



SYSCAN Technology Holdings Limited

矽感科技控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8083)

THIRD QUARTERLY RESULTS ANNOUNCEMENT 2004

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

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The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 purposes only

HIGHLIGHTS

The Group recorded a turnover of approximately HK\$22,378,000 for the three-month period ended 30 September 2004, representing a decrease of approximately 37.1% over the same period last year. This is due to the dropping in sales of LCD and CRT monitors over the same period last year. The gross profit margin for the third quarter of this year was about 12.4%, as compared to that of 16.0% for the same period last year.

Loss attributable to shareholders for the three-month period ended 30 September 2004 amounted to approximately HK\$22,201,000, which represents an increase of approximately 498.6% over the same period in 2003.

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 nine months ended 30 September 2004 together with the comparative unaudited figures for the corresponding periods in 2003 as follows:

	Note	For the three months ended 30 September		For the nine months ended 30 September	
		2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Turnover	2	22,378	35,559	169,099	122,042
Cost of sales		(19,610)	(29,871)	(151,690)	(100,243)
Gross profit		2,768	5,688	17,409	21,799
Other revenue	3	1,390	8,544	22,180	10,427
Provision for bad and doubtful receivables		(10,001)	(1,508)	(15,072)	(2,768)
Selling and marketing expenses		(3,617)	(4,718)	(13,323)	(13,434)
General and administrative expenses		(7,156)	(7,304)	(22,577)	(22,259)
Research and development expenses		(3,821)	(3,176)	(12,695)	(8,060)
Loss from operations		(20,437)	(2,474)	(24,078)	(14,295)
Interest income		15	287	215	420
Interest expense		(1,829)	(2,184)	(6,140)	(6,295)
Share of loss of an associate		(38)	–	(38)	–
Gain on deemed disposal of interest in a subsidiary		–	–	4,228	–
Loss before taxation		(22,289)	(4,371)	(25,813)	(20,170)
Taxation	4	–	–	(7)	(7)
Loss after taxation		(22,289)	(4,371)	(25,820)	(20,177)
Minority interests		88	662	796	2,073
Loss attributable to shareholders		(22,201)	(3,709)	(25,024)	(18,104)
Loss per share – Basic	5	HK(21.7) cents	HK(3.6) cents	HK(24.4) cents	HK(17.7) cents
Dividend	6	–	–	–	–

FINANCIAL RESULTS (Cont'd)

Notes:

1. **Basis of presentation**

Significant transactions and balances among the companies comprising the Group have been eliminated on consolidation.

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

3. *Other revenue for the three-month period ended 30 September 2004 consisted of (i) the written back of inventories of approximately HK\$Nil (2003: HK\$6,434,000), and (ii) a sundry income of approximately HK\$1,390,000 (2003: HK\$2,110,000).*

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 2004 (2003: Nil).

The United States subsidiary had no assessable profit subject to United States federal income tax and California State income tax and, consequently, was liable to California State income tax of approximately HK\$7,000 (2003: HK\$7,000), being the minimum amount for a company in a tax loss position.

No provision for Mainland China enterprise income tax was made as the Mainland China subsidiaries (except for one subsidiary in Shanghai which was liable to an income tax of approximately HK\$79 (2003: HK\$194) and HK\$192 (2003: HK\$386) during the three-month period and the nine-month period ended 30 September 2004 respectively) had no assessable profit during the three-month period and the nine-month period ended 30 September 2004 (2003: Nil).

No provision for Taiwan income tax was made as the Group had no assessable profit in Taiwan during the three-month period and the nine-month period ended 30 September 2004 (2003: Nil).

There was no significant unprovided deferred taxation for the three-month period and the nine-month period ended 30 September 2004 (2003: Nil).

5. **Loss per share**

The calculation of the basic loss per share for the three-month period and the nine-month period ended 30 September 2004 respectively were based on the unaudited loss attributable to shareholders of approximately HK\$22,201,000 (2003: HK\$3,709,000) for the three-month period ended 30 September 2004 and approximately HK\$25,024,000 (2003: HK\$18,104,000) for the nine-month period ended 30 September 2004 and on the weighted average number of approximately 102,364,328 shares (2003: 102,364,328 shares) in issue during the three-month period ended 30 September 2004 and approximately 102,364,328 shares (2003: 102,361,398 shares) in issue during the nine-month period ended 30 September 2004.

No diluted loss per share is presented as the outstanding employee share options are anti-dilutive.

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 2004 (2003: Nil).

