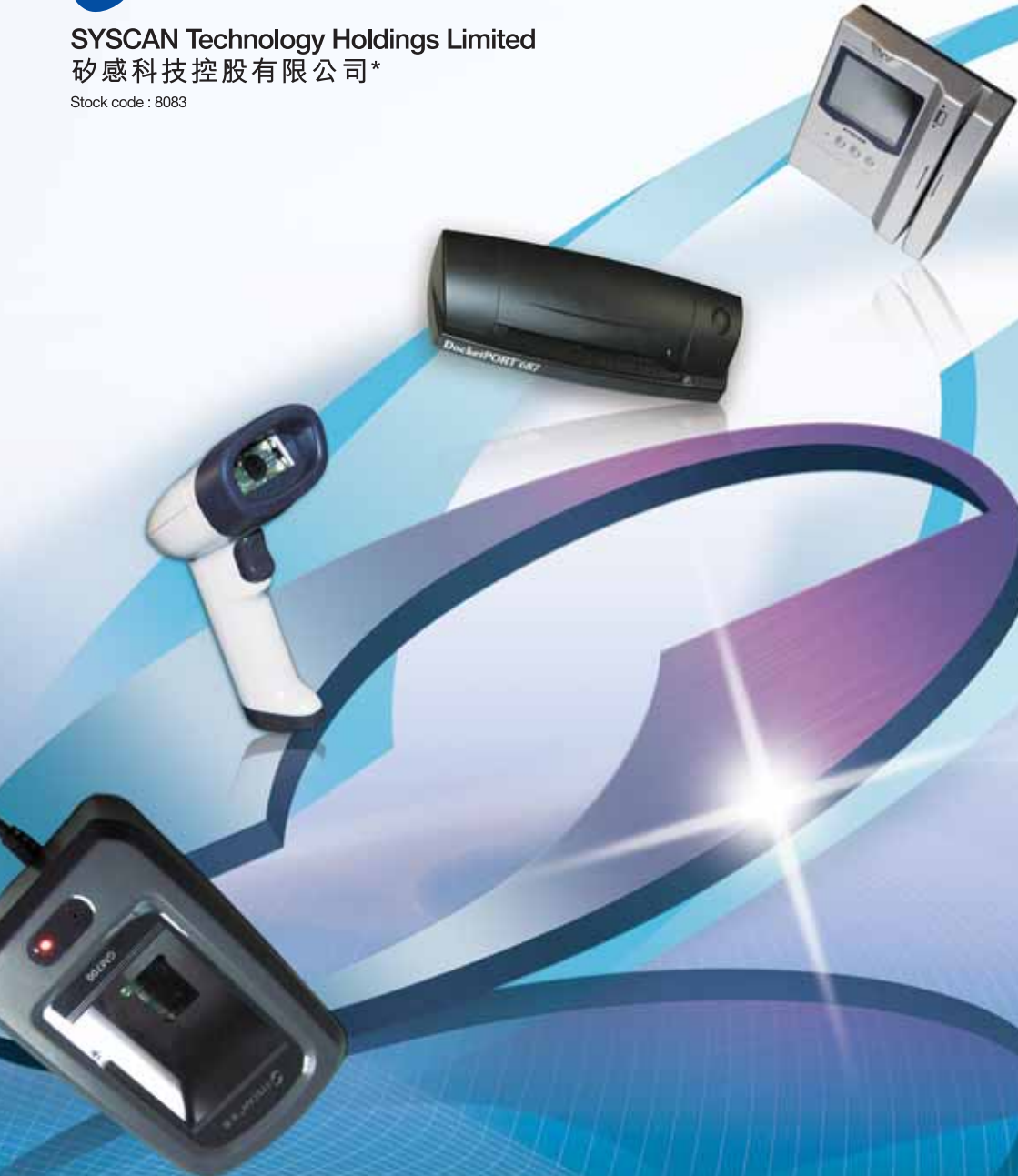




SYSCAN Technology Holdings Limited
矽感科技控股有限公司*

Stock code : 8083



* For identification purpose only

Interim Report **2010**

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

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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\$39.3 million for the first half-year of 2010, representing an increase of 37.89% compared with the same period in 2009. The increase was mainly due to the slight recovery of 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\$33.7 million, as against a loss of HK\$19.17 million for same period in last year. The increase in operating losses was mainly due to increase in research and development expenses as well as general and administrative expenses in 2010. Continual effort was exerted on R&D in 2010 to speed up the development of new technology and products. General and administrative expense increase due to (i) more professional and technical persons were recruited and (ii) additional governmental administrative charge of approximately HK\$17.5 million relating to the major transaction (see circular dated 8 February 2010) which was completed in June 2010. 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 2010, the Group made sales of HK\$22.1 million, representing an increase of 26.58% over the same period in last year. Gross profit margin increased from 15.58% in last year to 20.46% in current year due to better cost control. As at 30 June 2010, the Group had a total of HK\$108.9 million cash on hand and has a secured short term bank loan approximately RMB2,618,000. The current ration was at 1.9 times.

The Directors do not recommend the payment of a dividend for the six months ended 30 June 2010.

* 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 2010 together with the comparative unaudited figures for the corresponding periods in 2009 as follows:

Condensed Consolidated Statement of Comprehensive Income

	Notes	Three months ended June 30		Six months ended June 30	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Turnover	2, 10	22,102	17,461	39,338	28,502
