THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Prospectus (as defined herein) or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Intcera High Tech Group Limited ("the Company"), you should at once hand this Prospectus and the accompanying PAL (as defined herein) and EAF (as defined herein) (together "Prospectus Documents") to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

A copy of each of the Prospectus Documents has been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance (as defined herein). The Registrar of Companies in Hong Kong and the Securities and Futures Commission take no responsibility as to the contents of any of these documents.

Dealings in the shares of the Company may be settled through CCASS (as defined herein) and you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

Subject to the granting of the listings of, and permission to deal in, Rights Shares (as defined herein) in their nil-paid and fully-paid forms on the Stock Exchange (as defined herein) as well as the compliance with the stock admission requirements of HKSCC (as defined herein), Rights Shares in their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in Rights Shares in their nil-paid and fully-paid forms or such other dates as determined by HKSCC. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

INTCERA

Intcera High Tech Group Limited
大陶精密科技集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8041)

Website: http://www.intcera.com.hk

RIGHTS ISSUE ON
THE BASIS OF ONE RIGHTS SHARE FOR
EVERY EXISTING SHARE HELD ON RECORD DATE

Joint Financial Advisers

SOMERLEY LIMITED

統一證券(香港)有限公司
PRESIDENT SECURITIES (HONG KONG) LTD.

The Rights Issue (as defined herein) is not underwritten. There is no minimum amount to be raised under the Rights Issue. Subject to the fulfilment of the conditions to which the Rights Issue is subject, the Rights Issue will proceed irrespective of the level of acceptances of the assured allotment of Rights Shares.

It should be noted that the trading of Shares (as defined herein) has been suspended since 6 October 2003 and is expected to resume on 3 April 2008, and the Rights Shares will be dealt in their nil-paid form from 7 April 2008 to 16 April 2008 (both days inclusive). Such dealings will take place during a period when the conditions of the Rights Issue may remain unfulfilled. Any Shareholders (as defined herein) or other persons dealing in the Shares from now up to the date on which all the conditions of the Rights Issue are fulfilled and any person dealing in the nil-paid Rights Shares during the period from 7 April 2008 to 16 April 2008 will accordingly bear the risk that the Rights Issue may not proceed. If in any doubt, any Shareholders or other persons are recommended to consult their professional advisers.

The latest time for acceptance of and payment for the Rights Shares is 4:00 p.m. on Monday, 21 April 2008. The procedure for acceptance and/or transfer of the Rights Shares is set out on page 22 of this Prospectus.

2 April 2008

* *for identification purpose only*

CHARACTERISTIC OF GEM

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board 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.

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EXPECTED TIMETABLE

Event	2008 Time/Date
Resumption of trading in Shares	3 April
First day of dealings in nil-paid Rights Shares	7 April
Latest time for splitting nil-paid Rights Shares	4:00 p.m. on 11 April
Last day of dealings in nil-paid Rights Shares	16 April
Latest time for acceptance of and payment for the Rights Shares and application for excess Rights Shares	4:00 p.m. on 21 April
Announcement of the results of the Rights Issue to be published on the websites of the Stock Exchange	25 April
Refund cheques for wholly or partially unsuccessful excess applications to be posted on or before	25 April
Share certificates for the Rights Shares to be posted on or before	25 April
Dealing in Rights Shares commences	29 April

Notes:

1. The date of resumption of trading in Shares is subject to the fulfillment of the conditions of resumption of trading, details of which have been set out in the Circular of the Company dated 29 February 2008.

2. Dealings in the fully-paid Rights Shares will commence as soon as the relevant Shareholders receive the share certificate for the Rights Shares.

3. All times in this Prospectus refer to Hong Kong time.

EFFECT OF BAD WEATHER AT THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR RIGHTS SHARES

The latest time for acceptance of and payment for Rights Shares will not take place if there is:

- a tropical cyclone warning signal number 8 or above, or
- a “black” rainstorm warning

(i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the last acceptance date of 21 April 2008. Instead the latest time of acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same business day;

(ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the last acceptance date of 21 April 2008. Instead the latest time of acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following business day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m..

If the latest time for acceptance of and payment for the Rights Shares does not take place on the last acceptance date of 21 April 2008, the dates mentioned in the section headed “Expected timetable” in the Prospectus may be affected. An announcement will be made by the Company in such event.

SUMMARY OF THE RIGHTS ISSUE

The following information is derived from, and should be read in conjunction with, the full text of this Prospectus:

Basis of the Rights Issue	1 Rights Share for every 1 Share held on the Record Date
Number of Rights Shares to be issued	Not more than 723,087,310 Rights Shares
Record Date	Tuesday, 18 March 2008
RI Subscription Price and latest time for acceptance	HK$0.01 per Rights Share, payable in full on acceptance by 4:00 p.m. on Monday, 21 April 2008
Right of application for excess Rights Shares	Qualifying Shareholders will have the right to apply for Rights Shares in excess of their provisional allotment
Amount to be raised in the Rights Issue	A maximum of approximately HK$7.2 million before expenses and approximately HK$6.5 million after expenses (assuming all Qualifying Shareholders take up their respective entitlements under the Rights Issue), and a minimum of approximately HK$1.8 million before expenses and approximately HK$1.1 million after expenses (assuming no Qualifying Shareholders, other than Bright Castle, take up their respective entitlements under the Rights Issue)

In this Prospectus, the following expressions have the following meanings unless the context requires otherwise:

"Application Form(s)"	the application form(s) to be used by the Qualifying Shareholders in connection with the Rights Issue including the EAF and PAL
"associate(s)"	has the same meaning ascribed to it under the GEM Listing Rules
"Board"	the board of Directors
"Bonus Issue"	the proposed issue of the Bonus Shares on the basis of one Bonus Share for every twenty existing Shares held on Record Date
"Bonus Shares"	the new Shares to be issued under the Bonus Issue
"Bright Castle"	Bright Castle Investments Limited, a company incorporated in the British Virgin Islands with limited liability and is beneficially wholly-owned by Mr. Cheng
"Business Day"	means a day (excluding Sundays, public holidays and days on which a tropical cyclone warning no. 8 or above or a "black" rainstorm warning signal is hoisted in Hong Kong at any time between the hours of 9:00 a.m. and 5:00 p.m. on weekdays and 9:00 a.m. and 12:00 noon on Saturdays) on which licensed banks are open for general business in Hong Kong
"CCASS"	The Central Clearing and Settlement System established and operated by the Hong Kong Securities Clearing Company Limited
"Circular"	circular of the Company dated 29 February 2008 regarding, among other things, the Share Subscription, the Whitewash Waiver, the Placings, the Bonus Issue, the Rights Issue and the possible issue of Remuneration Shares, the Past Transactions Requiring Approval, the adoption of new share option scheme and the termination of the existing share option scheme
"Companies Ordinance"	Companies Ordinance (Chapter 32, Laws of Hong Kong)

"Company"	Intcera High Tech Group Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Stock Exchange
"connected person(s)"	has the same meaning ascribed to it under the GEM Listing Rules
"Convertible Bonds"	the 2% convertible bonds issued by the Company on 31 October 2002 with aggregate principal amount of HK$27.4 million carrying rights to convert in whole or in part the principal amount into Shares at the initial conversion price of HK$0.17 per Share (subject to adjustments) from 1 November 2002 to the maturity date of 31 October 2003 which was subsequently extended to 31 December 2009
"Decision Letter"	the decision letter issued by the Listing Appeals Committee dated 14 November 2007 pursuant to which the Listing Appeals Committee has granted the conditional approval to allow the Company to proceed with its resumption proposal subject to prior compliance with the conditions as set out therein to the satisfaction of the Stock Exchange
"Director(s)"	the director(s) of the Company
"EAF(s)"	form(s) of application for excess Rights Shares
"EGM"	extraordinary general meeting of the Company, convened and held at 10:00 a.m. on 18 March 2008, on which the resolutions in relation to, among other things, the Bonus Issue, the Share Subscription, the Whitewash Waiver, the Placings, the possible issue of Remuneration Shares, the Rights Issue, the Past Transactions Requiring Approval, the adoption of new share option scheme and the termination of the existing share option scheme, were approved by Independent Shareholders/ Shareholders
"Excluded Shareholder(s)"	those Overseas Shareholders(s) whom the Directors, after making relevant enquiry as required under the GEM Listing Rules, consider their exclusion from the Rights Issue to be necessary or expedient on account either of the legal restrictions under the law of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place

"Executive"	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director
"First Placing"	the placing of the First Placing Shares pursuant to the terms of the First Placing Agreement
"First Placing Agreement"	a conditional placing agreement dated 7 September 2007 entered into between the Company and the Placing Agent in relation to the First Placing (the long stop date of which was extended from 31 March 2008 to 30 April 2008 pursuant to the extension letter entered into by the parties on 28 February 2008), or in the event where such placing agreement is terminated for any reason whatsoever, the placing agreement to be entered into between the Company and such other placing agent as approved by the Subscriber in writing
"First Placing Shares"	an aggregate of 458,000,000 Shares to be placed pursuant to the First Placing Agreement
"GEM"	The Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	an independent board committee of the Board comprise of non-executive Director, Mr. Lin Nan, and the independent non-executive Directors, Mr. Liu Zheng Hao, Mr. Lam Williamson and Ms. Mak Wai Fong

"Independent Shareholder(s)"	Shareholder(s) who are not interested in or involved in the Subscription Agreement, the First Placing, the Second Placing, the Whitewash Waiver, the Bonus Issue and/or the rectification of Past Transactions Requiring Approval, being Shareholders other than the Subscriber, Bright Castle, Mr. Cheng, Mr. Tung, Somerley, Mr. Sabine and their respective concert parties and associates
"Independent Third Party(ies)"	(a) third party(ies) independent of the Company and its connected persons
"Last Trading Day"	3 October 2003, being the last trading day of the Shares immediately before the suspension of trading in the Shares with effect from 9:30 a.m. on 6 October 2003
"Latest Practicable Date"	27 March 2008, being the latest practicable date prior to the printing of this Prospectus for ascertaining certain information set out in this Prospectus
"Long Stop Date"	30 April 2008 (or such other date as may be agreed between (i) the Company and the Subscriber for the Subscription Agreement; and (ii) between the Company and the Placing Agent for the Placing Agreements)
"Mr. Cheng"	Mr. Cheng Qing Bo, the Chairman of the Company and an executive Director
"Mr. Sabine"	Mr. Martin Nevil Sabine, the controlling shareholder and the Chairman of Somerley
"Mr. Tung"	Mr. Tung Tai Yung, a Director
"Options"	option(s) to be granted to participant(s) to subscribe for Share(s) under the existing share option scheme or, after its termination, under the new share option scheme adopted by the Company at the EGM
"Overseas Shareholder(s)"	Shareholder(s) with registered addresses which are outside Hong Kong as shown in the register of members of the Company on the Record Date

"PAL(s)"	provisional allotment letter(s) for Rights Shares
"Placing Agent" or "President Securities"	President Securities (Hong Kong) Limited, a licensed corporation under the SFO to engage in types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities, one of the joint financial advisers to the Company
"Placing Agreements"	First Placing Agreement and Second Placing Agreement
"Placing Shares"	First Placing Shares and Second Placing Shares
"Placings"	First Placing and Second Placing
"PRC"	the People's Republic of China and for the purpose of this Prospectus only, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
"Past Transactions Requiring Approval"	the transactions approved by the Independent Shareholders at the EGM as detailed in the Circular
"Prospectus Documents"	this Prospectus and the Application Forms
"Qualifying Shareholder(s)"	Shareholder(s) whose names appear on the register of members of the Company on the Record Date, other than the Excluded Shareholders
"Record Date"	18 March 2008 or such other date set by the Company, being the date by reference to which entitlements under the Rights Issue and Bonus Issue were determined
"Registrar"	Tricor Abacus Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, being the Company's Hong Kong branch share registrar and transfer office
"Remuneration Shares"	up to 223,845,635 new Shares which may be issued to settle part of the professional fees up to approximately HK$2,238,456 charged by Somerley and President Securities pursuant to the engagement letter dated 6 September 2007 entered into between Somerley, President Securities and the Company

"Rights Issue"	the proposed rights issue of a maximum of 723,087,310 Rights Shares at HK$0.01 each on the basis of one Rights Share for every existing Share held on the Record Date
"Rights Share(s)"	723,087,310 new Shares to be offered to the Shareholders for subscription on the terms and subject to the conditions set out in the Prospectus Documents
"RI Subscription Price"	HK$0.01 per Rights Share
"Second Placing"	the placing of the Second Placing Shares pursuant to the terms of the Second Placing Agreement
"Second Placing Agreement"	a conditional placing agreement dated 25 October 2007 entered into between the Company and the Placing Agent in relation to the Second Placing, the long stop date of which was extended from 31 March 2008 to 30 April 2008 pursuant to the extension letter entered into by the parties on 28 February 2008
"Second Placing Shares"	an aggregate of 1,000,000,000 Shares to be placed pursuant to the Second Placing Agreement
"SFO"	the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.01 each in the capital of the Company
"Share Subscription"	the subscription of the Subscription Shares by the Subscriber upon and subject to the terms and conditions of the Subscription Agreement
"Shareholder(s)"	holder(s) of the Shares
"Somerley"	Somerley Limited, a corporation licensed under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined in the SFO, one of the joint financial advisers to the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Subscriber"	JL Investments Capital Limited, a company incorporated in the British Virgin Islands with limited liability and is ultimately beneficially wholly owned by Mr. Lau Chi Yuen, Joseph
"Subscription Agreement"	the subscription agreement dated 7 September 2007 made between the Company and the Subscriber in relation to the Share Subscription, the long stop date of which was extended from 31 March 2008 to 30 April 2008 pursuant to the extension letter entered into by the parties on 28 February 2008
"Subscription Price"	HK$0.01 per Subscription Share
"Subscription Shares"	an aggregate of 3,542,000,000 Shares to be issued and allotted to the Subscriber pursuant to the Subscription Agreement
"substantial shareholder(s)"	has the same meaning ascribed to it under the GEM Listing Rules
"Takeovers Code"	The Hong Kong Code on Takeovers and Mergers
"Whitewash Waiver"	a waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code from the obligation of the Subscriber to make a mandatory general offer for all the Shares other than those held by the Subscriber and parties acting in concert with it as a result of the completion of the Share Subscription
"%"	per cent.

