

**A. FURTHER INFORMATION ABOUT THE COMPANY****1. Incorporation**

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 9 June 2003. The Company has established a place of business in Hong Kong at 15th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong and has been registered as an overseas company under Part XI of the Hong Kong Companies Ordinance. In connection with such application, Wong Kuen Ling and Chuang Sze Tseng, Donna have been appointed as the agents of the Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong. As the Company is incorporated in the Cayman Islands, it operates subject to the Companies Law and to its constitution which comprises a memorandum of association and articles of association. A summary of various parts of its constitution and relevant aspects of the Companies Law is set out in Appendix IV to this prospectus.

**2. Changes in share capital**

- (a) As at the date of incorporation of the Company, its authorised share capital was HK\$100,000 divided into 10,000,000 shares of HK\$0.01 each.
- (b) Pursuant to the first meeting of the Board of Directors held on 13 June 2003:
  - (i) one Share, credited as fully paid, was allotted and issued to Codan Trust Company (Cayman) Limited as subscriber;
  - (ii) the transfer of the one Share allotted and issued to Codan Trust Company (Cayman) Limited as subscriber to NTE Inc. was approved; and
  - (iii) nine Shares, credited as fully paid, were allotted and issued to NTE Inc..
- (c) Pursuant to the written resolutions of the sole shareholder of the Company passed on 8 April 2004:
  - (i) the authorised share capital of the Company was increased from HK\$100,000 to HK\$20,000,000 by the creation of an additional 1,990,000,000 Shares;
  - (ii) the capitalisation of US\$91,543,520.63 owed by the Company to NTE Inc. was approved and the Directors were authorised to allot and issue 799,999,990 Shares to NTE Inc.; and

- (iii) the declaration of a dividend of an amount US\$35,915,023 out of the Company's Share premium account after capitalisation.

Immediately following completion of the Global Offering but without taking into account any Shares which may fall to be allotted and issued pursuant to the exercise of any options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme, the authorised share capital of the Company will be HK\$20,000,000 divided into 2,000,000,000 Shares of which 800,000,000 Shares will be issued fully paid or credited as fully paid, and 1,200,000,000 Shares will remain unissued. Other than pursuant to the exercise of the options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme, the Directors do not have any present intention to issue any of the authorised but unissued share capital of the Company and, without the prior approval of the Shareholders at general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save for the aforesaid and as mentioned in "Resolutions in writing of the sole shareholder of the Company passed on 8 April 2004" below, there has been no alteration in the share capital of the Company since its incorporation.

### **3. Resolutions in writing of the sole shareholder of the Company passed on 8 April 2004**

Pursuant to the resolutions in writing passed by the sole shareholder of the Company on 8 April 2004:

- (a) the Company approved and adopted the Articles of Association;
- (b) the authorised share capital of the Company was increased from HK\$100,000 to HK\$20,000,000 by the creation of an additional 1,990,000,000 Shares;
- (c) the capitalisation of US\$91,543,520.63 owed by the Company to NTE Inc. was approved and the Directors were authorised to allot and issue 799,999,990 Shares to NTE Inc.;
- (d) the declaration of a dividend of an amount of US\$35,915,023 out of the Company's Share premium account after capitalisation;
- (e) conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any additional Shares which may be issued pursuant to the exercise of options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Share

Option Scheme); and the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:

- (i) the Global Offering was approved; and
  - (ii) the rules of the Share Option Scheme were approved and adopted and the Directors were authorised to grant options to subscribe for Shares thereunder and to allot and issue Shares pursuant thereto and to take all such steps as they consider necessary or desirable to implement the Share Option Scheme;
- (f) a general unconditional mandate was given to the Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or pursuant to the grant of options under the Pre-IPO Share Option Scheme or the Share Option Scheme or other similar arrangement or pursuant to a specific authority granted by the Shareholders in general meeting, Shares with a total nominal value not exceeding 20% of the total nominal value of the share capital of the Company in issue immediately following completion of the Global Offering, such mandate to remain in effect until the conclusion of the next annual general meeting of the Company, or the expiration of the period within which the next annual general meeting of the Company is required to be held by the Articles of Association or any applicable laws, or when revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first;
- (g) a general unconditional mandate was given to the Directors authorising them to exercise all powers of the Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the total nominal amount of the share capital of the Company in issue immediately following completion of the Global Offering, such mandate to remain in effect until the conclusion of the next annual general meeting of the Company, or the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or any applicable laws to be held, or when revoked or varied

by an ordinary resolution of the Shareholders in general meeting, whichever occurs first; and

- (h) the general unconditional mandate mentioned in paragraph (f) above was extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company pursuant to the mandate to repurchase Shares referred to in paragraph (g) above.

#### **4. Corporate reorganisation**

The Reorganisation which was effected in preparation for the listing of the Shares on the Stock Exchange involved the following:

- (a) On 30 December 2002, NTSZ as the vendor and Zastron as the purchaser entered into a sale and purchase agreement, as supplemented by a supplemental agreement dated 26 March 2004 in respect of the sale and purchase of certain plant and equipment at the consideration of US\$9,167,447.33 and RMB5,991,094.42 which was equivalent to the then carrying amounts of the plant and equipment calculated in accordance with accounting principles generally accepted in the PRC.
- (b) On 9 June 2003, a Certificate of Incorporation in respect of the incorporation of the Company was issued by the Registrar of Companies of the Cayman Islands.
- (c) On 13 June 2003,
  - (i) one Share, credited as fully paid, was allotted and issued to Codan Trust Company (Cayman) Limited as subscriber by the Company;
  - (ii) Codan Trust Company (Cayman) Limited transferred the one Share allotted and issued to it as subscriber to NTE Inc.; and
  - (iii) nine Shares, credited as fully paid, were allotted and issued to NTE Inc. by the Company.
- (d) On 3 July 2003, NTEEPHK as the vendor and the Company as the purchaser entered into a sale and purchase agreement in respect of the entire 100% interest in NTSZ at a consideration of US\$90 million which corresponded with the then registered capital of NTSZ.