RESERVES MOVEMENT

At the beginning of 2004, the Group had consolidated reserves, excluding accumulated deficit, of approximately HK\$200,099,000 (2003: HK\$301,288,000). For the nine-month period ended 30 September 2004, the Group's reserves decreased by approximately HK\$142,000 (2003: increased by HK\$197,000), representing the decrease in cumulative translation adjustment of HK\$142,000 (2003: increased by HK\$248,000) and a decrease of share premium of HK\$Nil (2003: HK\$51,000) respectively for the period. As a result, the consolidated reserves of the Group as at 30 September 2004 were approximately HK\$199,957,000 (2003: HK\$301,485,000).

At the beginning of 2004, the Group had accumulated deficit of approximately HK\$62,456,000 (2003: HK\$250,471,000). For the nine-month period ended 30 September 2004, the Group's accumulated deficit increased by approximately HK\$25,024,000 (2003: HK\$18,104,000), representing the loss attributable to shareholders for the period. As a result, the accumulated deficit of the Group as at 30 September 2004 was approximately HK\$87,480,000 (2003: HK\$268,575,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group recorded a turnover of approximately HK\$22,378,000 for the three-month period ended 30 September 2004, representing a decrease of approximately 37.1% over the same period last year. This is due to the dropping in sales of LCD and CRT monitors over the same period last year. The gross profit margin for the third quarter of this year was about 12.4%, as compared to that of 16.0% for the same period last year.

Loss attributable to shareholders for the three-month period ended 30 September 2004 amounted to approximately HK\$22,201,000, which represents an increase of approximately 498.6% over the same period in 2003.

Research and Development

For the three-month period ended 30 September 2004, the Group has continued its effort in strengthening its research and development team on existing, as well as, new products while the research and development expenses had increased by 20.3% over the same period last year.

The Group continues to develop the multimedia display controllers that can enhance the LCD image display. The Group is planning to launch the first batch of this multimedia display controllers, namely ViewTech 101, in the fourth quarter of 2004.

The Group has its own proprietary CM and GM coding certified by PRC authorities. With the use of the Group's 2D barcode products, the coding can provide for more superior results than normal 1D coding which can contain more data within the coding. The Group expects the success of the certification will enhance the sale of the Group's 2D barcode products.

Production

The directors believe that the current production capacity can fulfill the production needs in the coming year. The production lines for LCD monitors and scanners are running smoothly.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Sales and Marketing

The Group has participated in the “Frontline Solutions Exhibition” held in Chicago, U.S.A. in September 2004, where a full collection of the Group’s 2D barcode products were displayed. The Group has also attended the Graphica Exhibition in Germany with a pre-launch of two new scanning products and four new flat-panel display products. All of these new products were well received by our key channel partners in both the North American and European markets.

Acquisition and Investment

During the third quarter of 2004, the Group did not make any new investment. However, the Group will evaluate new investment and acquisition opportunities in order to bring in revenue to the Group.

Future Prospects

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

Appointment of Directors

During the three-month period ended 30 September 2004, the Company has appointed Mr Chan Man Ching, Mr Wong Chung, John and Dr Zhang Fu as additional Executive Directors on 21 August 2004; and Mr Jin Qingjun as additional Independent Non-executive Director and member of the Audit Committee on 30 September 2004.

The Board would like to welcome Mr Chan, Mr Wong, Dr Zhang and Mr Jin to join the Board of Directors.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 30 September 2004, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the required standard of dealings by directors of the Company as referred to in Rule 5.46 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") were as follows:

Long Positions in shares of the Company

Name	Number of ordinary shares held					Percentage of issued share capital
	Personal interests	Family interests	Corporate interests	Other interests	Total	
Mr Cheung Wai	720,000	–	10,310,000 (Note 2)	–	11,030,000	10.78%
Mr Darwin Hu	3,840,000	1,615,600 (Note 1)	–	–	5,455,600	5.33%
Mr Wong Chung, John	131,400	–	–	–	131,400	0.13%
Mr Jin Qingjun	50,000	–	–	–	50,000	0.049%

Notes:

1. These shares were held by Mrs Sonya Hsiu-Yu Hu, the spouse of Mr Darwin Hu.
2. 4,800,000 shares and 5,510,000 shares were held by Haing Assets Limited and Simrita Investments Limited respectively (both companies are incorporated in the British Virgin Islands and are beneficially owned by Mr Cheung Wai).

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 2004, no options have been granted to the Directors of the Company under Share Option Scheme A.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS (Cont'd)**Long positions in underlying shares of the Company (Cont'd)**

Details of the options granted to the Directors of the Company under Share Option Scheme B and Scheme C since their adoption and up to 30 September 2004 were as follows:

Scheme B

<u>Name</u>	<u>Date of grant</u> <i>(dd/mm/yy)</i>	<u>Exercise period</u> <i>(dd/mm/yy)</i>	<u>Subscription price per share</u>	<u>No. of underlying shares comprising the options granted</u>	<u>No. of underlying shares comprising the options exercised</u>	<u>No. of underlying shares comprising the options lapsed</u>	<u>No. of underlying shares comprising the options outstanding</u>
Mr Cheung Wai	19/6/2000	19/6/2001 to 18/6/2010	HK\$3.30	500,000	–	–	500,000
Mr Darwin Hu	19/6/2000	19/6/2001 to 18/6/2010	HK\$3.30	500,000	–	–	500,000
	17/1/2001	17/1/2002 to 16/1/2011	HK\$2.06	1,800,000	–	–	1,800,000
Mr Chan Man Ching	4/12/2000	4/12/2001 to 3/12/2010	HK\$1.016	50,000	–	–	50,000
				<u>2,850,000</u>	<u>–</u>	<u>–</u>	<u>2,850,000</u>

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS (Cont'd)**Long positions in underlying shares of the Company (Cont'd)***Scheme C*

<u>Name</u>	<u>Date of grant</u> <i>(dd/mm/yy)</i>	<u>Exercise period</u> <i>(dd/mm/yy)</i>	<u>Subscription price per share</u>	<u>No. of underlying shares comprising the options granted</u>	<u>No. of underlying shares comprising the options exercised</u>	<u>No. of underlying shares comprising the options lapsed</u>	<u>No. of underlying shares comprising the options outstanding</u>
Mr Chan Man Ching	14/5/2002	14/5/2003 to 13/5/2012	HK\$1.412	50,000	–	–	50,000
	12/11/2002	12/11/2003 to 11/11/2012	HK\$1.00	200,000	–	–	200,000
Mr Wong Chung, John	13/8/2001	13/8/2002 to 12/8/2011	HK\$2.75	100,000	–	–	100,000
	14/5/2002	14/5/2003 to 13/5/2012	HK\$1.412	300,000	–	–	300,000
Dr Zhang Fu	14/8/2002	14/8/2003 to 13/8/2012	HK\$1.00	300,000	–	–	300,000
	26/3/2003	26/3/2004 to 25/3/2013	HK\$1.00	700,000	–	–	700,000
				<u>1,650,000</u>	<u>–</u>	<u>–</u>	<u>1,650,000</u>

Save as disclosed above, as at 30 September 2004, none of the directors had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of the Company as referred to in Rule 5.46 of the GEM Listing Rules.

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 30 September 2004, 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

<u>Name</u>	<u>Capacity</u>	<u>Nature of interest</u>	<u>Number of shares</u>	<u>Percentage of issued share capital</u>
Mr Cheung Wai (<i>Note 1</i>)	Beneficial owner	Personal & Corporate	11,030,000	10.78%
Mr Darwin Hu (<i>Note 1</i>)	Beneficial owner	Personal & Family	5,455,600	5.33%
Mr Joseph Liu (<i>Note 2</i>)	Beneficial owner	Personal & Family	7,200,000	7.03%

Notes:

- 1. Details of the interests of Mr Cheung Wai and Mr Darwin Hu are duplicated in the section "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS" disclosed above.*
- 2. In addition to 1,920,000 shares held by Mr Joseph Liu, 5,280,000 shares are held by Messrs Emmy Liu, Shirley Liu, Hui Chuan Liu and H. S. Liu, family associates of Mr Joseph Liu.*

COMPETING INTERESTS

The Directors are not aware of, as at 30 September 2004, 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 2004, there were no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities.

AUDIT COMMITTEE

The Company established an audit committee (the “Committee”) on 2 May 2000 with written terms of reference in compliance with the GEM Listing Rules. The Committee comprises three independent non-executive directors, namely Mr Lo Wai Ming, Mr Fong Chi Wah and Mr Jin Qingjun. The primary duties of the Committee are to review and supervise the financial reporting process and internal control systems of the Group.

The Committee (who were of the opinion that the preparation of the unaudited results for the nine-month period ended 30 September 2004 complied with applicable accounting standards, the Stock Exchange and legal requirements and that adequate disclosures had been made) has reviewed the unaudited results of the Group for the nine-month period ended 30 September 2004 and the draft of this announcement, and has provided advice and comments thereon.

By Order of the Board
SYSCAN Technology Holdings Limited
Cheung Wai
Chairman

Hong Kong, 12 November 2004

As at the date of this announcement, the Executive Directors are Mr Cheung Wai, Mr Darwin Hu, Mr Chan Man Ching, Mr Wong Chung, John and Dr Zhang Fu, and the Independent Non-executive Directors are Mr Lo Wai Ming, Mr Fong Chi Wah and Mr Jin Qingjun.

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.syscaninc.com.