INTCERA High Tech Group Limited

Our Precise Connection Global Perpetual Communication

BRIDGING the world

2000 annual report

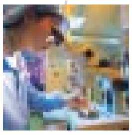
CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

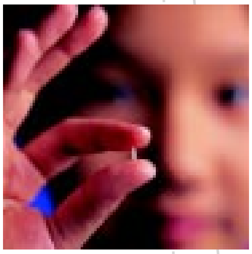
GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out 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 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 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.

CONTENTS





CORPORATE INFORMATION

Board of Directors

Executive Directors

TUNG Tai Yung (Chairman)
KOH Tat Lee (Chief Executive Officer)
SHIH Wen Hao
KING Chun Kong, Karl

Non-Executive Directors

CHENG Cheng Pin
TAM Ping Wah

Independent Non-Executive Directors

CHEN Domingo
GOLDSTEIN Henry R

Company Secretary

CHEUK Wah Pang *FCCA, AHKSA*

Compliance Officer

SHIH Wen Hao

Qualified Accountant

CHEUK Wah Pang *FCCA, AHKSA*

Audit Committee

CHEN Domingo
GOLDSTEIN Henry R

Authorised Representatives

TUNG Tai Yung
KOH Tat Lee

Registered Office

Zephyr House, Mary Street, P.O.Box 2681GT,
George Town, Grand Cayman, Cayman Islands,
British West Indies

Head Office and Principal Place of Business

Room 3507-9, Hopewell Centre
183 Queen's Road East, Wanchai, Hong Kong

Plants & Operations

No. 21 Wu-Chuan Road II, Wugu Industrial Park,
Taipei 248, Taiwan

No. 2, 2nd Donghuang Road,
10th Yousong Industrial District, Longhua Town,
Bao An, Shenzhen, Guangdong, China
Postal Code: 518109

Legal Advisers

As to Hong Kong Law
Chao and Chung

As to Taiwan Law
Lee and Li

As to Cayman Islands Law
Conyers Dill & Pearman, Cayman

Auditors

PricewaterhouseCoopers

Sponsor

Yuanta Securities (Hong Kong) Company Limited

Principal Share Registrar and Transfer Office

Bank of Butterfield International (Cayman) Ltd.
Butterfield House, Fort Street, P.O.Box 705,
George Town, Grand Cayman, Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Abacus Share Registrars Limited
2401 Prince's Building, Central, Hong Kong

Principal Bankers

Standard Chartered Bank
KBC Bank N.V.
Chiao Tung Bank
Chinfon Bank
EnTie Commercial Bank
The Chinese Bank
The International Commercial Bank of China

Stock Code

8041

Website

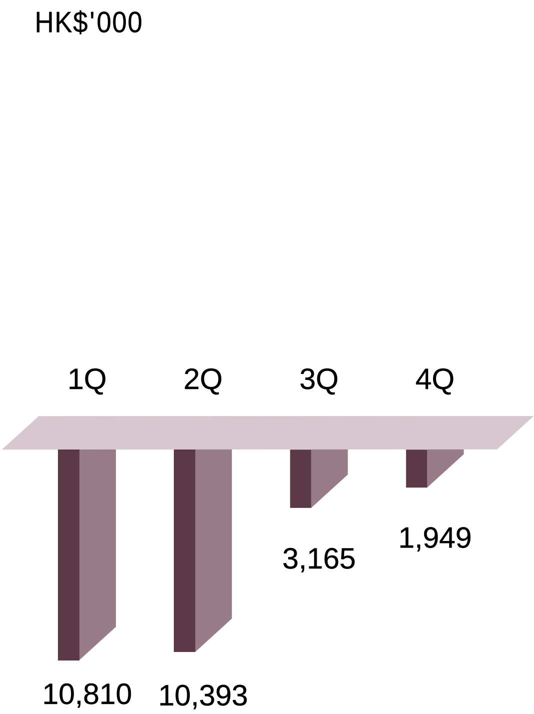
www.intcera.com
www.irasia.com/listco/hk/intcera/index.htm

FINANCIAL HIGHLIGHTS

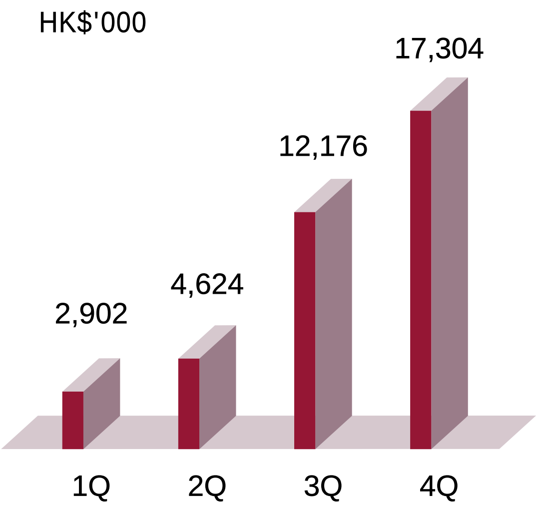
For the year ended 31st December 2000

	2000 HK$'000	1999 HK$'000
Turnover	**37,006**	205
Cost of sales	**(33,490)**	(711)
Gross profit / (loss)	**3,516**	(506)
Selling and distribution expenses	**(724)**	(640)
Administrative expenses	**(28,565)**	(11,656)
Other operating expenses	**(3,738)**	(6,273)
Earnings / (loss) before interest and tax	**(29,511)**	(19,075)
Net interest and other income	**3,146**	549
Tax and minority interests	**48**	18
Loss attributable to shareholders	**(26,317)**	(18,508)
Basic loss per share	**(7.58 cents)**	(7.42 cents)

Loss attributable to shareholders
(by quarter - 2000)



Turnover
(by quarter - 2000)



INTCERA HIGH TECH GROUP LIMITED

COPORATE STRUCTURE

(Group's principal subsidiaries)

Intcera High Tech Group Limited

(Cayman Islands)
holding company

OpticonX Inc.

(BVI)
holding company

Aoptic (BVI) Inc.

(BVI)
holding company

Optical ConnX Company Limited

(HK)
manufacturing & trading

Taicera High Tech Co., Ltd.

(Taiwan)
manufacturing & trading

Intcera High Tech (BVI) Limited

(BVI)
holding company

Intcera High Tech (HK) Limited

(HK)
general trading

CORPORATE PROFILE

Intcera High Tech Group Limited ("Intcera" or "the Company") was incorporated on 1st September 1999 and was listed in Hong Kong in July 2000. The Company and its subsidiaries (the"Group") is principally engaged in the manufacture and sale of optical communications passive components. Its principal products are ceramic blanks and ferrules. Ferrules are a key and indispensable component of fiber optic connectors that are widely used in telecommunication systems, data transmission networks, local area networks and cable television networks. The Group is one of the nine main manufacturers in the world and the only manufacturer in Taiwan who is capable of producing ceramic blanks and ferrules from ceramic powder.

The Group has its production base in Taiwan, with current production capacity of 1.3 million ceramic blanks and 1.1 million ceramic ferrules per month. The Taiwan plant has been awarded ISO 9002 certification in June 1999. The Group is currently setting up plant and operations in Shenzhen in the PRC. The new plant is due to commence production in June 2001.

CHAIRMAN'S STATEMENT

A momentous year for the Group

The financial year 2000 was extremely positive for the Group with the production ramp-up in Taiwan proceeding as planned and a host of encouraging signs received for the future.

The financial results for the year show how far the Group has come since the end of 1999. Turnover has increased from HK$0.2 million in 1999 to HK$37.0 million in 2000. Although the Group's Taiwan plant was only running at average capacity of 60% during the year, the Group managed to report a gross profit in its first full year of operation. However, as the plant was not running at maximum capacity for most of the year, the Group did not attain full economies of scale. Therefore, for the year 2000 the Group reported a net loss attributable to shareholders of HK$26.3 million, up from a loss of HK$18.5 million in 1999.

The IPO was successful

The IPO in July 2000 was a great success. The Company's 81 million shares offered were 1.3 times oversubscribed. Despite the weakness in technology stocks in general, we continue to receive strong messages of support from shareholders and the wider financial community.

Ramping-up production

The key to the year has been the ramp-up in production at the Taiwan facility. Production in the first quarter was 0.27 million pieces. By the fourth quarter the Group managed to produce 1.93 million pieces. However, we believe that the Group can do even better and we are looking for approximately 50% increase in production from the levels seen in the fourth quarter in Taiwan.

In September 2000, we entered into a technology licence agreement with Goodfield Limited ("Goodfield"), an associated company of Hon Hai Precision Industry Co., Ltd. (2317 TT). Under the agreement, Goodfield will manufacture ferrules for internal consumption or for sale to the Group and pay the Group a royalty on each piece produced. This is an extremely attractive deal for the Group as it avoids the risk of a massive build-up in production facilities whilst benefiting from a good quality income stream.

Demand remains extremely strong

The key to the large increase in production has been the very strong demand for ferrules. All manufacturers have reported huge shortfalls between supply and demand. With the continuation of fiber optic infrastructure rollout, we believe that this shortage will continue. The effect of this shortage has been seen in pricing where we anticipate a further increase in the average price per piece in 2001.

We consider that, even with the increases in capacity planned by all manufacturers, the shortfall in supply will continue and that therefore we will continue to see strong demand and robust prices for at least the next couple of years.

Research and development continues

Despite the strong overall demand for our existing output, we are looking at moving into higher margin products, leveraging our ferrule-based expertise. In 2001, we hope to complete work on the miniature ferrule, which should be an attractive addition to our product range.

Prospects

Since beginning operations in 1999, our production capacity at the Taiwan facility has been increasing rapidly. As we are now operating at close to full capacity, we reached breakeven in our Taiwan operations in the first quarter of 2001. In view of the booming optical communications market, we are setting up a new facility in Shenzhen in the PRC. We believe that the market will soon absorb this new capacity and that the PRC facility will share the same success as the Taiwan plant.

Therefore, by the end of 2001, we envisage three main production sources: the Taiwan plant; the PRC facility that should be in the process of ramping-up production; and the ferrules being manufactured by Goodfield under licence.

Investor relations

The management appreciates the relationship between corporate transparency and investors' confidence. Therefore we are committed to establishing close relationships with our investors through the provision of comprehensive and timely information, and regular access to senior management. In the year under review we have held investor forums, interviews and press briefings. In addition, we have recently included a range of corporate information on our own website (www.intcera.com) and that of irasia.com.

The Group gains photonic award

The year was also successful for the Group in other ways. In July 2000 the Group's ceramic ferrule was awarded the Outstanding Photonics Award by the Photonic Industry and Technology Development Association. The award is commissioned by Taiwan's Ministry of Economic Affairs. In October 2000 the Group won the Millennium National Brand Award for "...establishing high precision standards for its products". This award is designed to promote public awareness of prestigious brands across the Straits.

Charity activities

During the year the Group has also been active in charity work. In December 2000 the Group sponsored workers from Tin King Sheltered Workshop of the New Life Psychiatric Rehabilitation Association to participate in skills training on the Adventure Ship. In addition, the Group sponsored activities at the renowned Hong Kong Outward Bound School.

Any many thanks to...

...all those who have contributed to the Group over the past year. Shareholders have suffered from the weakness in the global technology markets. However, I would like to express great appreciation for their supporting the Group through these difficult times. Special thanks must also go to our employees who have worked extremely hard in managing the increase in production, the challenge in setting up the PRC facility and the attendant problems.