- (e) On 3 December 2003, the Ministry of Commerce of the PRC issued an approval document (商資二批[2003] 1108號) approving, among others, the transfer of the entire 100% equity interest in NTSZ from NTEEPHK to the Company and the proposed increase of the registered capital of NTSZ from US\$90 million to US\$98.8 million.
- (f) On 4 December 2003, the Ministry of Commerce of the PRC issued to NTSZ a new Certificate of Approval for Establishment of Enterprises with Investment of Taiwan, Hong Kong, Macao and Overseas Chinese in the People's Republic of China (外經貿資審A字 [1998] 0041號) approving the Company to be the sole investor of NTSZ and the registered capital of NTSZ be US\$98.8 million. Accordingly, the transfer of the entire 100% interest in NTSZ from NTEEPHK to the Company became effective on 4 December 2003.
- (g) On 11 December 2003, a new Business Licence was issued to NTSZ by Shenzhen Administration for Industry and Commerce and the increase in registered capital of NTSZ from US\$90 million to US\$98.8 million became effective on the same day.
- (h) Between August and December 2003, NTSZ assumed from NTEEPHK the sales coordination and marketing functions carried out by NTEEPHK in connection with the consumer electronics and communications products manufactured by NTSZ, pursuant to which all customers' contracts were transferred to NTSZ by way of novation or NTSZ entering into new contracts with customers. On 26 March 2004, NTSZ and NTEEPHK signed a memorandum of understanding in respect of the transfer, under which it was confirmed that title to and risk in the property, undertaking, rights and assets (if any) of such business in relation to the sales coordination and marketing activities previously conducted by NTEEPHK had passed to NTSZ and that NTEEPHK would not in the future engage itself in any business similar to that assumed by NTSZ. On 1 October 2003, NTSZ entered into a consultancy agreement with NTIC, which had re-engaged those marketing personnel previously under the employment of NTEEPHK.
- (i) On 17 March 2004, the Macao Trade and Investment Promotion Institute issued an approval document approving the proposed transfer of the entire 100% equity interest in NTIC from NTE Inc. to the Company.
- (j) On 24 March 2004, NTE Inc. and the Company entered into a sale and purchase agreement in relation to the transfer of NTE Inc.'s entire 100% equity interest in NTIC to the Company at a consideration representing the net asset value of NTIC as of 31 March 2004. The net asset value of NTIC as at 31 March 2004 amounted to US\$1,543,520.63 and the transfer was completed on 7 April 2004.

- (k) Pursuant to the written resolutions of the sole shareholder of the Company passed on 8 April 2004, US\$ 91,543,520.63 owed by the Company to NTE Inc. was capitalised and 799,999,990 Shares were issued to NTE Inc..

## **5. Changes in share capital of subsidiaries**

Save for the subsidiaries mentioned in page I-2 in Appendix I to this prospectus, the Company has no other subsidiaries.

Save as set out in “Further Information About the Company — Corporate reorganisation” in this Appendix, there has been no alteration in the share capital of any of the subsidiaries of the Company within the two years immediately preceding the date of this prospectus.

## **6. Repurchase by the Company of Shares**

### ***(a) Provisions of the Listing Rules***

The Listing Rules permit companies whose primary listings are on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

#### ***(i) Shareholders’ approval***

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval of a particular transaction.

*Note:* Pursuant to a resolution passed by the sole shareholder of the Company on 8 April 2004, a general unconditional mandate (the “Repurchase Mandate”) was granted to the Directors authorising the repurchase by the Company on the Stock Exchange, or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue and to be issued as mentioned herein, at any time until the conclusion of the next annual general meeting of the Company, the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the Articles of Association to be held or when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever is the earliest.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles of Association and the laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(b) *Reasons for repurchases*

The Directors believe that it is in the best interests of the Company and the Shareholders for the Directors to have a general authority from the Shareholders to enable the Company to repurchase Shares in the market. Repurchases of Shares will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of the Company and its assets and/or its earnings per Share.

(c) *Funding of repurchases*

In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with the Articles of Association and the applicable laws of the Cayman Islands.

The Company shall not purchase securities on the Stock Exchange for a consideration other than cash or for settlement otherwise in accordance with the trading rules of the Stock Exchange from time to time.

It is presently proposed that any repurchase of Shares would be made out of capital paid up on the repurchased Shares, funds of the Company which would otherwise be available for dividend or distribution and, in case of the premium payable on such repurchase, from funds of the Company otherwise available for dividend or distribution or out of the Company's share premium account.

The Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or its gearing levels which, in the opinion of the Directors, are from time to time appropriate for the Company.

(d) *Share capital*

Exercise in full of the Repurchase Mandate, on the basis of 800,000,000 Shares in issue immediately after the listing of the Shares, could accordingly result in up to 80,000,000 Shares being repurchased by the Company during the period prior to:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the Articles of Association to be held; or
- (iii) the revocation or variation of the Repurchase Mandate by an ordinary resolution of the Shareholders in general meeting,

whichever occurs first.

(e) *General*

None of the Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective associates (as defined in the Listing Rules), has any present intention to sell any Shares to the Company or its subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

No connected person (as defined in the Listing Rules) has notified the Company that he or it has a present intention to sell Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If as a result of a securities repurchase pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "Code"). Accordingly, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Code as a result of any such increase.



If the Repurchase Mandate is fully exercised immediately following completion of the Global Offering without taking into account any Shares which may be allotted and issued pursuant to the exercise of the options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme, the total number of Shares which will be repurchased pursuant to the Repurchase Mandate shall be 80,000,000 Shares (being 10% of the issued share capital of the Company based on the aforesaid assumptions). The Directors are not aware of any consequences which could arise under the Code as a consequence of any repurchases made pursuant to the Repurchase Mandate. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of the Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the minimum percentage of public shareholdings. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

## **B. FURTHER INFORMATION ABOUT THE BUSINESS**

### **1. Summary of material contracts**






The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or any of its subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (a) a sale and purchase agreement dated 30 December 2002 and entered between NTSZ as the vendor and Zastron as the purchaser in respect of certain plant and equipment, as supplemented by a supplemental agreement dated 26 March 2004;
- (b) a sale and purchase agreement dated 3 July 2003 and entered between NTEEPHK as the vendor and the Company as the purchaser in respect of the entire 100% interest in NTSZ;
- (c) a building contract dated 28 October 2003 and entered between NTSZ and Takasago Thermal Engineering (Hong Kong) Company, Limited in respect of the construction of the new office and new factory referred to in “Business — Manufacturing Capabilities — Production Site” of this prospectus;

