



## **SYSCAN Technology Holdings Limited**

**矽感科技控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 8083)**

### **ANNUAL RESULTS ANNOUNCEMENT**

**For the year ended 31 December 2010**

#### **Characteristics of The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (“Exchange”)**

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

**The principal means of information dissemination on GEM is publication on the internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.**

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*This announcement, for which the directors of SYSCAN Technology Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to SYSCAN Technology Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

*\*For identification only*

## **HIGHLIGHTS**

- Revenue of the Group for the year ended 31 December 2010 increased by 31.55% to HK\$85.7 million from the year ended 31 December 2009.
- Gross profit of the Group for the year ended 31 December 2010 increased by 0.5% to HK\$14.5 million from the year ended 31 December 2009.
- Loss for the year of the Group for the year ended 31 December 2010 amounted to HK\$150 million as against loss for the year of HK\$63.0 million in 2009.
- As at 31 December 2010, the cash at banks and on hand of the Group amounted to HK\$82.0 million (31 December 2009: HK\$37.7 million) and pledged deposits amounted to HK\$27 million.
- The board of directors did not recommend the payment of a dividend (2009: nil) for the year ended 31 December 2010.

## EXTRACTS OF INDEPENDENT AUDITORS' REPORT

### Basis for disclaimer of opinion

#### 1. *Prior year's limitation of scope affecting corresponding figures*

The predecessor auditor qualified their audit opinion on the consolidated financial statements in respect of the year ended 31 December 2009 on the basis that they were unable to express their opinion as to whether the impairment of the interest in an associate of approximately HK\$19,960,000 and the share of losses of associates of approximately HK\$623,000 included in the consolidated profit or loss for the year ended 31 December 2009 were fairly stated.

There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the matters set out in the above paragraph. Any adjustments to the above figures might affect the Group's results, cash flows and the related disclosures in the notes to the financial statements for the year ended 31 December 2009.

#### 2. *Limitation of scope – consolidation adjustments brought forward from prior year*

Included in opening consolidation adjustments as at 1 January 2010 and closing consolidation adjustments as at 31 December 2010 are entries with the following financial effects:

In relation to property, plant and equipment:

- increase in cost of property, plant and equipment by approximately HK\$13,791,000 as at 1 January 2010 and 31 December 2010; and
- increase in accumulated depreciation of property, plant and equipment by approximately HK\$20,434,000 as at 1 January 2010 and 31 December 2010.

In relation to prepayments, deposits and other receivables:

- decrease in the carrying amount of prepayments, deposits and other receivables as at 1 January 2010 and 31 December 2010 by approximately HK\$1,407,000.

We were unable to obtain sufficient appropriate audit evidence relating to these consolidation adjustments and there were no other satisfactory audit procedures that we could adopt to satisfy ourselves whether the property, plant and equipment and prepayments, deposits and other receivables included in the consolidated statements of financial position as at 31 December 2010 and 2009 were fairly stated. Any adjustments to the above figures might have a significant consequential effect on the results and the related disclosures in notes to the financial statements for the years ended 31 December 2010 and 2009 and net assets as at 31 December 2010 and 2009.

3. *Limitation of scope – other payables*

Included in accruals and other payables in the consolidated statement of financial position as at 31 December 2010 are the following balances:

- (i) certain payable balances with aggregate amount of approximately HK\$58,856,000; and
- (ii) a net amount of payables of approximately HK\$31,505,000 which represents the net unreconciled intra-Group amounts on consolidation.

We were unable to obtain sufficient appropriate audit evidence relating to these payables and there were no other satisfactory audit procedures that we could adopt to satisfy ourselves whether these payables included in the consolidated statement of financial position as at 31 December 2010 were fairly stated. Any adjustments to the above figures might have a significant consequential effect on the results for the year ended 31 December 2010 and net assets as at 31 December 2010.

4. *Limitation of scope – gain on disposal of associates*

Assets classified as held for sale with carrying amount of approximately HK\$99,488,000 included in the consolidated statement of financial position as at 31 December 2009 represented the Group's 45% equity interest in a then associate, SYSCAN Manufacturing Limited, and its subsidiary (collectively referred to as "SML Group"). The Group's 45% equity interest in SML Group was disposed of during the year ended 31 December 2010 and the details of this transaction were disclosed in the Company's circular dated 8 February 2010. Gain on disposal of associates of approximately HK\$1,414,000 included in the consolidated profit or loss for the year ended 31 December 2010 was based on the net asset value of SML Group attributable to the Group as at the date of disposal of approximately HK\$99,488,000. The above-mentioned net asset value was calculated based on the management accounts of SML Group as at the date of disposal.