Tung Tai Yung

Chairman

19th March 2001

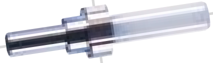
MANAGEMENT DISCUSSION AND ANALYSIS

The Product

Advances in telecommunication technology have made it possible for communication signals to be transmitted in the form of light rays through optical fibers. Optical fibers are a better medium for transmission of such signals than traditional copper cable as they provide greater bandwidth allowing more information to be transmitted in a shorter time. These advantages have enabled the rapid development of global communication networks, multi-media communication and mass information transmission systems.

Fiber optic connectors are used to connect an optical fiber to a transmitter for sending signals, to a receiver for receiving signals, or as a linkage to another optical fiber. The ferrule is the key component of these connectors. It is a hollow tube which confines and aligns the stripped end of an optical fiber for easy and accurate connection to a transmitter, a receiver or another optical fiber.

Ceramic ferrules are currently regarded as the best type of connector compared to plastic, stainless steel and alumina connectors since ceramic ferrules are durable, environmentally stable, and easy to bond with optical fiber. They also have the highest degree of precision in the transmission of optical signals and can closely match the degree of expansion and contraction of optical fibers as a result of temperature change.



Industry Review

The boom in the telecommunications industry and advancements in telecommunications technology has led to a rapid increase in the demand for ceramic blanks and ferrules. Both the fiber optic components market and the ferrule industry are showing very strong rates of growth. According to ITIS (Industrial Technology Information Service), the demand in the fiber optic communication industry is forecasted to rise by a compound annual growth rate of 20% over the next few years, while according to ElectroniCast, the market for connectors and splices is estimated to grow by a compound annual growth rate of 22% to the year 2007.

The global demand for ferrules has been driven by the increasing use of fiber systems. It is estimated that the global production of ferrules at the end of 2000 was approximately 31 million pieces per month. Additionally, we estimate that demand for ferrules exceeds supply by 40 to 50%. Therefore the Group is still in a position where there is significant excess demand to exploit. Management believes that this imbalance will persist for at least the next two years and is forecasting that demand will increase by around 30% per annum over this period.

In view of this enormous opportunity, many manufacturers are considering entering this highly profitable market. However, the advanced technology and expertise required to manufacture blanks and ferrules impose significant barriers to entry. New participants to the industry decide to manufacture ferrules by purchasing blanks, the intermediate product, face an extreme shortage of supply. The Group is the only manufacturer in Taiwan that has the capability to produce both ceramic blanks and ferrules under one roof and is one of only nine mass producers worldwide.

As a consequence of this shortage, the price for ferrules was extremely strong in 2000. On average, ferrule prices increased by approximately 20% during the year averaging around US$1.20 per piece, reflecting the lack of supply and the intense market demand as the telecommunications industry expanded its fiber networks. So far in 2001 we have seen even higher prices and anticipate a 10% to 20% increase in the average price again this year.

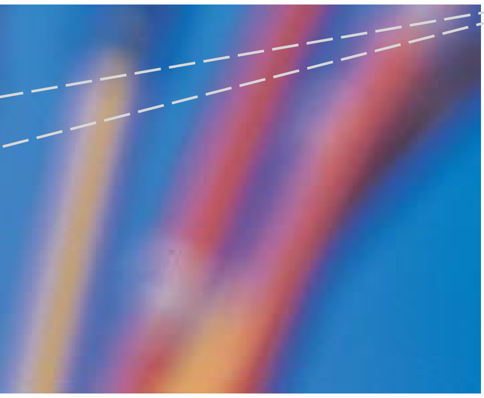
In the longer term, the rapid expansion of telecommunication networks will introduce fiber to the home for domestic use. This in turn will lead to increasing demand for smaller sized connectors. It is expected that this domestic use market will eventually lead to a massive increase in the demand for ferrules, providing an excellent opportunity for the Group.

Business Review

2000 was a remarkable year for the Group highlighted by a number of significant achievements. The pinnacle of the Group's brief history was its successful listing on the GEM Board on July 7, 2000. The funds raised from the listing have been appropriated for various investments, the major one being the establishment of a new production facility in Shenzhen in the PRC. As at the end of 2000, net cash amounted to over HK$100 million. Group sales have also rocketed in the past year, with quarterly sales increasing from HK$2.9 million in the first quarter to HK$17.3 million in the fourth quarter, and the customer base also increased from three customers in 1999 to 28 customers in 2000.

Taiwan Production

To expand the Group’s market share and satisfy the excess demand, productivity has been growing rapidly during the year. Under the year of review, production capacity increased to 1.3 million blanks and 1.1 million ferrules per month by the year-end. Commercial production volumes in 2000 reached 6.6 million blanks and 4.2 million ferrules. As the Taiwan plant is now near full capacity, the Taiwan operations broke even in early 2001. As at December 31,2000, the Group had received sales orders worth approximately HK$157 million for delivery within the year ended December 31, 2001.



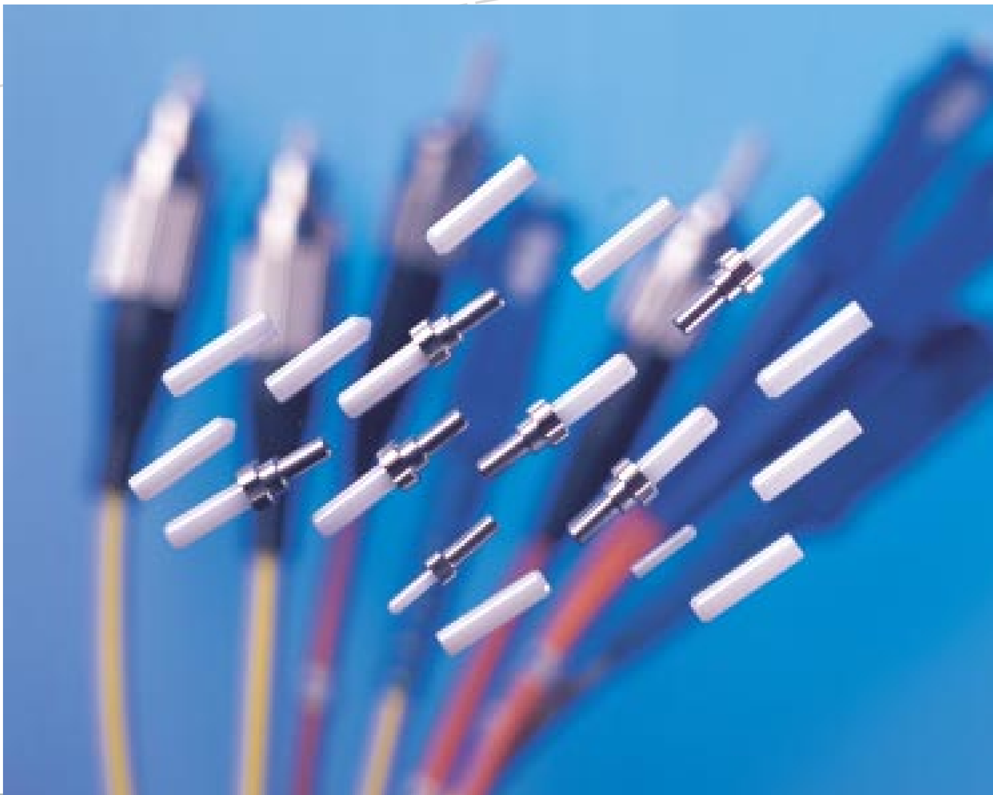
Agreement with Hon Hai Precision Industry Group

One of the significant developments of 2000 was the technology licence agreement with Goodfield Limited (“Goodfield”), an associated company of the Hon Hai Precision Industry Group (“Hon Hai Group”) in Taiwan. Under the agreement, Goodfield is licensed to manufacture ferrules for internal consumption or for sale to the Group. From the commencement of production until September 2010, the Group will receive royalties from Goodfield, a stable and secure income stream.

Hon Hai Precision Industry Co. Ltd., listed in Taiwan, is the largest manufacturer of connectors for use in PCs in Taiwan, and a leading manufacturer of connectors and cable assemblies in the world. This agreement will not only foster closer ties between the Group and the Hon Hai Group but also result in long-term business and financial benefits for the Group.

Competition

Currently, Japanese competitors dominate the ferrule manufacturing industry, supplying over 85% of the market. However, the Group possesses specific advantages over its competitors. It is strategically located close to the Taiwanese manufacturers of fiber optic connectors and is the only manufacturer of ceramic blanks and ferrules in Taiwan. Labour costs in Taiwan are comparatively lower than in Japan. Additionally the Group has developed its own production know-how and technology and perfected a proprietary, highly automated production process, which reduces labour costs and increases yields compared to its competition.



Market

Currently, the Group’s major market is Taiwan, which accounts for around 64% of the Group's total sales, while the second largest market is Switzerland, which accounts for almost 30% of sales. However, we believe that the final destination for the majority of products manufactured using our ferrules is the USA.

To increase awareness of the Group, we have been attending optical fiber exhibitions throughout 2000. In 2001, we are scheduled to exhibit at two. In March, we will exhibit at the OFC 2001 Exhibition in the United States. This is the largest fiber optic exhibition in the world. In August, we are scheduled to exhibit at Opto Taiwan, the largest fiber optic show in Asia excluding Japan.

Research and Development

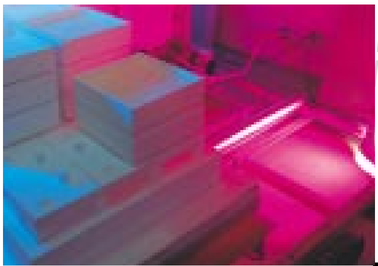
The Group believes in the importance of research and development to the Group's future. For this reason, the Group invested HK$2.33 million in this area in 2000, representing over 6% of the total turnover in 2000. Currently, the main thrust of the research and development effort is to develop miniature ferrules. The Group aims to complete the development of these miniature ferrules and begin mass production by the third quarter of 2001. We expect to commence research into fiber stubs, a further development based on ferrule technology, in 2001 and plan to commence production by the middle of 2002.

Prospects

The Group continues to expect that the majority of its sales in 2001 will be made to Taiwan-based companies, similar to 2000 when 64% of the sales were made in Taiwan. Given the extremely strong outlook for ferrules and ferrule-based products, management is looking at expansion opportunities through strategic agreements and acquisitions in areas that complement the

Group's business. Production should also commence in 2001 under the licence agreement with Goodfield, enabling Goodfield to produce ferrules on the payment of a royalty to the Group.

In view of limited production capacities and the enormous demand for ceramic ferrules, the Group is establishing a new production facility in Shenzhen in the PRC. The new facility is expected to commence operations in June 2001 and will increase the Group's production capacities by an additional 380,000 ferrules per month by the end of June 2001. By the end of the year, we are expecting the PRC facility to have a production capacity of 1.1 million ferrules per month. We expect that the output from this additional capacity to be fully absorbed by market demand.



However, given the extremely strong market for ferrules, we are considering further expansion of our production capabilities. We hope that these additional production lines will also commence production in 2001 and help us to meet the expected increase in demand. If we can achieve this revised plan, the total production capacity for the PRC facility should reach 750,000 ferrules per month by 30 June 2001 and 3.0 million pieces per month by the end of the year.

Benefits for the Group with its expansion into the PRC are twofold; it increases the supply of its products and minimises its operation costs. In addition, the PRC operation will enable the Group to recruit skilled and qualified personnel from PRC universities to develop the technical expertise required for the Group's operations at lower cost..

MANAGEMENT'S CHAT ROOM

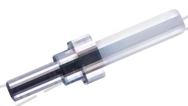
1. What will be the major effects to the Group if the PRC enters the WTO?

