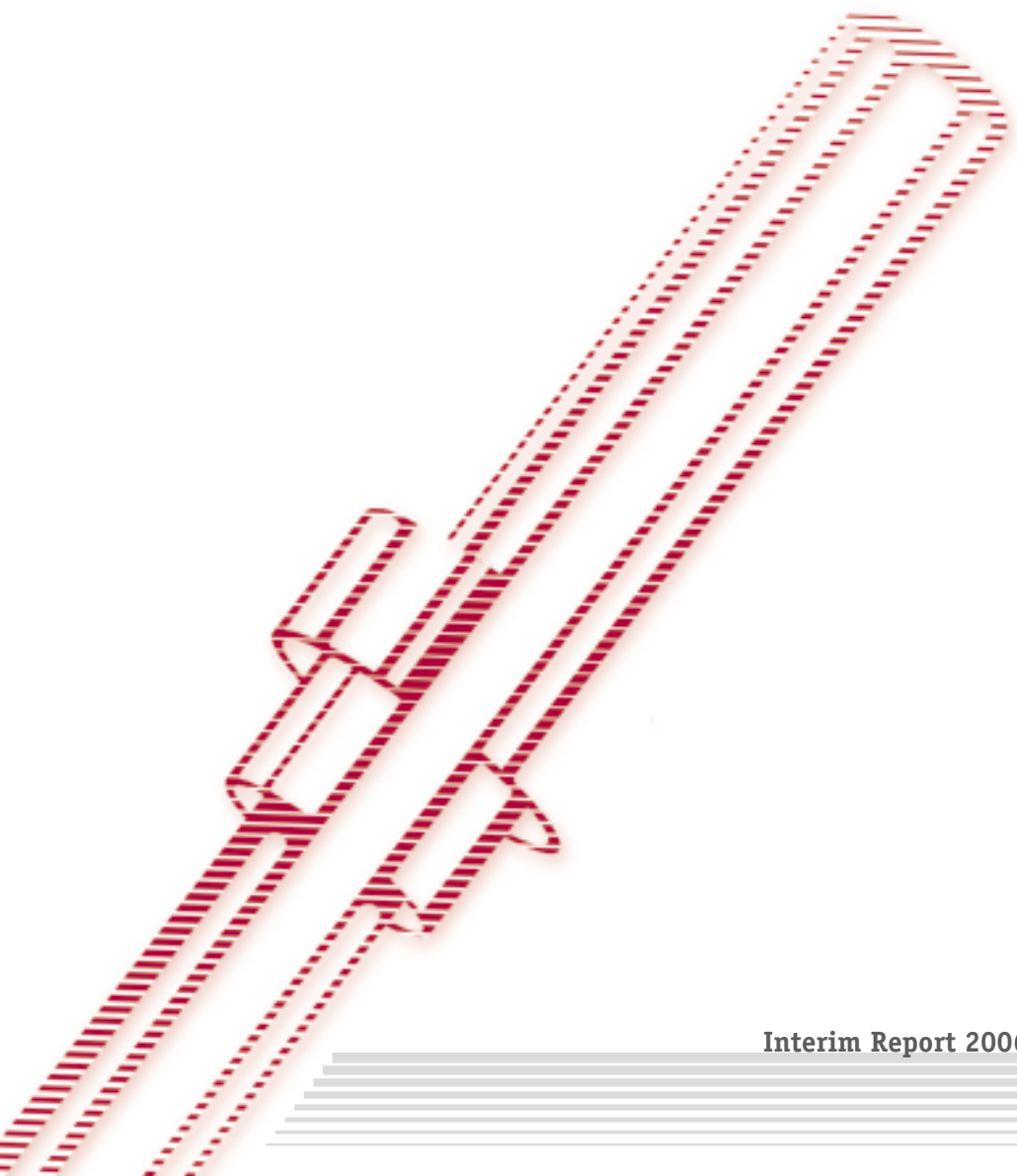




INTCERA High Tech Group Limited
(Stock Code: 8041)



Interim Report 2006



CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK 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 principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid reports 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.

The Stock Exchange takes no responsibility for the contents of this report, 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 report.

*The directors (“**Directors**”) of Intcera High Tech Group Limited (“**Company**”) collectively and individually accept full responsibility for this report, 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 report 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 report 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 2006, revenue amounted to approximately HK\$13,526,000.