As the Group was unable to access the books and records subsequent to the disposal of SML Group, we were unable to obtain sufficient appropriate audit evidence relating to the financial information of SML Group and there were no other satisfactory audit procedures that we could adopt to satisfy ourselves whether assets classified as held for sale of approximately HK\$99,488,000 as at 31 December 2009, the net assets value of SML Group attributable to the Group as at the date of disposal of HK\$99,488,000, the Group's share of SML Group's profit or loss of HK\$Nil for the period up to the date of disposal and gain on disposal of associates of approximately HK\$1,414,000 for the year ended 31 December 2010 were fairly stated. Any adjustments to the above figures might have a significant consequential effect on the results for the years ended 31 December 2010 and 2009, the related disclosures in notes to the financial statements for the year ended 31 December 2009 and net assets as at 31 December 2010 and 2009.

5. *Limitation on scope – losses on disposals of subsidiaries*

There were two subsidiaries of the Company, 深圳市和浩源投資發展有限公司 (formerly known as 深圳市矽感數碼系統有限公司) and 深圳市旭感信息工程監理有限公司 disposed of during the year ended 31 December 2010. The above-mentioned disposals resulted in losses on disposals of subsidiaries amounted to approximately HK\$14,031,000. The aforesaid losses on disposals of subsidiaries were calculated based on the management accounts of the two disposed subsidiaries as at the respective dates of disposals.

As the Group was unable to access the books and records of the two then subsidiaries subsequent to their disposals, we were unable to obtain sufficient appropriate audit evidence relating to the financial information of these disposed subsidiaries and there were no other satisfactory audit procedures that we could adopt to satisfy ourselves whether the related equity attributable to these two subsidiaries was properly eliminated upon disposals and the losses on disposals of subsidiaries of approximately HK\$14,031,000 for the year ended 31 December 2010 was fairly stated. Any adjustments to the above figure might have a significant consequential effect on the results and the related disclosures in the notes to financial statements for the year ended 31 December 2010.

6. *Limitation on scope – loss on deemed disposal of a subsidiary*

On 10 September 2010, 深圳市矽感高科投資管理有限公司 transferred an intangible asset of RMB70,000,000 to the Company's wholly owned subsidiary, 乾元貝盟科技有限公司 (“GYB”), as capital contribution. The above-mentioned transfer led to the reduction of the Group's interest in GYB from 100% to 30% and GYB became an associate of the Group with carrying amount of approximately HK\$29,906,000. Pursuant to the above, a loss on deemed disposal of a subsidiary of approximately HK\$3,939,000 was recognised in the consolidated profit or loss for the year ended 31 December 2010.

We were unable to obtain sufficient appropriate audit evidence relating to the financial information of GYB and there were no other satisfactory audit procedures that we could adopt to satisfy ourselves whether any impairment for the Group's interest in GYB of approximately HK\$24,470,000, as at 31 December 2010 should be made in the financial statements, and whether the related equity attributable to GYB was properly eliminated upon deemed disposal, the loss on deemed disposal of a subsidiary of approximately HK\$3,939,000, and the Group's share of GYB's loss of approximately HK\$5,436,000 for the year ended 31 December 2010 were fairly stated. Any adjustments to the above figures might have a significant consequential effect on the results and the related disclosures in notes to the financial statements for the year ended 31 December 2010 and net assets as at 31 December 2010.

## 7. Disclosure of transactions

### (i) Transactions with 深圳市矽感高科投資管理有限公司

During the year ended 31 December 2010, the Group entered into an agreement with 深圳市矽感高科投資管理有限公司 (“Domestic Company I”), a former subsidiary, to dispose of its 93% equity interest in a subsidiary, 深圳市和浩源投資發展有限公司 (formerly known as 深圳市矽感數碼系統有限公司), at a cash consideration of approximately RMB186,000 (equivalent to HK\$214,000) to Domestic Company I.

