



Interim Report  
**2002**

**INTCERA** High Tech Group Limited



## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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***HIGHLIGHTS (UNAUDITED)***

- The Group recorded a total unaudited turnover of HK\$2,316,000 for the six months ended 30 June, 2002.
- The Group recorded an unaudited loss attributable to shareholders of HK\$16,714,000 for the six months ended 30 June, 2002, which is 19.8% reduced when compared to the same period in 2001.
- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June, 2002.

## UNAUDITED INTERIM RESULTS

The Board of Directors of Intcera High Tech Group Limited (the "Company") hereby announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months and six months ended 30 June, 2002 together with the comparative unaudited figures for the corresponding periods in 2001 as follows:

### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	Three months ended		Six months ended	
		30 June		30 June	
		2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover	2	942	10,062	2,316	27,461
Cost of sales		(3,276)	(7,139)	(5,752)	(21,829)
Gross (loss)/profit		(2,334)	2,923	(3,436)	5,632
Other revenues	2	185	1,464	388	3,345
Selling and distribution expenses		(333)	(271)	(907)	(501)
Administrative expenses		(4,709)	(10,854)	(8,937)	(21,563)
Other net operating expenses		(1,132)	(3,602)	(484)	(4,554)
Operating loss	3	(8,323)	(10,340)	(13,376)	(17,641)
Finance costs		(1,607)	(1,746)	(3,338)	(3,209)
Loss before taxation		(9,930)	(12,086)	(16,714)	(20,850)
Taxation	4	—	—	—	—
Loss after taxation and attributable to shareholders		(9,930)	(12,086)	(16,714)	(20,850)
Basic loss per share (in cents)	5	(1.88)	(2.43)	(3.25)	(4.19)

**CONDENSED CONSOLIDATED BALANCE SHEET**

	<i>Notes</i>	As at 30 June 2002 (unaudited) HK\$'000	As at 31 December 2001 (audited) HK\$'000
Fixed assets	6	<b>153,131</b>	134,718
Long-term investments		<b>854</b>	854
Long-term rental deposits		<b>763</b>	666
Long-term pledged bank deposits		<b>1,580</b>	3,971
<b>Current assets</b>			
Inventories		<b>14,656</b>	9,884
Trade and notes receivables	7	<b>1,165</b>	830
Other receivables, prepayments and deposits		<b>2,635</b>	11,691
Other short-term investments		<b>6,178</b>	7,702
Pledged bank deposits		<b>72,132</b>	71,030
Bank balances and cash		<b>1,238</b>	8,156
		<b>98,004</b>	109,293
<b>Current liabilities</b>			
Trade and notes payables	8	<b>739</b>	1,195
Other payables and accrued charges		<b>11,191</b>	5,591
Commercial paper		<b>2,278</b>	6,576
Obligations under finance leases		<b>9,449</b>	13,167
Current portion of long-term bank loans			
– unsecured		<b>1,192</b>	2,131
– secured		<b>4,839</b>	6,386
Short-term bank loans			
– unsecured		<b>12,527</b>	11,057
– secured		<b>85,061</b>	71,916
		<b>127,276</b>	118,019
Net current liabilities		<b>(29,272)</b>	(8,726)
Total assets less current liabilities		<b>127,056</b>	131,483
<i>Financed by:</i>			
Share capital	9	<b>301,294</b>	200,862
Reserves		<b>(180,108)</b>	(79,937)
Shareholders' funds		<b>121,186</b>	120,925
Minority interests		–	–
Long-term liabilities		<b>5,870</b>	10,558
		<b>127,056</b>	131,483

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share premium	Exchange difference	Accumulated losses	Merger reserve	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January, 2001	200,862	127,878	(6,898)	(51,208)	14,968	285,602
Exchange differences	—	—	(4,096)	—	—	(4,096)
Loss for the period	—	—	—	(20,850)	—	(20,850)
Balance at 30 June, 2001	200,862	127,878	(10,994)	(72,058)	14,968	260,656
Balance at 1 January, 2002	200,862	127,878	(8,483)	(214,300)	14,968	120,925
New shares issue	100,432	(80,346)	—	—	—	20,086
Share issue expenses	—	(1,260)	—	—	—	(1,260)
Exchange differences	—	—	(1,851)	—	—	(1,851)
Loss for the period	—	—	—	(16,714)	—	(16,714)
Balance at 30 June, 2002	<u>301,294</u>	<u>46,272</u>	<u>(10,334)</u>	<u>(231,014)</u>	<u>14,968</u>	<u>121,186</u>

