

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this composite offer document or the offer contained herein, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Nam Tai Electronic & Electrical Products Limited, you should at once hand this composite offer document and the accompanying form of acceptance and transfer for the shares of Nam Tai Electronic & Electrical Products Limited to the purchaser or transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this composite offer document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this composite offer document.



Nam Tai Electronics, Inc.

(Incorporated in the British Virgin Islands with limited liability)



Nam Tai Electronic & Electrical Products Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2633)

**COMPOSITE OFFER DOCUMENT RELATING
TO PROPOSED PRIVATIZATION OF
NAM TAI ELECTRONIC & ELECTRICAL PRODUCTS LIMITED
BY WAY OF A VOLUNTARY CONDITIONAL GENERAL CASH OFFER
BY YU MING INVESTMENT MANAGEMENT LIMITED ON BEHALF OF
NAM TAI ELECTRONICS, INC.
FOR ALL THE ISSUED SHARE CAPITAL IN
NAM TAI ELECTRONIC & ELECTRICAL PRODUCTS LIMITED
(OTHER THAN THOSE NTEEP SHARES ALREADY OWNED BY
NAM TAI ELECTRONICS, INC. AND PARTIES ACTING IN CONCERT WITH IT)**

Financial adviser to Nam Tai Electronics, Inc.



YU MING INVESTMENT MANAGEMENT LIMITED
禹銘投資管理有限公司

Independent financial adviser to the independent board committee of
Nam Tai Electronic & Electrical Products Limited



PLATINUM
Securities

Platinum Securities Company Limited

A letter from Yu Ming Investment Management Limited containing, amongs others, details of the terms of the offer is set out on pages 6 to 14 of this composite offer document. A letter from the board of directors of Nam Tai Electronic & Electrical Products Limited is set out on pages 15 to 18 of this composite offer document.

A letter from the independent board committee of Nam Tai Electronic & Electrical Products Limited to the shareholders (other than Nam Tai Electronics, Inc. and parties acting in concert with it) and the holders of options of Nam Tai Electronic & Electrical Products Limited is set out on pages 19 to 20 of this composite offer document. A letter from Platinum Securities Company Limited containing its opinion and advice to the independent board committee of Nam Tai Electronic & Electrical Products Limited is set out on pages 21 to 45 of this composite offer document.

The procedure for acceptance and settlement of the offer is set out in Appendix II of this composite offer document and in the accompanying form of acceptance and transfer for the shares of Nam Tai Electronic & Electrical Products Limited and the form of acceptance and cancellation for the outstanding options of Nam Tai Electronic & Electrical Products Limited. Acceptances of the offer for the shares of Nam Tai Electronic & Electrical Products Limited must be received by Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong by no later than 4:00 p.m. on 5th December, 2005, or such later time as Nam Tai Electronics, Inc. may determine and announce. Acceptances of the offer in respect of the outstanding options of Nam Tai Electronic & Electrical Products Limited must be received by Nam Tai Electronic & Electrical Products Limited at Suites 1506-1508, 15/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong by no later than 4:00 p.m. on 5th December, 2005, or such later time as Nam Tai Electronics, Inc. may determine and announce.

11th November, 2005

SUMMARY

The following is a summary of the selected sections of this composite offer document. Terms in capital letters have meanings ascribed to them in the section headed "Definitions". You are advised to read the summary in conjunction with the full text of this composite offer document.

Letter from Yu Ming

- Share Offer at HK\$1.80 per Affected NTEEP Share.
- Option Offer at HK\$0.01 per Option.
- The Offers are conditional upon NTE receiving acceptances and/or purchasing not less than 90.0% Affected NTEEP Shares from Disinterested Shareholders.
- The offer price per Affected NTEEP Share is at approximately 47.5% premium over the market price immediately before the Announcement Date.
- Liquidity of NTEEP Shares had been declining before the Announcement Date.
- Pursuant to Rule 31.1 of the Takeovers Code, NTE may not make another privatization offer within 12 months after the Offers lapse.
- The Share Offer is a unique opportunity to liquidate your holding in NTEEP Shares.
- You should accept the Offers.
- For further clarification on the Offers, please contact Mr. Warren Lee or Ms. Lysanda Lam of Yu Ming at 2804-6188.

Letter from NTEEP Board

2005 third quarter sales and net profit of the core manufacturing business dropped as compared to the same period in 2004.

Recommend you to read the recommendation of the Independent Board Committee.

Letter from the Independent Board Committee

Endorse the view of Platinum, the independent financial adviser to the Independent Board Committee, and recommend you to accept the Offers.

Letter from Platinum

Recommend you to accept the Offers.

SUMMARY

Acceptance Procedure

If you hold NTEEP Shares through a CCASS participant (including a stock broker/custodian) and intend to accept the Share Offer:

- Call your CCASS participant (including a stock broker/custodian) immediately to tell him your intention.
- Ask your CCASS participant (including a stock broker/custodian) for a form designated by him to confirm your intention in writing immediately.

If you hold NTEEP Shares as a registered shareholder and intend to accept the Share Offer:

Fill in the accompanying form of acceptance and transfer and return it to the Registrar immediately.

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DEFINITIONS

In this composite offer document, unless the context otherwise requires, the following expressions have the following meanings:

“Accepting Disinterested Shareholders”	Disinterested Shareholders who accept the Share Offer
“Accepting Optionholders”	holders of the Options who accept the Option Offer
“acting in concert”	shall have the meaning set out in the Takeovers Code
“Affected NTEEP Shares”	NTEEP Shares other than those owned by NTE or parties acting in concert with it as at the date of posting of this composite offer document
“Announcement Date”	23rd October, 2005, being the date of the joint announcement of NTE and NTEEP in respect of the Offers
“business day”	any day on which the Stock Exchange is open for transaction of business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Closing Date”	5th December, 2005 or such later date as may be extended by NTE in accordance with the Takeovers Code
“Companies Law”	the Companies Law (2004 Revision) of the Cayman Islands
“Disinterested Shareholders”	NTEEP Shareholders other than NTE and parties acting in concert with it
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HKSCC”	Hong Kong Securities Clearing Company Limited

DEFINITIONS

“Independent Board Committee”	a committee of the NTEEP Board comprising Mr. Thaddeus Thomas Beczak and Mr. Chan Tit Hee, Charles, both being independent non-executive directors of NTEEP (excluding Mr. Lee Wa Lun, Warren who is a director of Yu Ming), constituted to advise the Disinterested Shareholders in respect of the Offers
“Latest Practicable Date”	9th November, 2005, being the latest practicable date prior to the printing of this composite offer document for ascertaining certain information referred to in this composite offer document
“LCH”	LCH (Asia-Pacific) Surveyors Limited, an independent professional surveyor and property valuer
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“NTE”	Nam Tai Electronics, Inc., a company incorporated in the British Virgin Islands with limited liability and the shares of which are listed on the New York Stock Exchange
“NTE Directors”	directors of NTE
“NTEEP”	Nam Tai Electronic & Electrical Products Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange with a designated stock code of 2633
“NTEEP Board”	board of NTEEP Directors
“NTEEP Directors”	directors of NTEEP
“NTEEP Group”	NTEEP and its subsidiaries
“NTEEP Shares”	ordinary share(s) of HK\$0.01 each in the issued share capital of NTEEP
“NTEEP Shareholders”	holders of NTEEP Shares
“NTEEP Pre-IPO Share Option Scheme”	the pre-IPO option scheme adopted on 22nd March, 2004 by NTEEP
“Offers”	the Share Offer and the Option Offer

DEFINITIONS

“Option”	an option to subscribe for NTEEP Shares pursuant to the NTEEP Pre-IPO Share Option Scheme
“Option Offer”	the voluntary conditional general cash offer for all Options made by Yu Ming on behalf of NTE at HK\$0.01 per Option
“PRC”	the People’s Republic of China
“Platinum”	Platinum Securities Company Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee in respect of the Offers
“Registrar”	Computershare Hong Kong Investor Services Limited, the Hong Kong branch share registrar and transfer office of NTEEP, with its address at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong
“Share Offer”	the voluntary conditional general cash offer for all the issued NTEEP Shares other than those owned by NTE and parties acting in concert with it as at the date of posting of this composite offer document made by Yu Ming on behalf of NTE at HK\$1.80 per Affected NTEEP Share
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers
“Valuation Report”	the valuation report dated 11th November, 2005 produced by LCH in relation to the property interests held by the NTEEP Group
“Yu Ming”	Yu Ming Investment Management Limited, a deemed licensed corporation eligible to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and the financial adviser to NTE

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC (an exchange rate of which RMB1.00 = HK\$0.9579 is used in this composite offer document, which is applicable to all sections except “Appendix I – Financial information regarding NTEEP” and “Appendix III – Valuation report”)
“US\$”	United States dollars, the lawful currency of the United States (an exchange rate of which US\$1.00 = HK\$7.75 is used in this composite offer document, which is applicable to all sections except the section “Letter from Platinum”, “Appendix I – Financial information regarding NTEEP” and “Appendix III – Valuation report”)

EXPECTED TIMETABLE

Commencement date of the Offers and posting date Monday, 14th November, 2005

Latest time and date for acceptance of the Offers 4:00 p.m. on Monday,
5th December, 2005

Closing date of the Offers (*Note 1*) Monday, 5th December, 2005

Announcement in respect of the closing of
the Offers and acceptances under the Offers Tuesday, 6th December, 2005

Latest date for posting of remittances for
the amounts due under the Offers
in respect of valid acceptances
(assuming the Offers become unconditional
on Monday, 5th December, 2005) (*Note 2*) Thursday, 15th December, 2005

Notes:

1. The Offers will be closed on Monday, 5th December, 2005 unless NTE extends the Offers in accordance with the Takeovers Code. Acceptances tendered after 4:00 p.m. on Monday, 5th December, 2005 will only be valid if the Offers are extended. If NTE decides to extend the Offers, at least 14 days' notice in writing will be given before the Offers are closed.

If the Offers become unconditional, NTE intends to exercise any compulsory acquisition rights to which it is entitled under Rule 2.11 of the Takeovers Code and Section 88 of the Companies Law to acquire the remaining Affected NTEEP Shares not tendered under the Share Offer. Pursuant to Rule 15.6 of the Takeovers Code, as NTE has stated its intention to exercise the power of compulsory acquisition, the Offers may not remain open for acceptance for more than four months from the date of posting of this composite offer document, that is Monday, 13th March, 2006, unless NTE has by that time become entitled to exercise the power of compulsory acquisition available to it under the Companies Law.

2. Remittances in respect of the consideration payable for the Affected NTEEP Shares and the Options tendered under the Share Offer and the Option Offer respectively will be posted to the Accepting Disinterested Shareholders and the Accepting Optionholders as soon as practicable, but in any event within 10 days of the later of the date on which the Offers become unconditional and the date of receipt of duly completed forms of acceptance and transfer and forms of acceptance and cancellation from the Accepting Disinterested Shareholders and the Accepting Optionholders respectively.
3. Acceptance of the Offers shall be irrevocable and not be capable of being withdrawn, except as permitted under the Takeovers Code.
4. All references to date and time contained in this composite offer document refer to Hong Kong date and time.

LETTER FROM YU MING



YU MING INVESTMENT MANAGEMENT LIMITED
禹銘投資管理有限公司

11th November, 2005

To the Disinterested Shareholders and the holders of the Options,

Dear Sir or Madam,

**PROPOSED PRIVATIZATION OF
NAM TAI ELECTRONIC &
ELECTRICAL PRODUCTS LIMITED
BY WAY OF A VOLUNTARY CONDITIONAL
GENERAL CASH OFFER
BY YU MING INVESTMENT MANAGEMENT LIMITED
ON BEHALF OF NAM TAI ELECTRONICS, INC.
FOR ALL THE ISSUED SHARE CAPITAL IN
NAM TAI ELECTRONIC &
ELECTRICAL PRODUCTS LIMITED
(OTHER THAN THOSE NTEEP SHARES ALREADY OWNED
BY NAM TAI ELECTRONICS, INC.
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

On 23rd October, 2005, NTE and NTEEP jointly announced NTE's intention to make a voluntary conditional general cash offer for all the issued share capital in NTEEP (other than those NTEEP Shares already owned by NTE and parties acting in concert with it) and all the outstanding Options with an ultimate aim to privatize NTEEP by way of the Offers.

This letter sets out the detailed terms of the Offers, together with the information on NTE and NTE's intention regarding the NTEEP Group. Further details of the Offers are also set out in Appendix II to this composite offer document, the accompanying form of acceptance and transfer for the Share Offer, and the form of acceptance and cancellation for the Option Offer. Your attention is also drawn to the letter from the NTEEP Board, the letter from the Independent Board Committee and the letter from Platinum contained in this composite offer document.

THE OFFER

We are making the Offers for and on behalf of NTE, subject to the terms and conditions set out in this composite offer document (including, without limitation, those in Appendix II to this composite offer document) and in the accompanying form of acceptance and transfer for the Share Offer, and the form of acceptance and cancellation

LETTER FROM YU MING

for the Option Offer, to acquire all the Affected NTEEP Shares and the Options on the following basis:

For each Affected NTEEP ShareHK\$1.80 payable in cash

For each Option under

the NTEEP Pre-IPO Share Option SchemeHK\$0.01 payable in cash

The price of the Share Offer represents:

- (i) a premium of approximately 47.5% over the closing price of HK\$1.22 per NTEEP Share as quoted on the Stock Exchange on 18th October, 2005 (being the last trading day prior to the suspension of trading in the NTEEP Shares);
- (ii) a premium of approximately 42.9% over the average closing price of HK\$1.26 per NTEEP Share for the 10 trading days up to and including 18th October, 2005;
- (iii) a premium of approximately 35.3% over the average closing price of HK\$1.33 per NTEEP Share for the 30 trading days up to and including 18th October, 2005;
- (iv) a premium of approximately 16.1% over the closing price of HK\$1.55 per NTEEP Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (v) a premium of approximately 53.8% to the unaudited consolidated net asset value per NTEEP Share of approximately HK\$1.17 as at 30th June, 2005.

An Option Offer is also proposed by NTE to acquire all outstanding Options at a nominal price of HK\$0.01 per Option. NTEEP has 17,640,000 Options outstanding (all with an exercise price of HK\$3.88 and expiry date of 27th April, 2014) issued under the NTEEP Pre-IPO Share Option Scheme.

The Offers are conditional upon NTE having received acceptances and/or purchased totalling at least 90.0% of the Affected NTEEP Shares. After the Offers becoming unconditional, NTE intends to exercise any compulsory acquisition rights to which it is entitled under Rule 2.11 of the Takeovers Code and Section 88 of the Companies Law to acquire the remaining Affected NTEEP Shares not tendered under the Share Offer, and following which, NTE intends to withdraw the listing of NTEEP from the Stock Exchange.

NTE will not revise the offer prices for the Affected NTEEP Shares and the Options, and the above offer prices are final.

LETTER FROM YU MING

CONSIDERATION

As disclosed in the letter from the NTEEP Board contained in this composite offer document, as at the Latest Practicable Date, NTEEP had 881,670,588 NTEEP Shares in issue and 17,640,000 outstanding Options, and save for 881,670,588 NTEEP Shares in issue and 17,640,000 outstanding Options, NTEEP has no other class of securities in issue as at the Latest Practicable Date.

Based on the above and on the basis that (i) NTE will not acquire any NTEEP Shares from the Latest Practicable Date up to the date of posting of this composite offer document; and (ii) no holders of Options would convert the Options into the NTEEP Shares, the numbers of Affected NTEEP Shares and the Options are 252,574,000 (which represents approximately 28.6% of the issued share capital of NTEEP) and 17,640,000 respectively. Based on 252,574,000 Affected NTEEP Shares and 17,640,000 Options, the total consideration for the Offers amounts to approximately HK\$454.80 million.

Of the 17,640,000 outstanding Options, 5,292,000 Options are exercisable on the Latest Practicable Date, 5,292,000 Options and 7,056,000 Options can only be exercised from 28th April, 2006 and 28th April, 2007 respectively pursuant to the terms and conditions under the NTEEP Pre-IPO Share Option Scheme. If the 5,292,000 Options that are exercisable on the Latest Practicable Date are exercised and the 5,292,000 new NTEEP Shares to be issued upon exercise are tendered under the Share Offer, the total consideration for the Offers will amount such to approximately HK\$464.30 million.

The Offers are being financed by internal resources of NTE. Yu Ming is satisfied that NTE has sufficient financial resources to implement the Offers in full. No payment of interest on, repayment of or security for any liability (contingent or otherwise) will depend to any significant extent on the business of NTEEP.

INFORMATION ON NTE

As the controlling shareholder of NTEEP, NTE is an electronics manufacturing and design services provider with a worldwide coverage of customers. Listed on the New York Stock Exchange, NTE had a market capitalization of approximately US\$931.50 million (equivalent to approximately HK\$7,219.13 million) as at the Latest Practicable Date.

Net profit of NTE for the financial years ended 31st December, 2004 and 31st December, 2003 were approximately US\$66.89 million (equivalent to approximately HK\$518.34 million) and approximately US\$43.80 million (equivalent to approximately HK\$339.47 million) respectively. The unaudited net asset value of NTE was approximately US\$290.91 million (equivalent to approximately HK\$2,254.56 million) as at 30th June, 2005 (all figures prepared in accordance with generally accepted accounting principles in the United States).

According to the register of members of NTE, no person was interested in 30.0% or more of the issued share capital of NTE as at the Latest Practicable Date. As at the Latest Practicable Date, the non-executive directors of NTE were Mr. Koo Ming Kown, Mr. Stephen Seung and Mr. Peter R. Kellogg and the independent non-executive directors of NTE were Mr. Charles Chu, Dr. Lo Wing Yan, William and Mr. Mark Waslen.

LETTER FROM YU MING

EFFECT OF ACCEPTING THE SHARE OFFER

By accepting the Share Offer, the NTEEP Shareholders will sell their NTEEP Shares and all rights attaching to them as at the Announcement Date, including the right to receive all dividends and other distributions, if any, declared, made or paid by NTEEP on or after the Announcement Date.

IMPACT ON THE HOLDERS OF THE OPTIONS

Holders of the Options shall note that they are able to exercise their rights (to the extent exercisable pursuant to the terms and conditions under the NTEEP Pre-IPO Share Option Scheme) to subscribe for new NTEEP Shares during the Share Offer and accept the Share Offer in respect of such NTEEP Shares.

All outstanding Options, if unexercised or not tendered under the Option Offer, will lapse after the close of the Offers.

STAMP DUTY

Seller's ad valorem stamp duty for the NTEEP Shares registered with the Hong Kong branch share register arising in connection with acceptances of the Share Offer will be payable by each NTEEP Shareholder at the rate of HK\$1.00 for every HK\$1,000.00 or part thereof of the consideration payable by NTE for such NTEEP Shareholder's NTEEP Shares and will be deducted from the cash amount due to such NTEEP Shareholder under the Share Offer and paid by NTE.

INTENTION OF NTE

NTE intends to withdraw the listing of NTEEP Shares on the Stock Exchange subsequent to the Offers becoming unconditional and NTE exercising any compulsory acquisition rights to which it is entitled under Rule 2.11 of the Takeovers Code and Section 88 of the Companies Law to acquire the remaining Affected NTEEP Shares not tendered under the Share Offer, but has no intention to change the current business or management (including the continued employment of all employees) of or introduce any major changes to the business of the NTEEP Group (including any redeployment of fixed assets) whether NTE succeeds in privatizing NTEEP or not.

If the Offers do not become unconditional and lapse or, for whatever reason, NTE fails to exercise the compulsory acquisition rights, NTE reserves the right to consider disposing of its interests in NTEEP by way of private placement instead of on the market, at a suitable time and at an acceptable share price taking into account the cash requirement of NTE and the interests of the shareholders of NTE and NTEEP. As at the Latest Practicable Date, NTE has not determined its strategy in respect of its holding in NTEEP if it fails to privatize NTEEP.

LETTER FROM YU MING

REASONS FOR NTE TO PRIVATIZE NTEEP

As far as the financial benefits for NTE are concerned, given the disparity in the price-earnings ratio of NTE (at 15.9x, based on the closing price of the shares of NTE as at the Announcement Date and the audited net profit of NTE for the twelve months ended 31st December, 2004) and NTEEP (at 6.0x, based on the closing price of the NTEEP Shares on the Announcement Date, and the audited net profit of NTEEP for the twelve months ended 31st December, 2004), the privatization of NTEEP would increase earnings per share of NTE and potentially mitigate any negative impact on the value of the shares of NTE. In this respect, though NTE is confident about the future prospect of NTEEP, it is regretful that NTEEP is not able to generate good return on investment to some of its shareholders which defeats the main purpose of maintaining NTEEP as a listed company to contribute profitable return to its shareholders.

Generally, the Hong Kong financial market is not very receptive to disposals of shares by a controlling shareholder on the market and views such move very negatively. This would undermine NTE's ability to deal in NTEEP Shares on the market.

BENEFITS OF THE OFFERS FOR THE DISINTERESTED SHAREHOLDERS

The Share Offer gives the NTEEP Shareholders an opportunity to realize their investments in NTEEP at a price above the current market price, which regrettably may still be lower than the investment cost of some of the NTEEP Shareholders. The Option Offer enables the holders of Options to exchange the out-of-the-money Options for cash.

The average daily trading volume of the NTEEP Shares are approximately 1.75 million and approximately 3.74 million (representing approximately 0.2% and 0.4% of the issued share capital of NTEEP as at the Announcement Date respectively) for the 30-day period and 180-day period (all up to 18th October, 2005) respectively. Furthermore, the average daily trading value of the NTEEP Shares are approximately HK\$2.28 million and approximately HK\$7.98 million for the corresponding periods respectively. The decline in both trading volume and trading value exhibits a trend of declining liquidity. In this regard, the Offers provide liquidity for the NTEEP Shareholders and the holders of Options who wish to dispose of their NTEEP Shares and Options respectively.

Pursuant to Note 3 to Rules 31.1 and 31.2 of the Takeovers Code, if the Share Offer lapses, NTE will normally be precluded from purchasing any shares in NTEEP within 12 months after the Share Offer lapses if such purchases would result in the discontinuation of the listing of NTEEP Shares on the Stock Exchange, unless previously approved by NTEEP Shareholders in accordance with the Listing Rules. Therefore, the Share Offer is unique and NTE will not make another general offer for the NTEEP Shares at least within the twelve months after its closing.

In view of the 47.5% premium of the offer price per NTEEP Shares over the market price immediately prior to the Announcement Date, and the factors mentioned in this paragraph, we recommend that the Disinterested Shareholders should accept the Share Offer.

LETTER FROM YU MING

PROCEDURES FOR ACCEPTANCES

The Share Offer

To accept the Share Offer, the Accepting Disinterested Shareholders should complete the accompanying **WHITE** form of acceptance and transfer for the NTEEP Shares in accordance with the instructions printed thereon, which form part of the terms and conditions of the Share Offer in respect of the NTEEP Shares. The completed **WHITE** form of acceptance and transfer for the NTEEP Shares should then be forwarded, together with the relevant NTEEP Share certificate(s) and/or transfer receipt(s) and/or any document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for not less than the number of the NTEEP Shares tendered under the Share Offer, by post or by hand, to the Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong in an envelope marked "NTEEP Share Offer" as soon as possible but in any event not later than 4:00 p.m. on 5th December, 2005, or such later time as NTE may determine and announce in accordance with the Takeovers Code. No acknowledgement of receipt of any form of acceptance and transfer, share certificate(s), transfer receipt(s) or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

Your attention is drawn to the sections headed "Further procedures for acceptance of the Share Offer for NTEEP Shareholders holding NTEEP Shares through a CCASS participant" and "Further procedures for acceptance of the Share Offer for registered NTEEP Shareholders" as set out in Appendix II to this composite offer document and in accompanying **WHITE** form of acceptance and transfer for the Share Offer.

The Option Offer

To accept the Option Offer in respect of your outstanding Options, the Accepting Optionholders should complete the accompanying **YELLOW** form of acceptance and cancellation for the Options in accordance with the instructions printed thereon, which instructions form part of the terms and conditions of the Option Offer in respect of the Options. The completed **YELLOW** form of acceptance and cancellation for the Options should then be forwarded, together with the relevant letter or other document evidencing the grant of the relevant Options to the Accepting Optionholders and/or any document(s) of title or entitlement (and/or any satisfactory indemnity or indemnities required in respect thereof) for not less than the number of the Options tendered under the Option Offer, by post or by hand, to NTEEP at Suites 1506-1508, 15/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong in an envelope marked "NTEEP Option Offer" as soon as possible but in any event not later than 4:00 p.m. on 5th December, 2005, or such later time as NTE may determine and announce in accordance with the Takeovers Code. No acknowledgement of receipt of any form of acceptance and cancellation, grant letter or other document granting the Options or other document(s) of title or entitlement (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

LETTER FROM YU MING

SETTLEMENT OF THE OFFERS

The Share Offer

Subject to the Offers becoming unconditional and provided that the **WHITE** form of acceptance and transfer for the Affected NTEEP Shares, together with the relevant NTEEP Share certificate(s) and/or transfer receipt(s) and/or any document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are valid, complete and in good order and have been received by the Registrar by no later than 4:00 p.m. on 5th December, 2005, or such later time as NTE may determine and announce in accordance with the Takeovers Code, a cheque for the amount due to each of the Accepting Disinterested Shareholders in respect of the NTEEP Shares tendered under the Share Offer, less seller's ad valorem stamp duty payable by them, will be despatched to the Accepting Disinterested Shareholders by ordinary post at their own risk within 10 days of the later of the date on which the Share Offer becomes or is declared unconditional and the date of receipt of duly completed **WHITE** form of acceptance and transfer from the Accepting Disinterested Shareholders.

The consideration to which any Accepting Disinterested Shareholder is entitled under the Share Offer will be paid by NTE in full in accordance with the terms of the Share Offer set out in this composite offer document (including the appendices) and the accompanying **WHITE** form of acceptance and transfer without regard to any other lien, right of set-off, counterclaim or other analogous right to which NTE may otherwise be, or claim to be, entitled against such Accepting Disinterested Shareholder.

The Option Offer

Subject to the Offers becoming unconditional and provided that the **YELLOW** form of acceptance and cancellation for the Options and the relevant letter or other document evidencing the grant of the relevant Options to the Accepting Optionholders and/or other document(s) of title or entitlement (and/or any satisfactory indemnity or indemnities required in respect thereof) are valid, complete and in good order and have been received by NTEEP by no later than 4:00 p.m. on 5th December, 2005, or such later time as NTE may determine and announce in accordance with the Takeovers Code, a cheque for the amount due to each of the Accepting Optionholders in respect of the Options tendered under the Option Offer will be despatched to the relevant Accepting Optionholders by ordinary post at their own risk within 10 days of the later of the date on which the Option Offer becomes or is declared unconditional and the date of receipt of duly completed **YELLOW** form of acceptance and cancellation from the Accepting Optionholders.

