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If you have sold or transferred all your shares in the Company, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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>

**AGREEMENTS FOR EARLY REDEMPTION OF
2% CONVERTIBLE BONDS**

27 May 2008

* *For identification purposes only*

CHARACTERISTICS 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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DEFINITIONS

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

“acting in concert”	has the meaning ascribed to it in the Takeovers Code
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Bond Supplemental Agreements”	the supplement agreements that the Company had entered into with each of the Bondholders to extend the maturity date of the Convertible Bonds
“Bondholders”	collectively (i) Mr. Li; (ii) Mr. Wang; (iii) Mr. Xiao; and (iv) Mr. Zhao
“Bright Castle”	Bright Castle Investments Limited, a company incorporated in the British Virgin Islands with limited liability, which is beneficially wholly-owned by Mr. Cheng
“business day”	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
“CB Redemption”	the early redemption by the Company of the Convertible Bonds in accordance with the terms and conditions of the CB Redemption Agreements as supplemented by the Supplemental CB Redemption Agreements
“CB Redemption Agreements”	collectively the (i) Mr. Li Redemption Agreement; (ii) Mr. Xiao Redemption Agreement; (iii) Mr. Wang Redemption Agreement; and (iv) Mr. Zhao Redemption Agreement
“Company”	Intcera High Tech Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the GEM

DEFINITIONS

“Completion”	the third business day after the service of a completion notice by the Company on the Bondholders, which notice shall only be served after the fulfillment of the conditions mentioned in the section headed “Conditions Precedent” of this circular
“connected person”	has the 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\$27,400,000 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 and the expression “Convertible Bond” shall be construed correspondingly
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the CB Redemption Agreements supplemented by the Supplemental CB Redemption Agreements and the transactions contemplated thereby
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“First Announcement”	the announcement of the Company dated 6 May 2008 regarding the CB Redemption
“First Placing”	the placing of an aggregate of 458,000,000 Shares placed pursuant to 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
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Invested Entity”	an entity in which the Group holds any equity interest
“Latest Practicable Date”	22 May 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information set out in this circular
“Mr. Cheng”	Mr. Cheng Qing Bo, an executive Director
“Mr. Lau”	Mr. Lau Chi Yuen, Joseph, the beneficial owner of the Subscriber and an executive Director
“Mr. Li”	Mr. Li Jian Ling, a PRC resident
“Mr. Li Redemption Agreement”	the conditional agreement entered into on 30 April 2008 between the Company and Mr. Li in relation to the CB Redemption of HK\$5,100,000 Convertible Bond held by Mr. Li, supplemental to such Convertible Bond
“Mr. Li Supplemental Redemption Agreement”	the supplemental agreement entered into on 19 May 2008 between the Company and Mr. Li in relation to the CB Redemption, supplemental to the Mr. Li Redemption Agreement
“Mr. Tung”	Mr. Tung Tai Yung, an executive Director
“Mr. Wang”	Mr. Wang Yong, a PRC resident
“Mr. Wang Redemption Agreement”	the conditional agreement entered into on 30 April 2008 between the Company and Mr. Wang in relation to the CB Redemption of HK\$7,800,000 Convertible Bond held by Mr. Wang, supplemental to such Convertible Bond
“Mr. Wang Supplemental Redemption Agreement”	the supplemental agreement entered into on 19 May 2008 between the Company and Mr. Wang in relation to the CB Redemption, supplemental to the Mr. Wang Redemption Agreement
“Mr. Xiao”	Mr. Xiao Yong, a PRC resident

