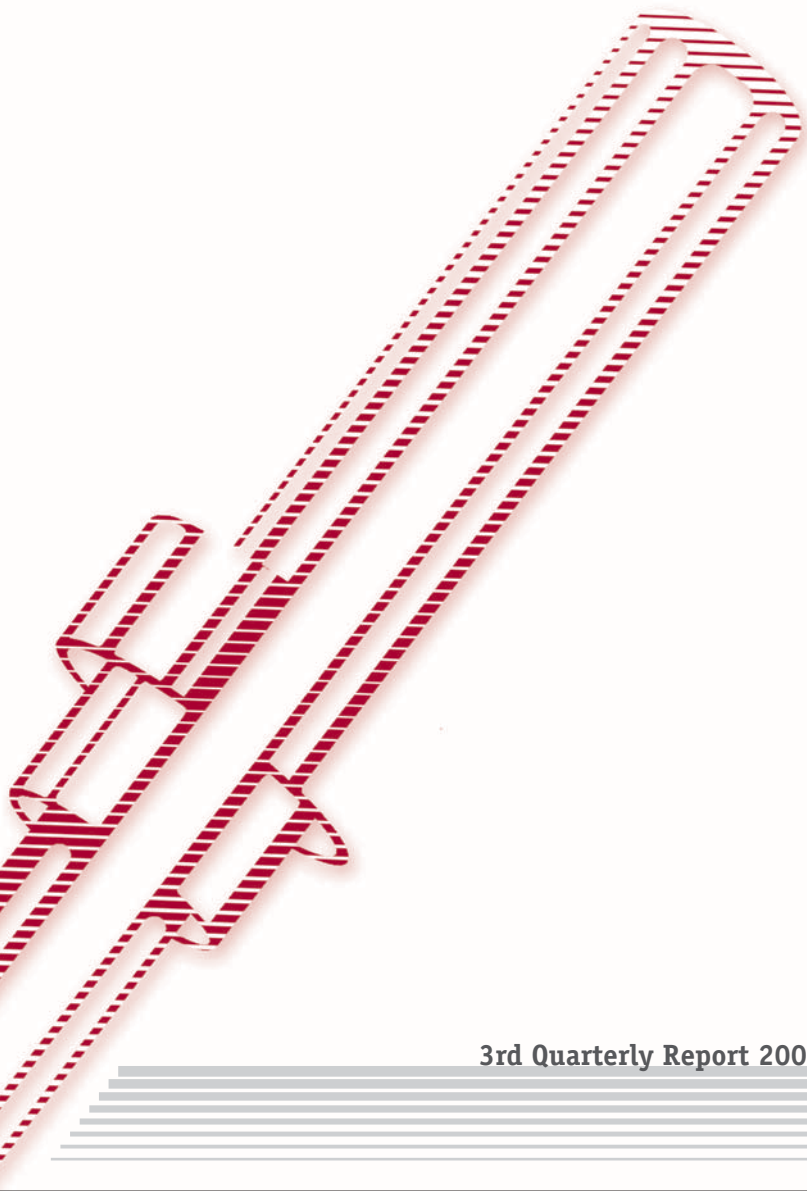




INTCERA High Tech Group Limited
(Stock Code: 8041)



3rd Quarterly Report 2005



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The Stock Exchange 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.

*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)

The Group recorded total unaudited turnover of approximately HK\$711,000 for the nine months ended 30 September 2005.

Net loss attributable to shareholders for the period amounted to approximately HK\$8,932,000 for the nine months ended 30 September 2005.

The Directors do not recommend the payment of an interim dividend for the nine months ended 30 September 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 nine months ended 30 September 2005 together with the comparative unaudited figures for the corresponding periods in 2004 as follows:

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Turnover	2	111	727	711	5,505
Cost of sales		(107)	(724)	(688)	(5,233)
Gross profit		4	3	23	272
Administrative expenses		(4,167)	(3,670)	(14,870)	(10,426)
Other revenues	2	8	17	205	157
Selling and distribution expenses		(28)	(69)	(39)	(205)
Other net operating income		779	779	2,339	2,337
Loss from operations		(3,404)	(2,940)	(12,342)	(7,865)
Finance costs		(414)	-	(417)	-
Loss before taxation		(3,818)	(2,940)	(12,759)	(7,865)
Taxation	3	-	-	-	-
Net loss attributable to shareholders		(3,818)	(2,940)	(12,759)	(7,865)
Attributable to:					
Equity holders of the Company		(3,643)	(2,940)	(11,611)	(7,865)
Minority interests		(175)	-	(1,148)	-
		(3,818)	(2,940)	(12,759)	(7,865)
Dividends	4	-	-	-	-
Basic loss per share (in cents)	5	(0.52)	(0.41)	(1.24)	(1.09)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2005