Domestic Company I also advanced loans of RMB10,000,000 (equivalent to approximately HK\$11,838,000) to the Group during the years ended 31 December 2010 and 2009. Other loans included in the borrowings as at 31 December 2010 is an amount of approximately HK\$11,838,000 (2009: HK\$3,399,000) due to Domestic Company I. As at 31 December 2010, the loans are secured by the pledge of 75% equity interests in the Company’s subsidiary, 深圳矽感科技有限公司, in favour of Domestic Company I. The loans bear interest at 6.5% per annum and is repayable within one year.

As stated in paragraph 6 above, on 10 September 2010, Domestic Company I transferred an intangible asset of RMB70,000,000 to GYB as capital contribution. The above-mentioned transfer led to the reduction of the Group’s interest in GYB from 100% to 30% and GYB became an associate of the Group with carrying amount of HK\$29,906,000. Pursuant to the above, a loss on deemed disposal of a subsidiary of HK\$3,939,000 was recognised in the consolidated statement of comprehensive income for the year ended 31 December 2010.

According to statutory records registered in the Market Supervision Administration of Shenzhen Municipally, the executive director of the Company, Mr. Cheung Wai, is the supervisor (監事) of Domestic Company I.

### (ii) Transaction with 武漢矽感科技有限公司

Amount due to a non-controlling shareholder of a subsidiary of approximately HK\$37,659,000 (2009: HK\$450,000) in the consolidated statement of financial position as at 31 December 2010 represents the amount due to 武漢矽感科技有限公司 (“Domestic Company II”). The amount due is unsecured, interest-free and repayable on demand.

According to statutory records registered in the Wuhan Administrator for Industry and Commerce, Domestic Company II is a subsidiary of Domestic Company I.



(iii) Transactions with 深圳市旭感和誠信息技術有限公司

During the year ended 31 December 2010, the Group entered into an agreement with 深圳市旭感和誠信息技術有限公司 (“Domestic Company III”), a former associate, to dispose of its 55.6% equity interest in a then subsidiary, 深圳市旭感信息工程監理有限公司, at a cash consideration of RMB1 (approximately HK\$1) to Domestic Company III.

Included in accruals and other payables in the consolidated statement of financial position as at 31 December 2010 is an amount of approximately HK\$1,906,000 due to Domestic Company III. The amounts due are unsecured, interest-free and repayable on demand.

According to statutory records registered in the Market Supervision Administration of Shenzhen Municipally, a director of the Company’s major operating subsidiary, Ms Liu Huinian, is a director of Domestic Company III.

The board of directors declared that Domestic Company I, Domestic Company II and Domestic Company III (collectively referred to as “Domestic Companies”) are not related companies. In the absence of any other valid evidence, we are unable to assess the appropriateness of the classification of Domestic Companies as unrelated parties in accordance with Hong Kong Accounting Standard 24 “Related Party Disclosures” (“HKAS 24”). Should Domestic Companies be classified as related parties in accordance to HKAS 24, the transactions between the Group and Domestic Companies for the years ended 31 December 2010 and 2009 and the outstanding balances with Domestic Companies as at 31 December 2010 and 2009 mentioned above should be disclosed in the financial statements.

### **Disclaimer of opinion**

Because of the significance of the matters as described in the basis for disclaimer of opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **AUDITED CONSOLIDATED RESULTS**

The board of directors (the “Board”) of the Company are pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2010 together with the comparative figures for the corresponding period in 2009 as follows:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*Year ended 31 December 2010*