DEFINITIONS

“Mr. Xiao Redemption Agreement”	the conditional agreement entered into on 30 April 2008 between the Company and Mr. Xiao in relation to the CB Redemption of the HK\$9,400,000 Convertible Bond held by Mr. Xiao, supplemental to such Convertible Bond
“Mr. Xiao Supplemental Redemption Agreement”	the supplemental agreement entered into on 19 May 2008 between the Company and Mr. Xiao in relation to the CB Redemption, supplemental to Mr. Xiao Redemption Agreement
“Mr. Zhao”	Mr. Zhao Yu, a PRC resident
“Mr. Zhao Redemption Agreement”	the conditional agreement entered into on 30 April 2008 between the Company and Mr. Zhao in relation to the CB Redemption of HK\$5,100,000 Convertible Bond held by Mr. Zhao, supplemental to such Convertible Bond
“Mr. Zhao Supplemental Redemption Agreement”	the supplemental agreement entered into on 19 May 2008 between the Company and Mr. Zhao in relation to the CB Redemption, supplemental to the Mr. Zhao Redemption Agreement
“Options”	option(s) to be granted to the Participant(s) to subscribe for Share(s) under the Share Option Scheme
“Participant”	(i) any employee or proposed employee (whether full time or part time) of any member of the Group or any Invested Entity, including any executive director of any member of the Group or any Invested Entity; or (ii) any directors (including executive, non-executive and independent non-executive directors) of any member of the Group or any Invested Entity; or (iii) any supplier of goods or services to any member of the Group or any Invested Entity; or (iv) any customer of any member of the Group or any Invested Entity; or (v) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; or (vi) any consultant or adviser of any member of the Group or any Invested Entity; or (vii) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity, and, for the purposes of the Share Option Scheme, Options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of Participants

DEFINITIONS

“Placing Agent”	President Securities (Hong Kong) Limited, a licensed corporation under the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) to engage in Types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Promissory Notes”	collectively two unsecured promissory notes in the aggregate principal amount of HK\$12,400,000 to be issued on the date of Completion by the Company to certain Bondholders, namely, Mr. Xiao as to HK\$7,300,000 and Mr. Zhao as to HK\$5,100,000 respectively, main terms of which are set out in the paragraph headed “Redemption Consideration” in the letter from the Board under the section headed “Early Redemption of Convertible Bonds” of this circular
“Redemption Consideration”	the total consideration payable by the Company to the Bondholders for the CB Redemption, the particulars of which are set out in the section headed “Redemption Consideration” in the letter from the Board under this circular
“Second Placing”	the placing of an aggregate of 1,000,000,000 Shares placed pursuant to 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
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (cap. 571, Laws of Hong Kong)
“Share Option Scheme”	the share option scheme adopted by the Company on 18 March 2008, the details of which are set out in the circular of the Company dated 29 February 2008
“Share Repurchase Code”	the Code on Share Repurchases of Hong Kong

DEFINITIONS

“Share Subscription”	the subscription of 3,542,000,000 Shares by the Subscriber upon and subject to the terms and conditions of the Subscription Agreement
“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Shareholders”	holders of the Shares
“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, which is ultimately beneficially owned by Mr. Lau
“Subscription Agreement”	the agreement dated 7 September 2007 between the Company and the Subscriber in relation to the Share Subscription
“Supplemental CB Redemption Agreements”	collectively the (i) Mr. Li Supplemental Redemption Agreement; (ii) Mr. Wang Supplemental Redemption Agreement; (iii) Mr. Xiao Supplemental Redemption Agreement; and (iv) Mr. Zhao Supplemental Redemption Agreement
“Takeovers Code”	the Code on Takeovers and Mergers of Hong Kong
“%”	per cent

LETTER FROM THE BOARD

INTCERA
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(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8041)

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

Executive Directors:

CHENG Qing Bo (*Chairman*)
TUNG Tai Yung
LAU Chi Yuen, Joseph

Independent non-executive Directors:

LEE Chung Mong, John
FUNG Chan Man, Alex
TAM Wing Kin

Registered office:

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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

27 May 2008

To the Shareholders

Dear Sir or Madam

AGREEMENTS FOR EARLY REDEMPTION OF CONVERTIBLE BONDS

(A) INTRODUCTION

Reference is made to the First Announcement issued by the Company on 6 May 2008, the announcement of the Company dated 9 May 2008, the announcement of the Company dated 19 May 2008, the circular of the Company dated 29 February 2008 and the announcement of the Company dated 26 June 2002 and the circular dated 16 July 2002.