**CONDENSED CONSOLIDATED CASHFLOW STATEMENT**

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2002</b>	<b>2001</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net cash outflow from operating activities	<b>(12,741)</b>	(18,499)
Net cash outflow from investing activities	<b>(10,714)</b>	(55,746)
Net cash inflow from financing activities	<b>19,149</b>	48,762
	<b>(4,306)</b>	(25,483)
Decrease/(Increase) in pledged bank deposits	<b>1,958</b>	(33,035)
Decrease in cash and cash equivalents	<b>(2,348)</b>	(58,518)
Cash and cash equivalents at 1 January	<b>1,580</b>	100,179
Effect of foreign exchange rate changes	<b>(272)</b>	1,320
Cash and cash equivalents at 30 June	<b>(1,040)</b>	42,981
<b>Analysis of balances of cash and cash equivalents:</b>		
Bank balances and cash	<b>1,238</b>	56,331
Commercial paper	<b>(2,278)</b>	(13,350)
	<b>(1,040)</b>	42,981

Notes:

## 1. Basis of preparation

These unaudited condensed consolidated interim accounts (“interim accounts”) are prepared in accordance with the Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25, “Interim Financial Reporting”, issued by the Hong Kong Society of Accountants and Rule 18.55 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”).

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the annual accounts for the year ended 31 December, 2001 except that the presentation and classification of items in the cashflow statement have been changed due to the adoption of the requirements of SSAP No. 15 (revised) on “Cashflow Statements” which is effective for accounting periods commencing on or after 1 January, 2002. As a result, cashflows during the period have been classified by operating, investing and financing activities. Certain comparative figures have also been reclassified to conform with the current period’s presentation.

## 2. Turnover, revenue and segment information

	Three months ended 30 June		Six months ended 30 June	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover				
Sales of goods, net of discounts, returns and business tax	942	10,062	2,316	27,461
Other revenues				
Interest income	185	1,414	388	3,293
Other income	—	50	—	52
	<u>185</u>	<u>1,464</u>	<u>388</u>	<u>3,345</u>
Total revenues	<u>1,127</u>	<u>11,526</u>	<u>2,704</u>	<u>30,806</u>



### Primary reporting format – business segments

As the entire consolidated turnover and trading results of the Group are derived from the manufacture and sale of ceramic blanks and ferrules, an analysis of the consolidated trading results of the Group by business segments is not presented.

### Secondary reporting format – geographical segments

The unaudited geographical segment information for the six months ended 30 June, 2002 and 30 June, 2001 is as follows:

	Turnover		Total assets		Capital expenditure	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Taiwan	1,348	16,746	98,686	195,285	1,881	13,912
Mainland China	950	876	85,106	65,412	22,156	61,700
Hong Kong	—	—	70,540	140,733	—	247
Europe	18	9,839	—	—	—	—
	<u>2,316</u>	<u>27,461</u>	<u>254,332</u>	<u>401,430</u>	<u>24,037</u>	<u>75,859</u>

### 3. Operating loss

Operating loss is stated after crediting and charging the following:

	Three months ended 30 June		Six months ended 30 June	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
<b>Crediting</b>				
(Loss)/Gain on sale of other short-term investments	<u>(297)</u>	<u>65</u>	<u>3,653</u>	<u>65</u>
<b>Charging</b>				
Unrealised loss on other short-term investments	1,300	—	1,300	—
Interest on borrowings	1,607	1,746	3,338	3,209
Depreciation	4,671	5,161	9,364	8,293
Amortisation of intangible assets (included in administrative expenses)	—	1,378	—	2,756
	<u>—</u>	<u>1,378</u>	<u>—</u>	<u>2,756</u>

#### 4. Taxation

No provision for Hong Kong profits tax has been made in the accounts as the Group had no assessable profit in Hong Kong for the six months ended 30 June, 2002 and six months ended 30 June, 2001.