Net loss attributable to shareholders for the period amounted to approximately HK\$2,428,000.

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2006.

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 ended and six months ended 30 June 2006 together with the comparative unaudited figures for the corresponding periods in 2005 as follows:

	Notes	Three months ended		Six months ended	
		30 June		30 June	
		2006	2005	2006	2005
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	2	9,870	131	13,526	600
Cost of sales		(8,141)	(128)	(11,491)	(581)
Gross profit		1,729	3	2,035	19
Other income	3	4,225	822	4,225	1,757
Selling and distribution expenses		(255)	(5)	(417)	(11)
Administrative expenses		(3,939)	(3,772)	(6,929)	(7,458)
Other net operating expenses		(557)	–	(557)	–
Finance costs		(409)	(276)	(785)	(277)
Profit/(loss) before tax		794	(3,228)	(2,428)	(5,970)
Income tax expense	4	–	–	–	–
Profit/(loss) for the period		794	(3,228)	(2,428)	(5,970)
Dividend	5	–	–	–	–
Profit/(loss) per share					
Basic	6	HK0.11 cents	(HK0.45 cents)	(HK0.34 cents)	(HK0.83 cents)
Diluted		N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2006

		Unaudited 30 June 2006 <i>HK\$'000</i>	Audited 31 December 2005 <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	7	76,850	65,475
Long-term investment		200	200
		<u>77,050</u>	<u>65,675</u>
Current assets			
Inventories		1,816	–
Deposit paid for property, plant and equipment		4,000	4,000
Trade and other receivables	8	37,166	3,941
Due from a related company		–	18,709
Bank balances and cash		9,119	705
		<u>52,101</u>	<u>27,355</u>
Current liabilities			
Trade and other payables	9	5,891	13,551
Due to directors		5,435	1,536
Due to a related company		18,971	–
		<u>30,297</u>	<u>15,087</u>
Net current assets		<u>21,804</u>	<u>12,268</u>
Total assets less current liabilities		<u>98,856</u>	<u>77,943</u>
Capital and reserves			
Share capital	10	7,231	7,231
Reserves		64,630	42,192
Equity attributable to equity holders of the parent		<u>71,861</u>	<u>49,423</u>
Non-current liabilities			
Convertible bonds		25,039	26,564
Deferred tax liabilities		1,956	1,956
		<u>98,856</u>	<u>77,943</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2006

	Share Capital	Share premium	Translation reserve	Revaluation reserve	Convertible bonds reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2005	7,231	61,597	1	-	-	(18,698)	50,131
Effect of changes in accounting policy	-	-	-	-	1,948	-	1,948
At 1 January 2005 (restated)	7,231	61,597	1	-	1,948	(18,698)	52,079
Exchange difference arising on translation of financial statements of operations outside Hong Kong	-	-	(3)	-	-	-	(3)
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>-</u>	<u>1,948</u>	<u>(24,668)</u>	<u>46,106</u>
At 1 January 2006 (audited)	7,231	61,597	-	12,849	2,119	(34,373)	49,423
Surplus on revaluation of property, plant and equipment	-	-	-	24,866	-	-	24,866
Loss for the period	-	-	-	-	-	(2,428)	(2,428)
At 30 June 2006 (unaudited)	<u>7,231</u>	<u>61,597</u>	<u>-</u>	<u>37,715</u>	<u>2,119</u>	<u>(36,801)</u>	<u>71,861</u>

In the opinion of the directors, the revaluation reserve and convertible bonds reserve are not available for distribution to the Company's shareholders.

CONDENSED CONSOLIDATED CASHFLOW STATEMENT

For the six months ended 30 June 2006

	Unaudited Six months ended 30 June 2006 HK\$'000	Unaudited Six months ended 30 June 2005 HK\$'000
Net cash inflow/(outflow) from operating activities	3,414	(7,089)
Net cash outflow from investing activities	–	25
Net cash inflow from financing activities	5,000	–
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	8,414	(7,064)
Cash and cash equivalents at beginning of period	705	28,592
Effect of foreign exchange rate changes	–	(3)
	<hr/>	<hr/>
Cash and cash equivalents at end of period	9,119	21,525
	<hr/>	<hr/>
Analysis of balances of cash and cash equivalents:		
Bank and cash balances	9,119	21,525
	<hr/>	<hr/>

Notes:

1. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain property, plant and equipment and financial instruments, which are measured at fair values.