The consideration to which any Accepting Optionholder is entitled under the Option Offer will be paid by NTE in full in accordance with the terms of the Option Offer set out in this composite offer document and the accompanying **YELLOW** form of acceptance and cancellation without regard to any lien, right of set-off, counterclaim or other analogous right to which NTE may otherwise be, or claim to be, entitled against such Accepting Optionholder.

LETTER FROM YU MING

RETURN OF NTEEP SHARE CERTIFICATES AND OPTIONS DOCUMENTS IF THE OFFERS LAPSE

If the Offers lapse, NTE will, as soon as possible but in any event within 10 days thereof, despatch (i) the NTEEP Share certificates lodged with the **WHITE** form of acceptance and transfer to the Accepting Disinterested Shareholders who accept the Share Offer by ordinary post at their own risk, or make such NTEEP Share certificates available for collection; and (ii) the relevant letter or other document evidencing the grant of the relevant Options lodged with the **YELLOW** form of acceptance and cancellation to the Accepting Optionholders who accept the Option Offer by ordinary post at their own risk, or make such relevant Option documents available for collection.

NOMINEE REGISTRATION AND DESPATCH OF PAYMENT

To ensure equality of treatment of all NTEEP Shareholders, those registered NTEEP Shareholders who hold the NTEEP Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owner of the NTEEP Shares, whose investments are registered in nominee names, to accept the Share Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Share Offer.

All documents and remittances will be sent to the Disinterested Shareholders and the holders of Options through ordinary post at their own risk. These documents and remittances will be sent to them at their respective addresses as they appear in the register of members (or the register of the Options as the case may be), or, in case of joint Disinterested Shareholders to the Disinterested Shareholders whose names appear first in the said register of members, unless otherwise specified in the relevant **WHITE** forms of acceptance and transfer for the NTEEP Shares completed and returned by the Accepting Disinterested Shareholders (or **YELLOW** forms of acceptance and cancellation for the Options, as the case may be). None of NTE, the parties acting in concert with NTE, Yu Ming, NTEEP, the Registrar or any of their respective directors, officers, associates, agents or any other person involved in the Offers will be responsible for any loss or delay in transmission of such documents and remittances or any other liabilities that may arise as a result thereof.

TAXATION

Disinterested Shareholders and the holders of the Options are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting the Share Offer and the Option Offer in respect of their NTEEP Shares and Options respectively. None of NTE, the parties acting in concert with NTE, Yu Ming, NTEEP, the Registrar or any of their respective directors, officers, associates, agents or any other person involved in the Offers will be responsible for any taxation effects on any persons as a result of their acceptance of the Offers.

LETTER FROM YU MING

GENERAL

Disinterested Shareholders and the holders of the Options are advised to read carefully the letter from the NTEEP Board, the letter from the Independent Board Committee and the letter from Platinum to the Independent Board Committee as contained in this composite offer document before deciding whether or not to accept the Offers.

Your attention is also drawn to the further terms of the Offers and the additional information set out in the appendices to this composite offer document.

If you need further clarification on the Offers, please contact Mr. Warren Lee or Ms. Lysanda Lam of Yu Ming at 2804-6188 during normal office hours on any weekday (public holiday excepted).

Yours faithfully,
For and on behalf of
YU MING INVESTMENT MANAGEMENT LIMITED
Lee Wa Lun, Warren
Director

LETTER FROM NTEEP BOARD



Nam Tai Electronic & Electrical Products Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2633)

Executive Directors:

Wong Kuen Ling, Karene (*Chairman*)
Guy Bindels (*Chief Executive Officer*)
Kazuhiro Asano

Non-Executive Directors:

Koo Ming Kown
Li Shi Yuen, Joseph

Independent Non-Executive Directors:

Thaddeus Thomas Beczak
Chan Tit Hee, Charles
Lee Wa Lun, Warren

Registered Office:

Century Yard, Cricket Square
Hutchins Drive
P.O. Box 2681GT
George Town
Grand Cayman
British West Indies

Hong Kong Office:

Suites 1506-1508, 15th Floor
One Exchange Square
8 Connaught Place
Central
Hong Kong

11th November, 2005

To the Disinterested Shareholders and the holders of the Options,

Dear Sir or Madam,

**PROPOSED PRIVATIZATION OF
NAM TAI ELECTRONIC & ELECTRICAL PRODUCTS LIMITED
BY WAY OF A VOLUNTARY CONDITIONAL
GENERAL CASH OFFER
BY YU MING INVESTMENT MANAGEMENT LIMITED
ON BEHALF OF
NAM TAI ELECTRONICS, INC.
FOR ALL THE ISSUED SHARE CAPITAL IN
NAM TAI ELECTRONIC & ELECTRICAL PRODUCTS LIMITED
(OTHER THAN THOSE NTEEP SHARES ALREADY OWNED BY
NAM TAI ELECTRONICS, INC. AND PARTIES ACTING
IN CONCERT WITH IT)**

INTRODUCTION

Reference is made to the announcement issued jointly by NTEEP and NTE dated 23rd October, 2005, in which the NTEEP Board had been informed that a proposed privatization of NTEEP by way of a voluntary conditional general cash offer by Yu Ming, on behalf of NTE, to acquire all the issued share capital in NTEEP (other than those NTEEP Shares already owned by NTE and parties acting in concert with it) and all the outstanding Options of NTEEP. The listing status of NTEEP will thereafter be withdrawn.

LETTER FROM NTEEP BOARD

The purpose of this composite offer document is to provide you with, among other matters, information relating to NTEEP, the terms of the Offers as well as setting out the letter from the Independent Board Committee containing its recommendation and advice to the Disinterested Shareholders and the holders of the Options and the letter from Platinum containing its advice to the Independent Board Committee in respect of the Offers.

THE OFFERS

The Share Offer and Option Offer are made by Yu Ming on behalf of NTE, which are subject to the terms and conditions set out in this composite offer document (including, without limitation, those in Appendix II to this composite offer document) and in the accompanying **WHITE** form of acceptance and transfer for the Affected NTEEP Shares and the accompanying **YELLOW** form of acceptance and cancellation for the Options respectively.

The price of the Share Offer represents:

- (i) a premium of approximately 47.5% over the closing price of HK\$1.22 per NTEEP Share as quoted on the Stock Exchange on 18th October, 2005 (being the last trading day prior to the suspension of trading in the NTEEP Shares);
- (ii) a premium of approximately 42.9% over the average closing price of HK\$1.26 per NTEEP Share for the 10 trading days up to and including 18th October, 2005;
- (iii) a premium of approximately 35.3% over the average closing price of HK\$1.33 per NTEEP Share for the 30 trading days up to and including 18th October, 2005;
- (iv) a premium of approximately 16.1% over the closing price of HK\$1.55 per NTEEP Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (v) a premium of approximately 53.8% to the unaudited consolidated net asset value per NTEEP Share of approximately HK\$1.17 as at 30th June, 2005.

An Option Offer is also proposed to acquire all outstanding Options at a nominal price of HK\$0.01 per Option. NTEEP has 17,640,000 Options outstanding (all with an exercise price of HK\$3.88 and expiry date of 27th April, 2014) issued under the NTEEP Pre-IPO Share Option Scheme. Save for such Options, there are no outstanding options, convertibles, warrants and rights to subscribe for NTEEP Shares as at the Latest Practicable Date.

The Offers are conditional upon NTE having received acceptances and/or purchased totalling at least 90.0% of the Affected NTEEP Shares. After the Offers become unconditional, NTE intends to exercise any compulsory acquisition rights to which it is

LETTER FROM NTEEP BOARD

entitled under Rule 2.11 of the Takeovers Code and Section 88 of the Companies Law to acquire the remaining Affected NTEEP Shares not tendered under the Share Offer, and following which, NTE intends to withdraw the listing of NTEEP from the Stock Exchange.

NTE will not revise the offer prices for the Affected NTEEP Shares and the Options, and the above offer prices are final.

SHAREHOLDING

Based on the register of members of NTEEP as at the Latest Practicable Date, the shareholding of NTEEP is as follows:-

	Number of NTEEP Shares owned	% of the total issued share capital
NTE and parties acting in concert (<i>Note</i>)	629,096,588	71.35
Disinterested Shareholders	252,574,000	28.65
Total	881,670,588	100.00

Note: As at the Latest Practicable Date, NTE holds 612,762,470 NTEEP Shares which represent approximately 69.50% of the issued share capital of NTEEP. Asano Company Ltd., a party acting in concert with NTE, holds 16,334,118 NTEEP Shares which represent approximately 1.85% of the issued share capital of NTEEP.

Save for Mr. Kazuhiro Asano (whose interest is held through Asano Company Ltd., a party acting in concert with NTE) and the spouse of Mr. Thaddeus Thomas Beczak, all NTEEP Directors having an interest in NTEEP Shares and Options (details of which are set out in Appendix IV to this composite offer document) have indicated their intention to accept the Share Offer and the Option Offer respectively.

THE THIRD QUARTER RESULTS

2005 third quarter sales and net profit of the core manufacturing business dropped as compared to the same period in 2004.

As stated in NTEEP's 2005 interim report, the NTEEP Group had developed a number of new products in its mobile phone accessories segment and education products segment and was successful in winning new orders from its existing and new customers for mass production in the second half of 2005.

Despite the new orders and the growing mobile telecommunications market and continuously improving economy sentiment as envisaged at the time of issue of NTEEP's 2005 interim report, sales had decreased by 3.6% for the three months ended 30th September, 2005 (as compared with the corresponding previous period), as compared with an increase of 9.2% for the six months ended 30th June, 2005. This was mainly due to the failure of NTEEP to achieve the technical specification requirement of a major customer on time to obtain orders for new mega pixel CMOS camera modules from such customer.

LETTER FROM NTEEP BOARD

The NTEEP Board anticipates that the competitive market condition faced by the NTEEP Group will continue in the fourth quarter of 2005. However, the management will make its best endeavours to improve NTEEP Group's sales and to maintain as far as possible the margins by trying to capture more business opportunities in the electronic manufacturing services segment. It is hoped that the improvement in the technical capability in the manufacturing of mega pixel CMOS camera module will capture more business for the NTEEP Group in this area in the near future.

COMPOSITION OF THE INDEPENDENT BOARD COMMITTEE

Pursuant to Rule 2.8 of the Takeovers Code, the independent board committee of NTEEP shall comprise all non-executive directors of NTEEP who have no direct or indirect interest in the Offers (other than as a shareholder of NTEEP). Mr. Koo Ming Kown, a non-executive director of NTEEP, holds approximately 13.1% of the issued share capital of NTE and Mr. Li Shi Yuen, Joseph, another non-executive director of NTEEP, is the chief executive officer, president and chief financial officer of NTE holding approximately 7.0% of the issued share capital of NTE as at the Latest Practicable Date. Mr. Lee Wa Lun, Warren, an independent non-executive director of NTEEP, is a director of Yu Ming, the financial adviser to NTE in respect of the Offers. Given their interests in or relationship with NTE, they are not considered sufficiently independent to advise the Disinterested Shareholders and the holders of the Options in respect of the Offers.

Mr. Thaddeus Thomas Beczak and Mr. Chan Tit Hee, Charles being the independent non-executive directors of NTEEP, have been appointed as members of the Independent Board Committee for consideration of and making of recommendations to the Disinterested Shareholders and holders of the Options in respect of the terms of the Offers. Platinum has been appointed as the independent financial adviser to advise the Independent Board Committee on the fairness and reasonableness of the terms of the Offers.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out in this composite offer document which contains its recommendation to the Disinterested Shareholders in respect of the Offers and the letter from Platinum which contains its advice to the Independent Board Committee in respect of the fairness and reasonableness of the Offers, and the principal factors and reasons it has considered before arriving at its advice to the Independent Board Committee. You are also advised to read this composite offer document and the accompanying **WHITE** form of acceptance and transfer for the Affected NTEEP Shares and the accompanying **YELLOW** form of acceptance and cancellation for the Options in respect of the acceptance and settlement procedures of the Offers.

Yours faithfully,
For and on behalf of the Board of
NAM TAI ELECTRONIC & ELECTRICAL PRODUCTS LIMITED
Wong Kuen Ling, Karene
Chairman



Nam Tai Electronic & Electrical Products Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2633)

11th November, 2005

To the Disinterested Shareholders and the holders of the Options,

Dear Sir or Madam,

**PROPOSED PRIVATIZATION OF
NAM TAI ELECTRONIC & ELECTRICAL PRODUCTS LIMITED
BY WAY OF A VOLUNTARY CONDITIONAL
GENERAL CASH OFFER
BY YU MING INVESTMENT MANAGEMENT LIMITED
ON BEHALF OF
NAM TAI ELECTRONICS, INC.
FOR ALL THE ISSUED SHARE CAPITAL IN
NAM TAI ELECTRONIC & ELECTRICAL PRODUCTS LIMITED
(OTHER THAN THOSE NTEEP SHARES ALREADY OWNED BY
NAM TAI ELECTRONICS, INC. AND PARTIES ACTING
IN CONCERT WITH IT)**

We have been appointed by the NTEEP Board to form the Independent Board Committee to consider the terms of the Offers and to make recommendations to the Disinterested Shareholders and the holders of the Options in connection with the Offers, details of which are set out in the Letter from the NTEEP Board in the composite offer document dated 11th November, 2005 (the "Offer Document") of which this letter forms part. The terms used in this letter shall have the same meanings as defined in the Offer Document unless the context otherwise requires.

Platinum has been appointed as the independent financial adviser to advise us in respect of the terms of the Offers.

We wish to draw your attention to the letter from Yu Ming set out on pages 6 to 14 of the Offer Document which contains, inter alia, information about the Offers, and the letter of advice from Platinum set out on pages 21 to 45 of the Offer Document which contains its advice in respect of the terms of the Offers.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the advice of Platinum, we consider that:

- (a) the price of the Share Offer is on balance, acceptable to the Disinterested Shareholders as a whole and that the Share Offer is fair and reasonable to the Disinterested Shareholders; and
- (b) the terms of the Option Offer are fair and reasonable to the holders of the Options.

Accordingly, we recommend the Disinterested Shareholders and the holders of the Options to accept the Offers.

Yours faithfully,

INDEPENDENT BOARD COMMITTEE

NAM TAI ELECTRONIC & ELECTRICAL PRODUCTS LIMITED

Thaddeus Thomas Beczak

Chan Tit Hee, Charles

LETTER FROM PLATINUM

The following is the text of the letter of advice from Platinum to the Independent Board Committee for the purpose of incorporation into the Composite Document.



PLATINUM Securities Company Limited

22/F Standard Chartered Bank Building
4 Des Voeux Road Central
Hong Kong

Telephone (852) 2841 7000
Facsimile (852) 2522 2700

11th November, 2005

To the Independent Board Committee

Dear Sirs,

**PROPOSED PRIVATISATION OF
NAM TAI ELECTRONIC & ELECTRICAL PRODUCTS LIMITED
BY WAY OF VOLUNTARY CONDITIONAL GENERAL CASH OFFERS
BY YU MING INVESTMENT MANAGEMENT LIMITED
ON BEHALF OF
NAM TAI ELECTRONICS, INC.
FOR ALL THE ISSUED SHARE CAPITAL IN
NAM TAI ELECTRONIC & ELECTRICAL PRODUCTS LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED
BY NAM TAI ELECTRONICS, INC.
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee with respect to the proposed privatisation of NTEEP by NTE by way of the Offers. Details of the Offers are contained in the composite offer document dated 11th November, 2005 (the "Composite Document") issued jointly by NTE and NTEEP to the NTEEP Shareholders of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Composite Document.

Platinum has been appointed as the independent financial adviser to advise the Independent Board Committee as to whether or not the terms of the Offers, are fair and reasonable as far as the Disinterested Shareholders are concerned.

Platinum is independent from, and is not associated with, NTE, NTEEP or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, is considered eligible to give independent advice on

LETTER FROM PLATINUM

the Offers. We will receive a fee from NTEEP for the delivery of this letter. Apart from this normal professional fee payable to us in connection with this appointment, no arrangements exist whereby we will receive any fees or benefits from NTE, NTEEP or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

INDEPENDENT BOARD COMMITTEE

Pursuant to Rule 2.8 of the Takeovers Code, the Independent Board Committee of NTEEP shall comprise all non-executive directors of NTEEP who have no direct or indirect interest in the Offers (other than as a shareholder of NTEEP). Mr. Koo Ming Kown, a non-executive director of NTEEP, holds approximately 13.1% of the issued share capital of NTE. Mr. Li Shi Yuen, Joseph, another non-executive director of NTEEP, is chief executive officer, president and chief financial officer of NTE and holds approximately 7.0% of the issued share capital of NTE as at the Latest Practicable Date. Mr. Lee Wa Lun, Warren, an independent non-executive director of NTEEP, is a director of Yu Ming, the financial adviser to NTE in respect of the Offers. Given their interest in or relationship with NTE, they are not considered sufficiently independent to advise the Disinterested Shareholders and the holders of the Options in respect of the Offers.

Mr. Thaddeus Thomas Beczak and Mr. Chan Tit Hee, Charles, being the other two independent non-executive directors of NTEEP, have been appointed as members of the Independent Board Committee for consideration of and making of recommendations to the Disinterested Shareholders and holders of the Options in respect of the terms of the Offers. Platinum has been appointed as the independent financial adviser to advise the Independent Board Committee on the fairness and reasonableness of the terms of the Offers.

In formulating our opinion, we have relied on the information and facts supplied by, the opinions expressed by and the representations of, the NTEEP Board and management of NTEEP concerning NTEEP, the Offers, including those facts, opinions and representations set out in the Composite Document. Examples of such information include financial information, terms of the Offers, current business operations and future prospects. We have assumed that all such information is true and accurate in all material aspects as at the date hereof. The NTEEP Board has confirmed that they take full responsibility for the contents of the Composite Document.

We have no reason to believe that such information is inaccurate or that any material facts have been omitted or withheld from the information supplied or opinions expressed in the Composite Document. In line with normal practice, we have not, however, conducted a verification process of the information supplied to us, nor have we conducted any independent in-depth investigation into the business and affairs of NTEEP. The NTEEP Board has confirmed that no material facts have been omitted from the information supplied to us. We consider that we have reviewed sufficient information to enable us to reach an informed view and to provide a reasonable basis for our recommendation regarding the Offers.

LETTER FROM PLATINUM

TERMS OF THE OFFERS

In summary, the Offers involve the following principal terms:

- (i) a voluntary conditional general cash offer for all the issued NTEEP Shares other than those owned by NTE and parties acting in concert made by Yu Ming on behalf of NTE at HK\$1.80 per Affected NTEEP Share;
- (ii) a voluntary conditional general cash offer for all Options made by Yu Ming on behalf of NTE at HK\$0.01 per Option;
- (iii) based on 252,574,000 Affected NTEEP Shares and 17,640,000 outstanding Options as at the Latest Practicable Date, the total consideration of the Offers amounts to an aggregate of approximately HK\$454.8 million;
- (iv) if 5,292,000 of the 17,640,000 outstanding Options are exercised, and the 5,292,000 new NTEEP Shares to be issued upon exercise are tendered under the Share Offer, the total consideration of the Offers will amount to approximately HK\$464.3 million; and
- (v) NTE has stated that it intends to finance the payment of the Offers from internal resources, and Yu Ming is satisfied that NTE has sufficient financial resources to implement the Offers in full.

Further details of the terms and conditions of the Offers are set out in the letter from Yu Ming in the Composite Document.

The Offers are conditional upon NTE having received acceptances and/or purchased totalling at least 90.0% of the Affected NTEEP Shares. After the Offers become unconditional, NTE intends to exercise any compulsory acquisition rights to which it is entitled under Rule 2.11 of the Takeovers Code and Section 88 of the Companies Law to acquire the remaining Affected NTEEP Shares not tendered under the Share Offer, and following which, NTE intends to withdraw the listing of NTEEP from the Stock Exchange. NTE will not revise the offer prices for the Affected NTEEP Shares and the Options.

BACKGROUND TO, AND REASONS FOR THE OFFER

1. Business of NTEEP

NTEEP is a company listed on the Stock Exchange and is engaged in the manufacturing and marketing of consumer electronics and communications products and software development specializing in digital dictionaries and car navigation systems.

LETTER FROM PLATINUM

2. Rationale for the Offers

As stated in letter from Yu Ming in the Composite Document, NTE has identified a number of reasons for and benefits of the Offers. These include:

a. Reasons for NTE to privatize NTEEP

- (i) the price-earnings ratio of NTE (at 15.9 x, based on the closing price of the shares of NTE as at the Announcement Date and the audited net profit of NTE for the twelve-month period ended 31st December, 2004) and NTEEP (at 6.0x, based on the closing price of the NTEEP Shares on the Announcement Date, and the audited net profit of NTEEP for the twelve-month period ended 31st December, 2004), the privatisation of NTEEP would increase earnings per share of NTE and potentially mitigate any negative impact on the value of the shares of NTE; and
- (ii) though NTE is confident about the future prospect of NTEEP, it is regretful that NTEEP is not able to generate good return on investment to some of its shareholders which defeats the main purpose of maintaining NTEEP as a listed company to contribute profitable return to its shareholders. Generally, the Hong Kong financial market is not very receptive to disposals of shares by a controlling shareholder on the market and views such move very negatively. This would undermine NTE's ability to deal in NTEEP Shares on the market.

b. Benefits of the Offers for the Disinterested Shareholders

- (i) the Share Offer gives the NTEEP Shareholders an opportunity to realize their investments in NTEEP at a price above the current market price, which regrettably may still be lower than the investment costs of some of the NTEEP Shareholders;
- (ii) the Option Offer enables the holders of Options to exchange the out-of-money Options for cash; and
- (iii) the decline in both trading volume and trading value of the NTEEP Shares exhibits a trend of declining liquidity. The average daily trading volume of the NTEEP Shares are approximately 1.75 million and approximately 3.74 million (representing approximately 0.2% and 0.4% of the issued share capital of NTEEP as at the Announcement Date respectively) for the 30-day period and 180-day period (all up to 18th October, 2005) respectively. Furthermore, the average daily trading value of the NTEEP Shares are approximately HK\$2.28 million and approximately HK\$7.98 million for the corresponding periods respectively. The Offers provide liquidity for the NTEEP Shareholders and the holders of the Options who wish to dispose of their NTEEP Shares and Options respectively.

LETTER FROM PLATINUM

As a result of the Offers, an opportunity is available for all the Disinterested Shareholders to realise their investment in NTEEP at a premium to the prevailing market price of the NTEEP Shares. We consider this choice being made available is in the interest of the Disinterested Shareholders as a whole and the holders of the Options especially after we have reviewed other aspects of the Offers which we will discuss in the ensuing sections of this letter.

PRINCIPAL FACTORS AND REASONS CONSIDERED

I. The Share Offer

In formulating our recommendation relating to the terms of the Share Offer and giving our independent financial advice to the Independent Board Committee, we have considered the following principal factors and reasons:

A. Historical financial performance

An extract of the key financials from the audited consolidated results of the NTEEP Group for the financial year ended 31st December, 2004, the unaudited results of the two six-month periods ended 30th June, 2004 and 2005, and the two nine-month periods ended 30th September, 2004 and 2005 are set out below:

Table 1: Key financials of the NTEEP Group for the financial year ended 31st December, 2004, the two six-month periods ended 30th June, 2004 and 2005, and the two nine-month periods ended 30th September, 2004 and 2005

	For the	For the		Percentage growth	For the		Percentage growth
	financial year ended 31st December, 2004 US\$'000	six-month period ended 30th June, 2004 US\$'000 <i>(unaudited and restated)</i>	2005 US\$'000 <i>(unaudited)</i>		nine-month period ended 30th September, 2004 US\$'000 <i>(unaudited and restated)</i>	2005 US\$'000 <i>(unaudited)</i>	
Turnover	163,584	74,794	81,696	9.23	121,395	126,608	4.29
Gross profit	33,536	15,786	17,146	8.62	24,988	27,296	9.24
Profit before taxation	23,668	11,247	11,598	3.12	17,714	18,974	7.11
Net profit	23,123	11,200	11,444	2.18	17,283	18,683	8.10
Gross margin (%)	20.5%	21.1%	21.0%	n/a	20.6%	21.6%	n/a
Net margin (%)	14.1%	15.0%	14.0%	n/a	14.2%	14.8%	n/a

Source: 2004 annual reports and accounts, 2005 interim and 2005 third quarter results announcement of NTEEP.

LETTER FROM PLATINUM

As illustrated in Table 1 above, the turnover of the NTEEP Group was approximately US\$163.6 million for the financial year ended 31st December, 2004 with a gross margin and a net margin of approximately 20.5% and approximately 14.1% respectively.

Based on the 2005 unaudited interim report of NTEEP, the turnover of the NTEEP Group increased from approximately US\$74.8 million for the six-month period ended 30th June, 2004 to approximately US\$81.7 million for the corresponding period in 2005. Despite the growth in turnover of approximately 9.23%, both the gross profit and the net profit of the NTEEP Group recorded lower growth rates of approximately 8.62% and approximately 2.18% respectively. Furthermore, both the gross margin and the net margin of the NTEEP Group generally remained stable during the same period.

With reference to NTEEP's 2005 third quarter results announcement dated 31st October, 2005, NTEEP acquired Namtek Software Development Company Limited and its subsidiaries (the "Namtek Group") from NTE and Asano Company Ltd. on 17th May, 2005. The Namtek Group reported a total turnover of approximately US\$2.4 million for the nine-month period ended 30th September, 2005. We note that Namtek Group experienced high profit margin that outperformed the other segments of the NTEEP Group since the acquisition in May, 2005. Nevertheless, the software development segment of NTEEP, which the Namtek Group is classified in the NTEEP Group's accounts, only contributed a relatively small portion of approximately 1.9% and approximately 8.0% respectively of the overall turnover and net profit of the NTEEP Group for the nine-month period ended 30th September, 2005. Furthermore, the management of NTEEP expressed that NTEEP Group would report a decrease in net profit of 10% if the contribution of the software development segment and the exchange gain on RMB reserve had been excluded.

Furthermore, according to the 2005 third quarter results announcement of NTEEP, we note that the turnover of the NTEEP Group grew at approximately 4.29% and reached approximately US\$126.6 million for the nine-month period ended 30th September, 2005 when compared to the corresponding period in the prior year. Moreover, both the gross margin and the net margin of the NTEEP Group generally remained stable during the same period.

As stated in Table 1 above, we also note that the turnover of the NTEEP Group increased at a steady pace whereas both the gross margin and the net margin of the NTEEP Group have remained relatively stable during this review period.

We note that the management of NTEEP expressed its views regarding the business outlook of NTEEP in its 2005 unaudited interim report. It mentioned that the growth in the mobile telecommunication market and the continuously improving economy sentiment might present vast opportunities to NTEEP's box built products in the near future. It further mentioned that NTEEP had developed a number of new products in its mobile phone accessories segment as well as the educational products segment and was successful in winning new orders.

LETTER FROM PLATINUM

We note from the management of NTEEP that although NTEEP was successful in securing orders for its mobile phone accessories products as well as its educational products during the second quarter of 2005 for mass production in the second half of 2005, NTEEP's profit margin is under pressure from its customers on these sizeable new orders of its mobile phone accessories products. Moreover, the order size for the educational products was relatively small compared to the overall turnover of the NTEEP Group. Therefore, on balance, the management considered that the overall gross profit and gross margin of the NTEEP Group in the fourth quarter of 2005 would be affected due to, among others, the drop in sales in its optical devices segment.

We would like to draw your attention that, with reference to the NTEEP's 2005 third quarter results announcement dated 31st October, 2005, the management of NTEEP expressed that since NTEEP could not achieve the technical specification requirement of a major customer on time and thus was not successful in obtaining orders for the new mega pixel CMOS camera modules from such customer in the third quarter of 2005, the NTEEP Group reported a drop in sales of approximately 55.6% from its optical devices segment compared to the corresponding quarter in the prior year. Based on our discussions with the management of NTEEP, we understand that the 2005 third quarter results of NTEEP Group's optical devices segment was not due to any seasonal effects.

According to NTEEP's 2005 third quarter results announcement, the turnover contribution of the optical devices segment to the NTEEP Group for the nine-month period ended 30th September, 2005 represented approximately 31% of the overall turnover of the NTEEP Group for the corresponding time interval. Since NTEEP was unsuccessful in obtaining orders from one of its major customers for its optical devices products as abovementioned, and NTEEP has to be competitive in pricing in order to secure new large orders for its mobile phone accessories products, both the gross profit and the gross profit margin of the NTEEP Group would likely be affected. We consider that similar competitive market condition faced by NTEEP in the third quarter of 2005 will continue in the fourth quarter of 2005.

As discussed in the section headed "Overview of the EMSI" below, we consider that the expected market condition in the fourth quarter of 2005 as mentioned by the management of NTEEP, is generally in line with our understanding on the development of the electronic manufacturing services industry (the "EMSI") in the foreseeable future. Moreover, we consider that the market conditions faced by the NTEEP Group in the third quarter of 2005 are likely to continue beyond 2005.

In view of the above, we are of the view that the Share Offer could be considered a good opportunity for the Disinterested Shareholders to realise their investment in NTEEP for other higher growth investment alternatives. The swapping of investment which has only stable gross margin and net margin, for higher growth investments with higher growth in gross margin and net margin is especially conducive when the price of the Share Offer is at a premium to the prevailing market price of the NTEEP Shares. We believe this opportunity for the Disinterested Shareholders to switch out of their investments in NTEEP, at a premium to market, to higher growth investments, is in the interest of the Disinterested Shareholders as a whole.

LETTER FROM PLATINUM

B. Dividend

As NTEEP was only listed on the Stock Exchange in April, 2004, our review is only limited to the NTEEP Group's final dividend payouts for the financial year ended 31st December, 2004, and for the two six-month periods ended 30th June, 2004 and 2005.

Under the dividend policy of NTEEP, the NTEEP Directors intend to distribute approximately one-third to two-third of NTEEP's net profit, and limit to the distributable profits available, to the NTEEP Shareholders as dividend each year. The distribution of a dividend payment will be dependent upon, among others, the earnings of NTEEP. However, as mentioned in section A headed "Historical financial performance" above, we note that the gross margin and the net margin of the NTEEP Group have remained relatively stable for the financial year ended 31st December, 2004, the two six-month periods ended 30th June, 2004 and 2005, and the two nine-month periods ended 30th September, 2004 and 2005.

Table 2: Dividend-related statistics of the NTEEP Shares

Period	Dividend per NTEEP Share <i>US\$ cent</i>	Earnings per NTEEP Share <i>US\$ cent</i>	Dividend payout ratio %	Dividend yield ¹ %
Full year dividend²				
Financial year ended				
31st December, 2004	1.48	2.89	51.21	5.66
Interim dividend				
Six months ended				
30th June, 2004	0.48	1.40	34.29	1.25
Six months ended				
30th June, 2005	0.38	1.40	27.14	1.14

Note 1: Exchange rate US\$1 = HK\$7.75

Note 2: Consist of interim dividend of 0.48 US cents and final dividend of 1 US cent

Source: 2004 annual report and accounts and 2005 interim report of NTEEP

As illustrated in Table 2 above, we noted that the dividend payout ratio of NTEEP decreased from approximately 34.29% for the six-month period ended 30th June, 2004 to approximately 27.14% for the corresponding period in 2005. The dividend yield of NTEEP also decreased from approximately 1.25% to approximately 1.14% during this same review period.

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With reference to the comments drawn by the management of the NTEEP Group in its 2005 third quarter results announcement, the management expressed that both the gross profit and the gross profit margin of the NTEEP Group would likely be affected by the competitive market condition faced by the NTEEP Group in the fourth quarter of 2005. In light of this, we consider that it is uncertain whether the NTEEP Group could sustain its current dividend payout amount in the near future.

In consideration of the uncertain future dividend payout amounts and dividend yield of NTEEP, in view of: (i) the relatively marginal growth in both the gross margin and the net margin of NTEEP; and (ii) the potential impact on NTEEP Group's operation results due to competitive market conditions in the near future, we are of the opinion that the Share Offer could be considered a good opportunity for the Disinterested Shareholders to realize their investment in NTEEP for other higher growth or more stable investment alternatives. We believe this opportunity for the Disinterested Shareholders to switch out of their investments in NTEEP, at a premium to market, to higher growth and more stable investments, is in the interest of the Disinterested Shareholders as a whole.

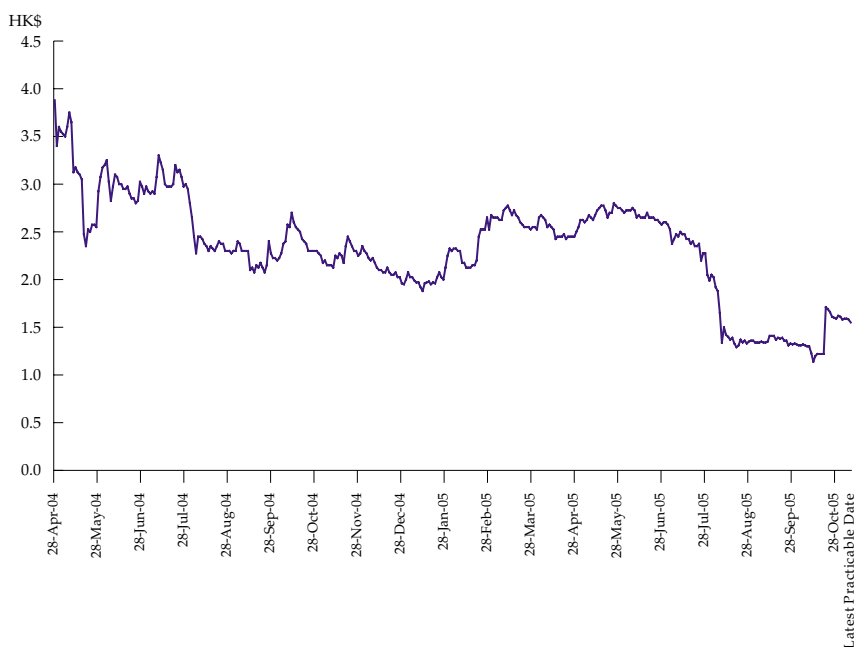
C. NTEEP Share price performance

Chart 1 below illustrates the daily closing prices of the NTEEP Shares quoted on the Stock Exchange from 28th April, 2004, being the date of listing of the NTEEP Share (the "NTEEP IPO Date"), to the Latest Practicable Date (both dates inclusive) (the "Review Period"). As illustrated in the chart, we note that the daily closing prices of each NTEEP Share ranged from HK\$3.88 on the NTEEP IPO Date, to approximately HK\$1.14 per NTEEP Share on 14th October, 2005.

We note that the price of the NTEEP Shares dropped substantially in August, 2005. The daily closing price of NTEEP Shares dropped from HK\$2.025 on 5th August, 2005 to HK\$1.34 on 11th August, 2005. With reference to NTEEP's announcements dated 10th and 11th August, 2005, the NTEEP Directors stated that save and except for NTEEP being informed by NTE that it had disposed an aggregate of 22,574,000 NTEEP Shares representing approximately 2.56% of the issued share capital of NTEEP in the open market from 8th August, 2005 to 11th August, 2005, the NTEEP Directors were not aware of any reasons for such decline in the NTEEP Share price.

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Chart 1: NTEEP Share Price Performance



Source: Bloomberg

In our analysis, we have reviewed the historical NTEEP Share price performance in comparison with the share price performance of companies in the same industry as NTEEP during the Review Period. As NTEEP is principally engaged in the EMSI, we have identified two companies in Hong Kong, which are: (i) engaging in the EMSI; (ii) manufacturing similar products as those of NTEEP; (iii) listed on the Stock Exchange; and (iv) with market capitalization under US\$2 billion as at the last trading day prior to the Announcement Date (the “Pre-suspension Day”). These two companies are:

Hong Kong

- (1) IDT International Ltd. (“IDT”); and
- (2) Truly International Holdings Ltd. (“Truly”).

Due to the lack of sufficient comparable companies to NTEEP in Hong Kong, in order to provide a more meaningful comparison, we have further reviewed a broader universe of companies which: (i) are competitors of NTEEP as stated in NTEEP’s prospectus dated 16th April, 2004 or peer competitors as identified by industry research reports; and (ii) satisfy our selection criteria stated above except that the shares of which are publicly listed in overseas markets. On this basis, we have identified the following seven companies, which are:

Singapore

- (3) Jurong Technologies Industrial Corporation Ltd. (“Jurong Tech”); and
- (4) Surface Mount Technology (Holdings) Limited (“Surface Mount”).

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Taiwan

- (5) Inventec Co., Ltd. (“Inventec”);
- (6) Kinpo Electronics, Inc. (“Kinpo Electronics”);
- (7) Lite-On Semiconductor Corp (“Lite-On Semicond”); and
- (8) Primax Electronics Ltd. (“Primax”).

Europe

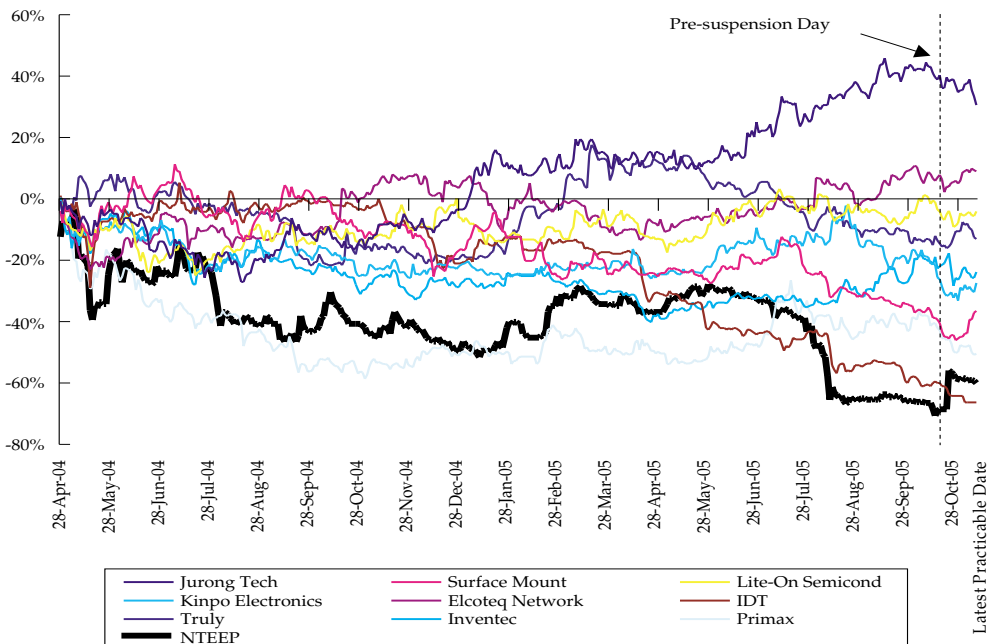
- (9) Elcoteq Network Corp (“Elcoteq Network”).

We note that the above nine selected companies (the “Comparable Companies”) operate in different countries under different regulations, competitive dynamics, market conditions and size which may distort its comparability to NTEEP.

We note that NTE is one of the companies that satisfies our selection criteria. However, as NTEEP is one of the two electronic manufacturing services arms of NTE and the other arm produces different products from NTEEP, as a result, we did not include NTE in our comparison analysis to avoid double counting.

A comparison of the historical NTEEP Share price performance with the share price performance of the Comparable Companies during the Review Period is illustrated in the chart below:

Chart 2: Comparison of the historical NTEEP Share price performance and the Comparable Companies during the Review Period



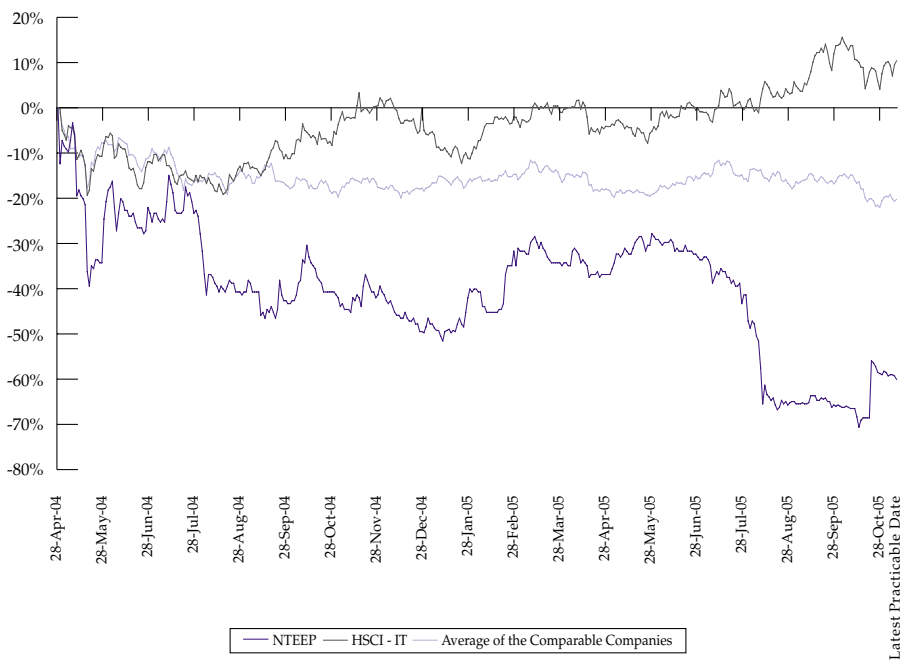
Source: Bloomberg

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As illustrated in Chart 2 above, during the Review Period, NTEEP was the worst performer in terms of its daily closing share price as compared to all the Comparable Companies.

Furthermore, we have also compared the NTEEP Share price performance against the Hang Seng Composite Index – Information Technology (the “HSCI-IT Index”), which among others, represent the electronic product manufacturing industry in Hong Kong, and the average share price performance of the Comparable Companies, during the Review Period. This is illustrated in the chart below:

Chart 3: Historical NTEEP Share price performance in comparison with the HSCI-IT Index and the average of the Comparable Companies during the Review Period



Source: Bloomberg

As illustrated in Chart 3 above, during the Review Period, the NTEEP Share price performance underperformed significantly in comparison with both: (i) the average of the Comparable Companies; and (ii) the HSCI-IT Index during the whole Review Period except for the month of April, 2004.

Therefore, in light of the poor performance of the NTEEP Share price in comparison with the Comparable Companies and the HSCI-IT Index, we consider that the Share Offer could be a good opportunity for the Disinterested Shareholders to realise their investment in NTEEP for other investment alternatives with better share price performance. The swapping of investment that has underperformed against its industry comparables for better performance investments is especially conducive when the price of the Share Offer offers a premium to the prevailing market price of the NTEEP Shares. We believe this opportunity for the Disinterested Shareholders to switch out of investment in NTEEP, at a premium to market, to better performance investments, is in the interest of the Disinterested Shareholders as a whole.

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D. Price-earnings ratio ("PER")

According to the NTEEP Group's audited financial statements for the financial year ended 31st December, 2004, the net profit of the NTEEP Group in 2004 was approximately US\$23.1 million, which represents a PER of approximately 6.00 times based on the closing price of the NTEEP Share at HK\$1.22 on the Pre-suspension Day. Set out in Table 3 below is a comparison of the respective PER of the Comparable Companies on the Pre-suspension Day:

Table 3: PER of NTEEP and the Comparable Companies

	Market capitalisation as at the Pre-suspension Day ¹ <i>US million</i>	Closing price on the Pre-suspension Day ¹ <i>US\$</i>	Price earnings multiple <i>Times</i>
Hong Kong			
IDT	204	0.10	12.26
Truly	502	1.10	7.20
Singapore			
Jurong Tech	483	1.19	13.65
Surface Mount	82	0.31	4.79
Taiwan			
Inventec	1,090	0.49	15.13
Kinpo Electronics	500	0.37	9.10
Lite-On Semicond	310	0.76	9.00
Primax	109	0.25	n/a ²
Europe			
Elcoteq Network	669	21.74	13.91
Average			10.63
Maximum			15.13
Minimum			4.79
NTEEP			
as at the Pre-suspension Day	139	0.16	6.00
30 trading days up to and including the Pre-suspension Day	151	0.17	6.51
60 trading days up to and including the Pre-suspension Day	168	0.19	7.26
90 trading days up to and including the Pre-suspension Day	208	0.24	8.99
at the price of the Share Offer ³	205	0.23	8.85

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Note 1: Exchange rate applied as at the Pre-suspension Day.

Note 2: Primax was loss-making in its latest financial year.

Note 3: Based on the Share Offer of HK\$1.80 per Affected NTEEP Share.

As illustrated in Table 3 above, the average PER of the Comparable Companies on the Pre-suspension Day was approximately 10.63 times. Therefore, the PER of the NTEEP Shares were approximately 43.60% below the average PER of the Comparable Companies on the Pre-suspension Day.

The price of the Share Offer represents a PER for NTEEP of approximately 8.85 times, which is higher than that of the NTEEP Shares on the Pre-suspension Day and up to 60 trading days prior to and including the Pre-suspension Day, by approximately 47.54% and approximately 21.91% respectively. Although PER is below the PER of the NTEEP Shares for the 90 trading days prior to and including the Pre-suspension Day, as well as the average PER of the Comparable Companies on the Pre-suspension Day, nevertheless it is within the range of PER of the Comparable Companies on the Pre-suspension Day.

Despite the fact that the price of the Share Offer represents only a PER of approximately 8.85 times of the NTEEP Shares, which is below the PER on the NTEEP Shares for the 90 trading days prior to and including the Pre-suspension Day, as well as the average of PER of the Comparable Companies, based on the above PER analysis, the Share Offer could be a good opportunity for the Disinterested Shareholders to realise their investment in NTEEP at a higher valuation for other alternative investments within the same industry or otherwise. The swapping of investment which has underperformed in comparison with the PER of the Comparable Companies, for alternative investments with higher valuation is especially conducive when the price of the Share Offer is at a premium to the prevailing market price of the NTEEP Shares. We believe the Share Offer is in the interest of the Disinterested Shareholders as a whole.

E. Price to net asset value

The price of the Share Offer represents a premium of approximately 53.85% to the unaudited consolidated net asset value per NTEEP Share of approximately HK\$1.17 as at 30th June, 2005.

Due to the nature of the EMSI, unlike property-related companies which can be appropriately evaluated on a net asset value basis due to them being in an asset based industry, NTEEP is engaging in the EMSI which we consider that it is more meaningfully evaluated on an earnings basis. Therefore, we consider that a comparison on an asset-basis might not be appropriate. As a result, we have not included the price to net asset value comparison in our analysis.

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Furthermore, based on our discussions with the management of NTEEP as well as Deloitte Touche Tohmatsu, the auditor of the NTEEP Group, that the valuation report dated 11th November, 2005 as stated in Appendix II of the Composite Document would not affect the net asset value of the NTEEP Group.

F. Liquidity of the NTEEP Shares

The following table sets out the trading volume of the NTEEP Shares for the period from 1st April, 2005 up to and including the Latest Practicable Date:

Table 4: Trading volume of the NTEEP Shares from 1st April, 2005 to the Latest Practicable Date

	Average daily trading volume of the NTEEP Shares	Average daily trading volume of the NTEEP Shares to the total issued NTEEP Shares ¹ %	Average daily trading volume of the NTEEP Shares to the NTEEP Shares held by public ² %
2005			
April	952,400	0.11	0.38
May	3,444,500	0.39	1.36
June	1,664,545	0.19	0.66
July	4,405,550	0.50	1.74
August	8,594,465	0.97	3.40
September	1,359,333	0.15	0.54
From 1st October up to and including the Pre-suspension Day	2,363,909	0.27	0.94
From Pre-suspension Day up to and including the Latest Practicable Date	4,537,500	0.51	1.80

Note 1: Based on 881,670,588 NTEEP Shares in issue as at the Latest Practicable Date.

Note 2: Based on the public float of 252,574,000 NTEEP Shares as at the Latest Practicable Date held by the Disinterested Shareholders.

Source: Bloomberg

As shown in Table 4 above, the average daily trading volume of the NTEEP Shares during this review period and up to and including the Pre-suspension Day was low, with the lowest average daily trading volume representing only approximately 0.11% of the total issued NTEEP Shares and approximately 0.38% of the NTEEP Shares held by the public for the month of April, 2005.

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Moreover, the average daily trading volume of the NTEEP Shares was generally below 1.00% of the total issued NTEEP Shares and below 3.40% of the NTEEP Shares held by the public during this review period. Since the Pre-suspension Day up to and including the Latest Practicable Date, the trading volume of the NTEEP Shares has increased significantly and the average daily trading volume of the NTEEP Shares was approximately 0.51% of the total issued NTEEP Shares or approximately 1.80% of the NTEEP Shares held by the public.

Based on the average daily trading volume of the NTEEP Shares over the last six months, it is unlikely that the relatively active trading volume of the NTEEP Shares recorded during the period between the Pre-suspension Day and the Latest Practicable Date as a result of the announcement of the Offers will continue if the Offers lapse. Given the relatively low level of liquidity of the NTEEP Shares before the Pre-suspension Day, the Disinterested Shareholders would likely not be able to sell a significant number of their NTEEP Shares in the market without depressing the market price of the NTEEP Shares.

In this regard, the Share Offer provides liquidity and the price of the Share Offer represents an opportunity for the Disinterested Shareholders to dispose of their shareholdings in NTEEP at a premium over the price of the NTEEP Share on the Pre-suspension Day. Therefore, we are of the view that the Share Offer is in the interest of the Disinterested Shareholders as a whole as an opportunity for them to divest their shareholdings in NTEEP at a premium to the prevailing market price, regardless of the size of their shareholdings.

G. Overview of the EMSI

The EMSI is comprised of companies that manufacture electronic products and their components for consumer electronic product manufacturers in the electronics industry.

According to International Data Corporation (the "IDC"), an independent market research company, total revenue of the global EMSI reached approximately US\$105.5 billion in 2004, and will further increase to approximately US\$183.0 billion from 2005 to 2009 at a compound annual growth rate of approximately 11.6%. The Asia Pacific region, and in particular the PRC, will benefit from this trend due to their low labour and overhead costs. With its production facilities in the PRC, NTEEP has leveraged itself on low labour cost and production overheads.

However, IDC further expects that companies which are engaging in the EMSI might face challenges ahead in sustaining high margins amid decreasing average selling price of products. IDC believes that as the EMSI is a mature industry, it is unlikely to report substantial growth in the near future. Furthermore, as the EMSI is currently under heavy competition, companies operating in such environment are encountering pressure on profitability amid rising turnover.

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In light of the above, we are of the view that the market conditions to be faced by the NTEEP Group in the near future will continue to be challenging. This is also in line with the comments drawn by the management of the NTEEP Group in its 2005 third quarter results announcement. Therefore, we are of the view that the Share Offer can be considered a good opportunity for the Disinterested Shareholders to realise their investments in NTEEP, which is engaging in the EMSI that faces challenging market conditions, at a premium over the prevailing market price.

However, should the Disinterested Shareholders prefer investments in the EMSI and wish to follow the management of NTEEP, the Share Offer nevertheless offers an opportunity to the Disinterested Shareholders to realise their investment in NTEEP at a premium to its prevailing market price and, if they so wish, subsequently acquire shares in NTE, which would hold 100% of NTEEP on completion of the Share Offer.

H. Analysis of the price of the Share Offer

Table 5 below set out a summary of the premiums or discounts represented by the price of the Share Offer over the various closing prices of the NTEEP Shares on the dates and various review periods.

Table 5: Comparison of the price of the Share Offer to the price of the NTEEP Shares

Trading day	Closing price of the NTEEP Shares <i>HK\$</i>	Premium/ (discount) based on the Share Offer %
Latest Practicable Date	1.55	16.13
Pre-suspension Day	1.22	47.54

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Review period	Average daily closing price of the NTEEP Shares <i>HK\$</i>	Premium/ (discount) based on the Share Offer %
5 trading days up to and including the Pre-suspension Day	1.22	47.54
10 trading days up to and including the Pre-suspension Day	1.26	42.86
30 trading days up to and including the Pre-suspension Day	1.33	35.34
60 trading days up to and including the Pre-suspension Day	1.51	19.21
90 trading days up to and including the Pre-suspension Day	1.86	(3.23)
180 trading days up to and including the Pre-suspension Day	2.20	(18.18)

Source: Bloomberg

As illustrated in Table 5 above, the price of the Share Offer represents premiums ranging from approximately 19.21% to approximately 47.54% over the lowest and highest average daily closing prices of the NTEEP Shares respectively during the periods of 5, 10, 30 and 60 trading days up to and including the Pre-suspension Day. However, it represents discounts of approximately 3.23% and approximately 18.18% respectively when compared with the average daily closing price of the NTEEP Shares for the periods of 90 and 180 trading days up to and including the Pre-suspension Day.

In light of the above, although we note that the price of the Share Offer represents a discount to the average daily closing price of the NTEEP Shares for the periods of 90 and 180 trading days up to and including the Pre-suspension Day, we are of the view that the Share Offer nevertheless provide an opportunity to the Disinterested Shareholders to realize their investments in NTEEP at a premium over the closing price of the NTEEP Share as at the Pre-suspension Day which regrettably may still be lower than the investment costs of some of the Disinterested Shareholders. Therefore, in our opinion, even though the price of the Share Offer might not be attractive to all Disinterested Shareholders under this evaluation criterion, we nevertheless consider that it is in the interest of the Disinterested Shareholders as a whole to accept the Share Offer.

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I. Precedent Privatisations

In assessing whether the price of the Share Offer is fair and reasonable, we have also compared the premiums and discounts represented by the price of the Share Offer with other recent privatisations that have taken place in Hong Kong.

We have reviewed and identified a total of nine privatisations (the “Precedent Privatisations”) which were announced and successfully completed since 1st January, 2003 and up to and including the Pre-suspension Day for companies listed on the main board of the Stock Exchange.