The Taiwan subsidiary had been granted a tax holiday since commencing operation from 1 November, 1999. The profit from sales of its products is exempted from Taiwan income tax for the first five years of profit-making.

No recognition of the potential deferred taxation asset relating to tax losses has been made as the recoverability of this potential deferred taxation assets is uncertain.

#### 5. Loss per share

The calculation of the Group's basic loss per share for the three months and six months ended 30 June, 2002 is based on the Group's loss attributable to the shareholders of HK\$9,930,000 and HK\$16,714,000 (2001: HK\$12,086,000 and HK\$20,850,000) and the weighted average number of 529,129,049 and 513,719,555 shares outstanding (2001: 498,138,844 shares) during the respective periods, after adjustment of the number of shares in issue prior to the rights issue on 3 June, 2002 by the factor 1.24. The basic loss per share for the three months and six months ended 30 June, 2001 has been restated accordingly.

No diluted loss per share has been presented because the exercise of the outstanding potential ordinary shares would have anti-dilutive effect for the period and prior periods.

#### 6. Property, plant and equipment

During the six months ended 30 June, 2002, the Group spent HK\$24,037,000 on additions to plant and equipment (2001: HK\$75,859,000).

#### 7. Trade and notes receivables

	<b>As at 30 June 2002 HK\$'000</b>	As at 31 December 2001 HK\$'000
Trade receivables	1,090	817
Notes receivables	75	13
	<b>1,165</b>	<b>830</b>

The Group's turnover are an open account terms, of which the settlement is generally expected to be repaid within 30 to 90 days of the date of sale.

At 30 June, 2002, the ageing analysis of the trade receivables was as follows:

	<b>As at 30 June 2002 HK\$'000</b>	As at 31 December 2001 HK\$'000
Less than 30 days	539	341
30-60 days	289	450
61-90 days	81	26
90-120 days	181	—
	<u>1,090</u>	<u>817</u>

#### 8. Trade and notes payables

	<b>As at 30 June 2002 HK\$'000</b>	As at 31 December 2001 HK\$'000
Trade payables	235	584
Notes payables	504	611
	<u>739</u>	<u>1,195</u>

At 30 June, 2002, the ageing analysis of the trade payables was as follows:

	<b>As at 30 June 2002 HK\$'000</b>	As at 31 December 2001 HK\$'000
Less than 30 days	131	372
30-60 days	45	111
61-90 days	—	101
90-180 days	—	—
over 180 days	59	—
	<u>235</u>	<u>584</u>

## 9. Share capital

	<b>30 June 2002 HK\$'000</b>	31 December 2001 HK\$'000
Authorised:		
1,000,000,000 (31 December, 2001: 624,000,000) ordinary shares of HK\$0.50 each	<u><b>500,000</b></u>	<u>312,000</u>
Issued and fully paid:		
602,587,310 (31 December, 2001: 401,724,875) ordinary shares of HK\$0.50 each	<u><b>301,294</b></u>	<u>200,862</u>

(a) At the Extraordinary General Meeting of the Company held on 10 May, 2002, the authorised share capital of the Company was approved to increase from HK\$312,000,000 to HK\$500,000,000 by the creation of an additional 376,000,000 new shares of HK\$0.50 each in the capital of the Company.

(b) On 3 June, 2002, the Company issued 40,172,487 new shares on the basis of one rights share for every ten shares held on 10 May, 2002 at HK\$0.50 per rights share payable in full and 160,689,948 bonus shares on the basis of four bonus shares for every fully paid rights share.

## 10. Contingent liabilities

As at 30 June, 2002 and 31 December, 2001, the Group did not have any significant contingent liabilities.

