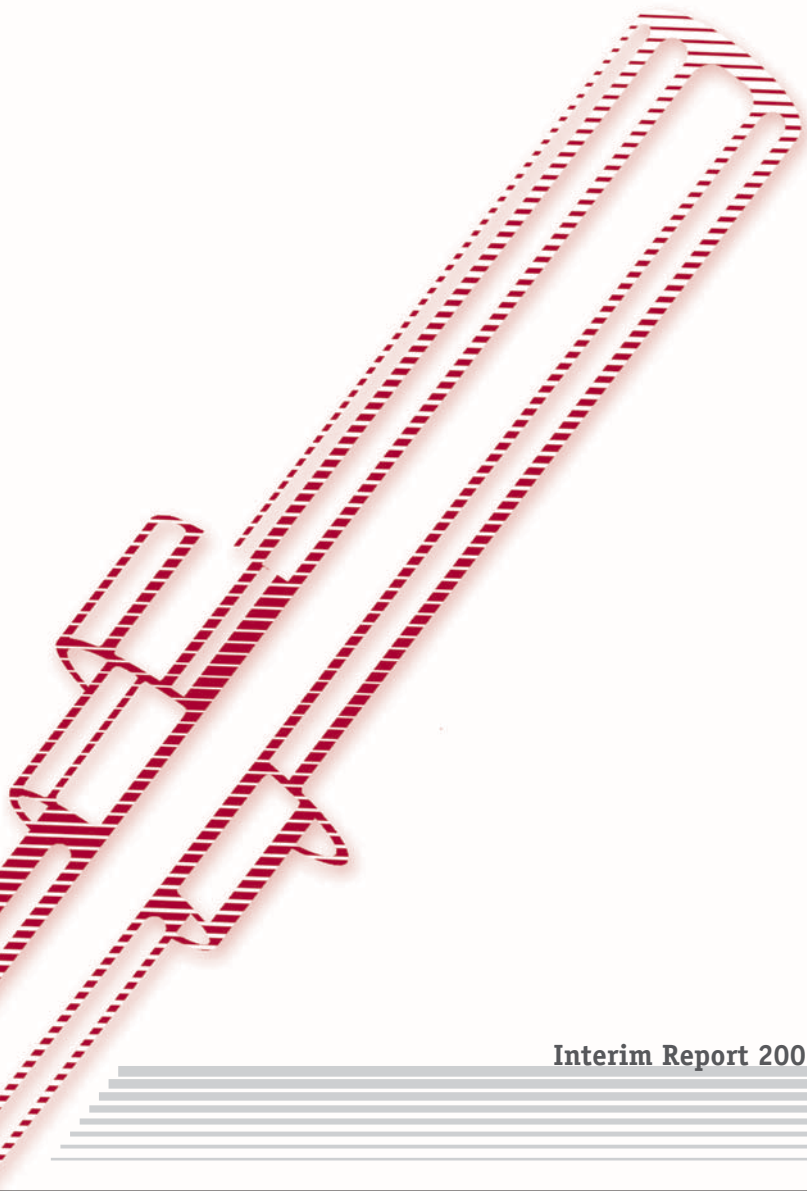




**INTCERA** High Tech Group Limited  
(Stock Code: 8041)



Interim Report 2005



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*The directors (“**Directors**”) of Intcera High Tech Group Limited (“**Company**”) collectively and individually accept full responsibility for this announcement, which is given in compliance with the requirement of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (“**GEM Listing Rules**”). The Directors confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, (i) the information contained in this announcement is accurate and complete in all material aspects and not misleading; (ii) there are no other facts the omission of which would make any statement herein misleading; and (iii) opinions expressed in this announcement have been arrived at after due and careful consideration on the bases and assumptions of reasonableness and fairness.*

## **SUMMARY (UNAUDITED)**

For the six months ended 30 June 2005, turnover amounted to approximately HK\$600,000.

HK\$1,560,000 in technology rights licensing revenue was achieved for the six months ended 30 June 2005.

Net loss attributable to shareholders for the period amounted to approximately HK\$8,242,000.

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2005.

## CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

The board of directors (the "Board") of the Company announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months and six months ended 30 June 2005 together with the comparative unaudited figures for the corresponding periods in 2004 as follows:

	Notes	Three months ended		Six months ended	
		30 June		30 June	
		2005	2004	2005	2004
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	2	131	917	600	4,778
Cost of sales		(128)	(912)	(581)	(4,509)
Gross profit		3	5	19	269
Other revenue	2	42	32	197	140
Selling and distribution expenses		(5)	(67)	(11)	(136)
Administrative expenses		(6,044)	(3,351)	(9,730)	(6,756)
Other net operating income		780	780	1,560	1,558
Loss from operations	3	(5,224)	(2,601)	(7,965)	(4,925)
Finance costs		(276)	–	(277)	–
Loss before taxation		(5,500)	(2,601)	(8,242)	(4,925)
Taxation	4	–	–	–	–
Net loss attributable to shareholders		(5,500)	(2,601)	(8,242)	(4,925)
Attributable to:–					
Equity holders of the Company		(4,527)	(2,601)	(7,269)	(4,925)
Minority interests		(973)	–	(973)	–
		(5,500)	(2,601)	(8,242)	(4,925)
Dividends	5	–	–	–	–
Basic loss per share (in cents)	6	(0.76)	(0.36)	(1.14)	(0.68)

## PROFORMA CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Three months ended		Six months ended	
	30 June		30 June	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	131	917	600	4,778
Cost of sales	(128)	(912)	(581)	(4,509)
Gross profit	3	5	19	269
Other revenue	42	32	197	140
Selling and distribution expenses	(5)	(67)	(11)	(136)
Administrative expenses	(3,772)	(3,351)	(7,458)	(6,756)
Other net operating income	780	780	1,560	1,558
Loss from operations	(2,952)	(2,601)	(5,693)	(4,925)
Finance costs	(276)	–	(277)	–
Loss before taxation	(3,228)	(2,601)	(5,970)	(4,925)
Taxation	–	–	–	–
Net loss attributable to shareholders	(3,228)	(2,601)	(5,970)	(4,925)
Dividends	–	–	–	–
Basic loss per share (in cents)	(0.45)	(0.36)	(0.83)	(0.68)

## CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2005

		Unaudited 30 June 2005 HK\$'000	Audited 31 December 2004 HK\$'000
	Notes		
<b>Non-current assets</b>			
Property, plant and equipment	7	56,954	23,573
Machineries held for proposed capital contribution		–	37,092
Construction in progress		72,848	–
Long-term investment		830	830
		<u>130,632</u>	<u>61,495</u>
<b>Current assets</b>			
Trade receivables	8	78	78
Other receivables, prepayments and deposits		5,510	5,564
Bank balances and cash		56,752	28,592
		<u>62,340</u>	<u>34,234</u>
<b>Current liabilities</b>			
Trade payables	9	465	770
Other payables and accruals		9,169	11,767
Amounts due to directors		2,489	3,533
Amounts due to a related company		–	2,128
Convertible bonds		27,400	–
Bank loan		75,471	–
		<u>114,994</u>	<u>18,198</u>
<b>Net current (liabilities)/assets</b>		<u>(52,654)</u>	<u>16,036</u>
<b>Total assets less current liabilities</b>		<u>77,978</u>	<u>77,531</u>
<b>Non-current liabilities</b>			
Convertible bonds		–	27,400
		<u>77,978</u>	<u>50,131</u>
<b>Capital and reserves</b>			
Share capital	10	7,231	7,231
Reserves		50,456	42,900
Minority interest		20,291	–
		<u>77,978</u>	<u>50,131</u>

## PROFORMA CONSOLIDATED BALANCE SHEET

At 30 June 2005

	Unaudited 30 June 2005 HK\$'000	Audited 31 December 2004 HK\$'000
<b>Non-current assets</b>		
Property, plant and equipment	55,738	23,573
Machineries held for proposed capital contribution	–	37,092
Long-term investment	830	830
	<b>56,568</b>	61,495
<b>Current assets</b>		
Trade receivables	78	78
Other receivables, prepayments and deposits	5,510	5,564
Bank balances and cash	21,525	28,592
	<b>27,113</b>	34,234
<b>Current liabilities</b>		
Trade payables	465	770
Other payables and accruals	9,169	11,767
Amounts due to directors	2,489	3,533
Amounts due to a related company	–	2,128
Convertible bonds	27,400	–
	<b>39,523</b>	18,198
<b>Net current (liabilities)/assets</b>	<b>(12,410)</b>	16,036
<b>Total assets less current liabilities</b>	<b>44,158</b>	77,531
<b>Non-current liabilities</b>		
Convertible bonds	–	27,400
	<b>44,158</b>	50,131
<b>Capital and reserves</b>		
Share capital	7,231	7,231
Reserves	36,927	42,900
	<b>44,158</b>	50,131