Cost of sales		(17,581)	(14,740)	(31,992)	(25,681)
Gross profit		4,521	2,721	7,346	2,821
Other revenue	3	115	661	144	1,032
Selling and marketing expenses		(1,478)	(1,062)	(2,647)	(2,862)
General and administrative expenses		(28,980)	(7,709)	(33,942)	(13,885)
Research and development expenses		(3,533)	(2,196)	(6,198)	(5,225)
		(33,991)	(10,967)	(42,787)	(21,972)
Profit/(Loss) from operations		(29,355)	(7,585)	(35,297)	(18,119)
Gain/(Loss) on disposal of an associate		1,414	–	1,414	–
Share of loss of an associate		–	(578)	–	(1,052)
Profit/(Loss) before taxation	4	(27,941)	(8,163)	(33,883)	(19,171)
Taxation	5	(1)	–	(1)	–
Profit/(Loss) after taxation		(27,942)	(8,163)	(33,884)	(19,171)
Minority interests		(403)	–	(403)	–
Profit/(Loss) attributable to shareholders		(28,345)	(8,163)	(34,287)	(19,171)
Earnings/(Loss) per share – basic	6	HK\$(1.24) cents	HK\$(0.4) cents	HK\$(1.53) cents	HK\$(0.94) cents
– diluted		HK\$(1.17) cents	HK\$(0.4) cents	HK\$(1.45) cents	HK\$(0.94) cents
Dividend	11	Nil	Nil	Nil	Nil

	Three months ended June 30		Six months ended June 30	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Notes				
Loss for the period	(27,942)	(8,163)	(33,884)	(19,171)
Exchange difference on translation of foreign operations	486	-	615	-
Other comprehensive income for the period, net of tax	486	-	615	-
Total comprehensive income for the period, net of tax	(27,456)	(8,163)	(33,269)	(19,171)
Attributable to:				
Owners of the Company	(27,456)	(8,163)	(33,269)	(19,171)
Minority Interest	(403)	-	(403)	-
	(27,859)	(8,163)	(33,672)	(19,171)

Condensed Consolidated Statement of Changes in Equity

	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)
	133,240	(17,950)	115,290

	As at 1 January 2010 (Audited) HK\$'000	Movements HK\$'000	As at 30 June 2010 (Unaudited) HK\$'000
Share capital	20,769	4,144	24,913
Share premium	9,034	63,617	72,651
Capital reserve	191,973	–	191,973
Statutory reserve fund	439	–	439
Cumulative translation Adjustments	2,246	(2,011)	235
Share Option reserve	6,952	–	6,952
Accumulated deficit	(149,263)	(33,672)	(182,935)
	82,150	32,078	114,228