## 11. Commitments

Capital commitments for property, plant and equipment

	<b>30 June, 2002 HK\$'000</b>	31 December, 2001 HK\$'000
Contracted but not provided for	<u><b>—</b></u>	<u>12,762</u>

## 12. Related party transactions

The Group has various loan facilities in Taiwan of approximately HK\$67 million (31 December, 2001: HK\$67 million) that were jointly and severally guaranteed by Taiping Enterprises Co., Ltd. ("Taiping"), Mr. Koh Tat Lee and Mr. Tung Tai Yung and/or Mr. Tung Hau Keung (Mr. Tung Tai Yung's father) (the "Parties"). The directors confirm that no security over the assets of the Group has been granted to the Parties for such financial assistance provided by them.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

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### **Business Review and Outlook**

In the first half of 2002, the Group recorded a turnover of HK\$2,316,000, down 91.6% on the same period in 2001. The Group also recorded a gross loss of HK\$3,436,000 in the first half in 2002, down from a gross profit of HK\$5,632,000 in the corresponding period in 2001. The loss attributable to shareholders of the Group for the six months ended 30 June, 2002 was HK\$16,714,000, an improvement of 19.8% over the loss in the corresponding period in the previous year. The main reason for the loss in the first half was the continuing weakness in the market for ferrules and the on-going changes in production technology that is limiting production. However, the Group has substantially cut costs and improved efficiency. In the first half of 2002, total operating costs were HK\$20,814,000 against HK\$35,830,000 in the corresponding period in 2001. Yields at the Taiwanese facility improved from 79% in the first quarter of 2002 to 85% in the second quarter.

The market itself, while showing few signs of reaching the levels seen in early 2001, has at least stabilised. The Group has received a number of sales enquiries, especially out of China.



## **Production**

During the fourth quarter of 2001, the ferrule polishing line in Taiwan was extensively re-designed so as to eliminate the production problems experienced during 2001. In the first quarter of 2002, the line was reactivated and the results have been rapidly improving. During the first half of 2002, 384,489 ferrules passed through the production process and the Group achieved a production yield of 83% in Taiwan. In the second quarter, the yield improved to 85%, up from 79% in the first quarter. Mass production commenced in the second quarter in Taiwan, although quantity was limited to 120,000 per month in the facility. The Group's customers who have tested the product have stated that they are satisfied with the progress the Group has made and ordering from some of the Group's most important clients has recommenced.

In the third quarter, the Group has begun to produce Angled Physical Contact ("APC") ferrules for customers in Taiwan. Current yields are very good and sales of this product should help to increase margins as these products sell at higher prices.

## **China plant**

Given the production problems faced in Taiwan, the China plant spent much of 2001 focusing on re-working ferrules that had been returned to the Group from customers. The majority of that work is now complete. The Group has now reactivated its polishing line at the China facility incorporating the additional technology improvements achieved in Taiwan. In June, the Group commenced ramping up production. In July, the Group produced over 100,000 ferrules at yield rates of over 80%. The current plan for the China plant is to produce 300,000 pieces per month starting from August rising to 600,000 ferrules per month by the end of the year.

To achieve this level of production, the Group has once again begun employing operators in China. The workforce size has risen to about 100 employees as at the end of June, up from 42 as at the end of March 2002. The Group anticipates that the workforce strength will have to be increased to around 150 by the end of 2002.

**Demand and sales**

The Group believes that the final market for ferrules has stabilised with worldwide demand still over 30 million pieces per month. There is also some evidence that selective re-stocking has begun. Prices likewise have stabilised, albeit at much lower levels than seen in 2001.

China as a source of demand has become increasingly important, with the Group receiving a number of enquiries from the mainland during the first half. In the second quarter of the year, the Group entered into two long-term supply agreements with mainland Chinese companies. Although the contracts are currently at relatively small volumes, the number of ferrules to be supplied will increase as production at the Chinese facility increases. In addition, the Group has also seen an improvement in the order backlog, especially in Taiwan. Indeed, despite the planned increase in production at the China facility, the Group will not be able to fully satisfy its customers' orders over the next few months.


**Manpower**

After the dramatic manpower cutbacks experienced as the Group realigned its business to the existing market conditions, the total number of employees fell from a peak of 600 in July, 2001 to a low of 140 in March 2002. As at the end of June 2002, the total number of employees was about 200.