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2005

	Attributable to equity holders of the Company						Minority interest
	Share Capital	Share premium	Exchange reserve	Capital reserve	Accumulated losses	Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2004 (audited)	7,231	61,597	-	-	(2,608)	66,220	-
Exchange difference arising on translation of financial statements of operations outside Hong Kong	-	-	(16)	-	-	(16)	-
Net loss for the period	-	-	-	-	(4,925)	(4,925)	-
At 30 June 2004 (unaudited)	<b>7,231</b>	<b>61,597</b>	<b>(16)</b>	<b>-</b>	<b>(7,533)</b>	<b>61,279</b>	<b>-</b>
At 1 January 2005 (audited)	7,231	61,597	1	-	(18,698)	50,131	-
Acquisition of a subsidiary	-	-	-	7,597	-	7,597	21,264
Exchange difference arising on translation of financial statements of operations outside Hong Kong	-	-	(3)	-	-	(3)	-
Net loss for the period	-	-	-	-	(7,269)	(7,269)	(973)
At 30 June 2005 (unaudited)	<b>7,231</b>	<b>61,597*</b>	<b>(2)*</b>	<b>7,597*</b>	<b>(25,967)*</b>	<b>50,456</b>	<b>20,291</b>

\* These reserve balances comprise the consolidated reserve of approximately HK\$43,225,000 (2004: approximately HK\$54,048,000) in the consolidated balance sheet.



## PROFORMA CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2005

	Share Capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2004 (audited)	7,231	61,597	–	(2,608)	66,220
Exchange difference arising on translation of financial statements of operations outside Hong Kong	–	–	(16)	–	(16)
Net loss for the period	–	–	–	(4,925)	(4,925)
At 30 June 2004 (unaudited)	<u>7,231</u>	<u>61,597</u>	<u>(16)</u>	<u>(7,533)</u>	<u>61,279</u>
At 1 January 2005 (audited)	7,231	61,597	1	(18,698)	50,131
Exchange difference arising on translation of financial statements of operations outside Hong Kong	–	–	(3)	–	(3)
Net loss for the period	–	–	–	(5,970)	(5,970)
At 30 June 2005 (unaudited)	<u>7,231</u>	<u>61,597*</u>	<u>(2)*</u>	<u>(24,668)*</u>	<u>44,158</u>

\* These reserve balances comprise the consolidated reserve of approximately HK\$36,927,000 (2004: approximately HK\$54,048,000) in the consolidated balance sheet.

## CONDENSED CONSOLIDATED CASHFLOW STATEMENT

For the six months ended 30 June 2005

	<b>Unaudited Six months ended 30 June 2005 HK\$'000</b>	Unaudited Six months ended 30 June 2004 HK\$'000
Net cash outflow from operating activities	<b>(4,250)</b>	(7,349)
Net cash outflow from investing activities	<b>(72,823)</b>	(3,007)
Net cash inflow from financing activities	<b>96,736</b>	–
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	<b>(28,163)</b>	(10,356)
Cash and cash equivalents at beginning of period	<b>28,592</b>	23,144
Effect of foreign exchange rate changes	<b>(3)</b>	(16)
	<hr/>	<hr/>
Cash and cash equivalents at end of period	<b>56,752</b>	12,772
	<hr/>	<hr/>
Analysis of balances of cash and cash equivalents:		
Bank and cash balances	<b>56,752</b>	12,772
	<hr/>	<hr/>

Notes:

## 1. Basis of preparation

The unaudited condensed financial statements have been prepared in accordance with Hong Kong Accounting Standards 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the GEM Listing Rules.

In 2004, the HKICPA issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The adoption of the new HKFRSs had no material impact on the Group's result of operations and financial position.

The accounts have been prepared under the historical cost convention. The unaudited condensed consolidated interim accounts for the six months ended 30 June 2005 has not been audited by the Company's auditors but has been reviewed by the Company's audit committee. The accounting policies adopted in these condensed financial statements are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2004.

These interim financial statements should be read in conjunction with the audited annual financial statements for the year ended 31 December 2004.

