008	13 August 2009 to 12 August 2018	HK\$0.06	96,250,000	-	3,700,000	-	92,550,000
	14 May 2002	14 May 2003 to 13 May 2012	HK\$0.1883	750,000	-	-	-	750,000
All other optionees				176,792,500	-	13,700,000	-	163,092,500

The Directors consider it inappropriate to value all the options that can be granted during the six-month period ended 30 June 2009 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 2009, 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 2009, 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 2009, 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 2009 the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

CORPORATE GOVERNANCE AND COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules. The Company has applied the principles in the CG Code and complied with the code provisions set out in the CG Code for the six months ended 30 June 2009 except for the deviation from code provision A.2.1 regarding the separate roles of chairman and chief executive officer of the Company. The Board considered that the non-segregation would not result in considerable concentration of power in one person and has the advantage of a strong and consistent leadership which is conducive to making and implementing decisions quickly and consistently. The Board will review the effectiveness of this arrangement from time to time and will consider appointing an individual as the chief executive officer of the Company when it thinks appropriate.

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 has reviewed and assessed the composition of the Group's financial reporting team and were satisfied with the performance of the team.



The Committee (who were of the opinion that the preparation of the unaudited results for the six-month period ended 30 June 2009 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 2009 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, 11 August 2009

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

This report will remain on the "Latest Company Announcements" page of the GEM website for at least 7 days from the day of its posting and on the Company's website at www.syscangroup.com.