The number of employees at the China facility will expand as the Group ramps up production from a current total of 103 to an estimated 150 workers by the end of 2002.

**Finance and liquidity**

As at 30 June, 2002, the Group had total assets of approximately HK\$254,332,000 and bank balances and cash of approximately HK\$1,238,000. Although there is a shortfall of approximately HK\$1,040,000 to the cash and cash equivalents, the Group has secured standby loan facilities from a shareholder totaling HK\$28 million. The Group continues to discuss further long-term funding opportunities with a number



of other investors. On 1 August, 2002, the shareholders approved the placement of HK\$40 million 2% unlisted convertible bonds due 2003 on a fully-underwritten basis. Proceeds from this issue are to be used to repay bank loans, to purchase new machinery and retooling parts, to purchase new raw materials for ramping up production and for general working capital.

As at 30 June, 2002, the Group had bank loans and other borrowings (inclusive of long-term and short-term bank and other borrowings) totalling HK\$119 million and the gearing ratio (i.e. total external borrowing/total assets) of 47%. Bank facilities of HK\$175 million was granted to the Group as at 30 June, 2002. To secure such facilities, fixed assets of HK\$45.8 million and bank deposits of HK\$74 million of the Group were charged to the banks.

### **Prospects**

Management has seen signs of stabilisation in the market for ferrules and, although the market in the United States and Europe remains weak, Management has seen encouraging signs from Asia. In Japan, the fiber-to-the-home initiative by NTT is beginning to gather momentum and in China fiber deployment continues to be strong.

Therefore, the Group plans to continue to increase production in China during the remainder of 2002. This should lead to a significant improvement in turnover in the second half of 2002 over the first half of the year. Nevertheless, given the working capital costs of increasing production in China, the Group considers that the full impact of greater production and the lower cost base will not be fully realized until 2003.

In the longer term, the prospects for the ferrule market remain extremely good. Telecommunication companies still need to replace the copper legacy networks that still account for over 90% of all network infrastructure worldwide. The replacement, for the most part, will be fiber solutions. These replacements will require a massive number of fiber connectors, the number increasing with the complexity of the network. Therefore, Management remains convinced in the attractive long-term prospects of the business.



**COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS**

Set out below is a comparison between the Group's actual business progress as at 30 June, 2002 and business objectives as set out in its prospectus dated 27 June, 2000 (the "Prospectus"):

<b>Business objectives as set out in the Prospectus:</b>	<b>Actual business progress as at 30 June, 2002:</b>
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**Research and development**

- |   |  |
|---|--|
| 1. Continue to search for new types of ceramic powder mixtures from different suppliers; and                      | There is ample source for powder supply currently.   |
| 2. Improve the yield rates of miniature ceramic ferrules produced at the Group's production facilities in Taiwan. | During the past few months, the Group has modified the production process to meet the more stringent market specification for miniature ferrules and expects to reach 80% of yield rates by the end of 2002. |

**Production facilities**

- |  |  |
|--|--|
| 1. Complete the installation of additional machinery and equipment and commence the sample operation for the production of ceramic sleeves at the Group's production facilities in Taiwan; | The sleeve project was cancelled due to the low market price. It is not profitable to invest additional equipment for the production of sleeves. The Group will focus on both standard and special application ferrules. |
|--|--|



2. Complete the installation of additional machinery and equipment and complete the sample production of miniature ceramic ferrules at the Group's production facilities in the People's Republic of China;

The commercial production plan has been postponed due to the immature market for miniature ceramic ferrules. Its production is currently running at a relatively small scale and the Group is focusing on the further improvement and stabilisation of the production yield rate.
3. Commence the commercial production of miniature ceramic ferrules at the Group's production facilities in the People's Republic of China; and

Please see the paragraph immediately above.
4. Further increase the total production capacity of the Group's production facilities in the People's Republic of China to approximately 1.9 million ceramic ferrules per month.

The production capacity of the Group's China facilities is currently staying at 750,000 ceramic ferrules per month. After a restructuring exercise beginning of this year, the Group is planning to ramp up production in its China plant to 600,000 per month by the end of 2002.