The unaudited consolidated income statement for the six months ended 30 June 2006 has not been audited by the Company's auditors but has been reviewed by the Company's audit committee.

The unaudited consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standard. In addition, the unaudited consolidated financial statements include applicable disclosure required by the Rules Governing the Listing of Securities on The Stock Exchange and by the Hong Kong Companies Ordinance.

The accounting policies adopted in preparing the unaudited consolidated results for the period under review are consistent with those followed in the Company's 2005 annual report.

2. Revenue and segment information

Revenue represent the net amounts received and receivable for goods sold and services rendered by the Group to outside customers, and is stated net of value-added tax and sale returns during the period.

Business segments

No analysis on business segment is provided as all entire Group's turnover and contribution to profit for the period were derived from the manufacturing and trading of ceramic blanks and ferrules.

Geographical segments

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

	Turnover		Total assets	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
PRC, other than Hong Kong	13,526	600	125,132	159,719
Hong Kong	–	–	4,019	33,253
	13,526	600	129,151	192,972

3. Other income

	Three months ended 30 June		Six months ended 30 June	
	2006 <i>HK\$'000</i> (unaudited)	2005 <i>HK\$'000</i> (unaudited)	2006 <i>HK\$'000</i> (unaudited)	2005 <i>HK\$'000</i> (unaudited)
Waiver of convertible bonds interest	3,373	–	3,373	–
Royalty fee	–	780	–	1,560
Bank interest income	1	2	1	5
Leasing income	79	–	79	–
Sundry income	772	40	772	192
	4,225	822	4,225	1,757

4. Income tax expenses

No provision for Hong Kong profit tax has been made as the Group had no accessible profit arising in Hong Kong for the three months ended and the six months ended 30 June 2006 and for the same period in 2005.

5. Dividends

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2006 (six months ended 30 June 2005: Nil).

6. Loss per share

The calculation of the basic and diluted loss per share attributable to the equity holders of the Company is based on the following data:

	For the three months ended 30 June		For the six months ended 30 June	
	2006	2005	2006	2005
Profit/(loss) for the period and loss for the purposes of the basic and diluted profit/(loss) per share	HK\$794,000	HK\$(3,228,000)	HK\$(2,428,000)	HK\$(5,970,000)
	Number of shares	Number of shares	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	723,087,310	723,087,310	723,087,310	723,087,310
Effect of dilutive potential ordinary shares in respect Convertible bonds	—	—	—	—
Weighted average number of ordinary shares for the purposes of diluted earnings per share	723,087,310	723,087,310	723,087,310	723,087,310

Diluted earnings per share for the three months and six months ended 30 June 2006 has not been presented as the exercise price of the Company's convertible bonds were higher than the average market price for shares. As at 30 June 2006, there was no outstanding share option.

Diluted earnings per share for the three months ended and six months ended 30 June 2005 has not been presented as the exercise price of the Company's convertible bonds and share options were higher than the average market price for shares.

7. Property, plant and equipment

During the six months ended 30 June 2006, there are additions to plant and equipment was approximately HK\$15,000,000 and were revalued at HK\$39,866,000 as at 26 April 2006 by GA Appraisal Limited, independent qualified valuers, by using fair market value (six months ended 30 June 2005: there is no addition to plant and equipment.)

8. Trade and other receivables

The Group has defined credit terms which are agreed with its trade customers. Included in trade and other receivables are trade receivables of HK\$9,127,000 as at 30 June 2006 (there is no trade receivables as at 31 December 2005) and their aged analysis is as follows:

	Unaudited	Audited
	30 June	31 December
	2006	2005
	HK\$'000	HK\$'000
Within 30 days	1,843	–
31 to 90 days	2,084	–
181 to 360 days	5,200	–
	<hr/>	<hr/>
Trade receivables	9,127	–
Other receivables	28,039	3,941
	<hr/>	<hr/>
	37,166	3,941
	<hr/>	<hr/>

The directors consider that carrying amount of the Group's trade and other receivables approximates their fair value.