* *for identification purposes only*

LETTER FROM THE BOARD

The Board announces that on 30 April 2008, the Company entered into various CB Redemption Agreements with the respective Bondholders which are supplemental to the Convertible Bonds and the Bonds Supplemental Agreements respectively. Under the CB Redemption Agreements, the Company and the respective Bondholders have agreed that the Company shall early redeem at the Redemption Consideration the Convertible Bonds on the date of Completion, by way of (i) cash as to HK\$15,000,000 in aggregate and (ii) issuing in favour of certain Bondholders, namely, Mr. Xiao and Mr. Zhao, the Promissory Notes as to HK\$12,400,000 in aggregate, on the date of Completion.

As disclosed in the announcement of the Company dated 19 May 2008, upon the Company's consultation with the Executive, the Executive came to a view that the CB Redemption is an exempt share repurchase on part of the Company for the purpose of the Share Repurchase Code, having regard that the CB Redemption Agreements are amendments to the Bond Supplemental Agreements mutually agreed by the Company and the Bondholders in writing, and as such, the early redemption of the Convertible Bonds will be made pursuant to the CB Redemption Agreements. Further, the Board announces that the Supplemental CB Redemption Agreements were entered into between the Company and the Bondholders dated 19 May 2008 whereupon the Company and the Bondholders agreed to amend the condition precedent to the effect that completion of the CB Redemption is conditional upon the passing of an ordinary resolution by the Shareholders at the EGM approving the CB Redemption Agreements and transactions contemplated thereby.

On 31 October 2002, the Company issued the Convertible Bonds with principal amount of HK\$27,400,000 which were originally due on 31 October 2003. The Company should 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, payable yearly in arrears on 31 December. The Convertible Bonds carry the rights to convert, at the discretion of the Bondholders, either in whole or in part, 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. The principal terms of the Convertible Bonds had been set out and detailed in the Company's announcement dated 26 June 2002 and circular dated 16 July 2002.

Given the loss-making and unsatisfactory financial situation of the Company in recent years and in order to defer the repayment obligation under the Convertible Bonds so as to allow more working capital for the operations of the Group, the Company had entered into the Bonds Supplemental Agreements with each of the Bondholders to extend the maturity date of the Convertible Bonds.

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

LETTER FROM THE BOARD

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

On 31 July 2006, the Company entered into agreements with the Bondholders to extend the maturity date to 30 June 2008, with the other terms and conditions remained unchanged.

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

Save as disclosed above, all other terms of the Convertible Bonds remain unchanged.

(B) EARLY REDEMPTION OF CONVERTIBLE BONDS

CB Redemption Agreements as supplemented by the Supplemental CB Redemption Agreements

(i) Mr. Li Redemption Agreement between the Company and Mr. Li as supplemented by Mr. Li Supplemental Redemption Agreement

Date of Mr. Li Redemption Agreement:

30 April 2008

Date of Mr. Li Supplemental Redemption Agreement:

19 May 2008

Parties:

(1) the Company, as issuer

(2) Mr. Li, as bondholder

LETTER FROM THE BOARD

(ii) *Mr. Wang Redemption Agreement between the Company and Mr. Wang as supplemented by Mr. Wang Supplemental Redemption Agreement*

Date of Mr. Wang Redemption Agreement:

30 April 2008

Date of Mr. Wang Supplemental Redemption Agreement:

19 May 2008

Parties:

- (1) the Company, as issuer
- (2) Mr. Wang, as bondholder

(iii) *Mr. Xiao Redemption Agreement between the Company and Mr. Xiao as supplemented by Mr. Xiao Supplemental Redemption Agreement*

Date of Mr. Xiao Redemption Agreement:

30 April 2008

Date of Mr. Xiao Supplemental Redemption Agreement:

19 May 2008

Parties:

- (1) the Company, as issuer
- (2) Mr. Xiao, as bondholder

LETTER FROM THE BOARD

(iv) ***Mr. Zhao Redemption Agreement between the Company and Mr. Zhao as supplemented by Mr. Zhao Supplemental Redemption Agreement***

Date of Mr. Zhao Redemption Agreement:

30 April 2008

Date of Mr. Zhao Supplemental Redemption Agreement:

19 May 2008

Parties:

- (1) the Company, as issuer
- (2) Mr. Zhao, as bondholder

Redemption Consideration

The Convertible Bonds issued by the Company to the Bondholders on 31 October 2002 are to be early redeemed by the Company before maturity pursuant to the CB Redemption Agreements as supplemented by the Supplemental CB Redemption Agreements, whose particulars are set out below:

Bondholder	Principal amount of Convertible Bonds (HK\$)	Amount of Convertible Bonds to be redeemed by cash (HK\$)	Amount of Convertible Bonds to be redeemed by Promissory Notes (HK\$)	Interest under the Convertible Bonds (per annum)	Maturity	Initial conversion price per Share	Maximum number of Shares to be issued upon conversion in full
Mr. Li	5,100,000	5,100,000	0	2%	31 December 2009	HK\$0.17	30,000,000
Mr. Wang	7,800,000	7,800,000	0	2%	31 December 2009	HK\$0.17	45,882,353
Mr. Xiao	9,400,000	2,100,000	7,300,000	2%	31 December 2009	HK\$0.17	55,294,118
Mr. Zhao	5,100,000	0	5,100,000	2%	31 December 2009	HK\$0.17	30,000,000

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date and (ii) assuming the Convertible Bonds are converted in full during the Conversion period under the assumption that none of the controlling shareholders, the Directors and Bondholders will acquire or dispose of the Shares and the Company will not issue or repurchase any Shares prior to the Convertible Bonds are converted in full.

	As at the Latest Practicable Date		Assuming the full conversion of the Convertible Bonds	
	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>
		<i>(approx.)</i>		<i>(approx.)</i>
Bright Castle (<i>Note 1</i>)	369,000,000	5.5	369,000,000	5.4
The Subscriber (<i>Note 2</i>)	3,542,000,000	52.8	3,542,000,000	51.6
Mr. Tung	21,314,749	0.3	21,314,749	0.3
Public Shareholders	2,773,259,871	41.4	2,773,259,871	40.4
Bondholders	—	—	161,176,741	2.3
	<hr/>		<hr/>	
Total	6,706,174,620	100.0	6,867,351,361	100.0
	<hr/> <hr/>		<hr/> <hr/>	

Notes:

1. These Shares are beneficially owned by Bright Castle, the entire issued share capital of which is wholly-owned by Mr. Cheng, an executive Director.
2. These Shares are beneficially owned by the Subscriber, the entire issued share capital of which is wholly-owned by Mr. Lau, an executive Director.

As shown in the above tables, the maximum number of Shares to be issued upon exercise of the conversion rights attached to the Convertible Bonds in full is 161,176,741 Shares, representing about 2.4% of the existing issued share capital of the Company and about 2.34% of the issued share capital of the Company as enlarged by the issue of such 161,176,741 Shares.

LETTER FROM THE BOARD

As set out in the above table, part of the Redemption Consideration in the sum of HK\$12,400,000 is to be satisfied by the Company issuing in favour of the Bondholders on the date of the Completion the Promissory Notes for the aggregate principal amount of HK\$12,400,000, the main terms of which are as follows:

	Bondholder	Principal amount <i>(HK\$)</i>	Maturity date	Interest (per annum)
Promissory Note No. 1	Mr. Xiao	7,300,000	2nd anniversary of the date of the Promissory Note	2%
Promissory Note No. 2	Mr. Zhao	5,100,000	2nd anniversary of the date of the Promissory Note	2%

Under the Promissory Notes, the Company, Mr. Xiao or Mr. Zhao (as the case may be) shall not assign or transfer all or part of their rights title, benefits, interest therein, thereto or thereunder, or liabilities and/or obligations thereunder, to any third parties without the prior written consent of the other parties.

As at the Latest Practicable Date, no part of the Convertible Bonds is converted into Shares by their respective Bondholders and the Bondholders have also indicated that they will not exercise the conversion rights attached to their respective Convertible Bonds.

The Board confirms that (i) there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares which might be material to the CB Redemption; and (ii) there is no agreement nor arrangement to which the Company is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the CB Redemption.

The original terms and conditions of the Convertible Bonds and the Bonds Supplemental Agreements have not provided for early redemption as contemplated under the CB Redemption Agreements as supplemented by the Supplemental CB Redemption Agreements.