Although we note that the Precedent Privatisations involved companies which may differ in operations and businesses as compared to NTEEP, the Precedent Privatisations nevertheless provide current indicative market ranges and averages for the key evaluation parameters for the purpose of comparing the terms of the Share Offer. The key statistics of the Precedent Privatisations are set out below:

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Table 6: Key statistics of the Precedent Privatisations

Company	Principal activities	Cancellation/ Offer price HK\$	Date of announcement of Precedent Privatisations	Premium to average closing share price %			Adjusted consolidated net tangible asset value per share and Precedent Privatisations HK\$	Premium/ (discount) of offer price to adjusted consolidated net tangible asset value per share %
				pre- suspension Day	30 trading days	90 trading days		
Top Glory International Holdings Limited	Property investment and development	0.74	3rd May, 2003	72.09	74.46	73.66	1.34	(44.78)
Oxford Properties & Finance Limited	Property investment and development	15.00	21st May, 2003	59.57	70.84	90.40	11.49	30.55
Pacific Concord Holding Limited	Manufacturing, property investment and development	0.65	26th May, 2003	51.16	60.89	46.40	1.83	(64.48)
Chevalier Construction Holdings Limited	Construction services and maintenance	0.25	31st October, 2003	16.28	23.76	58.23	0.32	(21.88)
Alpha General (Holdings) Limited	Provision of electrical appliances	0.70	13th October, 2004	125.81	133.33	125.81	1.32	(46.97)
The Kwong Sang Hong International Limited	Property trading and leasing	1.25	4th November, 2004	5.04	36.17	64.04	1.83	(31.69)
Sinopec Beijing Yanhua Petrochemical Company Limited	Petrochemical business	3.80	29th December, 2004	10.95	23.88	28.98	1.82	108.79
Hutchison Global Communications Holdings Limited	Telecommunications services	0.65	3rd May, 2005	36.84	43.33	44.55	0.034 ¹	1,797.81 ¹
Henderson China Holdings Limited	Property investment and development	8.00	19th May, 2005	66.67	64.27	68.42	12.51	(36.05)
Precedent Privatisations Average				49.38	58.99	66.72		187.92
Maximum				125.81	133.33	125.81		1,797.81
Minimum				5.04	23.76	28.98		(64.48)
NTEEP	Manufacture and marketing of consumer electronics	1.80	23rd October, 2005	47.54	35.34	(3.23)	1.17 ²	53.85

Note 1: Net asset value is applied as adjusted consolidated net tangible asset value was not disclosed for this transaction.

Note 2: Unaudited consolidated net asset value applied as no adjusted net asset value has been prepared.

Source: Bloomberg, announcements and composite documents of the Precedent Privatisations.

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As illustrated in Table 6 above, the average premium represented by the cancellation/offer prices of the Precedent Privatisations to the average closing prices of the shares: (i) on the pre-suspension day; (ii) for the 30 trading days; and (iii) for the 90 trading days prior to and including the pre-suspension day of the Precedent Privatisations, were approximately 49.38%, approximately 58.99% and approximately 66.72% respectively. The premium represented by the price of the Share Offer over the price of the NTEEP Shares for the corresponding periods of comparison were approximately 47.54%, approximately 35.34% and a discount of approximately 3.23% respectively. We note that the premium represented by the price of the Share Offer over the price of the NTEEP Shares on the Pre-suspension Day is generally in line with those of the Precedent Privatisations under the corresponding evaluation time interval. Although we note that the premium represented by the price of the Share Offer over the price of the NTEEP Share is within the range of premiums offered by the Precedent Privatisations for the 30 trading days prior to and including the Pre-suspension Day, nevertheless it is below the average premium offered by the Precedent Privatisations by approximately 40.09%.

However, the price of the Share Offer to the price of the NTEEP Shares represents a discount of approximately 3.23% for the 90 trading days prior to and including the Pre-suspension Day while the Precedent Privatisations offered an average premium of approximately 66.72% with a minimum premium of approximately 28.98% for the corresponding evaluation time interval.

We also note that six out of nine Precedent Privatisations were made at a discount to net asset value while the Share Offer offers approximately 53.85% premium to the net asset value per NTEEP Share. Nevertheless, as discussed in the section headed "Price to net asset value" above, given NTEEP is engaging in the EMSI, which we consider is not an asset-based industry, we are of the view that this comparison is for reference and illustrative purposes only.

In light of the above, we are of the view that although the price of the Share Offer to the price of the NTEEP Shares as compared to the relevant premiums offered by the Precedent Privatisations, might not be attractive under a longer evaluation time interval, due to the premium of the price of the Share Offer to the NTEEP Shares on the Pre-suspension Day being generally in line with those of the Precedent Privatisations, and the Share Offer offers approximately 53.85% premium to the net asset value per NTEEP Share, we consider that it is nevertheless acceptable for the Disinterested Shareholders as a whole to accept the Share Offer.

J. Prospect of alternative offers

In formulating our recommendation relating to the terms of the Share Offer and giving our independent financial advice to the Independent Board Committee, we have also considered other alternatives for the proposed privatisation of NTEEP, among others, liquidating NTEEP by selling its entire assets and returning the proceeds back to the NTEEP Shareholders.

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According to NTEEP Group's unaudited interim report for the six-month period ended 30th June, 2005, NTEEP Group's total non-current assets are mainly comprised of: (i) property, plant and equipment; (ii) goodwill; and (iii) deposits paid for the acquisition of property, plant and equipment. Set out in the table below is a breakdown of NTEEP's total assets as at 30th June, 2005:

Table 7: Breakdown of NTEEP Group's total assets

	As at 30th June, 2005 US\$'000	Percentage to NTEEP Group's total assets %
Non-current assets		
Property, plant and equipment	53,918	34.04
Goodwill	24,340	15.37
Deposits paid for the acquisition of property, plant and equipment	60	0.04
Other assets	65	0.04
	78,383	49.49
Current assets		
Inventories	10,099	6.38
Trade and other receivables	25,686	16.22
Dividend receivable	579	0.37
Taxation recoverable	5,165	3.26
Available-for-sale financial assets ¹	11,700	7.39
Bank balances and cash	26,792	16.89
	80,021	50.51
Total	158,404	100.00

Note 1: The amount represents NTEEP Group's investment in the 95.52 million promoter's shares of TCL Corporation, the shares of which are listed on the Shenzhen Stock Exchange.

Source: 2005 interim report of NTEEP

From Table 7 above, property, plant and equipment contribute a significant portion of the NTEEP Group's total assets of approximately 34.04%. Since a portion of these properties and equipment are specialized and are located in the PRC, the protracted timeframe to realize these assets might be considerably long and difficult. Furthermore, there is no assurance on the market value of these properties and equipment.

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We also note that, as at 30th June, 2005, NTEEP owns approximately 3.69% promoter' shares of TCL Corporation, the shares of which are listed on the Shenzhen Stock Exchange. According to NTEEP's 2005 third quarter results announcement dated 31st October, 2005, this investment was valued at approximately US\$11.7 million based on the recommendation of an independent financial adviser which represents approximately 7.39% of the NTEEP Group's total assets. These promoters' shares, pursuant to the trading regulations of the PRC, are not publicly tradable. As a result, NTEEP might face potential difficulties in seeking suitable buyers for these promoters' shares. It is also uncertain that NTEEP could readily sell this investment at favourable prices.

Furthermore there is no assurance as to when the liquidation of the whole portfolio of assets can be completed, if at all and also as to whether the proceeds from the liquidation of this entire portfolio of assets can be at a price which is more favourable to the Disinterested Shareholders than under the Share Offer.

In light of the above, in particular:

- (i) potential difficulties in seeking suitable buyers for each particular asset of NTEEP;
- (ii) the possibility of a considerably longer period of time and higher costs required to complete liquidation of the entire portfolio of assets of NTEEP than the Share Offer; and
- (iii) no assurance that the assets could be sold at a more favourable price, which would result in the proceeds being returned to the Disinterested Shareholders at a price more favourable than at the Share Offer,

we are of the view that the Share Offer is a suitable alternative in returning the value of the assets to the Disinterested Shareholders.

Furthermore, NTEEP is approximately 69.50% held by NTE as at the Latest Practicable Date and the Disinterested Shareholders should note that, without the support of NTE, it is unlikely that there will be a third party offer or proposal for the Affected NTEEP Shares. Therefore, if the Share Offer lapses, the price of the NTEEP Shares may return to the historical trading level and trading volume. Therefore, the Share Offer is, in our view, an opportunity for the Disinterested Shareholders to realise their investment in the NTEEP Shares at a premium, regardless of the size of their shareholding. In light of this, we are of the view that, the Share Offer and its terms are in the interest of the Disinterested Shareholders as a whole.

II. The Option Offer

The Options (all with an exercise price of HK\$3.88) are currently out-of-money. Accordingly, an offer at a price of HK\$0.01, is being made for cancellation of each outstanding Option.

LETTER FROM PLATINUM

In view of the fact that the Options are currently deeply out-of-money, we recommend the holders of the Options not to exercise the Options and should accept the Option Offer.

CONCLUSIONS AND RECOMMENDATIONS

I. The Share Offer

We have considered the above principal factors and reasons and, in particular, have taken into account the following factors in arriving at our opinion:

- (i) the premium represented by the price of the Share Offer over the price of the NTEEP Shares is within the range but lower than the average premium offered by the Precedent Privatisations for the 30 trading days prior to and including the Pre-suspension Day;
- (ii) the price of the Share Offer represents a discount of approximately 3.23% to the price of NTEEP Shares for the 90 trading days prior to and including the Pre-suspension Day, while the Precedent Privatisations offered an average premium of approximately 66.72% with a minimum premium of approximately 28.98% for the corresponding time interval;
- (iii) the price of the Share Offer represents a discount of approximately 3.23% and approximately 18.18% to the price of the NTEEP Shares for the 90 and 180 trading days respectively prior to and including the Pre-suspension Day; and
- (iv) the price of the Share Offer represents a PER of approximately 8.85 times which is below the PER represented by the price of the NTEEP Shares for the period of 90 trading days prior to and including the Pre-suspension Day.

In light of the above, given that the premium and the PER represented by the Share Offer are below the average premium and PER represented by the Precedent Privatisations and the historical average price of the NTEEP Shares over a longer period of time, we are of the view that the price of the Share Offer might not be favourable to all the Disinterested Shareholders.

We note that the price of the Share Offer is lower than the investment cost of some of the Disinterested Shareholders, in particular, those who acquired the NTEEP Shares longer than 60 trading days prior to the Pre-suspension Day, and hence, these Disinterested Shareholders would realize their losses if they accept the Share Offer. Nevertheless, we are still of the view that the price of the Share Offer is, on balance, acceptable to the Disinterested Shareholders as a whole and that the Disinterested Shareholders should nevertheless accept the Share Offer, due to:

- (i) NTEEP Group's gross and net margins only showed marginal growth in the recent periods;

LETTER FROM PLATINUM

- (ii) NTEEP being the worst performer in terms of its daily closing share price as compared to all of the Comparable Companies and the HSCI-IT Index during the Review Period;
- (iii) the Share Offer providing liquidity and opportunity to the Disinterested Shareholders to realise their investments in NTEEP regardless of the size of their shareholdings;
- (iv) the price of the Share Offer represents an approximate 8.85 times PER of the NTEEP Shares, which is lower than the average of the Comparable Companies but still within the range of the comparison;
- (v) the competitive market conditions faced by the NTEEP Group in the EMSI;
- (vi) the Share Offer providing a cash exit and an opportunity for all Disinterested Shareholders to realise their investments in NTEEP at an approximate 47.54% premium over the closing price of the NTEEP Shares as at the Pre-suspension Day;
- (vii) the lack of assurance that the price of the NTEEP Shares will be sustainable at the current level if the Share Offer lapses; and
- (viii) the absence of alternative offers which is unlikely to be successful without the approval or support of NTE.

Therefore, having considered the above, we are of the view that the Share Offer is fair and reasonable to the Disinterested Shareholders. Accordingly, we recommend the Independent Board Committee to advise the Disinterested Shareholders as a whole to accept the Share Offer.

II. The Option Offer

Having considered the Options have been out-of-money, we consider that the terms of the Option Offer are fair and reasonable so far as the interests of the holders of the Options are concerned. Accordingly, we recommend the Independent Board Committee to advise the holders of the Option to consider to accept the Option Offer.

Yours faithfully,
For and on behalf of

Platinum Securities Company Limited
Liu Chee Ming
Managing Director

Yours faithfully,
For and on behalf of

Platinum Securities Company Limited
Alvin Lai
Director

1. THREE-YEAR FINANCIAL SUMMARY

Set out below is a summary of the consolidated profit and loss accounts of NTEEP for each of the 3 years ended 31st December, 2004. The profit and loss account of NTEEP for the year ended 31st December, 2004 is extracted from the audited financial statements of NTEEP for the year ended 31st December, 2004 (the auditors' report in respect of which contains no qualification), and the profit and loss accounts of NTEEP for the 2 years ended 31st December, 2003 are extracted from the Accountants' Report, as set out Appendix I to the prospectus of NTEEP dated 16th April, 2004. Deloitte Touche Tohmatsu were the auditors of NTEEP for the year ended 31st December, 2004 and the reporting accountants for the 2 years ended 31st December, 2003.

CONSOLIDATED INCOME STATEMENT*For the year ended 31 December 2004*

	Notes	2004 US\$'000	2003 US\$'000	2002 US\$'000
Turnover	4	163,584	135,893	183,784
Cost of sales		<u>(130,048)</u>	<u>(105,495)</u>	<u>(162,202)</u>
Gross profit		33,536	30,398	21,582
Other operating income	6	730	1,709	2,017
Selling and distribution costs		(3,132)	(2,323)	(2,231)
Administrative expenses		(6,301)	(6,744)	(8,710)
Research and development expenditures		<u>(2,228)</u>	<u>(1,936)</u>	<u>(1,999)</u>
Profit from operations	7	22,605	21,104	10,659
Bank interest income		137	4	7
Dividend income from investments in securities		926	1,696	803
Finance costs		–	–	(2)
Share of result of an associate		–	–	75
Loss on disposal of an associate		–	–	(65)
Profit before taxation		23,668	22,804	11,477
Taxation	10	<u>(545)</u>	<u>(11)</u>	<u>(30)</u>
Net profit for the year		<u>23,123</u>	<u>22,793</u>	<u>11,447</u>
Dividends	11	<u>3,846</u>	<u>–</u>	<u>14,747</u>
Earnings per share				
Basic		<u>2.89 US cents</u>	<u>2.85 US cents</u>	<u>1.43 US cents</u>
Diluted		<u>2.89 US cents</u>	<u>N/A</u>	<u>N/A</u>

(The notes to the above consolidated income statement are only applicable for the 2 years ended 31st December, 2004.)

Dividends per share of nil and 0.48 US cent were declared during the year ended 31st December, 2003 and the year ended 31st December, 2004 respectively.

The dividend declared in 2002 represented the declaration of dividend by Namtai Electronic (Shenzhen) Co., Ltd., a wholly owned subsidiary of NTEEP, to its former immediate holding company before the Group Reorganisation (as defined in the prospectus of NTEEP dated 16th April, 2004).

The calculation of the basic earnings per share for the 3 years ended 31st December, 2004 is based on the profit for the relevant year and assuming 800,000,000 shares in issue based on the assumption that the Group Reorganisation and the Capitalisation Issue (as defined in the prospectus of NTEEP dated 16th April, 2004) had become effective on 1st January, 2002.

For the year ended 31st December, 2004, no assumption of the exercise of the share options is considered in calculating the diluted earnings per share.

The NTEEP Group did not record any extraordinary item, exceptional item and minority interest for each of the three years ended 31st December, 2004.

APPENDIX I	FINANCIAL INFORMATION REGARDING NTEEP
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2. AUDITED ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER, 2004

Set out below are the audited consolidated balance sheet and balance sheet of NTEEP as at 31st December, 2003 and 31st December, 2004 and consolidated statement of changes in equity and consolidated cash flow statement of NTEEP for the two years ended 31st December, 2004 together with the relevant notes as extracted from the annual report of NTEEP for the year ended 31st December, 2004.

CONSOLIDATED BALANCE SHEET

At 31 December 2004

	<i>Notes</i>	2004 <i>US\$'000</i>	2003 <i>US\$'000</i>
Non-current assets			
Property, plant and equipment	13	49,396	32,659
Investments in non-trading securities	15	–	11,968
Other asset		65	65
		49,461	44,692
Current assets			
Inventories	16	8,765	8,509
Trade and other receivables	17	30,555	20,674
Amounts due from fellow subsidiaries	18	–	54,006
Dividend receivable		–	844
Taxation recoverable		3,730	3,216
Investments in non-trading securities	15	20,700	–
Bank balances and cash		22,079	8,873
		85,829	96,122
Current liabilities			
Trade and other payables	20	23,259	17,351
Amount due to ultimate holding company	18	–	90,000
Amounts due to fellow subsidiaries	18	113	2,998
Taxation payable		–	41
		23,372	110,390
Net current assets (liabilities)		62,457	(14,268)
Total assets less current liabilities		111,918	30,424
Capital and reserves			
Share capital	21	1,026	13
Reserves		110,892	30,411
		111,918	30,424

BALANCE SHEET*At 31 December 2004*

	<i>Notes</i>	2004 <i>US\$'000</i>	2003 <i>US\$'000</i>
Non-current asset			
Property, plant and equipment	13	30	–
Investments in subsidiaries	14	73,179	89,040
		<u>73,209</u>	<u>89,040</u>
Current assets			
Other receivables		46	66
Amount due from a fellow subsidiary	18	–	49,839
Dividend receivable		23,133	960
Bank balances and cash		7,949	–
		<u>31,128</u>	<u>50,865</u>
Current liabilities			
Other payables		193	–
Amount due to ultimate holding company	18	–	90,000
Amount due to a fellow subsidiary	18	–	109
Amount due to a subsidiary	19	49,471	49,800
		<u>49,664</u>	<u>139,909</u>
Net current liabilities		<u>(18,536)</u>	<u>(89,044)</u>
Total assets less current liabilities		<u><u>54,673</u></u>	<u><u>(4)</u></u>
Capital and reserves			
Share capital	21	1,026	–
Reserves	22	53,647	(4)
		<u>54,673</u>	<u>(4)</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2004

	Share capital US\$'000	Share premium US\$'000	Capital reserve US\$'000 (note a)	Special reserve US\$'000 (note b)	Statutory reserve US\$'000 (note c)	Investment revaluation reserve US\$'000	Accumul- ated profits US\$'000	Total US\$'000
At 1 January 2003	90,000	-	-	(3,869)	35	-	11,452	97,618
Net profit for the year	-	-	-	-	-	-	22,793	22,793
Appropriation of Namtai Electronic (Shenzhen) Co., Ltd. 2002's profits Arising on Group	-	-	-	-	980	-	(980)	-
Reorganisation (Note 1)	(90,000)	-	(3,869)	3,869	-	-	-	(90,000)
Capital contribution by way of profit reinvestment	-	-	8,829	-	(877)	-	(7,952)	-
Issue of quota capital	13	-	-	-	-	-	-	13
At 31 December 2003 and at 1 January 2004	13	-	4,960	-	138	-	25,313	30,424
Increase in fair value of non-trading securities not recognised in the income statement	-	-	-	-	-	8,732	-	8,732
Net profit for the year	-	-	-	-	-	-	23,123	23,123
Arising on Group Reorganisation (Note 1)	1,013	90,518	(2,131)	-	-	-	-	89,400
Dividend paid after Capitalisation Issue (Note 11)	-	(35,915)	-	-	-	-	-	(35,915)
Dividends paid	-	-	-	-	-	-	(3,846)	(3,846)
Appropriation of Namtai Electronic (Shenzhen) Co., Ltd. 2003's profits	-	-	-	-	4,230	-	(4,230)	-
At 31 December 2004	<u>1,026</u>	<u>54,603</u>	<u>2,829</u>	<u>-</u>	<u>4,368</u>	<u>8,732</u>	<u>40,360</u>	<u>111,918</u>

Notes:

- (a) The capital reserve represents the pre-acquisition dividend declared by Namtai Electronic (Shenzhen) Co., Ltd. 南太電子(深圳)有限公司 ("NTSZ"), a wholly owned subsidiary of the Company, and reinvested by the Company into NTSZ, offset by the differences between the translation of NTSZ's registered paid-up capital based on historical exchange rates and amount shown in the capital verification reports issued by the People's Republic of China (other than Hong Kong and Macao, the "PRC") certified public accountants, and the difference between the quota capital of Nam Tai Investments Consultant (Macao Commercial Offshore) Company Limited ("NTIC"), a wholly owned subsidiary of the Company, and the nominal amount of the Company's shares issued as consideration pursuant to the Group Reorganisation (as defined in Note 1 to the financial statements).

- (b) The special reserve represents the differences between the translation of NTSZ's registered paid-up capital based on historical exchange rates and amount shown in the capital verification reports issued by the PRC certified public accountants.
- (c) The statutory reserve is not distributable but can be capitalised as share capital of NTSZ subject to approvals by the relevant authorities. Appropriations to this reserve are made out of NTSZ's net profit after taxation calculated in accordance with accounting principles generally accepted in the PRC, and shall not be less than 10% of net profit after taxation calculated in accordance with accounting principles generally accepted in the PRC.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2004

	2004	2003
	<i>US\$'000</i>	<i>US\$'000</i>
OPERATING ACTIVITIES		
Profit from operations	22,605	21,104
Adjustments for:		
Depreciation and amortisation	4,200	4,111
(Gain) loss on disposal of property, plant and equipment	(150)	73
	<hr/>	<hr/>
Operating cash flows before movements in working capital	26,655	25,288
(Increase) decrease in inventories	(256)	7,080
(Increase) decrease in trade and other receivables	(9,881)	3,748
Decrease (increase) in amount due from a fellow subsidiaries	7,491	(2,676)
Increase (decrease) in trade and other payables	5,908	(18,294)
Increase in amount due to fellow subsidiaries	–	228
	<hr/>	<hr/>
Cash generated from operations	29,917	15,374
Hong Kong Profits Tax paid	(41)	–
PRC enterprise income tax paid	(2,275)	(3,015)
PRC enterprise income tax refunded	1,216	567
	<hr/>	<hr/>
NET CASH FROM OPERATING ACTIVITIES	28,817	12,926
	<hr/>	<hr/>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(21,060)	(5,257)
Dividend received	1,770	852
Proceeds on disposal of property, plant and equipment	273	103
Interest received	137	4
	<hr/>	<hr/>
NET CASH USED IN INVESTING ACTIVITIES	(18,880)	(4,298)
	<hr/>	<hr/>

	2004 <i>US\$'000</i>	2003 <i>US\$'000</i>
FINANCING ACTIVITIES		
Repayment from ultimate holding company	10,000	–
Dividend paid	(3,846)	–
Repayments to fellow subsidiaries	(2,885)	(527)
Issue of quota capital	–	13
	<hr/>	<hr/>
NET CASH FROM (USED IN) FINANCING ACTIVITIES	3,269	(514)
	<hr/>	<hr/>
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,206	8,114
CASH AND CASH EQUIVALENTS		
AT BEGINNING OF THE YEAR	8,873	759
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash	22,079	8,873
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 9 June 2003. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited ("SEHK") with effect from 28 April 2004. Its ultimate holding company is Nam Tai Electronics, Inc. ("NTE Inc."), a company incorporated in the British Virgin Islands with its shares listed on the New York Stock Exchange.

Pursuant to a group reorganisation (the "Group Reorganisation") to rationalise the group structure in preparation for the listing of the Company's shares on SEHK, the Company became the holding company of the Group, as more fully explained in "Further Information About the Company – Corporate Reorganisation" in Appendix V to the prospectus of the Company dated 16 April 2004 (the "Prospectus"). The Group resulting from the Group Reorganisation is regarded as a restructure of enterprises under common control. Accordingly, the financial statements of the Group have been prepared on the basis as if the Company had always been the holding company of the Group.

The principal activities of the Group are the manufacturing and marketing of consumer electronics and communications products. During the period from 1 January 2003 to 31 March 2003, the Group was also engaged in the trading and manufacturing of essential components and subassemblies for mobile phones.

Majority of the Group's transactions are denominated on United States dollar. Accordingly, the financial statements are presented in United States dollar.

2. POTENTIAL IMPACT ARISING FROM RECENTLY ISSUED ACCOUNTING STANDARDS AND CHANGE IN ACCOUNTING POLICY

In 2004, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new or revised Hong Kong Accounting Standards ("HKASs") and Hong Kong Financial Reporting Standards ("HKFRS") (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in these financial statements.

In April 2004, the HKICPA issued HKFRS 2, "Share-based Payment", which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of directors' and employees' share options of the Company. Currently, the Group does not expense the share options issued by the Company. The Group has commenced considering the potential impact of this new HKFRS but is not yet in a position to determine whether this new HKFRS would have a significant impact on how its results of operations and financial position are prepared and presented.

In relation to other new HKFRSs, the Group does not expect that their issuance will have a material effect on how the results of operations and financial position of the Group are prepared and presented.

During the year ended 31 December 2004, the Group changed from using the benchmark treatment of accounting for investments in securities to the alternative treatment, which are both in accordance with Statement of Standard Accounting Practice 24 "Accounting for investments in securities" issued by HKICPA. The change in accounting policy is an attempt to bring in line the Group's accounting policy with that of its ultimate holding company.

The policy has been applied retrospectively. The effect on the current year is to increase the investment revaluation reserve by US\$8,732,000 (2003: Nil).

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investments in securities and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies are set out below:

Basis of consolidation

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

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.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Turnover

Turnover represents the amounts received and receivable from sales of goods by the Group to outside customers less return and allowances during the year.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Commission income is recognised when services are provided.

Interest income from bank deposits is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Rental income from properties letting under operating leases is recognised on a straight-line basis over the term of the relevant lease.

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less accumulated depreciation and amortisation and accumulated impairment losses.

Construction in progress is stated at cost which includes all construction costs and other direct costs attributable to the construction. The cost of completed construction works is transferred to the appropriate categories of property, plant and equipment. Construction in progress is not depreciated or amortised until completion of construction.

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

Land use rights	Over the term of the rights
Buildings	Over the shorter of term of the land use rights, or 20 years
Leasehold improvements	20%
Other assets	20% – 25%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Impairment

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. 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. Impairment loss is recognised as an expense immediately, unless the asset is carried at a revalued amount under another accounting standard, in which case the impairment loss is treated as a revaluation decrease under that accounting standard.

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, unless the relevant asset is carried at a revalued amount under another accounting standard, in which case the reversal of impairment loss is treated as a revaluation increase under that accounting standard.

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

All securities other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period. For other securities, unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period.

Inventories

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

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 net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, 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

Transactions in currencies other than United States dollar are initially recorded at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are re-translated at the approximate rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial information of NTSZ is translated using the temporal method as the operations of this subsidiary are more dependent on the economic circumstances of United States dollar than its own reporting currency. All assets, liabilities, revenue and expenses in currencies other than United States dollar are translated at the exchange rate ruling at the date on which the amounts are recorded. Monetary assets and liabilities are re-translated at the approximate rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

Operating leases

Rentals under operating leases are charged to the income statement on a straight-line basis.