The main effect of China's entry into the WTO will be the removal of certain structural limitations currently imposed on the business. For example, the restrictions on domestic and export quotas would be lifted as would constraints on the sourcing of spare parts, materials and equipment from outside China.

Other than these structural considerations, we believe that entry will have little effect on our business. The demand for our products is worldwide and there should be little difference between ferrules manufactured in Taiwan and the PRC (the specifications will be the same). However, there are many advantages for the Group in expanding into the PRC. Not only is there a good supply of well-trained engineers, but also unit labour costs are substantially lower. While our manufacturing process requires lower labour input than comparable processes used elsewhere, the quality assurance procedure is still extremely labour intensive. Therefore, by locating a facility in the PRC, the Group should make substantial savings.

2. The US economy's growth is slowing and with it we have seen lower estimates for other telecom and optical equipment manufacturers. How do these factors affect the Group's business expansion plan?

There appears to be a number of factors at work in this slowdown although, to date, we have received no indication that it will have a major effect on our business. Firstly, the switch from electronic to optical networks is happening more rapidly than some expected. Therefore, those companies with significant investment in producing electronic communications systems suddenly find themselves with a lot of excess capacity.



Secondly, those companies that focus solely on fiber optics have found that there has been a slowdown in the demand for the big-ticket items, mainly as carriers re-assess the future demand for bandwidth. However, we believe that we are somewhat isolated from this trend. Connectors, and therefore, ferrules, are not only used in the backbone rollout, but also in smaller applications. Therefore, we believe that demand will continue to be strong.

In addition, demand is already much greater than supply, so it would require an extreme slowdown in demand for ferrules to affect our sales. So far, we have seen no evidence of such a slowdown. Indeed, our order book keeps increasing, not shrinking. Therefore, we do not think that the slowdown in the telecom spending will result in slower sales.

3. The Group is quite reliant on the Taiwan and Switzerland markets. Any plan to extend into new markets?

The customers to date have mainly been concentrated in Taiwan and Switzerland. However, we expect this situation to change over the next year. So far, we have been producing well below the expected capacity of the facility in Taiwan. As production increases from the Taiwan and the PRC facilities, we envisage that we will be able to satisfy more customers. However, we believe that we will still sell the majority of our Taiwanese output in Taiwan as we have significant advantages in this market over the Japanese competition.

4. What is the biggest challenge that the Group faces?

We believe that the biggest challenge for the Group in 2001 is the new PRC facility. Effectively, the Group has to transfer all of its knowledge and expertise to the start-up and then to ramp-up production while ensuring that quality standards are maintained and yield rates keep improving. However, if the Group can manage this process successfully then management's future expansion plans in China should be substantially easier to achieve.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. **TUNG Tai Yung**, aged 35, is the Chairman of the Group. He joined the the Group in February 1998. Mr. Tung is responsible for corporate planning, business development and strategy of the Group. Mr. Tung graduated from California Santa Clara University in the US with a bachelor degree in electrical engineering. Mr. Tung has also been a director of Taiping Enterprises Co., Ltd., the Group's substantial shareholder, since June 1985.

Mr. **KOH Tat Lee**, aged 34, is a Director and the CEO of the Group. He joined the Group in February 1998. Mr. Koh is responsible for overseeing the general management and formulating the strategic plans for the Group. In addition, he is in charge of product development and sales and marketing strategies. Mr. Koh possesses more than ten years of experience in the telecommunications industry and has worked at Bell South and AT&T in the US and was promoted to technical director before he left AT&T. In addition, Mr. Koh was the vice president of First Pacific Company Limited, a listed company in Hong Kong, in which he was primarily responsible for telecommunications business. During his tenure at First Pacific, Mr. Koh founded Tuntex Telecom in Taiwan and assumed the post of President. Mr. Koh holds a double master degree in electrical engineering and industrial engineering from Columbia University in the US.

Mr. **SHIH Wen Hao**, aged 46, is a Director and the Vice President of the Group. He joined the Group in July 1998. Mr. Shih is responsible for overseeing all matters related to administration, human resources, finance and accounting and information systems. Mr. Shih holds a bachelor degree in accounting and statistics from National Cheng Kung University in Taiwan. Mr. Shih has over 20 years of experience in accounting and finance. Prior to joining the company, Mr. Shih had worked with Pacific Wire and Cable and the Tuntex group in Taiwan.

Mr. **KING Chun Kong**, **Karl**, aged 34, is a Director and the Vice President of the Group. He joined the Group as a member of the supervisory board of Taicera High Tech Co., Ltd. ("Taicera") in July 1999. Mr. King is responsible for raising finance for the expansion of the company's production facilities. He was formerly a manager of the Taipei branch of the Bank of Nova Scotia. His principal responsibilities were in developing the branch's Taiwan syndication business and developing and marketing the bank's retail banking services. Mr. King has over ten years of experience in banking and finance. Mr. King graduated from the New York University in the US with a master degree in business administration specialising in finance and international business.

Non-executive Directors

Mr. **CHENG Cheng-Pin**, aged 49, joined the Group as a director of Taicera in March 2000. He is also the non-executive director of Hotung Investment Holdings Limited, an associated company of one of the venture capital investors, and the chairman of Energy Shipping Company Limited, a company that operated specialised oil and gas tankers in Taiwan. Mr. Cheng joined Energy Shipping Company Limited as a finance manager in 1980 and was promoted to the current position in 1995. He holds a Bachelor of Science degree from National Taiwan Marine College.

Mr. **TAM Ping Wah**, aged 45, joined the Group in June 2000. He is also a director of Tomorrow International Holdings Limited, which is engaged in the manufacture of electronic products and printed circuit boards. Mr. Tam has over 19 years experience in marketing and manufacturing operations of electronic products. Mr. Tam graduated from Simon Fraser University in Canada with a Bachelor of Arts degree double majoring in commerce and economics.

Independent Non-executive Directors

Mr. **CHEN Domingo**, aged 45, was appointed independent non-executive Director in June 2000. Mr. Chen is also the Managing Director of Littauer Technologies (listed on KOSDAQ) and Director of Littauer Investments Limited, parent of Littauer Technologies. Mr. Chen brings extensive experience in operational, marketing and financial management of fast growing industries. Prior to joining The Littauer Group, he was Chief Operating Officer of Peoples Telephone Co. Ltd. with overall responsibilities for the mobile phone company's business, marketing and financial operations. Between 1989 and 1998, he served as Chief Financial Officer and Chief Operating Officer of Pacific Link Communications. Mr. Chen received his M.B.A. degree from the Kellogg School of Management at Northwestern University. He was also awarded a Diploma in the Program for Management Development by the Harvard Business School.

Mr. **GOLDSTEIN Henry R**, aged 70, was appointed independent non-executive Director in June 2000. He is also the managing director of the international department of Daniels & Associates L. P., which is a global financial services company specialising in the telecommunications industry and engages in capital funding, mergers and acquisitions as well as the provision of financial advisory services. In addition, Mr. Goldstein is a member of the Board of Advisors of the School of Business at University of Colorado and a member of the Board of Advisors Sister Cities Conference of Denver, Colorado. Mr. Goldstein graduated from Upsala College in the US with a bachelor degree and later obtained a doctoral degree in law from Georgetown University Law Center. Mr. Goldstein has over 35 years of experience in the communications field.

Audit Committee

The Group established an Audit Committee in June 2000 consisting of Mr. Chen Domingo and Mr. Goldstein Henry R to assist the Board in fulfilling its duties by providing an independent and objective review of the financial reporting process, internal controls, audit function and responding to specific management needs with specific emphasis in:

(i) Appraising the quality of the audit effort of the Group's internal and external auditors;

(ii) Serving as an independent and objective party to review the financial information presented by management to shareholders, regulators and the general public;

(iii) Ascertaining the adequauacy of the Group's system of internal controls which management and the Board have established; and

(iv) Serving as an useful channel of communication between the Board and the external and internal auditors on matters relating to an arising out of the external and internal audit.

The Group would like to take this opportunity to express its gratitude towards the advice, time and commitment offered by the Aduit Committee Members.

Senior Management

Mr. **HOON Siang Book**, aged 50, is the Chief Operating Officer of the Group and is responsible for the performance of all ferrule manufacturing business units. He joined the Group in May 1998 and has extensive experience and in-depth knowledge in the manufacturing field. Mr. Hoon completed the technical, logistics and management programs provided by General Electric (USA) Co., Ltd. in Crotonville University in the US. Prior to joining the Group, Mr. Hoon worked with an American Multinational company for 17 years. Mr. Hoon started as a management trainee and has undergone their internal structured training with credits in technical and management disciplines. With 12 years in various management positions in the company, he was promoted to the position of President at one of their offshore factories in Malaysia. Mr. Hoon has extensive experience in the region, setting up and operating new manufacturing facilities in Penang Malaysia, Bangkok Thailand, and Wuxi, Jiangsu Province in the PRC. Mr. Hoon was key in spearheading the team for the set up of the existing Taicera manufacturing facility located in Taiwan. Mr. Hoon's past involvement with products and components ranges from consumer home entertainment components to cordless and corded telephones and to high definition pick and place operations for chips on PC board assemblies used in computer disk drives industries. During the span of his career, Mr. Hoon has also participated in independent consulting assignments to assist in evaluating manufacturing technology for merger and acquisition activities.

Mr. **CHIANG Warren**, aged 38, is the Vice President of the Group in Research and Development department in addition to his position as Deputy General Manager of Taicera. Besides product development his responsibilities include the day-to-day technical operations of the Taiwan facility as well as coordinating administrative activities. Mr. Chiang holds a PhD in Ceramic Science and Engineering from Rutgers University, USA. Mr. Chiang has more than eight years of experience working in the catalyst and ceramic industry. This knowledge in ceramic science is an asset to the Group in specialised areas such as ceramic sintering, machining and characterisation, metallisation/joining, powder processing, thick film technology, material characterisation and catalyst manufacture and application. Prior to being promoted to VP and DGM of Operations, Mr. Chiang was the Director of Technical Development. He was responsible for receiving as well as improving on the details of the technical transfer and facilitating a smooth start up for Taicera. In his previous role, he was also responsible for implementing the QA/QC system as well as leading the team in fulfilling all the necessary logistics to obtain the ISO qualification. His previous work experience was with Dupont in Taiwan where his role was to assist companies within the region to develop new applications in photopolymer and thick film materials. Before Dupont, he was with Catalyst Research Center in Taiwan performing catalyst research for applications including VOC combustion and hydrofurocarbon synthesis.

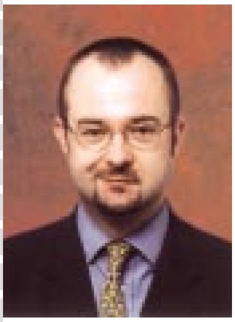
Ms **UNG Monin**, aged 31, is the Vice President and Legal Counsel of the Group. She is responsible for the legal affairs, human resources, corporate communications and IT functions for the Group. She has been involved with the Group's venture capital financing and subsequent IPO on the GEM Board of the Stock Exchange since late 1999. Ms Ung obtained her law degree in England and later a diploma in PRC law from the Chinese Science & Political University in Beijing. She is qualified as a Barrister of the Supreme Court of England and Wales, Solicitor of the Supreme Court of Singapore, Solicitor of the High Court of Hong Kong as well as being a Member of the Chartered Institute of Arbitrators. Before joining the Group, she was in private practice specialising in corporate finance law with well-known city firms. Ms Ung has about seven years of experience in legal practice.