## 2. Turnover, other revenue and segment information

	Three months ended 30 June		Six months ended 30 June	
	2005 <i>HK\$'000</i> (unaudited)	2004 <i>HK\$'000</i> (unaudited)	2005 <i>HK\$'000</i> (unaudited)	2004 <i>HK\$'000</i> (unaudited)
Turnover				
Sales of goods, net of discounts and business tax	<b>131</b>	917	<b>600</b>	4,778
Other revenue				
Technology rights' royalty fee	<b>780</b>	780	<b>1,560</b>	1,558
Interest income	<b>2</b>	24	<b>5</b>	48
Other income	<b>40</b>	8	<b>192</b>	92
	<b>822</b>	812	<b>1,757</b>	1,698
Total revenue	<b>953</b>	1,729	<b>2,357</b>	6,476

### **Segment information**

The Group is principally engaged in the manufacture and sale of ceramic blanks and ferrules. Turnover represents sale of goods by the Group to related parties at invoiced value net of discounts, business tax and returns and after eliminating inter-company sales.

### **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 Group operates in three main geographical areas – the People's Republic of China (the "PRC"), other than Hong Kong and Taiwan, Hong Kong and Taiwan. An analysis of the Group's turnover, total assets and capital expenditure by geographical segments is as follows:

	Turnover		Total assets		Capital expenditure	
	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
PRC, other than Hong Kong and Taiwan	600	1,938	159,719	75,493	–	–
Hong Kong	–	–	33,253	39,270	–	3,007
Taiwan	–	2,840	–	70	–	–
	<b>600</b>	<b>4,778</b>	<b>192,972</b>	<b>114,833</b>	<b>–</b>	<b>3,007</b>

### **3. Loss from operations**

Loss from operations has been arrived at after crediting and charging the following:

	Three months ended 30 June		Six months ended 30 June	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Crediting</b>				
Annual fees of Technology Rights Transfer	780	780	1,560	1,558
<b>Charging</b>				
Depreciation	2,424	1,946	4,855	3,906

#### 4. Taxation

No provision for Hong Kong profit tax has been made in the accounts as the Group had no accessible profit in Hong Kong for the three months ended and the six months ended 30 June 2005 and for the same period in 2004.

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

#### 5. Dividends

The Directors do not recommend the payment of an interim dividend for the period ended 30 June 2005 (six months ended 30 June 2004: Nil).

#### 6. Loss per share

The calculation of the Group's basic loss per share for the three months and six months ended 30 June 2005 is based on the Group's unaudited loss attributable to the shareholders of approximately HK\$5,500,000 and HK\$8,242,000 respectively (three months and six months ended 30 June 2004: approximately HK\$2,601,000 and HK\$4,925,000 respectively) and the number of 723,087,310 ordinary shares in issue (2004: 723,087,310 shares) during the periods.

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

#### 7. Property, plant and equipment

During the six months ended 30 June 2005, there is no addition to plant and equipment (six months ended 30 June 2004: additions to plant and equipment was approximately HK\$3,007,000).

#### 8. Trade receivables

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Trade receivables with aging analysis:		
Over 365 days	<b>78</b>	78
	<hr/>	<hr/>
	<b>78</b>	78
	<hr/>	<hr/>

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

## 9. Trade payables

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2005</b>	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables with aging analysis:		
1 – 30 days	–	204
91 – 180 days	–	396
Over 180 days	<b>465</b>	170
	<hr/>	<hr/>
	<b>465</b>	770
	<hr/>	<hr/>

## 10. Share capital

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2005</b>	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Authorised:		
50,000,000,000 (31 December 2004: 50,000,000,000) ordinary shares of HK\$0.01 each	<b>500,000</b>	500,000
	<hr/>	<hr/>
Issued and fully paid:		
723,087,310 (31 December 2004: 723,087,310) ordinary shares of HK\$0.01 each	<b>7,231</b>	7,231
	<hr/>	<hr/>

## 11. Contingent liabilities

As at 30 June 2005, the Group did not have any significant contingent liabilities.

## 12. Operating lease commitment

As at the balance sheet date, the Group had commitment for future minimum lease payments under non-cancellable operating leases in respect of rental premises which fall due as follows:

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>376</b>	376
In the second to fifth year inclusive	<b>94</b>	282
	<b>470</b>	658

As at the balance sheet date, the Company did not have any significant operating lease commitment.

