J.I.C.Technology Company Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 0987)

Annual Report 2007

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
CHUI Kam Wai (Chairman)[1]
YEOH Teck Hooi (Chief Executive Officer)[2]
LIU Xue Qing[3]

Non-executive Directors
KOO Ming Kown (Chairman)[4]
Seitaro FURUKAWA[5]
LEE Wa Lun, Warren[6]
John Quinto FARINA[7]

Independent Non-executive Directors
CHAM Yau Nam
LEUNG Wai Hung
CHENG Chi Heng[8]
CHOI Man Chau, Michael[9]

AUDIT COMMITTEE

CHAM Yau Nam (Chairman)
LEUNG Wai Hung
CHENG Chi Heng[8]
CHOI Man Chau, Michael[9]

REMUNERATION COMMITTEE

CHAM Yau Nam (Chairman)
LEUNG Wai Hung
CHENG Chi Heng[8]
CHOI Man Chau, Michael[9]

COMPANY SECRETARY

WONG Long Kee[10]
CHAN Bo Shan[11]

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway, Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Shanghai Commercial Bank Limited
Construction Bank of China

WEB SITE

http://www.jic-group.com

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Town Grand Cayman Cayman Islands

HONG KONG BRANCH SHARES REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

Cricket Square Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG OFFICE

Suites 1506-1508
One Exchange Square
8 Connaught Place
Central, Hong Kong

JAPAN OFFICE

6th Floor, 3-12-12, Higashi-Nihonbashi
Chuo-Ku, Tokyo, Japan

P.R.C. OFFICE

Level C12, Ming Wah International Conventional Centre
No. 8 Gui Shan Road, Shekou, Shenzhen,
Guangdong Province, People's Republic of China

MACAO OFFICE

Unit D, 17th Floor
Edificio Comercial Rodrigues
599 da Avenida da Praia Grande, Macao

1 *resigned with effect from 2 February 2008*
2 *resigned with effect from 2 February 2008*
3 *appointed with effect from 2 February 2008*
4 *re-designated with effect from 2 February 2008*
5 *resigned with effect from 1 August 2007*
6 *resigned with effect from 16 April 2007*
7 *resigned with effect from 2 February 2008*
8 *resigned with effect from 11 May 2007*
9 *appointed with effect from 11 May 2007*
10 *resigned with effect from 2 February 2008*
11 *appointed with effect from 2 February 2008*

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

Sales for the twelve months ended 31 December 2007 were approximately HK$654,010,000, which was approximately 29.7% above the annual sales of 2006. The growth came mainly from the large volume lower margin LCD modules while the sales of higher margin LCD modules only increased marginally. Gross profit margin and operating income margin dropped from 16.8% and 6.5% in 2006 to 11.1% and 1.8% respectively in 2007. Although gross profit margin and operating income margin for 2007 were lower than those of 2006, the management of the Company was able to improve gross profit margin and operating income margin from 10.4% and 1.0% in the first half of 2007 to 11.6% and 2.6% respectively in the second half of 2007. The improvement was attributable to the success of various cost control measures adopted by the management and the increasing production efficiency over the period under review.

REORGANIZATION

As jointly announced previously by Nam Tai Electronics, Inc. ("NTEI") (NYSE stock code: NTE, a company listed on the New York Stock Exchange and the holding company of the Company), the Company and Nam Tai Electronic & Electrical Products Limited ("NTEEP"), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited ("SEHK") (SEHK stock code: 2633), the reorganization of NTEI and its subsidiaries (collectively "NTEI Group") consisting of the Company and NTEEP was completed in Macao, PRC on 31 December 2007.

The Company disposed of its entire interest in its wholly owned principal subsidiary, Jetup Electronic (Shenzhen) Co., Ltd. ("Jetup") and its two intermediate holding companies, to NTEI (NYSE stock code: NTE) at a cash consideration of approximately HK$380,241,000 on 31 December 2007. On the same date, the Group acquired Shenzhen Namtek Co., Ltd. ("Shenzhen Namtek"), a software solution provider and its immediate and intermediate holding companies, and also Namtek Japan Company Limited ("Namtek Japan"), a sales support office (collectively "Namtek"), from NTEEP (SEHK stock code: 2633) at a total cash consideration of HK$80,500,000. The Group recorded a net gain amounting to approximately HK$209,817,000 from the disposal of the subsidiaries.

Upon the completion of the Reorganization on 31 December 2007, the Group's principal activities have changed to software development.

OUTLOOK

As announced in the joint announcement of the Company and HKC (Holdings) Limited ("HKC") dated 4 March 2008, HKC has become the controlling shareholder of the Company following completion of a share purchase agreement relating to shares in the Company on 4 March 2008. The Board has been recently informed by HKC that, subject to the approval by the Shareholders and compliance with the relevant and applicable rules and regulations, HKC intends to change the name of the Company from "J.I.C. Technology Company Limited" to "Hong Kong Energy (Holdings) Limited". HKC has cited its belief that the proposed new name of the Company will better reflect its business focus and its role as the principal vehicle of HKC's alternative energy businesses in the future in accordance with the intentions of HKC regarding the Group described in the joint announcement of the Company and HKC dated 3 March 2008.

APPRECIATION

I would like to take this opportunity to extend my gratitude to the other directors of the Company for their valuable contributions to the Group and would also like to thank our customers, suppliers and shareholders for their continuous support and our staff members for their dedication and hard work.

KOO Ming Kown
Chairman

Hong Kong, 10 April 2008

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

Net sales for the twelve months ended 31 December 2007 increased moderately by 29.7% to HKD654.0 million as compared to the annual sales last year.

Gross margin dropped from 16.8% in year 2006 to 11.1% in year 2007. Selling, administrative expenses and R&D expenses recorded a respective rise of 28.3%, 14.0% and 13.3% respectively.

Net profit for the twelve months ended 31 December 2007 increased by 710.3% to HK$228.5 million as compared to the same period last year mainly because the HK$209.8 million gain on disposal of subsidiaries.

Cash generated from operations for the year was HK$68.5 million (2006: HK$56.5 million). The Company retired a loan of HK$13.5 million during the year, bringing down the debt to equity ratio from 0.34 as at 2006 year end to 0.02 as at 2007 year end. As at 31 December 2007, the Company had HK$344.6 million cash on hand and total banking facilities of HK$8.6 million (2006: HK$203.2 million), out of which only HK$8.6 million (2006: HK$57.1 million) was utilized. The Company believes that the strong cash from operations and available banking facilities shall be able to support the Company in its capital expenditure and future operations.

Basic and diluted earnings per share for the year ended 31 December 2007 were 29.92 HK cents as compared to basic and diluted earnings per share of 3.69 HK cents for the year ended 31 December 2006.

BUSINESS REVIEW

As part of the Reorganization of NTEI (NYSE stock code: NTE) to centralize all the NTEI Group's manufacturing businesses in NTEEP (SEHK stock code: 2633) and non-manufacturing businesses in the Company, on 31 December 2007, the Company disposed of its entire interest in its wholly owned principal subsidiary, Jetup and its two intermediate holding companies, to NTEI (NYSE stock code: NTE) at a cash consideration of approximately HK$380,241,000. On the same date, the Company acquired Shenzhen Namtek, a software solution provider and its immediate and intermediate holding companies, and also Namtek Japan, a sales support office, from NTEEP (SEHK stock code: 2633) at a total cash consideration of HK$80,500,000. The Company recorded a net gain amounting to approximately HK$209,817,000 from the disposal of the subsidiaries. The completion of the Reorganization signified that the Company would discontinue its LCD product business and commence to engage in software development business.

Sales for the fourth quarter of 2007 were approximately HK$166,107,000, an increase of 29.6% when compared with the same period last year. Gross profit and operating income for the fourth quarter increased 14.3% and 165.6% respectively when compared with the same period last year. Gross profit margin, however, dropped from 12.3% to 10.9% for the period under review due to lower sales mix of higher margin LCD modules and competitive pricing pressure on products. Selling, administrative and research and development expenditure as a whole increased very marginally over the same quarter last year.

Sales for the six months ended 31 December 2007 were up by 25.9% although gross profit margin and operating income margin were down by 7.7% and 40.8% respectively compared to the same period last year. The growth for the six months ended 31 December 2007 was mainly driven by a new LCD module product which demanded a two-fold increase in the capacity of LCD module assembly. In the process of gearing the capacity for the expansion of such business, the Company had acquired new machines and expanded the workforce. While tuning the bottleneck and balancing the productivity, the Company suffered because of overhead expenses and yield losses.

Sales for the twelve months ended 31 December 2007 were approximately HK$654,010,000, which was approximately 29.7% above the annual sales of 2006. The growth came mainly from the large volume lower margin LCD modules while the sales of higher margin LCD modules only increased marginally. Gross profit margin and operating income margin dropped from 16.8% and 6.5% in 2006 to 11.1% and 1.8% respectively in 2007. Although gross profit margin and operating income margin for 2007 were lower than those of 2006, the management of the Company was able to improve gross profit margin and operating income margin from 10.4% and 1.0% in the first half of 2007 to 11.6% and 2.6% respectively in the second half of 2007. The improvement was attributable to the success of various cost control measures adopted by the management and the increasing production efficiency over the period under review.

LIQUIDITY, FINANCIAL RESOURCES AND FINANCIAL RATIOS

The proceeds of the sale of the interest in Jetup significantly strengthened the Company's balance sheet. As at 31 December 2007, total cash was HK$344.6 million (2006: HK$26.5 million) and total bank borrowings were HK$8.6 million (2006: HK$57.1 million)

During the financial year ended 31 December 2007, cash per share was 45.1 HK cents (2006: 3.5 HK cents) and net asset per share was 52.0 HK cents (2006: 22.1 HK cents), based on 763,534,755 (2006: 763,534,755) issued ordinary shares.

As at 31 December 2007, the Company had, a cash to current liabilities ratio of 20.09 (2006: 0.19), a current ratio of 20.25 (2006: 1.34) and a total assets to total liabilities ratio of 17.18 (2006: 2.14), and approximately HK$344.6 million (2006: HK$26.5 million) of bank balances and cash.

As at 31 December 2007, the Company issued no corporate guarantee (2006: HK$138.8 million) to banks in respect of banking facilities granted to its subsidiaries. Total banking facilities available for the Company was HK$8.6million as at 31 December 2007 (2006: HK$203.2 million), out of which HK$8.6million (2006: HK$57.1 million) had been utilized. The gearing ratio (total bank borrowings/total shareholders' equity) was 0.02 (2006: 0.34). The fall in bank borrowings was attributable to retirement of loans previously raised for trade finance and factory expansion. The Company's borrowings are arranged at certain fixed rates over the usual inter-bank money market offer rates which are floating for periods ranging from one month to six months; at prevailing market rate/fixed interest rates, and they are denominated in Hong Kong Dollar, United States Dollar and Chinese Renminbi. The average interest rate paid during the year was 6.1% (2006: 5.2%). The maturity profile of the borrowings is set out in note 23 to the accompanying financial statements.

The Company recorded no debtor's turnover days for the 12 months ended 31 December 2007 (2006: 71 days) based on the amount of trade debtors as at the relevant period end divided by sales of the same period and multiplied by 365 days (2006: 365 days) and the number of months in that period over 12.

The Company recorded no creditor's turnover days for the 12 months ended 31 December 2007 (2006: 66 days) based on the amount of trade creditors as at the relevant period end divided by cost of sales of the same period and multiplied by 365 days (2006: 365 days) and the number of months in that period over 12.

The Company recorded no inventory turnover days for the 12 months ended 31 December 2007 (2006: 47 days) based on the amount of inventories as at the relevant period end divided by cost of sales of the same period and multiplied by 365 days (2006: 365 days) and the number of months in that period over 12.

FOREIGN EXCHANGE EXPOSURE

As the Company usually conducts its business transactions in Hong Kong Dollar and United States Dollar, and about 96.2% of the Company's cash as at 31 December 2007 (2006: 98.1%) is in either Hong Kong Dollar or United States Dollar, the management of the Company assessed the exposure to exchange rate fluctuation not significant and evaluated that a commercial hedging exercise was not necessary at this stage. Nevertheless, the Company has been managing its foreign exchange risk through natural hedges when different assets and liabilities are denominated in similar foreign currencies. Meanwhile, the management of the Company has recognized the impact of the appreciation of Chinese Renminbi, though not significant, on the Company's operating costs in the PRC during the year 2007, and further considered any possible depreciation of United States Dollar against Chinese Renminbi in the future.