Mr. **LIANG Chin Hsien**, aged 42, is the Vice President of the Group and General Manager designate of Optical ConnX Company Limited (one of the subsidiaries of the Group) based in Shenzhen, PRC. He joined the Group in January 2000 as the manager of the quality control responsible for setting up product criteria and internal procedures in the manufacturing process. Mr. Liang holds a PhD in Polymer Science and Plastic Engineering from the University of Massachusetts. Mr. Liang has a total of ten years experience in related product research and development. He started his career as Assistant Researcher of Academia of Sinic and subsequently as Production Manager for six years with the Tuntex Group based in both Taiwan and Thailand prior to joining the Group.

Mr. **MAEKAWA Susumu**, aged 60, is a Vice President of Taicera with responsibility as Plant Manager of the Taiwan plant and operations. Mr. Maekawa joined the Group in September 1998 after discharging his responsibility as a Technology Consultant to Taicera. He is a qualified technical professional with 37 years of working experience in precision engineering in Japan. Mr. Maekawa graduated from Kitai Kyushu University in Japan with a degree in Mechanical Engineering. Prior to joining the Group, he has worked with companies such as Japan Semitsu, Suncera and Toto Optoelectronics.

Mr. **LIOU Shian Shyang**, aged 44, is the Senior Manager of the Research and Development Department and joined the Group in February 2000. Mr. Liou is responsible for developing new material sources as well as streamlining processes for new as well as existing products. Mr. Liou holds a PhD in Material Science and Engineering from the University of Pennsylvania. Mr. Liou has more than ten years working experience in the industry including a six-year tenure as Senior Research Engineer/Project Leader with General Motors Corp.

Mr. **PERKINS Andy**, aged 36, is the senior financial consultant of Intcera and joined the Group in February 2001. Mr. Perkins is in charge of providing investors and the press with timely information about the Group and generally raising the Group's profile. Prior to joining the Group, Mr. Perkins was head of Asian Telecommunications Research at Prudential-Bache Securities and has had over six years experience analyzing telecommunications companies in the Asia-Pacific region. Mr. Perkins has also worked for five years in the corporate finance arm of Ernst & Young, based in the UK.



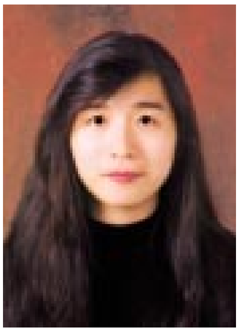
Mr. **HO Sai Kei, William,** aged 33, is the financial controller of Intcera and joined the Group in January 2001. Prior to joining the Group, Mr. Ho had been a senior manager in the ABAS division (Assurance and Business Advisory Services) of PricewaterhouseCoopers HK. He has experience in IPO, due diligence and over nine years of experience in accounting and auditing. He graduated from Simon Fraser University in Vancouver, Canada holding a bachelor degree in business administration. He is currently a member of the Canadian Institute of Chartered Accountants and an associate member of the Hong Kong Society of Accountants.

Mr. **CHEUK Wa Pang**, aged 36, is the company secretary, qualified accountant and the finance and administration manager of the Group and joined the Group in April 2000. Prior to joining, Mr. Cheuk worked as a business consultant to a company that uses Internet technology to provide facilities management, and as a financial controller of a Sino-Italian joint venture. He has over nine years of experience in accounting and auditing. Mr. Cheuk holds a master degree in Applied Finance from Macquarie University in Australia and another master degree in business administration from Macquarie Graduate School of Management in Australia. Mr. Cheuk is also a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and an associate member of the Hong Kong Society of Accountants.

Mr. **MAN Chi Kwong**, aged 33, joined the Group in October 1998 as manager of the sales and marketing department. He is responsible for executing the the Group's marketing strategy and overseeing the Group's sales for both domestic and international markets. Mr. Man graduated from National Tunghai University in Taiwan with a bachelor degree in business administration. He obtained his master degree of business administration from Laredo State University in the US. Mr. Man has more than six years of experience in the telecommunications industry.

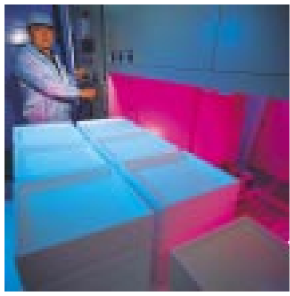
Mr. **CHEN Chung Sen**, aged 35, is the finance and accounting manager of Taicera. He joined Taicera in July 1998 and is responsible for general accounting, financial planning and overseeing the investment plan and budget. He graduated from National Tunghai University in Taiwan with a bachelor degree in business administration. Mr. Chen has nine years of experience in the accounting and financial field.

Ms. **YANG Ling Ling**, aged 37, is the manager of the administration department of Taicera. Ms. Yang joined Taicera in May 1998. She is responsible for the overall administration and human resources management of Taicera. She graduated from Shih Chien University in Taiwan and has about ten years of experience in administration and human resources.



The Group is well positioned to be one of the leading manufacturers in the ceramic blanks and ferules industry. We have successfully achieved most of our goals for the year 2000 as set out in the prospectus and are confident that the Group will fulfill those listed for 2001.

PROGRESS AGAINST BUSINESS OBJECTIVES



REVIEW OF GOALS FOR 2000

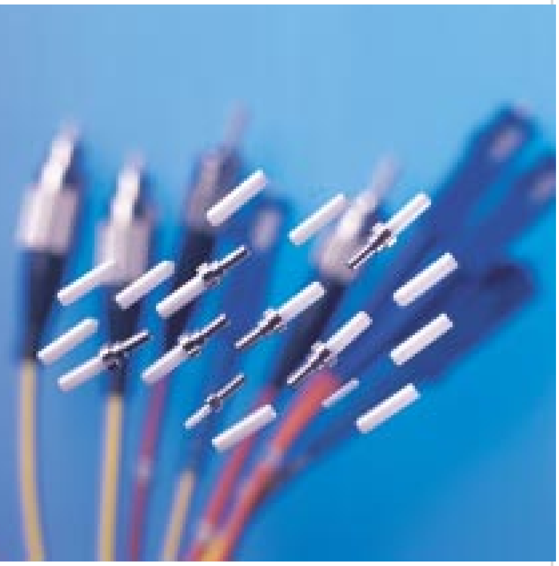
Research and Development

Products

The Group intends to diversify its product range, to commence production of APC ferrules and to begin research into miniature ferrules.

Achieved

The Group successfully produced APC ferrules and commenced the mass production of APC ferrules in July 2000. Commenced research and development of miniaturised ferrules in second half of 2000.



Raw Material

The Group will source more types of ceramic powder mixture to reduce purchase cost of raw materials and its reliance on any single supplier.

Ongoing

The management is currently negotiating with both existing and alternative suppliers to reduce the costs and find new sources of raw material.

Production Process

The Group will continue to develop production technology and to improve the yield rate of production process and increase the efficiency at each stage of production process.

Achieved

As well as increasing the production quantity, management has concentrated on improving yields and increasing efficiencies. As a result, yields have improved from under 60% in early 2000, exceeding 80% by the end of the year partly as a result of the automation of the production line.

Production Capacity

The Group intends to increase the production capacity of the Taiwan facility to approximately 1.3 million ceramic blanks and 1.1 million ceramic ferrules per month.

Achieved

For the year ended December 31, 2000, the production capacity of the Taiwan facility is 1.3 million ceramic blanks and 1.1 million ceramic ferrules per month.

Sales and Marketing

Broaden customer base

The Group plans to participate in professional trade shows and conferences and to advertise its products on selective e-commerce websites and publications related to the fiber optics industry.

Achieved

In 2000, the Group participated in exhibitions in Taiwan, Germany and Japan. The Japanese exhibition was Interopto, the largest fiber optic conference in Asia.

Build up distribution channels

The Group intends to widen its sales channels through co-operation with distributors in different regions.

Not Achieved

The Group has so far not needed to appoint distributors as demand has been extremely strong.

Increase value added services

The Group's sales staff will continue to pay regular visits to its customers at least once in every quarter to provide more extensive technical support services to the customers.

Achieved

The Group has continued to see clients regularly, which has helped the group understand the customer needs and requirements.

GOALS FOR 2001

Research and Development

Products

The Group is developing miniaturised ferrules and expects to commence production in the third quarter 2001

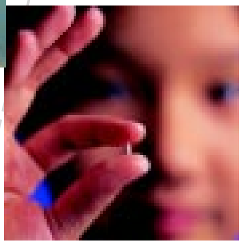
Raw Material

The Group continues its search for new sources of ceramic powder mixtures to reduce purchase costs of raw materials and its reliance on any single supplier.

Production Process

The Group will continue to develop production technology and to improve the yield rate of production process, increase efficiency at each stage of production process, especially in the newly established PRC plant. At the Taiwan facility, management is aiming to maintain yield rates above 80% in 2001.

In addition, the Group will work with equipment vendors so as to minimise the cost of the machinery.



Production Capacity

The Group is establishing a new facility in Shenzhen and will commence operation in June 2001. The current production plan calls for a design capacity of 380,000 ceramic ferrules per month at the end of June and 1.1 million ceramic ferrules per month at the end of December. An accelerated production plan is also being considered that would increase design capacity to 750,000 pieces per month at the end of June 2001 and 3 million pieces per month at the end of December 2001.

As the Taiwan facility is operating at close to its design capacity, efforts in Taiwan will focus on producing value added products such as miniaturised ferrules.

Sales and Marketing

Increase market share

With the large increase in production and the continuing strong demand for our products, we believe that the Group will capture a larger market share in 2001. If our production targets are realised, we estimate that we will supply over 4% of the total market in 2001, up from less than 2% in 2000.

Broaden customer base

In 2001 the Group plans to be an exhibitor both at Optical Fiber Conferences to be held in Anaheim, US and at OPTO Taiwan.

Build up distribution channels

The Group believes that, due to the continuing strong demand for our products, there will be little need to appoint distributors in 2001.

Increase value added services

The Group plans to maintain its high level of customer contact and to respond positively to requests for new products and developments of existing products.

REPORT OF THE DIRECTORS

The directors submit their first report together with the audited accounts for the year ended 31st December 2000.

Group reorganisation

The Company was incorporated in the Cayman Islands on 1st September 1999 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands.

On 29th February 2000, pursuant to a group reorganisation to rationalise the structure of the Company and its subsidiaries (the "Group") which included exchanges of shares in preparation for the listing of the shares of the Company on Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the subsidiaries listed in note 14 to the accounts. The Company's shares were listed on GEM of the Stock Exchange on 7th July 2000.

The group reorganisation referred to above has been reflected in the accounts by regarding the Group as a continuing group. The basis of presentation and consolidation for these accounts is set out in note 2 to the accounts.

Principal activities and geographical analysis of operations

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 14 to the accounts.

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 principal business activity is not presented.

An analysis of the Group's turnover for the year by principal market is set out in note 3 to the accounts.

Results and appropriations

The results of the Group for the year are set out in the consolidated profit and loss account on page 40.

The directors do not recommend the payment of a dividend.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 21 to the accounts.

Donations

Charitable and other donations made by the Group during the year amounted to HK$9,284.

Fixed assets

Details of the movements in fixed assets of the Group and the Company are set out in note 13 to the accounts.

Share capital

Details of the movements in share capital of the Company are set out in note 20 to the accounts.

Borrowings

Details of the Group's borrowings are set out in note 22 to the accounts.

Distributable reserves

Pursuant to the Companies Law (Revised) of the Cayman Islands and the Articles of Association of the Company, the share premium of the Company is distributable to the shareholders. At 31st December 2000, in the opinion of the directors, the Company's reserves available for distribution to shareholders, comprising share premium account and accumulated losses, amounted in total to approximately HK$124,866,000 (1999: Nil).