The Redemption Consideration is to be satisfied by the Company at Completion (i) in cash as to HK\$15,000,000 in aggregate; and (ii) the issue of Promissory Notes as to HK\$12,400,000 in aggregate in favor of certain Bondholders, namely, Mr. Xiao and Mr. Zhao, as set out in the table above. The date of maturity of the Promissory Notes is the second anniversary of the date of the Promissory Note. The Company expects to settle payment of the Promissory Notes in cash on the maturity date.

LETTER FROM THE BOARD

The Redemption Consideration was reached after arm's length negotiations between the respective parties to the CB Redemption Agreements as supplemented by the Supplemental CB Redemption Agreements.

Conditions precedent

Completion of the CB Redemption Agreements as supplemented by the Supplemental CB Redemption Agreements is conditional upon: (i) the passing of an ordinary resolution by the Shareholders at the extraordinary general meeting of the Company approving the CB Redemption Agreements as supplemented by the Supplemental CB Redemption Agreements and the transactions contemplated thereby; and (ii) the approval of the CB Redemption by the SFC pursuant to Rule 2 of the Share Repurchases Code and the Stock Exchange, if required. As mentioned hereinafter, the passing of such ordinary resolution by the Shareholders at the extraordinary general meeting has been achieved by the written resolution of the Subscriber made on 19 May 2008.

If any of the conditions mentioned above has not been satisfied in full on or before 30 July, 2008, the CB Redemption Agreements as supplemented by the Supplemental CB Redemption Agreements shall lapse and the parties thereto shall be discharged from the terms and obligations of the CB Redemption Agreements as supplemented by the Supplemental CB Redemption Agreements, and the Convertible Bonds concerned shall continue to be of full force and effect as if the CB Redemption Agreements as supplemented by the Supplemental CB Redemption Agreements have not been entered into.

As disclosed in the announcement of the Company dated 19 May 2008, the CB Redemption is an exempt share repurchase on part of the Company for the purpose of the Shares Repurchase Code. Accordingly, no application for the approval of the SFC in respect of the CB Redemption will be proceeded with.

However, the Company has made application to seek the approval of the Stock Exchange in respect of the CB Redemption.

Completion

Completion shall take place on the third business day after the service of a completion notice by the Company on the Bondholders, which notice shall only be served after the fulfillment of the conditions mentioned above.

LETTER FROM THE BOARD

Reasons for the CB Redemption

Reference is made to the circular dated 29 February 2008 and the announcement of the Company dated 13 December 2007, which have mentioned that by a letter from the Stock Exchange dated 14 November 2007 to the Company, not more than HK\$15,000,000 of the proceeds from the Share Subscription, the First Placing and the Second Placing shall be permitted to be applied towards repayment by the Company of the outstanding amount of the Convertible Bonds. In view of the foregoing restriction, for the purpose of the CB Redemption, part of the Convertible Bonds in the sum of HK\$15,000,000 will be redeemed by the Company by cash in the aggregate amount of HK\$15,000,000, while the remaining aggregate amount of HK\$12,400,000 of the Convertible Bonds will be redeemed by the Company by way of issuing to certain Bondholders, namely, Mr. Xiao and Mr. Zhao, the Promissory Notes in the aggregate amount of HK\$12,400,000. The early redemption of the Convertible Bonds is made so as to improve the Company's existing gearing ratio, which is a step intended to be achieved by the Company upon the operational review conducted by the Company's new management following its recent change of substantial shareholder of the Company, with reference to the circular of the Company dated 29 February 2008.

The net proceeds from the Share Subscription, the First Placing and the Second Placing are intended to be used by the Group as to approximately HK\$15 million to repay part of the outstanding principal amount of the Convertible Bonds and the balance for general working capital purposes.

(C) INFORMATION ON THE GROUP

The Group is principally engaged in the business of manufacturing and trading of ceramic blanks and ferrules and related products.

(D) INFORMATION ON THE BONDHOLDERS

The Bondholders are residents of the PRC.

Each of the Bondholders is not a connected person of the Company and is independent from and not connected with the Company and its connected persons.