	<i>Notes</i>	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
<b>Turnover</b>	3	<b>85,711</b>	65,155
Cost of goods sold		<u>(71,164)</u>	<u>(54,461)</u>
<b>Gross profit</b>		<b>14,547</b>	10,694
Other income	4	<b>12,108</b>	10,331
Selling expenses		<b>(8,866)</b>	(7,499)
Administrative expenses		<b>(26,984)</b>	(36,516)
Research and development expenses		<b>(11,327)</b>	(10,868)
Other operating expenses		<b>(17,092)</b>	(762)
Equity-settled share option expenses		<u><b>(4,576)</b></u>	<u>(8,364)</u>
<b>Loss from operations</b>		<b>(42,190)</b>	(42,984)
Finance costs	5	<b>(617)</b>	(146)
Share of losses of associates		<b>(5,495)</b>	(623)
Impairment on interest in associates		<b>–</b>	(19,960)
Impairment loss on other receivables		<b>(85,164)</b>	–
Gain on disposal of associates		<b>1,414</b>	–
(Loss)/gain on disposals of subsidiaries		<b>(14,031)</b>	502
(Loss)/gain on deemed disposal of a subsidiary		<u><b>(3,939)</b></u>	<u>195</u>
<b>Loss before tax</b>		<b>(150,022)</b>	(63,016)
Income tax expense	6	<b>(1)</b>	–
<b>Loss for the year</b>	7	<u><b>(150,023)</b></u>	<u>(63,016)</u>
<b>Exchange differences on translating foreign operations</b>		<b>3,471</b>	1,435
<b>Exchange differences reclassified to income statement on disposals of subsidiaries</b>		<b>(326)</b>	–
<b>Exchange difference reclassified to income statement on deemed disposal of a subsidiary</b>		<u><b>(714)</b></u>	<u>–</u>
<b>Other comprehensive income for the year, net of tax</b>		<b>2,431</b>	1,435
<b>Total comprehensive income for the year</b>		<u><b>(147,592)</b></u>	<u>(61,581)</u>
<b>Loss for the year attributable to:</b>			
Owners of the Company		<b>(148,983)</b>	(62,666)
Non-controlling interests		<b>(1,040)</b>	(350)
		<u><b>(150,023)</b></u>	<u>(63,016)</u>
<b>Total comprehensive income for the year attributable to:</b>			
Owners of the Company		<b>(146,552)</b>	(61,231)
Non-controlling interests		<b>(1,040)</b>	(350)
		<u><b>(147,592)</b></u>	<u>(61,581)</u>
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	8		
Basic		<u><b>HK\$(7.35) cents</b></u>	<u>HK\$(3.05) cents</u>
Diluted		<u><b>N/A</b></u>	<u>N/A</u>



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2010

	<i>Notes</i>	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		10,384	10,857
Prepaid land lease payments		45,631	–
Construction in progress		57,160	3,536
Intangible assets		–	–
Investments in associates		24,555	495
Deposit paid		–	226
		<b>137,730</b>	15,114
<b>Current assets</b>			
Inventories		24,083	3,217
Trade receivables	10	10,887	7,830
Prepayments, deposits and other receivables		13,855	9,514
Due from an associate		599	–
Pledged bank deposits		27,066	–
Bank and cash balances		82,030	37,754
		<b>158,520</b>	58,315
Assets classified as held for sale		–	99,488
		<b>158,520</b>	157,803
<b>Current liabilities</b>			
Trade payables	11	12,580	8,154
Accruals and other payables		113,718	56,073
Due to an associate		–	20,761
Due to a non-controlling shareholder of a subsidiary		37,659	319
Borrowings		38,444	3,399
		<b>202,401</b>	88,706
<b>Net current (liabilities)/assets</b>		<b>(43,881)</b>	69,097
<b>NET ASSETS</b>		<b>93,849</b>	84,211
<b>Capital and reserves</b>			
Share capital		26,409	20,769
Reserves		24,428	61,381
Equity attributable to owners of the Company		<b>50,837</b>	82,150
Non-controlling interests		43,012	2,061
<b>TOTAL EQUITY</b>		<b>93,849</b>	84,211

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

	Attributable to owners of the Company							Total	Minority interests	Total equity
	Share capital	Share premium account*	Capital reserves*	Statutory reserves fund*	Exchange reserve*	Share option reserve*	Accumulated losses*			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2009	20,473	6,141	191,973	439	811	-	(86,597)	133,240	-	133,240
Share-base payments	-	-	-	-	-	8,364	-	8,364	-	8,364
Share issued from exercise of options	296	2,893	-	-	-	(1,412)	-	1,777	-	1,777
Contribution from a non-controlling shareholder	-	-	-	-	-	-	-	-	2,606	2,606
Deemed disposal of a subsidiary	-	-	-	-	-	-	-	-	(195)	(195)
Total comprehensive income for the year	-	-	-	-	1,435	-	(62,666)	(61,231)	(350)	(61,581)
Balance at 31 December 2009 and balance at 1 January 2010	20,769	9,034	191,973	439	2,246	6,952	(149,263)	82,150	2,061	84,211
Shares issued from exercise of options	1,550	18,218	-	-	-	(8,169)	-	11,599	-	11,599
Release on lapse of option	-	-	-	-	-	(201)	201	-	-	-
Shares issued arising from placing	4,090	63,395	-	-	-	-	-	67,485	-	67,485
Share-base payments	-	-	-	-	-	4,576	-	4,576	-	4,576
Capital contribution from a non-controlling shareholder	-	-	-	-	-	-	-	-	44,456	44,456
Disposals of subsidiaries	-	-	692	-	(326)	-	14,774	15,140	-	15,140
Deemed disposal of a subsidiary	-	-	-	-	(714)	-	17,153	16,439	(2,465)	13,974
Total comprehensive income for the year	-	-	-	-	3,471	-	(150,023)	(146,552)	(1,040)	(147,592)
Balance at 31 December 2010	26,409	90,647	192,665	439	4,677	3,158	(267,158)	50,837	43,012	93,849