## 13. Litigation

On 19 January 2004, a winding up petition was filed against the Company by certain ex-senior employees of the Group claiming for payment in the sum of HK\$594,315 from the Company in respect of an award/order dated 29 October 2003 granted by the Labour Tribunal in respect of the severance and bonus disputes between the Company and the ex-senior employees. A provision has been made for this amount in the Company's financial statements for the year. The Directors are of the view that winding up petition has no adverse impact on the Group's financial position and business operations.

## 14. Events after the balance sheet date

- (i) Subsequent to the interim reporting date, the Company entered into agreements with the bondholders to extend the maturity date to 30 April 2007, with the existing terms and conditions remained unchanged.
- (ii) On 30 November 2005, the Company entered an agreement to dispose 湖南大陶精密科技有限公司 ("湖南大陶") to independent third party. Pursuant to another agreement dated 30 November 2005, the result for the period of 湖南大陶 as borne by the joint venture partner.

The proforma balance sheet is to demonstrate the subsidiary 湖南大陶 of Intcera High Tech Group Limited has been already terminated on 30 November 2005 under such circumstances the balance sheet and profit & loss account of 湖南大陶 should not be consolidated into the financial statement of Intcera High Tech Group Limited. This proforma balance sheet is illustrated the effect on termination of 湖南大陶.

## 15. Related party transactions

During the period, the Group had entered into the following material related party transactions which were carried out on normal commercial terms and in the ordinary course of the Group's business:

Related party	Nature of transaction	(unaudited)	(unaudited)
		30 June 2005	30 June 2004
		HK\$'000	HK\$'000
<b>Shenzhen Weiji</b>	Sale of goods to Weiji (Note (i))	<b>442</b>	1,938
<b>Optical Communication</b>			
<b>Technology Co. Ltd.</b>	Management fee received from Weiji (Note (ii))	–	84
<b>(“Weiji”)</b>	Royalty fee income received from Weiji (Note (ii))	<b>1,560</b>	1,558

Notes:

- (i) The transactions were carried out on terms determined and agreed by both parties.
- (ii) The transactions were carried out in accordance with the relevant agreement.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Performance

For the six months ended 30 June 2005, the Group's total turnover amounted to approximately HK\$600,000 (2004: HK\$4,778,000) representing a decrease of approximately 87% over the corresponding period in last year. Gross profit was approximately HK\$19,000 when compared with that of approximately HK\$269,000 for same period in 2004. The loss attributable to shareholders was approximately HK\$8,242,000 when compared with that of approximately HK\$4,925,000 for the same period in 2004.

### Operations

During the period under review, the Group has taken effective measures to control its operating costs. This is the objective of the Group to adopt stringent cost control and maintain a thin but effective overhead structure. The Group is optimistic in enjoying a fruitful harvest and satisfying an anticipated growth of production capacity in the foreseeable future.

### Business Review and Future Outlook

The Group will continue to focus on training to nurture a workforce with outstanding technical skills in the PRC as the enablers of technology transfer. As to machinery and equipment, the Group will continue to challenge itself by researching and developing state-of-the-art technology, and improving the efficiency and precision of the machinery to attain more sophisticated production technology. Such technology and equipment will be the backbone for product quality improvement and production capability enhancement, which in turn will constitute a base for the Group in reinforcing its strengths and profitability.

### Liquidity and Financial Resources

As at 30 June 2005, the Group had total assets of approximately HK\$192,972,000 of which bank and cash balances of approximately HK\$21,525,000. At the balance sheet date, the Group had unsecured convertible bonds of approximately HK\$27,400,000. The Group has a current ratio of approximately 0.54 comparing to that of 1.88 as at 31 December 2004. As at 30 June 2005, the gearing ratio of 60% was calculated by dividing total debt by total assets (as at 31 December 2004 was 48%).

### **Foreign Exchange Exposure**

The business activities of the Group are not exposed to material fluctuations in exchange rate except the operation through its subsidiary in Shenzhen, PRC which is subject to fluctuation in exchange rates between Renminbi and Hong Kong dollars.

### **Capital Structure**

As at 30 June 2005, the Group's outstanding issued shares were 723,087,310 ordinary shares of HK\$0.01 each. There has not been any change to the capital structure of the Company during the period under review.

### **Acquisition and disposal of subsidiaries**

The Group did not have any material acquisition or disposal of subsidiaries or affiliated companies for the six months ended 30 June 2005.