- (d) an assignment of debt dated 31 December 2003 and entered between NTSZ as assignor and the Company as assignee in respect of a debt of an amount of HK\$388,744,688.21 owed by NTEEPHK;
- (e) an assignment of debt dated 2 January 2004 and entered between NT Group Management as assignor and the Company as assignee in respect of a debt of an amount of HK\$304,160,785.79 owed by NTEEPHK;
- (f) a sale and purchase agreement dated 24 March 2004 and entered between NTE. Inc as the vendor, the Company as the purchaser and NTIC in respect of the entire 100% equity interest in NTIC;
- (g) a memorandum of understanding dated 26 March 2004 and signed by NTSZ and NTEEPHK in respect of the transfer of certain sales coordination and marketing activities from NTEEPHK to NTSZ;
- (h) an assignment of debt dated 1 April 2004 and entered between the Company as assignor and NTE Inc. as assignee in respect of a debt of an amount of HK\$692,905,474 owed by NTEEPHK;
- (i) a business facilities agreement dated 8 April 2004 and entered between NT Group Management and the Company for the provision of the use of office space, equipment, facilities, services and outgoings referred to in “Business — Connected Transactions” of this prospectus;
- (j) a lease agreement dated 8 April 2004 and entered between NTSZ and Zastron for the lease of factory complex and provision of use of ancillary facilities referred to in “Business — Connected Transactions” of this prospectus;
- (k) a trademark licence agreement dated 8 April 2004 and entered between NTE Inc. and the Company for the use of certain “Namtai” trademarks by the Group referred to in “Business — Connected Transactions” of this prospectus;
- (l) a letter purchase agreement dated 8 April 2004 and entered between NTSZ and J.I.C. Enterprises for the supply of LCD panels referred to in “Business — Connected Transactions” of this prospectus;
- (m) the Public Offer Underwriting Agreement; and
- (n) the deed of indemnity dated 15 April 2004 executed by the Selling Shareholder in favour of the Company and its subsidiaries containing the indemnities in respect of taxation referred to in the section headed “Other Information — Estate duty and tax indemnity” in this Appendix.

2. Intellectual property

The Group has been granted a licence to use the following trademarks:

Trademark	Place of application for registration	Class	Description of goods/services covered
 <b>Namtai</b>	Hong Kong	9	Calculators, digital scales, digital thermometers, digital blood pressure meters
 <b>Namtai</b>	Hong Kong	16	Electronic typewriters
	Hong Kong	9	Calculators, digital scales, digital thermometers, digital blood pressure meters
	Hong Kong	16	Electronic typewriters
NAMTAI	Canada	—	Wares: calculators, scales, thermometers, blood pressure meters and typewriters  Services: custom design and manufacturing of electronic products for others and the operation of a wholesale business of selling electronic products
 <b>Namtai</b>	Canada	—	Wares: calculators, scales, thermometers, blood pressure meters and typewriters  Services: custom design and manufacturing of electronic products for others and the operation of a wholesale business of selling electronic products

Save as aforesaid, there are no other trade or service marks, patents, other intellectual or industrial property rights which are material in relation to the Group’s business.

C. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF

1. Directors

(a) *Disclosure of interests — interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations*

Immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised), the interests and short positions of the Directors and the chief executives in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance) which will be required to be disclosed pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests and short positions in which they are taken or deemed to have taken under the Securities and Futures Ordinance), or which will be required, pursuant to section 347 of the Securities and Futures Ordinance or the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules to be notified to the Company and the Stock Exchange, or which will be required, pursuant to section 352 of the Securities and Futures Ordinance, to be entered in the register referred to therein, once the Shares are listed, are as follows:

The Company

*Long position in physically settled equity derivatives*

Name of Director	Corporate interests	Number of underlying Shares			Total interests	Approximate percentage of shareholding immediately after the Global Offering (Note 1)
		Personal interests	Family interests	Other interests		
Executive Directors						
Wong Kuen Ling	—	7,000,000 (Note 2)	—	—	7,000,000	0.875%
Guy Jean Francois Bindels	—	1,200,000 (Note 2)	—	—	1,200,000	0.15%

Notes:

1. Assuming that the Over-allotment Option is not exercised.

2. Such interests in shares are held pursuant to conditional options granted under the Pre-IPO Share Option Scheme details of which are described in “Other Information — Pre-IPO Share Option Scheme” in this Appendix.

Associated Corporations

Name of Director	Name of associated corporation	Type of interest	Approximate
			percentage of shareholding in the associated corporation
Wong Kuen Ling	NTE Inc.	Personal	0.1%
Koo Ming Kown	NTE Inc.	Personal and family	12.9%
Li Shi Yuen, Joseph	NTE Inc.	Personal and corporate	7.3%
Tadao Murakami	NTE Inc.	Personal	4.5%

(b) *Particulars of service contracts*

None of the Directors has entered or has proposed to enter into any service agreements with the Company or any members of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

(c) *Directors’ remuneration*

During the year ended 31 December 2003, the aggregate emoluments paid by the Group to the Directors were approximately US\$934,000 (equivalent to approximately HK\$7,285,000).

Under the arrangements currently proposed, conditional upon the listing of the Shares on the Stock Exchange, the annual remuneration (excluding payment pursuant to the Group's performance related incentive scheme and other discretionary bonus) payable by the Group to each of the Directors will be as follows:

	(HK\$)
Ms Wong Kuen Ling ( <i>Note 1</i> )	480,120
Mr. Guy Jean Francois Bindels ( <i>Note 2</i> )	2,213,760
Mr. Koo Ming Kown ( <i>Note 2</i> )	1,560,012
Mr. Li Shi Yuen, Joseph ( <i>Note 3</i> )	12
Mr. Tadao Murakami ( <i>Note 3</i> )	12
Mr. Wong Chi Chung ( <i>Note 3</i> )	240,000
Mr. Thaddeus Thomas Beczak ( <i>Note 3</i> )	240,000
Mr. Lee Wa Lun, Warren ( <i>Note 3</i> )	240,000

*Notes:* Under the arrangements currently proposed:

- (1) Wong Kuen Ling is and will be entitled to receive payment under the Group's performance based incentive scheme and discretionary bonuses. For the year ended 31 December 2003, aggregate remuneration received by Ms Wong Kuen Ling was HK\$6,667,330.80.
- (2) These directors will not be entitled to receive payment under the Group's performance based incentive scheme but will be entitled to discretionary bonuses.
- (3) These directors will not be entitled to receive payment under the Group's performance based incentive scheme nor discretionary bonuses.
- (4) The aggregate remuneration payable to the Directors for the year ending 31 December 2004 under the arrangements currently proposed will be HK\$4,973,916 excluding any payments under the Group's performance based incentive scheme and discretionary bonuses.
- (5) Any discretionary bonus to be paid to the Directors shall be determined by the remuneration committee of the Company.

**(d) Other interests**

As at the Latest Practicable Date, Wong Kuen Ling, the Chairman and the Chief Executive Officer of the Company, held 2,000 shares in OmniVision, one of the Group's five largest suppliers in 2003.

2. Substantial Shareholder(s)

So far as the Directors are aware, immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised), the following person(s) (not being a Director or chief executive of the Company) will have an interest or short position in the Shares or the underlying Shares which will be required to be disclosed to the Company pursuant to Divisions 2 and 3 of part XV of the Securities and Futures Ordinance, or, 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 the Company:

Name	Number of Shares	Approximate percentage of shareholding immediately after the Global Offering
		(Note)
NTE Inc.	600,000,000	75%

*Note:* Assuming that the Over-allotment Option is not exercised.