\* These reserve accounts comprise the consolidated reserves of HK\$24,428,000 (2009: HK\$61,381,000) in the consolidated statement of financial position.

## **NOTES TO FINANCIAL STATEMENTS**

*31 December 2010*

### **1. GENERAL INFORMATION**

The Company was incorporated in the Bermuda with limited liability. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and its principal place of business is Unit C, 21st Floor, Seabright Plaza, 9-23 Shell Street, North Point, Hong Kong.

The Company's shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The Company is an investment holding company. The principal activities of its subsidiaries are engaged in the design, research, development, manufacture and distribution of optical image capturing devices, chips and other optoelectronic products.

### **2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS**

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2010. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

### 3. OPERATING SEGMENT INFORMATION

The Group has one reportable segment which is manufacture and sale of optical image capturing devices, chips and other optoelectronic products in the PRC.

#### (i) Geographical information:

	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Revenue		
The PRC except Hong Kong	<b>13,347</b>	11,612
USA	<b>65,243</b>	49,205
Other	<b>7,121</b>	4,338
	<hr/>	<hr/>
Consolidated total revenue	<b>85,711</b>	65,155
	<hr/>	<hr/>

In presenting the geographical information, revenue is based on the locations of the customers.

The Group's non-current assets are all located in the PRC.

- (ii) Revenue from one customer of the Group's represents approximately HK\$65,243,000 (2009: HK\$49,205,000) of the Group's total revenue.

### 4. OTHER INCOME

	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Gain on reversal impairment loss on other receivables	<b>2,885</b>	–
Derecognised of financial liabilities	<b>8,443</b>	–
Exchange gain, net	<b>212</b>	–
Gain on disposal of property, plant and equipment	<b>125</b>	5,550
Government grant	<b>51</b>	913
Interest income	<b>44</b>	41
Reversal of write-down of inventories to net realisable value	–	1,988
Reversal of impairment loss on trade receivable	–	1,396
Others	<b>348</b>	443
	<hr/>	<hr/>
	<b>12,108</b>	10,331
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## 5. FINANCE COSTS

	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Interest on bank loans	<b>104</b>	–
Interest on other loans	<b>513</b>	146
	<u><b>617</b></u>	<u>146</u>

## 6. INCOME TAX EXPENSE

- (a) No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the year.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The new PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007 introduces various changes which include the unification of the enterprise income tax rate for domestic and foreign enterprises at 25%. The new tax law become effective from 1 January 2008.

- (b) The reconciliation between the income tax expense and the product of loss before tax multiplied by the weighted average tax rate of the consolidated companies is as follows:

	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Loss before tax	<u><b>(150,023)</b></u>	<u>(63,016)</u>
Tax at the domestic income tax rate of 25% (2009: 25%)	<b>(37,506)</b>	(13,770)
Tax effect of income that is not taxable	<b>(129)</b>	(175)
Tax effect of expenses that are not deductible	<b>4,234</b>	10,955
Tax effect of unused tax losses not recognised	<b>13,955</b>	2,990
Tax effect of temporary differences not recognised	<b>17,632</b>	–
Effect of different tax of subsidiaries	<b>1,815</b>	–
Income tax expense	<u><b>1</b></u>	<u>–</u>

## 7. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging/(crediting) the following:

	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Depreciation	<b>2,906</b>	4,643
Directors' emoluments		
– As directors	<b>273</b>	300
– For management	<b>3,950</b>	8,082
	<b>4,223</b>	8,382
Operating leases charges	<b>2,504</b>	4,576
Auditor's remuneration	<b>272</b>	390
Cost of inventories sold	<b>71,164</b>	54,461
Impairment loss on interest in an associate	–	19,960
Loss/(gain) on deemed disposal of a subsidiary	<b>3,939</b>	(195)
Loss/(gain) on disposals of subsidiaries	<b>14,031</b>	(502)
Gain on disposal of associates	<b>(1,414)</b>	–
Impairment loss on other receivables	<b>85,164</b>	–
Staff costs including directors' remuneration		
Salaries, bonus and allowances	<b>30,424</b>	21,755
Equity-settled share-based payments	<b>4,576</b>	8,364
Contribution to retirement benefit schemes	<b>1,762</b>	120
	<b>36,762</b>	30,239

Cost of inventories sold includes staff costs, depreciation and operating lease charges of approximately HK\$10,371,461 (2009: HK\$11,135,000) which are included in the amounts disclosed separately above.

## 8. LOSS PER SHARE

The calculation of the basic loss per share attributable to owners of the Company is based on the loss attributable to equity owners of approximately HK\$148,983,000 (2009: HK\$62,666,000) and the weighted average number of ordinary shares of 2,359,180,000 (2009: 2,051,333,000) in issue during the year.

## 9. DIVIDEND

The Directors did not recommend the payment of a final dividend for the year ended 31 December 2010.

## 10. TRADE RECEIVABLES

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 30 to 60 days. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The aging analysis of the Group's trade receivables, based on the invoice date, and net of allowance, is as follows:

	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Up to 30 days	<b>9,998</b>	7,627
31 to 60 days	<b>479</b>	–
61 to 90 days	<b>410</b>	203
	<b>10,887</b>	7,830

As at 31 December 2010, an allowance was made for estimated irrecoverable trade receivables of approximately HK\$325,000 (2009: HK\$325,000).

Reconciliation of allowance for trade receivables:

	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
At 1 January	325	1,721
Reversed of allowance for the year	—	(1,396)
	<u>325</u>	<u>325</u>
At 31 December	<u><b>325</b></u>	<u>325</u>

As of 31 December 2010, trade receivables of HK\$889,000 (2009: HK\$203,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Up to 30 days	479	—
31 to 60 days	410	203
	<u>889</u>	<u>203</u>
	<u><b>889</b></u>	<u>203</u>

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
RMB	918	426
US\$	9,969	7,404
	<u>10,887</u>	<u>7,830</u>
Total	<u><b>10,887</b></u>	<u>7,830</u>



## 11. TRADE PAYABLES

The aging analysis of the Group's trade payables, based on the date of receipt of goods, is as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
0 to 90 days	11,721	8,011
91 to 180 days	768	99
181 to 365 days	37	10
Over 12 months	54	34
	<u>12,580</u>	<u>8,154</u>

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
HK\$	1,574	1,464
RMB	10,825	5,761
US\$	181	929
	<u>12,580</u>	<u>8,154</u>

## INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 31 December 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 the SFO.

Name	Capacity	Nature of interests	Number of share	Percentage of issued share capital
Mr. Cheung Wai	Beneficial Owner	Personal	863,112,045	24.77%
Mr. Guan Gui Sen	Beneficial Owner	Corporate ( <i>Note</i> )	218,750,000	6.28%
Mr. Frank Cheung	Beneficial Owner	Personal	7,500,000	0.22%

*Note:* 218,750,000 shares is held by Mighty Advantage Enterprises Limited which is incorporated in the British Virgin Islands and is beneficially owned by Mr Guan Gui Sen.

## DIRECTORS' AND SUPERVISORS' RIGHT TO ACQUIRE SHARES OR DEBT SECURITIES

As at 31 December, 2010, the Company was not a party to any arrangements to enable the Directors and Supervisors to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors and Supervisors or their spouses or children under the age of 18 had any right to subscribe the securities of the Company, or had exercised any such right.

## **REVIEW OF FINANCIAL INFORMATION**

The Audit Committee has reviewed the Group's annual results for the year ended 31 December 2010.

The figures in respect of the preliminary announcement of the Group's result for the year ended 31 December 2010 have been agreed by the Group's auditors, RSM Nelson Wheeler Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by RSM Nelson Wheeler Certified Public Accountants, in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Nelson Wheeler Certified Public Accountants, on the preliminary announcement.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business Review**

#### *Overview*

The Group's business is in the field of optical electronic industry, and is principally engaged in the design, research, development, manufacturing and sell the optical image capturing devices and related barcode reader equipment, and is gradually transforming into a 2D barcode reader and laser spectrum identification device provider and laser system equipment provider.

The Group's turnover of approximately HK\$85,711,000 for the year 2010 increased by approximately 31.55% as compared to the turnover of approximately HK\$65,155,000 in last year. The Group's gross profit margin had increased from the year 2009 of 16.4% to the year 2010 of 16.97%.

The Group recorded loss attributable to shareholders for the year 2010 of approximately HK\$150,023,000 comparing to a loss of approximately HK\$63,016,000 for the year for 2009.

#### *Research and Development*

In the year of 2010 the Group had put more resource on research and development as well as selling and marketing of the Group's products. Some of the research and development had been crystallized and contributed to the Group's performance in the year as compared to year 2009.

The Group continues to approach perfection the barcode and laser reader equipment in different fields of business. For instance, Auto Bank Card Issuer and Multi-functional ID Card Identification devices as well as Laser detection terminal used for food tracking and tracing system in the sourcing and tracking for China's food and medical products.

The Group has its own proprietary CM and GM coding certified by PRC authorities. The Group will further deploy the application of self-developed 2D barcode technology to the fast growing electronic payment service industry.

### *Sales and Marketing*

We attended China International Exhibition on Financial Banking Technology & Equipment 2010 in Beijing, China from 9 to 12 September 2010 and The 7th Optics Valley Of China International Optoelectronic Exhibition and Forum 2010 in Wuhan, China from 2 to 5 November 2010. In the exhibition we introduced products including Auto Bank Card Issuer, IDC – the passport and ID card scanner, bizcard nano, portable scanners, bar code scanners, contact image sensor and free scan. Many customers showed great interests at our products.

### *Acquisitions*

As disclosed in the Circular dated 24 January 2011, on 22 November 2010, the Company entered into the New Sale and Purchase Agreement with Mighty Advantage Enterprises Ltd. (“MAE”) and Country Praise Enterprises Ltd. (“CPE”) pursuant to which the parties agreed to acquire the entire equity interest in the CPE at an initial consideration of HK\$150,000,000 (subject to adjustments), but in any event subject to a maximum consideration of HK\$850,000,000. The consideration shall be satisfied in a combination of cash, the Shares and Convertible Bonds.

All the conditions precedent under the New Sale and Purchase Agreement have been fulfilled and that the Completion took place on 28 February 2011 (the “**Completion Date**”). The Company issued 218,750,000 Consideration Shares to the Vendor in accordance with the terms of the New Sale and Purchase Agreement on the Completion Date. The 218,750,000 Consideration Shares, representing approximately 6.28% of the existing issued share capital of the Company, rank *pari passu* in all aspects amongst themselves and with the Shares in issue on the date of the issue and allotment of the Consideration Shares. Upon Completion, CPE becomes a wholly-owned subsidiary of the Company and the financial results of the CPE and its subsidiaries will be consolidated to that of the Group.

All conditions set out in the New Placing Agreement have been fulfilled and the Placing was completed on 9 March 2011 in accordance with the terms and conditions of the New Placing Agreement. An aggregate of 625,000,000 Placing Shares have been successfully placed by the Placing Agent to four (4) investors who are and whose ultimate beneficial owners are third parties independent of, not connected with and not acting in concert with any connected person of the Company. None of the placees has become a substantial Shareholder (as defined in the GEM Listing Rules) as a result of the Placing.

## **FINANCIAL RESOURCES AND LIQUIDITY**

As of 31 December 2010, the Group had a cash and bank balances of approximately HK\$82,030,000 (2009: approximately HK\$37,754,000). As at the balance sheet date, the Group had HK\$38,444,000 bank loan or other borrowing.

## **CAPITAL COMMITMENTS**

As at 31 December 2010, the Group's outstanding capital commitment contracted but not provided for in the financial statements is approximately HK\$23,324,000 (2009: HK\$43,443,000).

As at 31 December 2010, the total current assets over the total current liabilities was 0.81 times (2009: 1.78 times). The ratio of all debts to total assets was 0.13 (2009: 0.02). As most sales are made in US dollar, no hedging arrangement is made to offset the exposures to fluctuations in exchange rates.

## **CONTINGENT LIABILITIES**

The Group had no contingent liabilities as at 31 December 2010.

