

**INTCERA HIGH TECH GROUP LTD :
THE QUESTION IS : HOW LOW WILL THE SHARE PRICE FALL ?**

The latest addition to the ranks of The GEM -- The Growth Enterprise Market of The Stock Exchange of Hongkong Ltd -- must be among the biggest gambles ever to grace that speculative market.

Intcera High Tech Group Ltd (Code: 8041) has only been in existence since February 1998; and, production of its one product only started in November 1999.

This Company manufactures -- or intends to manufacture -- ceramic blanks and ferrules and is one of 9 such companies in the world.

Ceramic blanks and ferrules are said to be widely used in the telecommunications industry, and a ferrule is defined, according to the Prospectus of Intcera High Tech, as being '*a ceramic device, generally in the form of a hollow tube, used to confine and align the stripped end of an optical fibre.*'

This Company aims to compete in a marketplace, which is dominated by 3 Japanese suppliers which, in aggregate, produce and sell about 90 percent of the world's consumption of ceramic blanks and ferrules.

In addition, in 1997 and 1998, glass-ceramic ferrules and strengthened polymer ferrules were introduced into the marketplace, and these are known to be comparable in quality and performance to ceramic ferrules.

And, if that is not enough, the cost of glass-ceramic ferrules and strengthened polymer ferrules are known to be lower than ceramic ferrules.

It stands to reason that, if 2 things are equal, one thing being easier and cheaper than the other, then one must opt to buy the easier and cheaper-priced item.

The Placement

Intcera High Tech is Placing a total of 81 million, 50-cent shares at a Premium of \$HK1.28 per share.

At the end of the day, the Net Proceeds, amounting to about \$HK132 million, are to be used as follows:

1. \$HK94 million to be allocated to the purchase of machinery and equipment in order to establish a new production facility in the People's Republic of China (PRC);
2. \$HK12 million to be allocated to research and development of new products;
3. \$HK10 million to be allocated to expand production facilities in Taiwan;
4. \$HK3 million to be allocated to sales and marketing of products; and,
5. \$HK13 million to be allocated to the General Working Capital Account.

The financial results of Intcera High Tech do not mean a thing since the Company, only about 7 months ago, started production of ceramic ferrules and blanks.

Between last November and December, 1999, Intcera High Tech managed to sell \$HK205,000 worth of ceramic ferrules and blanks at a cost to it of \$HK711,000, that being the cost of obtaining the sales.

For the Financial Year, ended December 31, 1999, Intcera High Tech took a loss of about \$HK18.56 million.

The loss would have reached at least \$HK20.60 million had it not been for interest income, amounting to about \$HK2.04 million, obtained in the 1999 Financial Year.

Not very inspiring, one may desire to remark.

As at December 31, 1999, the Company had about \$HK23.36 million in cash and bank balances and it had invested about \$HK5.05 million in short-term investments.

The Directors have seen fit to consider that a figure of about \$HK24.33 million is the correct and proper value for what they term: *'Technological know-how, at cost'*. ... [CLICK TO ORDER FULL ARTICLE](#)

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