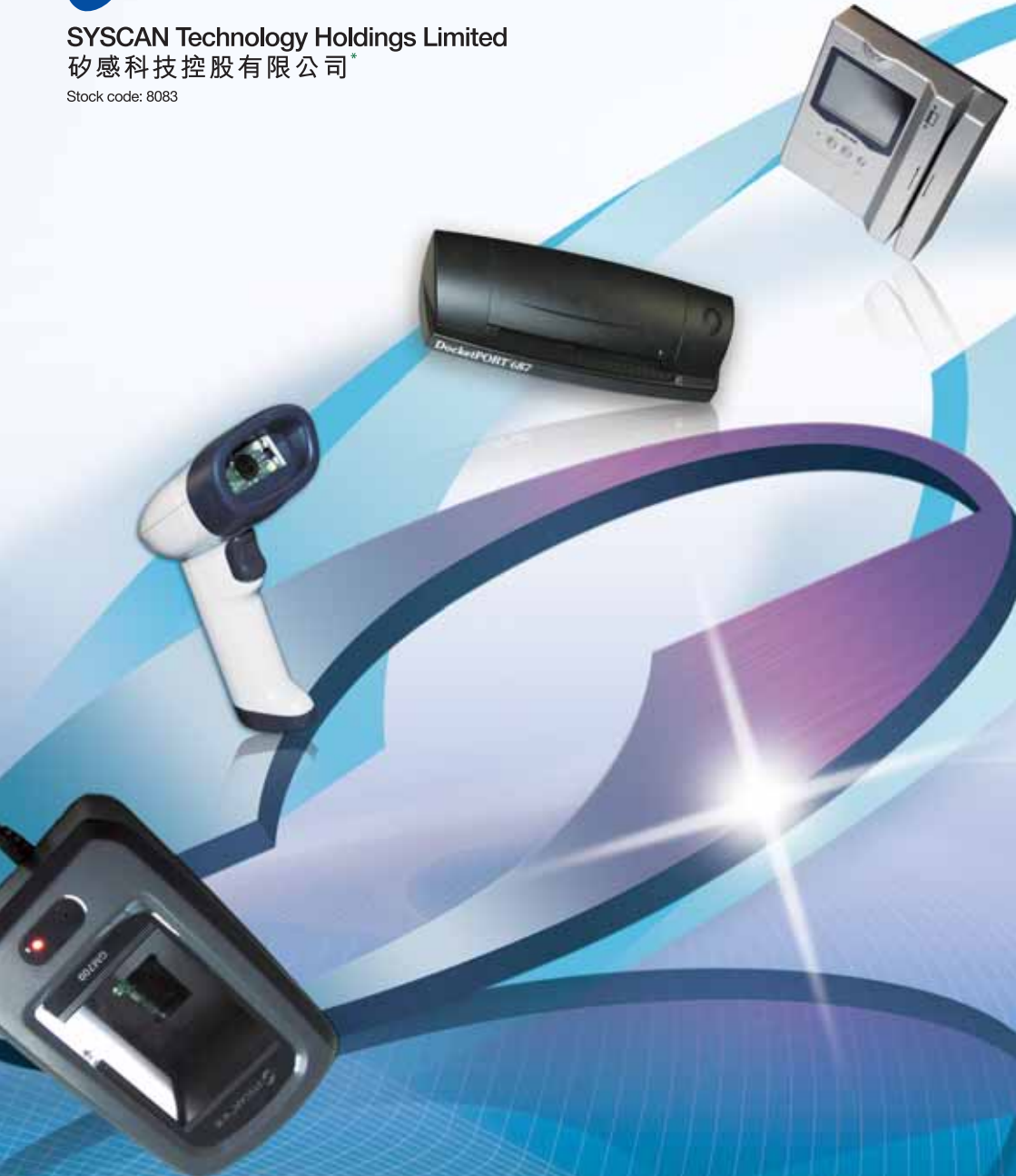




SYSCAN Technology Holdings Limited
矽感科技控股有限公司*

Stock code: 8083



* For identification purpose only

First Quarterly Report **2010**

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 turnover of approximately HK\$17,236,000 for the three-month period ended 31 March 2010, representing an increase of approximately 56.10% over the same period last year. The gross profit margin for the first quarter of this year was about 16.39%, as compared to that of 1% for the same period last year.

Loss attributable to shareholders for the three-month period ended 31 March 2010 amounted to approximately HK\$5,942,000, which represents a decrease of approximately 46.02% over the same period in 2009.

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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 ended 31 March 2010 together with the comparative unaudited figures for the corresponding periods in 2009 as follows:

Unaudited Condensed Consolidated Statement of Comprehensive Income

For the three months ended 31 March 2010

		For the three months ended 31 March	
	<i>Note</i>	2010 HK\$'000	2009 HK\$'000
Continuing operations			
Turnover	2	17,236	11,041
Cost of sales		(14,411)	(10,941)
		2,825	100
Gross Profit			
Gain/(loss) on financial assets at fair value through profit or loss		–	–
Other revenue	3	94	472
Selling expenses		(1,169)	(1,800)
General and administrative expenses		(4,962)	(6,176)
Research and development expenses		(2,665)	(3,029)
		(5,877)	(10,433)
Operating loss			
Finance costs		(65)	(101)
Share of loss of an associated company		–	(474)
		(5,942)	(11,008)
Loss before income tax			
Income tax expense	4	–	–
		(5,942)	(11,008)
Loss from continuing operations			
Discontinued operation			
Profit/(loss) for the period from discontinued operation		–	–
		(5,942)	(11,008)
Loss for the period			

		For the three months ended 31 March	
		2010	2009
		HK\$'000	HK\$'000
	<i>Note</i>		
Attributable to:			
Owners of the Company		(5,942)	(11,008)
Minority interests		–	–
		(5,942)	(11,008)
Dividend	5	–	–
Loss per share for loss attributable to the owners of the Company			
– basic (HK cents)	6		
From continuing and discontinued operations		(0.29)	(0.54)
From continuing operations		(0.29)	(0.54)
– diluted (HK cents)			
From continuing and discontinued operations		(0.28)	N/A
From continuing operations		(0.28)	N/A
Loss for the period		(5,942)	(11,008)
Exchange difference on translation of foreign operations		129	–
Other comprehensive income for the period, net of tax		129	–
Total comprehensive income for the period, net of tax		(5,813)	(11,008)
Attributable to:			
Owners of the Company		(5,813)	(11,008)
Minority Interest		–	–
		(5,813)	(11,008)



Notes:

1. General information and basis of presentation

The Company was incorporated in Bermuda on 17 August 1999 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). Its shares have been listed on The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 14 April 2000.

The registered office of the Company is located at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and its principal office in Hong Kong is situated at Unit C, 21st Floor, Seabright Plaza, 9-23 Shell Street, North Point, Hong Kong.

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 three-month period ended 31 March 2010 are consistent with those adopted in preparing the audited financial statements of the Group for the year ended 31 December 2009.

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. Turnover comprises the net invoiced value of merchandise sold after allowances for returns and discounts and exclusion of value-added tax.
3. Other revenue for the three-month period ended 31 March 2010 consisted of a sundry income of approximately HK\$71,000 (2009: HK\$146,000).

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 ended 31 March 2010 (2009: nil).

No provision for Mainland China enterprise income tax was made as no assessable profit during the three-month period ended 31 March 2010 (2009: nil).

There was no significant unprovided deferred taxation for the three-month period ended 31 March 2010 (2009: nil).

5. Interim dividend

The Board does not recommend the payment of an interim dividend for the three month period ended 31 March 2010 (2009: nil).

6. Loss per share

The calculation of the basic loss per share for the three-month period ended 31 March 2010 was based on the unaudited loss attributable to shareholders of approximately HK\$5,942,000 (2009: HK\$11,008,000) and on the weighted average number of ordinary shares of 2,077,327,309 shares (2009: 2,047,286,540 shares) in issue during the three-month period ended 31 March 2010.

At 31 March 2010, the number of dilutive potential ordinary shares arising from employee share option amounted to 49,170,125 and the total weighted average number of shares for calculating diluted loss per shares was 2,126,497,434.

7. Share Capital

On 14 April 2010 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent pursuant to which the Company has conditionally agreed to place, through the Placing Agent, up to 409,000,000 Placing Shares at a price of HK\$0.162 per Placing Share on a best effort basis.

On 21 April 2010 (after trading hours), the Company and the Placing Agent entered into the Supplemental Placing Agreement to rectify the Placing Agreement in respect of the Placing Price to HK\$0.165.

On 16 April 2010, 1,612,500 of share options were exercised by eligible person (other than directors) of the Group.

The Placing was completed on 4 May 2010 in accordance with the terms and conditions of the Placing Agreement. An aggregate of 409,000,000 Placing Shares have been successfully placed by the Company to not less than six individuals, corporate, institutional investors or other investors who are third parties independent of the Company and its connected persons (within the meaning of the GEM Listing Rules) of the Company, at the Placing Price of HK\$0.165 per Placing Share.

As at the date of this report, the number of issued shares of the Company was 2,491,136,040 shares.

Reserves Movement

At the beginning of 2010, the Group had consolidated reserves, excluding accumulated deficit, of approximately HK\$203,692,000 (2009: HK\$199,364,000). For the three-month period ended 31 March 2010, the Group's reserves decreased by approximately HK\$77,000 (2009: an increase of HK\$657,000), representing the decrease in cumulative translation adjustment of HK\$77,000 (2009: an increase of HK\$657,000) for the period and the increase in capital reserve of HK\$nil (2009: HK\$nil). As a result, the consolidated reserves of the Group as at 31 March 2010 were approximately HK\$203,615,000 (2009: HK\$200,021,000).