INTCERA

Intcera High Tech Group Limited
大陶精密科技集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8041)

Executive Directors:
CHENG Qing Bo *(Chairman)*
TUNG Tai Yung
LI Fang

Non-executive Director:
LIN Nan

Independent Non-executive Directors:
LIU Zheng Hao
LAM Williamson
MAK Wai Fong

Registered office:
Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business in Hong Kong:
Room 1203,
The Chinese Bank Building,
61-65 Des Voeux Road,
Central,
Hong Kong

2 April 2008

To the Qualifying Shareholders and, for information only, the Convertible Bonds holders

Dear Sir or Madam,

RIGHTS ISSUE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY EXISTING SHARE HELD ON RECORD DATE

INTRODUCTION

On 18 December 2007, the Company announced the Rights Issue of 723,087,310 Rights Shares to Qualifying Shareholders at the RI Subscription Price of HK$0.01 per Rights Share on the basis of one Rights Share for every existing Share held on the Record Date.

References are made to the Circular of the Company dated 29 February 2008 regarding, among other things, the Share Subscription, the Whitewash Waiver, the Placings, the Bonus Issue, the Rights Issue and the possible issue of Remuneration Shares, and the EGM result announcement of the Company dated 18 March 2008. Details of the Share Subscription, the Whitewash Waiver, the Placings, the Bonus Issue and the possible issue of Remuneration Shares are set out in the Circular.

* *for identification purpose only*

The purpose of this Prospectus is to give you further details of the Rights Issue, including information on dealings and transfer of Rights Shares in their nil-paid form and the procedure for acceptance of provisional allotments of Rights Shares. This Prospectus also contains certain financial and other information relating to the Group.

THE RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue	One Rights Share for every existing Share held on the Record Date
Number of Shares in issue as at the Record Date	723,087,310 Shares
Maximum number of Rights Shares to be issued under the Rights Issue	723,087,310 Rights Shares
Number of Rights Shares undertaken to be accepted by Bright Castle	180,000,000 Rights Shares
Maximum number of issued Shares immediately after the issue and allotment of the Subscription Shares, the First Placing Shares, the Second Placing Shares, the Bonus Shares, the Remuneration Shares and the Rights Shares	6,706,174,620 Shares
% of Rights Shares of the existing issued Shares	100.0%
% of Rights Shares of the enlarged issued Shares immediately after the issue and allotment of the Subscription Shares, the First Placing Shares, the Second Placing Shares, the Bonus Shares, the Remuneration Shares and the Rights Shares	10.8%

As the Rights Issue need not be underwritten according to the conditions set out in the Decision Letter, and it would not be cost effective to have the Rights Issue underwritten because of its size, the Rights Issue is not underwritten. The number of Rights Shares which may be issued depends on the level of acceptances and excess application under the Rights Issue. Subject to the undertaking given by Bright Castle as more particularly described in the sub-section headed "Undertaking by Bright Castle" below, the legal adviser of the Company on the laws of Cayman Islands has confirmed that there is no statutory requirements regarding minimum subscription level in order for the Rights Issue to proceed.

There will be no fraction of Rights Share as the Rights Issue is on the basis of one Rights Share for every one existing Share held.

Qualifying Shareholders and Overseas Shareholders

The Company will provisionally allot the Rights Shares and send the Prospectus Documents containing details of the Rights Issue to the Qualifying Shareholders.

Shareholders whose Shares are being held by a nominee company should note that the Board will regard the nominee company as a single Shareholder as shown in the register of members of the Company. Accordingly, Shareholders should note that the arrangement in relation to the top-up of odd lots for allocation of excess Rights Shares as set out in the paragraph headed "Application for excess Rights Shares" below will not be extended to ultimate beneficial owners individually.

As at the Record Date, according to the register of members of the Company, the Company has Overseas Shareholders with registered addresses in two jurisdictions, namely, Taiwan and Switzerland. Pursuant to Rule 17.41(1) of the GEM Listing Rules, the Board has made enquiries regarding the legal restrictions under the applicable securities legislation of the relevant jurisdictions and the requirements of the relevant regulatory body or stock exchange with respect to the offer of the Rights Shares to such Overseas Shareholders.

The Rights Issue will be extended to the Overseas Shareholders in Taiwan and Switzerland as the Company has obtained legal advice that no local regulatory compliance is required to be made in these jurisdictions. Therefore, there were no Excluded Shareholders.

It is the responsibility of any person (including but not limited to nominee, agent and trustee) outside Hong Kong wishing to make an application for the Rights Shares to satisfy himself or herself or itself as to the full observance of the laws and regulations of the relevant territory or jurisdiction, including the obtaining of any governmental or other consents and to pay any taxes, duties and other amounts required to be paid in such territory or jurisdiction in connection therewith. Any acceptance by any person will be deemed to constitute a representation and warranty from such person to the Company that these local laws and requirements have been complied with. Shareholders should consult their professional advisors if in doubt.

Registration

The Prospectus Documents have not been registered or filed under the applicable securities legislation of any jurisdictions other than Hong Kong.

Basis of provisional allotment

One Rights Share in nil-paid form for every one existing Share held by a Qualifying Shareholder on the Record Date.

RI Subscription Price

The RI Subscription Price of HK$0.01 per Rights Share is payable in full when a Qualifying Shareholder accepts the provisional allotment of Rights Shares or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares accepts the provisional allotment of the relevant Rights Shares.

The RI Subscription Price, which is equivalent to the par value of the Shares, represents:

(a) a discount of approximately 88.4% to the closing price of HK$0.086 per Share on the Stock Exchange on the Last Trading Day;

(b) a discount of approximately 89.1% to the average closing price of approximately HK$0.092 per Share for the 5 consecutive trading days up to and including the Last Trading Day;

(c) a discount of approximately 89.7% to the average closing price of approximately HK$0.097 per Share for the 10 consecutive trading days up to and including the Last Trading Day;

(d) a discount of approximately 90.3% to the net asset value of the Company of approximately HK$0.103 per Share based on the Group's unaudited consolidated net asset value of approximately HK$74.7 million as at 31 December 2007; and

(e) a discount of approximately 79.2% to the theoretical ex-entitlement price of HK$0.048 per Share based on the closing price of HK$0.086 per Share on the Stock Exchange on the Last Trading Day.

Based on the closing price of HK$0.086 per Share as quoted on the Stock Exchange on the Last Trading Day, the market value of the Rights Shares as at the Last Trading Day was HK$62.2 million.

The RI Subscription Price is identical to the subscription price of the Subscription Shares, the First Placing Shares and the Second Placing Shares. In addition, the RI Subscription Price is proposed to be HK$0.01 per Rights Share according to the conditions required by and set out in the Decision Letter. Accordingly, the Directors consider that the RI Subscription Price is fair and reasonable so far as the Company and the Shareholders as a whole are concerned.

Status of the Rights Shares

The Rights Shares (when allotted, issued and fully paid) will rank pari passu in all respects with the then existing Shares in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid after the date of allotment and issue of the Rights Shares.

Certificates for the Rights Shares and refund cheques

Subject to fulfillment of conditions of the Rights Issue, share certificates for all fully-paid Rights Shares and refund cheques in respect of unsuccessful excess applications (if any) are expected to be posted to those Qualifying Shareholders or transferees who have paid for and have accepted the Rights Shares by ordinary mail on or around 25 April 2008, at their own risk.

Undertaking by Bright Castle

As at the Latest Practicable Date, Bright Castle is interested in 180,000,000 Shares, representing approximately 24.9% of the existing issued Shares, and has irrevocably undertaken to the Company to accept its provisional allotments, being 180,000,000 Rights Shares, under the Rights Issue in full.

Conditions of the Rights Issue

The Rights Issue is conditional upon the following conditions being fulfilled:

(i) the approval of the Rights Issue by the Independent Shareholders at the EGM;

(ii) the GEM Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully paid forms;

(iii) the filing with the Registrar of Companies in Hong Kong on or prior to the posting date of two copies of each of the Prospectus Documents each duly certified in compliance with section 342C of the Companies Ordinance (and all other documents required to be attached thereto) and otherwise complying with the Companies Ordinance and the GEM Listing Rules;

(iv) (if required) the approval or permission from any authority in the Cayman Islands in relation to the Rights Issue having been obtained;

(v) fulfillment of all the conditions for resumption of trading in the Shares as set out in the Decision Letter to the satisfaction of the Stock Exchange; and

(vi) the resumption of trading in the Shares.

As at the Latest Practicable Date, conditions (i) and (iv) have been fulfilled.

Adjustments to the Options and the Convertible Bonds

As at the Latest Practicable Date, no Option has been granted by the Company. As at the Latest Practicable Date, the Convertible Bonds, with aggregate principal amount of HK$27.4 million, remained outstanding.

Pursuant to the terms of the share option scheme adopted on 18 March 2008, an adjustment may be required to be made on the exercise price of the Options granted under the share option scheme as a result of the Rights Issue. All adjustment to the exercise price of the Options granted under the share option scheme, if any, will comply with Rule 23.03(13) of the GEM Listing Rules. As at the Latest Practicable Date, no Option had been granted under the share option scheme. The Company will make further announcement as appropriate regarding adjustments on the exercise price of the Options in the event that any Option is granted before the completion of the Rights Issue.

Convertible Bonds contain provisions for adjustment in conversion prices and number of shares that may be issued upon conversion of the Convertible Bonds in certain events, which adjustments shall be certified by the auditors of the Company. As soon as the certification is issued, the Company will make an announcement of such adjustments.

Save as disclosed above, there are no outstanding options, convertible bonds or any convertible loan securities of the Company or any capital of any member of the Group which is under option, or agreed conditionally or unconditionally to be put under option.

SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the allotment and issue of the Bonus Shares, the Subscription Shares, the First Placing Shares, the Second Placing Shares and the Remuneration Shares, (iii) immediately after the allotment and issue of the Bonus Shares, the Subscription Shares, the First Placing Shares, the Second Placing Shares, the Remuneration Shares and the Rights Shares (assuming all Qualifying Shareholders take up their respective entitlements under the Rights Issue) and (iv) immediately after the allotment and issue of the Bonus Shares, the Subscription Shares, the First Placing Shares, the Second Placing Shares, the Remuneration Shares and the Rights Shares (assuming no Qualifying Shareholders, other than Bright Castle, take up their respective entitlements under the Rights Issue):

	As at the Latest Practicable Date		Immediately after the allotment and issue of the Bonus Shares, the Subscription Shares, the First Placing Shares, the Second Placing Shares and the Remuneration Shares		Immediately after the allotment and issue of the Bonus Shares, the Subscription Shares, the First Placing Shares, the Second Placing Shares, the Remuneration Shares and the Rights Shares (assuming all Qualifying Shareholders take up their respective entitlements under the Rights Issue)		Immediately after the allotment and issue of the Bonus Shares, the Subscription Shares, the First Placing Shares, the Second Placing Shares, the Remuneration Shares and the Rights Shares (assuming no Qualifying Shareholders, other than Bright Castle, take up their respective entitlements under the Rights Issue)	
	Shares	*%* *(approx.)*	*Shares*	*%* *(approx.)*	*Shares*	*%* *(approx.)*	*Shares*	*%* *(approx.)*
Bright Castle *(Note 1)*	180,000,000	24.9	189,000,000	3.2	369,000,000	5.5	369,000,000	6.0
The Subscriber	–	–	3,542,000,000	59.2	3,542,000,000	52.8	3,542,000,000	57.5
Placees for the First Placing Shares	–	–	458,000,000	7.7	458,000,000	6.8	458,000,000	7.4
Placees for the Second Placing Shares								
The CorporActive Fund Limited	–	–	200,000,000	3.3	200,000,000	3.0	200,000,000	3.2
Other placees	–	–	800,000,000	13.4	800,000,000	11.9	800,000,000	13.0
Professional fees settlement *(Note 2)*								
President Securities	–	–	55,100,464	0.9	55,100,464	0.8	55,100,464	0.9
Somerley	264,000	0.0	169,022,371	2.8	169,286,371	2.5	169,022,371	2.7
Other public Shareholders	542,823,310	75.1	569,964,475	9.5	1,112,787,785	16.7	569,964,475	9.3
Total	723,087,310	100.0	5,983,087,310	100.0	6,706,174,620	100.0	6,163,087,310	100.0

Notes:

1. These Shares are beneficially owned by Bright Castle, the entire issued share capital of which is wholly-owned by Mr. Cheng.

2. Assuming that both Somerley and President Securities elect to have the professional fees of approximately HK$2,238,456 to be settled by the issue of 223,845,635 Remuneration Shares.

REASONS FOR THE RIGHTS ISSUE

The principal businesses of the Group involve the manufacturing and trading of ceramic blanks, ferrules and related products. The operating results and financial position of the Group for the three years ended/as at 31 December 2007 as extracted from the audited accounts of the Company for the financial years ended 31 December 2005, 2006 and 2007 are as follows:

	Year ended/ As at 31 December 2007 (audited) *HK$'000*	**Year ended/ As at 31 December 2006 (audited)** *HK$'000*	**Year ended/ As at 31 December 2005 (audited)** *HK$'000*
Turnover	52,612	30,685	711
Net profit/(loss)	182	5,481	(15,675)
Net assets	74,667	73,641	49,423
Net assets per Share	HK$0.103	HK$0.102	HK$0.068

The Directors consider that it will be in the best interests of the Company and its Shareholders as a whole to raise funds by means of the issue of Shares in view of the current financial position of the Group. The Rights Issue will enable the Company to further strengthen its financial position and will provide the Group with additional new funds to enhance its existing business operations and will further enable it to make investments in projects/business which the Directors consider to have good profit potential. In addition, the Rights Issue will also serve as a good opportunity for the Shareholders to preserve their interest as well as to increase their shareholdings (if they so wish) in the Company.

The net proceeds from the Rights Issue of approximately HK$1.1 million (assuming no Qualifying Shareholders, other than Bright Castle, take up their respective entitlements under the Rights Issue) to HK$6.5 million (assuming all Qualifying Shareholders take up their respective entitlements under the Rights Issue) is intended to be used by the Group for general working capital purposes.

FUND-RAISING ACTIVITIES BY THE COMPANY DURING THE PAST 12 MONTHS IMMEDIATELY PRECEDING THE DATE OF THE PROSPECTUS

Save for the Share Subscription, the First Placing, the Second Placing and the Rights Issue as set out below, all of which were approved by the Independent Shareholders at the EGM and completions are subject to fulfillment of the respective conditions precedent, the Company has not conducted any equity-related fund raising exercise for the past 12 months immediately prior to the Latest Practicable Date.

Date of announcement	Event	Net Proceeds (approximately)	Intend use of proceeds	Progress as at the Latest Practicable Date
24 September 2007 26 October 2007	Share Subscription and the First Placing Second Placing	HK$44.9 million (Total net proceeds from the Share Subscription, the First Placing and the Second Placing)	The total net proceeds is intended to be used as to approximately HK$15 million for partial repayment of the outstanding amount of the Convertible Bonds and the balance for general working capital purposes	Approved at the EGM held on 18 March 2008; completion is subject to fulfillment of respective conditions precedent
18 December 2007	Rights Issue	HK$1.1 million (assuming no Qualifying Shareholders, other than Bright Castle, take up their respective entitlements under the Rights Issue) to HK$6.5 million (assuming all Qualifying Shareholders take up their respective entitlements under the Rights Issue)	The net proceed is intended to be used for general working capital purposes	Approved at the EGM held on 18 March 2008; completion is subject to fulfillment of respective conditions precedent

An application has been made by the Company for the listing of, and permission to deal in, the Subscription Shares, the Placing Shares, the Remuneration Shares and the Rights Shares.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

For the year ended 31 December 2007, the Group recorded a total turnover of approximately HK$52,612,000 representing an increase of approximately 71% from approximately HK$30,685,000 for the year ended 31 December 2006. A gross profit of approximately HK$20,494,000 was recorded by the Group when compared with that of approximately HK$12,871,000 for the same period in 2006. The profit attributable to shareholders was approximately HK$182,000 when compared with that of approximately HK$5,481,000 for the same period in 2006.

The Group has taken measures to control its operating costs. It is the objective of the Group to adopt stringent cost control and maintain a thin but effective overhead structure. The Group is optimistic in enjoying a fruitful harvest and satisfying an anticipated growth of production capacity in the foreseeable future.

The Company has successfully established contacts with several well-known telecommunication equipments manufacturers and was appointed as the priority supplier to them and has entered into memorandum of understandings with them for the supply of various products of the Group with a total indicative annual amount of approximately HK$10 million.

Following the completion of the Share Subscription, the Subscriber intends that the Group will continue its existing principal business of manufacturing and trading of ceramic blanks and ferrules and related products. Leveraging onto the business networks of the Subscriber in the electronic products sector developed during his previous position in senior management of a company listed on the Main Board of the Stock Exchange, the Subscriber would assist the Group to further develop its business by, including but not limited to, establishing extensive sales network and securing more new business contracts for the Group. The Subscriber has no intention to make major changes to the employees of the Group save for a possible change in the composition of the Board and certain senior management of the Group, which would be announced as and when appropriate and in compliance with the relevant rules and regulations. The Group will continue to seek new business opportunities to improve the Group's profitability and prospects, and may diversify into other businesses should suitable opportunities arise. However, no specific investment target has been identified at this stage.

PROCEDURE FOR ACCEPTANCE AND TRANSFER

Qualifying Shareholders will find enclosed with this Prospectus a PAL that entitles Qualifying Shareholders to take up the number of Rights Shares shown therein. If you wish to exercise your rights to take up all the Rights Shares specified in the PAL, you must lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar by not later than 4:00 p.m. on Monday, 21 April 2008. All remittances must be made in Hong Kong dollars. Cheques must be drawn on an account with, and banker's cashier orders must be issued by, a bank in Hong Kong and made payable to **"INTCERA HIGH TECH GROUP LIMITED – PROVISIONAL ALLOTMENT ACCOUNT"** and crossed **"ACCOUNT PAYEE ONLY"**.

It should be noted that unless the PAL, together with the appropriate remittance, has been lodged by 4:00 p.m. on Monday, 21 April 2008, whether by the original allottee or any person to whom the rights have been validly transferred, the relevant provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

If you wish to accept only part of your provisional allotment and/or to transfer part of your rights to subscribe for the Rights Shares provisionally allotted to you or to transfer your rights to more than one person, the PAL must be surrendered by not later than 4:00 p.m. on 11 April 2008 at the Registrar which will cancel the original PAL and issue new PALs, in the denominations required. It should be noted that Hong Kong stamp duty is payable in connection with the transfer of the rights to subscribe for the Rights Shares.

The PAL contains further information regarding the procedure to be followed for acceptance and/or transfer of the whole or part of your provisional allotment.

All cheques and banker's cashier orders will be presented for payment following receipt and all interest earned on such monies will be retained for the benefit of the Company. Completion and lodgement of a PAL together with a cheque or banker's cashier order in payment for the Rights Shares accepted will constitute a warranty by the subscriber that the cheque or banker's cashier order will be honoured on first presentation. Any PAL in respect of which the accompanying cheque or banker's cashier order is dishonoured on first presentation is liable to be rejected and, in any event, the relevant provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled and will be available for application on EAFs.

If the conditions of the Rights Issue are not fulfilled, the monies received in respect of applications for Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the nil-paid Rights Shares shall have been validly transferred without interest by means of cheques despatched in the ordinary post at the risk of such Qualifying Shareholders or such other persons on Friday, 25 April 2008.

APPLICATION FOR EXCESS RIGHTS SHARES

Qualifying Shareholders will be given the right to apply for any Rights Shares provisionally allotted but not accepted by any Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares.

Application may be made by completing the EAFs and lodging the same with appropriate remittance for the excess Rights Shares. Pursuant to Rule 10.31(1) of the GEM Listing Rules, the Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

(1) preference may be given to applications for less than a board lot of Rights Shares where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings; and

(2) subject to availability of excess Rights Shares after allocation under principle (1) above, any further remaining excess Rights Shares will be allocated to all applicants based on a sliding scale with reference to the number of the excess Rights Shares applied by them in pre-determined categories (i.e. Qualifying Shareholders belonging to pre-determined categories consisting of applications for smaller number of Rights Shares are allocated with a higher percentage of successful application but will receive less number of Rights Shares; whereas Qualifying Shareholders belonging to pre-determined categories consisting of applications for larger number of Rights Shares are allocated with a smaller percentage of successful application but will receive higher number of Rights Shares) and with the possibility of involving balloting which means some Qualifying Shareholders belonging to the same pre-determined category may be allotted with more excess Rights Shares than others and those Qualifying Shareholders who are unsuccessful in the ballot may not receive any excess Rights Shares.

Pursuant to Rule 10.26(2) of the GEM Listing Rules, as the Rights Issue is not fully underwritten, a Shareholder who applies to take up all or part of his/her/its entitlement under the PAL or apply for excess Rights Shares under EAF may unwittingly incur an obligation to make a general offer under the Takeovers Code, unless a waiver from the Executive (as defined in the Takeovers Code) has been obtained. Accordingly, the Rights Issue will be made on the term that the Company will provide for Shareholders to apply on the basis that if the Rights Issue are not fully taken up, their applications for Rights Shares under the PALs and EAFs can be scaled down to a level which does not trigger an obligation on the part of the relevant Shareholder to make a general offer under the Takeovers Code.

If you are a Qualifying Shareholder and you wish to apply for any Rights Shares in addition to your provisional allotment under the Rights Issue, you must complete and sign the enclosed EAF as indicated therein and lodge it, together with a separate remittance for the amount payable on application in respect of the excess Rights Shares applied for, with the Registrar by not later than 4:00 p.m. on Monday, 21 April 2008. All remittances must be made in Hong Kong dollars. Cheques must be drawn on an account with, and banker's cashier orders must be issued by, a bank in Hong Kong and made payable to **"INTCERA HIGH TECH GROUP LIMITED – EXCESS APPLICATION ACCOUNT"** and crossed **"ACCOUNT PAYEE ONLY"**.

If no excess Rights Shares are allotted to you, it is expected that the amount tendered on application will be refunded to you in full without interest by means of a cheque despatched in the ordinary post at your own risk on Friday, 25 April 2008. If the number of excess Rights Shares allotted to you is less than that applied for, it is expected that the surplus application monies will be refunded to you without interest by means of a cheque despatched in the ordinary post at your own risk on Friday, 25 April 2008.

All cheques and banker's cashier orders will be presented for payment following receipt and all interest earned on such monies will be retained for the benefit of the Company. Completion and lodgement of an EAF together with a cheque or banker's cashier order in payment for the Rights Shares applied for will constitute a warranty by the applicant that the cheque or banker's cashier order will be honoured on first presentation. Without prejudice to its rights in respect thereof, the Company reserves the right to reject any EAF in respect of which the accompanying cheque or banker's cashier order is dishonoured on first presentation.

An EAF is for use only by the person(s) to whom it is addressed and is not transferable. All documents, including cheques or banker's cashier orders for amount due, will be posted at the risk of the persons entitled thereto to their registered addresses.

If the conditions of the Rights Issue are not fulfilled, the monies received in respect of applications for excess Rights Shares will be returned to the applicants in full without interest by means of cheques despatched in the ordinary post at the risk of such applicants on Friday, 25 April 2008.