9. Trade and other payables

Included in trade and other payables are trade payables of HK\$436,000 as at 30 June 2006 (HK\$470,000 as at 31 December 2005) and their aged analysis is as follows:

	Unaudited	Audited
	30 June	31 December
	2006	2005
	HK\$'000	HK\$'000
Within 30 days	436	130
91 – 180 days	–	1
Over 360 days	–	339
	<hr/>	<hr/>
Trade payables	436	470
Other payables	5,455	13,081
	<hr/>	<hr/>
	5,891	13,551
	<hr/>	<hr/>

The directors consider that carrying amount of the Group's trade and other payables approximates their fair value.

10. Share capital

	Unaudited	Audited
	30 June	31 December
	2006	2005
	HK\$'000	HK\$'000
Authorised:		
50,000,000,000 (31 December 2005: 50,000,000,000) ordinary shares of HK\$0.01 each	500,000	500,000
	<hr/>	<hr/>
Issued and fully paid:		
723,087,310 (31 December 2005: 723,087,310) ordinary shares of HK\$0.01 each	7,231	7,231
	<hr/>	<hr/>

11. Contingent liabilities

As at 30 June 2006, 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:

	Unaudited	Audited
	30 June	31 December
	2006	2005
	HK\$'000	HK\$'000
Within one year	125	313
In the second to fifth year inclusive	—	—
	<hr/>	<hr/>
	125	313
	<hr/>	<hr/>

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

Operating lease payments represent rentals payable by the Group for certain of its office premises. Lease is negotiated for fixed term of three years.

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. 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 2006	30 June 2005
		HK\$'000	HK\$'000
Shenzhen Weiji	Sale of goods to Weiji (Note (i))	–	442
Optical Communication Technology Co. Ltd. ("Weiji")	Royalty fee income received from Weiji (Note (ii))	–	1,560

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 2006, the Group's total revenue amounted to approximately HK\$13,526,000 (2005: HK\$600,000) representing an increase of approximately 21 folds over the corresponding period in last year. Gross profit was approximately HK\$2,035,000 when compared with that of approximately HK\$19,000 for same period in 2005. The loss attributable to shareholders was approximately HK\$2,428,000 when compared with that of approximately HK\$8,242,000 for the same period in 2005.

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 2006, the Group had total assets of approximately HK\$129,151,000 of which bank and cash balances of approximately HK\$9,119,000. At the balance sheet date, the Group had unsecured convertible bonds of approximately HK\$25,039,000. The Group has a current ratio of approximately 1.72 comparing to that of 1.81 as at 31 December 2005. As at 30 June 2006, the gearing ratio of 44% was calculated by dividing total debt by total assets (as at 31 December 2005 was 60%).

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 2006, 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 2006.

Employee Information

As at 30 June 2006, the Group employed approximately 200 staff (30 June 2005: 12). Total staff costs, including Directors' emoluments were approximately HK\$2,200,000 for the six months ended 30 June 2006 as compared with those of approximately HK\$1,154,000 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 2006 (six months ended 30 June 2005: Nil).

DISCLOSURE OF INTERESTS

Interest in Securities of Directors and Chief Executive

As at 30 June 2006, 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	Approximate percentage of issued share capital (%)
Mr. Cheng Qing Bo (“Mr. Cheng”)	180,000,000 (Note 1)	Beneficial owner	Corporate	24.89 (Note 2)

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. 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 2006.

Save as disclosed above, as at 30 June 2006, 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

No share option was granted or exercised during the period.

Save as disclosed above, as at 30 June 2006, 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 2006, 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 2006, 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 (%)
Bright Castle Investments Limited	180,000,000 (Note 1)	Other	24.89 (Note 2)

Notes:

1. see Note 1 on page 16
2. see Note 2 on page 16

Save as disclosed above, as at 30 June 2006, 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 2006, 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 2006, 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.

CODE ON CORPORATE GOVERNANCE

None of the directors of the Company is aware of an information which reasonably indicates that there has been non-compliance with code provisions of the Code of Practice under Corporate Governance as set out in Appendix 15 of the GEM Listing Rules in any time during the period under review.

Code of conduct regarding securities transactions by Directors

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, 14 August 2006

As at the date of this announcement, the Company has altogether eight directors comprising three executive directors namely, Mr. Cheng Qing Bo (also the Company's chairman) Mr. Wong Hon Kit and Ms. Li Fang, one non-executive director namely, 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.