FINAL DIVIDENDS

It was stated in the circular of the Company dated 5 December 2007 that it was the intention of the Company to use the cash that it has after the Reorganization in investments or for ordinary share dividend payment to the shareholders of the Company, or a combination of both on or before 30 June 2008. The Board is still considering this matter and will make an announcement whether to pay the dividend on or before 30 June 2008.

REPORT OF THE DIRECTORS

The directors (the "Directors") of J.I.C. Technology Company Limited (the "Company") have the pleasure of presenting their annual report together with the audited financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group was principally engaged in the design, manufacture and marketing of liquid crystal display ("LCD") panels and LCD modules. The completion of the Reorganization on 31 December 2007 signified that the Group would discontinue its LCD product business and commence to engage in software development business. Details of the principal activities of its subsidiaries are set out in note 33 to the accompanying financial statements.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to results by geographical market for the year ended 31 December 2007 is set out in note 7 to the accompanying financial statements.

RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 31 December 2007 are set out in the consolidated income statement on page 23 of this annual report.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 62 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2007, the five largest customers of the Group accounted for approximately 56.7% (2006: 59.6%) of the Group's total turnover while the largest customer of the Group accounted for approximately 13.3% (2006: 20.4%) of the Group's total turnover. In addition, for the year ended 31 December 2007, the five largest suppliers of the Group accounted for approximately 46.1% (2006: 59.2%) of the Group's total purchases while the largest supplier of the Group accounted for approximately 10.9% (2006: 16.2%) of the Group's total purchases.

None of the Directors, any of their associates or any shareholders of the Company (which, to the best knowledge of the Directors, owned more than 5% of the Company's issued share capital) had a beneficial interest in the Group's five largest customers or suppliers.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment of approximately HK$31,908,000 (2006: HK$7,104,000). Details of these acquisitions and the other movements in the property, plant and equipment of the Group during the year are set out in note 14 to the accompanying financial statements. Moreover, the Group paid a total of approximately HK$3,893,000 (2006: HK$3,722,000) for machinery under installation, details of which are set out in note 14 to the accompanying financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in note 24 to the accompanying financial statements.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the Consolidated Statement of Changes in Equity on page 25 to the accompanying financial statements.

As at 31 December 2007, approximately HK$322,470,000 (2006: HK$98,884,000) of the Company's reserves were available for distribution to its shareholders.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles of association of the Company or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31 December 2007.

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to approximately HK$120,000 (2006: HK$170,000).

BANK BORROWINGS

Details of the Group's bank borrowings as at 31 December 2007 are set out in the Consolidated Balance Sheet on page 24 of this annual report and in note 23 to the accompanying financial statements.

CAPITALISATION OF INTEREST

No interest was capitalised by the Group during the year.

CONNECTED TRANSACTIONS

During the year ended 31 December 2007, the Group entered into the following transactions with a subsidiary of NTEI (NYSE stock code: NTE). The transactions are defined in Chapter 14A of the Rules (the "Listing Rules") Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as "continuing connected transactions" and are exempt from the independent shareholders' approval requirements. The transactions are subject to the reporting and announcement requirements set out in Chapter 14A of the Listing Rules.

Jetup and Namtai Electronic (Shenzhen) Co., Ltd. ("NTSZ")

On 8 April 2004, JIC Enterprises, a direct subsidiary of the Company and NTSZ, an indirect subsidiary of NTEI (NYSE stock code: NTE), entered into a letter purchase agreement for a term of 3 years commencing on 1 April 2004. The purpose of the agreement is to allow NTSZ to expand its supplier base. Pursuant to the agreement, it was agreed that JIC Enterprises would be included in NTSZ's list of designated suppliers of LCD panels and NTSZ may from time to time place purchase orders with JIC Enterprises at a price no less favorable than that available to NTSZ from independent third parties in accordance with the standard business terms of NTSZ. During 2005, JIC Enterprises ceased to carry on business and the Company nominated its group companies, J.I.C. (Macao Commercial Offshore) Company Limited ("JIC Macao") and Jetup to provide service to NTSZ under the agreement during the year 2005. In 2007, only Jetup provided service to NTSZ.

The total net amount of sales from Jetup to NTSZ during year 2007 and 2006 were approximately HK$1,947,000 and HK$3,218,000 respectively.

The independent non-executive directors have reviewed the above transaction and confirmed that the transaction was entered into in the ordinary and usual course of business of the Company and on terms no less favourable to the Company than terms available from independent third parties. The independent non-executive directors further confirmed that the transaction was entered into in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.38 of the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited, the board of directors engaged the auditors of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group. The auditors have reported their factual findings on these procedures to the board of directors. The independent non-executive directors have reviewed the continuing connected transactions and the report of the auditors and have confirmed that the transactions have been entered into by the Company in the ordinary course of its business, on terms no less favorable than terms available to independent third parties, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

CONTRACTS OF SIGNIFICANCE

There are no contracts of significance (as defined in the Listing Rules) subsisting during or at the end of the financial year in which any Director is materially interested, either directly or indirectly, nor has the Company or its subsidiaries entered into any contracts of significance with NTEI (NYSE stock code: NTE) or its subsidiaries (other than the connected transactions as set out in the paragraph above).

MANAGEMENT CONTRACTS

During the year, the Company has not entered into any contracts concerning the management and administration for the whole or any substantial part of the business of the Company.

DIRECTORS AND SERVICE CONTRACTS

The Directors who held office during the year ended 31 December 2007 and up to the date of this annual report were:

Executive Directors:

CHUI Kam Wai (Chairman)
(appointed on 6 March 2002 and resigned on 2 February 2008)

YEOH Teck Hooi (Chief Executive Officer)
(appointed on 7 February 2005 and resigned on 2 February 2008)

LIU Xue Qing
(appointed on 2 February 2008)

The appointment of Mr. Chui Kam Wai as an executive Director of the Company is not on specific terms but is subject to retirement by rotation in accordance with the articles of association of the Company. Pursuant to the director's contracts of Mr. Yeoh Teck Hooi and Mr. Liu Xue Qing, the term of their directorship as executive Director is 3 years commencing from 7 February 2005 and 2 February 2007 respectively, unless terminated by either party giving not less than three months' notice to the other party.

Non-executive Directors:

KOO Ming Kown	(appointed on 6 March 2002 as an executive director, re-designated as a non-executive director on 30 March 2004 and re-designated as a non-executive chairman on 2 February 2008)
Seitaro FURUKAWA	(appointed on 6 March 2002 as an executive director, re-designated as a non-executive director on 31 October 2006 and resigned as a non-executive director on 1 August 2007)

LEE Wa Lun, Warren (appointed on 5 January 2007 and resigned as a non-executive director on 16 April 2007)

John Quinto FARINA (appointed on 1 August 2007 and resigned as a non-executive director on 2 February 2008)

The term of directorship of Mr. Koo Ming Kown, Mr. Seitaro Furukawa, Mr. Lee Wa Lun, Warren and Mr. John Quinto Farina as non-executive Director of the Company is one year commencing from 1 January 2005, 31 October 2006, 5 January 2007 and 1 August 2007 respectively. Their respective term of service with the Company will continue for successive periods of one year unless terminated by either party giving not less than one month's notice to the other party.

Independent Non-executive Directors:

CHAM Yau Nam (appointed on 6 March 2002)
LEUNG Wai Hung (appointed on 6 March 2002)
CHENG Chi Heng (appointed on 2 July 2002 and resigned on 11 May 2007)
CHOI Man Chau, Michael (appointed on 11 May 2007)

The term of directorship of Mr. Cham Yau Nam, Mr. Leung Wai Hung, Mr. Cheng Chi Heng and Mr. Choi Man Chau, Michael as independent non-executive Director of the Company is one year commencing from 1 January 2005, 1 January 2005, 1 January 2005 and 11 May 2007 respectively. The term will continue for successive periods of one year unless terminated by either party giving not less than one month's notice to the other party.

All the independent non-executive Directors have confirmed their independence pursuant to Rule 3.13 of the Listing Rules and based on such confirmation, the Company is of the opinion that the independent status of the independent non-executive Directors remains intact as at 31 December 2007.

In accordance with Articles 87(1) and 87(2) of the articles of Association of the Company, Mr. Koo Ming Kown will retire by rotation and, being eligible, will offer himself for re-election at the forthcoming annual general meeting. In accordance with Article 86(3) of the articles of association of the Company, Mr. Liu Xue Qing and Mr. Choi Man Chau, Michael shall hold office only until the forthcoming annual general meeting and be eligible for re-election.

None of the Directors has a service contract or proposed service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the section "Connected Transactions" above and under the headings "Related Party Transactions" in note 32 to the accompanying financial statements, no Director (including past Director) had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its fellow subsidiaries or subsidiaries was a party at the balance sheet date or during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2007, the interests or short positions of the Directors and chief executives in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") (Cap. 571 of the Laws of Hong Kong)) which were 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 were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Listing Rules, were as follows:

(I) Long position in the shares and the underlying shares of the Company

As at 31 December 2007, none of the Directors held any shares in the issued share capital of the Company.

(II) Long position in the shares and the underlying shares of Associated Corporation

As at 31 December 2007, the Directors who held common share of US$0.01 each in NTEI (Note a) are as follows:–

Name of Director	Type of Interest	Capacity	Number of common shares held	Percentage of the issued share capital of the associated corporation
CHUI Kam Wai *(Note b)*	Personal	Beneficial Owner	545,870	1.22%
YEOH Teck Hooi *(Note c)*	Personal	Beneficial Owner	10,000	0.02%
KOO Ming Kown *(Note d)*	Personal	Beneficial Owner	5,690,786	12.70%
Seitaro FURUKAWA *(Note e)*	Personal	Beneficial Owner	20,000	0.04%

As at 31 December 2007, the Directors who held share options granted by NTEI are as follows:–

Name of Director	Capacity	Number of share options held	Number of underlying shares
KOO Ming Kown	Beneficial Owner	30,000	30,000
John Quinto FARINA *(Note f)*	Beneficial Owner	90,000	90,000

Notes:

(a) NTEI holds 74.99% shareholding of the Company as at 31 December 2007.
(b) Chui Kam Wai resigned as an executive Director of the Company on 2 February 2008.
(c) Yeoh Teck Hooi resigned as an executive Director of the Company on 2 February 2008.
(d) The common shares are held jointly by Mr. Koo Ming Kown and his spouse, Ms. Cho Sui Sin.
(e) Seitaro Furukawa resigned as a non-executive Director of the Company on 1 August 2007.
(f) John Quinto Farina resigned as a non-executive Director of the Company with effect from 2 February 2008.

Save as disclosed above, no Director nor chief executive has any interests or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have 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 were taken or deemed to be have under such provisions), or which were recorded in the register required to be kept by the Company under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Listing Rules.

DIRECTORS' BENEFITS FROM RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above and "Share Option Scheme" below, at no time during the 12 months ended 31 December 2007 was the Company, its holding company or its subsidiaries a party to any arrangements which enabled the Directors (including their spouses or children under 18 years of age), to acquire benefits by means of acquisition of shares in or debenture of the Company or any other body corporate.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSABLE UNDER THE SFO

So far as is known to any Director or chief executive of the Company, as at 31 December 2007, shareholders who had interests or short positions in the shares or underlying shares of the Company which would have to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests or short positions which were taken or deemed to be have under such provisions), or which were recorded in the register of interests required to be kept by the Company under Section 336 of the SFO or, who were or were expected directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group, were as follows:

Long position of the substantial shareholder in the shares of the Company

Name of substantial shareholder	Capacity	Number of ordinary shares held	Percentage of shareholding
NTEI	Beneficial owner	572,594,978	74.99%

Save as disclosed above, the Company has not been notified by any person (other than the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would have to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests or short positions which were taken or deemed to be have under such provisions), or which were recorded in the register of interests required to be kept by the Company under Section 336 of the SFO or, who were or were expected directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

SHARE OPTION SCHEME

On 16 April 2002, a share option scheme ("the Scheme") was approved by the Board and enables the Company to grant options to eligible participants for the purpose of providing incentives and rewards to those who contribute to the success of the Group's operations. Eligible participants of the Scheme include, among others, any employee of the Group (including any Director of the Company or any of its subsidiaries) and those companies in the equity share capital of which the Company, directly or indirectly, has a 20 percent or greater beneficial interest but excluding the Company's subsidiaries. The Scheme became effective on 4 June 2002, the date on which the Company's ordinary shares were listed on the Stock Exchange and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The exercise price of the share option is determinable by the Board, but shall not be less than the higher of: (i) the closing price of the Company's ordinary shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of option, which must be a business day; (ii) the average of the closing share price of the Company's ordinary share as stated in the Stock Exchange for the five trading days immediately preceding the date of grant of option; and (iii) the nominal value of the ordinary shares of the Company.