Condensed Consolidated Financial Position

	Notes	As at 30 June 2010 (Unaudited) HK\$'000	As at 31 December 2009 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		12,332	10,857
Intangible assets		–	–
Construction in progress		16,147	3,536
Interests in associates		562	495
Available-for-sale investments		–	–
Deposit paid		230	226
Total non-current assets		29,271	15,114
CURRENT ASSETS			
Inventories		15,750	3,217
Trade receivables	7	8,256	7,830
Prepayments, deposits and other receivables		8,912	8,532
Financial assets at fair value through profit or loss		–	–
Due from an associate		–	–
Other taxes recoverable		1,362	982
Cash and cash equivalents		108,918	37,754
Total current assets		143,198	58,315
Assets classified as held for sale		–	99,488
Total current assets		143,198	157,803
CURRENT LIABILITIES			
Short term bank loan (secured)		3,010	–
Trade payables	8	9,389	8,154
Other payables and accruals		43,338	59,791
Due to an associate		–	20,758
Other taxes payable		40	3
Total current liabilities		55,777	88,706
NET CURRENT ASSETS/(LIABILITIES)		87,421	69,097
NET ASSETS		116,692	84,211
EQUITY			
Equity attributable to owners of the Company			
Share capital	9	24,913	20,769
Reserves		89,315	61,381
Total equity		114,228	82,150
Minority interests		2,464	2,061
Total equity		116,692	84,211

Condensed Consolidated Cash Flow Statement

	For the six months ended June 30	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Net cash inflow/(outflow) from operating activities	71,164	(7,778)
Net cash inflow/(outflow) from investing activities	–	–
Net cash inflow/(outflow) before financing activities	71,164	(7,778)
Net cash inflow/(outflow) from financing activities	–	–
Increase/(decrease) in cash and bank balances	71,164	(7,778)
Cash and bank balances, beginning of the six-month period	37,754	30,230
Cash and bank balances, end of the six-month period	108,918	22,452



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 months ended June 30		For the six months ended June 30	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Sundries	115	661	144	1,032

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	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Interest income	–	–	–	–
Interest expense	–	–	–	–
Depreciation	389	166	720	332
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 2010 (2009: 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 2010 (2009: Nil).

There was no significant unprovided deferred taxation for the three-month period and the six-month period ended 30 June 2010 (2009: 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 2010 respectively were based on the unaudited loss attributable to shareholders of approximately HK\$27,859,000 (2009: Loss of HK\$8,160,000) for the three-month period ended 30 June 2010 and the unaudited loss attributable to shareholders of approximately HK\$33,672,000 (2009: Loss of HK\$19,170,000) for the six-month period ended 30 June 2010 and on the weighted average number of approximately 2,077,327,309 shares (2009: 2,047,286,540 shares) in issue during the three-month period ended 30 June 2009 and approximately 2,206,305,032 shares (2009: 2,047,286,540 shares) in issue during the six-month period ended 30 June 2010.

At 30 June 2010, the number of dilutive potential ordinary shares arising from employee share option amounted to 194,943,000 and the total weighted average number of shares for calculating diluted loss per shares was 2,321,203,877.

7. Trade receivables

	As at 30 June 2010 (Unaudited) HK\$'000	As at 31 December 2009 (Audited) HK\$'000
Trade receivables	8,256	8,155
Impairment	–	(325)
	8,256	7,830

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 2010 (Unaudited) HK\$'000	As at 31 December 2009 (Audited) HK\$'000
Current to 60 days	5,478	7,627
61 to 90 days	2,152	203
Over 90 days	626	–
	8,256	7,830

8. Trade payables

	As at 30 June 2010 (Unaudited) HK\$'000	As at 31 December 2009 (Audited) HK\$'000
Trade creditors	9,389	8,154
	9,389	8,154

Aging analysis of trade payables is as follows:

	As at 30 June 2010 (Unaudited) HK\$'000	As at 31 December 2009 (Audited) HK\$'000
Current to 30 days	3,935	3,859
31 to 60 days	2,651	2,401
61 to 90 days	2,394	1,751
over 90 days	409	143
	9,389	8,154

9. 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.

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 2,491,261,040 shares.

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 2010, analyzed by principal activity and geographical location, are as follows:

a.

	Turnover		Contribution to loss before taxation	
	2010 From 1 January to 30 June (unaudited) HK\$'000	2009 From 1 January to 30 June (unaudited) HK\$'000	2010 From 1 January to 30 June (unaudited) HK\$'000	2009 From 1 January to 30 June (unaudited) HK\$'000
By principal activity:				
– optical image capturing devices unit	30,403	18,043	5,710	1,781
– modules unit	4,535	5,693	821	568
– chips and other optoelectronic products unit	4,400	4,766	815	472
	39,338	28,502	7,346	2,821
Other revenue			144	1,032
Gain/(Loss) on disposal of an associate			1,414	–
Selling and marketing expenses			(2,647)	(2,862)
General and administrative expenses			(33,942)	(13,885)
Research and development expenses			(6,198)	(5,225)
Share of loss of associates			–	(1,052)
Exchange difference on translation of foreign operations			615	–
Taxation			(1)	–
Non controlling interests			(403)	–
			(33,672)	(19,171)

b.