### ***Sales and marketing***

1. Search for more distributors to establish a broader customer base;

The Group has constantly been in search especially in China for distributors for its products.

2. Participate in professional trade shows and conferences such as Optical Fibre Communication Conference;

The Group attended the “EXPO COMM China 2002” in Hangzhou, China in May 2002 and will attend the International Optoelectronics Exposition in Taiwan (OPTO Taiwan 2002) in August 2002.
3. Obtain purchase order for miniature ceramic ferrules produced by the Group’s production facilities in the People’s Republic of China;

Due to the relatively immature market, the production of miniature ferrules is only carrying on in the Group’s Taiwan production facilities. The Group has obtained several orders for miniature ceramic ferrules from Taiwanese customers.
4. Continue to advertise the Group’s products on selective e-commerce websites and publications related to the fibre optics industry; and

The Group continues to advertise on selective websites and in industry publications.
5. Visit existing and potential customers and understand their requirements so as to secure more contracts with them.

The Group has been working incessantly with customers to meet with their requirements on more stringent specifications and get feedback from them about our products. To this effect, the Group has engaged sales engineers to head up the sales team in order to better service customers.



## *INTERIM DIVIDEND*

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The Board does not recommend the payment of an interim dividend for the six months ended 30 June, 2002 (2001: Nil).

## *USE OF PROCEEDS*

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### **From the rights issue**

The Group raised approximately HK\$20 million through the issue of 40,172,487 rights shares at HK\$0.50 per rights share on the basis that one rights share for every ten existing shares held and each rights share carries with it an entitlement for four bonus shares.

After deducting the relevant expenses, the net proceeds of the rights issue are approximately HK\$19 million, of which HK\$13.4 million has been used for repayment of various borrowings and the remaining proceeds of HK\$4.4 million has been used as general working capital for the operations of the Group.

***DIRECTORS' INTERESTS IN AND RIGHTS TO SECURITIES***

- (a) As at 30 June, 2002, according to the register required to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), the interests of directors of the Company and their associates in shares of the Company were as follows:

<i>Name of Director</i>	<b>Number of ordinary shares held</b>				<b>Total</b>
	<i>Personal</i>	<i>Family</i>	<i>Corporate</i>	<i>Other</i>	
	<i>interests</i>	<i>interests</i>	<i>interests</i>	<i>interests</i>	<i>interests</i>
Mr. Tung Tai Yung	30,337,500	—	156,759,935	—	187,097,435
			(Note 1)		
Mr. Koh Tat Lee	3,300,000	3,275,000	—	—	6,575,000
		(Note 2)			
Mr. Shih Wen Hao	1,883,000	—	—	—	1,883,000
Mr. King Chun Kong, Karl	5,500,000	—	—	—	5,500,000

***Notes:***

1. These shares are held through Taiping and Mamcol Taiwan Company Limited ("Mamcol"), which is a subsidiary of Taiping. These shares are attributable to Mr. Tung Tai Yung under the SDI Ordinance, since Taiping is a corporation whose board of directors is accustomed to act in accordance with Mr. Tung Tai Yung's directions or instructions and Taiping in turn holds more than one third of the issued shares in Mamcol.
2. These shares are held by the wife of Mr. Koh Tat Lee, Ms. Eva Wong.

- (b) Pursuant to the Company's share option scheme, certain directors have personal interests in share option to subscribe for shares in the Company. The number of options granted to each director over the shares of the Company up to 30 June, 2002 is as follows:

*(Note 1)*

<b>Name of Director</b>	<b>Number of aggregate share options</b>
Mr. Tung Tai Yung	600,000
Mr. Koh Tat Lee	Nil <i>(Note 2)</i>
Mr. Shin Wen Hao	5,250,000
Mr. King Chun Kong, Karl	4,500,000

*Notes:*

1. The number of share options for each director had been adjusted for Rights Issue from 13 May, 2002.
2. Mr. Koh Tat Lee resigned as executive director of the Company on 31 October, 2001 and was appointed as non-executive director on 1 November, 2001. Pursuant to the rules of the Company's Share Option Scheme adopted on 21 June, 2000, all options held by Mr. Koh were lapsed on 31 January, 2002, (i.e. 3 months immediately after his resignation as executive director).