The maximum number of shares which may be issued on exercise of all options granted under the Scheme and any other share option schemes cannot exceed 10% (the "Mandate Limit") of the issued ordinary share capital of the Company at the date of approval of the Scheme, excluding any options lapsed in accordance with the terms of the Scheme. On 16 April 2002, the date of approval of the Scheme, the Company's ordinary shares in issue was 182,544,465 shares of HK$0.01 each and accordingly the Mandate Limit upon which the maximum number of ordinary shares may be granted under the Scheme cannot exceed 18,254,446 ordinary shares. However, the Company may seek approval by its shareholders in general meeting to renew the Mandate Limit from time to time. The maximum number of ordinary shares issuable under the Scheme to each eligible participant within any 12-month period is limited to 1% of the ordinary shares of the Company in issue unless separate approval by the shareholders in general meeting is obtained.

The offer of a grant of share options shall be deemed to have been accepted when the counterpart of the option agreement is duly signed by the grantee together with a remittance in favour of the Company in the amount specified in the offer, being the consideration for the grant of the option, is received by the Company at the place specified in the option agreement within 28 days from the date of the offer or such other period as the Board may specify in writing. An option may be exercised during the period specified in the terms of grant.

No option has been granted by the Company under the Scheme since its adoption.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID DIRECTORS/EMPLOYEES

(I) Directors

For the year ended 31 December 2007, one of the independent non-executive Directors, Mr. CHENG Chi Heng, waived emoluments of HK$43,226 (2006: HK$120,000). Details of the emoluments of the Directors on a named basis during the year are set out in note 11 to the accompanying financial statements.

(II) Employees

Amongst the five highest paid individuals of the Group, two of them are Directors (2006: three Directors).

EMPLOYEE & EMOLUMENT POLICY

Up to 31 December 2007, the Group had a total of 2,794 (2006: 2,393) dynamic and talented employees, among which 26 (2006: 25) were marketing staff and 70 (2006: 85) were research and development staff. All staff were dedicated to maintaining and advancing the quality and reliability of our operations. Total staff costs for the year ended 31 December 2007 were approximately HK$95.2 million (2006: HK$71.2 million).

Remuneration policy of the Group is reviewed regularly, making reference to legal framework, market condition and performance of the Group and individual staff. The remuneration policy and remuneration packages of the executive Directors and members of the senior management are reviewed by the Remuneration Committee of the Company, the composition and responsibilities of which are detailed in the section "Corporate Governance Practices" below.

A share option scheme was established on 4 June 2002 in order for the Company to grant options to eligible participants for the purpose of providing incentives and rewards to those who contribute to the success of the Group's operations. Details of the share option scheme were set out in the section "Share Option Scheme" above. No option has been granted by the Company under the Scheme since its adoption.

The Company operates a mandatory provident fund scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong) for all their employees under Hong Kong employment. The MPF Scheme is a defined contribution scheme pursuant to which the Company and its employees have to each contribute 5% of the relevant income of the employees to the MPF Scheme subject to the minimum and maximum levels of income of HK$5,000 and HK$20,000 respectively with a statutory cap of HK$1,000 per month. The Company's contributions are 100% vested in the employees' accounts once they are paid into the MPF Scheme until the employee reaches the retirement age of 65 subject to a few exceptions.

With regard to the Group's employees under Macao employment, the Group operates a retirement benefit scheme (the "Macao Scheme") which is also a defined contribution scheme administered by independent trustees. Although the Macao Scheme is not a mandatory scheme, the Group has adopted terms identical to the MPF Scheme in terms of contributory amount, operation of the scheme and retirement age for the Macao Scheme.

The Group's local employees in the People's Republic of China ("PRC") under PRC employment are covered under a local statutory retirement insurance policy operated by local government (the "PRC Scheme"). Both the Group and the employees are required to contribute a designated percentage of the employees' monthly salary to the PRC Scheme.

Details of the Group's costs with respect to the MPF Scheme, Macao Scheme and PRC Scheme charged to its income statement are set out in note 30 to the accompanying financial statements.

AUDITOR

Messrs. Deloitte Touche Tohmatsu ("DTT") do not seek for reappointment as auditor of the Company during the forthcoming annual general meeting of the Company.

SUFFICIENT PUBLIC FLOAT

To the knowledge of the Directors based on publicly available information, the Company has sufficient public float as at the date of this annual report.

On behalf of the Board

CHUI Kam Wai
Chairman

Hong Kong, 2 February 2008

REPORT OF CORPORATE GOVERNANCE PRACTICES

The Board acknowledges the importance and benefits of fostering a high ethical and responsible culture at all levels within the organization and its responsibility in ensuring that good corporate governance practices and procedures are in place.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES ("CG CODE")

The Group applied the principles and complied with all the code provisions set out in the CG Code contained in Appendix 14 of the Listing Rules throughout the review period ended 31 December 2007. The Group also complied with most of the recommended best practices as set out in the CG Code throughout the review period ended 31 December 2007.

DIRECTORS' SECURITIES TRANSACTIONS

The Board has adopted the terms of the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 of the Listing Rules (the "Model Code") during the accounting year ended 31 December 2007. None of the Directors is aware of any information that would reasonably indicate that the Company or any of its Directors is not or was not in compliance with the Model Code for any part of the period ended 31 December 2007. Upon specific enquiry of all Directors, the Directors confirmed that they have complied with the Model Code for any part of the period ended 31 December 2007. Upon specific enquiry of our Directors, the Directors confirmed that they have complied with the Model Code for the whole of the year ended 31 December 2007.

THE BOARD

Roles of Directors

The Board assumes responsibility for leadership and control of the Group. The principal roles of the Board are:

- to lay down the Group's objectives, strategies, policies and business plan;

- to monitor and control operating and financial performance through the determination of the annual budget in particular the capital expenditure budget; and

- to set appropriate policies to manage risks in pursuit of the Group's strategic objectives.
  The Board has delegated the day-to-day responsibility to the executive management under the instruction/supervision of Chief Executive Officer and various Board committees.

Composition

As at the date of this Annual Report, the Board consists of 7 members with 2 executive Directors, 2 non-executive Directors and 3 independent non-executive Directors. The Chairman and the Chief Executive Officer positions are split and each of them plays a distinctive role.

- The ***Chairman***, Mr. CHUI Kam Wai, is responsible for leadership and effective running of the Board, and ensuring that all key and appropriate issues are discussed by the Board in a timely and constructive manner.

- The ***Chief Executive Officer***, Dr. YEOH Teck Hooi, is delegated with the authority and is responsible for running the Group's business, and the implementation of the approved strategies in achieving the overall commercial objectives.

The Board held 6 meetings during the year with attendance record as follows:–

Attendance at Board Meeting	Number of Meetings Attended (6 Meetings in total)
Executive Directors:	
Chui Kam Wai (Chairman)	6
Yeoh Teck Hooi (Chief Executive Officer)	6
Non-executive Directors:	
Koo Ming Kown	5
Seitaro Furukawa (resigned with effect from 1 August 2007)	3
Lee Wa Lun, Warren (resigned with effect from 16 April 2007)	1
John Quinto Farina (appointed with effect from 1 August 2007)	3
Independent Non-executive Directors:	
Cham Yau Nam	6
Leung Wai Hung	6
Cheng Chi Heng (resigned with effect from 11 May 2007)	0
Choi Man Chau, Michael (appointed with effect from 11 May 2007)	4

The Board will assess and affirms annually that all independent non-executive Directors satisfy the criteria of independence, as set out in the Listing Rules. Save as disclosed in this Annual Report, Board members are totally unrelated in every aspect including financial, business or family. Biographies of the Directors, and their respective roles in the Board and committees are set out on pages 19 to 20 of this Annual Report. Directors, committee members and the Company's senior management officers will be indemnified against liabilities that may be incurred by them in the execution and discharge of their duties or in relation thereto. A Directors and Officers Liability Insurance policy has been arranged for providing the indemnity.

The terms of appointment of executive and non-executive directors are set out in the Report of the Directors on pages 8 and 9 of this Annual Report.

NOMINATION, APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Board considers the determination of the appointment and removal of Directors to be the Board's collective decision and thus does not intend to adopt the recommended best practice of the CG Code to set up a Nomination Committee. The rules governing the appointment, re-election and removal of Directors are laid down in the Articles of Association. Criteria adopted by the Board in considering the suitability of a candidate for directorship includes his/her qualifications, experience, expertise and knowledge as well the requirements under the Listing Rules.

The terms of appointment of executive and non-executive directors are set out in the Report of the Directors on pages 8 and 9 of this Annual Report.

ACCOUNTABILITY AND AUDIT

The Directors are responsible for overseeing the preparation of the annual accounts which give a true and fair view of the Group's state of affairs of the results and cash flow for the year. In preparing the accounts for the year ended 31 December 2007, the Directors have:

- approved adoption of all Hong Kong Financial Reporting Standards ("HKFRSs") which are in conformity to the International Financial Reporting Standards in all material respects;
- selected suitable accounting policies and applied them consistently; and
- made judgements and estimates that are prudent and reasonable, and ensured that the accounts are prepared on the going concern basis.

The annual, interim, and quarterly results of the Company are announced in a timely manner after the end of the relevant periods. The Group has set up an Audit Committee and a Remuneration Committee under the Board. The Audit Committee is provided with sufficient resources to discharge its responsibilities and is supported by the Internal Audit Department of the Company. The Audit Committee is accountable to the Board. In 2007, the Board, through the Audit Committee, reviewed the effectiveness of the Group's system of internal control over financial, operational and compliance issues, broad-based risk management processes, and physical and information systems security. To formalise the annual review of internal control system, the Audit Committee made reference to the globally recognised framework with modifications to include some controls which are specific to the Group's operation. The Audit Committee concluded that, in general, the Group has set up a sound control environment and installed necessary control mechanisms to monitor and correct non-compliance. The Board, through the review of the Audit Committee, is satisfied that the Group in 2007, fully complied with the code provisions on internal controls as set forth in the CG Code.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three Independent Non-executive Directors, Mr. Cham Yau Nam, Mr. Leung Wai Hung and Mr. Choi Man Chau, Michael. Mr. Cham is the chairman of the Remuneration Committee. Mr. Choi was appointed as a member of the Remuneration Committee with effect from 11 May 2007 after Mr. Cheng Chi Heng resigned as a director and a member of the Remuneration Committee of the Company with effect from the same date. The Remuneration Committee has adopted terms of reference which are in line with the CG Code. The Remuneration Committee met once at the end of the year to review the remuneration policy and remuneration packages of the executives and members of the senior management.

AUDIT COMMITTEE

The Company set up an Audit Committee in 2002. The Audit Committee comprises three Independent Non-executive Directors, Mr. Cham Yau Nam, Mr. Leung Wai Hung and Mr. Choi Man Chau, Michael. Mr. Cham is the chairman of the Audit Committee. Mr. Choi was appointed as a member of the Audit Committee with effect from 11 May 2007 after Mr. Cheng Chi Heng resigned as a director and a member of the Audit Committee of the Company with effect from the same date. The Audit Committee has adopted terms of reference which are in line with the Code and the CG Code. The Group's audited consolidated financial statements for the year ended 31 December 2007 have been reviewed by the Audit Committee, who is of the opinion that such statements comply with applicable accounting standards and legal requirements, and that adequate disclosures have been made. The Audit Committee met 4 times in 2007 with attendance record as follows:

Name of Member	Meetings attended/ eligible to attend
Mr. Cham Yau Nam	4/4
Mr. Leung Wai Hung	4/4
Mr. Cheng Chi Heng (resigned with effect from 11 May 2007)	1/2
Mr. Choi Man Chau, Michael (appointed with effect from 11 May 2007)	2/2

During the year, the main duties of the Audit Committee were:

(i) To make recommendations to the Board on the appointment, reappointment and removal of the external auditor (the "Auditor") and approving the audit fees and terms of engagement of the Auditor, and any questions of resignation or dismissal of the Auditor.

(ii) To review the quarterly and annual financial statements prior to recommending them to the Board for approval.