Three year financial summary

A summary of the results and of the assets and liabilities of the Group for the last three financial years is as follows:

	2000	1999	1998
	HK$'000	HK$'000	HK$'000
Turnover	**37,006**	205	-
Loss attributable to shareholders	**(26,317)**	(18,508)	(5,879)
Total assets	**371,279**	156,881	84,413
Total liabilities	**(85,668)**	(45,797)	(27,371)
Minority interests	**(9)**	(244)	(12)
Net assets	**285,602**	110,840	57,030

Purchase, sale or redemption of shares

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

Directors

The directors during the year were:

Executive Directors

Mr. Tung Tai Yung (appointed on 1st September 1999)

Mr. Koh Tat Lee (appointed on 1st September 1999)

Mr. Shih Wen Hao (appointed on 1st May 2000)

Mr. King Chun Kong, Karl (appointed on 1st September 2000)

Non-executive Directors

Mr. Cheng Cheng Pin (appointed on 1st June 2000)

Mr. Tam Ping Wah (appointed on 1st June 2000)

Mr. King Chun Kong, Karl (appointed on 1st June 2000 and resigned on 1st September 2000)

Independent non-executive Directors

Mr. Chen Domingo (appointed on 1st June 2000)

Mr. Goldstein Henry R. (appointed on 1st June 2000)

In accordance with Article 87 of the Company's Articles of Association, Mr. Cheng Cheng Pin retires and, being eligible, offer himself for re-election. Mr Tam Ping Wah also retires in accordance with Article 87 but will not offer himself for re-election.

Directors' service contracts

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Biographical details of directors and senior management

Brief biographical details of directors and senior management are set out on pages 20 to 27.

Directors' interests in contracts

Details of Mr. Tung Tai Yung's interests in contracts of significance in relation to the Group's business are set out in note 27 to the accounts.

Directors' interests in contracts (continued)

Save as disclosed above, no contracts of significance in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Connected transactions

(a) Significant related party transactions entered into by the Group during the year ended 31st December 2000, which do not constitute connected transactions under the Rules Governing the Listing of Securities on the GEM of the Stock Exchange, are disclosed in note 27(d) to (g) to the accounts.

(b) Other related party transactions, which also constitute connected transactions under the Listing Rules, required to be disclosed in accordance with Chapter 20 of the Listing Rules, are as follows:

(i) Taiping Insurance Company Limited ("Taiping Insurance"), which is controlled by a director of the Company, Mr. Tung Tai Yung, has underwritten the insurance policy for the Group's assets during the year. The aggregate insurance premium paid by the Group to Taiping Insurance amounted to approximately HK$291,000 for the year ended 31st December 2000.

(ii) The Group has various loan facilities in Taiwan of approximately HK$95 million that were jointly and severally guaranteed by Taiping Enterprises Co., Ltd. ("Taiping"), Mr. Koh Tat Lee and Mr. Tung Tai Yung and/or Mr. Tung Hau Keung (Mr Tung Tai Yung's father) (the "Parties"). The directors confirm that no security over the assets of the Group has been granted to the Parties in relation to such financial assistance provided by them.

(iii) On 17th November 2000, the Group further acquired 0.2% shareholdings of one of its subsidiaries, Taicera High Tech Co., Ltd., from Mamcol Taiwan Company Limited ("Mamcol"), which is controlled by a director of the Company, Mr. Tung Tai Yung, at a fair value of HK$676,000. The consideration was settled on 17th November 2000.

The independent non-executive directors confirmed that the above transactions had been conducted on normal commercial terms during the ordinary and usual course of business, and are in accordance with the underlying agreements, the terms of which are fair and reasonable and for the interests of the shareholders of the Company.

Directors' interests in equity securities

At 31st December 2000, the interests of the directors and chief executives in the shares and options of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or which are required, pursuant to rules 5.40 to 5.49 of the GEM Listing Rules, to be notified to the Company and GEM of the Stock Exchange were as follows:

Directors' interests in equity securities (continued)

(a) Ordinary shares of HK$0.5 each in the Company.

Name	Personal Interest	Family Interest	Corporate Interest	Other Interest	Total Interest
Mr. Tung Tai Yung	20,225,000	-	104,506,625 (Note 1)	-	124,731,625
Mr. Koh Tat Lee	3,000,000	3,275,000 (Note 2)	-	-	6,275,000
Mr. Shih Wen Hao	3,183,000	-	-	-	3,183,000
Mr. King Chun Kong, Karl	5,500,000	-	-	-	5,500,000

Note 1 :

These shares are held through Taiping and Mamcol. These shares are attributable to Mr. Tung Tai Yung under the SDI Ordinance, since Taiping is a corporation whose board of directors is accustomed to act in accordance with Mr. Tung Tai Yung's directions or instructions and Taiping in turn holds more than one third of the issued shares in Mamcol.

Note 2 :

These shares are held by the wife of Mr. Koh Tat Lee, Ms. Eva Wong.

(b) Share options in the Company

Name	Date of grant	Exercise price per share HK$	Granted during the year and as at 31st December 2000
Mr. Tung Tai Yung	20th July 2000	1.13	400,000
Mr. Koh Tat Lee	20th July 2000	1.13	10,000,000
Mr. Shih Wen Hao	20th July 2000	1.13	2,000,000
Mr. King Chun Kong, Karl	10th October 2000	1.22	1,500,000

The Employee Share Option Scheme was approved by the shareholders at an Extraordinary General Meeting on 21st June 2000. The share options are exercisable at any time during a period of ten years from the date of grant. During the year no options had been exercised by the directors.

Save as disclosed above, at no time during the year, the directors and chief executive (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares of the Company and its associated corporations (within the meaning of the SDI Ordinance).

Save as disclosed above, at no time during the year was the Company a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial shareholders

The register of substantial shareholders maintained under section 16(1) of the SDI Ordinance shows that as at 31st December 2000, the Company had been notified of the following substantial shareholder's interests, being 10% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors and chief executives.

Name of shareholder	Number of ordinary shares	Percentage of issued shares
Taiping Enterprises Co., Ltd.	104,506,625	26% (Note)

Note: These shares are held as to 104,011,625 directly by Taiping and 495,000 through Mamcol which is a subsidiary of Taiping.

Competing interests

None of the directors or the management shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) had an interest in a business that competed with or might compete with the business of the Group.

Sponsor's interests

Yuanta Securities (Hong Kong) Company Limited ("Yuanta Securities") has entered into a sponsorship agreement with the Company and receives a monthly fee for being the Company's continuing sponsor for the period from 7th July 2000 to 31st December 2002.

Except for Mr. Michael Chum, an executive director of Yuanta Securities, who holds 10,000 shares of the Company, none of Yuanta Securities, its directors, employees and associates, at 31st December 2000 and 16th March 2001, has any interest in the securities of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any other members of the Group.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Major customers and suppliers

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

- the largest supplier	57%
- five largest suppliers combined	91%

Sales

- the largest customer	29%
- five largest customers combined	80%

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

Board Practices and Procedures

The Company has complied with the Board Practices and Procedures as set out in rules 5.28 to 5.39 of the GEM Listing Rules since listed on the GEM of the Stock Exchange on 7th July 2000. Non-executive directors are subject to retirement and re-election at the Annual General Meeting of the Company in accordance with the provisions of the Company's Articles of Association. In the opinion of the directors, this meets the same objective as the Board Practices and Procedures.

Audit Committee

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants.

The audit committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group audit. It also reviews the effectiveness both of the external and internal audit and of internal controls and risk evaluation. The audit committee comprises two independent non-executive directors, namely Mr. Goldstein Henry R and Mr. Chen Domingo. The audit committee has met four times during the year.

Auditors

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Tung Tai Yung

Chairman
Hong Kong, 19th March 2001

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central Hong Kong
Telephone (852) 2289 8888
Facsmile (852) 2810 9888

AUDITORS' REPORT TO THE SHAREHOLDERS OF INTCERA HIGH TECH GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the accounts on pages 40 to 70 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and the Group as at 31st December 2000 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19th March 2001

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 2000

	Note	2000 HK$'000	1999 HK$'000
Turnover	3	**37,006**	205
Cost of sales		**(33,490)**	(711)
Gross profit / (loss)		**3,516**	(506)
Other revenues	3	**7,216**	2,646
Selling and distribution expenses		**(724)**	(640)
Administrative expenses		**(28,565)**	(11,656)
Other operating expenses		**(3,738)**	(6,273)
Operating loss	4	**(22,295)**	(16,429)
Finance costs	5	**(4,070)**	(2,097)
Loss before taxation		**(26,365)**	(18,526)
Taxation	6	**-**	(33)
Loss after taxation		**(26,365)**	(18,559)
Minority interests		**48**	51
Loss attributable to shareholders	7	**(26,317)**	(18,508)
Dividend	8	**-**	-
Loss for the year	21	**(26,317)**	(18,508)
Basic loss per share	9	**(7.58 cents)**	(7.42 cents)

CONSOLIDATED BALANCE SHEET
AS AT 31ST DECEMBER 2000

	Note	2000 HK$'000	1999 HK$'000
Intangible assets	12	**18,817**	24,329
Fixed assets	13	**122,357**	62,878
Investment securities	15	**4,415**	8,712
Long-term rental deposits		**1,185**	1,919
Current assets			
Inventories	16	**12,821**	1,414
Notes receivable from a related party		**-**	7,744
Trade and notes receivable		**5,557**	257
Other receivables, prepayments and deposits		**34,448**	21,217
Other short-term investments	17	**4,720**	5,049
Pledged bank deposits	18	**50,527**	17,061
Bank balances and cash	18	**116,432**	6,301
		224,505	59,043
Current liabilities			
Trade and notes payables		**3,176**	3,840
Other payables and accrued charges		**11,202**	2,785
Commercial paper	19	**16,253**	5,967
Obligations under finance leases	22	**6,447**	3,948
Current portion of long-term bank loans, secured	22	**6,832**	5,462
Short-term bank loans			
- unsecured		**8,841**	1,452
- secured	25	**13,364**	4,998
		66,115	28,452
Net current assets		**158,390**	30,591
Total assets less current liabilities		**305,164**	128,429
Financed by:			
Share capital	20	**200,862**	124,737
Reserves	21	**84,740**	(13,897)
Shareholders' funds		**285,602**	110,840
Minority interests		**9**	244
Long-term liabilities	22	**19,553**	17,345
		305,164	128,429

Koh Tat Lee
. . . .
Director

Shih Wen Hao
. . . .
Director

BALANCE SHEET
AS AT 31ST DECEMBER 2000

	Note	2000 HK$'000	1999 HK$'000
Fixed assets	13	**1,900**	-
Long-term rental deposits		**224**	-
Investments in subsidiaries	14	**248,278**	-
Current assets			
Other receivables, prepayments and deposits		**914**	2,598
Bank balances and cash		**75,373**	-
		76,287	2,598
Current liabilities			
Other payables and accrued charges		**961**	2,597
Net current assets		**75,326**	1
Total assets less current liabilities		**325,728**	1
Financed by:			
Share capital	20	**200,862**	1
Reserves	21	**124,866**	-
		325,728	1

Koh Tat Lee . . . .
Director

Shih Wen Hao . . . .
Director

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31ST DECEMBER 2000

	Note	**2000** **HK$'000**	1999 HK$'000
Exchange differences arising on translation of subsidiaries	21	**(2,421)**	(4,477)
Loss for the year		**(26,317)**	(18,508)
Total recognised losses		**(28,738)**	(22,985)
Goodwill eliminated directly against reserves	21	**(503)**	-
		(29,241)	(22,985)