### **Employee Information**

As at 30 June 2005, the Group employed 12 staff (30 June 2004: 17). Total staff costs, including Directors' emoluments were approximately HK\$1,154,000 for the six months ended 30 June 2005 as compared with those of approximately HK\$1,435,000 for the corresponding period of the preceding financial year.

The Group remunerated its employees mainly based on industry practices and individual's performance and experience.

### **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2005 (six months ended 30 June 2004: Nil).

## DISCLOSURE OF INTERESTS

### Interest in Securities of Directors and Chief Executive

As at 30 June 2005, the interests and short positions of the Directors in the shares (“**Shares**”), underlying Shares or debentures of the Company and its associated corporations (within the meaning of part XV of the Securities and Futures Ordinance, the Laws of Hong Kong (the “**SFO**”) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the GEM Listing Rules of the Stock Exchange (the “**GEM Listing Rules**”) relating to securities transaction by Directors, were as follows:

#### (i) Long positions in Shares

Name of Director/ Ex-Director	Number of Shares	Capacity	Type of Interest	(Note 3)
				Approximate percentage of issued share capital (%)
Mr. Cheng Qing Bo (“ <b>Mr. Cheng</b> ”)	180,000,000 (Note 1)	Beneficial owner	Corporate	24.89
Mr. Tung Tai Yung (“ <b>Mr. Tung</b> ”)	4,759,935 (Note 2)	Interest of a controlled corporation	Corporate	0.66
	5,637,500	Beneficial owner	Personal	0.78
Mr. King Chun Kong, Karl (“ <b>Mr. King</b> ”)	5,500,000	Beneficial owner	Personal	0.76

Notes:

1. These shares are held by Bright Castle Investments Limited, which is wholly owned by Mr. Cheng. Mr. Cheng is therefore deemed to be interested in 24.89% of the issued share capital of the Company.

2. These Shares are held as to 4,017,435 directly by Taiping Enterprises Co., Ltd (“**Taiping**”) and as to 742,500 through Mamcol Taiwan Company Limited (“**Mamcol**”), which is a subsidiary of Taiping. These shares are attributable to Mr. Tung under the SFO, since Taiping is a corporation whose board of directors is accustomed to act in accordance with Mr. Tung’s directions or instructions and Taiping in turn holds more than one-third of the issued shares in Mamcol.
3. The percentage of issued shares had been arrived at on the basis of a total of 723,087, 310 shares of the Company in issue as at 30 June 2005.

Save as disclosed above, as at 30 June 2005, none of the Directors had interests in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the GEM Listing Rules relating to securities transaction by Directors.

**(ii) Long positions in underlying Shares of equity derivatives of the Company**

The following Directors were granted share options under the share option scheme adopted by shareholders of the Company on 21 June 2000. The number of options granted to each Director over the Shares up to 30 June 2005 are as follows:

Name of Ex-Director	(Note)	Date of grant	(Note)	Balance of options as at 30 June 2005
	Number of aggregate share options		Exercise price	
Mr. Tung	600,000	20 July 2000	HK\$0.731	0
Mr. King	2,250,000	10 July 2001	HK\$0.500	2,250,000
	2,250,000	10 October 2000	HK\$0.789	2,250,000

Note:

The number of share options and exercise prices for each Director had been adjusted for the Rights Issue from 13 May 2002.

Mr. Tung waived his right of options on 31 March 2005.

Mr. King resigned as independent non-executive director on 29 April 2005. Pursuant to the share option scheme, all share option granted should lapse on the date 3 months following the date of his resignation.

No share option was granted or exercised during the period.

Save as disclosed above, as at 30 June 2005, 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 or any share of its associated corporations.

**(iii) *Short positions in the Shares and underlying Shares of equity derivatives of the Company***

Saved as disclosed herein, as at 30 June 2005, none of the Directors had short positions in Shares or underlying Shares of equity derivatives of the Company.

## Interests in Securities of Substantial Shareholders

So far as was known to any Director or chief executive of the Company, as at 30 June 2005, the persons or companies (not being a Director or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:–

### (i) Long positions in Shares

Name of Shareholder	Number of Shares	Capacity	Approximate percentage of issued share capital (%) (Note 2)
Bright Castle Investments Limited	180,000,000 (Note 1)	Other	24.89

Notes:

1. see Note 1 on page 19
2. see Note 3 on page 20

Save as disclosed above, as at 30 June 2005, the Directors were not aware of any other person who had an interest or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was interested in 5% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company.