TAXATION

Qualifying Shareholders are recommended to consult their professional advisors if they are in any doubt as to the tax implications of the holding or disposal of, or dealing in the Rights Shares in both their nil-paid and fully-paid forms. It is emphasised that none of the Company, its Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects or liabilities of holders of the Rights Shares resulting from the purchase, holding or disposal of, or dealing in the Rights Shares in both their nil-paid and fully-paid forms.

LISTING OF THE RIGHTS SHARES

The Company has applied to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms. The Rights Shares in their fully-paid form will be listed and traded on the Stock Exchange, in each board lot of 20,000 Shares, only if the Company has fulfilled all the conditions for resumption of trading (as set out in the Decision Letter) on or before the close of business on 9 April 2008. Dealings in the Rights Shares (in both their nil-paid and fully-paid forms) will be subject to the payment of stamp duty, Stock Exchange trading fee and SFC transaction levy, or any other applicable fees and charges in Hong Kong.

The Rights Shares in their nil-paid and fully-paid forms will be traded in board lots of 20,000 Rights Shares. Dealings in the Rights Shares in the nil-paid form is expected to commence at 9:30 a.m. on 7 April 2008 and is expected to end at the close of business of the Stock Exchange on 16 April 2008 (both days inclusive). The latest time for splitting of nil-paid Rights Shares is expected to be 4:00 p.m. on 11 April 2008.

The Rights Shares will not be listed or dealt in on any other stock exchange outside Hong Kong. None of the securities of the Company is listed or dealt in, nor is any listing of or permission to deal in securities of the Company being or proposed to be sought on any stock exchange other than the Stock Exchange.

Subject to the granting of listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange and resumption of trading of the Shares on the Stock Exchange, the Rights Shares in their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made to enable the Rights Shares in both their nil-paid and fully-paid forms to be admitted into CCASS.

WARNING OF THE RISKS OF DEALING IN SHARES AND NIL-PAID RIGHTS SHARES

Since trading in the Shares has been suspended since 6 October 2003, there will be no trading of Shares on cum-rights or on ex-rights basis. Subject to the resumption of trading in Shares on or around 3 April 2008, dealings in the Rights Shares in nil-paid form are expected to take place from 7 April 2008 to 16 April 2008 (both days inclusive). If the remaining conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed. Any buying or selling of the Shares from now up to the date on which all the conditions of the Rights Issue are fulfilled, and any buying or selling of nil-paid Rights Shares, is at investors' own risk.

FURTHER INFORMATION

Your attention is drawn to the further information set out in the appendices to this Prospectus.

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

1. FINANCIAL SUMMARY

The following is a summary of the audited consolidated results of the Group for the three years ended 31 December 2007 and the audited consolidated financial positions of the Group for the three years ended 31 December 2007 extracted from the relevant annual reports of the Company:

	Year ended 31 December		
	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
TURNOVER	52,612	30,685	711
COST OF SALES	(32,118)	(17,814)	(536)
	20,494	12,871	175
OTHER REVENUE	616	7,867	3,195
SELLING AND DISTRIBUTION EXPENSES	–	–	(43)
ADMINISTRATIVE EXPENSES	(8,813)	(3,834)	(3,738)
DEPRECIATION FOR PROPERTY, PLANT AND EQUIPMENT	(26)	(77)	(9,682)
OTHER OPERATING EXPENSES	(5,237)	(7,624)	(4,050)
PROFIT/(LOSS) FROM OPERATIONS	7,034	9,203	(14,143)
FINANCE COSTS	(1,814)	(1,750)	(1,532)
PROFIT/(LOSS) BEFORE TAX	5,220	7,453	(15,675)
INCOME TAX EXPENSE	(5,038)	(1,972)	–
PROFIT/(LOSS) FOR THE PERIOD	182	5,481	(15,675)
	HK cents	*HK cents*	*HK cents*
Earnings/(loss) per Share			
– Basic	0.025	0.76	(2.17)
– Diluted	0.025	0.76	N/A

CONSOLIDATED BALANCE SHEET

	At as 31 December		
	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	91,759	96,563	65,475
Plant and equipment held for proposed capital injection	–	–	–
Available-for-sale financial assets	146	146	200
	91,905	96,709	65,675
CURRENT ASSETS			
Inventories	19,060	3,483	–
Trade and other receivables	31,322	25,095	7,941
Due from a related company	–	175	18,709
Cash and bank balances	37	1,199	705
TOTAL CURRENT ASSETS	50,419	29,952	27,355
CURRENT LIABILITIES			
Short-term borrowing	(1,700)	–	–
Trade and other payables	(24,111)	(11,596)	(13,551)
Due to a director	(3,295)	(4,885)	(1,536)
Due to a related company	(430)	–	–
Tax payable	(7,326)	(1,972)	–
TOTAL CURRENT LIABILITIES	(36,862)	(18,453)	(15,087)
NET CURRENT ASSETS	13,557	11,499	12,268
TOTAL ASSETS LESS CURRENT LIABILITIES	105,462	108,208	77,943
NON-CURRENT LIABILITIES			
Convertible bonds	(24,859)	(25,640)	(26,564)
Deferred tax liabilities	(5,936)	(8,927)	(1,956)
TOTAL NON-CURRENT LIABILITIES	(30,795)	(34,567)	(28,520)
NET ASSETS	74,667	73,641	49,423
CAPITAL AND RESERVES			
Share capital	7,231	7,231	7,231
Reserves	67,436	66,410	42,192
TOTAL EQUITY	74,667	73,641	49,423

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The following are the audited consolidated financial statement of the Group for each of the two years ended 31 December 2006 and 2007 together with the relevant notes ("Financial Statements"), as extracted from the Company's annual report for the year ended 31 December 2007.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2007

	Notes	**2007** *HK$'000*	**2006** *HK$'000*
Turnover	*5*	52,612	30,685
Cost of sales		(32,118)	(17,814)
		20,494	12,871
Other Revenue	*5*	616	7,867
Administrative expenses		(8,813)	(3,834)
Depreciation for property, plant and equipment		(26)	(77)
Other operating expenses		(5,237)	(7,624)
PROFIT FROM OPERATIONS	*7*	7,034	9,203
Finance costs	*8*	(1,814)	(1,750)
Profit before tax		5,220	7,453
Income tax expense	*10*	(5,038)	(1,972)
Profit for the year		182	5,481
Dividends		–	–
		HK cents	*HK cents*
Earnings per share	*12*		
Basic		0.025	0.758
Diluted		0.025	0.758

CONSOLIDATED BALANCE SHEET

As at 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	91,759	96,563
Available-for-sale financial assets	*15*	146	146
		91,905	96,709
CURRENT ASSETS			
Inventories	*16*	19,060	3,483
Trade and other receivables	*18*	31,322	25,095
Due from a related company	*19*	–	175
Cash and bank balances	*20*	37	1,199
TOTAL CURRENT ASSETS		50,419	29,952
CURRENT LIABILITIES			
Short-term borrowing	*21*	(1,700)	–
Trade and other payables	*22*	(24,111)	(11,596)
Due to a director	*23*	(3,295)	(4,885)
Due to a related company	*24*	(430)	–
Tax payable		(7,326)	(1,972)
TOTAL CURRENT LIABILITIES		(36,862)	(18,453)
NET CURRENT ASSETS		13,557	11,499
TOTAL ASSETS LESS CURRENT LIABILITIES		105,462	108,208
NON-CURRENT LIABILITIES			
Convertible bonds	*25*	(24,859)	(25,640)
Deferred tax liabilities	*26*	(5,936)	(8,927)
TOTAL NON-CURRENT LIABILITIES		(30,795)	(34,567)
NET ASSETS		74,667	73,641
CAPITAL AND RESERVES			
Share capital	*27*	7,231	7,231
Reserves	*28*	67,436	66,410
TOTAL EQUITY		74,667	73,641

COMPANY BALANCE SHEET

As at 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Investment in subsidiaries	14	–	–
CURRENT ASSETS			
Due from subsidiaries	17	55,846	46,889
Trade and other receivables	18	9,956	10,256
Due from a related company	19	–	9,483
Cash and bank balances	20	7	2
TOTAL CURRENT ASSETS		65,809	66,630
CURRENT LIABILITIES			
Short-term borrowing	21	(1,700)	–
Trade and other payables	22	(10,185)	(5,437)
Due to a director	23	(6,076)	(6,076)
Due to a shareholder	23	(7,000)	(7,000)
TOTAL CURRENT LIABILITIES		(24,961)	(18,513)
NET CURRENT ASSETS		40,848	48,117
NON-CURRENT LIABILITIES			
Convertible bonds	25	(24,859)	(25,640)
Deferred tax liabilities	26	(978)	(550)
TOTAL NON-CURRENT LIABILITIES		(25,837)	(26,190)
NET ASSETS		15,011	21,927
CAPITAL AND RESERVES			
Share capital	27	7,231	7,231
Reserves	28	7,780	14,696
TOTAL EQUITY		15,011	21,927

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2007

	Share capital	Share premium	Translation reserve	Revaluation reserve	Convertible bonds reserve	Accumulated losses	Total Equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2006	7,231	61,597	–	12,849	2,119	(34,373)	49,423
Exchange differences arising on translation of financial statements outside Hong Kong	–	–	117	–	–	–	117
Fair value adjustment on convertible bonds	–	–	–	–	2,077	–	2,077
Surplus on revaluation of property, plant and equipment	–	–	–	23,514	–	–	23,514
Reversal of deferred tax liability on the convertible bonds	–	–	–	–	(308)	–	(308)
Deferred tax liability on revaluation of property, plant and equipment	–	–	–	(6,663)	–	–	(6,663)
Profit for the year	–	–	–	–	–	5,481	5,481
At 31 December 2006 and at 1 January 2007	7,231	61,597	117	29,700	3,888	(28,892)	73,641
Exchange differences arising on translation of financial statements outside Hong Kong	–	–	646	–	–	–	646
Fair value adjustment on convertible bonds	–	–	–	–	2,029	–	2,029
Deficit on revaluation of property, plant and equipment	–	–	–	(4,823)	–	–	(4,823)
Reversal of deferred tax liability on the convertible bonds	–	–	–	–	(427)	–	(427)
Deferred tax liability on revaluation of property, plant and equipment	–	–	–	3,419	–	–	3,419
Profit for the year	–	–	–	–	–	182	182
At 31 December 2007	7,231	61,597	763	28,296	5,490	(28,710)	74,667

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

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2007

	2007	2006
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
Profit before tax	5,220	7,453
Adjustments for:		
Finance costs	1,814	1,750
Interest received	–	(1)
Depreciation and amortization of property, plant and equipment	26	77
Impairment in value of club membership	–	54
Loss on disposal of property, plant and equipment	–	219
Interest of convertible bonds written back	(548)	(1,643)
Operating profit before changes in working capital	6,512	7,909
Increase in inventories	(15,577)	(3,483)
Increase in trade and other receivables	(6,226)	(21,154)
Decrease in amount due from a related company	605	18,534
Increase/(decrease) in trade and other payables	12,515	(861)
(Decrease)/increase in amount due from a director	(1,590)	3,349
Net cash (used in)/generated from operating activities	(3,761)	4,294
INVESTING ACTIVITIES		
Interest received	–	1
Purchase of property, plant and equipment	–	(3,870)
Net cash used in investing activities	–	(3,869)
FINANCING ACTIVITIES		
Loans from non-financial institution	1,700	–
Interest paid	–	(48)
Net cash generated from/(used in) financing activities	1,700	(48)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(2,061)	377
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,199	705
Effect of foreign exchange rate changes	899	117
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	37	1,199
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	37	1,199

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2007

1. General

The Company is incorporated in Cayman Islands as an exempted company with limited liability and its shares are listed on the The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). In December 2005, the Company had been placed in the third stage of delisting procedures pursuant to Practice Note 17 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 37.

The consolidated financial statements are presented in Hong Kong dollars. The functional currency of the Group is mainly Hong Kong dollars ("HKD") which is the same as the presentation currency of the Group.

2. Application of new and revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied a number of new Standards, amendment and Interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA'') which are relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2007. The adoption of the new HKFRSs has no significant effect on the Group's accounting policies and amounts reported for the current or prior accounting periods in these financial statements.