(iii) To review the Auditor's management letter and the management's response thereto, and to ensure that recommendations made by the Auditor are carried out.

(iv) To review the operation and effectiveness of the Company's financial control, internal control and risk management systems.

(v) To review the appropriateness of reporting and accounting policies and disclosure practices.

(vi) To review the work of the Internal Audit Department, ensuring coordination between the Internal Audit department and Auditor, and reviewing and monitoring the effectiveness of the internal audit function.

The Group's financial statements for the year ended 31 December 2007 have been reviewed by the Audit Committee, who is of the opinion that such statements comply with applicable accounting standards and legal requirements, and that adequate disclosures have been made.

SARBANES-OXLEY ACT

The Company's holding company, NTEI, is a New York Stock Exchange listed company (NYSE stock code: NTE). In this respect, NTEI is working towards full compliance with the relevant sections of the Sarbanes-Oxley Act (the "Act") in accordance with the timetable set out by the relevant regulations. The Act mainly focuses on the effectiveness of internal control and essentially requires the management of NTEI to annually state its responsibilities in establishing and maintaining an adequate internal control structure and procedure for financial reporting; and to conduct an assessment of the effectiveness of NTEI's internal controls and procedures for financial reporting, followed by an attestation of management's assertions by external auditor of NTEI.

In order for the management of NTEI to comply with the Act, each of its subsidiary companies will have to comply with the same stringent requirements under the Act. To this end, the Company has set up a task force which follows the methodology and time schedule of NTEI to ensure that the internal control requirements under the Act can be fully complied with in year 2008.

We believe that upon full implementation of the internal control procedures under the Act, the Company's corporate governance and business practices will be even better enhanced.

QUARTERLY REVIEW BY AUDITOR

The Company engaged external auditor to review its quarterly results in 2007 prior to publication.

AUDITOR'S REMUNERATION

(fees for audit and audit related services, and non-audit services)

During the year, the Group engaged DTT to perform audit and audit related services, and non-audit services and incurred audit and audit related service fees of approximately HK$1,518,000 (2006: HK$1,151,000) and non-audit service fees of approximately HK$1,555,000 (2006: HK$147,000). The audit and audit related service fees included approximately HK$1,235,000 (2006: HK$886,000) for auditing the Group's 2007 financial statements, approximately HK$111,000 (2006: HK$104,000) for reviewing the Group's 2007 interim financial statements, and approximately HK$172,000 (2006: HK$161,000) for reviewing the Group's first and third quarters' financial results.

The Audit Committee acknowledges the delegation of responsibilities from the Board to oversee the effectiveness of the system of internal controls, including financial and operational. In view of the above measures, the Audit Committee has fully complied with and fulfilled its responsibilities as stated under the Code Provisions C.2 on Internal Controls and C.3 on the Audit Committee of the CG Code.

On behalf of the Board

CHUI Kam Wai
Chairman

Hong Kong, 2 February 2008

BIOGRAPHY OF THE DIRECTORS

Executive Directors

Mr. CHUI Kam Wai, aged 49, was an executive director of the Company and Chairman of the Board appointed on 6 March 2002 and 31 October 2006 respectively. Mr. Chui resigned from the position of executive director and Chairman with effect from 2 February 2007. Mr. Chui is the co-founder of JIC Group and has directed JIC Group's marketing activities since founding JIC Group in 1980. After the Reorganization, he is also a director of Jetup Electronic (Shenzhen) Co., Ltd and Nam Tai Electronic & Electrical Products Limited. His experience and expertise are in the areas of new business development, project management and streamlining business operation. He has over 20 years' experience in the LCD business and has extensive experience in doing business with Japanese companies. Save as disclosed above, Mr. Chui does not have any relationship with any director or senior management of the Company.

Dr. YEOH Teck Hooi, aged 43, was an executive director of the Company and Chief Executive Officer of the Company appointed on 7 February 2005 and 31 October 2006 respectively. Dr. Yeoh resigned from the position of executive director and Chief Executive Officer with effect from 2 February 2008. He joined the Company in September 2003 as the President of Business Development and assumed the position of Managing Director of the Company's wholly owned subsidiary, Jetup Electronic (Shenzhen) Co., Ltd., in October 2004. He was appointed as Chief Financial Officer of the Company with effect from 1 January 2005 and resigned from Chief Financial Officer to take up the position of Chief Executive Officer with effect from 31 October 2006. He is also a director of Jetup Electronic (Shenzhen) Co., Ltd. Before joining the Company, he worked for Varitronix, a customised LCD manufacturer, from 1994 to 2003 in the areas of technology and operations. Prior to Varitronix, he worked in GEC Marconi Hirst Research (UK) from 1990 to 1994 in the field of optical and display system research. He was awarded a PhD degree in Liquid Crystal Devices in 1990 at Imperial College (London, U.K.), a Master of Science degree in Microwaves and Modern Optics in 1986 at University College London, U.K. and a Bachelor of Science degree in Electrical and Electronic Engineering in 1985 at University College London, U.K. Save as disclosed above, Mr. Yeoh does not have any relationship with any director or senior management of the Company.

Mr. LIU Xue Qing, aged 47, was appointed as an Executive Director of the Company with effect from 2 February 2008. Mr. Liu joined Shenzhen Namtek Co., Ltd. since 1996 and is a director of Shenzhen Namtek Co., Ltd. He is responsible for operation management and has over 23 years of experience in the electronics industry. Mr. Liu graduated from the University of Science & Technology, the PRC with a bachelor's degree in electronics. Save as disclosed above, Mr. Liu does not have any relationship with any director or senior management of the Company.

Non-Executive Directors

Mr. KOO Ming Kown, aged 63, was a non-executive director of the Company. He was appointed as an executive director of the Company on 6 March 2002 and was re-designated as a non-executive director on 30 March 2004. He was later re-designated as a non-executive Chairman of the Company on 2 February 2008. Mr. Koo served as Chairman of NTEI and its predecessor companies from inception until September 1998. He then became senior executive officer of NTEI, responsible for corporate strategy, finance and administration and served as Chief Financial Officer of NTEI. Mr. Koo resigned from the position of Chief Financial Officer of NTEI in January 2005 but maintained his role as a non-executive Director of NTEI. In July 2005, Mr. Koo reassumed the position as Chairman of NTEI upon the resignation of Mr. Tadao Murakami but maintained his non-executive status. In June 2007, Mr. Koo also assumed the position of Acting Chief Executive Officer of NTEI upon the resignation of Mr. Lee Wa Lun, Warren. Mr. Koo served as Chief Executive Officer of NTEI until Mr. Massaki Yasukawa joined NTEI as Chief Executive Officer with effect from February 2008. Mr. Koo continues to serve NTEI as its chairman. He is also a non-executive director of Nam Tai Electronic & Electrical Products Limited. Mr. Koo received his Bachelor of Laws degree from National Taiwan University in 1970. Save as disclosed above, Mr. Koo does not have any relationship with any director or senior management.

BIOGRAPHY OF THE DIRECTORS

Mr. John Quinto FARINA, aged 54, was appointed as a non-executive director of the Company from 1 August 2007 to 2 February 2008. He is also a President and Chief Financial Officer of NTEI, an executive Director and Chief Financial Officer of Nam Tai Electronic & Electrical Products Limited and a director of Zastron Precision-Tech Limited ("Zastron Precision") and each of Zastron Subsidiaries (Zastron Precision and Zastron Subsidiaries collectively as "Zastron Group") with effect from February 2008. Mr. Farina along with his strong foundation in financial management, brings over 20 years brings over 20 years of experience in high technology companies. He has over 10 years' experience with Celestica Inc., a top tier electronics manufacturing services company. Mr. Farina was part of Celestica Inc.'s founding management team and held general manager, corporate development and financial executive positions. Mr. Farina also worked for 13 years with IBM Corporation in Canada and the United States, where he gained extensive experience in financial management, culminating in the role of divisional chief financial officer. Mr. Farina graduated from the University of Toronto with a Bachelor's Degree in applied science in 1975. He also holds a Master's Degree in Business Administration that he received in 1981 from the York University Schulich School of Business in Toronto. Save as disclosed above, Mr. Farina does not have any relationship with any Director or senior management of the Company.

Independent Non-executive Directors

Mr. CHAM Yau Nam, aged 60, was an independent non-executive Director of the Company appointed with effect from 6 March 2002. He was also a chairman of the Audit Committee and the Remuneration Committee of the Company. He has been appointed as an independent non-executive director of Oriental Press Group Limited since March 2006 and has been the managing director and a shareholder of Kwong Fat Hong (Securities) Limited since 1995. He has over 20 years' experience in the securities industry. He is a Certified General Accountant in Canada. He obtained his Bachelor of Science degree from St. Mary's University, Halifax, Canada, Bachelor of Engineering (Electrical) degree from Nova Scotia Technical College, Halifax, Canada and Master of Business Administration degree from the University of British Columbia, Canada. Save as disclosed above, Mr. Cham does not have any relationship with any director or senior management of the Company.

Mr. LEUNG Wai Hung, aged 49, was an independent non-executive Director of the Company appointed with effect from 6 March 2002. Mr. Leung was also a member of the Audit Committee and Remuneration Committee of the Company. He is a qualified solicitor and has practised as a solicitor in various legal firms in Hong Kong. He is now an inhouse solicitor of a private company providing advisory and other services to banks and financial institutions. Save as disclosed above, Mr. Leung does not have any relationship with any director or senior management of the Company.

Mr. CHOI Man Chau, Michael, aged 51, was appointed as an Independent Non-Executive Director and a member of each of the Audit Committee and Remuneration Committee with effect from 11 May 2007. Mr. Choi is a fellow member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants. He is a Certified Public Accountant (practising) and has been practising public accountancy in Hong Kong for over 20 years. Mr. Choi is also an Independent Non-executive Director of Everbest Energy Holdings Limited (stock code: 578), a company listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Save as disclosed above, Mr. Choi does not have any relationship with any director or senior management of the Company.

Deloitte.
德勤

TO THE SHAREHOLDERS OF J.I.C. TECHNOLOGY COMPANY LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of J.I.C. Technology Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 23 to 61, which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

2 February 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	NOTES	Continuing operations 2007 HK$'000	Continuing operations 2006 HK$'000	Discontinued operations 2007 HK$'000	Discontinued operations 2006 HK$'000	Total 2007 HK$'000	Total 2006 HK$'000
Revenue	7	–	–	654,010	504,297	654,010	504,297
Cost of sales		–	–	(581,641)	(419,620)	(581,641)	(419,620)
Gross profit		–	–	72,369	84,677	72,369	84,677
Bank interest income		21	455	207	193	228	648
Selling and distribution costs		(1,161)	(3,814)	(11,988)	(6,438)	(13,149)	(10,252)
Administrative expenses		(12,752)	(10,621)	(21,217)	(19,169)	(33,969)	(29,790)
Research and development expenditure		–	–	(13,316)	(11,758)	(13,316)	(11,758)
Share of loss of an associate	15	(909)	(58)	–	–	(909)	(58)
Interest on bank borrowings		(1,007)	(1,817)	(2,505)	(2,856)	(3,512)	(4,673)
(Loss) profit before tax		(15,808)	(15,855)	23,550	44,649	7,742	28,794
Income tax credit (expense)	8	–	–	10,903	(601)	10,903	(601)
(Loss) profit after tax	10	(15,808)	(15,855)	34,453	44,048	18,645	28,193
Gain on disposal of subsidiaries	27	–	–	209,817	–	209,817	–
(Loss) profit for the year		(15,808)	(15,855)	244,270	44,048	228,462	28,193
(Loss) earnings per share – Basic (HK cents)	13	(2.07)	(2.08)	31.99	5.77	29.92	3.69

CONSOLIDATED BALANCE SHEET

At 31 December 2007

	NOTES	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	14	1,785	125,831
Investment in an associate	15	–	–
Machinery under installation		–	3,722
Other intangible assets	16	30,849	381
Goodwill	17	42,044	–
		74,678	129,934
Current assets			
Inventories	18	–	54,577
Trade and other receivables	19	2,431	100,185
Amount due from a fellow subsidiary	20	–	539
Tax recoverable		345	5,620
Bank balances and cash	21	344,558	26,530
		347,334	187,451
Current liabilities			
Trade and other payables	22	7,362	90,075
Amount due to an associate	20	–	58
Tax payable		1,210	1,200
Bank borrowings – due within one year	23	8,580	48,543
		17,152	139,876
Net current assets		330,182	47,575
Total assets less current liabilities		404,860	177,509
Non-current liabilities			
Bank borrowings – due after one year	23	–	8,525
Deferred tax liabilities		7,414	–
		7,414	8,525
Net assets		397,446	168,984
Capital and reserves			
Share capital	24	7,635	7,635
Reserves		389,811	161,349
Total capital and reserves		397,446	168,984