LETTER FROM THE BOARD

(E) FINANCIAL IMPACT OF THE CB REDEMPTION

The following table sets out certain financial figures of the Group as at 31 December 2007 immediately before and after completion of the CB Redemption, assuming that completion of the CB Redemption takes place on 31 December 2007:

	Immediately before completion of the CB Redemption	Immediately after completion of the CB Redemption
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net asset value	105,462	105,462
Total liabilities	67,657	52,657
Working capital	74,667	74,667
Earnings per Share		
– basic	0.025	0.025

Net asset value

The audited consolidated net asset value of the Group was approximately HK\$105.46 million as at 31 December 2007, representing the value of approximately HK\$0.1458 per Share on the basis of 723,087,310 Shares in issue as at 31 December 2007. In the event that the Bondholders exercise the conversion right attaching to the Convertible Bonds which are being converted will become equity capital of the Group, thus reducing the Group's liabilities by an amount equal to the principal amount of the Convertible Bonds converted. This will lead to an increase in the net asset value of the Group but may result in a dilution effect on the value per Share based on the value per Share as at 31 December 2007, since the conversion price per Share is lower than such value per Share. The Promissory Notes, on the other hand, will not bring about an increase in the net asset value of the Group as they are pure liabilities to the Group and there are no conversion rights being attached thereto. The CB Redemption will not have any effect on the net asset value of the Group.

LETTER FROM THE BOARD

Total liabilities

Upon completion of the CB Redemption, the liabilities of the Group will be decreased from HK\$67.6 million to HK\$52.6 million solely due to the CB Redemption in cash.

Working capital

Correspondingly, the working capital of the Group will be decreased by HK\$15 million as a result of the CB Redemption.

Earnings per Share

However, the earnings per Share will remain HK\$0.025 per Share (based on the weighted-average number of Shares in issue as at 31 December 2007 of 723,087,310).

(F) GEM LISTING RULES IMPLICATION

Reference is made to the announcement of the Company dated 19 May 2008.

To the best of the Directors' knowledge, information and belief having made all reasonable inquiry, each of the Bondholders is not connected person of the Company and is independent from and not connected with the Company and its connected persons. As none of the Shareholders is interested in the CB Redemption, none of the Shareholders is required to abstain from voting in respect of the CB Redemption.

The Board announces that the Subscriber, the controlling shareholder of the Company which owns 3,542,000,000 Shares, representing 52.8% of the entire issued share capital of the Company, has provided its written shareholders' approval approving the CB Redemption in lieu of holding the EGM in accordance with Rule 19.44 of the GEM Listing Rules.

As mentioned in the announcement of the Company dated 19 May 2008, this circular does not contain a letter from the independent financial adviser, a letter from the independent board committee and other information required under the Share Repurchase Code, as well as notice of the EGM, having regard that the Company has already obtained the Subscriber's written approval for the CB Redemption in lieu of holding the EGM in accordance with Rule 19.44 of the GEM Listing Rules.

LETTER FROM THE BOARD

(G) RECOMMENDATION

The Directors consider that the terms of the CB Redemption are fair and reasonable, and the CB Redemption is in the best interests of the Company and its Shareholders as a whole. Accordingly, the Directors would have recommended the Shareholders to vote for the CB Redemption if the EGM were to be convened to approve the CB Redemption. Further, on 19 May 2008, the Subscriber gave its written approval approving the CB Redemption in lieu of holding the EGM in accordance with Rule 19.44 of the GEM Listing Rules.

(H) ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendix to this circular.

Yours faithfully,
For and on behalf of the Board
Intcera High Tech Group Limited
Cheng Qing Bo
Chairman

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. This circular, 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:

- (a) the information contained in this circular, other than those relating to the Subscriber, is accurate and complete in all material respects and not misleading;
- (b) there are no other matters the omission of which would make any statement in this circular misleading; and
- (c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on the bases and assumptions that are fair and reasonable.

2. SHARE CAPITAL OF THE COMPANY**(a) Authorised and issued share capital**

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

Authorised share capital: *HK\$*

<u>50,000,000,000</u>	Shares of HK\$0.01 each	<u>5,000,000,000.00</u>
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Issued and fully paid up:

<u>6,706,174,620</u>	Shares of HK\$0.01 each	<u>67,061,746.20</u>
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All existing Shares rank pari passu with each other in all respects, including the rights as to voting, dividends and return of capital.