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Revised)	Presentation of Financial Statements[(1)]
HKAS 23 (Revised)	Borrowing Costs[(4)]
HKFRS 8	Operating Segments[(4)]
HK(IFRIC)-Int 11	HKFRS 2-Group and Treasury Share Transactions[(1)]
HK(IFRIC)-Int 12	Service Concession Arrangements[(2)]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[(3)]
HK(IFRIC)-Int 14	HKAS 19 The Limit on a Demand Benefit Asset, Minimum Funding Requirement and their Interaction[(2)]

(1) Effective for annual periods beginning on or after 1 March 2007

(2) Effective for annual periods beginning on or after 1 January 2008

(3) Effective for annual periods beginning on or after 1 July 2008

(4) Effective for annual periods beginning on or after 1 January 2009

3. Significant accounting policies

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

(b) Basis of preparation of financial statements

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

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries for the year made up to 31 December 2007.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

(d) Subsidiary

A subsidiary is an enterprise in which the Group has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another enterprise.

Investments in subsidiaries are included in the Company's balance sheet at cost less any impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(e) Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(f) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary, associate or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill on acquisitions of subsidiaries is presented separately.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Gain or loss on the disposal of a subsidiary includes the carrying amount of goodwill relating to the subsidiary.

(g) Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

(ii) Rental income under operating leases is recognized on a straight-line basis over the term of the relevant lease.

(iii) Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(iv) Dividend income is recognized when the shareholder's right to receive payment is established.

(v) Royalty income is recognized on a time proportion basis accordance with the terms and conditions of the royalty agreement.

(h) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognized in the income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense on a straight-line basis over the lease term.

The Group as lessee

Rental payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefit received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

(i) Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Hong Kong dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Hong Kong dollars using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(j) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(k) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leaves are not recognized until the time of leave.

(ii) Retirement benefit costs

The Group's contributions to the defined contribution retirement scheme set up pursuant to the Hong Kong Mandatory Provident Fund Schemes Ordinance (the "MPF" Scheme) for all qualifying employees are expensed as incurred. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

(iii) Share – based payments

The Group operates equity-settled share-based payments to directors, employees and other parties.

Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period with a corresponding increase in a capital reserve within equity, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. The equity amount is recognized in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained earnings).

(l) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(m) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of property, plant and equipment over their estimated useful lives, using the straight-line method. The principal annual rates are as follows:

Leasehold improvements	$33^1/_3\%$
Plant and machinery	11%
Furniture, fixtures and office equipment	20% – 33%
Motor vehicles	25%

Any revaluation increase arising on the revaluation of property, plant and equipment is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognized as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent derecognition of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognized.

(n) Impairment of tangible and intangible assets excluding goodwill

(i) Impairment of trade and other receivables

At each balance sheet date, the Group reviews the carrying amounts of its trade and other receivables to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganization; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Impairment loss recognised in respect of trade debtors included in trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account. Other changes in the allowance account and subsequent recoveries of amount previously written off directly are recognised in income statement.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (other than properties carried at revalued amount); and available-for-sale financial assets.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(o) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument.

(i) Trade receivables

Trade receivables are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

(ii) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Investments other than held-to-maturity debt securities are classified as either investments held for trading or as available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

(iii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(iv) Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(v) Convertible bonds

Convertible bonds that consist of a liability and an equity components are regarded as compound instruments. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible bonds and the fair value assigned to the liability component, representing the embedded option for the holder to convert the bonds into equity of the Group, is included in equity (capital reserves).

Issue costs are apportioned between the liability and equity components of the convertible bonds based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

The interest expense on the liability component is calculated by applying the prevailing market interest rate for similar non-convertible debt to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible bonds.

(vi) Trade payables

Trade payables are subsequently measured at amortised cost, using the effective interest rate method.

(vii) Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

(p) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

(q) Provisions and contingent liabilities

Provisions are recognized for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Related parties

A party is considered to be related to the Group if:

(i) The party, directly or indirectly through one or more intermediaries, (1) controls, is controlled by, or is under common control with, the Group; (2) has an interest in the Group that gives it significant influence over the Group; or (3) has joint control over the Group;

(ii) The party is an associate;

(iii) The party is a jointly-controlled entity;

(iv) The party is a member of the key management personnel of the Group or its parent;

(v) The party is a close member of the family of any individual referred to in (i) or (iv); or

(vi) The party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides, with directly or indirectly, any individual referred to in (iv) or (v).

(s) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowing, tax balances, corporate and financing expenses.

4. Critical accounting estimates and judgements

In preparing these consolidated financial statements, management is required to exercise significant judgements in the selection and application of accounting principles, including making estimates and assumptions. The following is a review of the more significant accounting policies that are impacted by judgements and uncertainties and for which different amounts may be reported under a different set of conditions or using different assumptions.

Estimated recoverability of trade and other receivables

The Group's management determines the provision for impairment of trade and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of its customers and other debtors and the current market condition, and requires the use of judgments and estimates. Management reassesses the provision at each balance sheet date.

Property, plant and equipment

The Group's management determines the estimated useful lives and residual values for the Group's property, plant and equipment. Management will revise the depreciation charge where useful lives and residual values are different to previously estimated, or it will write off or write down technically obsolete or non-strategy assets that have been abandoned or sold.

The Group's plant and machinery included in the property, plant and equipment of HK$91,722,000 were stated at fair market value in accordance with the accounting policy stated in note 3. The fair market value of plant and machinery included in the property, plant and equipment are determined by GA Appraisal Limited, a firm of independent property valuers and the fair value of property, plant and equipment as at respective year end were set out in note 13. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement, consideration has been given to assumptions that are mainly based on market conditions existing at the balance sheet dates and appropriate capitalization rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

Income tax

The Group is subject to income taxes in Hong Kong and PRC jurisdictions. The Group reviews the carrying amount of deferred tax assets at each balance sheet date and reduces the amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. This requires an estimation of the future taxable profits. Estimating the future taxable profits requires the Group to make an estimate of the expected future earnings from the Group and also to choose a suitable discount rate in order to calculate the present value of the earnings.

5. Revenue

(a) An analysis of the Group's turnover for the year is as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Sales of goods	52,612	30,685

(b) An analysis of the Group's other revenue for the year is as follows:

	2007	2006
	HK$'000	*HK$'000*
Bank interest income	–	1
Interest on convertible bonds written back	548	1,643
Rental income	32	5,000
Sundry income	36	1,223
	616	7,867

6. Business and geographical segments

(i) Business segments

The following continuing operations are the basis on which the Group reports its primary segment information. There are no sales or other transactions between the business segments.

Income statement

	Manufacturing and trading of ceramic blanks and ferrules	
	2007	**2006**
	HK$'000	*HK$'000*
Revenue	52,612	30,685
Segment results	15,447	14,107
Unallocated corporate income	616	2,173
Unallocated corporate expenses	(9,029)	(7,077)
Finance costs	(1,814)	(1,750)
Income tax expense	(5,038)	(1,972)
Profit for the year	182	5,481

Other information

	Manufacturing and trading of ceramic blanks and ferrules	
	2007	**2006**
	HK$'000	*HK$'000*
Capital expenditure	–	651
Depreciation	–	–

Balance sheet

	Manufacturing and trading of ceramic blanks and ferrules	
	2007	**2006**
	HK$'000	*HK$'000*
Assets		
Segment assets	80,284	53,166
Unallocated assets	62,040	73,495
Total assets	142,324	126,661
Liabilities		
Segment liabilities	25,031	1,818
Unallocated liabilities	42,626	51,202
Total liabilities	67,657	53,020

(ii) Geographical segments

No geographical segment information of the Group is shown as the Group's operations, turnover by geographical market and assets are wholly located in Hong Kong and the People's Republic of China ("PRC").

7. Profit from operations

Profit from operations of the Group has been arrived at after charging the followings:

	2007	2006
	HK$'000	*HK$'000*
Staff costs (including directors' remuneration):		
Salaries and allowances	8,181	4,205
Mandatory provident fund contributions	265	152
	8,446	4,357
Depreciation for property, plant and equipment	26	77
Auditors' remuneration	550	600
Cost of inventories recognized as expenses	32,118	17,814
Impairment for club debenture	–	54
Loss on disposal of property, plant and equipment	–	219
Operating lease rentals in respect of land and buildings	771	1,241

8. Finance costs

	2007	2006
	HK$'000	*HK$'000*
Interest on convertible bonds	1,797	1,702
Other interest	17	48
	1,814	1,750

9. Directors' and five highest paid employees' emoluments

(i) Directors' emoluments

2007

	Fees	Other emoluments: Salaries and other benefits	Other emoluments: Retirement scheme contribution	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors				
Cheng Qing Bo	–	–	–	–
Tung Tai Yung *(note i)*	–	–	–	–
Li Fang	84	–	–	84
Non-executive Director				
Lin Nan	–	–	–	–
Independent Non-executive Directors				
Liu Zheng Hao	–	–	–	–
Woo Man Wah *(note ii)*	–	–	–	–
Lo Kin Chung *(note iii)*	22	–	–	22
Lam Williamson *(note iv)*	75	–	–	75
Mak Wai Fong *(note v)*	75	–	–	75
	256	–	–	256

Note:

i) Mr. Tung Tai Yung was appointed on 9 October 2007.

ii) Ms. Woo Man Wah resigned on 5 February 2007.

iii) Mr. Lo Kin Chung resigned on 31 March 2007.

iv) Mr. Lam Williamson was appointed on 5 February 2007.

v) Ms. Mak Wai Fong was appointed on 21 March 2007.

2006

		Other emoluments		
	Fees	Salaries and other benefits	Retirement scheme contribution	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors				
Cheng Qing Bo	96	–	–	96
Wong Hon Kit *(note i)*	324	140	–	464
Li Fang	96	–	–	96
Non-executive Director				
Lin Nan	84	–	–	84
Independent Non-executive Directors				
Liu Zheng Hao	20	–	–	20
Lo Kin Chung *(note ii)*	78	–	–	78
Woo Man Wah *(note iii)*	78	–	–	78
Wan Ho Yuen Terence *(note iv)*	25	–	–	25
Tam B Ray Billy *(note v)*	100	–	–	100
	901	140	–	1,041

Note:

i) Mr. Wong Hon Kit resigned on 31 December 2006.

ii) Mr. Lo Kin Chung was appointed on 22 March 2006.

iii) Ms. Woo Man Wah was appointed on 22 March 2006.

iv) Mr. Wan Ho Yuen Terence resigned on 23 March 2006.

v) Mr. Tam B. Ray Billy resigned on 31 December 2006.

During the two years ended 31 December 2007, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, no directors waived any emoluments for the two years ended 31 December 2007.

During the year, no share option was granted to the directors.

(ii) Five highest paid employees

During the year, the five highest paid individuals included three directors (2006: three), details of whose emoluments are set out above. The emoluments of the remaining highest paid individual were as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Salaries and allowances	871	342
Retirement scheme contributions	3	8
	874	350

Emoluments of the non-director highest paid individuals fell within the following bands:

	Number of individuals	
	2007	**2006**
HK$Nil to HK$1,000,000	2	2

10. Income tax expense

No provision for Hong Kong profits tax has been made as the Group has no assessable profits arising in or derived from Hong Kong during the year (2006: Nil). Taxes on profits assessable elsewhere have calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2007	**2006**
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	–	–
PRC Enterprise Income tax	5,038	1,972
	5,038	1,972

The taxation on the Group's profit for the year differs from the theoretical amount that would arise using the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax charge at the effective tax rates are as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Profit before tax	5,220	7,453
Taxation at the notional rate	3,280	2,241
Tax effect of income not taxable	–	(1,431)
Tax effect of expenses not deductible for taxation purpose	5	–
Tax effect of estimated tax losses not recognized for the year	1,753	1,162
	5,038	1,972

11. Dividend

No dividend was paid or proposed during the year, nor has any dividend been proposed since the balance sheet date (2006: Nil).

12. Earnings per share

The basic earnings per share is calculated based on the profit attributable to shareholders of HK$182,000 (2006: HK$5,481,000) and the weighted average number of 723,087,310 (2006: 723,087,310) ordinary shares in issue during the year.

The diluted earnings per share for the years ended 31 December 2007 and 31 December 2006 has not been disclosed as the exercise price of the Company's convertible bonds were higher than the average market price for shares and there was no outstanding share option.

13. Property, plant and equipment

Group

	Leasehold improvements	**Plant and machinery**	**Furniture, fixtures and office equipment**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation				
At 1 January 2006	1,331	65,386	1,324	68,041
Additions	37	7,819	14	7,870
Disposals	(117)	(219)	–	(336)
Adjustment on valuation	–	23,514	–	23,514
At 31 December 2006 and at 1 January 2007	1,251	96,500	1,338	99,089
Exchange difference	–	45	–	45
Adjustment on valuation	–	(4,823)	–	(4,823)
At 31 December 2007	1,251	91,722	1,338	94,311
Comprising				
At cost	1,251	–	1,338	2,589
At valuation – 2007	–	91,722	–	91,722
	1,251	91,722	1,338	94,311

	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures and office equipment *HK$'000*	Total *HK$'000*
Accumulated depreciation and impairment losses				
At 1 January 2006	1,297	–	1,269	2,566
Charge for the year	36	–	41	77
Written back on disposal	(117)	–	–	(117)
At 31 December 2006 and at 1 January 2007	1,216	–	1,310	2,526
Charge for the year	12	–	14	26
At 31 December 2007	1,228	–	1,324	2,552
Net carrying amount				
At 31 December 2007	23	91,722	14	91,759
At 31 December 2006	35	96,500	28	96,563

The Group's plant and machinery were revalued at HK$91,722,000 as at 31 December 2007 (2006: 96,500,000) by GA Appraisal Limited, independent qualified valuers, by using fair market value.