The consolidated financial statements on pages 23 to 61 were approved and authorised for issue by the Board of Directors on 2 February 2008 and are signed on its behalf by:

CHUI Kam Wai
DIRECTOR

YEOH Teck Hooi
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2007

	Share capital *HK$'000*	Share premium *HK$'000*	Goodwill reserve *HK$'000*	Special reserve *HK$'000* *(note)*	Retained profits *HK$'000*	Total *HK$'000*
At 31 December 2005 and at 1 January 2006	7,635	175	(8,351)	(6,774)	163,377	156,062
Profit for the year and total recognised income	–	–	–	–	28,193	28,193
Dividends paid *(note 12)*	–	–	–	–	(15,271)	(15,271)
At 31 December 2006 and at 1 January 2007	7,635	175	(8,351)	(6,774)	176,299	168,984
Profit for the year and total recognised income	–	–	–	–	228,462	228,462
Released upon disposal of subsidiaries	–	–	8,351	–	(8,351)	–
At 31 December 2007	**7,635**	**175**	**–**	**(6,774)**	**396,410**	**397,446**

Note: The special reserve of the Group represents the difference between the nominal value of shares of subsidiaries acquired and the nominal value of the shares issued by the Company.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2007

	NOTES	2007 HK$'000	2006 HK$'000
OPERATING ACTIVITIES			
Profit before tax		7,742	28,794
Adjustments for:			
Interest on bank borrowings		3,512	4,673
Bank interest income		(228)	(648)
Share of loss of an associate		909	58
Depreciation of property, plant and equipment		32,642	30,713
Reversal of impairment losses in respect of trade receivables		(424)	(2,806)
Loss on disposal of property, plant and equipment		348	19
Allowance (reversal of allowance) for inventories		475	(522)
Operating cash flows before movements in working capital		44,976	60,281
Decrease (increase) in inventories		2,954	(6,885)
Increase in trade and other receivables		(38,989)	(14,379)
Decrease in amount due from a fellow subsidiary		223	610
Increase in trade and other payables		35,252	16,872
Increase in amounts due to fellow subsidiaries		24,107	–
Cash generated from operations		68,523	56,499
People's Republic of China (other than Hong Kong and Macao, the "PRC")			
– Enterprise Income Tax paid		–	(4,176)
– Enterprise Income Tax refunded		3,530	1,638
NET CASH FROM OPERATING ACTIVITIES		72,053	53,961
INVESTING ACTIVITIES			
Disposal of subsidiaries	27	346,922	–
Interest received		228	648
Acquisition of subsidiaries	26	(67,224)	–
Purchase of property, plant and equipment		(31,908)	(7,104)
Purchase of machinery under installation		(3,893)	(3,722)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		244,125	(10,178)
FINANCING ACTIVITIES			
New bank loan raised		19,094	26,910
Increase (decrease) in trust receipt loans		743	(2,323)
Repayment of bank loans		(13,508)	(62,461)
Interest paid		(3,512)	(4,673)
Repayment to an associate		(967)	–
Dividends paid		–	(15,271)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		1,850	(57,818)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		318,028	(14,035)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		26,530	40,565
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, representing bank balances and cash		344,558	26,530

1. GENERAL

The Company is an exempted company incorporated in the Cayman Islands with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is Nam Tai Electronics, Inc. ("NTEI"), a company incorporated in the British Virgin Islands with its shares listed on the New York Stock Exchange. The address of the registered office and principal place of business of the Company are disclosed in the introduction to the annual report.

The consolidated financial statements are presented in Hong Kong Dollars, which is the functional currency of the Company.

The principal activities of the Company and its subsidiaries ("the Group") are the provision of software development services. The Group also engaged in the manufacturing and distribution of liquid crystal display ("LCD") products until the disposal on 31 December 2007 of Jetup Electronic (Shenzhen) Co., Ltd. ("Jetup") (see Note 9).

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 January 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

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

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 March 2007
[3] Effective for annual periods beginning on or after 1 January 2008
[4] Effective for annual periods beginning on or after 1 July 2008

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, and in accordance with the accounting policies set out below, which conform with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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.

Business combinations

The acquisition of businesses 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 that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

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.

Goodwill

Goodwill arising on acquisitions prior to 1 January 2005

Goodwill arising on an acquisition of a subsidiary for which the agreement date is before 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant acquiree at the date of acquisition.

Goodwill arising on acquisitions prior to 1 January 2001 continues to be held in reserves, and will be transferred to the retained profits at the time when the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

Goodwill arising on acquisitions on or after 1 January 2005

Goodwill arising on an acquisition of a business for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated balance sheet.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

Goodwill arising on acquisitions on or after 1 January 2005 (Continued)

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Investment in an associate

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of the associate are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investment in associate is carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

An excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Revenue recognition

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

Revenue from sales of goods are recognised when goods are delivered and title has passed.

Interest income from a financial asset 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 the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Property, plant and equipment

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

Depreciation is provided to write off the cost of items of property, plant and equipment, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Machinery under installation are carried at cost, less any identified impairment losses. Depreciation of these assets commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

An item of property, plant and equipment is derecognised 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 consolidated income statement in the year in which the item is derecognised.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Development expenditure is charged to profit or loss in the period in which it is incurred, unless it meets the recognition criteria of an intangible asset in which case it is capitalised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

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 consolidated 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated 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 those 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.

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 realised based on the tax rates that have been enacted or substantially 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.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. 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 translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

Operating leases

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

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefit costs

Payments to state-managed retirement benefit schemes ("State Scheme"), the retirement benefit scheme in Macao ("Macao Scheme") and the Mandatory Provident Fund Scheme ("MPF Scheme") are charged as an expense when employees have rendered service entitling them to the contributions.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets comprise loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade receivables and amount due from a fellow subsidiary and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For certain categories of financial asset, such as trade receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 to 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, 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 asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets *(Continued)*

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity 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. Financial liabilities including trade and other payables, amount due to an associate and bank borrowings are subsequently measured at amortised cost, using the effective interest method. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised as income immediately.

4. KEY SOURCES OF ESTIMATION

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2007, the carrying amount of goodwill is HK$42 million. Details of the recoverable amount calculation are disclosed in Note 25.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 23, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure on an annual basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through new share issues as well as raising of new borrowings and repayment of existing borrowings.

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2007 ***HK$'000***	2006 *HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	**346,079**	124,526
Financial liabilities		
Amortised cost	**15,942**	147,201

6. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies

The Group's major financial instruments include bank balances and cash, trade receivables, amount due from a fellow subsidiary, amount due to an associate and trade and other payables and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Certain bank balances, other payables and bank borrowings of the Group are denominated in United States Dollars ("USD"), Renminbi ("RMB") and Japanese Yen ("JPY"). The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Foreign currency sensitivity

At the balance sheet date, if exchange rates of Hong Kong dollar against RMB had appreciated/deprecated by 5% and all other variables were held constant, the Group's profit before tax would increase/decrease by approximately HK$532,000 and HK$905,000 for years ended 31 December 2007 and 2006, respectively.

At the balance sheet date, if exchange rates of Hong Kong dollar against JPY had appreciated/depreciated by 5% and all other variables were held constant, the Group's profit before tax would increase/decrease by approximately HK$25,000 and HK$895,000 for years ended 31 December 2007 and 2006, respectively.

The directors of the Group are of the opinion that the Group's sensitivity to the change in USD is low.

The Group's sensitivity to foreign currency has decreased mainly due to the disposal of certain subsidiaries to a fellow subsidiary at 31 December 2007 (Note 9).

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation primarily to variable-rate bank borrowings (see Note 23 for details of these borrowings). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for bank borrowings at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in case of instruments that have floating rates.

If interest rates had been 150 basis points higher/lower and all other variables were held constant, the Group's profit for the year would decrease/increase by approximately HK$129,000 (2006: HK$856,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

The Group's sensitivity to interest rates has decreased at year end mainly due to the elimination of variable rate debt instruments upon disposal of related subsidiary as at 31 December 2007 (Note 27).

Credit risk

As at 31 December 2007, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge obligations by the counterparties or debtors is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

6. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk (Continued)

In order to minimise the credit risk, management of the Group has delegated a team recognised for determination of credit limits, credit approvals and other monitoring procedures to ensure that the follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of bank borrowings.

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities as at 31 December 2007and 2006. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which the Group can be required to pay. The tables include both interest and principal cash flows.

At 31 December 2007

	Weighted average effective interest rate %	Less than 30 days *HK$'000*	31 – 60 days *HK$'000*	61 – 90 days *HK$'000*	Over 90 days *HK$'000*	Total undiscounted cash flow *HK$'000*	Total *HK$'000*
Other payables	–	7,362	–	–	–	7,362	7,362
Bank borrowings	6	784	–	2,672	5,271	8,727	8,580
		8,146	–	2,672	5,271	16,089	15,942

At 31 December 2006

	Weighted average effective interest rate %	Less than 30 days *HK$'000*	31 – 60 days *HK$'000*	61 – 90 days *HK$'000*	Over 90 days *HK$'000*	Total undiscounted cash flow *HK$'000*	Total *HK$'000*
Trade and other payables	–	72,596	10,581	6,894	4	90,075	90,075
Amount due to an associate	–	58	–	–	–	58	58
Bank borrowings	6	9,747	13,573	15,393	18,867	57,580	57,068
		82,401	24,154	22,287	18,871	147,713	147,201

6. FINANCIAL INSTRUMENTS *(Continued)*

c. Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7. SEGMENTS

As the Group was entirely engaged in the manufacturing and distribution of LCD products before this operation was being disposed of (see Note 27) and the acquisition of (see Note 26) the software development services business on 31 December 2007, and accordingly, the Group has only one business segment and the Group's primary reporting segment is geographical segment.

Geographical segments

During the year ended 31 December 2007, the Group's production facilities were predominately located in the People's Republic of China ("PRC"). Revenue of the Group represents the amounts received and receivable for goods sold, net of returns and services rendered by the Group to outside customers. The Group reports its primary segment information based on the initial destination of shipment of its products, principally Hong Kong, the PRC, Europe and Japan. Revenues from sales to other locations, that do not meet the criteria as a separate reportable segment, have been combined and reported as "Others". Segment information about these geographical markets is presented as follows:

INCOME STATEMENT

Year ended 31 December 2007

	Discontinued operations						Continuing operations	
	Hong Kong	The PRC	Europe	Japan	Others	Total	Total	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
External revenue	429,641	197,200	17,888	3,380	5,901	654,010	–	654,010
Segment results	12,654	29,235	792	745	927	44,353	–	44,353
Unallocated expenses						(18,505)	(13,913)	(32,418)
Bank interest income						207	21	228
Interest on bank borrowings						(2,505)	(1,007)	(3,512)
Share of loss of an associate						–	(909)	(909)
Profit (loss) before tax						23,550	(15,808)	7,742
Income tax credit						10,903	–	10,903
Profit (loss) after tax						34,453	(15,808)	18,645
Gain on disposal of subsidiaries						209,817	–	209,817
Profit (loss) for the year						244,270	(15,808)	228,462

7. SEGMENTS *(Continued)*

BALANCE SHEET
At 31 December 2007

	Hong Kong HK$'000	The PRC HK$'000	Europe HK$'000	Japan HK$'000	Others HK$'000	Consolidated HK$'000
ASSETS						
Segment assets	–	–	–	1,521	–	1,521
Unallocated assets						420,491
Consolidated total assets						422,012
LIABILITIES						
Segment liabilities	–	–	–	–	–	–
Unallocated liabilities						24,566
Consolidated total liabilities						24,566

OTHER INFORMATION
Year ended 31 December 2007

	Discontinued operations							Continuing operations	
	Hong Kong HK$'000	The PRC HK$'000	Europe HK$'000	Japan HK$'000	Others HK$'000	Unallocated HK$'000	Total HK$'000	Total HK$'000	Consolidated HK$'000
Capital additions	8,020	14,055	–	–	–	13,555	35,630	–	35,630
Depreciation of property, plant and equipment	667	1,170	–	–	–	30,747	32,584	58	32,642
Loss on disposal of property, plant and equipment	–	–	–	–	–	348	348	–	348

