



SYSCAN Technology Holdings Limited

矽感科技控股有限公司\*

Stock code: 8083

## Third Quarterly 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.**

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*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 Revenue of approximately HK\$20,046,000 for the three month period ended 30 September 2009, representing an increase of approximately 7.24% over the same period last year. With effective cost control, the gross profit margin for the third quarter of this year was about 14.32%, as compared to that of 14.33% for the same period last year. Loss attributable to shareholders for the three-month period ended 30 September 2009 amounted to approximately HK\$5,458,000 which represents an increase of approximately 30.92% over the same period 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. More management staff and marketing professionals were also employed to excel the management and to better accelerate sales.

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## FINANCIAL RESULTS

The board of directors (the "Board") of SYSCAN Technology Holdings Limited (the "Company") announces the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the three months and the nine months ended 30 September 2009 together with the comparative unaudited figures for the corresponding periods in 2008 as follows:

### Condensed Consolidation Income Statement

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Revenue	2	20,046	18,692	48,548	53,656
Cost of sales		(17,176)	(16,013)	(42,857)	(46,160)
Gross profit		2,870	2,679	5,691	7,496
Other income	3	709	343	1,784	3,490
Provision for bad and doubtful receivable		-	-	-	-
Selling and marketing expenses		(1,297)	(2,383)	(4,160)	(5,699)
General and administrative expenses		(4,704)	(3,396)	(18,587)	(9,581)
Research and development expenses		(2,482)	(1,127)	(7,707)	(4,139)
Loss from operations		(4,904)	(3,884)	(22,979)	(8,433)
Financial costs		(100)	(285)	(142)	(1,126)
Gain on disposal of an associate		-	-	-	10,080
Share of loss of an associate		(454)	-	(1,506)	-
Profit/(loss) before taxation		(5,458)	(4,169)	(24,627)	521
Taxation	4	-	-	-	-
Earnings/(loss) before minority interest		(5,458)	(4,169)	(24,627)	521
Minority interest		-	-	-	-
Profit/(loss) attributable to shareholders		(5,458)	(4,169)	(24,627)	521
Earnings/(loss) per share attributable to shareholders					
- Basic (HK\$ cents)	5	HK(0.27) cents	HK(0.20) cents	HK(1.20) cents	HK0.03 cents
- Diluted (HK\$ cents)		HK(0.25) cents	HK(0.20) cents	HK(1.11) cents	HK0.03 cents
Dividend	6	-	-	-	-



Notes:

## 1. General Information and Basis of presentation

The Company was incorporated in the Bermuda on 17 August 1999 as an exempted company with limited liability under the Companies Act of Bermuda. The address of the registered office is Unit C, 21/F, Seabright Plaza, 9-23 Shell Street, North Point, Hong Kong.

Pursuant to the reorganisation to rationalise the structure of the Company and its subsidiaries in the preparation for the listing of the Company's shares on The Growth Enterprise Market ("GEM") operated by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in 27 March 2000, the Company became the holding company of the companies now comprising the Group. The shares of the Company were listed on GEM on 14 April 2000.

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which also includes Hong Kong Accounting Standards ("HKAS") and Interpretations approved by the HKICPA, and are prepared under the historical cost convention.

The accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated financial statements for the nine-month period ended 30 September 2009 are consistent with those adopted in preparing the audited financial statements of the Group for the year ended 31 December 2008 except for the following amendments and interpretations ("New HKFRSs") issued by HKICPA which are or have become effective.

HKPRs (amendments)	Improvements to HKFRSs
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 and HKFRS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendments)	Vesting Conditions and Cancellation
HKFRS 7	Financial instruments: Disclosures – Improving Disclosure about Financial Instruments
HKFRS 8	Operating segments
HK (IFRIC) – 9	Reassessment of Embedded Derivatives and HKAS 39 Financial Instruments Recognition and Measurement
HK (IFRIC) – 13	Customer Loyalty Programmes
HK (IFRIC) – 15	Agreements for the Construction of Real Estate
HK (IFRIC) – 16	Hedges of a Net Investment in a Foreign Operations

The adoption of the above New HKFRSs has no material impact on the accounting policies of the Group and the methods of computation in the Group's unaudited consolidated financial statements.

The Group's unaudited consolidated quarterly 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. Revenue

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

## 3. Other income

Other income for the three-month period ended 30 September 2009 consisted of a sundry income of approximately HK\$709,000 (2008: HK\$343,000).

## 4. 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 nine-month period ended 30 September 2009 (2008: Nil).

No provision for Mainland China enterprise income tax was made as no assessable profit during the three-month period and the nine-month period ended 30 September 2009 (2008: Nil).

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

## 5. Earnings/(loss) per share

The calculation of the basic profit/(loss) per share for the three-month period and the nine-month period ended 30 September 2009 respectively were based on the unaudited loss attributable to shareholders of approximately HK\$5,458,000 (2008: HK\$4,169,000) for the three-month period ended 30 September 2009 and unaudited loss attributable to shareholders of approximately HK\$24,627,000 (2008: profit of HK\$521,000) for the nine-month period ended 30 September 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 September 2009 and approximately 2,047,286,540 shares (2008: 1,977,293,838 shares) in issue during the nine-month period ended 30 September 2009.

Diluted earnings/(loss) per shares is calculated based on the weighted average number of shares used for basic earning/(loss) per share plus the potential effect of weighted average number of exercisable share option of 168,193,000 shares throughout the periods concerned above.

## 6. Interim dividend

The Board does not recommend the payment of an interim dividend for the three-month period and the nine-month period ended 30 September 2009 (2008: Nil).

## 7. Reserves Movement

At the beginning of 2009, the Group had consolidated reserves, excluding accumulated deficit, of approximately HK\$219,837,000 (2008: HK\$198,852,000). For the nine-month period ended 30 September 2008, the Group's reserves increased by approximately HK\$1,926,000 (2008: HK\$951,000), representing the increase in cumulative translation adjustment of HK\$1,926,000 (2008: HK\$951,000) for the period. As a result, the consolidated reserves, excluding accumulated deficit, of the Group as at 30 September 2009 were approximately HK\$221,763,000 (2008: HK\$199,803,000).

At the beginning of 2009, the Group had accumulated deficit of approximately HK\$86,597,000 (2008: HK\$108,935,000). For the nine-month period ended 30 September 2009, the Group's accumulated deficit increased by approximately HK\$24,627,000 (2008: profit of HK\$521,000), representing the profit attributable to shareholders for the period. As a result, the accumulated deficit of the Group as at 30 September 2009 was approximately HK\$111,189,000 (2008: HK\$108,414,000).



## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

The Group recorded a Revenue of approximately HK\$20,046,000 for the three month period ended 30 September 2009, representing an increase of approximately 7.24% over the same period last year. With effective cost control, the gross profit margin for the third quarter of this year was about 14.32%, as compared to that of 14.33% for the same period last year. Loss attributable to shareholders for the three-month period ended 30 September 2009 amounted to approximately HK\$5,458,000 which represents an increase of approximately 30.92% over the same period 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. More management staff and marketing professionals were also employed to excel the management and to better accelerate sales.

### Research and Development

For the three-month period ended 30 September 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 while the research and development expenses had been increased by 120% over the same period last year.

The Group continues to explore different application for its own proprietary CM and GM coding certified by PRC authorities.

### Production

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

### Sales and Marketing

For the three-month period ended 30 September 2009, the Group has put ads in various magazines for its own scanners and 2D bar code products. New promotional Campaign has yet to be launched, so the 3rd quarter expense decreased by 45% compared with same period in last year.

### Acquisition and Investment

During the third quarter of 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.

### Future Prospects

Facing the tough and competitive IT industry, the Group will actively cut down its general overheads and production cost, and will actively develop different products in order to bring in more revenue to the Group.



After several years' intensive research and development activities over the 2D barcode technology, it is expected that real life application of the technology would be crystallized. The management is confident that the Company would become a major service provider in the 2D barcode application business within the PRC market.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 30 September 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					Total	Percentage of issued capital
	Personal interests	Family interests	Corporate interests	Other interests			
Mr Cheung Wai	843,112,045	-	-	-	-	843,112,045	41.18%

#### Notes:

1. There were no debt securities nor debentures issued by the Group at any time during the period ended 30 September 2009.

Save as disclosed above, at 30 September 2009, none of the directors or chief executives or their associates of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) are required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules.





The directors confirmed that at 30 September 2009 and for the period ended 30 September 2009.

- (i) the Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings according to Rules 5.48 to 5.67 of the GEM Listing Rules; and
- (ii) all the directors complied with the required standard of dealings and the Company's code of conduct regarding directors' securities transactions.

### 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 September 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 September 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	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 September 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 lapsed	No. of underlying shares comprising the options outstanding
Mr Cheung Wai	13/8/2008	13/8/2009 to 12/8/2019	HK\$0.06	20,000,000	-	-	20,000,000
Mr Zhang Ming (Note 1)	13/8/2008	13/8/2009 to 12/8/2019	HK\$0.06	20,000,000	-	-	20,000,000
				<hr/>			
				40,000,000	-	-	40,000,000

Note:

1. Mr. Zhang Ming ("Mr. Zhang") resigned as an executive Director and Authorised Representative of the Company on 25 August 2009. Mr. Zhang's resignation was detailed in the Company's announcement dated 25 August 2009.

Save as disclosed above, as at 30 September 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 September 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 & Corporate	843,112,045	41.18%

Notes:

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

## INTERESTS OF OTHER PERSONS

So far as is known to any Director or chief executive of the Company, as at 30 September 2009, there were no persons – other than a Director or chief executive of the Company who was, directly or indirectly, interested in 10% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group, or any options in respect of such capital.

## COMPETING INTERESTS

The Directors are not aware of, as at 30 September 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 nine-month period ended 30 September 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 nine-month period ended 30 September 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 nine months ended 30 September 2009 except for the deviation from code provision A.2.1 regarding the separate roles of chairman and chief executive officer of the Company up to 22 September 2009 when a chief executive officer was appointed. The Board considered that the non-segregation before the appointment of the new CEO 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.

### **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 three-month period ended 30 September 2009 complied with applicable accounting standards, the Stock Exchange and legal requirements and that adequate disclosures had been made) has reviewed the unaudited results of the Group for the three-month period ended 30 September 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, 10 November 2009

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

#### ***Executive Directors***

Cheung Wai, Chairman  
Frank Cheung

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

Fong Chi Wah  
Jin Qingjun  
Wang Ruiping