14. Investment in subsidiaries

	Company 2007 *HK$'000*	2006 *HK$'000*
Unlisted shares, at cost	16	16
Less: impairment losses	(16)	(16)
	–	–

Details of principal subsidiaries as at 31 December 2007, which materially affected the Group's results or net assets, are set out in note 37.

15. Available-for-sale financial assets

Available-for-sale financial asset represents club debenture held by a subsidiary and is stated at cost less any accumulated impairment losses, and is tested annually for impairment.

	Group
	HK$'000
Cost	
At 1 January 2006, 31 December 2006 and at 31 December 2007	830
Amortisation and impairment	
At 1 January 2006	630
Impairment	54
At 31 December 2006 and at 1 January 2007	684
Impairment	–
At 31 December 2007	684
Net carrying amount	
At 31 December 2007	146
At 31 December 2006	146

16. Inventories

Inventories comprises of:–

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Raw materials	6,653	1,872
Work in progress	4,911	80
Finished goods	7,496	1,531
	19,060	3,483

17. Due from subsidiaries

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

18. Trade and other receivables

	Group		Company	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	24,816	8,905	–	–
Other receivables, deposits and prepayment	6,506	16,190	9,956	10,256
	31,322	25,095	9,956	10,256

The aging analysis of trade receivables is as follows

	Group		Company	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 30 days	5,759	2,733	–	–
31 to 90 days	5,596	3,339	–	–
91 to 180 days	7,351	1,664	–	–
Over 180 days	6,110	1,169	–	–
	24,816	8,905	–	–

19. Due from a related company

Particulars of the amount due from a related company of the Group disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance are as follows:–

The Group

Name of related company	At 31 December 2007	At 31 December 2006	At 1 January 2006	Maximum amount Outstanding during the year 2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Shenzhen Weiyi Optical Communication Technology Limited ("Weiyi")	–	175	18,709	175	18,709

The Company

Name of related company	At 31 December 2007	At 31 December 2006	At 1 January 2006	Maximum amount Outstanding during the year 2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Shenzhen Weiyi Optical Communication Technology Limited ("Weiyi")	–	9,483	9,483	9,483	9,483

The amount due from a related company was unsecured and interest free.

Weiyi is controlled by Mr. Cheng Qing Bo, the Chairman and executive director as well as the substantial shareholder of the Company.

20. Cash and bank balances

Cash and bank balances comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less.

21. Short-term borrowing

	2007	2006
	HK$'000	*HK$'000*
Loan from non-financial institution	1,700	–

Loan from non-financial institution is unsecured and bears interest at prime rate minus 2% per annum and is repayable on demand.

22. Trade and other payables

	Group		Company	
	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	6,832	1,134	–	–
Temporary deposits, accruals and other payables	17,279	10,462	10,185	5,437
	24,111	11,596	10,185	5,437

The aging analysis of trade payables is as follows:–

	Group		Company	
	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 30 days	3,542	601	–	–
31 to 90 days	2,393	468	–	–
91 to 180 days	164	65	–	–
Over 360 days	733	–	–	–
	6,832	1,134	–	–

23. Due to a director/a shareholder

The amount due to a director/a shareholder is unsecured, interest free and has no fixed terms of repayment.

24. Due to a related company

	2007	2006
	HK$'000	*HK$'000*
Shenzhen Weiyi Optical Communication Technology Limited ("Weiyi")	430	–

Weiyi is controlled by Mr. Cheng Qing Bo, the Chairman and executive directors as well as the substantial shareholder of the Company.

The amount due to a related company is unsecured, interest free and has no fixed terms of repayment.

25. Convertible bonds

On 31 October 2002, the Company issued convertible bonds (the "Convertible Bonds") with principal amount of HK$27,400,000 which were originally due and mature on 31 October 2003. The Company will repay the principal amount outstanding under the Convertible Bonds to the bondholders together with interest accrued thereon up to and including the date of actual repayment upon maturity. The Convertible Bonds bear interest at a rate of 2% per annum on the aggregate principal amount outstanding from time to time. The interest is payable yearly in arrears on 31 December in each year. The Convertible Bonds carry the rights to convert, at the discretion of the bondholders, either in whole or in part of the principal amount into ordinary shares of the Company at the initial conversion price of HK$0.17 per share (subject to adjustments), from 1 November 2002 to the maturity date of 31 October 2003.

On 1 November 2003, the Company entered into agreements with the bondholders to extend the maturity date to 31 October 2005, with the existing terms and conditions remained unchanged.

On 28 December 2004, the Company entered into agreements with the bondholders to extend the maturity date to 30 April 2006, with the existing terms and conditions remained unchanged.

On 26 December 2005, the Company entered into agreements with the bondholders to extend the maturity date to 30 April 2007, with the existing terms and conditions remained unchanged. Accordingly, the amount is classified as non-current at 31 December 2005.

On 31 July 2006, the Company entered into agreements with the bondholders to extend the maturity date to 30 June 2008, with the existing terms and conditions remained unchanged. Accordingly, the amount is classified as non-current at 31 December 2006.

On 28 September 2007, the Company entered into agreements with the bondholders to extend the maturity date to 31 December 2009, with the existing terms and conditions remained unchanged.

	Group and Company	
	2007	**2006**
	HK$'000	*HK$'000*
Liability component at the beginning of the year	25,640	26,564
Interest expenses	1,797	1,702
Fair value adjustments	(2,029)	(2,077)
Interest waived	(549)	(549)
Liability component at the end of the year	24,859	25,640

The interest charged for the year is calculated by applying an effective interest rate of 6.58% (2006: 7.24%) to the liability component for the year since the convertible bonds were issued.

The directors estimate the fair value of the liability component of the convertible bonds at 31 December 2007 to be approximately HK$24.9 million (2006: HK$25.6 million). This fair value has been calculated by discounting the future cash flows at the market rate.

26. Deferred tax liabilities

The followings are the major deferred tax liabilities/(assets) provided/(recognized) by the Group, and the movements thereon, during the current and prior years:–

The Group

	Accelerated tax depreciation	Convertible bonds-equity component	Revaluation of plant and machinery	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2006	5,488	242	1,714	(5,488)	1,956
Credit to equity for the year	–	308	6,663	–	6,971
At 31 December 2006 and at 1 January 2007	5,488	550	8,377	(5,488)	8,927
Credit to/(charged from) equity for the year	–	428	(3,419)	–	(2,991)
At 31 December 2007	5,488	978	4,958	(5,488)	5,936

The following is the analysis of the deferred tax balances for balance sheet purposes:

	2007	2006
	HK$'000	*HK$'000*
Deferred tax liabilities	11,424	14,415
Deferred tax assets	(5,488)	(5,488)
	5,936	8,927

At the balance sheet date, the Group has unused tax losses of HK$72,051,000 (2006: HK$72,051,000) available for offset against future profits. A deferred tax asset has been recognized in respect of HK$31,363,000 (2006: HK$31,363,000) of such losses. No deferred tax asset has been recognized in respect of the remaining HK$40,688,000 (2006: HK$40,688,000) due to the unpredictability of future profits streams. All losses may be carried forward indefinitely subject to the approvals of tax authorities in respective jurisdictions.

The Company

	Convertible bonds-equity component
	HK$'000
At 1 January 2006	242
Credit to equity for the year	308
At 31 December 2006 and at 1 January 2007	550
Credit to equity for the year	428
At 31 December 2007	978

27. Share capital

	Number of shares	Amount
		HK$'000
Authorised:		
At 1 January, 2006, 31 December 2006 and at 31 December 2007	50,000,000,000	500,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1 January 2006, 31 December 2006 and at 31 December 2007	723,087,310	7,231

28. Reserves

Group

	Share premium HK$'000	Translation reserve HK$'000	Revaluation reserve HK$'000	Convertible bonds reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2006	61,597	–	12,849	2,119	(34,373)	42,192
Exchange differences arising on translation of financial statements outside Hong Kong	–	117	–	–	–	117
Fair value adjustment on convertible bonds	–	–	–	2,077	–	2,077
Surplus on revaluation of property, plant and equipment	–	–	23,514	–	–	23,514
Reversal of deferred tax liability on the convertible bonds	–	–	–	(308)	–	(308)
Deferred tax liability on revaluation of property, plant and equipment	–	–	(6,663)	–	–	(6,663)
Profit for the year	–	–	–	–	5,481	5,481
At 31 December 2006 and at 1 January 2007	61,597	117	29,700	3,888	(28,892)	66,410
Exchange differences arising on translation of financial statements outside Hong Kong	–	646	–	–	–	646
Fair value adjustment on convertible bonds	–	–	–	2,029	–	2,029
Deficit on revaluation of property, plant and equipment	–	–	(4,823)	–	–	(4,823)
Reversal of deferred tax liability on the convertible bonds	–	–	–	(427)	–	(427)
Deferred tax liability on revaluation of property, plant and equipment	–	–	3,419	–	–	3,419
Profit for the year	–	–	–	–	182	182
At 31 December 2007	61,597	763	28,296	5,490	(28,710)	67,436

Company

	Share premium	Convertible notes reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2006	61,597	2,119	(46,073)	17,643
Fair value adjustment on convertible bonds	–	2,077	–	2,077
Reversal of deferred tax liability on the convertible bonds	–	(308)	–	(308)
Loss for the year	–	–	(4,716)	(4,716)
At 31 December 2006 and at 1 January 2007	61,597	3,888	(50,789)	14,696
Fair value adjustment on convertible bonds	–	2,029	–	2,029
Reversal of deferred tax liability on the convertible bonds	–	(427)	–	(427)
Loss for the year	–	–	(8,518)	(8,518)
At 31 December 2007	61,597	5,490	(59,307)	7,780

29. Share options scheme

Pursuant to an ordinary resolution passed on 29 April, 2002, the shareholders of the Company approved the adoption of a new share option scheme (the "2002 Share Option Scheme").

According to the 2002 Share Option Scheme, the Board of the Company may grant options to eligible employees, including directors of the Company or any of its subsidiaries and any suppliers, consultants, agents and advisers who have contributed to the Group, to subscribe for shares in the Company for a consideration of HK$1 for each lot of share options granted.

Options granted should be accepted within 3 business days from the date of grant. The total number of shares in respect of which options may be granted under the 2002 Share Option Scheme of the Company at any time shall not exceed 10% of the shares of the Company in issue at any point in time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholder. Option granted to substantial shareholders or any of its associates in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advanced by the Company's shareholders.

The directors may at its absolute discretion determine the period during which option may be exercised, such period to expire not later than 10 years from the date of grant of the option. No option may be granted more than 10 years after the date of approval of the 2002 Share Option Scheme. Subject to earlier termination by the Company in general meeting or by the Board's meeting, the 2002 Share Option Scheme shall be valid and effective for a period of 10 years after the date of adoption of the 2002 Share Option Scheme. The exercise price is determined by the directors and shall not be less than the highest of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of the share.

No options were granted during the year under the 2002 Share Option Scheme since its adoption. The 2002 Share Option Scheme will expire on 28 April 2012.

30. Connected and related party disclosures

During the year, the group had transactions and/or balances with the directors and/or related parties, some of which are also deemed to be connected persons pursuant to the Listing Rules. The transactions during the year and balances with them at the balance sheet, are as follows:

(a) Transactions with connected or related parties:

Name of party	Nature of transactions	2007	2006
		HK$'000	*HK$'000*
Shenzhen Weiyi Optical Communication Technology Limited ("Weiyi") *(note i)*	Purchase of plant and equipment *(note ii)*	–	15,000

It is opined that the above transactions were entered into on normal commercial terms. The balances are unsecured, interest free and with no fixed repayment terms.

Notes:

i Weiyi is controlled by Mr. Cheng Qing Bo, the Chairman and executive director as well as the substantial shareholder of the Company.

ii The purchase price was set out in the sale and purchase agreement agreed by both parties.

(b) Compensation of key management personnel of the Group.

During the year, there are three key personnel of the Group being executive directors of the Group. Details of remuneration and related benefits are disclosed in note 9.