	Turnover		Contribution to loss before taxation	
	2010 From 1 January to 30 June (unaudited) HK\$'000	2009 From 1 January to 30 June (unaudited) HK\$'000	2010 From 1 January to 30 June (unaudited) HK\$'000	2009 From 1 January to 30 June (unaudited) HK\$'000
By geographical location:				
– Hong Kong	5,702	3,388	1,064	335
– Mainland China	4,400	5,796	810	574
– The United States of America	27,262	17,744	5,087	1,756
– Asia Pacific	1,974	1,574	385	156
	39,338	28,502	7,346	2,821
Other revenue			144	1,032
Gain/(Loss) on disposal of an associate			1,414	–
Selling and marketing expenses			(2,647)	(2,862)
General and administrative expenses			(33,942)	(13,885)
Research and development expenses			(6,198)	(5,225)
Share of loss of associates			–	(1,052)
Exchange difference on translation of foreign operations			615	–
Taxation			(1)	–
Non controlling interests			(403)	–
			(33,672)	(19,171)

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 2010 (2009: Nil).



MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group recorded a turnover of approximately HK\$39.3 million for the first half-year of 2010, representing an increase of 37.89% compared with the same period in 2009. The increase was mainly due to the slight recovery of 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\$33.7 million, as against a loss of HK\$19.17 million for same period in last year. The increase in operating losses was mainly due to increase in research and development expenses as well as general and administrative expenses in 2010. Continual effort was exerted on R&D in 2010 to speed up the development of new technology and products. General and administrative expense increase due to (i) more professional and technical persons were recruited and (ii) additional governmental administrative charge of approximately HK\$17.5 million relating to the major transaction (see circular dated 8 February 2010) which was completed in June 2010. 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 2010, the Group made sales of HK\$22.1 million, representing an increase of 26.58% over the same period in last year. Gross profit margin increased from 15.58% in last year to 20.46% in current year due to better cost control. As at 30 June 2010, the Group had a total of HK\$108.9 million cash on hand and has a secured short term bank loan approximately RMB2,618,000. The current ration was at 1.9 times.

The Directors do not recommend the payment of a dividend for the six months ended 30 June 2010.

Research and development

For the three-month period ended 30 June 2010, 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 60.93% 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 2010, the Group adopted more-client-oriented promotional strategies to promote 2D barcode products, resulting 39.17% decrease in sales and marketing expenses over the same period last year.

Investment and Acquisition

During the six-month period ended 30 June 2010, the Group did not make any new investment. In early July 2010, the Company made additional capital injection of approximately HK\$24 million to Wuhan SYSCAN Ltd to enhance its operation.

Further investment to the production plant in Wuhan is expected in the near future.

The Group will also evaluate new investment and acquisition opportunities in order to being in revenue to the Group.

Financial Resources and Liquidity

As at 30 June 2010, the Group has a cash balance of approximately HK\$108.9 million and has a secured short term bank loan approximately RMB2,618,000. As at 30 June 2009, the Group has no bank loans.

As at 30 June 2010, the total current assets over the total current liabilities is 1.9 times. The ratio of all liabilities to total assets is about 32.34%. 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 2010, 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 124 patents and 188 patents are filed in different countries and regions, and 22 patents are under processing as of 30 June 2010.



Treasury Policy

Cash and bank deposits of the Group are either in HK dollars, Renminbi or US dollars. The Group conducts its core business transaction mainly in RMB and HK dollars, such that the Group did not use any derivative instruments to hedge its foreign currency exposure as the Group considered its foreign currency exposure is insignificant.

Contingent Liabilities

The Group and the Company had no material contingent liabilities as at 30 June 2010.

Significant Investments

The Group has not held any significant investment for the six months ended 30 June 2010 and made no material acquisitions or disposals during the current period.

Major Events

As at 30 June 2010, except for the capital injection of approximately HK\$24 million as disclosed above, the Group had no material capital commitments and no future plans for material investments or capital assets.