	Attributable to equity holders of the Company					Total HK\$'000	Minority interest HK\$'000
	Share Capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Capital reserve HK\$'000	Accumulated losses 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	-	-	(1)	-	-	(1)	-
Net loss for the period	-	-	-	-	(7,865)	(7,865)	-
At 30 September 2004 (unaudited)	7,231	61,597	(1)	-	(10,473)	58,354	-
At 1 January 2005 (audited)	7,231	61,597	1	-	(18,698)	50,131	-
Acquisition of a subsidiary	-	-	-	7,597	-	7,597	21,265
Exchange difference arising on translation of financial statements of operations outside Hong Kong	-	-	(2)	-	-	(2)	-
Net loss for the period	-	-	-	-	(11,611)	(11,611)	(1,148)
At 30 September 2005 (unaudited)	7,231	61,597*	(1)*	7,597*	(30,309)*	46,115	20,117

* These reserve balance comprises the consolidated reserve of approximately HK\$38,884,000 (2004: approximately HK\$51,123,000 in the consolidated balance sheet).

Notes:

1. Basis of preparation

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 accounts for the nine months ended 30 September 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 financial statements should be read in conjunction with the audited annual financial statements for the year ended 31 December 2004.

2. Turnover and other revenue

	Three months		Nine months	
	ended 30 September		ended 30 September	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Turnover				
Sales of goods, net of discounts, and business tax	111	727	711	5,505
Other revenue				
Technology rights' royalty fee	779	779	2,339	2,337
Interest income	3	–	8	48
Other income	5	17	197	109
	787	796	2,544	2,494
Total revenue	898	1,523	3,255	7,999

3. 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 three months and nine months ended 30 September 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.

4. Dividend

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

5. Loss per share

The calculation of the Group's basic loss per share for the three months and nine months ended 30 September 2005 is based on the Group's unaudited loss attributable to the shareholders of approximately HK\$3,818,000 and HK\$12,759,000 respectively (three months and nine months ended 30 September 2004: approximately HK\$2,940,000 and HK\$7,865,000 respectively) and the number of 723,087,310 ordinary shares in issue (2004: 723,087,310) during the periods.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

For the nine months ended 30 September 2005, the Group's total turnover amounted to approximately HK\$711,000 (2004: HK\$5,505,000) representing a decrease of approximately 87% over the corresponding period in last year. Gross profit was approximately HK\$23,000 when compared with that of approximately HK\$272,000 for same period in 2004. The loss for the period was approximately HK\$12,342,000 when compared with that of approximately HK\$7,865,000 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 Outlook

Meanwhile, 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

During the nine months ended 30 September 2005, the Group's operation was mainly financed by the proceeds from the Technology Rights Agreement and the internal financial resources of the Group.

As at 30 September 2005, the Group had net current liabilities of approximately HK\$32,623,000. The current assets comprised bank balances and cash of approximately HK\$39,272,000, trade and other receivables of approximately HK\$5,970,000. The current liabilities comprised trade and note payables, accrued charges and other payables of approximately HK\$12,923,000 as well as convertible bonds of approximately HK\$27,400,000.

During the nine months ended 30 September 2005, the Group did not make any material acquisition and disposal of subsidiaries and affiliated companies and investment.

As at 30 September 2005, the Group had no significant exposure to fluctuations in exchange rates and any related hedges.

DISCLOSURE OF INTERESTS

Directors and chief executive's interests in securities

As at 30 September 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 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 (%) (Note 3)
Mr. Cheng Qing Bo ("Mr. Cheng")	180,000,000 (Note 1)	Beneficial owner	Corporate	24.89
Mr. Tung Tai Yung ("Mr. Tung")	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 ("Mr. King")	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 September 2005.

Save as disclosed above, as at 30 September 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 September 2005 are as follows:

Name of Ex-Director	(Note)	Date of grant	(Note)	Balance of options as at 30 September 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	0
	2,250,000	10 October 2000	HK\$0.789	0

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 shall 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 September 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 September 2005, none of the Directors had short positions in Shares or underlying Shares of equity derivatives of the Company.

Interests Of Substantial Shareholders In Securities

So far as was known to any Director or chief executive of the Company, as at 30 September 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 8.
2. See Note 3 on page 9.

Save as disclosed above, as at 30 September 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 September 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 September 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 has 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.

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

Hong Kong, 27 March 2006