7. SEGMENTS *(Continued)*

INCOME STATEMENT

Year ended 31 December 2006

	Hong Kong	The PRC	Europe	Japan	Others	Total	Continuing operations Total	Consolidated
	Discontinued operations							
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
External revenue	284,582	177,881	33,788	4,466	3,580	504,297	–	504,297
Segment results	26,409	30,939	4,003	1,785	473	63,609	–	63,609
Unallocated expenses						(16,297)	(14,435)	(30,732)
Bank interest income						193	455	648
Share of loss of an associate						–	(58)	(58)
Interest on bank borrowings						(2,856)	(1,817)	(4,673)
Profit (loss) before tax						44,649	(15,855)	28,794
Income tax expense						(601)	–	(601)
Profit (loss) for the year						44,048	(15,855)	28,193

BALANCE SHEET

At 31 December 2006

	Hong Kong	The PRC	Europe	Japan	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS						
Segment assets	52,947	36,822	17,575	508	923	108,775
Unallocated assets						208,610
Consolidated total assets						317,385
LIABILITIES						
Segment liabilities	4,470	–	–	–	–	4,470
Unallocated liabilities						143,931
Consolidated total liabilities						148,401

7. SEGMENTS *(Continued)*

OTHER INFORMATION

Year ended 31 December 2006

	Discontinued operations							Continuing operations	
	Hong Kong *HK$'000*	The PRC *HK$'000*	Europe *HK$'000*	Japan *HK$'000*	Others *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*	Total *HK$'000*	Consolidated *HK$'000*
Capital additions	503	985	–	–	–	13,527	15,015	–	15,015
Depreciation of property, plant and equipment	377	739	–	–	–	29,469	30,585	128	30,713
Loss on disposal of property, plant and equipment	–	–	–	–	–	19	19	–	19

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2007 ***HK$'000***	2006 *HK$'000*	**2007** ***HK$'000***	2006 *HK$'000*
Hong Kong	**508**	348	**–**	–
The PRC	**3,334**	284,861	**35,630**	15,015
Macao	**156**	26	**–**	–
Japan	**218**	–	**–**	–
	4,216	285,235	**35,630**	15,015

8. INCOME TAX (CREDIT) EXPENSE

	Continuing operations		Discontinued operations		Consolidated	
	2007 ***HK$'000***	2006 *HK$'000*	**2007** ***HK$'000***	2006 *HK$'000*	**2007** ***HK$'000***	2006 *HK$'000*
PRC Enterprise Income Tax						
Current year	**–**	–	**–**	333	**–**	333
Underprovision in prior years	**–**	–	**1,981**	268	**1,981**	268
Deferred tax credit	**–**	–	**(12,884)**	–	**(12,884)**	–
	–	–	**(10,903)**	601	**(10,903)**	601

The PRC Enterprise Income Tax rate of 15% is used for the following reconciliation as the PRC is where the operation of the Group is substantially based.

8. INCOME TAX (CREDIT) EXPENSE *(Continued)*

The tax (credit) charge for the year can be reconciled to the (loss) profit before tax per consolidated income statement as follows:

	2007 HK$'000	2006 HK$'000
(Loss) profit before tax:		
Continuing operations	**(15,808)**	(15,855)
Discontinued operations	**23,550**	44,649
	7,742	28,794
Tax at PRC Enterprise Income Tax rate of 15%	**1,161**	4,319
Tax effect of expense not deductible for tax purposes	**357**	900
Tax effect of income not taxable for tax purposes	**(362)**	(1,300)
Tax effect of tax losses not recognised	**1,734**	796
Refund of PRC income tax	**–**	(1,638)
Underprovision in respect of prior years	**1,981**	268
Effect of different tax rates of the Company and its subsidiaries operating in other jurisdictions	**(200)**	78
Effect of change in PRC Tax Law	**(11,890)**	–
Effect of tax exemptions granted to Macao subsidiary	**(3,684)**	(2,822)
Tax (credit) charge for the year	**(10,903)**	601

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from Hong Kong.

At 31 December 2007, the Group had unused tax losses of approximately HK$30,284,000 (2006: HK$20,376,000) available to offset future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

In accordance with the applicable Enterprise Income Tax laws of the PRC and the relevant rules promulgated by the Shenzhen municipal government, Jetup is subject to a tax rate of 15% on the assessable profit for the year. In addition, if a foreign investment enterprise ("FIE") exports 70% or more of the production value of its products ("Export Enterprise"), it is able to enjoy a reduced tax rate of 10%. For the year ended 31 December 2006, Jetup exported more than 70% of the production value of their products and was qualified as an Export Enterprise and was subject to a reduced tax rate of 10%. For the year ended 31 December 2007, Jetup also exported more than 70% of the production value of their products and it had applied to the relevant authority to be recognised as an Export Enterprise. The directors expect that Jetup will also qualify for a reduced tax rate of 10% for the year ended 31 December 2007.

Furthermore, if a foreign investor directly reinvests by way of capital injection of its share of profits obtained from a FIE in establishing or expanding an export-oriented or technologically advanced enterprise in the PRC for a minimum period of five years, a refund of significant amount of the taxes already paid on those profits may be obtained by the foreign investor, i.e. the Group. As at 31 December 2006, income taxes recoverable under such arrangement were HK$5,512,000, which were included in the consolidated balance sheet. Nil amount was noted as at 31 December 2007 due to the disposal of certain subsidiaries of the Group.

8. INCOME TAX (CREDIT) EXPENSE *(Continued)*

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. Under the New Law which becomes effective from 1 January 2008, the tax refund under the capital reinvestment scheme as described above may be removed. Enterprise Income Tax has not been provided for the year ended 31 December 2007 as the Group did not have assessable profit in the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 15% to 25% on a progressive basis for certain subsidiaries from 1 January 2008. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

The deferred tax credit for the year ended 31 December 2007 mainly represent the recognition of deferred tax assets on accelerated depreciation of property, plant and equipment.

J.I.C. (Macao Commercial Offshore) Company Limited, a wholly owned subsidiary of the Company, is exempted from Macao Complementary Tax in accordance with the Macao Decree Law No. 58/99/M.

9. DISCONTINUED OPERATIONS

On 24 September 2007, the Group entered into a conditional sale and purchase agreement with NTEI, which was amended and supplemented by supplemental agreements on 5 October 2007 and 28 November 2007 to dispose of Jetup and its immediate and intermediate holding companies, that carried out all of the Group's LCD products manufacturing and distribution operations. The disposal was effected in order to eliminate the capital intensive manufacturing operations and generate cash flows for other investment opportunities. The disposal was completed on 31 December 2007, on which date control of Jetup passed to NTEI.

The results of the LCD products manufacturing and distribution operations for the period from 1 January 2007 to 31 December 2007 have been included in the consolidated income statement on page 23. No gain or loss arose on disposal of the operations.

During the year, Jetup contributed HK$28 million (2006: HK$39 million) to the Group's net operating cash flows, paid HK$36 million (2006: HK$11 million) in respect of investing activities and paid HK$17 million (2006: HK$26 million) in respect of financing activities.

The carrying amounts of the assets and liabilities of Jetup and its immediate and intermediate holding companies at the date of disposal are disclosed in note 27.

10. (LOSS) PROFIT FOR THE YEAR

	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
(Loss) profit for the year has been arrived at after charging (crediting):						
Allowance (reversal of allowance) for inventories, net *(note)*	**–**	–	**475**	(522)	**475**	(522)
Auditor's remuneration	**789**	686	**236**	196	**1,025**	882
Cost of inventories recognised as an expense	**–**	–	**581,166**	420,142	**581,166**	420,142
Depreciation of property, plant and equipment	**58**	128	**32,584**	30,585	**32,642**	30,713
Foreign exchange (gain) losses, net	**(192)**	–	**1,259**	206	**1,067**	206
Impairment loss (reversed) recognised in respect of trade receivables, net	**–**	(3,571)	**(424)**	765	**(424)**	(2,806)
Loss on disposal/write off of property, plant and equipment	**–**	–	**348**	19	**348**	19
Staff costs, including directors' remunerations	**4,594**	6,111	**84,247**	60,687	**88,841**	66,798
Retirement benefit scheme contributions, including directors' remunerations	**54**	65	**6,261**	4,328	**6,315**	4,393
Total staff costs	**4,648**	6,176	**90,508**	65,015	**95,156**	71,191
Less: Staff costs included in research and development expenditure	**–**	–	**(6,308)**	(6,131)	**(6,308)**	(6,131)
	4,648	6,176	**84,200**	58,884	**88,848**	65,060

Note: Previous write-downs have been reversed as a result of increase in sales prices.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Particulars of the emoluments of directors and the five highest paid employees are as follows:

(a) Directors' emoluments

The emoluments paid or payable to each of the nine (2006: eight) directors were as follows:

Year ended 31 December 2007

	Seitaro Furukawa* HK$'000	Koo Ming Kown HK$'000	Chui Kam Wai HK$'000	Yeoh Teck Hooi HK$'000	Cham Yau Nam HK$'000	Leung Wai Hung HK$'000	Cheng Chi Heng* HK$'000	Choi Man Chau HK$'000	Lee Wa Lun Warren* HK$'000	Total HK$'000
Fee	70	–	–	540	120	120	43	77	–	970
Other emoluments										
Salaries and other benefits	148	–	1,580	1,199	–	–	–	–	–	2,927
Performance related incentive bonus *(note)*	–	–	–	–	–	–	–	–	–	–
Retirement benefit scheme contributions	–	–	12	12	–	–	–	–	–	24
Total emoluments	218	–	1,592	1,751	120	120	43	77	–	3,921

* *Resigned during the year ended 31 December 2007.*

Year ended 31 December 2006

	Seitaro Furukawa HK$'000	Koo Ming Kown HK$'000	Li Shi Yuen, Joseph* HK$'000	Chui Kam Wai HK$'000	Yeoh Teck Hooi HK$'000	Cham Yau Nam HK$'000	Leung Wai Hung HK$'000	Cheng Chi Heng HK$'000	Total HK$'000
Fee	270	–	–	–	540	120	120	–	1,050
Other emoluments									
Salaries and other benefits	1,284	–	–	1,534	1,132	–	–	–	3,950
Performance related incentive bonus *(note)*	153	–	–	309	203	–	–	–	665
Retirement benefit scheme contributions	–	–	–	12	12	–	–	–	24
Total emoluments	1,707	–	–	1,855	1,887	120	120	–	5,689

* *Resigned during the year ended 31 December 2006.*

Note: The performance related incentive bonus is determined based on the performance of the Group.

In the year ended 31 December 2007, one of the independent non-executive directors, Mr. Cheng Chi Heng waived emoluments of HK$43,000 (2006: HK$120,000).

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Employees' emoluments

Of the five individuals with the five highest emoluments in the Group, two were directors of the Company (2006: three directors), whose emoluments are included in the disclosures in note 11(a) above. The emoluments of the remaining three (2006: two) highest paid individuals were as follows:

	2007 **HK$'000**	2006 HK$'000
Salaries and other benefits	**2,549**	1,474
Retirement benefits scheme contributions	**–**	–
	2,549	1,474

Each of their emoluments were below HK$1,000,000.

12. DIVIDENDS

	2007 **HK$'000**	2006 HK$'000
Final, paid for 2005 – HK$0.020 per ordinary share	**–**	15,271

No dividend was proposed during 2007, nor has any dividend been proposed since the balance sheet date (2006: Nil).

13. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2007 **HK$'000**	2006 HK$'000
Profit for the year attributable to equity holders of the Company for the purposes of basic earnings per share	**228,462**	28,193

	Number of shares	
Number of ordinary shares for the purposes of basic earnings per share	**763,534,755**	763,534,755

Diluted earnings per share has not been disclosed as there were no dilutive potential shares in issue in both years.

13. EARNINGS PER SHARE *(Continued)*

From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to the ordinary equity holders of the Company is based on the following data:

Earnings figures are calculated as follows:

	2007	2006
	HK$'000	*HK$'000*
Profit for the year attributable to equity holders of the Company	**228,462**	28,193
Less: Profit for the year from discontinued operations	**(244,270)**	(44,048)
Loss for the purposes of basic loss per share from continuing operations	**(15,808)**	(15,855)

The denominators used are the same as those detailed above for both basic and diluted loss per share.