(b) Share options

Up to the Latest Practicable Date, no Options have been granted under the Share Option Scheme.

(c) **Convertible securities**

On 31 October 2002, the Company issued the Convertible Bonds with aggregate principal amount of HK\$27,400,000 which were originally due on 31 October 2003. The Company should 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. Interest is payable yearly in arrears on 31 December. The Convertible Bonds carry the rights to convert, at the discretion of the bondholders, either in whole or in part 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.

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

As disclosed in the “Letter from the Board” set out in this circular, as on 30 April 2008, the Company entered into various CB Redemption Agreements with the respective Bondholders which are supplemental to the Convertible Bonds and the Bonds Supplemental Agreement respectively. Further, on 19 May 2008, the Company entered into the Supplemental CB Redemption Agreements with the Bondholders.

Save for the Convertible Bonds, the Company has not issued any options, warrants, derivatives or securities convertible or exchangeable into Shares since 31 December 2007, being the date to which the latest published audited consolidated accounts of the Group were made up.

3. DISCLOSURE OF INTEREST

(a) Interests in the Company

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 Directors	Number of Shares	Capacity	Nature of interest	Approximate percentage of issued share capital (%) (Note 3)
Mr. Lau	3,542,000,000 (Note 1)	Interest of a controlled corporation	Corporate	52.81
Mr. Cheng	369,000,000 (Note 2)	Beneficial owner	Corporate	5.50
Mr. Tung	9,757,866 (Note 4)	Interest of a controlled corporation	Corporate	0.16
Mr. Tung	11,556,883 (Note 4)	Beneficial owner	Personal	0.19

Notes:

- These Shares are held by the Subscriber, which is wholly owned by Mr. Lau. Mr. Lau is therefore deemed to be interested in the shares held by the subscriber.

2. 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.
3. The percentage of issued share capital had been arrived at on the basis of a total of 6,706,174,620 Shares in issue as at the Latest Practicable Date.
4. These Shares are held as to (i) 11,556,883 directly by Mr. Tung personally, and (ii) 8,235,741 directly by Taiping Enterprises Company Limited (“Taiping”) and as to 1,522,125 through a wholly-owned subsidiary of Taiping namely Mamcol Taiwan Company Limited, which are attributable to Mr. Tung under the SFO since Taiping is a corporation whose board of directors is accustomed to act in accordance with Mr. Tung’s directions and instructions.

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.

(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

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

Interests of Substantial Shareholders in Securities

So far as was known to any Director or chief executive of the Company, as at 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 2)
The Subscriber	3,542,000,000 (Note 1)	Corporate	52.81%
Bright Castle	319,000,000 (Note 3)	Corporate	5.50%

Notes:

1. The Subscriber, the entire issued share capital of which is wholly-owned by Mr. Lau. The interest represents 3,542,000,000 Shares subscribed under the Subscription Agreement.
2. The percentage of issued share capital has been arrived at on the basis of a total of 6,706,174,620 Shares in issue as at the Latest Practicable Date.
3. Bright Castle, the entire issued share capital of which is wholly-owned by Mr. Cheng. The interest represents 319,000,000 Shares.

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.

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

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

4. LITIGATION AND CLAIM

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 such employees. The unsettled amounts of HK\$594,000 not yet paid up to 31 December 2006 were fully accrued as trade and other payables for the year ended 31 December 2006. 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.

5. DIRECTORS' SERVICE CONTRACTS

There is no existing or proposed service contract between any Director and the Company or any of its members which is not terminable within one year without payment of compensation (other than statutory compensation) and no service contract has been entered into or amended within six months before the Latest Practicable Date.

6. 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 after the date two years before the date of the First Announcement and up to the Latest Practicable Date and are or may be material:

- (a) the Subscription Agreement;
- (b) the First Placing Agreement;
- (c) the Second Placing Agreement;
- (d) the CB Redemption Agreements; and
- (e) the Supplemental CB Redemption Agreements.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company up to and including 27 June 2008:

- (a) the memorandum and articles of association of the Company; and
- (b) the material contracts referred to in the paragraph headed “Material contracts” in this appendix.

The above documents will also be available at the website of the Company’s website at www.intcera.com.hk.