



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

Stock code : 8083



\* For identification purpose only

Third 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 revenue of approximately HK\$23,598,000 for the three month period ended 30 September 2010, representing an increase of approximately 17.72% over the same period last year. The gross profit margin for the third quarter of this year was about 23.98%, as compared to that of 14.32% for the same period last year.

Loss attributable to shareholders for the three-month period ended 30 September 2010 amounted to approximately HK\$24,239,000 which represents an increase of approximately 344.10% over the same period in 2009, mainly due to loss on disposal of subsidiaries of approximately HK\$14,250,000; increase in professional fees of approximately HK\$3,500,000 (which is grouped under general and administrative expenses) and increase in research and development expenses of approximately HK\$1,500,000 for developing new products.

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

### Condensed Consolidated Statement of Comprehensive Income

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Revenue	2	23,598	20,046	62,936	48,548
Cost of sales		(17,939)	(17,176)	(49,931)	(42,857)
Gross profit		5,659	2,870	13,005	5,691
Other (expenses)/revenue	3	(293)	609	(149)	1,642
Selling expenses		(1,699)	(1,297)	(4,346)	(4,160)
General & administrative expenses		(8,569)	(4,704)	(42,511)	(18,587)
Research and development expenses		(3,898)	(2,482)	(10,096)	(7,707)
		(14,166)	(8,483)	(56,953)	(30,454)
Profit/(loss) from operations		(8,800)	(5,004)	(44,097)	(23,121)
Gain on disposal of associate		-	-	1,414	-
Share of net loss of associates		(2,275)	(454)	(2,275)	(1,506)
Loss on disposal of subsidiaries		(14,248)	-	(14,248)	-
Profit/(loss) before taxation		(25,323)	(5,458)	(59,206)	(24,627)
Taxation	4	-	-	-	-
Profit/(loss) for the period		(25,323)	(5,458)	(59,206)	(24,627)
Other comprehensive income/(expenses)					
Exchange difference on translation of foreign operations		-	-	615	-
Total comprehensive income/(expenses) for the period		(25,323)	(5,458)	(58,591)	(24,627)
Loss for the period attributed to:					
Owners of the company		(24,239)	(5,458)	(58,525)	(24,627)
Non controlling interest		(1,084)	-	(681)	-
		(25,323)	(5,458)	(59,206)	(24,627)
Total comprehensive income/(expenses) for the period attributed to:					
Owners of the company		(24,239)	(5,458)	(57,910)	(24,627)
Non controlling interest		(1,084)	-	(681)	-
		(25,323)	(5,458)	(58,591)	(24,627)
Earning/(loss) per share					
- basic	5	HK\$(1.01) cents	HK\$(0.27) cents	HK\$(2.54) cents	HK\$(1.20) cents
- diluted	5	HK\$(0.98) cents	HK\$(0.25) cents	HK\$(2.43) cents	HK\$(1.11) cents
Dividend	6	Nil	Nil	Nil	Nil



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 30 September 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. Revenue**


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

**3. Other (expenses)/revenue**

Other expenses for the three-month period ended 30 September 2010 consisted of a sundry expenses of approximately HK\$120,000 (2009: HK\$609,000).

**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 2010 (2009: 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 2010 (2009: Nil).

There was no significant unprovided deferred taxation for the three-month period and the nine-month period ended 30 September 2010 (2009: 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 2010 respectively were based on the unaudited loss attributable to shareholders of approximately HK\$24,239,000 (2009: HK\$5,458,000) for the three-month period ended 30 September 2010 and unaudited loss attributable to shareholders of approximately HK\$58,525,000 (2009: HK\$24,627,000) for the nine-month period ended 30 September 2010 and on the weighted average number of approximately 2,304,315,317 shares (2009: 2,047,286,540 shares) in issue during the three month period ended 30 September 2010 and approximately 2,304,315,317 shares (2009: 2,047,286,540 shares) in issue during the nine-month period ended 30 September 2010.

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 99,278,274 shares throughout the periods concerned above.


At 30 September 2010, the number of dilutive potential ordinary shares arising from employee share option amounted to 151,762,500 and the total weighted average number of shares for calculating diluted loss per shares was 2,403,593,590.