3. Agency fees or commissions received

No commissions, discounts, brokerages or other special terms were granted within the two years preceding the date of this prospectus in connection with the issue or sale of any capital of any member of the Group.

4. Disclaimers

- (a) save as disclosed in “Further information about directors, management and staff — Directors” in this Appendix, none of the Directors or chief executives of the Company has any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance or which will be required, pursuant to section 352 of the Securities and Futures Ordinance, to be entered in the register referred to therein, or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies once the Shares are listed;

- (b) none of the Directors or experts referred to in “Other Information — Consents of experts” in this Appendix has any direct or indirect interest in the promotion of the Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (c) none of the Directors or experts referred to in “Other Information — Consents of experts” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole;
- (d) none of the Directors has any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (e) save as disclosed in “Further information about directors, management and staff — Substantial Shareholder(s)” in this Appendix and taking no account of Shares which may be taken up under the Global Offering, none of the Directors knows of any person (not being a Director or chief executive of the Company) who will, immediately following completion of the Global Offering, have an interest or short position in the Shares or underlying Shares which will be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance or be interested, directly or indirectly, 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 member of the Group;
- (f) none of the experts referred to in “Other Information — Consents of experts” in this Appendix has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and



- (g) save as disclosed in “Further information about directors, management and staff — Directors” in this Appendix, and so far as is known to the Directors, none of the Directors, their respective associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of the Company has any interests in the five largest customers or the five largest suppliers of the Group.

## D. OTHER INFORMATION

### 1. Share Option Scheme

#### *Summary of terms of the Share Option Scheme*

The terms of the Share Option Scheme conditionally approved by a written resolution of the sole shareholder of the Company dated 8 April 2004, subject to certain conditions as referred to in paragraph (n) in this section, are as follows:

#### *(a) Purpose of the Share Option Scheme*

The Share Option Scheme enables the Company to grant options to Eligible Participants (as defined below) as an incentive or reward for their contribution to the Group and those companies in the equity share capital of which the Company, directly or indirectly, has a 20 per cent. or greater beneficial interest but excluding the Company’s subsidiaries (the “Associated Companies”). Apart from the discretion to determine the exercise price, the Board will have an absolute discretion to impose performance targets on the option holders before any option can be exercised taking into account objectives of the Share Option Scheme.

#### *(b) Who may join and basis for determining eligibility*

##### *(i) Any Eligible Person, being:*

- (a) an executive director or employee or a person who has accepted an employment offer by a member of the Group, an Associated Company or any Controlling Shareholder (as defined below);
- (b) a non-executive director and any independent non-executive director or officer of any member of the Group, an Associated Company or of any Controlling Shareholder;

- (c) a shareholder or holder of securities of any member of the Group, an Associated Company or of any Controlling Shareholder who, in the opinion of the Directors, has contributed to the development of the business of the Group or Associated Companies;
- (d) a business partner, agent, consultant or representative of any member of the Group, an Associated Company or of any Controlling Shareholder;
- (e) a supplier of goods or services to any member of the Group, an Associated Company or to any Controlling Shareholder, or any of its directors or employees;
- (f) a customer of any member of the Group, an Associated Company or of any Controlling Shareholder, or any of its directors or employees;
- (g) a person or entity that provides research, development or other technological support or any advisory, consultancy or professional services to any member of the Group, an Associated Company or of any Controlling Shareholder, or any of its directors or employees;
- (h) a person who is seconded to work and has devoted at least 40 per cent. of his time to the business of the Group or an Associated Company (“Secondee”); and
- (ii) a trust for the benefit of an Eligible Person or his immediate family members and a company controlled by the Eligible Person or his immediate family members (“Related Trust”) (together with Eligible Persons being the “Eligible Participants”).

A Controlling Shareholder of the Company is (i) any person who is able to control the exercise of 30 per cent. (or such other percentage as may from time to time be specified in the Code as being the level for triggering a mandatory general offer) or more of the voting power at general meeting of the Company, (ii) any person who is in a position to control the composition of the Board, or (iii) any person who has the power to conduct the affairs of the Company according to his wishes by virtue of the constitutional documents or other agreements of the Company.

The Board may, at its absolute discretion (subject to the provisions of the Listing Rules and the applicable laws and regulations from time to time in force), invite Eligible Participants to take up options for Shares at a price calculated in accordance with sub-paragraph (e) below. The Board may determine the amount, if any, payable on application or acceptance of the options and the period within which payments must or may be made. Upon acceptance of the option, the grantee shall pay the amount, if any, specified in the offer to the Company as consideration for the grant within such period as the Company shall specify. Unless the Board otherwise determines, there are no performance targets that must be achieved before options can be exercised.

(c) *Maximum number of Shares*

- (i) The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and other schemes must not exceed 30 per cent. of the Shares in issue from time to time and at the adoption date is 240,000,000 Shares (“Overriding Limit”). No options may be granted under the Share Option Scheme or any other schemes of the Group if this will result in the Overriding Limit being exceeded.
- (ii) Subject to the Overriding Limit as stated in paragraph (i) above, the total number of Shares available for issue under options which may be granted under the Share Option Scheme and any other schemes must not, in aggregate, exceed 80,000,000 Shares (“Mandate Limit”) unless separate Shareholders’ approval has been obtained pursuant to paragraphs (iii) or (iv) below. Options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating the Mandate Limit.
- (iii) The Company may refresh the Mandate Limit at any time subject to prior Shareholders’ approval in general meeting. However, the Mandate Limit as refreshed must not exceed 10 per cent. of the Shares in issue as at the date of the Shareholders’ resolution. Options previously granted under the Share Option Scheme and other share option schemes (including those outstanding, cancelled, exercised or lapsed in accordance with the schemes) will not be counted for the purpose of calculating the limit as refreshed.
- (iv) The Company may also seek separate Shareholders’ approval for granting options beyond the Mandate Limit to Eligible Participants specifically identified by the Company before such approval is sought.

- (v) The total number of Shares issued and to be issued upon exercise of the options granted and to be granted to each Eligible Participant (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of grant must not exceed 1 per cent. of the Shares in issue at the date of grant (“Individual Limit”). Any further grant of options in excess of the Individual Limit must be subject to Shareholders’ approval with such Eligible Participant and his associates abstaining from voting.

(d) *Grant of options to connected persons or any of their associates*

Any grant of options to a connected person (as defined in the Listing Rules) or its associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). Where it is proposed to grant to an Eligible Participant who is also a substantial Shareholder or an independent non-executive Director or their respective associates and if such grant would result in the total number of Shares issued and to be issued upon exercise of the options granted and to be granted (including exercised, cancelled and outstanding options) under the Share Option Scheme or any other schemes in any 12-month period up to and including the date of grant to such person representing in aggregate over (i) 0.1 per cent. of the total Shares in issue and (ii) having an aggregate value, based on the closing price of the Shares at the date of the Board meeting for proposing such grant, in excess of \$5 million, then the proposed grant must be approved in accordance with the Listing Rules including by way of ordinary resolution of the Shareholders in general meeting if so required. All connected persons must abstain from voting in favour at such general meeting. Insofar as the Listing Rules require, Shareholders’ approval must be obtained for any change in the terms of options granted to a grantee who is a substantial Shareholder, an independent non-executive Director or any of their respective associates (as those terms are defined in the Listing Rules).

(e) *Price for Shares*

The subscription price for the Shares under the Share Option Scheme shall be determined by the Board and notified to each grantee. The subscription price shall not be less than the higher of: (i) the closing price of the 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 per Share as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the date of grant of that option; and (iii) the nominal value of the Shares.

(f) *Time of exercise of options*

An option may be exercised during the period (not more than 10 years from the date of grant of the option) specified in the terms of grant. Although the Share Option Scheme does not specify the minimum period an option must be held before it can be exercised, the Directors may specify such minimum period at their discretion.

(g) *Rights are personal to grantee*

An option may not be transferred or assigned and is personal to the grantee except for the transmission of an option on the death of the grantee to his personal representative.

(h) *Option period and lapse of options*

- (i) If the grantee is an executive director, employee, proposed employee, non-executive director, officer, shareholder or holder of securities of any member of the Group, an Associated Company or of any Controlling Shareholder, a Seconded or a Related Trust of such person and he ceases to be an Eligible Person because of death, retirement, ill health, injury or disability, his office or employment ceases to be related to a member of the Group, or an Associated Company, his outstanding options shall lapse 12 months after he ceases to be an Eligible Person.
- (ii) If the grantee is a business partner, agent, consultant, representative, supplier of goods or services or one of its directors or employees, a customer or one of its directors or employees, a person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services of/to any member of the Group, an Associated Company or of/to any Controlling Shareholder, or a Related Trust and commits a breach of contract with any member of the Group or an Associated Company, or commits any act of bankruptcy or becomes insolvent, commits any serious misconduct, is convicted of any criminal offence (other than an offence which does not bring the grantee, the Group, an Associated Company or any Controlling Shareholder into disrepute) or makes any arrangement or composition with his creditors, his outstanding option shall lapse on the date of occurrence of the relevant event.

- (iii) If the grantee is an Eligible Person and he ceases to be an Eligible Person or is a Related Trust of a person who ceases to be an Eligible Person by reason other than (a) in circumstances in which subparagraphs (i) or (ii) applies; (b) upon expiration of his term as a director of a member of the Group, or an Associated Company (unless immediately renewed on expiration); (c) in circumstances which subparagraph (iv) applies if the grantee is an executive director, employee or proposed employee of any member of the Group, an Associated Company or of any Controlling Shareholder; or (d) in circumstances in which subparagraph (v) applies if the grantee is qualified as an Eligible Person other than by reason of being an executive director, employee or proposed employee of any member of the Group, an Associated Company or of any Controlling Shareholder, the grantee's outstanding options shall lapse forthwith unless the Board otherwise determines.
- (iv) If the grantee is an executive director, employee or proposed employee of any member of the Group, an Associated Company or of any Controlling Shareholder and his employment is terminated due to serious misconduct, act of bankruptcy, composition being made with his creditors or conviction of any criminal offence involving his integrity or honesty, his outstanding options shall lapse on the date he ceases to be employed by the relevant member of the Group and Associated Companies or any Controlling Shareholder.
- (v) If the grantee is an Eligible Participant other than by reason of being an executive director, employee or proposed employee of any member of the Group, Associated Companies or of any Controlling Shareholder, his option will lapse upon the occurrence of any of the events stated in subparagraph (iv).
- (vi) If the Board considers that due to the separate listing or sale of a member of the Group or an Associated Company or a disposal of the business of a member of the Group or an Associated Company, a grantee should cease to be treated as an Eligible Participant or if any member of the Group or an Associated Company is reorganised or merged or consolidated with another entity, the Board may make such arrangements as appropriate, reach such appropriate accommodation with the grantee, waive any conditions to vesting of an option or permit the continuation of an option in accordance with its original terms.

- (vii) If a general offer by way of takeover is made to the Shareholders and the offer becomes or is declared unconditional in all respects, the grantee may, within such period as the Board may determine, exercise his options to their full extent and any option that has not been exercised within the specified period shall lapse.
  - (viii) If a compromise or arrangement between the Company and the Shareholders or creditors is proposed for the purpose of amalgamation of the Company with any other company or companies, the grantee may, during the period specified in the Share Option Scheme, exercise any of his options in full or in part subject to such compromise and arrangement being sanctioned by the court and becoming effective and any of his unexercised options shall lapse upon such compromise or arrangement becoming effective.
  - (ix) If an effective resolution is passed for a members' voluntary winding-up of the Company, the options will immediately vest and the grantee may by notice in writing to the Company within 21 days after the date of such resolution elect to be treated as if the options have been exercised and unless the grantee so elects, his options shall lapse on the date of commencement of the winding-up of the Company.
  - (x) A grantee's options shall lapse on the date he sells, transfers, assigns, charges, mortgages or encumbers or creates any interest in favour of a third party over or in relation to any option except for the transmission of an option on the death of the grantee to his personal representative.
- (i) *Cancellation of options*

Any options granted but not exercised or lapsed may be cancelled with the approval of the relevant Eligible Participant. If the Company grants new options to an option holder in place of his cancelled options, the Company may only grant such new options if there are available unissued options (excluding the cancelled options) within the limits set out in subparagraph(c).

(j) *Effect of alterations to capital*

In the event of any alteration in the share capital of the Company arising from any capitalisation issue, rights issue, reduction, sub-division or consolidation of share capital while any option remains exercisable, the number or nominal amount of Shares subject to the option so far as unexercised and/or the subscription price and/or the Overriding Limit and the Mandate Limit will be adjusted as appropriate, provided that any such adjustments will be on the basis that the proportion of the issued share capital to which a grantee is entitled after such adjustments will remain the same as that to which he was entitled before such alteration and that no Share will be issued at less than its nominal value. Save in the case of a capitalisation issue, the auditors for the time being of the Company must confirm to the Directors in writing that such adjustments satisfy the aforesaid requirements.