Retirement benefit costs

Payments to state managed retirement benefit schemes and other retirement benefit schemes are charged as an expense as they fall due.

APPENDIX I FINANCIAL INFORMATION REGARDING NTEEP

4. TURNOVER

	2004 <i>US\$'000</i>	2003 <i>US\$'000</i>
Continuing businesses		
Optical devices	63,837	4,650
Educational products	35,307	45,562
Home entertainment devices	33,247	29,178
Mobile phone accessories	31,192	49,255
Others	1	134
	163,584	128,779
Discontinued businesses		
Subassemblies and components	–	6,380
Others	–	734
	–	7,114
	163,584	135,893

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

The Group is engaged mainly in the manufacturing and marketing of consumer electronics and communications products (the “Continuing Businesses”) for the years ended 31 December 2004 and 2003, and the trading and manufacturing of essential components and subassemblies for mobile phones (the “Discontinued Businesses”) during the period from 1 January 2003 to 31 March 2003. It is on this basis that the Group reports its primary segment information.

Income statement

Year ended 31 December 2004

	Continuing Businesses <i>US\$'000</i>	Discontinued Businesses <i>US\$'000</i>	Consolidated <i>US\$'000</i>
Turnover	163,584	–	163,584
Cost of sales	(130,048)	–	(130,048)
Gross profit	33,536	–	33,536
Other operating income	679	51	730
Selling and distribution costs	(2,950)	(182)	(3,132)
Administrative expenses	(6,179)	(122)	(6,301)
Research and development expenditures	(2,228)	–	(2,228)
Profit (loss) from operations	22,858	(253)	22,605
Bank interest income	137	–	137
Dividend income from investments in securities	926	–	926
Profit (loss) before taxation	23,921	(253)	23,668
Taxation	(545)	–	(545)
Net profit for the year	23,376	(253)	23,123

APPENDIX I FINANCIAL INFORMATION REGARDING NTEEP

Year ended 31 December 2003

	Continuing Businesses <i>US\$'000</i>	Discontinued Businesses <i>US\$'000</i>	Consolidated <i>US\$'000</i>
Turnover	128,779	7,114	135,893
Cost of sales	<u>(98,854)</u>	<u>(6,641)</u>	<u>(105,495)</u>
Gross profit	29,925	473	30,398
Other operating income	788	921	1,709
Selling and distribution costs	(2,014)	(309)	(2,323)
Administrative expenses	(6,326)	(418)	(6,744)
Research and development expenditures	<u>(1,922)</u>	<u>(14)</u>	<u>(1,936)</u>
Profit from operations	20,451	653	21,104
Bank interest income	4	–	4
Dividend income from investments in securities	<u>1,696</u>	<u>–</u>	<u>1,696</u>
Profit before taxation	22,151	653	22,804
Taxation	<u>(11)</u>	<u>–</u>	<u>(11)</u>
Net profit for the year	<u><u>22,140</u></u>	<u><u>653</u></u>	<u><u>22,793</u></u>

Balance sheet

As at 31 December 2004

	Continuing Businesses <i>US\$'000</i>	Discontinued Businesses <i>US\$'000</i>	Unallocated <i>US\$'000</i>	Consolidated <i>US\$'000</i>
ASSETS				
Segment assets	<u>110,795</u>	<u>–</u>	<u>24,495</u>	<u>135,290</u>
LIABILITIES				
Segment liabilities	<u>23,372</u>	<u>–</u>	<u>–</u>	<u>23,372</u>
OTHER INFORMATION				
Capital additions	21,060	–	–	21,060
Depreciation and amortisation of property, plant and equipment	4,200	–	–	4,200
Allowance for and write off of inventories	<u>60</u>	<u>–</u>	<u>–</u>	<u>60</u>

APPENDIX I FINANCIAL INFORMATION REGARDING NTEEP

As at 31 December 2003

	Continuing Businesses <i>US\$'000</i>	Discontinued Businesses <i>US\$'000</i>	Unallocated <i>US\$'000</i>	Consolidated <i>US\$'000</i>
ASSETS				
Segment assets	118,057	6,664	16,093	140,814
LIABILITIES				
Segment liabilities	17,634	–	92,756	110,390
OTHER INFORMATION				
Capital additions	5,257	–	–	5,257
Depreciation and amortisation of property, plant and equipment	4,111	–	–	4,111
Allowance for and write off of inventories	893	–	–	893

Geographical segments

The Group's operations are located in the PRC, including Hong Kong and Macao. The Group's customers are mainly located in Europe, North America and Asia Pacific region.

The following table provides an analysis of the Group's sales by geographical market:

	Sales revenue by destination	
	2004 <i>US\$'000</i>	2003 <i>US\$'000</i>
Continuing Businesses:		
Asia Pacific region	75,517	30,488
Europe	51,687	52,414
North America	35,923	44,506
Others	457	1,371
	<u>163,584</u>	<u>128,779</u>
Discontinued Businesses:		
Asia Pacific region	–	4,384
Europe	–	2,487
North America	–	243
	<u>–</u>	<u>7,114</u>
	<u>163,584</u>	<u>135,893</u>

Since the products sold to various geographic markets were manufactured from the same production facilities located in the PRC, an analysis of assets and liabilities by geographical market had not been presented.

APPENDIX I	FINANCIAL INFORMATION REGARDING NTEEP
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6. OTHER OPERATING INCOME

	2004	2003
	<i>US\$'000</i>	<i>US\$'000</i>
Commission income	52	1,064
Exchange gain	–	472
Rental income	678	–
Others	–	173
	730	1,709
	730	1,709

7. PROFIT FROM OPERATIONS

	2004	2003
	<i>US\$'000</i>	<i>US\$'000</i>
Profit from operations has been arrived at after charging (crediting):		
Allowance for and write off of inventories	60	893
Auditors' remuneration	134	17
Depreciation and amortisation of property, plant and equipment	4,200	4,111
Less: Depreciation and amortisation included in research and development expenses	(76)	(124)
	4,124	3,987
(Gain) loss on disposal of property, plant and equipment	(150)	73
Operating lease rentals in respect of rented premises	28	9
Staff costs, including directors' remunerations	7,237	6,534
Retirement benefit scheme contributions	362	245
Total staff costs	7,599	6,779
Less: Staff costs included in research and development expenses	(1,718)	(1,534)
	5,881	5,245

8. DISCONTINUED BUSINESSES

In March 2004, the Group has completely ceased the Discontinued Businesses, and the Discontinued Businesses have been taken up by Zastron Electronic (Shenzhen) Co. Ltd. ("Zastron"), a fellow subsidiary. No significant gain or loss for the discontinuation of the Discontinued Businesses resulted.

The results of the Discontinued Businesses for the period up to discontinuation and for the year 2003 and the carrying amounts of the assets and liabilities of the Discontinued Businesses at 31 December 2004 and 2003 have been disclosed in note 5.

The Discontinued Businesses did not have any significant impact on the Group's cash flows as all of its sales were made to Nam Tai Telecom (Hong Kong) Company Limited ("NTTHK"), a fellow subsidiary of the Group, which would also settle the purchases and expenditure on behalf of the Discontinued Businesses.

APPENDIX I FINANCIAL INFORMATION REGARDING NTEEP

9. 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 (2003: four) directors were as follows:

Year ended 31 December 2004

	Wong Kuen Ling, Karene US\$'000	Thaddeus Guy Thomas Bindels US\$'000	Lee Wa Lun Warren Bezak US\$'000	Wong Chi Chung US\$'000	Chan Tit Hee, Charles US\$'000	Koo Ming Kown US\$'000	Tadao Murakami US\$'000	Li Shi Yuen, Joseph US\$'000	Total US\$'000
Fee	-	-	24	24	19	5	-	-	72
Other emoluments									
Salaries and other benefits	61	251	-	-	-	-	-	-	312
Performance related incentive bonus	390	-	-	-	-	-	-	-	390
Retirement benefit scheme contributions	2	1	-	-	-	-	-	-	3
Total emoluments	453	252	24	24	19	5	-	-	777

Year ended 31 December 2003

	Wong Kuen Ling, Karene US\$'000	Tadao Murakami US\$'000	Li Shi Yuen, Joseph US\$'000	Koo Ming Kown US\$'000	Total US\$'000
Fee	-	-	-	-	-
Other emoluments					
Salaries and other benefits	56	-	-	-	56
Performance related incentive bonus	799	78	-	-	877
Retirement benefit scheme contributions	1	-	-	-	1
Total emoluments	856	78	-	-	934

(b) Employees' emoluments

During the year, the five highest paid individuals included two directors (2003: one director), details of whose emoluments are set out in (a) above. The emoluments of the remaining three (2003: four) highest paid individuals were as follows:

	2004 US\$'000	2003 US\$'000
Salaries and other benefits	417	580
Performance related incentive payments	41	170
Retirement benefits scheme contributions	1	6
	459	756

The emoluments of the employees were within the following bands:

	Number of employees	
	2004	2003
HK\$1,000,000 to HK\$1,500,000 (equivalent to US\$128,205 to US\$192,308)	3	3
HK\$2,000,001 to HK\$2,500,000 (equivalent to US\$256,410 to US\$320,513)	–	1
	<u>3</u>	<u>4</u>

During the years ended 31 December 2004 and 2003, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and non-director employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the years.

10. TAXATION

	2004	2003
	<i>US\$'000</i>	<i>US\$'000</i>
Hong Kong Profits Tax	–	11
PRC enterprise income tax charge at applicable rates	545	–
	<u>545</u>	<u>11</u>

For the year ended 31 December 2004, no provision for Hong Kong Profits Tax has been made as the Group did not have any significant assessable profit arising in Hong Kong during the year.

For the year ended 31 December 2003, Hong Kong Profits Tax was calculated at 17.5% on the estimated assessable profit.

In accordance with the applicable enterprise income tax law of the PRC and the relevant rules promulgated by the Shenzhen municipal government, NTSZ 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 2003, as NTSZ exported more than 70% of the production value of its products, it qualified as an Export Enterprise and was subject to a reduced tax rate of 10%. For the year ended 31 December 2004, NTSZ also exported more than 70% of the production value of its products and it has applied to the relevant authority to be recognised as an Export Enterprise. The directors expect that NTSZ will also qualify for a reduced tax rate of 10% for the year ended 31 December 2004.

Furthermore, if a foreign investor directly reinvests by way of capital injection of its share of profits obtained from its 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 the taxes already paid on those profits may be obtained by the Group. As the shareholder of NTSZ reinvested or intend to reinvest the profits for both years, the directors believes the Group is eligible for the refund of income taxes paid. As a result, the Group recorded tax expense net of the benefit related to the refunds. At 31 December 2004, income taxes recoverable under such reinvestment arrangements were US\$3,730,000 (2003: US\$3,216,000), which are included in taxation recoverable in the consolidated balance sheet. Tax that would otherwise have been payable without the above tax refund concession amounts to US\$2,368,000 for the year ended 31 December 2004 (2003: US\$2,005,000).

NTIC, a wholly owned subsidiary of the Company, is exempted from Macao Complementary Tax in accordance with the Macao Decree Law No. 58/99/M, Chapter 2, Article 12, dated 18 October 1999.

APPENDIX I	FINANCIAL INFORMATION REGARDING NTEEP
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The charge for the year can be reconciled to the profit shown on the income statement as follows:

	2004	2003
	<i>US\$'000</i>	<i>US\$'000</i>
Profit before taxation	<u>23,668</u>	<u>22,804</u>
Tax at PRC enterprise income rate of 10%	2,367	2,280
Tax effect of expenses that are not deductible in determining taxable profit	953	15
Tax exempted revenues	(550)	(297)
PRC enterprise income tax refundable	(1,823)	(1,994)
Tax effect of profit not subject to tax	(290)	–
Effect of different tax rate in other jurisdiction	–	7
Others	<u>(112)</u>	<u>–</u>
Tax expense for the year	<u>545</u>	<u>11</u>

There was no significant unprovided deferred taxation for both years or at the balance sheet dates.

11. DIVIDENDS

During the year ended 31 December 2004 and prior to the Company being listed on SEHK, the Company declared a dividend of approximately US\$35,915,000 out of the Company's share premium account after the capitalisation of approximately US\$91,544,000 owed by the Company to NTE Inc., its ultimate holding company, details of which are disclosed in Appendix V to the Prospectus (the "Capitalisation Issue").

The following dividends represent the dividends declared after the Company was listed on SEHK on 28 April 2004:

	<i>US\$'000</i>
Interim paid – 0.48 US cent per share	<u>3,846</u>

A final dividend of 1.00 US cent (2003: Nil) per share to the shareholders on the register of members on 15 April 2005, amounting to approximately US\$8,000,000, has been proposed by the directors in respect of the results for the year ended 31 December 2004 and is subject to approval by the shareholders in the general meeting.

12. EARNINGS PER SHARE

The calculation of basic earnings per share for the year is based on the profit for the year of approximately US\$23,123,000 (2003: approximately US\$22,793,000) and 800,000,000 shares in issue for both years on the assumption that the Group Reorganisation and the Capitalisation Issue had become effective on 1 January 2003.

During 2004, the outstanding share options have been excluded in calculating the diluted EPS as the share options were anti-dilutive. During 2003, there was no potential dilutive ordinary shares in issue.

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13. PROPERTY, PLANT AND EQUIPMENT

	Land use rights and buildings <i>US\$'000</i>	Leasehold improve- ments <i>US\$'000</i>	Plant and machinery <i>US\$'000</i>	Furniture, fixtures and equipment <i>US\$'000</i>	Construction in progress <i>US\$'000</i>	Total <i>US\$'000</i>
THE GROUP						
COST						
At 1 January 2004	29,740	7,423	17,152	2,221	1,249	57,785
Additions	-	92	3,773	61	17,134	21,060
Transfer	2,600	2,158	437	-	(5,195)	-
Disposals	-	-	(2,023)	(388)	-	(2,411)
	<u>32,340</u>	<u>9,673</u>	<u>19,339</u>	<u>1,894</u>	<u>13,188</u>	<u>76,434</u>
DEPRECIATION AND AMORTISATION						
At 1 January 2004	5,697	5,397	12,590	1,442	-	25,126
Provided for the year	1,129	952	1,943	176	-	4,200
Eliminated on disposals	-	-	(1,955)	(333)	-	(2,288)
	<u>6,826</u>	<u>6,349</u>	<u>12,578</u>	<u>1,285</u>	<u>-</u>	<u>27,038</u>
NET BOOK VALUES						
At 31 December 2004	<u>25,514</u>	<u>3,324</u>	<u>6,761</u>	<u>609</u>	<u>13,188</u>	<u>49,396</u>
At 31 December 2003	<u>24,043</u>	<u>2,026</u>	<u>4,562</u>	<u>779</u>	<u>1,249</u>	<u>32,659</u>
THE COMPANY						
COST						
Additions during the year and at 31 December 2004	-	-	-	37	-	37
DEPRECIATION AND AMORTISATION						
Provided for the year at 31 December 2004	-	-	-	7	-	7
NET BOOK VALUES						
At 31 December 2004	<u>-</u>	<u>-</u>	<u>-</u>	<u>30</u>	<u>-</u>	<u>30</u>
At 31 December 2003	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

All the Group's buildings, including construction in progress, are situated on land in the PRC which are held by the Group under medium-term land use rights.

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14. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2004	2003
	US\$'000	US\$'000
Unlisted shares, at cost	91,543	90,000
<i>Less:</i> Pre-acquisition dividends	(26,316)	(8,912)
<i>Add:</i> Dividend reinvested into NTSZ by way of capital injection	7,952	7,952
	<u>73,179</u>	<u>89,040</u>

Details of the Company's principal subsidiaries at 31 December 2004 are as follows:

Name of subsidiary	Place of incorporation/ registration and operations	Registered/ quota capital issued and paid up	Proportion of issued registered/ quota capital held by the Company directly %	Principal activities
NTSZ	PRC (<i>note</i>)	US\$98,800,000	100	Manufacture and marketing of consumer electronics and communications products
NTIC	Macao	MOP100,000	100	Provision of consultancy services

Note: NTSZ is registered in the form of a wholly owned FIE.

15. INVESTMENTS IN NON-TRADING SECURITIES

	THE GROUP	
	2004	2003
	US\$'000	US\$'000
Unlisted equity shares, at fair value (2003: unlisted equity shares, at cost)	<u>20,700</u>	<u>11,968</u>

At 31 December 2003, the amount represented the Group's cost of investment in the 95.52 million promoter's shares of TCL Corporation. In January 2004, TCL Corporation listed its A-shares on the Shenzhen Stock Exchange. The Group's interest in TCL Corporation has then been diluted from 6% to 3.69%. According to Article 147 of the Company Law of the PRC, the Group is restricted from transferring its promoter's shares within three years from the date of conversion of TCL Corporation from a limited liability company to a company limited by shares, that is, until April 2005. The Group is, however, entitled to dividend and other rights similar to the holders of A-shares. Accordingly, the amount has been reclassified from non-current asset to current asset.

The equity shares were revalued at their open market value at 31 December 2004 by an independent financial advisor. This valuation gave rise to a revaluation increase of US\$8,732,000 which has been credited to the investment revaluation reserve.

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16. INVENTORIES

	THE GROUP	
	2004	2003
	<i>US\$'000</i>	<i>US\$'000</i>
AT COST		
Raw materials	7,428	5,758
Work in progress	549	1,182
Finished goods	788	1,569
	8,765	8,509
	8,765	8,509

17. TRADE AND OTHER RECEIVABLES

The Group allows its trade customers with credit period normally ranging from 30 days to 60 days (2003: 30 days to 60 days).

The aged analysis of trade receivables at the balance sheet dates is as follows:

	THE GROUP	
	2004	2003
	<i>US\$'000</i>	<i>US\$'000</i>
Up to 30 days	16,643	9,991
31 – 60 days	12,334	7,404
Over 60 days	702	596
	29,679	17,991
Other receivables	876	2,683
	30,555	20,674
	30,555	20,674

18. AMOUNTS DUE FROM (TO) ULTIMATE HOLDING COMPANY AND FELLOW SUBSIDIARIES

The amounts are unsecured, non-interest bearing and repayable on demand.

19. AMOUNTS DUE TO SUBSIDIARIES

The amounts are unsecured, non-interest bearing and repayable on demand.

20. TRADE AND OTHER PAYABLES

The aged analysis of trade payables at the balance sheet dates is as follows:

	THE GROUP	
	2004	2003
	<i>US\$'000</i>	<i>US\$'000</i>
Up to 30 days	11,173	10,408
31 to 60 days	6,555	3,199
Over 60 days	647	67
	18,375	13,674
Other payables	4,884	3,677
	23,259	17,351
	23,259	17,351

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21. SHARE CAPITAL

	Number of shares		Share capital	
	2004	2003	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Shares of HK\$0.01 each				
Authorised:				
At beginning of the year/ on incorporation	10,000,000	10,000,000	100	100
Increase in authorised share capital	<u>1,990,000,000</u>	–	<u>19,900</u>	–
At end of the year/period	<u><u>2,000,000,000</u></u>	<u><u>10,000,000</u></u>	<u><u>20,000</u></u>	<u><u>100</u></u>
Issued and fully paid:				
At beginning of the year/ on incorporation	10	–	–	–
Share issued on incorporation	–	1	–	–
Issue of shares	–	9	–	–
Capitalisation Issue	<u>799,999,990</u>	–	<u>8,000</u>	–
At end of the year/period	<u><u>800,000,000</u></u>	<u><u>10</u></u>	<u><u>8,000</u></u>	<u><u>–</u></u>
			<i>US\$'000</i>	<i>US\$'000</i>
Shown in the financial statements as			<u><u>1,026</u></u>	<u><u>–</u></u>

The share capital at 31 December 2003 as shown on the consolidated balance sheet represented the share capital of the Company and quota capital of NTIC before the Group Reorganisation.

The Company was incorporated on 9 June 2003 with an authorised share capital of HK\$100,000 (equivalent to US\$12,821). At the time of incorporation, 1 share of HK\$0.01 was issued for cash at par to the subscriber.

On 13 June 2003, the Company issued 9 shares of HK\$0.01 each for cash at par for a total consideration of HK\$0.09 to the then existing shareholder.

Pursuant to 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; and
- (ii) the capitalisation of approximately US\$91,544,000 owed by the Company to NTE Inc., representing the consideration for the transfer of interest in NTSZ and NTIC, was approved and the directors were authorised to allot and issue 799,999,990 shares to NTE Inc.

APPENDIX I	FINANCIAL INFORMATION REGARDING NTEEP
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22. RESERVES

	Share premium <i>US\$'000</i>	Accumulated loss <i>US\$'000</i>	Total <i>US\$'000</i>
THE COMPANY			
Loss for the period and at 31 December 2003 and 1 January 2004	–	(4)	(4)
Shares issued at premium	90,518	–	90,518
Net profit for the year	–	2,894	2,894
Dividends paid (<i>Note 11</i>)	(35,915)	(3,846)	(39,761)
	54,603	(956)	53,647
	54,603	(956)	53,647

23. CONTINGENT LIABILITIES

	THE GROUP	
	2004 <i>US\$'000</i>	2003 <i>US\$'000</i>
Cross guarantee given to a bank in respect of credit facilities utilised by Zastron (<i>Note</i>)	–	158
	–	158
	–	158

Note: During the year ended 31 December 2004, the cross guarantee given to a bank in respect of credit facilities utilised by Zastron was released.

At 31 December 2004, the Company had issued a corporate guarantee amounting to US\$6,000,000 (2003: Nil) to a bank in respect of banking facilities granted to a subsidiary. No significant amount was utilised by the subsidiary as at 31 December 2004.

24. CAPITAL COMMITMENTS

	THE GROUP	
	2004 <i>US\$'000</i>	2003 <i>US\$'000</i>
Capital expenditure in respect of acquisition of property, plant and equipment:		
Contracted for but not provided in the financial statements	3,531	15,164
Authorised but not contracted for	6,134	3,668
	9,665	18,832
	9,665	18,832

The Company had no significant capital commitments at the balance sheet dates.

25. OPERATING LEASE COMMITMENTS

The Group and The Company

The Group and the Company had no significant operating lease commitments at the balance sheet dates.

26. RETIREMENT BENEFIT SCHEMES

The Group operates a mandatory provident fund scheme ("MPF Scheme") for all qualifying employees in Hong Kong and a retirement benefit scheme ("Macao Scheme") for all qualifying employees in Macao. The assets of the MPF Scheme and the Macao 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 (equivalent to US\$128) or 5% of the relevant payroll costs to the MPF Scheme and the Macao Scheme. The total contributions incurred in this connection for the year were approximately US\$32,000 (2003: US\$35,000).

According to the relevant laws and regulations in the PRC, NTSZ is required to contribute 8% to 9% of the stipulated salary set by the local government of Shenzhen, PRC, to the retirement benefit schemes ("PRC Scheme") to fund the retirement benefits of their employees. The principal obligation of the Group with respect to the PRC Scheme is to make the required contributions under the scheme. The total contributions incurred in this connection for the year were approximately US\$330,000 (2003: US\$210,000).

The total cost charged to consolidated income statement represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes.

27. SHARE OPTION SCHEMES**(a) Share option scheme adopted by NTE Inc.**

In August 1993, the board of directors of NTE Inc. approved a stock option plan which authorised the issuance of 900,000 vested options to key employees, consultants or advisors of NTE Inc. or any of its subsidiaries for the primary purpose of providing them incentives. After the amendment of the option plan, in April 1999, the maximum number of shares to be issued pursuant to the exercise of options granted was increased to 4,275,000. The option price granted to the eligible participants shall not normally be less than market value of the common shares of NTE Inc. at the date of grant. The options granted under this plan vest immediately and generally have a term of three years, but cannot exceed ten years. The options are granted to employees based on past performance and/or expected contribution to NTE Inc.

In May 2001, the board of directors of NTE Inc. approved another stock option plan which would grant 15,000 options to each non-employee director of NTE Inc. elected at each annual general meeting of shareholders, and might grant options to key employees, consultants or advisors of NTE Inc. 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 3,000,000 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 NTE Inc. 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 NTE Inc. 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 NTE Inc. 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 NTE Inc. No consideration is payable on the grant of an option.

Effective 1 January 2003, NTE Inc. has suspended issuing options to management and employees except for the independent directors. Rather, the board of directors of NTE Inc. approved an incentive bonus program to reward management and employees with a cash bonus in lieu of stock options. During 2004, NTE Inc. had decided to resume issuing options to employees in addition to giving cash bonuses.

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The following tables disclosed details of the share options granted to the directors and employees of the Group and movements in such holdings during the years:

Directors

Exercise price per share US\$	4.625	4.647	4.833	6.617	19.400
	<i>(Note)</i>	<i>(Note)</i>	<i>(Note)</i>	<i>(Note)</i>	
Number of options:					
Outstanding as at 1 January 2003	60,000	168,000	120,000	282,000	–
Exercised during the year	(60,000)	(168,000)	(120,000)	(282,000)	–
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Outstanding as at 31 December 2003 and 1 January 2004	–	–	–	–	–
Granted during the year	–	–	–	–	390,000
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Outstanding as at 31 December 2004	–	–	–	–	390,000
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Employees

Exercise price per share US\$	4.647	6.617	19.400
	<i>(Note)</i>	<i>(Note)</i>	
Number of options:			
Outstanding as at 1 January 2003	159,000	282,000	–
Exercised during the year	(159,000)	(273,318)	–
Effect of ten for one share dividend declared by NTE Inc.	–	868	–
	<hr/>	<hr/>	<hr/>
Outstanding as at 31 December 2003 and 1 January 2004	–	9,550	–
Granted during the year	–	–	36,000
	<hr/>	<hr/>	<hr/>
Outstanding as at 31 December 2004	–	9,550	36,000
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Details of specific categories of options are as follows:

Date of grant	Exercise period	Exercise price US\$
1 February 2000	1 January 2001 to 31 January 2003	4.625 <i>(Note)</i>
16 March 2001	16 March 2001 to 16 March 2004	4.647 <i>(Note)</i>
22 June 2001	22 June 2001 to 22 June 2004	4.833 <i>(Note)</i>
30 April 2002	30 April 2002 to 30 April 2005	6.617 <i>(Note)</i>
30 July 2004	30 July 2004 to 30 July 2006	19.400

(Note: The exercise price of the share options has been adjusted to US\$4.205, US\$4.225, US\$4.394, and US\$6.015, respectively, subsequent to the ten for one share dividend declared by NTE Inc. in November 2003)

The weighted average closing prices of NTE Inc.'s shares on the dates which the share options were exercised ranged from approximately US\$9.200 to US\$40.720 for the year ended 31 December 2003.

(b) Share option scheme of the Company

The Company adopted a share option scheme (the "Scheme") on 8 April 2004 which became effective on 28 April 2004, the date on which the shares of the Company are listed on SEHK. Unless otherwise cancelled or amended, the Scheme will remain in force for 10 years from that date.