### (ii) Short positions in the Shares and underlying Shares of equity derivatives of the Company

So far as the Directors are aware, saved as disclosed herein, as at 30 June 2005, no persons have short positions in Shares or underlying Shares of equity derivatives of the Company.

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

The Company had not redeemed any of its Shares during the period. Neither the Company nor any of its subsidiaries had purchased or sold any Shares during the period.

## **COMPETING INTERESTS**

The Directors are not aware of, as at 30 June 2005, any business or interest of each Director, substantial shareholder and management shareholder of the Company and their respective associates 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.

## **AUDIT COMMITTEE**

The Company established an audit committee with written terms of reference based upon the guidelines recommended by the Hong Kong Institute of Certified Public Accountants. The primary duties of the audit committee are to review the Company's annual report and financial statements, half-yearly reports and quarterly reports and to provide advice and comments thereon to the Board. The audit committee has met regularly to review with management the accounting principles and practices adopted by the Group and to discuss auditing, internal control and financial reporting matters. The audit committee comprises four independent non-executive directors, namely Mr. Lo Kin Chung, Ms. Woo Man Wah, Mr. Tam B Ray Billy and Mr. Liu Zheng Hao.

## **COMPENSATION COMMITTEE**

The Company's compensation committee was established during the period with written terms of reference to determine policy and structure for the remuneration of directors and senior management of the Company, assessing their performance and approving the terms of their service contracts. The compensation committee comprises at least three members, the majority of whom shall be independent non-executive directors of the Company. The current members of the compensation committee are Mr. Cheng Qing Bo, Mr. Lo Kin Chung, Ms. Woo Man Wah and Mr. Tam B Ray Billy.

## **NOMINATION COMMITTEE**

The Company's nomination committee was established during the period with written terms of reference to review the structure, size and composition of the Board, identifying individuals suitable and qualified to become Board members and selecting or making recommendations to the Board on the election of, individuals nominated for directorship. The nomination committee comprises at least three members, the majority of whom shall be independent non-executive directors of the Company. The current members of the nomination committee are Mr. Cheng Qing Bo, Mr. Lo Kin Chung, Ms. Woo Man Wah and Mr. Tam B Ray Billy.

## **FINANCE COMMITTEE**

The Company's finance committee was established during the period with written terms of reference to review and approve banking facilities to be granted or issued by the Company, provision of corporate guarantees by the Company for its subsidiaries and opening of bank or securities related accounts. The finance committee comprises at least three members. The current members of the finance committee are Mr. Cheng Qing Bo, Mr. Wong Hon Kit, Mr. Lo Kin Chung and Ms. Woo Man Wah.

## **COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has complied with the code provisions (with the exception of Code Provision C2 on internal controls) set out in Appendix 15, the Code on Corporate Governance Partices (the "Code") to the GEM Listing Rules throught the accounting period for the six months ended 30 June 2005, save and except the followings:-

### **Code Provision A. 4. 1 and A. 4. 2**

Code Provision A. 4. 1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

Code Provision A. 4. 2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.



At present, the non-executive Directors do not have a specific term of appointment, but are subject to rotation in accordance with Article 87 of the Articles of Association of the Company (that at every annual general meeting, one-third of the Directors for the time being or, if their number is not a multiple of three, the number nearest to but not greater one-third, shall retire from office). The Board considers that these measures are suffice to ensure the Company's corporate governance practices. Nevertheless, in accordance with Article 86(3), any Director at any time appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director so appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

However, in order to full comply with Code Provisions A. 4. 1 and A. 4. 2, a special resolution will be proposed to amend the relevant Articles of Association of the Company at the Annual General Meeting to be held in 2006, so that every Director shall be subject to retirement by rotation at least once every three years.

### **Compliance with Rules 5.48 to 5.67 of the GEM Listing Rules**

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company.

By Order of the Board  
**Intcera High Tech Group Limited**  
**Cheng Qing Bo**  
*Chairman*

Hong Kong, 27 March 2006

*As at the date of this announcement, the Company has altogether eight directors comprising two executive directors namely, Mr. Wong Hon Kit and Ms. Li Fang, two non-executive directors namely, Mr. Cheng Qing Bo (also the Company's chairman) and Mr. Lin Nan and four independent non-executive directors namely, Mr. Tam B Ray Billy, Mr. Lo Kin Chung, Ms. Woo Man Wah and Mr. Liu Zheng Hao.*