## **INTELLECTUAL PROPERTY**

As at 31 December 2010, the Group had 61 trademarks registered in different countries and regions, of which 27 trademarks have been approved. At the same time, the Group had been granted 68 patents and have 102 patents filed in different countries and regions.

## **EMPLOYEES**

As at 31 December 2010, the Group has 271 employees. The Directors believe that the quality of the employees is the most important factor in sustaining the Group's growth and improving its 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.

## **LITIGATION**

During 2008, the fellow shareholders of an associate took legal action against the Group for repayment of amount due to the said associate of approximately HK\$20,682,000. At the end of the reporting period, the directors and the fellow shareholders of the associate have reached a mutual agreement to resolve the case by out of court settlement.

## **FUTURE PLANS AND PROSPECTS**

The Group is cautious towards its future business plan and will concentrate on the profitable businesses in order to establishing a stable revenue stream and making the Group result to be profitable.

The Group will simplify its corporate structure and laid off excess staffs in order to maintain stringent cost control.

## **CORPORATE GOVERNANCE PRACTICES**

The Company is committed to maintaining high standards of corporate governance to protect the interests of the shareholders of the Company. The Company has complied with the code provisions of the Code on Corporate Governance Practices (“CG Code”) set out in Appendix 15 to the GEM Listing Rules, throughout the twelve months period ended 31 December 2010.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Code of Ethics and Securities Transactions is adopted by the Company to regulate securities dealings by directors, senior management and certain employees of the Group, and to provide guidelines and procedures on conflict of interests of Directors.

The first part of this Code of Ethics and Securities Transactions is based on the GEM listing rules 5.48 to 5.67 (the “required standard”) against which Directors must measure their conduct regarding transactions in securities of their listed issuers, and the Securities Future Ordinance (“SFO”).

The second part of this Code of Ethics and Securities Transactions establishes guidelines and procedures regarding conflict of interests of Directors in order to protect the best interests of the Company.

During the year ended 31 December 2010, all Directors have complied with the Code of Ethics and Securities Transaction.

## **INVESTOR RELATIONS AND SHAREHOLDERS’ RIGHTS**

The Board is committed to providing clear and full information about the Company’s performance to shareholders through the publication of quarterly reports and annual reports. In addition to dispatching circulars, notices and financial reports to shareholders, additional information is also available to shareholders on the websites of the Stock Exchange and the Company, which is updated regularly. The annual general meeting provides a useful forum for shareholders to raise comments and exchange views with the Board. Shareholders are encouraged to attend annual general meetings for which the Company gives at least 21 working days’ notice. The Chairman, Directors and external auditors are available to answer questions on the Company’s businesses at the meeting. The Company values feedback from shareholders on its effort to promote transparencies and foster investor relationships.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares during the year.

## **CODE OF BEST PRACTICE**

In the opinion of the Directors, the Company has complied with the standards of good practice concerning the general management responsibilities of the Board of Directors as set out in Rules 5.28 to 5.39 of the GEM Listing Rules throughout year ended 31 December 2010.

## **AUDIT COMMITTEE**

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 members are Mr. Wang Ruiping and Professor He Zhiyi. Under its terms of reference for audit committee passed under a directors' resolution dated 30 June 2005, is required, amongst other things, to oversee the relationship with the external auditors, to review the Group's preliminary results, interim results and annual financial statements and to monitor compliance with statutory and listing requirements, to engage independent legal or other advisers as it determines is necessary and to perform any investigations. The Audit Committee has reviewed the annual report for the year ended 31 December 2010 and concludes the meeting with agreement to the contents of the annual report. The Audit Committee members held four meetings in 2010 and one meeting to date in 2011.

## **AUDITORS**

A resolution to re-appoint RSM Nelson Wheeler Certified Public Accountants as auditors of the Company will be proposed at the forthcoming annual general meeting.

By Order of the Board  
**SYSCAN Technology Holdings Limited**  
**Guan Gui Sen**  
*Chairman*

Hong Kong, 28 March 2011

*As at the date of this announcement, the Board of Directors comprises three executive directors Mr. Guan Gui Sen, Mr. Cheung Wai and Dr. Lei Chun Xiong, and three independent non-executive directors Dr. Fong Chi Wah, Mr. Wang Ruiping and Professor He Zhiyi.*

*This announcement will remain on the "Latest Company Announcements" page of the GEM website for at least 7 days from the date of its posting and on the Company's website at [www.syscangroup.com](http://www.syscangroup.com).*