The purpose of the Scheme is to grant options to eligible participants (as defined below) as an incentive or reward for the contributions to the Group and its Associated Companies (as defined below).

Those who are eligible to participate in the Scheme include (i) employees; directors; business partners, agents, consultants or representatives; suppliers; and customers; research, development or other technological consultants of the Group, Associated Companies and any controlling shareholder; (ii) shareholders who, in the opinion of the directors, have contributed to the development of the business of the Group or Associated Companies or any controlling shareholder; (iii) secondees devoting at least 40% of his time to the business of the Group or an associated company (together the "Eligible Persons"); and (iv) 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 (together with the Eligible Persons being "Eligible Participants"). "Associated Companies" refer to those companies in the equity share capital of which the Company, directly or indirectly, has a 20% or greater beneficial interest but excluding the Company's subsidiaries. "Controlling Shareholder" refers to (i) any person who is able to control the exercise of 30% (or such other percentage as may from time to time be specified in the Codes on Takeovers and Mergers and Share Repurchases 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 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 shares as stated in SEHK's daily quotations sheet on the date of grant of that option, which must be a business day; (ii) the average of the closing share price per Company's share as stated in SEHK 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 80,000,000 being 10% of the ordinary share capital of the Company in issue at the date of adoption of the Scheme. As at 31 December 2004, the Company has not granted any options under the Scheme. 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 by the guarantee 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 may specify in writing. 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.

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

(c) Pre-IPO Share Option Scheme of the Company

The Company adopted a Pre-IPO Share Option Scheme ("Pre-IPO Scheme"), the purpose of which is to recognise the contribution of certain Directors and employees of the Group to the Group as a whole. The total number of shares subject to the Pre-IPO Scheme is 20,000,000 and no further options shall be granted under the Pre-IPO Scheme.

Details of the share options which were granted under the Pre-IPO Scheme and remained outstanding as at 31 December 2004 are as follows:

	Date of grant	Exercise price per Share	Exercisable period	Vesting period (from the date of grant)	Options outstanding as at 1 January 2004	Options granted during the year	Options outstanding as at 31 December 2004
Directors	6 April 2004	HK\$3.88	28 April 2004 to 27 April 2014	note	-	8,200,000	8,200,000
Employees under continuous employment contract	6 April 2004	HK\$3.88	28 April 2004 to 27 April 2014	note	-	11,800,000	11,800,000
					-	20,000,000	20,000,000
					-	20,000,000	20,000,000

Note: During the first 12 months from 28 April 2004, no option may be exercised by any of the Directors and/or employees.

During the second 12 months from 28 April 2004, a cumulative maximum of 30% of the share options may be exercised by the directors and/or employees.

During the third 12 months from 28 April 2004, a cumulative maximum of 60% of the share options may be exercised by the directors and/or employees.

During the remaining option period, a cumulative maximum of 100% of the share options may be exercised by the directors and/or employees.

During the year, 2 employees resigned and 300,000 share options and 60,000 share options under the Pre-IPO Scheme shall lapse on 11 June 2005 and 1 July 2005 respectively, being 12 months from the date they ceased to be employees of the Group.

No consideration had been received during the year from directors and employees for taking up the options granted.

28. RELATED PARTY TRANSACTIONS

During the year, the Group has the following significant transactions with related parties:

Name of fellow subsidiaries	Nature of transactions	Notes	2004	2003
			US\$'000	US\$'000
Zastron	Sales of property, plant and equipment	(a)	59	107
	Rental income received	(b)	656	–
	Commission received	(d)	–	862
Nam Tai Group Management Limited	Business facilities fee paid	(b)	450	1,656
NTTHK	Sales of finished products of Discontinued Businesses	(c)	–	7,114
J.I.C. Enterprises (Hong Kong) Limited	Purchase of materials	(c)	563	390
Shenzhen Namtek Co. Ltd.	Commission received	(d)	<u>52</u>	<u>202</u>

Notes:

- (a) Sales of property, plant and equipment represented the net book value of the property, plant and equipment calculated in accordance with accounting principles generally accepted in the PRC.
- (b) Rental income received from and business facilities fee paid to related parties were charged based on fixed monthly rates.
- (c) Sales of finished products and purchase of materials represented the cost of finished products or materials plus a percentage mark-up.
- (d) Commission received represented a certain percentage on turnover of the related party.

In the opinion of the directors, the above transactions were carried out in the normal course of the Group's businesses.

Details of the balances with related parties at the balance sheet date are set out in the consolidated balance sheet on page 41 and note 18.

3. UNAUDITED ACCOUNTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2005

Set out below are the audited and restated consolidated balance sheet of NTEEP as at 31st December, 2004 and unaudited consolidated balance sheet of NTEEP as at 30th June, 2005 and consolidated profit and loss account, consolidated statement of changes in equity and consolidated cash flow statement of NTEEP for the six months ended 30th June, 2004 and for the six months ended 30th June, 2005 together with the relevant notes as extracted from the interim report of NTEEP for the six months ended 30th June, 2005.

Condensed Consolidated Income Statement

	NOTES	Three months ended 30 June		Six months ended 30 June	
		2005 US\$'000 (unaudited)	2004 US\$'000 (unaudited and restated)	2005 US\$'000 (unaudited)	2004 US\$'000 (unaudited and restated)
Turnover	3 & 4	39,668	47,316	81,696	74,794
Cost of sales		(30,850)	(37,387)	(64,550)	(59,008)
Gross profit		8,818	9,929	17,146	15,786
Other operating income		251	315	478	315
Selling and distribution costs		(423)	(872)	(1,011)	(1,419)
Administrative expenses		(2,096)	(1,755)	(4,404)	(3,108)
Research and development expenditure		(773)	(557)	(1,388)	(1,036)
Profit from operations	5	5,777	7,060	10,821	10,538
Bank interest income		103	25	198	36
Dividend income from available-for-sale financial assets		579	926	579	926
Loss from discontinued operations		-	-	-	(253)
Profit before taxation		6,459	8,011	11,598	11,247
Taxation	6	(102)	(47)	(154)	(47)
Net profit for the period attributable to equity holders of the Company		<u>6,357</u>	<u>7,964</u>	<u>11,444</u>	<u>11,200</u>
Earnings per Share for net profit for the period attributable to equity holders of the Company – basic and diluted	8	<u>0.76 US cent</u>	<u>1.00 US cent</u>	<u>1.40 US cents</u>	<u>1.40 US cents</u>
Earnings per Share for net profit from continuing operations attributable to equity holders of the Company – basic and diluted	8	<u>0.76 US cent</u>	<u>1.00 US cent</u>	<u>1.40 US cents</u>	<u>1.43 US cents</u>
Losses per Share for loss from discontinued operations attributable to equity holders of the Company – basic and diluted	8	<u>-</u>	<u>-</u>	<u>-</u>	<u>(0.03) US cent</u>

Dividends per share of nil and 1.00 US cent were declared during the six months ended 30th June, 2004 and the six months ended 30th June, 2005 respectively.

APPENDIX I	FINANCIAL INFORMATION REGARDING NTEEP
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The NTEEP Group did not record any extraordinary item, exceptional item and minority interest for the six-month period ended 30th June, 2004 and for the six-month period ended 30th June, 2005.

Consolidated Balance Sheet

		At 30 June 2005 US\$'000 (Unaudited)	At 31 December 2004 US\$'000 (Audited and restated)
Non-current assets			
Property, plant and equipment	9	53,918	49,396
Goodwill		24,340	–
Deposits paid for the acquisition of property, plant and equipment		60	175
Other asset		65	65
		78,383	49,636
Current assets			
Inventories		10,099	8,765
Trade and other receivables	10	25,686	30,380
Dividend receivable		579	–
Taxation recoverable		5,165	3,730
Available-for-sale financial assets	11	11,700	–
Investment in non-trading securities	11	–	20,700
Bank balances and cash		26,792	22,079
		80,021	85,654
Current liabilities			
Trade and other payables	12	22,534	23,259
Amount due to a shareholder		472	–
Amount due to ultimate holding company		1,890	–
Amount due to a fellow subsidiary		240	113
		25,136	23,372
Net current assets		54,885	62,282
Total assets less current liabilities		133,268	111,918
Capital and reserves			
Share capital	13	1,131	1,026
Reserves		132,137	110,892
		133,268	111,918

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2005

	Share capital US\$'000	Share premium US\$'000	Capital reserve US\$'000	Equity- settled share- based payment reserve US\$'000	Statutory reserve US\$'000	Investment revaluation reserve US\$'000	Accumu- lated profits US\$'000	Total US\$'000
At 1 January 2004 - as previously reported	13	-	4,960	-	138	-	25,313	30,424
Arising on Group Reorganisation (Note 1)	1,013	90,518	(2,131)	-	-	-	-	89,400
Dividend paid after Capitalisation Issue (Note 7)	-	(35,915)	-	-	-	-	-	(35,915)
Net profit for the period - as restated	-	-	-	-	-	-	11,200	11,200
Expensing of fair value of share options - on application of HKFRS 2 (Note 2)	-	-	-	93	-	-	-	93
At 30 June 2004 - as restated	1,026	54,603	2,829	93	138	-	36,513	95,202
Increase in fair value of non-trading securities not recognized in the income statement	-	-	-	-	-	8,732	-	8,732
Net profit for the period - as restated	-	-	-	-	-	-	11,550	11,550
Dividends paid (Note 7)	-	-	-	-	-	-	(3,846)	(3,846)
Appropriation of NTSZ (as defined in note 6) 2003's profits	-	-	-	-	4,230	-	(4,230)	-
Expensing of fair value of share options - on application of HKFRS 2 (Note 2)	-	-	-	280	-	-	-	280
At 31 December 2004 - as restated	1,026	54,603	2,829	373	4,368	8,732	39,987	111,918
Issue of share capital	105	26,595	-	-	-	-	-	26,700
Dividends paid (Note 7)	-	-	-	-	-	-	(8,000)	(8,000)
Appropriation of NTSZ 2003's profits	-	-	-	-	7	-	(7)	-
Expensing of fair value of share options	-	-	-	206	-	-	-	206
Decrease in fair value of available-for-sale financial assets	-	-	-	-	-	(9,000)	-	(9,000)
Net profit for the period	-	-	-	-	-	-	11,444	11,444
At 30 June 2005	1,131	81,198	2,829	579	4,375	(268)	43,424	133,268

Condensed Consolidated Cash Flow Statement

	Six months ended 30 June	
	2005 <i>US\$'000</i> (unaudited)	2004 <i>US\$'000</i> (unaudited)
Net cash from operating activities	15,106	5,836
Net cash used in investing activities	(2,454)	(7,292)
Net cash (used in) from financing activities	(7,939)	7,285
	<hr/>	<hr/>
Net increase in cash and cash equivalents	4,713	5,829
Cash and cash equivalents at beginning of the period	22,079	8,873
	<hr/>	<hr/>
Cash and cash equivalents at end of the period represented by bank balances and cash	<u>26,792</u>	<u>14,702</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months ended 30 June 2005

1. BASIS OF PRESENTATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 9 June 2003. The Shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited ("SEHK") with effect from 28 April 2004. Its ultimate holding company is Nam Tai Electronics, Inc. ("NTE Inc."), a company incorporated in the British Virgin Islands with its shares listed on the New York Stock Exchange.

Pursuant to a group reorganisation (the "Group Reorganisation") to rationalise the group structure in preparation for the listing of the Shares on SEHK, the Company became the holding company of the group (the "NTEEP Group") as at the date thereof, as more fully explained in "Further Information About the Company – Corporate Reorganisation" in Appendix V to the prospectus of the Company dated 16 April 2004 (the "Prospectus"). NTEEP Group resulting from the Group Reorganisation is regarded as a restructure of enterprises under common control. Accordingly, the financial statements of NTEEP Group have been prepared on the basis as if the Company had always been the holding company of NTEEP Group. On 17 May 2005, the Company completed the acquisition of Namtek Group. NTEEP Group and Namtek Group together formed the Group.

The principal activities of the Group are manufacturing and marketing of consumer electronics and communication products and software development specialising in digital dictionaries and car navigation systems.

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on SEHK ("Listing Rules") and the Hong Kong Accounting Standard ("HKAS") No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The condensed consolidated financial information is presented in United States dollars, the currency of the primary economic environment in which the Group operates.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial information has been prepared under the historical cost basis except for certain available-for-sale financial assets, which are measured at fair value or re-valued amounts, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2004, except as described below.

In the current interim period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005.

Except for the adoption of HKFRS 2 “Share-based Payments”, HKAS 32 “Financial Instruments: Disclosure and Presentation” and HKAS 39 “Financial Instruments: Recognition and Measurement”, the adoption of these new HKFRSs has had no material effect on how the results of operations and financial position of the Group are prepared and presented.

- **Share-based Payment**

HKFRS 2 requires an expense to be recognised where the Group buys goods or obtains services in exchange for Shares or rights over Shares. The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of Directors’ and employees’ share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they are exercised. Pursuant to the transitional provisions of HKFRS 2, in relation to share options granted after 7 November 2002 and vested on or after 1 January 2005, the expense related to such share options should be accounted for retrospectively. Comparative amounts for 2004 have been restated accordingly.

The adoption of HKFRS 2 has resulted in a decrease in the balance of accumulated profits as at 31 December 2004 of approximately US\$373,000 (1 January 2004: Nil), with a corresponding adjustment to the equity-settled share-based payments reserve, representing the cumulative effect of the change in policy on the results for periods prior to 31 December 2004. The adoption has also resulted in an increase in administrative expenses and a decrease in the profit of approximately US\$206,000 for the six months ended 30 June 2005 (for the six months ended 30 June 2004: US\$93,000).

- **Financial Instruments**

In the current interim period, the Group has applied HKAS 32 and HKAS 39. HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Financial assets

Financial assets included trade and other receivables, dividend receivable and bank balances and cash. Trade and other receivables and dividend receivable are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

Financial liabilities

Other financial liabilities included trade and other payables, amount due to a shareholder, amount due to ultimate holding company and amount due to a fellow subsidiary, which are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Available-for-sale Financial Assets

HKAS 39 requires financial assets be classified as available-for-sale financial assets, financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. Upon the adoption of HKAS 39 on 1 January 2005, the Group’s investments in non-trading securities have been reclassified to available-for-sale financial assets, which are carried at fair value with fair value movements recognised in equity. The adoption of HKAS 39 has had no material effect for the prior accounting periods because non-trading securities were also carried at fair value with fair value movements recognised in equity.

In addition to the application of these new HKFRSs, the Group has also applied the accounting policies described below to deal with the acquisition of subsidiaries during the period.

- **Business combinations**

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair value, 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 value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", which are recognised and measured at fair value less costs to sell.

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

- **Goodwill**

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

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

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

HKAS 19 (Amendment)	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS-Int 4	Determining whether an Arrangement contains a Lease
HKFRS-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

3. SEGMENT INFORMATION

During the period ended 30 June 2005, the Group is wholly engaged in the manufacturing and marketing of consumer electronics and communications products and software development specialising in digital dictionaries and car navigation systems. During the period ended 30 June 2004, the Group was also involved in the trading and manufacturing of essential components and subassemblies for mobile phones (the "Discontinued Businesses") but the Discontinued Businesses were completely ceased during the period ended 30 June 2004.

During the current interim period, the management has reassessed the primary source of the Group's risk and return and redesignated geographical segments as the Group's primary reporting format.

Six months ended 30 June 2005 (unaudited)

	Asia Pacific region <i>US\$'000</i>	Europe <i>US\$'000</i>	North America <i>US\$'000</i>	Others <i>US\$'000</i>	Combined <i>US\$'000</i>
External turnover	<u>34,114</u>	<u>33,008</u>	<u>14,048</u>	<u>526</u>	<u>81,696</u>
Segment results	<u>3,433</u>	<u>4,953</u>	<u>1,904</u>	<u>53</u>	10,343
Unallocated corporate income					<u>478</u>
Profit from operations					10,821
Bank interest income					198
Dividend income from available-for-sale financial assets					<u>579</u>
Profit before taxation					11,598
Taxation					<u>(154)</u>
Net profit for the period attributable to equity holders of the Company					<u>11,444</u>

APPENDIX I FINANCIAL INFORMATION REGARDING NTEEP

Six months ended 30 June 2004 (unaudited and restated)

	Asia Pacific region <i>US\$'000</i>	Europe <i>US\$'000</i>	North America <i>US\$'000</i>	Others <i>US\$'000</i>	Combined <i>US\$'000</i>
External turnover	<u>29,090</u>	<u>22,395</u>	<u>23,280</u>	<u>29</u>	<u>74,794</u>
Segment results	<u>3,386</u>	<u>3,199</u>	<u>3,635</u>	<u>3</u>	10,223
Unallocated corporate income					<u>315</u>
Profit from operations					10,538
Bank interest income					36
Dividend income from available-for-sale financial assets					926
Loss from discontinued operations					<u>(253)</u>
Profit before taxation					11,247
Taxation					<u>(47)</u>
Net profit for the period attributable to equity holders of the Company					<u>11,200</u>

Three months ended 30 June 2005 (unaudited)

	Asia Pacific region <i>US\$'000</i>	Europe <i>US\$'000</i>	North America <i>US\$'000</i>	Others <i>US\$'000</i>	Combined <i>US\$'000</i>
External turnover	<u>15,030</u>	<u>14,192</u>	<u>9,924</u>	<u>522</u>	<u>39,668</u>
Segment results	<u>1,935</u>	<u>2,157</u>	<u>1,384</u>	<u>50</u>	5,526
Unallocated corporate Income					<u>251</u>
Profit from operations					5,777
Bank interest income					103
Dividend income from available-for-sale financial assets					579
Profit before taxation					6,459
Taxation					<u>(102)</u>
Net profit for the period attributable to equity holders of the Company					<u>6,357</u>

APPENDIX I
FINANCIAL INFORMATION REGARDING NTEEP
Three months ended 30 June 2004 (unaudited and restated)

	Asia Pacific region <i>US\$'000</i>	Europe <i>US\$'000</i>	North America <i>US\$'000</i>	Others <i>US\$'000</i>	Combined <i>US\$'000</i>
External turnover	<u>17,958</u>	<u>16,827</u>	<u>12,528</u>	<u>3</u>	<u>47,316</u>
Segment results	<u>2,142</u>	<u>2,489</u>	<u>2,113</u>	<u>1</u>	6,745
Unallocated corporate Income					<u>315</u>
Profit from operations					7,060
Bank interest income					25
Dividend income from available-for-sale financial assets					<u>926</u>
Profit before taxation					8,011
Taxation					<u>(47)</u>
Net profit for the period attributable to equity holders of the Company					<u>7,964</u>

4. TURNOVER

	Three months ended 30 June		Six months ended 30 June	
	2005 <i>US\$'000</i> (unaudited)	2004 <i>US\$'000</i> (unaudited)	2005 <i>US\$'000</i> (unaudited)	2004 <i>US\$'000</i> (unaudited)
Optical devices	11,984	14,928	29,228	20,894
Educational products	10,262	12,812	15,871	20,220
Home entertainment devices	9,641	8,103	22,199	18,641
Mobile phone accessories	6,921	11,473	13,538	15,039
Software development	858	-	858	-
Others	<u>2</u>	<u>-</u>	<u>2</u>	<u>-</u>
	<u>39,668</u>	<u>47,316</u>	<u>81,696</u>	<u>74,794</u>

APPENDIX I	FINANCIAL INFORMATION REGARDING NTEEP
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5. PROFIT FROM OPERATIONS

	Three months ended 30 June		Six months ended 30 June	
	2005	2004	2005	2004
	<i>US\$'000</i> (unaudited)	<i>US\$'000</i> (unaudited)	<i>US\$'000</i> (unaudited)	<i>US\$'000</i> (unaudited)
Profit from operations has been arrived at after charging:				
Depreciation and amortisation	1,365	1,628	2,511	2,758
<i>Less: Depreciation and amortisation included in research and development expenditure</i>	<u>(20)</u>	<u>(21)</u>	<u>(37)</u>	<u>(39)</u>
	1,345	1,607	2,474	2,719
Staff costs	2,584	2,070	5,326	3,645
<i>Less: Staff costs included in research and development expenditure</i>	<u>(652)</u>	<u>(408)</u>	<u>(1,193)</u>	<u>(775)</u>
	1,932	1,662	4,133	2,870
and after crediting: Commission income	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>52</u></u>

6. TAXATION

	Three months ended 30 June		Six months ended 30 June	
	2005	2004	2005	2004
	<i>US\$'000</i> (unaudited)	<i>US\$'000</i> (unaudited)	<i>US\$'000</i> (unaudited)	<i>US\$'000</i> (unaudited)
PRC enterprise income tax charge	<u>102</u>	<u>47</u>	<u>154</u>	<u>47</u>

Taxation represents enterprise income tax charge in the People's Republic of China (the "PRC").

In accordance with the applicable enterprise income tax law of the PRC and the relevant rules promulgated by the Shenzhen municipal government, Namtai Electronic (Shenzhen) Co., Ltd. ("NTSZ") and Shenzhen Namtek Co., Ltd. ("Namtek Shenzhen"), two wholly owned subsidiaries of the Company, are subject to a tax rate of 15% on the assessable profits for each of the periods. 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 2004, NTSZ and Namtek Shenzhen exported more than 70% of the production value of its products and were qualified as Export Enterprises which were subject to a reduced tax rate of 10%. The Directors expect that NTSZ and Namtek Shenzhen will also qualify for a reduced tax rate of 10% for the year 2005.

Furthermore, if a foreign investor directly reinvests by way of capital injection its share of profits obtained from an 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 the taxes already paid on those profits may be obtained by the Group. As the shareholder of NTSZ reinvested or intends to reinvest the profits of NTSZ for each of the periods, the Directors believe the Group is eligible for the refund of the income taxes paid. As a result, the Group recorded tax expense net of the benefit related to the refunds. However, the shareholder of Namtek Shenzhen currently has no intention to make use of such arrangement for Namtek Shenzhen.

As at 30 June 2005, income tax recoverable under such arrangements was approximately US\$5.16 million (31 December 2004: approximately US\$3.73 million). Tax for the six months ended 30 June 2005 that would otherwise have been payable without the tax refund concession amounted to approximately US\$0.97 million (six months ended 30 June 2004: approximately US\$0.96 million).

Nam Tai Investments Consultant (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. 18/99/M, Chapter 2, Article 12, dated 18 October 1999.

7. DIVIDENDS

During the six months ended 30 June 2004 and prior to the Company being listed on SEHK, the Company declared a dividend of approximately US\$35.92 million out of the Company's share premium account after the capitalisation of approximately US\$91.54 million owed by the Company to NTE Inc., details of which are disclosed in Appendix V to the Prospectus (the "Capitalisation Issue").

The following dividends represent the dividends paid during the period after the Company was listed on SEHK on 28 April 2004:

	Six months ended 30 June	
	2005 US\$'000	2004 US\$'000
Final paid – 1.00 US cent per Share	<u>8,000</u>	<u>–</u>

The Directors have determined that an interim dividend of 3 HK cents, equivalent to 0.38 US cent (2004: 3.75 HK cents, equivalent to 0.48 US cent) per Share be payable to the shareholders of the Company whose name appear in the register of members on 17 August 2005.

8. EARNINGS (LOSS) PER SHARE

From continuing and discontinued operations

The calculation of basic and diluted earnings per share for the profit for the period attributable to equity holders of the Company is based on the following data:

	Six months ended 30 June	
	2005 US\$'000	2004 US\$'000 (unaudited and restated)
Net profit for the period attributable to equity holders of the Company	<u>11,444</u>	<u>11,200</u>
	'000	'000
Weighted average number of Shares for the purpose of basic and diluted earnings per Share (Notes 1 and 2)	<u>820,305</u>	<u>800,000</u>

Note:

1. The 800,000,000 shares in issue for the period ended 30 June 2004 is based on the assumption that the Group Reorganisation and the Capitalisation Issue had become effective on 1 January 2004.
2. During 2004 and 2005, no assumption of the exercise of the share options is considered in calculating the diluted earnings per Share.

From continuing operations

The calculation of basic and diluted earnings per share for net profit from continuing operations attributable to equity holders of the Company is based on the following data:

	Six months ended 30 June	
	2005 US\$'000 (unaudited)	2004 US\$'000 (unaudited and restated)
Net profit for the period attributable to equity holders of the Company	11,444	11,200
Adjustment to exclude loss from discontinued operations	—	253
Earnings for the purpose of basic and diluted earnings per Share from continuing operations	<u>11,444</u>	<u>11,453</u>

The denominators used are the same as those detailed above for the basic and diluted earnings per Share for net profit for the period attributable to equity holders of the Company.

From discontinued operations

Loss per share for loss from discontinued operations attributable to equity holders of the Company is based on the loss from discontinued operations and the same denominators detailed above for basic and diluted earnings per share for net profit for the period attributable to equity holders of the Company.

Impact of changes in accounting policy

Changes in the Group's accounting policies during the period are described in note 2. To the extent that these changes have had an impact on results reported for the six months ended 30 June 2004 and 2005, they have had an impact on the amounts reported for earnings per Share. The impact on both basic and diluted earnings per Share is summarised below:

	Impact on basic and diluted earnings per share for the six months ended 30 June	
	2005 US cent (unaudited)	2004 US cent (unaudited)
Recognition of share-based payments as expenses	<u>(0.03)</u>	<u>(0.01)</u>

APPENDIX I FINANCIAL INFORMATION REGARDING NTEEP

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2005, the Group spent approximately US\$5.14 million (for the six months ended 30 June 2004: approximately US\$4.15 million) on the construction of its new office and factory located in the PRC, and approximately US\$1.38 million (for the six months ended 30 June 2004: approximately US\$4.07 million) on the acquisition of plant and equipment, in order to the increase and upgrade the Group's manufacturing capabilities.

During the six months ended 30 June 2005 and 2004, there was no material disposal of property, plant and equipment for the Group.

10. TRADE AND OTHER RECEIVABLES

The Group allows its trade customers with credit period normally ranging from 30 to 60 days.

The following is an aged analysis of trade receivables at the balance sheet dates:

	The Group	
	30 June	31 December
	2005	2004
	<i>US\$'000</i>	<i>US\$'000</i>
	(unaudited)	(audited)
Trade receivables:		
Up to 30 days	14,730	16,643
31 – 60 days	9,234	12,334
Over 60 days	1,187	702
	25,151	29,679
Other receivables	535	701
	25,686	30,380

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS (FORMERLY CLASSIFIED AS INVESTMENT IN NON-TRADING SECURITIES)

The amount represents the Group's investment in the 95.52 million promoter's shares of TCL Corporation. In January 2004, TCL Corporation listed its A-shares on the Shenzhen Stock Exchange. The Group's interest in TCL Corporation has then been diluted from 6% to 3.69%. According to Article 147 of the Company Law of the PRC, the Group is restricted to transfer its promoter's shares within three years from the date of conversion of TCL Corporation from a limited liability company to a company limited by shares, that is, until April 2005. The Group is, however, entitled to dividend and other rights similar to the holders of A-shares.