Employees

As at 30 June 2010, the Group has approximately 305 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' INTEREST IN SHARES

As at 30 June 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 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	848,112,045	-	-	-	848,112,045	34.04% (Note)

Note: According to notes 9 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 2,491,261,040 shares and Mr Cheung Wai holds 34.04% 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 30 June 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 its adoption and up to 30 June 2010 are as follows:

Share Option 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 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)	-
				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 2010 are as follows:

Share Option 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	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
				30,000,000	-	-	30,000,000

Save as disclosed above, as at 30 June 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 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 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	Personal interests	Number of ordinary shares held			Total	Percentage of issued share capital
		Family interests	Corporate interests	Other interests		
Mr Cheung Wai (Note)	848,112,045	-	-	-	848,112,045	34.04%

Note:

1. Details of the interests of Mr Cheung Wai is detailed in the section "DIRECTORS' INTEREST IN SHARES" 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"). Schemes are as follows:

Share Option Scheme A

As at 30 June 2010, no any employees, directors and consultants have Scheme A.

Share Option Scheme B

Class of Optionees	Date of grant	Exercise period	Subscription price per share	At 1 January 2010	Granted during the six-month period	Cancelled/ lapsed during the six-month period	Exercised during the six-month period	Balance as at 30 June 2010
Directors and Chief Executives	19 June 2000	19 June 2001 to 18 June 2010	HK\$0.44	3,750,000	-	(3,750,000)	-	-
Other employees	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
Sub-total				4,800,000	-	(3,750,000)	-	1,050,000

Share Option Scheme C

Class of Optionees	Date of grant	Exercise period	Subscription price per share	At 1 January 2010	Cancelled/		Exercised during the six-month period	Balance as at 30 June 2010
					Granted during the six-month period	lapsed during the six-month period		
Directors and Chief Executives	13 August 2008	13 August 2009 to 12 August 2018	HK\$0.06	47,000,000	-	-	-	47,000,000
	10 November 2009	10 November 2010 to 9 November 2019	HK\$0.1026	15,000,000	-	-	-	15,000,000
Other employees	14 May 2002	14 May 2003 to 13 May 2012	HK\$0.1883	3,712,500	-	-	-	3,712,500
	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	2,017,500	-	-	-	2,017,500
	13 August 2008	13 August 2009 to 12 August 2018	HK\$0.06	69,838,000	-	-	(5,362,500)	64,475,500
	10 November 2009	10 November 2010 to 9 November 2019	HK\$0.1026	60,000,000	-	-	-	60,000,000
Sub-total				200,155,500	-	-	(5,362,500)	194,793,000
Total share options				204,955,500	-	(3,750,000)	(5,362,500)	195,843,000

The Directors consider it inappropriate to value all the options that can be granted during the six-month period ended 30 June 2010 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 2010, 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 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 six-month period ended 30 June 2010, 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 Rule 5.34 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 2010 except the following:

Upon the resignation of Mr Jin Qingjun on 26 April 2010 and up to 19 July 2010, the date on which Professor He Zhiyi was appointed as an independent non-executive Director, a member of Audit committee, remuneration committee and nomination committee of the Company, the number of independent non-executive Directors and audit committee members of the Company fell below the minimum number required under Rules 5.05(1) and 5.28 of the GEM Listing Rules respectively.

As at the date hereof, the Company has complied with Rules 5.05(1) and 5.28 of the GEM Listing Rules.

AUDIT COMMITTEE

The Company has established an audit committee (the “Committee”) in compliance with the GEM Listing Rules. The Committee comprises the following independent non-executive Directors, namely Dr Fong Chi Wah, Mr Jin Qingjun (resigned on 26 April 2010), Mr Wang Ruiping and Professor He Zhiyi (appointed on 19 July 2010). 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 was satisfied with the performance of the team.

The Committee who was of the opinion that the preparation of the unaudited results for the six-month period ended 30 June 2010 has complied with applicable accounting standards, the Stock Exchange and legal requirements and that adequate disclosures had been made. And has reviewed the Company’s unaudited results for the six-month period ended 30 June 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, 11 August 2010

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

Executive Directors

Cheung Wai
Frank Cheung

Independent Non-executive Directors

Fong Chi Wah
Wang Ruiping
He Zhiyi (appointed on 19 July 2010)
Jin Qingjun (resigned on 26 April 2010)

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