No share option was granted or exercised during the period.

Save as disclosed above, as at 30 June, 2002, none of the directors or chief executives of the Company or their respective spouses or children under 18 years of age had any right to subscribe for the shares of the Company or its associated corporations.

### ***SUBSTANTIAL SHAREHOLDER'S INTERESTS***

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As at 30 June, 2002, according to the register required to be kept under Section 16(1) of the SDI Ordinance, the following company (in addition to the interest of Mr. Tung Tai Yung disclosed above) was interested in 10 per cent. or more of the issued share capital of the Company:

<b>Name of Shareholder</b>	<b>Number of shares</b>	<b>Percentage of issued share</b>
Taiping Enterprise Co., Ltd	156,759,935 <i>(Note 1)</i>	26.01 <i>(Note 2)</i>

*Notes:*

1. These shares are held as to 156,017,435 directly by Taiping and as to 742,500 through Mamcol, which is a subsidiary of Taiping.
2. The percentage of issued shares has been arrived at on the basis of a total of 602,587,310 shares of the Company in issue as at 30 June, 2002.

### ***PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES***

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The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

### ***INTEREST OF SPONSOR***

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To the best knowledge of the Company's sponsor, Shenyin Wanguo Capital (H.K.) Ltd. ("Shenyin Wanguo Capital"), its directors, employees or associates, did not have any interest in the securities of the Company or any member of the Group, or

any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group as at 30 June, 2002.

Pursuant to the sponsorship agreement entered into between the Company and Shenyin Wanguo Capital on 11 September, 2001, Shenyin Wanguo Capital has been appointed as sponsor of the Company for the period commencing on 11 September, 2001 and ending 31 December, 2002 and the Company shall pay an agreed amount of fee to Shenyin Wanguo Capital for its provision of services as sponsor to the Company as required under the GEM Listing Rules.

### **OUTSTANDING SHARE OPTIONS**

As at 30 June, 2002, options to subscribe for an aggregate of 50,420,616 shares of the Company granted pursuant to the Company's share option scheme were outstanding. Details of the breakdown are set out as follows:

<i>(Note 1)</i>	<i>(Note 1)</i>	<i>(Note 2)</i>
<b>No. of share options</b>	<b>Exercise price</b>	<b>Option period (commencing from the date of grant and terminating ten years thereafter)</b>
17,715,000	HK\$0.731	20 July, 2000 to 19 July, 2010
10,800,000	HK\$0.789	10 October, 2000 to 9 October, 2010
2,405,616	HK\$0.738	22 April, 2001 to 21 April, 2011
19,500,000	HK\$0.500	10 July, 2001 to 9 July, 2011

*Notes:*

1. The number of share options and its exercise price had been adjusted for Rights Issue from 13 May, 2002.
2. The options may be exercised at any time within the option period provided that the options have been vested. Generally, the options are vested in different tranches and may be exercised within the option period.



Save as disclosed above, as at 30 June, 2002, none of the directors or chief executives of the Company or their respective spouses or children under 18 years of age had any right to subscribe for securities of the Company or its associated corporations, or had exercised any such rights.

### **COMPETING INTERESTS**

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As at 30 June, 2002, none of the directors or the management shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) had an interest in a business that competed with or might compete with the business of the Group.

### **AUDIT COMMITTEE**

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As required by Rule 5.23 of the GEM Listing Rules, the Company has established an audit committee with written terms of reference which deal clearly with its authority and duties. The audit committee's principal duties are the review and supervision of the Company's financial reporting process and internal control systems. The audit committee meets at least once a quarter.

The audit committee comprises two members, namely Mr. Domingo Chen and Mr. Henry Goldstein, both being independent non-executive Directors of the Company.

### **COMPLIANCE WITH RULE 5.28 TO 5.39 OF THE GEM LISTING RULES**

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The Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules for the Half-Yearly Period.

By Order of the Board  
**Intcera High Tech Group Limited**  
**Tung Tai Yung**  
*Chairman and Chief Executive Officer*

Hong Kong, 13 August, 2002