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2000

	Note	2000 HK$'000	1999 HK$'000
Net cash (outflow) / inflow from operating activites	23(a)	**(33,824)**	65,000
Returns on investments and servicing of finance			
Interest received		**6,180**	2,043
Interest paid		**(2,893)**	(1,774)
Interest element of finance lease rental payments		**(999)**	(323)
Net cash inflow / (outflow) from returns on investments and servicing of finance		**2,288**	(54)
Taxation			
Overseas taxation paid		**-**	(33)
Investing activities			
Purchase of fixed assets		**(57,358)**	(43,782)
Sale of fixed assets		**5,819**	-
Increase of shareholdings in a subsidiary		**(676)**	-
Purchase of investment securities		**(4,415)**	-
Purchase of other short-term investments		**(4,720)**	-
Repayment of notes receivable		**7,744**	-
New notes receivable		**-**	(7,744)
Sale of investment securities		**8,712**	-
Sale of other short-term investments		**5,394**	2,046
Net cash outflow from investing activities		**(39,500)**	(49,480)

CONSOLIDATED CASH FLOW STATEMENT (continued)
FOR THE YEAR ENDED 31ST DECEMBER 2000

	Note	2000 HK$'000	1999 HK$'000
Net cash (outflow) / inflow before financing		**(71,036)**	15,433
Financing	23(b)		
Issue of ordinary shares		**219,270**	-
Share issue expenses		**(15,267)**	-
New bank loans borrowed		**20,424**	18,842
Repayment of bank loans		**(5,473)**	(3,184)
Capital element of finance leases payments		**(13,064)**	(9,084)
Net cash inflow from financing		**205,890**	6,574
Changes in pledged bank deposits		**(33,466)**	(12,135)
Increase in cash and cash equivalents		**101,388**	9,872
Cash and cash equivalents at 1st January		**334**	(10,312)
Effect of foreign exchange rate changes		**(1,543)**	774
Cash and cash equivalents at 31st December		**100,179**	334
Analysis of balances of cash and cash equivalents:			
Bank balances and cash		**116,432**	6,301
Commercial paper		**(16,253)**	(5,967)
		100,179	334

1 Group reorganisation

The Company was incorporated in the Cayman Islands on 1st September 1999 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands.

On 29th February 2000, pursuant to a group reorganisation to rationalise the structure of the Company and its subsidiaries (the "Group") which included exchanges of shares in preparation for the listing of the shares of the Company on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the subsidiaries listed under note 14 to the accounts.

The Company's shares were listed on GEM of the Stock Exchange on 7th July 2000.

The group reorganisation referred to above has been reflected in these accounts by treating the Group as a continuing group. The basis of preparation and consolidation for these accounts are set out in note 2 to the accounts.

2 Principal accounting policies

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The accounts have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants.

(b) Consolidation

The group reorganisation referred to in note 1 above has been reflected in these accounts by treating the Group as a continuing group, applying merger accounting principles. Accordingly, the consolidated accounts have been prepared as if the Company had been the holding company of the other companies comprising the Group throughout the years ended 31st December 1999 and 2000. In the opinion of the directors, the consolidated accounts prepared on the above basis presents fairly the results, cash flows and state of affairs of the Group as a whole.

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

2 Principal accounting policies (continued)

(b) Consolidation (continued)

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet the investments in subsidiaries are stated at cost which, where merger accounting has been adopted, is equivalent to the nominal value of the shares issued in exchange for the shares acquired, less provision, if necessary, for any diminution in value other than temporary in nature. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Merger reserve

The merger reserve of the Group includes the difference between the nominal value of the share capital of subsidiaries acquired pursuant to the group reorganisation set out in note 1 above and the nominal value of the shares issued by the Company in exchange thereof and also an existing balance on the share premium account of a subsidiary.

(d) Goodwill

Goodwill represents the excess of purchase consideration over the fair values ascribed to the net assets of subsidiaries acquired and is taken to reserves in the year of acquisition.

(e) Intangible assets

Expenditure to acquire technological know-how is capitalised and amortised using the straight-line basis over 5 years from the commencement of commercial exploitation of that know-how.

(f) Fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and are depreciated at rates sufficient to write off their costs over their estimated useful lives on the straight-line basis. The principal annual rates are as follows:

Leasehold improvements	33 1/3%
Plant and machinery	9% to 16 2/3%
Furniture, fixtures and office equipment	11% to 33 1/3%
Motor vehicles	20%

2 Principal accounting policies (continued)

(f) Fixed assets (continued)

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. Expected future cash flows have not been discounted in determining the recoverable amount.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(g) Assets held under leases

(i) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in long-term liabilities.

The finance charges are charged to the profit and loss account over the lease periods.

Assets held under finance leases are depreciated over their estimated useful lives.

The gain or loss from the sale and subsequent lease back of an asset is amortised over the lease term.

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

2 Principal accounting policies (continued)

(h) Investments in securities

(i) Investment securities

Investment securities are stated at cost less any provision for diminution in value.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to its fair value. The amount of the reduction is recognised as an expense in the profit and loss account.

(ii) Held-to-maturity securities

Held-to-maturity securities are stated in the balance sheet at cost plus / less any discount / premium amortised to date. The discount or premium is amortised over the period to maturity and included as interest income / expense in the profit and loss account. Provision is made when there is a diminution in value other than temporary.

The carrying amounts of individual held-to-maturity securities or holdings of the same securities are reviewed at the balance sheet date in order to assess the credit risk and whether the carrying amounts are expected to be recovered. Provisions are made when carrying amounts are not expected to be recovered and are recognised in the profit and loss account.

(iii) Other investments

Other investments are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of other investments are recognised in the profit and loss account. Profits or losses on disposal of other investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(i) Inventories

Inventories comprise stocks and work-in-progress and are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

2 Principal accounting policies (continued)

(j) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(k) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(l) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The accounts of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences are dealt with as a movement in reserves.

(m) Revenue recognition

Revenue from the sale of goods, net of applicable business tax, is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title has passed.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(n) Retirement benefit costs

The Group has participated in the mandatory provident fund (the "fund") for its employees in Hong Kong. The Group's contributions to the fund are expensed as incurred and the Group's voluntary contributions are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the fund are held separately from those of the Group in an independently administered fund.

2 Principal accounting policies (continued)

(n) Retirement benefit costs (continued)

The subsidiary in Taiwan operates a defined benefit scheme for all of its employees. Contributions are charged to the profit and loss account. The contributions are determined based on the value of the retirement scheme assets and estimates of the effect of future events on the actuarial present value of accrued pension obligations and are determined annually by a qualified actuary using the projected unit credit cost method. The assets of the scheme are held separately from those of the Group, being invested through a financial institution owned by the government of Taiwan.

(o) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(p) Research and development costs

Research and development costs are expensed as incurred.

3 Revenue and turnover

The Group is principally engaged in the manufacture and sale of ceramic blanks and ferrules. Revenues recognised during the year are as follows:

	2000 **HK$'000**	1999 HK$'000
Turnover		
Sales of goods, net of discounts, returns and business tax	**37,006**	205
Other revenues		
Interest income	**6,787**	2,043
Other income	**429**	603
	7,216	2,646
Total revenues	**44,222**	2,851

3 Revenue and turnover (continued)

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 principal business activity is not presented.

An analysis of the Group's turnover by principal markets is as follows:

	Turnover	
	2000	1999
	HK$'000	HK$'000
Principal markets:		
Taiwan	**23,589**	205
Europe	**11,055**	-
People's Republic of China (including Hong Kong)	**2,362**	-
	37,006	205

4 Operating loss

Operating loss is stated after crediting and charging the following:

	2000	1999
	HK$'000	HK$'000
Crediting		
Gain on sale of other short-term investments	**345**	309
Net exchange gains	**150**	-
Gain on disposal of fixed assets	**54**	-
Charging		
Depreciation:		
Owned fixed assets	**9,315**	1,169
Leased fixed assets	**1,852**	1,455
Staff costs	**23,105**	5,347
Operating leases in respect of land and buildings	**2,480**	1,690
Retirement benefit costs (note 10)	**338**	126
Auditors' remuneration	**698**	145
Research and development costs	**2,333**	521
Amortisation of intangible assets	**5,512**	839
Net exchange losses	**-**	245

5 Finance costs

	2000	1999
	HK$'000	HK$'000
Interest on bank loans	**3,071**	2,188
Interest element of finance leases	**999**	323
Total borrowing costs incurred	**4,070**	2,511
Less:		
Interest capitalised in fixed assets	**-**	(414)
	4,070	2,097

The capitalisation rate applied to funds borrowed generally and used for the purchase of fixed assets is between 6% and 8.4% per annum for the year ended 31st December 1999.

6 Taxation

The amount of taxation charged to the consolidated profit and loss account represents:

	2000	1999
	HK$'000	HK$'000
Hong Kong profits tax	**-**	-
Overseas taxation	**-**	33
	-	33

(i) No provision for Hong Kong profits tax has been made in the accounts as the Group has no assessable profit in Hong Kong for the year. (1999: Nil)

(ii) Overseas taxation in previous year represented Taiwan tax at the rate of 25% on the taxable profit of a Taiwan subsidiary's pre-operating period from 19th February 1998 to 30th October 1999. The subsidiary was granted a tax holiday since commencing operation from 1st November 1999 in which the profit from sales of its products are exempted from Taiwan income tax for the first five years of profit. The Group has not yet utilised the tax holiday as the business has been loss making.

7 Loss attributable to shareholders

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of HK$3,012,000 (1999: HK$Nil).

8 Dividend

No interim dividend was paid during the year and prior year. The directors do not recommend the payment of any final dividend for this year and prior year.

9 Loss per share

The calculation of basic loss per share is based on the Group's loss attributable to shareholders of HK$26,317,000 (1999: HK$18,508,000) and the weighted average number of 347,101,924 (1999: 249,474,875) ordinary shares in issue during the year. In determining the number of shares in issue, a total of 249,474,875 shares issued on the establishment of the Company and on the reorganisation of the Group as referred to in note 20 to the accounts were deemed to have been in issue since 1st January 1999.

No diluted loss per share has been presented because the exercise of the outstanding potential ordinary shares would have anti-dilutive effect for the year and prior year.

10 Retirement benefit costs

The Group contributes to a defined contribution retirement scheme which is available to all employees in Hong Kong. Contributions to the scheme by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit costs charged to the profit and loss account represents contributions payable by the Company to the fund. The Group's voluntary contributions are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the scheme are held separately from those of the Group in an independently administered fund.

The subsidiary in Taiwan operates a retirement scheme providing benefits to all employees based on their final pay. The Group has an obligation to ensure that there are sufficient funds in these plans to pay the benefits earned. The contributions are determined by a qualified actuary annually. The assets of the scheme are held separately from those of the Group, being invested through a financial institution owned by the government of Taiwan.

Total contributions made by the Group to the two retirement schemes during the year ended 31st December 2000 amounted to HK$338,000 (1999: HK$126,000).

10 Retirement benefit costs (continued)

Actuarial valuation was performed by Majic Lin, FAIRC, A.S.A., using the projected unit credit cost method annually. The retirement scheme has been valued using the following principal assumptions: average annual investment return of 6% and average annual increase in compensation rate of 4%. The latest actuarial valuation completed on 31st December 2000 indicated that the scheme's assets at market value and pension cost as at 31st December 2000 amounted to HK$546,000 and HK$282,000 respectively resulting in a funding surplus of HK$264,000. The scheme's assets covered 194% of the benefits, allowing for future increases in earnings, which had been accrued to members.

11 Directors' and senior management's emoluments

(a) Directors' emoluments

The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:

	2000 **HK$'000**	1999 HK$'000
Fees	**567**	58
Basic salaries, housing allowances, other allowances and benefits in kind	**3,129**	1,258
	3,696	1,316

Each of the independent non-executive directors received a director fee of HK$126,000 for the year ended 31st December 2000 (1999: not applicable).

On 20th July 2000 and 10th October 2000, 12,400,000 and 1,500,000 options were granted to certain directors to subscribe for the shares of the Company at an exercise price of HK$1.13 and HK$1.22 per share respectively. The share options are exercisable at any time during a period of ten years from the date of grant. During the year no options had been exercised by the directors.

The executive and non-executive directors received individual emoluments for the year ended 31st December 2000 of approximately HK$2,078,000 (1999: HK$807,000), HK$708,000 (1999: HK$497,000), HK$317,000 (1999: not applicable), HK$188,000 (1999: HK$12,000), HK$83,000 (1999: not applicable) and HK$70,000 (1999: not applicable).

11 Directors' and senior management's emoluments (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two directors (1999: two) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (1999: three) individuals during the year are as follows:

	2000	1999
	HK$'000	HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**2,204**	1,650

The emoluments fell within the following band:

	Number of individuals	
	2000	1999
Emolument band		
HK$Nil - HK$1,000,000	**3**	3

12 Intangible assets

	Group	
	2000	1999
	HK$'000	HK$'000
Technological know-how		
Cost		
At 1st January and 31st December	**25,168**	25,168
Accumulated amortisation		
At 1st January	**839**	-
Amortisation	**5,512**	839
At 31st December	**6,351**	839
Net book value at 31st December	**18,817**	24,329

13 Fixed assets

	Group				
	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:					
At 1st January 2000	-	63,195	1,880	560	65,635
Exchange adjustment	-	(1,566)	(46)	(15)	(1,627)
Additions	1,334	72,085	2,876	1,675	77,970
Disposals	-	(5,676)	-	(763)	(6,439)
At 31st December 2000	1,334	128,038	4,710	1,457	135,539
Accumulated depreciation:					
At 1st January 2000	-	2,279	334	144	2,757
Exchange adjustment	-	(57)	(8)	(3)	(68)
Charge for the year	240	9,918	833	176	11,167
Disposals	-	(566)	-	(108)	(674)
At 31st December 2000	240	11,574	1,159	209	13,182
Net book value:					
At 31st December 2000	**1,094**	**116,464**	**3,551**	**1,248**	**122,357**
At 31st December 1999	-	60,916	1,546	416	62,878

13 Fixed assets (continued)

	Company		
	Leasehold improvements HK$'000	**Furniture, fixtures and office equipment HK$'000**	**Total HK$'000**
Cost:			
At 1st January 2000	-	-	-
Additions	1,334	894	2,228
At 31st December 2000	1,334	894	2,228
Accumulated depreciation:			
At 1st January 2000	-	-	-
Charge for the year	240	88	328
At 31st December 2000	240	88	328
Net book value:			
At 31st December 2000	**1,094**	**806**	**1,900**
At 31st December 1999	-	-	-

At 31st December 2000, the net book value of fixed assets held by the Group under finance leases amounted to HK$24,927,000 (1999: HK$12,838,000).

At 31st December 2000, the net book value of fixed assets pledged as security for the Group's long-term bank loans and obligations under finance leases amounted to HK$45,083,000 (1999: HK$43,035,000).

The amount of borrowing costs capitalised during the year on fixed assets amounted to HK$Nil (1999: HK$414,000).

14 Investments in subsidiaries

	Company	
	2000	1999
	HK$'000	HK$'000
Investments at cost:		
Unlisted shares	**124,753**	-
Amounts due from subsidiaries	**123,525**	-
	248,278	-

The amounts due from subsidiaries are interest free and have no fixed terms of repayment.

The following is a list of subsidiaries at 31st December 2000:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Interest held
Directly held by the Company				
OpticonX Inc.	British Virgin Islands	Investment holding in Hong Kong	249,474,875 ordinary shares of HK$0.5 each	100%
Optical Crystal (BVI) Limited	British Virgin Islands	Investment holding in Hong Kong	1,000 ordinary shares of US$1 each	100%
Opcom Holdings (BVI) Limited	British Virgin Islands	Investment holding in Hong Kong	1,000 ordinary shares of US$1 each	100%
Indirectly held by the Company				
Aoptic (BVI) Inc.	British Virgin Islands	Investment holding in Hong Kong	10 ordinary shares of US$1 each	100%
Optical ConnX Company Limited	Hong Kong	Manufacturing and trading of ceramic blanks and ferrules in the People's Republic of China and Hong Kong	100 ordinary shares of HK$10 each	100%
Taicera High Tech Co., Ltd.	Taiwan	Manufacturing and trading of ceramic blanks and ferrules in Taiwan	50,000,000 ordinary shares of NT$10 each	99.99%

15 Investment securities

	Group	
	2000	1999
	HK$'000	HK$'000
Equity securities listed in Hong Kong, at cost	**4,415**	-
Unlisted long-term bonds, at cost	**-**	8,712
	4,415	8,712
Market value of listed equity securities	**3,568**	-

16 Inventories

	Group	
	2000	1999
	HK$'000	HK$'000
Finished goods	**3,206**	205
Raw materials	**3,256**	1,209
Work-in-progress	**6,359**	-
	12,821	1,414

At 31st December 2000, the carrying amount of inventories that are carried at net realisable value amounted to HK$Nil (1999: HK$205,000).

17 Other short-term investments

	Group	
	2000	1999
	HK$'000	HK$'000
Unlisted short-term bond funds - at fair value	**4,720**	5,049

18 Pledged bank deposits / Bank balances and cash

Approximately HK$17,082,000 (1999: HK$18,522,000) of the Group's bank balances and deposits were denominated in New Taiwan dollars and placed with banks in Taiwan which are subject to foreign exchange controls.

19 Commercial paper

The commercial paper bears interest at 5.3% to 8.5% (1999: 6.73%) per annum and was settled on 5th January 2001 and 15th January 2001 respectively. The commercial paper was secured by the Group's bank deposits of HK$14,080,000 (1999: HK$17,061,000).

20 Share capital

	2000 **HK$'000**
Authorised	
624,000,000 ordinary shares of HK$0.50 each	**312,000**
Issued and fully paid	
401,724,875 ordinary shares of HK$0.50 each	**200,862**

	1999 HK$'000
Deemed to be issued	
249,474,875 ordinary shares of HK$0.50 each	124,737

(a) The Company was incorporated in the Caymans Islands on 1st September 1999 with an authorised capital of US$40,000,000 divided into 40,000,000 shares of US1.00 each, two of which were issued at par for cash on that date.

20 Share capital (continued)

(b) In preparation for the listing of the Company's shares on the Stock Exchange, the following changes in authorised and issued share capital of the Company took place:

(i) Pursuant to a resolution passed on 22nd February 2000, the denomination of the share capital of the Company was converted from US$ to HK$. Accordingly its authorised share capital was changed to HK$312,000,000, divided into 40,000,000 shares of HK$7.80 each, which were then subdivided into 624,000,000 shares of HK$0.50 par value each. The initial two shares of US$1.00 each in issue were converted to 32 shares of HK$0.50 par value upon an additional payment of HK$0.20 by each of the shareholders of the Company.

(ii) On 29th February 2000, the Company allotted and issued an aggregate of 249,474,843 shares of HK$0.50 each, credited as fully paid, as consideration for the acquisition by the Company of the entire issued share capital of OpticonX Inc., now a subsidiary of the Group.

(c) On 9th March 2000, an additional 71,250,000 shares of HK$0.50 each were issued to capital venture investors at a price of US$0.132 and US$0.142 per share respectively for a total cash consideration of HK$75,090,000. The excess of the receipts over the par value of the shares issued was credited to the share premium account.

(d) On 7th July 2000, 81,000,000 new shares of HK$0.50 each were issued by way of placing at a price of HK$1.78 per share upon listing of the Company's shares on GEM of the Stock Exchange.

(e) The share capital shown on the consolidated balance sheet as at 31st December 1999 represented the issued and fully paid share capital of the Company, issued on the establishment of the Company and on the group reorganisation as described in note (b) above, which was deemed to have been in issue throughout the accounting years in accordance with the basis of preparation and consolidation as referred to in note 2(b).

The share capital shown on the Company's balance sheet as at 31st December 1999 represents the nominal value of the share capital of the Company as at that date.

(f) The Employee Share Option Scheme was approved by the shareholders at an Extraordinary General Meeting on 21st June 2000. 29,970,000 and 9,195,000 options were granted to directors and employees on 20th July 2000 and 10th October 2000 to subscribe for the shares of the Company at an exercise price of HK$1.13 and HK$1.22 per share respectively. The share options are exercisable at any time during a period of ten years from the date of grant. During the year, no options had been exercised and 320,000 options was lapsed. At 31st December 2000, there are 38,845,000 options outstanding.

21 Reserves

	Group				
	Share premium HK$'000	Exchange difference HK$'000	Accumulated losses HK$'000	Merger reserve HK$'000	Total HK$'000
At 1st January 1999	-	-	(5,880)	14,968	9,088
Exchange differences	-	(4,477)	-	-	(4,477)
Loss for the year	-	-	(18,508)	-	(18,508)
At 31st December 1999	-	(4,477)	(24,388)	14,968	(13,897)
Company and subsidiaries	-	(4,477)	(24,388)	14,968	(13,897)
At 1st January 2000	-	(4,477)	(24,388)	14,968	(13,897)
Premium on issue of new shares	143,145	-	-	-	143,145
Share issue expenses	(15,267)	-	-	-	(15,267)
Goodwill written off	-	-	(503)	-	(503)
Exchange differences	-	(2,421)	-	-	(2,421)
Loss for the year	-	-	(26,317)	-	(26,317)
At 31st December 2000	**127,878**	**(6,898)**	**(51,208)**	**14,968**	**84,740**
Company and subsidiaries	**127,878**	**(6,898)**	**(51,208)**	**14,968**	**84,740**

21 Reserves (continued)

	Company		
	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st January 1999 and 31st December 1999	-	-	-
At 1st January 2000	-	-	-
Premium on issue of new shares	143,145	-	143,145
Share issue expenses	(15,267)	-	(15,267)
Loss for the year	-	(3,012)	(3,012)
At 31st December 2000	**127,878**	**(3,012)**	**124,866**

(a) The merger reserve of the Group includes the difference between the nominal value of the share capital of subsidiaries acquired pursuant to the group reorganisation set out in note 1 to the accounts and the nominal value of the shares issued by the Company in exchange thereof and also an existing balance on the share premium account of a subsidiary.

(b) Pursuant to the Companies Law (Revised) of the Cayman Islands and the Articles of Association of the Company, share premium of the Company is distributable to the shareholders, subject to a solvency test and the provisions of the Company's Articles of Association. At 31st December 2000, in the opinion of the directors, the Company's reserves available for distribution to shareholders, comprising share premium account and accumulated losses, amounted in total to approximately HK$124,866,000 (1999: Nil).

22 Long-term liabilities

	Group	
	2000	1999
	HK$'000	HK$'000
Wholly repayable within five years		
Bank loans	**20,495**	21,842
Obligations under finance leases	**12,337**	4,913
	32,832	26,755
Current portion of long-term liabilities	**(13,279)**	(9,410)
	19,553	17,345

At 31st December 2000, the Group's bank loans and obligations under finance leases were repayable as follows:

	Bank loans		**Obligations under finance leases**	
	2000	1999	**2000**	1999
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**6,832**	5,462	**6,447**	3,948
In the second year	**6,832**	5,462	**4,006**	965
In the third to fifth year	**6,831**	10,918	**1,884**	-
	20,495	21,842	**12,337**	4,913

Bank loans and obligations under finance leases were secured by the Group's fixed assets of HK$45,083,000 (1999: HK$43,035,000) (Note 13).