Upon the adoption of HKAS 39 on 1 January 2005, the Group's investments in non-trading securities have been reclassified to available-for-sale financial assets.

The equity shares were revalued at their open market value at 30 June 2005 by an independent financial advisor. This valuation gave rise to a revaluation decrease of US\$9.00 million which has been charged to the investment revaluation reserve.

APPENDIX I FINANCIAL INFORMATION REGARDING NTEEP

12. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the balance sheet dates:

	The Group	
	30 June 2005 <i>US\$'000</i> (unaudited)	31 December 2004 <i>US\$'000</i> (audited)
Trade payables:		
Up to 30 days	10,593	11,173
31 to 60 days	6,055	6,555
Over 60 days	864	647
	17,512	18,375
Other payables	5,022	4,884
	22,534	23,259

13. SHARE CAPITAL

	Number of Shares		Share capital	
	30 June 2005 (unaudited)	31 December 2004 (audited)	30 June 2005 <i>HK\$'000</i> (unaudited)	31 December 2004 <i>HK\$'000</i> (audited)
Ordinary shares of HK\$0.01 each				
Authorised:				
At beginning of the period/year	2,000,000,000	10,000,000	20,000	100
Increase in ordinary shares during the period (<i>note a</i>)	–	1,990,000,000	–	19,900
At end of the period/year	2,000,000,000	2,000,000,000	20,000	20,000
Issued and fully paid:				
At beginning of the period/year	800,000,000	10	8,000	–
Issued in consideration for the acquisition of subsidiaries (<i>note b</i>)	81,670,588	–	817	–
Capitalisation Issue (<i>note a</i>)	–	799,999,990	–	8,000
At end of the period/year	881,670,588	800,000,000	8,817	8,000
			<i>US\$'000</i>	<i>US\$'000</i>
Shown in the condensed consolidated financial statements as			1,131	1,026

APPENDIX I FINANCIAL INFORMATION REGARDING NTEEP

Notes:

- (a) Pursuant to 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; and
 - (ii) the capitalisation of approximately US\$91.54 million 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.
- (b) On 17 May 2005, 81,670,588 Shares were issued at HK\$2.55 per Share as consideration for the acquisition of subsidiaries, details of which are set out in note 15. These Shares rank pari passu in all respects with the then existing Shares.

14. CAPITAL COMMITMENTS

	30 June 2005	31 December 2004
	<i>US\$'000</i>	<i>US\$'000</i>
	(unaudited)	(audited)
Capital expenditures in respect of acquisition of property, plant and equipment:		
Contracted for but not provided in the financial statements	2,132	3,531
Authorised but not contracted for	5,442	6,134
	7,574	9,665

15. ACQUISITION OF SUBSIDIARIES

On 17 May 2005, the Group acquired 100% interest in Namtek Group from NTE Inc. and management of Namtek Group. This transaction has been accounted for by purchase method of accounting. Carrying value of the assets and liabilities acquired approximate their fair value:

	Six months ended 30 June 2005
	<i>US\$'000</i>
	(Unaudited)
Net assets acquired:	
Plant and equipment	240
Deposits paid for acquisition of plant and equipment	5
Trade and other receivables	514
Taxation recoverable	156
Bank balances and cash	4,036
Trade and other payables	(109)
Amount due to a shareholder	(472)
Amount due to ultimate holding company	(1,890)
Amount due to a fellow subsidiary	(66)
	2,414
Goodwill arising on acquisition	24,340
Total consideration	26,754
Satisfied by:	
Issue of shares	26,700
Cash paid for expenses incurred in relation to the acquisition	54
	26,754

APPENDIX I FINANCIAL INFORMATION REGARDING NTEEP

Net inflow arising on acquisition of subsidiaries:

	Six months ended 30 June 2005 <i>US\$'000</i> (Unaudited)
Cash paid for expenses incurred in relation to the acquisition	(54)
Bank balances and cash acquired	4,036
	3,982

The goodwill arising on the acquisition of Namtek Group is attributable to the anticipated augmentation of the Group's profitability.

The subsidiaries acquired during the period ended 30 June 2005 accounted for a turnover of approximately US\$0.86 million and a profit of approximately US\$0.53 million in the Group's turnover and profit respectively.

If the acquisition had been completed on 1 January 2005, total turnover for the period would have been US\$83.41 million and profit for the period would have been US\$12.22 million. The proforma information is for illustrative purpose only and is not necessarily an indicative turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2005, nor is it intended to be a projection of future results.

16. RELATED PARTY TRANSACTIONS

Name of related parties	Nature of transactions	Three months ended 30 June		Six months ended 30 June	
		2005 <i>US\$'000</i> (Unaudited)	2004 <i>US\$'000</i> (Unaudited)	2005 <i>US\$'000</i> (Unaudited)	2004 <i>US\$'000</i> (Unaudited)
<i>Fellow subsidiaries:</i>					
Zastron Electronic (Shenzhen) Co. Ltd.	Rental income received	286	219	513	219
Nam Tai Group Management Limited	Business facilities fee paid	93	150	185	150
J.I.C. Technology Company Limited	Purchase of materials	239	139	425	245
<i>Former fellow subsidiary:</i>					
Namtek Shenzhen	Commission received	-	-	-	52
<i>Directors</i>	Remuneration	224	241	425	321

In the opinion of the Directors, the above transactions were carried out in the normal course of the Group's businesses.

During the six months ended 30 June 2005, the Company acquired 80% interest in Namtek Group from NTE Inc. for a consideration of US\$21.36 million and the remaining 20% interest in Namtek Group from its management for a consideration of US\$5.34 million.

17. COMPARATIVE FIGURES

Comparative figures in other operating income have been reclassified to conform to the current period's presentation. These reclassifications had no effect on the net income or financial position for any period presented.

4. UNAUDITED ACCOUNTS FOR THE NINE MONTHS ENDED 30TH SEPTEMBER, 2005

Set out below are the unaudited consolidated profit and loss account of NTEEP for the three months and for the nine months ended 30th September, 2004 and for the three months and for the nine months ended 30th September, 2005 as extracted from the third quarter results announcement of NTEEP for the nine months ended 30th September, 2005.

Condensed Consolidated Income Statement (unaudited)

For the three months and nine months ended 30 September 2005

(In Thousands of US Dollars, except as otherwise stated)

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2005	2004	2005	2004
Turnover	44,912	46,601	126,608	121,395
Cost of sales	<u>(34,762)</u>	<u>(37,399)</u>	<u>(99,312)</u>	<u>(96,407)</u>
Gross profit	10,150	9,202	27,296	24,988
Other operating income	1,147	251	1,625	566
Selling and distribution costs	(567)	(675)	(1,578)	(2,094)
Administrative expenses	(2,534)	(1,783)	(6,938)	(4,891)
Research and development expenses	<u>(952)</u>	<u>(567)</u>	<u>(2,340)</u>	<u>(1,603)</u>
Profit from operations	7,244	6,428	18,065	16,966
Dividend income from available-for-sale financial assets	–	–	579	926
Bank interest income	132	39	330	75
Loss from discontinued operation	<u>–</u>	<u>–</u>	<u>–</u>	<u>(253)</u>
Profit before taxation	7,376	6,467	18,974	17,714
Taxation	<u>(137)</u>	<u>(384)</u>	<u>(291)</u>	<u>(431)</u>
Net profit for the period attributable to equity holders of the Company	<u>7,239</u>	<u>6,083</u>	<u>18,683</u>	<u>17,283</u>
Interim Dividends	<u>–</u>	<u>–</u>	<u>3,391</u>	<u>3,846</u>
Final Dividends (2004)	<u>–</u>	<u>–</u>	<u>8,000</u>	<u>–</u>
Earnings per share				
Basic (US cent(s))	<u>0.82</u>	<u>0.76</u>	<u>2.22</u>	<u>2.16</u>
Diluted (US cent(s))	<u>0.82</u>	<u>0.76</u>	<u>2.22</u>	<u>2.16</u>

APPENDIX I	FINANCIAL INFORMATION REGARDING NTEEP
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Note:

- (1) Comparative figures in other operating income have been reclassified to conform to the current period's presentation. These reclassifications had no effect on the net income or financial position for any period presented.
- (2) The adoption of HKFRS2 has resulted in an increase in administrative expenses of approximately US\$124K and US\$330K for the three months and nine months ended 30th September, 2005 respectively (approximately US\$140K and US\$233K for the three months and nine months ended 30th September, 2004 respectively) and the profit of the relevant periods had been decreased accordingly.

No dividend was declared for the third quarter of 2004 and 2005. Final dividends per share of nil and 1.00 US cent were paid during the six months ended 30th June, 2004 and the six months ended 30th June, 2005 respectively. Interim dividends per share of 0.48 US cent and 0.38 US cent were declared during the nine months ended 30th September, 2004 and the nine months ended 30th September, 2005 respectively.

The calculation of the basic and diluted earnings per share for the profit for the period attributable to the equity holders of NTEEP is based on the following data:

	Unaudited Three months ended		Unaudited Nine months ended	
	30 September		30 September	
	2005	2004	2005	2004
Net profit for the period attributable to equity holders of NTEEP	7,239	6,083	18,683	17,283
Weighted average number of shares for the purpose of basic and diluted earnings per share (<i>Notes a and b</i>) ('000)	881,671	800,000	840,985	800,000

Notes:

- a. The calculation of the basic earnings per share assumed that the Group Reorganisation and the Capitalisation Issue (as defined in the prospectus of NTEEP dated 16th April, 2004) had become effective on 1st January, 2004.
- b. No assumption of the exercise of the share options is considered in calculating the diluted earnings per share.

The NTEEP Group did not record any extraordinary item, exceptional item and minority interest for the nine-month period ended 30th September, 2004 and the nine-month period ended 30th September, 2005.

5. INDEBTEDNESS STATEMENT

Apart from intra-group liabilities, as at the close of business of 30th September, 2005, being the latest practicable date for the purpose of this indebtedness statement, the NTEEP Group had no outstanding mortgages, charges, debentures or other loan capital or bank overdrafts, loans or other similar indebtedness, liabilities under acceptance (other than normal trade bills), or any obligations under finance leases or hire purchase contracts or any guarantee or other material contingent liabilities.

6. MATERIAL CHANGE

The NTEEP Board is not aware of any changes in the financial or trading position or outlook of NTEEP Group subsequent to 31st December, 2004, being the date to which the latest audited consolidated financial statements of the NTEEP Group were made up.

7. REPORT BY AUDITORS

Deloitte.
德勤

德勤·關黃陳方會計師行
香港中環干諾道中111號
永安中心26樓

Deloitte Touche Tohmatsu
26/F Wing On Centre
111 Connaught Road Central
Hong Kong

11th November, 2005

The Board of Directors
Nam Tai Electronic & Electrical Products Limited
Suites 1506-1508, 15/F, One Exchange Square
8 Connaught Place
Central, Hong Kong

Dear Sirs,

We have reviewed the accounting policies adopted and calculations made in arriving at the consolidated profit attributable to equity holders of Nam Tai Electronic & Electrical Products Limited (“NTEEP”) and its subsidiaries (hereinafter collectively referred to as the “NTEEP Group”) included in the unaudited management accounts for the nine-month period ended 30th September, 2005, for which the directors of NTEEP are solely responsible, as set out in the circular dated 11th November, 2005 issued by NTEEP (the “Management Accounts”). Our work has been carried out in accordance with the Auditing Guideline 3.341 “Accountants’ Reports on Profit Forecasts” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). However, it must be emphasised that our procedures did not constitute an audit or review carried out in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA. Consequently, no such assurance can be expressed.

In our opinion, the Management Accounts, so far as the accounting policies and calculations are concerned, has been properly compiled on a basis consistent in all material respects with the accounting policies normally adopted by the NTEEP Group as set out in its consolidated financial statements presented in its annual report dated 7th February, 2005, except as described below.

In the period ended 30th September, 2005, the NTEEP Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standard (“HKASs”) and Interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1st January, 2005.

Except for the adoption of HKFRS 2 “Share-based Payment”, HKAS 32 “Financial Instruments: Disclosure and Presentation”, HKAS 39 “Financial Instruments: Recognition and Measurement” and HKFRS 3 “Business Combinations”, the adoption of these new HKFRSs has had no material effect on how the results of operations and financial position of the NTEEP Group are prepared and presented.

- **Share-based Payment**

HKFRS 2 requires an expense be recognised where the NTEEP Group buys goods or obtains services in exchange for shares or rights over shares. The principal impact of HKFRS 2 on the NTEEP Group is in relation to the expensing of the fair value of directors’ and employees’ share options of NTEEP determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the NTEEP Group did not recognise the financial effect of these shares options until they are exercised. Pursuant to the transitional provisions of HKFRS 2, in relation to share options granted after 7th November, 2002 and vested on or after 1st January, 2005, the expense related to such share options should be accounted for retrospectively.

The adoption has resulted in an increase in administrative expenses and a decrease in the profit of approximately US\$330,000 for the nine months ended 30th September, 2005.

- **Financial Instruments**

In the current interim period, the NTEEP Group has applied HKAS 32 and HKAS 39. HKAS 32 requires retrospective application. The application of HKAS 32 has had no material effect on how financial instruments of the NTEEP Group are presented in the Management Accounts. HKAS 39, which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Financial assets

Financial assets include trade and other receivables, available-for-sale financial assets and bank balances and cash. Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate

impairment losses for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

HKAS 39 requires financial assets be classified as available-for-sale financial assets, financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. Upon the adoption of HKAS 39 on 1st January, 2005, the NTEEP Group's investments in non-trading securities have been reclassified to available-for-sale financial assets, which are carried at fair value with fair value movements recognised in equity.

Financial liabilities

Other financial liabilities included trade and other payables and amount due to a fellow subsidiary which are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

In particular, the NTEEP Group has also applied HKFRS 3 described below to deal with the acquisition of subsidiaries during the period.

- **Business combinations**

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the NTEEP 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 value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the NTEEP Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the NTEEP 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 the acquisition of a subsidiary represents the excess of the cost of acquisition over the NTEEP Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

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

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

8. REPORT BY PLATINUM

**PLATINUM** Securities Company Limited

22/F Standard Chartered Bank Building

4 Des Voeux Road Central

Hong Kong

Telephone (852) 2841 7000**Facsimile** (852) 2522 2700

11th November, 2005

The Board of Directors
Nam Tai Electronic & Electrical Products Limited
Suites 1506-1508, 15/F, One Exchange Square
8 Connaught Place
Central, Hong Kong

Dear Sirs,

We refer to the unaudited consolidated results of the NTEEP Group for the third quarter of 2005 and nine-month period ended 30th September, 2005 published on the Stock Exchange on 31st October, 2005 (the "Results Announcement"). Unless otherwise defined herein, terms used in this letter shall have the same meanings as defined in the composite offer document dated 11th November, 2005.

We have discussed with the management of NTEEP regarding the bases and assumptions adopted in the preparation of the Results Announcement and have also considered the letter dated 11th November 2005 addressed to you from Deloitte Touche Tohmatsu ("Deloitte"), the auditors of the NTEEP Group, in relation to their review of the accounting policies and calculations upon which the Results Announcement has been prepared.

Having considered the bases and assumptions adopted by NTEEP and the accounting policies and calculations reviewed by Deloitte, we are of the opinion that the Results Announcement, for which you as the NTEEP Directors are solely responsible, have been compiled after due care and consideration.

Yours faithfully,
For and on behalf of
Platinum Securities Company Limited
Liu Chee Ming
Managing Director

Yours faithfully,
For and on behalf of
Platinum Securities Company Limited
Alvin Lai
Director

FURTHER PROCEDURES FOR ACCEPTANCE OF THE SHARE OFFER FOR NTEEP SHAREHOLDERS HOLDING NTEEP SHARES THROUGH A CCASS PARTICIPANT

If you hold your NTEEP Shares through a CCASS participant who deposited your NTEEP Shares in CCASS, the following procedures are applicable to you.

- (a) if you have deposited your NTEEP Shares with CCASS, instruct your broker/custodian to authorize HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your broker/custodian for the timing on processing your instruction, and submit your instruction to your broker/custodian by the following ways:

(i) Verbal Confirmation

Immediately call your broker/custodian and inform him of your intention to accept the Share Offer.

(ii) Written Confirmation

If your broker/custodian has a designated form for you to complete in order to signify your acceptance in writing in respect of the Share Offer, complete that form.

If your broker/custodian does not have a designated form for you to complete in order to signify your intention in writing in respect of the Share Offer, write to your broker/custodian to signify your acceptance in respect of the Share Offer, indicating the number of NTEEP Shares to be tendered for acceptance under the Share Offer.

- (b) if you have lodged your NTEEP Shares with your Investor Participant Account with CCASS, authorize your instruction via the CCASS Phone System or CCASS Internet System not later than the deadline set by HKSCC Nominees Limited.

FURTHER PROCEDURES FOR ACCEPTANCE OF THE SHARE OFFER FOR REGISTERED NTEEP SHAREHOLDERS

If you own NTEEP shares in your name, the following procedures are applicable to you.

- (a) If the certificate(s) and/or transfer receipt(s) and, or any other document(s) of title, in respect of your NTEEP Shares is/are in your name, and you wish to accept the Share Offer, you must complete the accompanying **WHITE** form of acceptance and transfer. The duly completed **WHITE** form of acceptance and transfer together with the relevant certificate and/or transfer receipt and, or other documents of title, and, or any indemnity required in respect thereof, should be sent by post or by hand, marked "NTEEP Share Offer" on the envelope, to the Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

- (b) If the certificate(s) and/or transfer receipt(s) and/or any other document(s) of title in respect of your NTEEP Shares is/are in the name of a nominee company or some name other than your own, and you wish to accept the Share Offer (in full or in part), you must either:
- (i) lodge your NTEEP Share certificate and/or transfer receipt and/or any other documents of title with the nominee company, or other nominee, with instructions authorizing it to accept the Share Offer on your behalf and requesting it to deliver the form of acceptance and transfer duly completed together with the relevant NTEEP Share certificate and/or transfer receipt and/or other documents of title (and/or any satisfactory indemnity or indemnities required in respect of any lost NTEEP Share certificate) to the Registrar; or
 - (ii) arrange for the NTEEP Shares to be registered in your name by NTEEP through the Registrar and send the form of acceptance and transfer duly completed together with the relevant NTEEP Share certificate and/or transfer receipt and/or any other document of title (and/or any satisfactory indemnity or indemnities required in respect of any lost NTEEP Share certificate) to the Registrar.
- (c) If you have lodged transfer of NTEEP Shares for registration in your name and have not yet received your NTEEP Share certificate and you wish to accept the Share Offer, you should nevertheless complete the relevant **WHITE** form of acceptance and transfer and deliver it to the Registrar together with the transfer receipt duly signed by yourself. Such action will be deemed to be an authority to NTE or its agent to collect from NTEEP or its share registrar on your behalf the relevant NTEEP Share certificate when issued and to deliver such certificate to the Registrar and to authorize and instruct the Registrar to hold such certificate, subject to the terms of the Share Offer, as if it was delivered to the Registrar with the relevant form of acceptance and transfer.
- (d) If the NTEEP Share certificate and/or transfer receipt and/or any other documents of title (and/or any satisfactory indemnity or indemnities required in respect of any lost NTEEP Share certificate) is/are not readily available and/or is/are lost and you wish to accept the Share Offer, the **WHITE** form of acceptance and transfer should nevertheless be completed and delivered to the Registrar and the relevant NTEEP Share certificate and/or transfer receipt and/or any other documents of title (and/or any satisfactory indemnity or indemnities required in respect of any lost NTEEP Share certificate) should be forwarded to the Registrar as soon as possible thereafter.
- (e) An acceptance may not be counted towards fulfilling an acceptance condition unless the acceptance form is duly completed and is accompanied by the relevant NTEEP Share certificate and/or transfer receipt and/or any other documents of title but may, at the discretion of NTE, be treated as valid for other purposes and in such cases, the consideration due will not be despatched

until the relevant NTEEP Share certificate and/or transfer receipt and/or any other documents of title (and/or a satisfactory indemnity or indemnities in respect of any lost NTEEP Share certificate) have been received by the Registrar and otherwise subject to the terms and conditions of the Share Offer. No acknowledgement of receipt for any **WHITE** form of acceptance and transfer, NTEEP Share certificate and/or transfer receipt and/or any other documents of title will be given.

FURTHER PROCEDURES FOR ACCEPTANCE OF THE OPTION OFFER

- (a) Any holder of the Options who wishes to accept the Option Offer for the outstanding Options should sign and return the **YELLOW** form of acceptance and cancellation accompanying the composite offer document sent to him or her together with the relevant letter or other document evidencing the grant of the relevant outstanding Options to him or her and/or other documents of title or entitlement (and/or any satisfactory indemnity or indemnities required in respect thereof) relating to the relevant outstanding Options to NTEEP at Suites 1506-1508, One Exchange Square, 8 Connaught Place, Hong Kong by no later than 4:00 p.m. on 5th December, 2005, or such later time as NTE may determine and announce in accordance with the Takeovers Code.
- (b) If the letter or other document evidencing the grant of your outstanding Options and/or other document of title in respect of your outstanding Options are not readily available and/or are lost and you wish to accept the Option Offer in respect of your outstanding Options, the **YELLOW** form of acceptance and cancellation should nevertheless be completed and delivered to NTEEP together with a letter stating that you have lost one or more of the letters or other documents evidencing the grant of your outstanding Options and/or other documents of title or that they are not readily available. If you find such documents or if they become available, the relevant letter or other document evidencing the grant of your outstanding Options and/or any other document of title should be forwarded to NTEEP as soon as possible thereafter. If you have lost the letter or other document evidencing the grant of your outstanding Options, you should also write to NTEEP for the form of a letter of indemnity which, when completed in accordance with the instructions given, should be returned to NTEEP.

ACCEPTANCES PERIOD AND REVISIONS

- (a) The offer price for the Affected NTEEP Shares is final and is not subject to revision by NTE. However, NTE reserves the right to extend the Offers or revise the condition of the Offers after the despatch of this composite offer document.
- (b) Unless the Offers have previously been extended or revised or has previously become or been declared unconditional, the Offers will expire at 4:00 p.m. on 5th December, 2005.

- (c) If the Offers become or are declared unconditional in all respects, it will remain open for acceptance for not less than 14 days from the date on which NTE announces that the Offers have become unconditional in all respects. If the Offers have become unconditional and it is stated that it will remain open until further notice, then not less than 14 days' notice will be given in writing and by way of announcement prior to the closing of the Offers.
- (d) The Offers shall not be capable of being kept open after 7:00 p.m. on 13th January, 2006, provided that NTE reserves the right, with the permission of the Executive under the Takeovers Code, to extend the Offers to a later time and/or date.
- (e) Although no such revision is envisaged, the Takeovers Code provides that if the Share Offer and/or the Option Offer (in its original or any previously revised form) is revised, the benefit of the relevant revised Offer(s) will be made available to any Accepting Disinterested Shareholders and/or Accepting Optionholders (as the case may be) already accepted the Share Offer and/or the Option Offer (as the case may be) on the date of such revision. The Share Offer and/or the Option Offer must be kept open for at least 14 days following the date on which the relevant Offer(s) is/are announced.

The acceptance by or on behalf of an Accepting Disinterested Shareholder of the Share Offer or an Accepting Optionholder of the Option Offer in its original and/or any previously revised form shall be treated as acceptance of the relevant Offer(s) as so revised. It shall also constitute an authority to any director of NTE or of Yu Ming as agent of the Accepting Disinterested Shareholder and/or the holders of the Options (as the case may be):

- (i) to accept any such relevant revised Offer(s) on behalf of such Accepting Disinterested Shareholder or the Accepting Optionholders (as the case may be);
- (ii) if any revised or previously revised Offer(s) include(s) alternative forms of consideration, to make such elections for and accept such alternative forms of consideration in such proportions (as nearly as practicable) as those made by such Accepting Disinterested Shareholder in the **WHITE** form of acceptance and transfer or such Accepting Optionholders in the **YELLOW** form of acceptance and cancellation previously executed by him or on his behalf (or, if no such alternatives were previously available, to make an election for the consideration in the previous form); and
- (iii) to execute on behalf of and in the name of such Accepting Disinterested Shareholder or Accepting Optionholders all such further documents (if any) as may be required to give effect to such acceptances and/or elections.

In making any such election and/or acceptance, such agent shall take into account the nature of any previous acceptances made by or on behalf of the Accepting Disinterested Shareholder or Accepting Optionholders and such other facts or matters as he may reasonably consider relevant.

- (f) The authorities conferred by paragraphs (e) (i) to (iii) (inclusive) and any acceptance of the relevant revised Offer(s) and/or any election pursuant thereto shall be irrevocable unless and until the Accepting Disinterested Shareholder or the Accepting Optionholder become(s) entitled to withdraw his acceptance under the paragraph headed "Right of Withdrawal" below and duly does so.

RIGHT OF WITHDRAWAL

Pursuant to the Takeovers Code, an Accepting Disinterested Shareholder or an Accepting Optionholder is entitled to withdraw his acceptance after 26th December, 2005, i.e. 21 days from 5th December, 2005, being the first closing date of the Offers, if the Share Offer or the Option Offer has not by then become unconditional. This entitlement to withdraw is exercisable until such time as the relevant Offer becomes or is declared unconditional as to acceptances.

ANNOUNCEMENTS

By 6:00 p.m. on the Closing Date, NTE shall inform the Executive and the Stock Exchange of its decision in relation to the revision, extension, expiry or unconditionality of the Offers. NTE must publish a teletext announcement on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating whether the relevant Offer(s) has/have not revised, extended, expired or become or been declared unconditional. Such announcement must be republished in at least one leading English language newspaper and one leading Chinese language newspaper, being in each case a newspaper which is published daily and circulating generally in Hong Kong.

The announcement shall state the total number of NTEEP Shares and rights over NTEEP Shares:

- (a) for which acceptances of the Offers have been received;
- (b) held, controlled or directed by NTE or persons acting in concert with it before the offer period commencing on 23rd October, 2005; and
- (c) acquired or agreed to be acquired during the offer period by NTE or any persons acting in concert with it.

The announcement shall also specify the percentages of the relevant classes of the share capital of NTEEP, and the percentages of voting rights, represented by these numbers.

GENERAL

- (a) All communications, notices, forms of acceptance, forms of transfer, certificates, transfer receipts and other documents of title or of indemnity or of any other nature to be delivered by or sent to or from NTEEP Shareholders or the holders of the Options will be delivered by or sent to or from them, or their designated agents, at their risk, and neither NTE nor Yu Ming accepts any liability for any loss or any other liabilities whatsoever which may arise as a result.