At the beginning of 2010, the Group had accumulated deficit of approximately HK\$149,263,000 (2009: HK\$86,597,000). For the three-month period ended 31 March 2010, the Group's accumulated deficit increased by approximately HK\$5,813,000 (2009: HK\$11,008,000), representing the loss attributable to shareholders for the period.



As a result, the accumulated deficit of the Group as at 31 March 2010 was approximately HK\$155,076,000 (2009: HK\$97,605,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group recorded a turnover of approximately HK\$17,236,000 for the three-month period ended 31 March 2010, representing an increase of approximately 56.10% over the same period last year. The gross profit margin for the first quarter of this year was about 16.39%, as compared to that of 1% for the same period last year.

Loss attributable to shareholders for the three-month period ended 31 March 2010 amounted to approximately HK\$5,942,000, which represents a decrease of approximately 46.02% over the same period in 2009.

Research and Development

During the three month ended 31 March 2010, the research and development team of the Group continued to put effort in development and testing of new products based on the previous research and so there had not been large amount of initial expenses on research. As a result, the total research and development expenses spent during the period decreased to approximately HK\$2,665,000 in 2010 as compared to approximately HK\$3,029,000 for the same period in the 2009.

The Group continues to explore different application opportunities for its own proprietary CM and GM encoding and decoding technology as certified by PRC authorities.

Production

The management is considering to hire a new factory premises in Wuhan where future production needs would be fulfilled..

Sales and Marketing

For the three-month period ended 31 March 2010, the Group put fewer ads in various magazines for its own scanners and 2D bar code products. There has been a 35% decrease in sales and marketing expenses over the same period last year. The Group attended Convergence India International Exhibition 2010 from 23 March 2010 to 25 March 2010 in New Delhi, India for building wider cooperation with companies from India, Southeast Asia, east European, etc. The Group expects this will bring in more new customers to the Group.

Acquisition and Investment

During the first quarter of 2010, 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, actively develop different products and actively seek for strategic partners in order to bring in more revenue to the Group.

DIRECTOR'S AND CHIEF EXECUTIVE'S INTERESTS

As at 31 March 2010, 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 standard of dealings 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") were 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	848,112,045	-	-	-	848,112,045	40.76% (Note)	

Note: According to notes 7 disclosed, the Placing was completed on 4 May 2010 in accordance with the terms and conditions of the Placing Agreement. As at the date of this report, the number of issued shares of the Company is 2,491,136,040 shares and Mr. Cheung Wai holds 34.05% of issued shares of the Company.

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 31 March 2010, 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 their adoption and up to 31 March 2010 are as follows:

Scheme B

Name	Date of grant	Exercise period	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	19/6/2000	19/6/2001 to 18/6/2010	HK\$0.44	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 31 March 2010 are as follows:

Scheme C

Name	Date of grant	Exercise period	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 12/8/2019	HK\$0.06	15,000,000	-	-	15,000,000
Mr Frank Cheung	10/11/2009	10/11/2010 to 9/11/2019	HK\$0.1026	15,000,000	-	-	15,000,000

Save as disclosed above, as at 31 March 2010, 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 standard of dealings 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 31 March 2010, 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	Number of ordinary shares held					Percentage of issued share capital
	Personal interests	Family interests	Corporate interests	Other interests	Total	
Mr Cheung Wai (Note 1)	848,112,045	-	-	-	848,112,045	40.76%

Note:

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

COMPETING INTERESTS


The Directors are not aware of, as at 31 March 2010, 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 three-month period ended 31 March 2010, there were no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities.

CORPORATE GOVERNANCE AND COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

As at 31 March 2010, 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.



On 26 April 2010, Mr. Jin Qingjun (“Mr. Jin”) tendered his resignation as an independent non-executive director and a member of each of the audit committee and the remuneration committee of the Company. Following Mr. Jin’s resignation, the Company has only two independent non-executive Directors and two audit committee members, the number of which falls below the minimum number required under rules 5.05(1) and 5.28 of the Rules Governing the Listing of Securities on the Growth Enterprise Market (“GEM”) of the Stock Exchange (“GEM Listing Rules”) respectively. The Company is in the course of identifying a suitable candidate to fill the vacancy of an independent non-executive Director and a member of the audit committee of the Company arising from the resignation of Mr. Jin with a view to fulfill the minimum required number of independent non-executive directors and audit committee members under rules 5.05(1) and 5.28 of the GEM Listing Rules respectively as soon as practicable and in any event within 3 months from 26 April 2010, being the date of resignation of Mr. Jin.

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 Audit Committee comprises three independent non-executive Directors who possess the appropriate business and financial experience and skills to understand financial statements. The Committee is chaired by Dr. Fong Chi Wah, and the other Audit Committee member is Mr. Wang Ruiping. Mr. Jin Qingjun resigned on 26 April 2010.

The Committee (who were of the opinion that the preparation of the unaudited results for the three-month period ended 31 March 2010 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 31 March 2010 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, 6 May 2010

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
Wang Ruiping
Jin Qingjun (Resigned on 26 April 2010)