(c) Details of the balances with related parties are set out in the notes 19, 23 and 24.

31. Litigation

On 19 January 2004, a winding up petition was filed against the Company by certain ex-senior employees of the Group claiming for payment in the sum of approximately HK$594,000 from the Company in respect of an award/order dated 20 October 2003 granted by the Labour Tribunal in respect of the severance and bonus dispute between the Company and the ex-senior employees. The unsettled amounts of HK$594,000 not yet paid up to 31 December 2007 were fully accrued in trade and other payables at the year ended 31 December 2005.

32. Operating lease arrangements

The Group as lessee

At the balance sheet date, the Group has outstanding commitments under non-cancellable operating lease, which fall due as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Within one year	–	504
In the second to fifth year inclusive	–	–
	–	504

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

The Group as lessor

The Group rents out its club debenture under operating leases. The leases are negotiated for a term of two years. The rental income is HK$36,000 per year.

At the balance sheet date, the Group had contracted with lessee for the following future minimum lease payments:

	2007	**2006**
	HK$'000	*HK$'000*
Within one year	36	5
In the second to fifth year inclusive	5	36
	41	41

33. Capital commitments

At the balance sheet date, the group had no material capital commitment.

34. Retirement benefit schemes

The Group operates a MPF Scheme for all employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of an independent trustee. The Group contributes a certain percentage of relevant payroll costs to the Scheme, which contribution is matched by employees.

The employees of the Group's subsidiaries in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiary is required to contribute a certain percentage of payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions.

35. Financial risk management and capital risk management

(a) Financial Risk Management

The Group is exposed to a variety of financial risks which result from its operating and investing activities.

Management regularly manage the financial risks of the Group. Because of the simplicity of the financial structure and the current operation of the Group, no major hedging activities are undertaken by management.

The most significant financial risks to which the Group is exposed to are as follows:–

(i) Foreign exchange risk

The Group has adopted the Hong Kong dollar as its functional and presentation currency. A subsidiary is operated in the People's Republic of China, and is therefore exposed to foreign exchange risk. However in view of the stable currency policies adopted by the PRC government, the directors consider that the foreign exchange risk is insignificant.

The Group currently does not have a foreign exchange rate hedging policy in respect of commercial transactions denominated in foreign currencies. However, the directors monitors exchange rate exposure and will consider hedging significant exchange rate exposure should the need arise.

(ii) Credit risk

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 December 2007 in relation to each class of recognized financial assets is the carrying amounts of those assets as stated in the consolidated balance sheet. The Group's credit risk is primarily attributable to its trade receivables and amounts due from subsidiaries. In order to minimize credit risk, management reviews the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognized for irrecoverable debts. In this regard, management considers that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks of good standing.

Trade receivables are within 90 days from the date of billing. Debtors with balance that are more than 90 days past due are requested to settle all outstanding balances before any further credit is granted.

At the balance sheet date, the Group has no significant concentration of credit risk.

(iii) Liquidity risk

The Group will consistently implement a prudent liquidity risk management and ensure that it maintains sufficient cash and cash equivalents to meet its liquidity requirements. Short-term borrowing has been arranged with non-financial institution in order to fund the liquidity requirements. The management monitors the utilization of borrowings and ensures compliance with loan covenants.

(iv) Fair value and cash flow interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to fair value and cash flow interest risks is minimal as all financial instruments are carried at amounts not materially different from their fair values and the fluctuation of market interest rates is insignificant.

(b) Capital Risk Management

The Group's objective when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total liabilities (including current and non-current liabilities as shown in the consolidated balance sheet) less cash and cash equivalents. Total equity represents the equity as shown in the consolidated balance sheet.

The gearing ratios at 31 December 2007 and 2006 are as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Total liabilities	67,657	53,020
Less: Cash and cash equivalents *(Note 20)*	(37)	(1,199)
Net debt	67,620	51,821
Total equity	74,667	73,641
Gearing ratio	91%	70%

The increase in gearing ratio during 2007 resulted primarily from the short-term borrowing obtained and increase in trade and other payables.

36. Events after year-end date

Pursuant to ordinary resolutions passed at the Extraordinary General Meeting held on 18 March 2008, the Company resolved to:

i) Issue and allot 3,542,000,000 shares (the subscription shares) at the subscription price of HK$0.01 per share;

ii) Issue and allot 1,458,000,000 shares (the placings shares) at the placing price of HK$0.01 per share;

iii) Issue of not more than 723,087,310 shares (the rights shares) by way of rights issue on the basis of one rights share for every existing share held on the record date at the subscription price of HK$0.01 per rights share to the shareholders of the Company;

iv) Issue of not more than 36,154,365 shares (the bonus shares) by way of bonus issue on the basis of one bonus share for every twenty existing shares held on record date to the shareholders of the Company;

v) Issue of not more than 223,845,635 shares (the remuneration shares) at an issue price of HK$0.01 per share in settlement of part of professional fees charged by Somerley Limited and President Securities (Hong Kong) Limited;

vi) Adopt new share option scheme and terminate the existing share option scheme; and

vii) Approve the past transactions requiring approval and Whitewash Waiver application.

37. Particulars of principal subsidiaries

Company	Place of incorporation/ operation	Issue and paid up capital	Attributable percentage of shares held Directly	Indirectly	Class of shares held	Principal activities
Optical Crystal (BVI) Limited	British Virgin Islands ("BVI")	US$1,000	100	–	Ordinary	Investment holding
Opcom Holdings (BVI) Limited	BVI	US$1,000	100	–	Ordinary	Investment holding
Intcera High Tech (BVI) Limited	BVI	US$100	100	–	Ordinary	Investment holding
Great Route Limited	Hong Kong	HK$100	–	100	Ordinary	Investment holding
Aoptic (BVI) Inc.	BVI	US$10	–	100	Ordinary	Investment holding
Optical Connx Company Limited	Hong Kong	HK$100	–	100	Ordinary	Trading of ceramic blanks and ferrules in the PRC and Hong Kong
Intcera High Tech (HK) Limited	Hong Kong	HK$100	–	100	Ordinary	Investment holding and provision of management services in Hong Kong
Rich Palace Limited	BVI	US$1	–	100	Ordinary	Investment holding

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

38. Approval of accounts

The consolidated financial statements were approved and authorized for issue by the board of directors on 19 March 2008.

3. MATERIAL ADVERSE CHANGE

Save as disclosed in the Company's annual report for the year ended 31 December 2007 and save for the effects of the Share Subscription, the Placings and the Rights Issue (which, in aggregate, will increase the net assets value of the Group by at least HK$51.4 million), the Directors are not aware of any material adverse change in the financial or trading position or outlook of the Group since 31 December 2007, being the date to which the latest published audited financial statements of the Company, as shown in this Appendix, were made up.

4. INDEBTEDNESS

At the close of business on 29 February 2008, being the latest practicable date for purpose of this indebtedness statement, the Group had a loan from non-financial institution of approximately HK$2.24 million.

Save as disclosed above and apart from intra-group liabilities and normal accounts payable in the ordinary course of business of the Group, none of the members of the Group had, at the close of business on 29 February 2008, any outstanding mortgages, charges, debenture, loan capital issued and outstanding or agreed to be issued, bank loan and overdraft or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantee or other material contingent liabilities.

5. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, in the absence of unforeseen circumstances and based on the internal resources of the Group, the Group will have sufficient working capital for its present requirements for the next 12 months from the date of this Prospectus.

1) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 7.31 of the GEM Listing Rules is set out below to illustrate the effect of the Rights Issue on the consolidated net tangible assets of the Group as if the Rights Issue had taken place on 31 December 2007 together with assumptions set out in the notes below.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group as at 31 December 2007 or at any future date.

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is based on the unaudited consolidated net assets of the Group as at 31 December 2007 and is adjusted for the effect of the Rights Issue (assuming all Qualifying Shareholders take up their respective entitlements under the Rights Issue):

Unaudited consolidated net tangible assets of the Group as at 31 December 2007	Estimated net proceeds from the Rights Issue (assuming all Qualifying Shareholders take up their respective entitlements under the Rights Issue) *(note a)*	Unaudited pro forma adjusted consolidated net tangible assets of the Group upon completion of the Rights Issue (assuming all Qualifying Shareholders take up their respective entitlements under the Rights Issue)	Unaudited consolidated net tangible assets per Share before the Rights Issue *(note b)*	Unaudited pro forma adjusted consolidated net tangible assets per Share upon completion of the issue of the Rights Issue (assuming all Qualifying Shareholders take up their respective entitlements under) the Rights Issue *(note c)*
HK$'000	*HK$'000*	*HK$'000*	*HK$*	*HK$*
74,667	6,500	81,167	0.10	0.06

Notes:

a The estimated net proceeds from the Rights Issue are based on 723,087,310 Rights Shares to be issued at the RI Subscription Price of HK$0.01 per Rights Share and the deduction of the estimated expenses of approximately HK$0.7 million (assuming all Qualifying Shareholders take up their respective entitlements under the Rights Issue).

b The unaudited consolidated net tangible assets of the Group per Share before the Rights Issue is calculated based on 723,087,310 Shares in issue as at the Latest Practicable Date.

c The unaudited pro forma adjusted consolidated net tangible assets of the Group per Share is calculated based on 723,087,310 Shares in issue as at the Latest Practicable Date and 723,087,310 Rights Shares proposed to be issued pursuant to the Rights Issue (assuming all Qualifying Shareholders take up their respective entitlements under the Rights Issue).

d The above unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has excluded:

i) The Shares to be issued pursuant to and estimated net proceeds from the Share Subscription and the Placings, based on 3,542,000,000 Subscription Shares to be issued at the Subscription Price of HK$0.01 per Subscription Share and 1,458,000,000 Placing Shares to be issued at the Placing price of HK$0.01 per Placing Share pursuant to the Subscription Agreement and Placing Agreements respectively and the deduction of the estimated expenses of approximately HK$5.1 million;

ii) 36,154,365 Bonus Shares proposed to be issued and credited as fully paid at par on the basis of one Bonus Share for every existing twenty Shares held on the Record Date; and

iii) Up to 223,845,635 Remuneration Shares which might be issued to settle part of the professional fees charged by Somerley and President Securities pursuant to the engagement letter concluded;

as set out in the Circular dated 29 February 2008.

2) REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is the text of a report received from Patrick Ng & Company, Certified Public Accountants, Hong Kong, for the sole purpose of inclusion in this Prospectus.

2 April 2008

ACCOUNTANTS' REPORT ON STATEMENT OF UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The Board of Directors,
Intcera High Tech Group Limited,
Room 1203,
The Chinese Bank Building,
61-65 Des Voeux Road, Central,
Hong Kong

Dear Sirs,

We report on the statement of unaudited pro forma adjusted consolidated net tangible assets (the "Unaudited Pro Forma Financial Information") of Intcera High Tech Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out in Appendix II of the Company's prospectus dated 2 April 2008 (the "Prospectus") in connection with the proposed rights issue on the basis of one rights share for every existing share held on record date (the "Proposed Rights Issue"), which has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Proposed Rights Issue might have affected the financial information presented for inclusion in the Prospectus.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with Rule 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Listing Rules (GEM)") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by Rule 7.31(7) of the Listing Rules (GEM), on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Rule 7.31(1) of the Listing Rules (GEM).

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 December 2007 or any future date.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Rule 7.31(1) of the Listing Rules (GEM).

Yours faithfully,

Patrick Ng & Company
Certified Public Accountants
Hong Kong

1. RESPONSIBILITY STATEMENT

This Prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this Prospectus is accurate and complete in all material aspects and not misleading; (ii) there are no other matters the omission of which would make any statement in this Prospectus misleading; and (iii) all opinions expressed in this Prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. DIRECTORS INFORMATION

Name	Address
Cheng Qing Bo	廣東省深圳市羅湖區東門北路翠竹苑59-B4 (B4-59, Cui Zhu Yuan Dongmen Road North Luohu District, Shenzhen, Guangdong)
Tung Tai Yung	Flat A4, Block A, 24/F, Elizabeth House, Causeway Bay, Hong Kong
Li Fang	廣東省深圳市羅湖區愛國路泰寧花園 (Taining Garden Aiguo Road Luohu District, Shenzhen, Guangdong)
Lin Nan	上海市虹口區山陰路57段14號 (No. 14, Section 57 Shanyin Road Hongkou District, Shanghai)
Liu Zheng Hao	廣東省深圳市羅湖區中興路144號7棟705室 (Room 705, Block 7, No. 144 Zhongxing Road Luohu District, Shenzhen, Guangdong)
Lam Williamson	3/F, 290 Reclamation Street, Mong Kok, Kowloon, Hong Kong
Mak Wai Fong	Flat D 18/F, Wah Shun Garden, 898 King's Road, Quarry Bay, Hong Kong

Executive Directors

Mr. CHENG Qing Bo

Aged 45, is the Chairman and an Executive Director of the Group. He joined the Group in June 2002. Mr. Cheng is responsible for overseeing the general management and formulating the strategic plans of the Group. Mr. Cheng is also the chairman of Shenzhen Zhongji Industry (Group) Co., Ltd and Shenzhen Weiyi Optical Communication Technology Limited, and concurrently holding directorships in various other companies. Mr. Cheng holds a master degree in economics from Zhongnan University of Finance and Economics, and has passed the China United Examination for Certified Public Accountants. He also obtained the Securities Practitioner Certificate. Mr. Cheng has over 10 years of experience in finance, accounting and investment management.