(k) *Price sensitive developments*

Any grant of options will not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has ceased to be unpublished price sensitive information. In particular, but only insofar as required by the Listing Rules, during the period of one month immediately preceding the earlier of (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and (ii) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, no option may be granted.

(l) *Ranking of Shares*

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles of Association from time to time in force and will rank equally with the fully paid Shares in issue on the date of allotment or, if that date falls on a day on which the register of members is closed, the first day on which the register of members is re-opened.



*(m) Alterations to terms and conditions*

Subject to the Listing Rules in force from time to time, the Board may amend, withdraw or terminate the Share Option Scheme at any time. However, unless approved by ordinary resolution of the Shareholders in general meeting or such alterations take effect automatically under the terms of the Share Option Scheme, no amendments shall be made to the advantage of any grantee or any future option-holders which relate to:

- (i) the purpose of the Share Option Scheme;
- (ii) the persons to or for whom options may be granted under the Share Option Scheme and the basis for determining their eligibility;
- (iii) the Overriding Limit, the Mandate Limit, refreshing of the Mandate Limit, granting of options beyond the Mandate Limit and the Individual Limit;
- (iv) any amendments to the terms of the period during which the Share Option Scheme is exercisable; the period during which options may be granted; the subscription price for Shares under the Share Option Scheme; the period during which options will lapse; cancellation of options; the various limits as stated in sub-paragraph (iii); the adjustments as stated in paragraph (j) above; the termination of the Share Option Scheme; lapse of options due to sale, transfer, assignment, charge, mortgage, encumbrance or creation of an interest in favour of third parties in relation to any option; and any alterations to the advantage of grantees or future option holders which relate to sub-paragraphs (i) to (v); and
- (v) any other alterations to the Share Option Scheme which are of a material nature.

Any change to the authority of the Board pursuant to any alteration to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting.

No alteration shall operate to affect adversely any rights which have accrued to any grantee at that date.

Except as described in sub-paragraphs (i) to (v), the Board need not obtain the approval of the Shareholders for any minor changes as specified in the Share Option Scheme.

Subject to the Listing Rules and the provisions of this paragraph (m), the Board may, at any time and in its absolute discretion, remove, waive or vary the conditions, restrictions or limitations imposed in an option agreement on compassionate or any other grounds.

(n) *Conditionality of the Share Option Scheme*

The Share Option Scheme is conditional upon (i) the Listing Committee of the Stock Exchange granting listing of and permission to deal in any Shares falling to be issued pursuant to the exercise of the options granted under the Share Option Scheme; and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements.

(o) *Period of the Share Option Scheme*

The Share Option Scheme will remain in force for a period of 10 years commencing on the date the Shares are listed on the Stock Exchange. Upon termination, no further options may be granted under the Share Option Scheme.

(p) *Termination*

The Company or the Board may resolve to terminate the Share Option Scheme at any time and in such event no further options will be offered, but options granted before such termination will continue to be valid and exercisable in accordance with the terms and conditions of the Share Option Scheme.

(q) *General*

Unless the context otherwise requires, references to “Shares” in these paragraphs includes shares in the Company of any other nominal amount as shall result from a sub-division or a consolidation of such Shares from time to time.

As at the date of this document, no option has been granted under the Share Option Scheme. Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares which may fall to be issued following the exercise of the options under the Share Option Scheme.

The Company shall disclose details of the Share Option Scheme in its annual and interim reports in accordance with the Listing Rules in force from time to time.

2. Pre-IPO Share Option Scheme

*Summary of terms of the Pre-IPO Share Option Scheme*

The purpose of the Pre-IPO Share Option Scheme is to recognise the contribution of certain directors and employees of the Group to the Group as a whole. The principal terms of the Pre-IPO Share Option Scheme, conditionally approved by a written resolution of the sole shareholder of the Company passed on 22 March 2004 (subject to similar conditions as referred to in paragraph (n) of “Share Option Scheme”), are substantially the same as the terms of the Share Option Scheme except that:

- (a) the exercise price for the Shares shall be the Offer Price;
- (b) the total number of Shares subject to the Pre-IPO Share Option Scheme is 20,000,000 Shares and there are no similar requirements on granting options to connected persons as summarised in paragraph (d) of the paragraph headed “Share Option Scheme” above;
- (c) only directors and employees of the Group are eligible for the grant of options under the Pre-IPO Share Option Scheme;
- (d) save for the options which have been conditionally granted (see below), no further options will be granted as the right to do so has ended prior to the date of this prospectus; and
- (e) each of the grantees to whom options have been conditionally granted under the Pre-IPO Share Option Scheme will be subject to the following restrictions on the exercise of the options granted to him/her:

<b>Period (as from the day on which the Shares commence trading on the Stock Exchange)</b>	<b>Maximum cumulative percentage of the Shares under option exercisable by the grantee</b>
first 12 months	0%
second 12 months	30%
third 12 months	60%
for the remaining option period	100%

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares which may be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme.

Assuming that the Pre-IPO Options were exercised in full on 1 January 2003 resulting in the issuance of 20,000,000 additional Shares, the earnings per Share as at 31 December 2003 would have been diluted by approximately 2.46% from US\$0.0285 to US\$0.0278.

*Outstanding options granted*

As at the date of this prospectus, options to subscribe for an aggregate of 20,000,000 Shares (representing approximately 2.5 per cent. of the total issued share capital of the Company immediately after the Global Offering) have been conditionally granted by the Company under the Pre-IPO Share Option Scheme. Particulars of the outstanding options conditionally granted under the Pre-IPO Share Option Scheme to the directors and employees of the Group are set out below:

Name of grantee	Position held in the Group	Date of joining the Group	Address	Number of Shares subject to options granted
Wong Kuen Ling	executive Director, chairman and chief executive officer of the Company	01-06-1989	Flat B, 33/F, Block 11, Tierra Verde, 33 Tsing King Road, Tsing Yi, New Territories, Hong Kong	7,000,000
Guy Jean Francois Bindels	executive Director	22-03-2004	Tower 12, 10/F, Flat C, Parc Oasis, Kowloon Tong, Hong Kong	1,200,000
Chen William Yee	managing director of NTSZ	02-09-2003	Greenery, 10J9C1F, Clifford Estates, Panyu, Guangzhou, China	1,600,000
Hu Su Zhou	vice managing director of NTSZ	01-09-1994	Gu Su Industrial Estate, Xixiang, Baoan, Shenzhen, P.R.C.	1,000,000
Ng Shuk Ha	sales manager	07-07-1997	Room C, 3/F, Block 6, Mount Haven, 3 Liu To Road, Tsing Yi, New Territories, Hong Kong	400,000