From discontinued operations

Basic earnings per share for the discontinued operation is 31.99 cents per share (2006: 5.77 cents per share) for the year from the discontinued operations of HK$244.2 million (2006: HK$44.0 million) and the denominators detailed above for basic earnings per share.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improve-ments *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
COST					
At 1 January 2006	66,733	161,094	7,771	1,866	237,464
Additions	3,148	10,994	470	403	15,015
Disposals/written off	–	(142)	(11)	–	(153)
At 31 December 2006 and 1 January 2007	69,881	171,946	8,230	2,269	252,326
Additions	2,018	31,106	2,506	–	35,630
Disposals/written off	(492)	(146)	(217)	(155)	(1,010)
Disposal of subsidiaries	(71,407)	(202,745)	(10,240)	(2,022)	(286,414)
Acquired on acquisition of subsidiaries	1,050	–	446	201	1,697
At 31 December 2007	1,050	161	725	293	2,229
DEPRECIATION					
At 1 January 2006	15,730	75,414	3,744	1,028	95,916
Provided for the year	9,319	19,976	1,156	262	30,713
Eliminated on disposals	–	(126)	(8)	–	(134)
At 31 December 2006 and 1 January 2007	25,049	95,264	4,892	1,290	126,495
Provided for the year	9,602	21,491	1,260	289	32,642
Eliminated on disposals	(178)	(136)	(193)	(155)	(662)
Disposal of subsidiaries	(34,473)	(116,458)	(5,766)	(1,334)	(158,031)
At 31 December 2007	–	161	193	90	444
CARRYING VALUES					
At 31 December 2007	**1,050**	**–**	**532**	**203**	**1,785**
At 31 December 2006	44,832	76,682	3,338	979	125,831

Depreciation is provided to write off the cost of items of property, plant and equipment, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method, at the following rates per annum:

Leasehold improvements	Over the shorter of term of lease or 15%.
Plant and machinery	10% – 20%
Furniture, fixtures and equipment	15%
Motor vehicles	20%

15. INVESTMENT IN AN ASSOCIATE

	2007 **HK$'000**	2006 HK$'000
Cost of investment in an associate	–	58
Share of post-acquisition losses	–	(58)
	–	–

As at 31 December 2006, the Group had interests in the following associate:

Name of entity	Form of business structure	Country of incorporation	Principal place of operation	Class of share held	Proportion of nominal value of issued capital held by the Group %	Proportion of voting power held %	Principal activity
Nam Tai Solartech, Inc. ("Solartech")	Incorporated	Cayman Islands	the PRC	Ordinary	25	25	Investment holding

Solartech was deregistered on 31 December 2007.

As at 31 December 2006, the summarised financial information in respect of the Solartech is set out below:

	2006 HK$'000
Total assets	227
Total liabilities	(333)
Net liabilities	(106)
Group's share of net assets of an associate	–
Revenue	–
Loss for the year	(338)
Group's share of result of an associate for the year	(58)

15. INVESTMENT IN AN ASSOCIATE *(Continued)*

For the year ended 31 December 2006, the Group has discontinued recognition of its share of loss of this associate. During 2007, the shareholders of Solartech have agreed to start sharing its loss from the year ended 31 December 2007 onwards. The loss of Solartech before its deregistration for the year ended 31 December 2007 was approximately HK$3,636,000. Share of this loss by the Group for the year ended 31 December 2007 was approximately HK$909,000. The amount of unrecognised share of this associate, extracted from the relevant audited accounts of the associate, both for the year and cumulatively, are as follows:

	2007 *HK$'000*	2006 *HK$'000*
Unrecognised share of losses of an associate for the year	–	(27)
Accumulated unrecognised share of losses of an associate	–	(27)

16. OTHER INTANGIBLE ASSETS

	Club membership *HK$'000*	**Developed technology** *HK$'000*	**Customer relationship** *HK$'000*	**Total** *HK$'000*
COST				
At 1 January 2006, 31 December 2006 and 1 January 2007	381	–	–	381
Acquired on acquisition of subsidiaries	–	12,739	18,110	30,849
Disposal of subsidiaries	(381)	–	–	(381)
At 31 December 2007	**–**	**12,739**	**18,110**	**30,849**

As at 31 December 2006, the club membership had a second hand market and had no foreseeable limit to its useful life. The directors of the Company were of the opinion that the Group would continue to hold the club membership and had the ability to do so. The club membership had been tested for impairment in the prior year by reference to its second hand market value and no impairment loss was charged for the prior year. The club membership had been disposed of upon the disposal of Jetup.

Developed technology represents technical knowhow on data compression mainly in dictionary application and map data processing.

Developed technology and customer relationship were acquired with the acquisition of subsidiaries, which have definite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods.

Developed technology	15 years
Customer relationship	10 years

17. GOODWILL

	2007 **HK$'000**
COST	
At 1 January	–
Arising on acquisition of subsidiaries	**42,044**
At 31 December	**42,044**

Particulars regarding impairment testing on goodwill are disclosed in Note 25.

18. INVENTORIES

	2007 **HK$'000**	2006 *HK$'000*
Raw materials	–	48,225
Work in progress	–	4,632
Finished goods	–	1,720
	–	54,577

19. TRADE AND OTHER RECEIVABLES

	2007 **HK$'000**	2006 *HK$'000*
Trade receivables	**1,521**	98,222
Less: allowance for doubtful debts	–	(765)
	1,521	97,457
Other receivables	**910**	2,728
Total trade and other receivables	**2,431**	100,185

The Group allows an average credit periods ranging from 30 days to 90 days to its trade customers. The following is an aged analysis of trade receivables, net of impairment losses, at the balance sheet dates, prepared on the basis of sales invoice date:

	2007 **HK$'000**	2006 *HK$'000*
Within 30 days	**1,365**	42,569
More than 30 days and within 60 days	**156**	28,929
More than 60 days and within 90 days	–	17,548
More than 90 days	–	8,411
	1,521	97,457

19. TRADE AND OTHER RECEIVABLES *(Continued)*

Movement in the allowance for doubtful debts:

	2007 HK$'000	2006 HK$'000
Balance at beginning of the year	765	3,748
Amounts written off during the year	–	(177)
Amounts recovered during the year	(424)	(2,806)
Disposal of a subsidiary	(341)	–
Balance at end of the year	–	765

Before accepting any new customer, the Group has assessed the credit quality of each potential customer and defined credit rating and limit for each customer. In addition, the Group has reviewed the repayment history of receivables by each customer with reference to the payment terms stated in contracts to determine the recoverability of a trade receivable.

The Group reviews all receivables overdue more than 30 days for impairment loss because historical experience is such that receivables that are past due beyond 30 days are generally not recoverable. Trade receivables are provided for based on estimated irrecoverable amounts of discounted cash flow from the sales of goods, determined by reference to past default experience.

In order to minimise the credit risk, management continuously monitor the level of exposure to ensure that follow-up action and/or corrective actions are taken promptly to lower the risk exposure or to recover overdue balances. Accordingly, the directors believe that adequate credit provision has been made during the year.

Included in the Group's trade receivables are debtors with a carrying amount of HK$16,945,000 at 31 December 2006 which are past due at the balance sheet date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables are 88 days at 31 December 2006.

Ageing of trade receivables which are past due but not impaired:

	2007 HK$'000	2006 HK$'000
More than 30 days and within 60 days	–	1,569
More than 60 days and within 90 days	–	6,965
Over 90 days	–	8,411
	–	16,945

At the balance sheet date, the trade and other receivable that are denominated in currencies other than the functional currencies of respective group entities are set out below:

	USD	RMB	JPY
As at 31 December 2007	195,000	–	–
As at 31 December 2006	6,741,000	784,000	180,000

20. AMOUNT DUE FROM/TO A FELLOW SUBSIDIARY/AN ASSOCIATE

The balances were unsecured, non-interest bearing and repayable on demand, except for the balance with a fellow subsidiary which had a credit period of 60 days.

21. BANK BALANCES

Bank balances and cash of the Group comprise cash and short-term bank deposits with an original maturity of three months or less. The bank balances carry fixed interest rates ranging from 1% to 3.6% per annum (2006: 1% to 3.6% per annum). At the balance sheet date, the bank balances and cash that are denominated in currencies other than the functional currencies of respective group entities are set out below:

	USD	RMB	JPY
As at 31 December 2007	216,000	11,388,000	15,231,000
As at 31 December 2006	1,511,000	446,000	244,000

22. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the balance sheet dates, prepared on the basis of supplier invoice date:

	2007 ***HK$'000***	2006 *HK$'000*
Within 30 days	–	58,676
More than 30 days and within 60 days	–	10,581
More than 60 days and within 90 days	–	6,894
More than 90 days	–	4
	–	76,155
Other payables	**7,362**	13,920
	7,362	90,075

For the year ended 31 December 2006, the average credit period on purchase of goods was 30 days. The Group had financial risk management policies in place to ensure that all payables within the credit time frame.

At the balance sheet date, other payables denominated in currencies other than functional currencies of respective group entities are set out below:

	USD	RMB	JPY
As at 31 December 2007	–	1,419,000	7,997,000
As at 31 December 2006	7,960,000	19,458,000	275,229,000

23. BANK BORROWINGS

	2007 *HK$'000*	2006 *HK$'000*
Bank borrowings are unsecured and comprise the following:		
Bank loans	**8,580**	22,088
Trust receipt loans	**–**	34,980
	8,580	57,068
Carrying amount repayable:		
Within one year	**8,580**	48,543
More than one year, but not exceeding two years	**–**	8,525
	8,580	57,068
Less: Amounts due within one year (shown under current liabilities)	**(8,580)**	(48,543)
Amounts due after one year	**–**	8,525

The above borrowings are at annual interest rates ranging from 0.55% to 0.75% over Hong Kong Interbank Offered Rate (2006: 0.55% to 0.75% over Hong Kong/London/Singapore Interbank Offered Rate) per annum.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2007	2006
Effective interest rate	**5.60% to 5.77%**	4.5% to 6.1%

The Group's borrowings that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	USD
As at 31 December 2007	1,100,000
As at 31 December 2006	2,850,000

During the year, the Group obtained new loans in the amount of HK$19,094,000 (2006: HK$26,910,000). The loans bear interest at market rates. The proceeds were used to finance the acquisition of plant and equipment.

24. SHARE CAPITAL OF THE COMPANY

	Ordinary shares of HK$0.01 each		Non-redeemable convertible preference shares of HK$0.01 each *(note)*		
	Number of shares	*HK$'000*	Number of shares	*HK$'000*	Total *HK$'000*
Authorised:					
At 1 January 2006, 31 December 2006 and 31 December 2007	2,000,000,000	20,000	600,000,000	6,000	26,000
Issued and fully paid:					
At 1 January 2006, 31 December 2006 and 31 December 2007	763,534,755	7,635	–	–	7,635

Note: The preference shares were not redeemable and the holders of which should not be entitled to vote. At any time after allotment, each holder of the preference shares should be entitled to convert all or a portion of his/her preference shares into fully paid ordinary shares at the initial conversion rate of 1 ordinary share for every 1.03 preference shares, provided that for the purposes of ensuring the continued listing of the Company's ordinary shares on the Stock Exchange after the conversion of the preference shares, no holder of preference shares should be entitled to exercise the conversion rights if, the Company's ordinary shares issued upon conversion together with any ordinary shares of the Company then in issue would result in the minimum prescribed percentage of the Company's ordinary shares in public hands (as defined in the Rules Governing the Listing of Securities on the Stock Exchange from time to time) not being satisfied. On any payment of dividend or distributions (other than a distribution on winding up), the preference shares should rank pari passu with the ordinary shares.

25. IMPAIRMENT TESTING ON GOODWILL

As explained in Note 7, the Group uses geographical segment as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill with indefinite useful lives have been allocated to a cash generating unit ("CGU") which is Namtek's operation.

During the year ended 31 December 2007, management of the Group determines that there are no impairments of the CGU containing goodwill or intangible assets with indefinite useful lives.

The basis of the recoverable amounts of the above CGU and its major underlying assumptions are summarised below:

Namtek Operation

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and discount rate of 12%. CGU's cash flows beyond the five-year period are extrapolated taking into account of a growth rate of 3%. This growth rate is based on the relevant industry growth forecast and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the CGU's past performance and management's expectations for the market development.

26. ACQUISITION OF SUBSIDIARIES

On 31 December 2007, the Group acquired 100% of the issued share capital of Namtek Japan Company Limited and paid up capital of Shenzhen Namtek Company Limited and issued capital of its immediate and intermediate holding companies (herein after collectively referred to as "Namtek Group") from its fellow subsidiary for a total cash consideration of HK$80,500,000. Namtek Group is engaged in the software development services business. The acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was HK$42,044,000.

The net assets acquired in the transaction, and the goodwill arising, are as follows:

	Acquiree's carrying amount before combination	Provisional fair value adjustments	Fair value
	HK$'000	*HK$'000*	*HK$'000*
Net assets acquired:			
Property, plant and equipment	1,001	696	1,697
Trade and receivables	1,894	–	1,894
Tax recoverable	236	–	236
Bank balances and cash	14,802	–	14,802
Other intangible assets	–	30,849	30,849
Trade and other payable	(2,072)	–	(2,072)
Tax payable	(10)	–	(10)
Deferred tax liabilities	–	(7,414)	(7,414)
	15,851	24,131	39,982
Goodwill			42,044
Cash paid for direct expenses incurred in relation to the acquisition			(1,526)
Total consideration satisfied by:			
Cash			80,500
Net cash outflow arising on acquisition:			
Cash consideration paid (including direct expenses incurred in relation to the acquisition)			(82,026)
Bank balances and cash acquired			14,802
			(67,224)

If the acquisition had been completed on 1 January 2007, total group revenue for the period would have been HK$674 million, and profit for the period would have been HK$233 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2007, nor is it intended to be a projection of future results.

Goodwill arose in the business combination because the consideration paid effectively included amounts in relation to the benefit of future market development. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

26. ACQUISITION OF SUBSIDIARIES *(Continued)*

The Group is in the process of assessing the identifiable intangible assets acquired at date of acquisition; thus the allocation of the cost of the acquisition to the identifiable assets and liabilities and the initial measurement of goodwill set out above is preliminary and subject to revision once the Group completes the valuation exercise.

27. DISPOSAL OF SUBSIDIARIES

As referred to in note 9, on 31 December 2007, the Group discontinued its LCD products manufacturing and distribution operations at the time of disposal of its subsidiary, Jetup and its immediate and intermediate holding companies. The net assets of Jetup at the date of disposal were as follows:

	31 December 2007 *HK$'000*
NET ASSETS DISPOSED OF	
Property, plant and equipment	**128,383**
Machinery under installation	**3,893**
Other intangible assets	**381**
Deferred tax asset	**12,884**
Inventories	**51,148**
Trade and other receivables	**139,061**
Amount due from a fellow subsidiary	**316**
Bank balances and cash	**33,319**
Trade and other payables	**(120,037)**
Amounts due to fellow subsidiaries	**(24,107)**
Bank borrowings	**(54,817)**
	170,424
Gain on disposal	**209,817**
Total consideration, satisfied by cash	**380,241**
Net cash inflow arising on disposal:	
Cash consideration, net of direct expenses incurred in relation to disposal	**380,241**
Bank balances and cash disposed of	**(33,319)**
	346,922

The impact of Jetup on the Group's results and cash flows in the current and prior periods is disclosed in note 9.

28. CAPITAL COMMITMENTS

	2007 **HK$'000**	2006 *HK$'000*
Capital expenditure in respect of acquisition of property, plant and equipment:		
Contracted for but not provided in the financial statements	–	930
Authorised but not contracted for	–	2,439
	–	3,369

29. OPERATING LEASE COMMITMENTS

	2007 **HK$'000**	2006 *HK$'000*
Minimum lease payments paid under operating leases during the year	**9,421**	8,872

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2007 **HK$'000**	2006 *HK$'000*
Within one year	**831**	9,415
In the second to fifth year inclusive	**172**	41,247
Over five years	–	4,564
	1,003	55,226

Leases are negotiated for terms ranging from one to two years. For the leases at 31 December 2006, monthly rent was renegotiated every three years with a maximum increase of 10% on prior year's monthly rent.

30. RETIREMENT BENEFIT SCHEMES

According to the relevant laws and regulations in the PRC, Jetup and Shenzhen Namtek Company Limited are required to contribute 8% to 11% and 1% to 2% of the stipulated salary set by the local government of Shenzhen, the PRC, to State Scheme to fund the retirement benefits and social benefits respectively of their employees. The principal obligation of the Group with respect to the State Scheme is to make the required contributions under the scheme. The total contributions incurred in this connection for the year were approximately HK$6,261,000 (2006: HK$4,328,000).

The Group operates the Macao Scheme for all qualifying employees in Macao and MPF Scheme for all qualifying employees in Hong Kong. The assets of the Macao Scheme and the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes at the lower of HK$1,000 or 5% of the relevant payroll costs to the MPF Scheme and the Macao Scheme, which contribution is matched by employees. The total contributions incurred in this connection for the year were approximately HK$54,000 (2006: HK$65,000).

30. RETIREMENT BENEFIT SCHEMES *(Continued)*

According to the relevant laws and regulation in Japan, Namtek Japan Company Limited is required to contribute approximately 7% of the relevant payroll costs to retirement benefit scheme in Japan.

31. SHARE-BASED PAYMENT TRANSACTIONS

Equity – settled share options scheme:

(a) *Share option schemes adopted by NTEI*

In May 2001, the board of directors of NTEI approved another stock option plan ("2001 Scheme") which would grant 15,000 options to each independent director of NTEI elected at each annual general meeting of shareholders, and might grant options to key employees, consultants or advisors of NTEI or any of its subsidiaries to subscribe for its shares in accordance with the terms of this stock option plan. The maximum number of shares to be issued pursuant to the exercise of options granted was 3,300,000 shares. There is no maximum entitlement for each of the key employee under this stock option plan. The option price granted to directors shall be equal to 100% of the market value of the common shares of NTEI on the date of grant. The option price granted to other eligible participants other than directors shall not normally be less than market value of the common shares of NTEI on the date of grant. The options granted under this plan vest immediately and generally have a term of three years, subject to the discretion of the board of directors of NTEI to prescribe the time or times which the option may be exercised, but cannot exceed ten years. The options are granted to non-employee directors based on past performance and/or expected contributions to NTEI No consideration is payable on the grant of an option.

In February 2006, the board of directors of NTEI approved another stock option plan with basically the same terms and conditions of the 2001 Scheme. The maximum number of shares to be issued pursuant to the exercise of options granted was 2,000,000 shares.

The following tables disclosed details of the share option granted to the directors of the Company for services provide to NTEI and movements in such holdings during the years:

Directors

Exercise price per share	US$19.400	US$20.840	US$22.25	US$12.13	US$12.420
Number of options:					
Outstanding at 1 January 2006	30,000	50,000	–	–	–
Granted during the year	–	–	15,000	–	–
Resigned as director of the Company during the year *(note)*	(30,000)	(50,000)	–	–	–
Outstanding at 31 December 2006 and 1 January 2007	–	–	15,000	–	–
Granted during the year	–	–	–	–	15,000
Appointed as a director during the year	–	–	–	40,000	–
Outstanding at 31 December 2007	–	–	15,000	40,000	15,000

Note: The director concerned exercised the options subsequent to resignation.

31. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Equity – settled share options scheme: *(Continued)*

(a) *Share option schemes adopted by NTEI (Continued)*

Details of specific categories of options are as follows:

Date of grant	Exercisable period	Exercise price per share US$
30 July 2004	30 July 2004 to 30 July 2006	19.400
2 February 2005	4 February 2005 to 4 February 2007	20.840
6 June 2005	6 June 2005 to 6 June 2008	21.620
9 June 2006	9 June 2006 to 8 June 2009	22.250
8 June 2007	8 June 2007 to 7 June 2008	12.420

The weighted average closing price of NTEI's shares on the dates in which the share options were exercised was approximately US$21.68 for the year ended 31 December 2006. No share option is exercised during the year ended 31 December 2007.

(b) *Share option scheme adopted by the Company*

On 16 April 2002, a share option scheme ("the Scheme") was approved by the board of directors and enables the Company to grant options to eligible participants for the purpose of providing incentives and rewards to those who contribute to the success of the Group's operations. Eligible participants of the Scheme include any employee of the Group (including any director of the Company or any of its subsidiaries) and those companies in the equity share capital of which the Company, directly or indirectly, has a 20 percent or greater beneficial interest but excluding the Company's subsidiaries. The Scheme became effective on 4 June 2002, the date on which the Company's shares are listed on the Stock Exchange and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The exercise price of the share option is determinable by the board of directors, but shall not be less than the higher of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of that option, which must be a business day; (ii) the average of the closing prices of the Company's ordinary shares as stated in the Stock Exchange for the five trading days immediately preceding the date of grant of that option, and (iii) the nominal value of the Company shares.

The maximum number of shares which may be issued on exercise of all options granted under the Scheme (excluding, for this purpose, options which have lapsed in accordance with the terms of the Scheme and any other scheme) shall not exceed 10% of the ordinary share capital of the Company in issue from time to time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the maximum number of shares that may be issued pursuant to the Scheme. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

The offer of a grant of share options shall be deemed to have been accepted when the counterpart of the option agreement is duly signed by the grantee together with payment of a nominal consideration of the amount specified in the offer, as being the consideration for the grant of the option, is received by the Company at the place specified in the option agreement within 28 days from the date of the offer or such other period as the board of directors may specify in writing. An option may be exercised during the period specified in the terms of grant.

No options have been granted under the Scheme since its adoption.

32. RELATED PARTY TRANSACTIONS

Other than as disclosed in notes 9, 26 and 27, during the year, the Group entered into transactions with the then following fellow subsidiaries wholly owned by NTEI:

Name of related party	Nature of transactions	2007 *HK$'000*	2006 *HK$'000*
Namtai Electronic (Shenzhen) Co. Ltd.	Sales of finished goods by the Group	1,947	3,218
Zastron Precision-Tech Limited	Recharge of office expense	3,865	2,165
Namtek Japan Company Limited	Sales commission expense	18	20

During the year ended 31 December 2006, the Company and its fellow subsidiary, Nam Tai Electronic & Electrical Products Limited, jointly incorporated a company, Solartech, in which the Company has 25% shareholding. This investment has been accounted as an associate and it has been deregistered during the year.

Details of the balances with related parties at the balance sheet date are set out in the consolidated balance sheet and in note 20.

Compensation to key management personnel

The emoluments of directors which represent key management personnel of the Group during the year was as follows:

	2007 *HK$'000*	2006 *HK$'000*
Short-term benefits	3,897	5,665
Post-employment benefits	24	24
	3,921	5,689

The remuneration of directors is determined by the remuneration committee having regard to the performance of individuals and market trend.

33. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries at 31 December 2006 and 2007 are as follows:

Name of subsidiary	Place of incorporation/ registration and operations	Issued and paid up share capital/ registered capital	Proportion of issued capital/ registered capital held directly by the Company %	Principal activities
J.I.C. Enterprises (Hong Kong) Limited	Hong Kong	HK$500,000	100	Inactive
J.I.C. (Macao Commercial Offshore) Company Limited	Macao	HK$97,500	100	Data management, research and development, and technical analysis
Namtek Japan Company Limited *(note 1)*	Japan	JPY10,000	100	Provision of sales co-ordination and marketing services to fellow subsidiaries
Shenzhen Namtek Company Limited *(notes 1 and 2)*	PRC	US$800,000	100	Solution provider for digital dictionary software development
Best Whole Holdings Limited	Hong Kong	HK$1	100	Investment holding
Joy Holdings Limited	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
Jetup Electronic (Shenzhen) Co., Ltd. *(notes 2 and 3)*	PRC	HK$181,200,000	100	Manufacture and distribution of LCD products

Notes:

1. Acquired on 31 December 2007.
2. Registered as a wholly owned FIE.
3. Disposed on 31 December 2007.

None of the subsidiaries had issue any debt securities at end of the year.

FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2003	2004	2005	2006	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Revenue	325,477	384,330	458,498	504,297	**654,010**
Profit before tax	37,041	23,956	37,964	28,794	**7,742**
Income tax credit (expenses)	(29)	(521)	(583)	(601)	**10,903**
Profit after tax	37,012	23,435	37,381	28,193	**18,645**
Gain on disposal of subsidiaries	–	–	–	–	**209,817**
Profit for the year	37,012	23,435	37,381	28,193	**228,462**

ASSETS AND LIABILITIES

	As at 31 December				
	2003	2004	2005	2006	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	234,316	275,027	326,407	317,385	**422,012**
Total liabilities	(95,092)	(141,075)	(170,345)	(148,401)	**(24,566)**
Net assets	139,224	133,952	156,062	168,984	**397,446**