Mr. TUNG Tai Yung

Aged 42, is an Executive Director and the Chief Technology Officer of the Group and the directors of certain subsidiaries of the Company. Mr. Tung joined the Group in February 1998. Mr. Tung graduated from California Santa Clara University in the United States with a bachelor degree in electrical engineering.

Ms. LI Fang

Aged 32, is an Executive Director of the Group. She joined the Group in April 2005. Ms. Li is a member of the Certified Public Accountants in the PRC (non-practicing). She holds a degree in economics from Zhonguan University of Finance and Economics. Ms. Li has over 10 years of experience in the financing and accounting field in the PRC.

Non-executive Director

Mr. LIN Nan

Aged 44, is a Non-executive Director. He joined the Group in November 2004. Mr. Lin holds a PhD in business administration from Southwest International University, United States. He is currently the general manager of a private company in the PRC. Besides, Mr. Lin is a committee member of 中國上海市盧灣區第十屆政協委員會. He has over 10 years of management experience.

Independent Non-executive Directors

Mr. LIU Zheng Hao

Aged 48, was appointed Independent Non-executive Director in September 2004. Mr. Liu is currently a director as well as the financial controller of a private company in Shenzhen of the PRC.

Mr. Williamson LAM

Aged 33, is a practicing member of the Hong Kong Institute of Certified Public Accountants and a full member of the CPA (Australia). He joined the Group as an Independent Non-executive Director in February 2007. Mr. Lam obtained his bachelor degree of business from Monash University, Australia and has over 10 years experience in auditing, accounting, taxation, company secretarial, finance and financial management. Mr. Lam had worked for international and local accounting firms, multi-national company, financial institutes and listed companies. Currently, Mr. Lam is also an independent non-executive director of Victory Group Limited, a company listed on the Stock Exchange.

Ms. MAK Wai Fong

Aged 40, is a certified public accountant of the Hong Kong Institute of Certified Public Accountants. She joined the Group as an Independent Non-executive Director in March 2007. Ms. Mak obtained her master degree of science in computer science from Victoria University of Technology, Australia and has over 10 years experience in auditing, accounting, taxation, company secretarial, finance and financial management. Ms. Mak had worked for several listed companies. Currently, Ms. Mak is a group accountant of a company listed on the Singapore Exchange Limited.

3. AUDIT COMMITTEE

The Company established an audit committee with written terms of reference based upon the guidelines recommended by the Hong Kong Institute of Certified Public Accountants. The primary duties of the audit committee are to review the Company's annual report and financial statements, half-yearly reports and quarterly reports and to provide advice and comments thereon to the Board of Directors. The audit committee comprises three independent non-executive Directors, namely Mr. Lam Williamson, Ms. Mak Wai Fong and Mr. Liu Zheng Hao. The biographies of members of the audit committee are set out in the paragraph headed "Directors Information" above.

4. PARTIES INVOLVED AND CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive, P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head office and principal place of business in Hong Kong	Room 1203, The Chinese Bank Building, 61-65 Des Voeux Road, Central, Hong Kong

Joint financial advisers to the Company	Somerley Limited 10th Floor, The Hong Kong Club Building, 3A Chater Road, Central, Hong Kong
	President Securities (Hong Kong) Limited Unit 3205-06, 32/F, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong
Legal advisers to the Company in relation to the Rights Issue	*On Hong Kong Law:* Vincent T.K. Cheung, Yap & Co. 15/F, Alexandra House, 18 Chater Road, Hong Kong
	On Cayman Islands Law: Conyers Dill & Pearman 2901 One Exchange Square 8 Connaught Place Central, Hong Kong
Auditors	Patrick Ng & Company Certified Public Accountants 20/F., Hong Kong Trade Centre, 161-167, Des Voeux Road, Central, Hong Kong
Principal bankers	Standard Chartered Bank (Hong Kong) Limited 32nd Floor, 4-4A Des Voeux Road Central, Hong Kong
	The Hongkong and Shanghai Banking Corporation Limited HSBC Main Building, 1 Queen's Road Central, Hong Kong
	The Bank of China (Hong Kong) Limited 14th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong

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	Tricor Abacus Limited 26/F, Tesbury Centre 28 Queen's Road East Hong Kong
Authorized representatives	Cheng Qing Bo Li Fang
Compliance officer	Cheng Qing Bo
Company secretary and qualified accountant	Wong Hon Kit Certified Public Accountant in Hong Kong, member of the Hong Kong Institute of Certified Public Accountants

5. SHARE CAPITAL OF THE COMPANY

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

Authorised share capital:		*HK$*
50,000,000,000	Shares of HK$0.01 each	500,000,000.00
Issued and fully paid up:		
723,087,310	Shares of HK$0.01 each	7,230,873.10

All existing Shares rank pari passu with each other in all respects, including the rights as to voting, dividends and return of capital. No Shares have been issued since the end of the last financial year of the Company ended 31 December 2007 up to the Latest Practicable Date.

6. DISCLOSURE OF INTEREST

Directors and Chief Executive's Interests in Securities

As at the Latest Practicable Date, the interests and short positions of the Directors in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the GEM Listing Rules relating to securities transaction by Directors, were as follows:

(i) Long positions in Shares

Name of Director	Number of Shares	Capacity	Nature of interest	Approximate percentage of issued share capital (%) *(Note 2)*
Mr. Cheng	180,000,000 *(Note 1)*	Beneficial owner	Corporate	24.89
Mr. Tung	4,759,935 *(Note 3)*	Interest of a controlled corporation	Corporate	0.78
Mr. Tung	5,637,500	Beneficial owner	Personal	0.76

Notes:

1. These Shares are held by Bright Castle, which is wholly owned by Mr. Cheng. Mr. Cheng is therefore deemed to be interested in the Shares held by Bright Castle.

2. The percentage of issued share capital had been arrived at on the basis of a total of 723,087,310 Shares in issue as at the Latest Practicable Date.

3. These Shares are held as to 4,017,435 directly by Taiping Enterprises Company Limited ("Taiping") and as to 742,500 through Mamcol Taiwan Company Limited ("Mamcol"), which is a wholly owned subsidiary of Taiping. These Shares are attributable to Mr. Tung under the SFO, since Taiping is a corporation whose board of directors is accustomed to actin accordance with Mr. Tung's directors or instructions.

(ii) Long positions in underlying Shares or equity derivatives of the Company – share option

No share option has been granted under the share option scheme.

(iii) Short positions in the Shares and underlying Shares or equity derivatives of the Company

As at the Latest Practicable Date, none of the Directors had short positions in Shares or underlying Shares or equity derivatives of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had interests in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the GEM Listing Rules relating to securities transaction by Directors.

Interests of Substantial Shareholders in Securities

So far as was known to any Director or chief executive of the Company, as at the Latest Practicable Date, the persons or companies (not being a Director or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

(i) Long positions in Shares

Name of Shareholders	Number of Shares	Nature of interest	Approximate percentage of issued share capital (%) *(Note 3)*
Bright Castle	180,000,000 *(Note 1)*	Corporate	24.89%
JL Investment Capital Limited	3,542,000,000 *(Note 2)*	Corporate	489.84%

Notes:

1. The entire issued share capital is wholly-owned by Mr. Cheng.

2. The Subscriber, the entire issued share capital of which is wholly-owned by Mr. Lau Chi Yuen, Joseph. The interest represents 3,542,000,000 Shares to be subscribed under the Subscription Agreement.

3. The percentage of issued share capital has been arrived at on the basis of a total of 723,087,310 Shares in issue as at the Latest Practicable Date.

(ii) Short positions in the Shares and underlying Shares or equity derivatives of the Company

So far as the Directors are aware, as at the Latest Practicable Date, no persons had short positions in Shares or underlying Shares or equity derivatives of the Company.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person who had an interest or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was interested in 5% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company.

7. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group two years preceding the Latest Practicable Date and are or may be material:

(a) the Subscription Agreement;

(b) the First Placing Agreement;

(c) the Second Placing Agreement; and

(d) the acquisition agreement dated 26 April 2006 entered into between Opcom Holdings (BVI) Limited, a wholly-owned subsidiary of the Company and Shenzhen Weiyi Optical Communication Technology Limited, in relation to the purchase of certain machineries and equipment.

8. EXPERTS AND CONSENT

The following is the qualification of the expert whose letter is contained in this Prospectus:

Name	Qualification
Patrick Ng & Company	Certified Public Accountants

Patrick Ng & Company has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion of its letter and report and the reference to its name in the form and context in which it appears.

As at the Latest Practicable Date, Patrick Ng & Company did not have any shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for shares, options, warrants, convertible securities or derivatives in any member of the Group.

As at the Latest Practicable Date, Patrick Ng & Company did not have any direct or indirect interest in any assets which have been, since 31 December 2007 (the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

9. SERVICE CONTRACT

No Director has a service contract with the Company in respect of his/her service to the Company in the capacity of a Director, which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

10. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors nor their respective associates had any business or interest that competes or may compete directly or indirectly with the business of the Group or any other conflicts of interest with the Group.

11. LITIGATIONS AND CLAIMS

On 19 January 2004, a winding up petition was filed against the Company by certain ex-senior employee of the Group claiming for payment in the sum of approximately HK$594,000 from the Company in respect of an award/order dated 20 October 2003 granted by the Labour Tribunal in respect of the severance and bonus dispute between the Company and such employee. The unsettled amounts of HK$594,000 not yet paid up to 31 December 2007 were fully accrued as trade and other payables for the year ended 31 December 2007. The plaintiff has not proceeded with any further legal action up to the Latest Practicable Date.

Save as disclosed above, no member of the Group was engaged in any litigation or arbitration of material importance as at the Latest Practicable Date, and there was no litigation or claim of material importance known to the Directors pending or threatened by or against any member of the Group.

12. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, save for the Bonus Issue and the Rights Issue in which Mr. Cheng and Mr. Tung are interested,

(a) there is no contract or arrangement in which any of the Directors is materially interested and which is significant in relation to the business of the Group since 31 December 2007 (the date to which the latest published audited consolidated accounts of the Group were made up);

(b) none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2007 (the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or lease to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;

13. MISCELLANEOUS

The English text of the Prospectus shall prevail over the Chinese text.

14. EXPENSES

The expenses in connection with the Rights Issue, including printing, registration, legal, professional and accounting charges are estimated to amount to approximately HK$0.7 million and will be payable by the Company.

15. BINDING EFFECT

The Prospectus Documents and all acceptances of any offer or application contained in such documents, are governed by and shall be construed in accordance with the laws of Hong Kong. Where an acceptance or application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance, so far as applicable.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Vincent T.K. Cheung, Yap & Co., the legal adviser of the Company at 15/F, Alexandra House, 18 Chater Road, Hong Kong during 9:00 a.m. to 6:00 p.m. on any weekday (public holidays excepted) from the date of this Prospectus up to and including 21 April 2008:

(a) this Prospectus

(b) the memorandum and articles of association of the Company;

(c) the annual reports of the Company for the two years ended 31 December 2006 and 31 December 2007;

(d) the accountants' report issued by Patrick Ng & Co. on the statement of unaudited pro forma adjusted consolidated net tangible assets of the Group, the text of which is set out in Appendix II to this Prospectus;

(e) the material contracts referred to under the paragraph headed "Material Contracts" in this appendix;

(f) the written consents referred to in the paragraph headed "Experts and consent" in this appendix; and

(g) a copy of each circular issued pursuant to the requirements set out in Chapter 19 and/or 20 of the GEM Listing Rules which has been issued since the date of the latest published audited accounts of the Group.

17. DOCUMENT DELIVERED TO THE REGISTRAR OF COMPANIES

A copy of each of Prospectus Documents, having attached thereto the written consent referred to under the paragraph headed "Experts and consent" in this appendix, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance.