



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



**3rd Quarterly 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.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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 announcements 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)**

The Group recorded total unaudited turnover of approximately HK\$24,153,000 for the nine months ended 30 September 2006.

Net loss attributable to shareholders for the period amounted to approximately HK\$1,629,000 for the nine months ended 30 September 2006.

The Directors do not recommend the payment of an interim dividend for the nine months ended 30 September 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 and nine months ended 30 September 2006 together with the comparative unaudited figures for the corresponding periods in 2005 as follows:

		Three months ended 30 September		Nine months ended 30 September	
		2006	2005	2006	2005
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	2	10,627	111	24,153	711
Cost of sales		(3,486)	(107)	(14,977)	(688)
Gross profit		7,141	4	9,176	23
Other income		1,930	787	6,155	2,544
Selling and distribution expenses		400	(28)	(17)	(39)
Administrative expenses		3,309	(4,167)	(3,620)	(14,870)
Other operating expenses		(11,683)	–	(12,240)	–
Finance costs		(298)	(414)	(1,083)	(417)
Profit/(loss) before tax		799	(3,818)	(1,629)	(12,759)
Income tax expense	3	–	–	–	–
Profit/(loss) for the period		799	(3,818)	(1,629)	(12,759)
Dividends	5	–	–	–	–
Profit/(loss) per share					
Basic		HK0.11 cents	(HK0.52 cents)	(HK0.23 cents)	(HK1.76 cents)
Diluted		N/A	N/A	N/A	N/A

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 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 (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	-	-	(2)	-	-	-	(2)
Loss for the period	-	-	-	-	-	(12,759)	(12,759)
<b>At 30 September 2005 (unaudited)</b>	<b>7,231</b>	<b>61,597</b>	<b>(1)</b>	<b>-</b>	<b>1,948</b>	<b>(31,457)</b>	<b>39,318</b>
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	-	-	-	19,802	-	-	19,802
Deferred tax liability on revaluation of property, plant and equipment	-	-	-	1,962	-	-	1,962
Loss for the period	-	-	-	-	-	(1,629)	(1,629)
<b>At 30 September 2006 (unaudited)</b>	<b>7,231</b>	<b>61,597</b>	<b>-</b>	<b>34,613</b>	<b>2,119</b>	<b>(36,002)</b>	<b>69,558</b>

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

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 nine months ended 30 September 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**

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.

**3. Income tax expense**

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong for the nine months ended 30 September 2006 and for the same period in 2005.

#### 4. 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 September		For the nine months ended 30 September	
	2006	2005	2006	2005
Profit/(loss) for the period and profit/(loss) for the purposes of the basic and diluted profit/(loss) per share	<b>HK\$799,000</b>	HK\$(3,818,000)	<b>HK\$(1,629,000)</b>	HK\$(12,759,000)
	<b>Number of shares</b>	Number of shares	<b>Number of shares</b>	Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>723,087,310</b>	723,087,310	<b>723,087,310</b>	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	<b>723,087,310</b>	723,087,310	<b>723,087,310</b>	723,087,310

Diluted earnings per share for the three months and nine months ended 30 September 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 September 2006, there was no outstanding share option.

Diluted earnings per share for the three months ended and nine months ended 30 September 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.

#### 5. Dividends

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Performance

For the nine months ended 30 September 2006, the Group's total turnover amounted to approximately HK\$24,153,000 (2005: HK\$711,000) representing an increase of approximately 32 folds over the corresponding period in last year. Gross profit was approximately HK\$9,176,000 when compared with that of approximately HK\$23,000 for same period in 2005. The loss for the period was approximately HK\$1,629,000 when compared with that of approximately HK\$12,759,000 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

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

As at 30 September 2006, the Group had net current assets of approximately HK\$1,840,000. The current assets comprised trade and other receivables of approximately HK\$27,466,000. The current liabilities comprised trade and note payables, accrued charges and other payables of approximately HK\$25,626,000.

During the nine months ended 30 September 2006, the Group did not make any material acquisition and disposal of subsidiaries and affiliated companies and investment.

As at 30 September 2006, 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 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 relating to securities transaction by Directors, were as follows:

#### (i) Long positions in Shares

Name of 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 September 2006.

Save as disclosed above, as at 30 September 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 September 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 September 2006, 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 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**

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

Notes:

1. See Note 1 on page 8.
2. See Note 2 on page 8.

Save as disclosed above, as at 30 September 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 September 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 September 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 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, 13 November 2006