APPENDIX V

STATUTORY AND GENERAL INFORMATION

Name of grantee	Position held in the Group	Date of joining the Group	Address	Number of Shares subject to options granted
Kwok Eva	sales manager	20-04-1998	Flat 1102, 11/F, Nga Kwan House, Ting Nga Court, Tai Po, Hong Kong	400,000
Lee Man Chee	sales manager	28-08-2000	Flat 22D, Block 7, Fullview Garden, 18 Siu Sai Wan Road, Hong Kong	300,000
Huen Wing Han	sales manager	26-06-2000	Flat M-3, 10/F, 1 Babington Path, Hong Kong	300,000
Lee Chun Lung	sales manager	19-03-2003	A2, 20/F, Pearl City Mansion, 22-36 Paterson Street, Causeway Bay, Hong Kong	100,000
Chong Keung On	sales manager	01-04-2003	Flat B, Block 1, Fu Fai Garden, Ma On Shan, New Territories	100,000
Liu Pi Hao	research & development assistant general manager	15-11-1999	4/F., No. 110 Long Quan Street, Ta An District, Taipei, Taiwan, R.O.C.	700,000
Xu Li	research & development manager	16-04-1998	Gu Su Industrial Estate, Xixiang, Baoan, Shenzhen, P.R.C.	200,000
Huang Hao	research & development manager	18-10-1993	Gu Su Industrial Estate, Xixiang, Baoan, Shenzhen, P.R.C.	200,000
Zhang Sui Ping	research & development manager	12-09-1994	Gu Su Industrial Estate, Xixiang, Baoan, Shenzhen, P.R.C.	300,000

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Name of grantee	Position held in the Group	Date of joining the Group	Address	Number of Shares subject to options granted
Chen Bo Kui	(acting) research & development manager	10-08-1998	Gu Su Industrial Estate, Xixiang, Baoan, Shenzhen, P.R.C.	200,000
Sin Kwan Hung	supply chain management assistant general manager	15-11-1999	Flat D, 22/F, Tower 33, South Horizons, Apleichau, Hong Kong	700,000
Fung Yin Tat	logistics manager	13-08-1998	919, Nam Yiu House, Nam Shan Estate, Shek Kip Mei, Hong Kong	400,000
Cheng Xu	procurement manager	03-04-1995	Gu Su Industrial Estate, Xixiang, Baoan, Shenzhen, P.R.C.	300,000
Wei Xi Wen	sourcing manager	12-08-2002	Gu Su Industrial Estate, Xixiang, Baoan, Shenzhen, P.R.C.	100,000
Liu Bao Chang	production manager	12-12-1987	Gu Su Industrial Estate, Xixiang, Baoan, Shenzhen, P.R.C.	360,000
Wan Hong Ying	industrial engineering manager	12-05-1997	Gu Su Industrial Estate, Xixiang, Baoan, Shenzhen, P.R.C.	240,000
Ling Hua	production engineering/mechanical engineering manager	06-06-1988	Gu Su Industrial Estate, Xixiang, Baoan, Shenzhen, P.R.C.	200,000
Chan Chung Man	quality control manager	01-07-1989	Flat G, 33/F, Block 2, Tierra Verde, 33 Tsing King Road, Tsing Yi, New Territories, Hong Kong	500,000

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Name of grantee	Position held in the Group	Date of joining the Group	Address	Number of Shares subject to options granted
Sit Fung Ying	financial controller	01-11-2001	Unit F, 14/F, Block 3, The Tolo Place, Ma On Shan, New Territories, Hong Kong	700,000
Hu Yan	accounting manager	10-03-1994	Gu Su Industrial Estate, Xixiang, Baoan, Shenzhen, P.R.C.	160,000
Yang Qi	human resources manager	01-08-1992	Gu Su Industrial Estate, Xixiang, Baoan, Shenzhen, P.R.C.	160,000
Du Jian Ping	administration manager	26-12-2003	Gu Su Industrial Estate, Xixiang, Baoan, Shenzhen, P.R.C.	60,000
Shao Jian Guo	security supervisor	01-04-2004	Gu Su Industrial Estate, Xixiang, Baoan, Shenzhen, P.R.C.	20,000
Hsu Kar Hing	chief financial officer	16-02-2004	24C, Conduit Tower, 20 Conduit Road, Mid-Level Hong Kong	800,000
Chuang Sze Tseng, Donna	company secretary	22-03-2004	Apartment 1, Block A, Bellevue Court, 41 Stubbs Road, Hong Kong	400,000
Fu Xiao Jiang	assistant general manager of Administration Department	01-10-2003	Gu Su Industrial Estate, Xixiang, Baoan, Shenzhen, P.R.C.	500,000

Name of grantee	Position held in the Group	Date of joining the Group	Address	Number of Shares subject to options granted
Lau Shui Fung	internal audit manager	01-04-2004	Flat A, 11th Floor, Four Square Mansion, 217 Sai Yeung Choi Street North, Mongkok, Kowloon, Hong Kong	200,000
Pang Kwok Fai	information technology manager	01-04-2004	Flat 418, Hung Cheuk House, 253 Ngau Tau Kok Road, Kwun Tong, Kowloon, Hong Kong	200,000

3. Estate duty and tax indemnity

NTE Inc. has entered into a deed of indemnity with and in favour of the Company and its subsidiaries (being the contract referred to in paragraph (n) of “Further Information About the Business — Summary of material contracts” in this Appendix) to provide indemnities in respect of, among other things:

- (a) any liability for Hong Kong estate duty which might be incurred by any member of the Group, by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance) to any member of the Group on or before the date on which the Global Offering becomes unconditional; and
- (b) any taxation which might be payable by any member of the Group in respect of any income, profits or gains earned, accrued or received on or before the date on which the Global Offering becomes unconditional, save:
  - (i) to the extent that provision has been made for such taxation in the audited combined accounts of the Group or the audited accounts of the relevant member of the Group up to 31 December 2003;



- (ii) for taxation falling on any of the members of the Group in respect of any accounting period commencing on or after 1 January 2004 unless liability for such transaction would not have arisen but for some act or omission of, or transaction entered into by, NTE Inc., members of the Group or any of them (whether alone or in conjunction with some other act, omission or transaction, whenever occurring), otherwise than in the ordinary course of business or, in the ordinary course of acquiring or disposing of capital assets on or before the Global Offering becomes unconditional;
- (iii) to the extent that such taxation arises or is incurred as a result of any change in the law, rules or regulations, or the interpretation or practice thereof having retrospective effect coming into force after the date on which the Global Offering becomes unconditional or to the extent such taxation arises or is increased by an increase in rates of taxation after the date on which the Global Offering becomes unconditional with retrospective effect (except the imposition of or an increase in the rate of any tax on the profits of companies for the current or any earlier financial period);
- (iv) to the extent that such taxation is discharged by another person who is not a member of the Group and that no member of the Group is required to reimburse such person in respect of the discharge of the taxation; or
- (v) to the extent of any provision or reserve made for taxation in the audited accounts referred to in sub-paragraph (i) above which is finally established to be an over-provision or an excessive reserve, provided that the amount of any such provision or reserve applied to reduce the liability of NTE Inc. in respect of taxation shall not be available in respect of any such liability arising thereafter.