23 Notes to the consolidated cash flow statement

(a) Reconciliation of loss before taxation to net cash (outflow) / inflow from operating activities

	2000 HK$'000	1999 HK$'000
Loss before taxation	**(26,365)**	(18,526)
Depreciation	**11,167**	2,624
Amortisation of intangible assets	**5,512**	839
Gain on sale of other short-term investments	**(345)**	(309)
Gain on disposal of fixed assets	**(54)**	-
Decrease / (increase) in long-term rental deposits	**734**	(855)
(Increase) / decrease in inventories	**(11,407)**	277
Increase in trade and notes receivable	**(5,300)**	(123)
(Increase) / decrease in other receivables, prepayments and deposits	**(12,624)**	76,233
(Decrease) / increase in trade and notes payable	**(664)**	2,233
Increase in other payables and accrued charges	**8,239**	2,553
Interest income	**(6,787)**	(2,043)
Interest expense	**4,070**	2,097
Net cash (outflow) / inflow from operating activities	**(33,824)**	65,000

23 Notes to the consolidated cash flow statement (continued)

(b) Analysis of changes in financing during the year

	Share capital including premium		Minority interests		Bank loans and obligations under finances leases	
	2000 HK$'000	1999 HK$'000	**2000 HK$'000**	1999 HK$'000	**2000 HK$'000**	1999 HK$'000
At 1st January	**124,737**	124,737	**244**	193	**33,205**	12,635
Exchange differences	**-**	-	**2**	-	**(667)**	-
Minority interests' in share of profits	**-**	-	**(48)**	51	**-**	-
Increase in 0.2% shareholding in a subsidiary	**-**	-	**(189)**	-	**-**	-
Issue of ordinary shares	**219,270**	-	**-**	-	**-**	-
Share issue expenses	**(15,267)**	-	**-**	-	**-**	-
New bank loans borrowed	**-**	-	**-**	-	**20,424**	18,842
Repayment of bank loans	**-**	-	**-**	-	**(5,473)**	(3,184)
Capital element of finance leases payment	**-**	-	**-**	-	**(13,064)**	(9,084)
Inception of finance leases	**-**	-	**-**	-	**20,612**	13,996
At 31st December	**328,740**	124,737	**9**	244	**55,037**	33,205

(c) Major non-cash transactions

During the year the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK$20,612,000 (1999: HK$13,996,000).

24 Deferred taxation

The potential deferred taxation asset not accounted for in respect of taxation losses amounted to HK$20,397,000 (1999: HK$8,359,000).

25 Banking facilities

As at 31st December 2000, total banking facilities granted to the Group amounted to HK$127,223,000 (1999: HK$69,938,000) and were secured by the following:

(i) a charge over fixed assets with carrying value of HK$45,083,000 (1999: HK$43,035,000);

(ii) bank deposits, amounting to HK$50,527,000 (1999: HK$17,061,000);

(iii) a charge over long-term bonds with carrying value of HK$Nil (1999: HK$8,712,000);

(iv) corporate and personal guarantees granted by certain directors of the Company and a shareholder.

26 Commitments

(a) Capital commitments for property, plant and equipment

	Group	
	2000	1999
	HK$'000	HK$'000
Contracted but not provided for	**51,145**	29,654

(b) Commitments under operating leases

At 31st December 2000, the Group had commitments to make payments in the next twelve months under operating leases for land and buildings which expire as follows:

	2000	1999
	HK$'000	HK$'000
Within one year	**1,164**	143
In the second to fifth year inclusive	**952**	392
After the fifth year	**1,430**	1,467
	3,546	2,002

27 Related party transactions

Significant related party transactions, which were carried out in the normal course of the Group's business are as follows:

		Group	
	Note	**2000 HK$'000**	1999 HK$'000
Insurance premium paid to a related company	(a)	**291**	257
Rental income from a minority shareholder and a related company	(d)	**85**	146

(a) Taiping Insurance Company Limited, which is controlled by a director of the Company, Mr. Tung Tai Yung, has underwritten the insurance policy for the Group's assets during the year.

(b) The Group has various loan facilities in Taiwan of approximately HK$95 million that were jointly and severally guaranteed by Taiping Enterprises Co., Ltd. ("Taiping"), Mr. Koh Tat Lee and Mr. Tung Tai Yung and/or Mr. Tung Hau Keung (Mr. Tung Tai Yung's father) (the "Parties"). The directors confirm that no security over the assets of the Group has been granted to the Parties for such financial assistance provided by them.

(c) On 17th November 2000, the Group further acquired 0.2% shareholdings of one of its subsidiaries, Taicera High Tech Co., Ltd., from Mamcol Taiwan Company Limited ("Mamcol"), which is controlled by a director of the Company, Mr. Tung Tai Yung, at a fair value of HK$676,000 . The consideration was settled on 17th November 2000.

(d) The Group sub-leased part of its factory premises to a minority shareholder, Mamcol and a related company, Nagahisa Taiwan Company Limited, which are both controlled by Mr. Tung Tai Yung for the period from 1st October 1998 to 30th June 2000.

(e) During the year ended 31st December 1999, the Group made advances to Mamcol in the aggregate amount of approximately HK$3.39 million. Mamcol later became a minority shareholder of the Group on 2nd April 1999. Such advances were unsecured, had no fixed term of repayment and were interest-bearing at the rate of 9.24% per annum. The interest received by the Group amounted to approximately HK$190,000 for the year ended 31st December 1999. Such advances had been fully repaid to the Group as at 31st December 1999.

27 Related party transactions (continued)

(f) During the year ended 31st December 1999, the Group advanced an aggregate amount of approximately HK$2.88 million to a director of the Company, Mr. Koh Tat Lee. Such advance was unsecured, interest-free and had no fixed terms of repayment. As at 31st December 1999, such advance had been fully repaid to the Group by the director.

(g) Pursuant to a sale and purchase agreement dated 30th October 1999 and a related supplemental agreement dated 18th February 2000 entered into between the Group and Taiping, the Group disposed the beneficial interest of its entire 99.75% shareholding of its subsidiary, Pei Yuan Enterprise Limited Company, to Taiping at cost amounting to HK$9.68 million. The outstanding balance was fully settled in May 2000 in accordance with the sale and purchase agreement. The disposal of the subsidiary forms part of the group reorganisation in preparation for the listing of the Company's shares on GEM of the Stock Exchange.

28 Approval of accounts

The accounts were approved by the board of directors on 19th March 2001.

The Stock Exchange of the Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accurarcy 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.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY given that the first annual general meeting of Intcera High Tech Group Limited ("the Company") will be held at Victoriana Room, 4th Floor, Furama Hotel, 1 Connaught Road, Central, Hong Kong on Monday, 23rd April, 2001 at 11:00 a.m. for the following purposes:-

1. To receive and consider the audited consolidated financial statements of the Company and the reports of the directors and the auditors for the year ended 31st December, 2000;
2. To re-elect one of the retiring directors;
3. To authorize the board of directors to fix their remuneration;
4. To re-appoint auditors and to authorize the board of directors to fix their remuneration; and
5. As special business, to consider and, if thought fit, pass the following resolutions as ordinary resolutions:

   A. "**THAT**:

   (a) subject to paragraph (c) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with unissued shares in the capital of the Company and securities convertible into shares, and to make or grant offers, agreements and options, including warrants to subscribe for shares, which might require the exercise of such powers be and is hereby generally and unconditionally approved;

   (b) the approval in paragraph (a) above shall be in addition to any other authorization given to the directors of the Company and shall authorize the directors of the Company during the Relevant Period to make or grant offers, agreements and options, including warrants to subscribe for shares, which might require the exercise of such powers after the end of the Relevant Period;

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) any issue of shares of the Company on the exercise of the subscription rights attaching to any warrants or conversion rights under the terms of any convertible bonds which may be issued by the Company or any securities which are convertible into shares of the Company from time to time; or (iii) the exercise of the options granted under the share option scheme of the Company; or (iv) an issue of shares in lieu of the whole or part of a dividend on shares in accordance with the articles of association of the Company, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this resolution, and the said approval shall be limited accordingly; and

(d) for the purpose of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the articles of association of the Company to be held; and

(iii) the passing of any ordinary resolution of the Company in general meeting revoking or varying the authority set out in this resolution;

"Rights Issue" means an offer of shares in the Company open for a period fixed by the directors of the Company to holders of shares whose names appear on the Register of Members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognized regulatory body or any stock exchange outside Hong Kong)."

B. “**THAT**:

(a) subject to paragraph (b) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase securities of the Company on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or on any other stock exchange on which the securities of the Company may be listed and which is recognized by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or the requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of securities authorized to be repurchased by the Company pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10% of the aggregate amount of the share cpaital of the Company in issue at the date of passing this resolution and the said approval shall be limited accordingly; and

(c) for the purpose of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the articles of association of the Company to be held; and

(iii) the passing of any ordinary resolution of the Company in general meeting revoking or varying the authority set out in this resolution.”

C. “**THAT** conditional on the passing of the resolutions set out in paragraphs 5A and 5B of the notice convening this meeting, the general mandate granted to the directors of the Company and for the time being in force to exercise the powers of the Company to allot, issue and deal with unissued shares pursuant to the resolution set out in paragraph 5A of the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to the resolution set out in paragraph 5B of the notice convening this meeting provided that such extended amount of the share capital of the Company is in issue at the date of passing of the said resolution.”

D. "**THAT** :

(a) the directors of the Company be authorized during the Relevant Period to grant options under any outstanding share option scheme of the Company entitling grantees to exercise up to an aggregate of 10% of the issued shares of the Company from time to time (excluding (i) securities issued or to be issued upon the exercise of options granted pursuant to the scheme and any other schemes; and any pro rata entitlements to further securities issued in respect of those securities mentioned in (i)), subject to the rules of such share option schemes of the Company and of the GEM Listing Rules as amended from time to time; and

(b) for the purpose of this resolution, "Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the articles of association of the Company to be held; and

(iii) the passing of any ordinary resolution of the Company in general meeting revoking or varying the authority set out in this resolution."

By Order of the Board
Koh Tat Lee
Chief Executive Officer

Hong Kong, 23rd March, 2001

Notes:

1. Any member entitled to attend and vote at the above meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company.

2. To be vaid, a form of proxy, together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof, must be deposited at the Company's principal place of business in Hong Kong at 3507-9 Hopewell Centre, Wanchai, Hong Kong or its principal place of business in Taiwan at No. 21 Wu-Chuan Road II, Wugu Industrial Park, Taipei County, Taiwan, not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting.

3. The Register of Members of the Company will be closed from Tuesday 17th April, 2001 to Friday 20th April, 2001 both days inclusive, during which period no transfer of shares will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Registrars in Hong Kong, Abacus Share Registrars Limited, 2401 Prince's Building, Central, Hong Kong for registration no later than 4:00pm to Thursday 12th April, 2001.

4. A circular containing further details regarding Resolution 5B as required by the GEM Listing Rules will be dispatched to shareholders together with the annual report for the financial year ended 31st December, 2000 to be dispatched to shareholders of the Company.

This announcement will remain on GEM website on the "Latest Company Announcements" page for 7 days from the day of its posting.

* for identification purpose only