#### **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 2010 (2009: Nil).

#### **7. 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 nine-month period ended 30 September 2010, the Group's reserves increased by approximately HK\$63,945,000 (2009: HK\$1,926,000), representing the increase in cumulative translation adjustment of HK\$63,945,000 (2009: HK\$1,926,000) for the period. As a result, the consolidated reserves, excluding accumulated deficit, of the Group as at 30 September 2010 were approximately HK\$267,637,000 (2009: HK\$201,290,000).



At the beginning of 2010, the Group had accumulated deficit of approximately HK\$149,263,000 (2009: HK\$86,597,000). During the three-month period ended 30 September 2010, the Group released approximately HK\$29,642,000 (2009:Nil) of accumulated deficit due to the disposal of three subsidiaries. For the nine-month period ended 30 September 2010, the Group's accumulated deficit increased by approximately HK\$57,910,000 (2009: HK\$24,627,000), representing the total comprehensive expenses attributable to shareholders for the period. As a result, the accumulated deficit of the Group as at 30 September 2010 was approximately HK\$177,531,000 (2009: HK\$111,224,000).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

The Group recorded a revenue of approximately HK\$23,598,000 for the three month period ended 30 September 2010, representing an increase of approximately 17.72% over the same period last year. The gross profit margin for the third quarter of this year was about 23.98%, as compared to that of 14.32% for the same period last year.

Loss attributable to shareholders for the three-month period ended 30 September 2010 amounted to approximately HK\$24,239,000 which represents an increase of approximately 344.10% over the same period in 2009, mainly due to loss on disposal of subsidiaries of approximately HK\$14,250,000; increase in professional fees of approximately HK\$3,500,000 (which is grouped under general and administrative expenses) and increase in research and development expenses of approximately HK\$1,500,000 for developing new products.

### Research and Development

For the three-month period ended 30 September 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 while the research and development expenses had been increased by 57.05% 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 2010, 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 increase by 30.99% compared with same period in last year.

## **Acquisition and Investment**

On 10 September 2010 (after trading hours), a memorandum of understanding (“memorandum”) was entered between the Company, as the proposed purchaser, and Mighty Advantage Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability, as the proposed Vendor, in respect of a Proposed Acquisition in which the Company would purchase the entire issued share capital of Country Praise Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability (the “Target Company”); and the aggregate amount of all outstanding advances, loans or indebtedness owed by the Target Company to the Vendor (if any) respectively. The memorandum is non-legally binding save for certain provisions relating to confidentiality and exclusivity.

The Proposed Acquisition, if materializes, may constitute a notifiable transaction which is subject to the requirements under the GEM Listing Rules, which may include obtaining the approval of Shareholders at a general meeting.

As at the date of this report, the Company has no further action on the Proposed Acquisition.

## **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.

The Group has devoted substantial research and development efforts in exploring the barcode and laser reader equipment in different fields of business. Examples of some of the successful development of application of 2D barcode technology in the recent years include bank cards, ID card identification device and food tracking and tracing system in sourcing and tracking for food and medical products. The Company would become a major service provider in the 2D barcode application business within the PRC market.



## DIRECTORS' INTEREST IN SHARES

As at 30 September 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	853,112,045	-	-	-	853,112,045	33.65%

There were no debt securities nor debentures issued by the Group at any time during the period ended 30 September 2010.

Save as disclosed above, at 30 September 2010, 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 2010 and for the period ended 30 September 2010:

- (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 2010, no options have been granted to the Directors of the Company under Share Option Scheme A and Share Option Scheme B.

Details of the options granted to the Directors of the Company under Share Option Scheme C since its adoption and up to 30 September 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	10,000,000	-	-	10,000,000
Mr Frank Cheung	10/11/2009	10/11/2010 to 9/11/2019	HK\$0.1026	15,000,000	-	-	15,000,000
				<hr/> 25,000,000	-	-	<hr/> 25,000,000

Save as disclosed above, as at 30 September 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 September 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				Total	Percentage of issued share capital
	Personal interests	Family interests	Corporate interests	Other interests		
Mr Cheung Wai (Note)	853,112,045	-	-	-	853,112,045	33.65%

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

### COMPETING INTERESTS

The Directors are not aware of, as at 30 September 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 nine-month period ended 30 September 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 nine-month period ended 30 September 2010 the board practices and procedures as set out in Rules 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.



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 three independent non-executive directors, namely Mr Fong Chi Wah, Mr Wang Ruiping and Mr He Zhiyi. 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 was of the opinion that the preparation of the unaudited results for the three-month period ended 30 September 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 three-month period ended 30 September 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, 9 November 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  
He Zhiyi