The Directors have been advised that no material liability for estate duty is likely to fall on the Company or any of its subsidiaries in the Cayman Islands, Macao or the PRC.

#### **4. Litigation**

As at the Latest Practicable Date, no member of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

On 11 March 2003, NTE Inc. was served with a complaint in an action in which the plaintiff purports to represent a putative class of persons who purchased the common stock of NTE Inc. during the period from 29 July 2002 to 18 February 2003. In addition to NTE Inc., certain directors of NTE Inc. are named as defendants. On or about 9 April 2003, a second action was filed in which the plaintiff purports to represent a putative class of persons who purchased the common stock of NTE Inc. during the period from 13 December 2002 to 18 February 2003. The two actions have since been consolidated pursuant to which the plaintiffs allege that misrepresentations and/or omissions were made in the financial statements of NTE Inc. at the relevant times. Mr. Tadao Murakami, Mr. Li Shi Yuen, Joseph and Mr. Koo Ming Kown, whom the plaintiffs describe as controlling persons of NTE Inc, were also named as co-defendants in the consolidated actions.

As at the Latest Practicable Date, the consolidated actions are still at the early stages and the ultimate outcome cannot be presently determined. However, NTE Inc. believes that it has meritorious defences and intends to defend vigorously.

The Company has looked into the matter and is given to understand that it is unlikely that in the US, the plaintiffs could, even if they proceed to, obtain an interim order or any form of pre-judgment liens or attachment on the Shares enjoining the Global Offering from a well informed court. Nor is it likely that the plaintiffs could obtain any judgment liens or attachment on the Shares restricting any subsequent transfers by the buyers of the Shares. As the actions do not involve or directly relate to the Continuing Businesses or the Group, the Directors consider that the actions will not directly affect the Group's business or operations in any material adverse manner.

## **5. Sponsor**

The Sponsor has made an application on behalf of the Company to the Listing Committee of the Stock Exchange for a listing of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this prospectus (including any additional Shares which may be issued pursuant to the exercise of options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme).

## **6. Preliminary expenses**

The preliminary expenses of the Company are estimated to be approximately US\$2,650 and are payable by the Company.

## 7. Promoters

The promoter of the Company is NTE Inc.. Saved as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to such promoter in connection with the Global Offering and the related transactions described in this prospectus.

Further details of NTE Inc. are contained in “Other Information — Particulars of the Selling Shareholder” in this Appendix.

## 8. Taxation of holders of Shares

### (a) *Hong Kong*

The sale, purchase and transfer of Shares registered on the Company’s Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration, or if higher, the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. The Shares are Hong Kong property for the purposes of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) and, accordingly, Hong Kong estate duty may be payable in respect thereof on the death of a person who has an interest in the Shares.

### (b) *Cayman Islands*

Under present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty.

### (c) *Consultation with professional advisers*

Intending holders of Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares. It is emphasised that none of the Company, the Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise any rights attaching to them.

9. Qualification of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
The Hongkong and Shanghai Banking Corporation Limited	Deemed registered institution under the SFO and licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)
Deloitte Touche Tohmatsu	Certified public accountants
Guangdong Jingtian Law Firm	PRC lawyers
Conyers Dill & Pearman, Cayman	Cayman Islands attorneys-at-law
LCH (Asia-Pacific) Surveyors Limited	Chartered Surveyors

10. Consents of experts

Each of The Hongkong and Shanghai Banking Corporation Limited, Deloitte Touche Tohmatsu, Guangdong Jingtian Law Firm, Conyers Dill & Pearman, Cayman and LCH (Asia-Pacific) Surveyors Limited has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

11. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Hong Kong Companies Ordinance so far as applicable.

12. Particulars of the Selling Shareholder

Certain particulars of the Selling Shareholder as at the Latest Pacticable Date are set out as follows:

Name:	Nam Tai Electronics, Inc.
Registered Address:	McW. Todman & Co., McNamara Chambers, PO Box 3342, Road Town, Tortola, British Virgin Islands
Number of issued shares:	41,231,272
Paid-up share capital:	US\$412,312.72
Directors:	Mr. Tadao Murakami Mr. Koo Ming Kown Mr. Charles Chu Mr. Stephen Seung Mr. Peter Kellogg Mr. Mark Waslen Mr. William Lo
Description of business:	Investment holding
Bankers:	The Hongkong and Shanghai Banking Corporation Limited
Auditors:	Deloitte Touche Tohmatsu
Number of Shares for sale by NTE Inc. in the Global Offering (assuming that the Over-allotment Option is not exercised):	200,000,000 Shares

**13. Miscellaneous**

- (a) Within the two years immediately preceding the date of this prospectus:
  - (i) no Share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash save as set out in “Further Information About the Company — Corporate reorganisation” in this Appendix and save for the Global Offering contemplated under this prospectus;
  - (ii) no Share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option save for those options granted under the Pre-IPO Share Option Scheme;
  - (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries save for the Underwriting arrangement mentioned in this prospectus; and
  - (iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in the Company or any of its subsidiaries;
- (b) There are no founder, management or deferred shares or any debentures in the Company or any of its subsidiaries;
- (c) There is no arrangement under which future dividends are waived or agreed to be waived;
- (d) The Global Offering does not involve the exercise of any right of pre-emption or the transfer of subscription rights;
- (e) There is no contract for the hire or hire purchase of plant to or by any member of the Group for a period of over one year which are substantial in relation to the Group’s business;
- (f) As at the Latest Practicable Date, there is no restriction affecting the remittance of profits or repatriation of capital of the Company into Hong Kong from outside Hong Kong;

- (g) None of the persons named in “Other Information — Consents of experts” in this Appendix is interested beneficially or otherwise in any shares of any member of the Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of the Group;
- (h) The Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since 31 December 2003 (being the date to which the latest audited combined financial statements of the Group were made up);
- (i) There has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this prospectus;
- (j) The principal register of members of the Company will be maintained in the Cayman Islands by Bank of Butterfield International (Cayman) Ltd. and a branch register of members of the Company will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Company’s share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to CCASS;
- (k) The English text of this prospectus shall prevail over the Chinese text; and
- (l) No company within the Group is presently listed on any stock exchange or traded on any trading system.