- (b) Acceptance of the Share Offer or the Option Offer by any person or persons will be deemed to constitute a warranty by such person or persons to NTE that the NTEEP Shares or the Options tendered under the respective Offer are sold by such person or persons free from all liens, charges, claims, equities, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them, including the rights to receive dividends if any, declared, made or paid by NTEEP on or after the Announcement Date.
- (c) Acceptance of the Share Offer by any nominee will be deemed to constitute a warranty by such nominee to NTE that the number of NTEEP Shares in respect of which it is indicated in the form of acceptance is the aggregate number of NTEEP Shares held by such nominee for such beneficial owners who are accepting the Offer.
- (d) The provisions set out in the accompanying **WHITE** form of acceptance and transfer and the **YELLOW** form of acceptance and cancellation form part of the terms of the Share Offer and the Option Offer respectively.
- (e) The accidental omission to despatch this composite offer document and/or the accompanying **WHITE** form of acceptance and transfer in respect of the NTEEP Shares or the **YELLOW** form of acceptance and cancellation in respect of the Options or either of them to any person to whom the Share Offer or Option Offer is made respectively shall not invalidate the Offers in any way.
- (f) The Offers and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.
- (g) References to the Share Offer and the Option Offer in this composite offer document and in the **WHITE** form of acceptance and transfer in respect of the NTEEP Shares and the **YELLOW** form of acceptance and cancellation in respect of the Options shall include any extension and/or revision thereof.
- (h) Due execution of a **WHITE** form of acceptance and transfer in respect of the NTEEP Shares or a **YELLOW** form of acceptance and cancellation in respect of the Options will constitute an authority to NTE or its agents to complete and execute on behalf of the person accepting the Share Offer or the Option Offer, and to do any other act that may be necessary or expedient for the purpose of vesting in NTE, or such other person as it may direct, the NTEEP Shares or cancelling the Options which are the subject of such acceptance.
- (i) The making of the Offers to certain persons not resident in Hong Kong may be affected by the laws of the relevant jurisdictions. Overseas NTEEP Shareholders or holders of the Options should inform themselves about and observe any applicable legal requirements. It is the responsibility of any person outside Hong Kong wishing to accept the Share Offer or the Option Offer to satisfy himself or herself as to the full observance of the laws of the relevant territory in connection therewith, including

the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and payment of any transfer or other taxes due in respect of such jurisdiction.

- (j) In making their decision, Accepting Disinterested Shareholders must rely on their own examination of NTE and NTEEP and the terms of the Offers, including the merits and risks involved. The contents of this composite offer document, including any general advice or recommendations contained herein, and the **WHITE** form of acceptance and transfer in respect of the Affected NTEEP Shares and the **YELLOW** form of acceptance and cancellation in respect of the outstanding Options are not to be construed as legal or financial advice. Shareholders and holders of Options should consult with their own lawyers or financial advisers for legal or financial advice. This composite offer document does not include any information with respect to taxation in any jurisdiction. Accepting Disinterested Shareholders and Accepting Optionholders are urged to consult their tax advisers regarding the tax consequences of owning and disposing of Affected NTEEP Shares or surrendering the Options.
- (k) The Offers are made in accordance with the Takeovers Code.
- (l) The English text of this composite offer document and of the **WHITE** form of acceptance and transfer in respect of the NTEEP Shares and the **YELLOW** form of acceptance and cancellation in respect of the Options shall prevail over the Chinese text.

The following is the text of a letter, summary of values and valuation certificate, prepared for the purpose of incorporation in this composite offer document received from LCH, the independent property valuer, in connection with its valuations as at 30th September, 2005 of the property interests held by the NTEEP Group.



利駿行測量師有限公司
LCH (Asia-Pacific) Surveyors Limited
CHARTERED SURVEYORS
PLANT AND MACHINERY VALUERS
BUSINESS & FINANCIAL SERVICES VALUERS

27th Floor
Li Dong Building
No.9 Li Yuen Street East
Central
Hong Kong

11th November, 2005

The Directors
Nam Tai Electronic & Electrical Products Limited
Suites 1506-1508, 15th Floor
One Exchange Square
No. 8 Connaught Place
Central
Hong Kong

Dear Sirs,

In accordance with your instructions to value the properties in which Nam Tai Electronic & Electrical Products Limited (hereinafter referred to as the "Company") and its subsidiaries (hereinafter together with the Company referred to as the "Group") have interests in Hong Kong, Japan, Macao and the People's Republic of China (hereinafter referred to as the "PRC" or "China") for the Company's internal management reference purpose and for the purpose of incorporation in this document, we confirm that we have made relevant enquiries and obtained such further information as we consider necessary to support our opinion of values of the properties as at 30th September, 2005 (hereinafter referred to as the "date of valuation").

According to the 5th Edition of the RICS Appraisal and Valuation Standards (hereinafter referred to as the "RICS Standards") published by the Royal Institution of Chartered Surveyors as well as the 1st Edition of the HKIS Valuation Standards on Properties (hereinafter referred to as the "HKIS Standards") published by the Hong Kong Institute of Surveyors (the "HKIS"), in valuing owner occupied properties for financial statements, there are two valuation bases supported by both standards, namely the market-based evidence and the depreciated replacement cost (hereinafter referred to as the "DRC").

The DRC basis is considered as a surrogate for market-based evidence and is a procedural value based on an estimate of the market value for the existing use of the land, plus the current gross replacement (reproduction) costs of the improvements erected

thereon, less allowance for physical deterioration and all relevant forms of obsolescence and optimisation.

For owner occupied specialised properties where it is impracticable to identify the market value by market comparison basis, the DRC is considered as the most appropriate basis. The underlying theory of this basis is the market value of the valued property should, at least, be equivalent to the replacement cost of the remaining service potential of the valued property i.e. the DRC of the valued property. In our opinion, the DRC generally furnishes the most reliable indication of value for property where it is not practicable to ascertain its value on market basis.

The term "Market Value" used in this valuation is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Specialised properties are defined as certain types of properties which are rarely, if ever, sold in the open market, except by way of a sale of the business of which they are a part (called the business in occupation), due to their uniqueness arising from their specialised nature and design of the buildings, their configuration, size, location or otherwise. Examples are: standard properties located in particular geographical areas and remote from main business centres for operational or business reasons, that are of such an abnormal size for that district, that there would be no market for such buildings there; buildings and site engineering works related directly to the business of the owner, as it is highly unlikely that they would have a value to anyone other than a company acquiring the undertaking; and properties of such construction, arrangement, size or specification that there would be no market (for a sale to a single owner occupier for the continuation of existing use) for those buildings. Having considered the inherent and general characteristics of the properties in Group I, we are of the opinion that the properties in Group I are specialised properties.

As the properties being valued in Group I are classified as specialised properties for private sector and it is impracticable to ascertain the indication of values of the properties on market basis, our valuations of the properties are on the basis of the DRC of these properties and being subject to the adequate test of potential profitability of the business having due regard to the value of the total assets employed and the nature of the operation.

By using the DRC basis, the land should be assumed to having obtained planning permission for the replacement of the existing buildings and it is always necessary when valuing the land, to have regard to the manner in which the land is developed by the existing buildings and site works, and the extent to which these realise the full potential value of the land. When considering a notional replacement site, it should normally be regarded as having the same physical and location characteristics as the actual site, other than characteristics of the actual site which are not relevant, or are of no value, to the existing use. In considering the buildings, it further stipulates that the gross replacement cost of the buildings should take into consideration everything which is necessary to complete the construction from a new green field site to provide buildings as they are at

the date of valuation which are fit for and capable of being occupied and used for the current use. These estimated costs are not for erecting buildings in the future but for providing buildings to be available for occupation at the date of valuation, the work having commenced at the appropriate time.

As the DRC basis is a commonly accepted valuation method in negotiating merger and acquisition in China, we consider that there should be no significant difference between the market value and the arrived DRC of the properties in case of cessation of the existing business (if any) as at the date of valuation.

In valuing the properties in Group I, we have assumed that the Group has free and uninterrupted rights to use the property interests for the whole of the unexpired terms as granted and any premiums payable have already been paid in full.

The current status of the properties in Group I regarding major approvals, consents or licences required in the PRC is set out as follows:

Property	Enterprise Legal Person Business Licence	Document/Approval	
		Contract for the Grant of State-owned Land Use Rights/Contract for the Transfer of Stated- owned Land Use Rights or equivalent	State-owned Land Use Rights Certificate/Realty Title Certificate
Property 1	Yes	Yes	Yes (<i>See Note</i>)
Property 2	Yes	Yes	Yes (<i>See Note</i>)

Note: Due to changes in the planning conditions of the lands of the properties, the Realty Title Certificates issued in 2004 have been returned to the government. Issuance of the new Realty Title Certificates for Property 1 is in process while application for the new Realty Title Certificates for Property 2 will be made by March 2006.

In valuing Property 1 in Group I, we understand that portion of the property is subject to an inter-company lease. According to both standards, property subject to inter-company lease to be valued on vacant possession basis and the existence of the lease must be disregarded. Therefore, in our valuation, we have considered the property as being owner-occupied and valued on the basis of DRC.

Our valuations of the properties in Groups II, III, IV and V are on the basis of market value determined from market-based evidences. Properties in Groups II, III, IV and V are either licenced or rented by the Group in Hong Kong, Japan, Macao and the PRC, respectively, and have no commercial values due mainly to the short-term nature of the licence/tenancy agreements or prohibition against assignment or sub-letting or lack of substantial profit rents.

According to the Chapter 5 of the RICS Standards and Standard 3 of the 7th Edition of the International Valuation Standards published by the International Valuation Standards Committee, different classes of assets and basis of valuations should be separately present in the report. Thus, we have followed these guidelines in presenting our opinions under different basis of value, namely the market basis and the DRC basis.

We have relied solely on the information provided by the management of the Company and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, occupation, lettings, rental, site and floor areas and all other relevant matters.

We have not carried out on-site measurements to verify the correctness of the floor areas of the properties, but have assumed that the floor areas shown on the documents and official floor plans handed to us are correct. All dimensions, measurements and areas are approximations.

Our engagement did not include land survey to verify the legal boundaries and the exact location of the properties. We need to state that we are not in the land survey profession, therefore, we are not in the position to verify or ascertain the correctness of the representation of the Group's personnel with regard to the legal boundaries and location of the properties. No responsibility is assumed in this regard.

We have inspected the exterior, and where possible, the interior of the properties in respect of which we have been provided with such information as we have required for the purpose of our valuations. We have not inspected those parts of the properties which were covered, unexposed or inaccessible and such parts have been assumed to be in reasonable condition. We cannot express an opinion about or advice upon the condition of uninspected parts and the attached valuation certificate should not be taken as making any implied representation or statement about such parts. No structural survey, investigation or examination has been made, but in the course of our inspections we did not note any serious defects in the properties valued. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out to the services (if any) and we are unable to identify those services covered, unexposed or inaccessible.

Our valuations have been made on the assumption that no unauthorised alteration, extension or addition have been made to the properties, and that the use of the attached valuation certificate should not be used as a building survey of the properties.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions, and outgoings of an onerous nature which could affect their values.

For the properties situated in the PRC, the type of taxes that could arise when those properties are sold include enterprise income tax, business tax, land appreciation tax and stamp duty. According to the information provided by the management of the Group, the

properties in Group I located in the PRC are held and occupied by the Group for its owned business operations. The Group has no plan to sell the properties in Group I and it is unlikely that the potential tax liability will be crystallized in the near future.

We have been provided with copies of the title documents regarding the properties in Group I. However, we have not searched the original documents to verify ownership or to verify any amendment which may not appear on the copies handed to us. For the properties in Groups II, III and IV, we have caused searches to be made at the land registry offices in Hong Kong, Japan and Macao, respectively. For the properties in Groups I and V, due to inherent defects in the land registration system of China, we are unable to search the original documents from the relevant land registration departments to verify the existing titles of the properties or any material encumbrances that might be attached to the properties. We are not attorney by nature, thus we are unable to ascertain the titles and to report any encumbrances (if any) that are registered against the properties.

In the course of valuation, we have complied with the requirements as stated in Practice Note No. 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and relied solely on the copy of the PRC legal opinion as provided by the Group with regard to the Group's property interests disclosed in Groups I and V in the attached valuation certificate. We are given to understand that the PRC legal opinion was prepared by the Group's PRC legal adviser, Guangdong Jingtian Law Firm. For the properties in Group IV, we have relied solely on the copy of legal opinion as provided by the Group and prepared by Artur Dos Santos Robarts, the Group's Macao legal adviser, with regard to the Group's leased property interests in Macao. No responsibility and liability are assumed.

We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous materials have been used in the construction of the properties, or have since been incorporated into the properties, and we are therefore unable to report that the properties are free from risk in this respect. For the purpose of this valuation, we have assumed that such investigation would not disclose the presence of any such materials to any significant extent.

We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the properties and which may draw attention to any contamination or the possibility of any such contamination. In undertaking our work, we have been instructed to assume that no contaminative or potentially contaminative uses have ever been carried out in the properties. We have not carried out any investigation into past or present uses, either of the properties or of any neighbouring land, to establish whether there is any contamination or potential for contamination to the properties from these uses or sites, and have therefore assumed that none exists. However, should it be established subsequently that contamination, seepage or pollution exists at the properties or on any neighbouring land, or that the premises have been or are being put to a contaminative use, this might reduce the values now reported.

Within the time frame made available to us, we are unable to identify any adverse news against the properties which may affect the reported values in this report. Thus, we are not in the position to report and comment on its impact (if any) to the properties. However, should it be established subsequently that such news did exist at the date of valuation, we reserve the right to adjust the values reported herein.

To the best of our knowledge, all data set forth in the attached valuation certificate are true and accurate. Although gathered from reliable sources, no warranty is made nor liability assumed for the accuracy of any data, opinions, or estimates identified as being furnished by others which have been used in formulating the attached valuation certificate.

We are unable to accept any responsibility for the information that has not been supplied to us by the management of the Company. Also, we have sought and received confirmation from the management of the Company that no material factors have been omitted from the information supplied. Our analysis and valuations are based upon full disclosure between us and the Company of material and latent facts that may affect the valuations.

We have had no reason to doubt the truth and accuracy of the information provided to us by the management of the Company. We consider that we have been provided with sufficient information to reach an informed view, and have had no reason to suspect that any material information has been withheld.

The scope of valuations has been determined by reference to the property list provided by the management of the Company. All properties on the list have been included in the attached valuation certificate. The management of the Company has confirmed to us that it has no property interests other than those specified on the list supplied to us.

Our opinion of values of the properties in the attached summary of values and the valuation certificate are valid only for the stated purpose as at the date of valuation and for the sole use of the named client. No responsibility is taken for changes in market conditions and no obligation is assumed to revise the attached summary of values and the valuation certificate to reflect events or conditions which occur subsequent to the date hereof.

The attached summary of values and the valuation certificate are prepared in line with the requirements contained in Chapter 5 and Practice Note No. 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as well as both standards. The valuations have been undertaken by valuers, acting as external valuers, qualified for the purpose of the valuations.

Unless otherwise stated, all monetary amounts are in US dollars. In valuing the properties in Group I, the adopted exchange rate was the prevailing rate as at the date of valuation, being RMB8.09 per US\$1.00 and no significant fluctuation in exchange rate has been found between that date and the date of this letter.

Neither we nor any individuals signing or associated with this report shall be required by reason of this report to give further consultation, testimony, or appear in court or other legal proceedings, unless prior specific arrangements have been made.

Our maximum liability relating to services rendered under this report (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the charges paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

Neither the whole nor any part of the attached summary of values and the valuation certificate or any reference made hereto may be included in any published document, circular or statement, or be published in any way, without our written approval of the form and context in which it may appear. Nonetheless, we consent to the publication of this letter, the attached summary of values and the valuation certificate in this document.

We retain a copy of this letter, the attached summary of values and the valuation certificate in our files, together with the data from which they were prepared. We consider these records confidential, and we do not permit access to them by anyone without the Company's authorisation and prior arrangement made with us. Moreover, we will add the Company's information into our client list for our future reference.

We hereby certify that the fee for this service is not contingent upon our conclusion of values and we have neither present nor prospective interest in the properties, the Company, the Group or the values reported.

Our valuations are summarised below and the valuation certificate is attached.

Yours faithfully,
For and on behalf of
LCH (Asia-Pacific) Surveyors Limited

Joseph Ho Chin Choi
B.Sc. RPS (GP)
Managing Director

Elsa Ng Hung Mui
B.Sc. M.Sc. RPS(GP)
Associate Director

Notes:

1. Mr. Joseph Ho Chin Choi has been conducting assets valuation (including real estate properties) and advisory work in Hong Kong, Macao, Taiwan, mainland China, Japan, South East Asia, Finland, Canada and the United States of America for various purposes since 1988. He has more than 16 years of experience in valuing real estate properties in mainland China.
2. Ms. Elsa Ng Hung Mui is a Registered Professional Surveyor who has been conducting valuation of real estate properties in Hong Kong since 1994 and has more than 6 years of experience in valuing properties in mainland China.
3. Both Mr. Joseph Ho Chin Choi and Ms. Elsa Ng Hung Mui are valuers on the List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by the HKIS.

SUMMARY OF VALUES

Group I – Properties held and occupied by the Group under long-term title certificates in the PRC and valued on the basis of DRC

Property	Interest attributable to the Group	Amount of valuations in its existing state attributable to the Group as at 30th September, 2005 US\$
1. A factory complex located at Gusu Industrial Estate Xixiang Town Baoan District Shenzhen Guangdong Province The People's Republic of China	100%	23,115,000 <i>(See Note below)</i>
2. A factory complex adjoining to Property 1 mentioned above and located at Gusu Industrial Estate Xixiang Town Baoan District Shenzhen Guangdong Province The People's Republic of China	100%	22,567,000 <i>(See Note below)</i>
	Sub-total:	US\$45,682,000

Note: The amount of valuations indicates the value of owner occupied properties for financial statements purpose.

Group II – Property occupied by the Group in Hong Kong under short-term licence agreement and valued on the basis of market-based evidence

Property	Amount of valuations in its existing state attributable to the Group as at 30th September, 2005 US\$
3. A portion of Suites 1506-1508 15th Floor, One Exchange Square No. 8 Connaught Place Central Hong Kong	No Commercial Value
Sub-total:	Nil

Group III – Property rented by the Group in Japan and valued on the basis of market-based evidence

Property	Amount of valuations in its existing state attributable to the Group as at 30th September, 2005 US\$
4. The whole of 6th Floor 3-12-12, Higashi-Nihonbashi Chuo-Ku Tokyo Japan	No Commercial Value
Sub-total:	Nil

Group IV – Properties rented by the Group in Macao and valued on the basis of market-based evidence

Property	Amount of valuations in its existing state attributable to the Group as at 30th September, 2005 US\$
5. A-17 17° Andar Edificio Comercial Rodrigues N° 599 da Avenida da Praia Grande Macao	No Commercial Value
6. Unit A on 21st Floor and Carpark No. 19 of Lily Court Ocean Gardens Avenida dos Jardins do Oceano Taipa Macao	No Commercial Value
Sub-total:	<u>Nil</u>

Group V – Properties rented by the Group in the PRC and valued on the basis of market-based evidence

Property	Amount of valuations in its existing state attributable to the Group as at 30th September, 2005 US\$
7. Units C1201-1203, C1207-1211 and C1401-1403 Ming Wah International Conventional Centre No. 8 Gui Shan Road Shekou, Shenzhen Guangdong Province The People’s Republic of China	No Commercial Value
8. Units C1204-1206 Ming Wah International Conventional Centre No. 8 Gui Shan Road Shekou, Shenzhen Guangdong Province The People’s Republic of China	No Commercial Value
Sub-total:	Nil
Grand Total:	US\$45,682,000

VALUATION CERTIFICATE

Group I – Properties held and occupied by the Group under long-term title certificates in the PRC and valued on the basis of DRC

Property	Description and tenure	Particulars of occupancy	Amount of valuations in its existing state attributable to the Group as at 30th September, 2005 US\$
1. A factory complex located at Gusu Industrial Estate Xixiang Town Baoan District Shenzhen Guangdong Province The People's Republic of China	The property comprises a parcel of land having a site area of approximately 26,313.3 sq.m. with 10 various buildings and structures erected thereon. The buildings and structures including workshops, office buildings, staff quarters, canteen and other ancillary facilities which were completed in between 1996 and 2005. They are of 3- to 7-storey height and have a total gross floor area of approximately 58,743.99 sq.m. (See Notes 3 and 6 below)	The property is currently occupied by the Group for manufacturing, storage, ancillary office, staff quarters and other supporting purposes. (See Note 7 below)	23,115,000 (100% interest) (See Note 10 below)
	The property is subject to a right to use the land till 30th December, 2043 for industrial purpose. (See Note 1 below)		

Notes:

1. The right to possess the land is held by the State and the right to use the land has been granted by the State to Namtai Electronic (Shenzhen) Co., Ltd., a wholly-owned subsidiary of the Company, through a Contract for the Grant of State-owned Land Use Rights known as Shen Bao Di He Zi (1993) 146 Hao dated 29th December, 1993, 2 various agreements dated 29th December, 1993 and 9th January, 1995 and a supplementary contract on August 2000 for industrial usage.
2. According to a supplementary contract of the Contract mentioned in Note 1 above dated 18th August, 2004 and entered between the Shenzhen Urban Planning and Land Resources Administration Bureau and Namtai Electronic (Shenzhen) Co., Ltd., maximum plot ratio and total permissible gross floor area for the buildings on the land of the property were increased to 2.3 and 60,230 sq.m., respectively at an additional premium of RMB1,587,234.00 (including land transfer fee and utilities charges).

3. According to 52 various Realty Title Certificates issued by the People's Government of Shenzhen City dated 17th February, 2004, the legally interested party in the following buildings is Namtai Electronic (Shenzhen) Co., Ltd. for a term of 50 years commencing from 31st December, 1993 and expiring on 30th December, 2043 for industrial usage. The gross floor area of the following major buildings and structures is as follows:

	Gross Floor Area <i>sq.m.</i>
(i) a 5-storey workshop (Block 1)	15,041.68
(ii) a 5-storey workshop (Block 2)	12,298.60
(iii) a 3-storey office (Block 3)	3,708.42
(iv) a 7-storey staff quarters (Block 4)	4,367.58
(v) a 7-storey staff quarters (Block 5)	4,367.58
(vi) a 7-storey staff quarters (Block 6)	4,367.58
(vii) a 6-storey staff quarters (Block 7)	4,550.76
(viii) a 6-storey senior staff quarters (Block 8)	1,872.06
(ix) a 3-storey canteen (Block 9)	2,503.63
(x) a 3-storey electricity room (Block 10)	1,043.01

4. According to an official receipt issued by the Shenzhen Urban Planning and Land Resources Administration Bureau Baoan Branch on 10th August, 2004, the 52 various Realty Title Certificates as mentioned in Note 3 above were returned to Shenzhen Urban Planning and Land Resources Administration Bureau Baoan Branch for necessary proceeding.
5. According to a Planning Permit for Construction Work dated 7th December, 2004 and a Permit for Commencement of Construction Work dated 15th December, 2004, Namtai Electronic (Shenzhen) Company Limited was permitted to develop a 7-storey staff quarters with a gross floor area of approximately 6,558 sq.m. on the land.
6. The building mentioned in Note 3 (viii) above has been demolished to form a new staff quarters. According to a Certificate for Completion of Construction Works dated 21st July, 2005, the legally interested party in the following building is Namtai Electronic (Shenzhen) Company Limited:

Under Certificate for Completion of Construction Works	Gross Floor Area (sq.m.)
(i) a 7-storey staff quarters	6,495.15

7. The whole of two workshops Block 1 and Block 2, the whole of an office block and various staff quarters of the property having a total gross floor area of approximately 42,441.83 sq.m. are leased to Zastron Electronic (Shenzhen) Co., Ltd. According to Practice Statement 3.6 of the RICS Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors, property subject to inter-company lease to be valued on vacant possession basis and the existence of the lease must be disregarded. Therefore, in our valuation, we have considered this property as being owner-occupied and valued on the basis of DRC.
8. According to a business registration certificate dated 3rd June, 2005, Namtai Electronic (Shenzhen) Co., Ltd. is a wholly foreign owned enterprise with a valid Enterprise Legal Person Business License from 24th June, 1989 to 24th June, 2014.

9. According to the legal opinion as prepared by the Group's PRC legal adviser, Guangdong Jingtian Law Firm, the following opinions are noted:
- (i) Namtai Electronic (Shenzhen) Co., Ltd. has obtained the right to use the land and its improvements legally by way of assignment, and has paid all the relevant land premium;
 - (ii) Due to changes in the planning conditions of the land pursuant to an supplementary contract as mentioned in Note 2 above, the Shenzhen Urban Planning and Land Resources Administration Bureau Baoan Branch has taken back and cancelled all the 52 various Realty Title Certificates as mentioned in Note 3 above. Namtai Electronic (Shenzhen) Co., Ltd. has applied for the new Realty Title Certificates on 29th August 2005, and there is no legal impediment for obtaining the new Realty Title Certificates regarding the property;
 - (iii) Namtai Electronic (Shenzhen) Co., Ltd. is the only legally interested party in the property and has an absolute right to use the property for its own. It has the right to assign, lease or mortgage the property once it obtains the relevant new Realty Title Certificates but except the buildings and structures as mentioned in Note 3 (iii) to (x);
 - (iv) Namtai Electronic (Shenzhen) Co., Ltd. cannot freely assign the buildings and structures as mentioned in Note 3(iii) to (x). The lease or mortgage of the buildings and structures is subject to an additional premium payment to the relevant local authority and complying with relevant rules and regulations;
 - (v) Existing use of the property comply with the land grant contract and the relevant Realty Title Certificates; and
 - (vi) The property is free of registered encumbrances.
10. Our valuation of the property indicates the value of owner occupied properties for financial statements purpose.

Property	Description and tenure	Particulars of occupancy	Amount of valuations in its existing state attributable to the Group as at 30th September, 2005 US\$
2. A factory complex adjoining to Property 1 mentioned above and located at Gusu Industrial Estate Xixiang Town Baoan District Shenzhen Guangdong Province The People's Republic of China	The property comprises a parcel of land having a site area of approximately 26,313.9 sq.m. which is adjoining to the land of Property 1 above. There is 4 various buildings and structures including a 2-storey composite building, a 5-storey office building, a 5-storey factory building and a 3-storey utilities building having a total gross floor area of approximately 33,377.94 sq.m. erected thereon. The buildings and structures were completed in between 2003 and 2005. (See Note 6 below)	The property is currently occupied by the Group for manufacturing, storage, ancillary office and other supporting purposes.	22,567,000 (100% interest) (See Notes 8 and 11 Below)
	Four various buildings and structures with single to 8 -storey height having a total gross floor area of approximately 9,749.53 sq.m. are being constructed on the land. (See Note 7 below)		
	The property is subject to a right to use the land till 25th April, 2049 for industrial purpose. (See Note 1 below)		

Notes:

1. The right to possess the land is held by the State and the right to use the land has been granted by the State to Namtai Electronic (Shenzhen) Co., Ltd., a wholly-owned subsidiary of the Company, through a Contract for the Grant of State-owned Land Use Rights known as Shen Di He Zi (1999) 4-030 Hao dated 26th April, 1999, an Agreement for the Grant of State-owned Land Use Rights known as Shen Di Xie Zi (1999) 4-030 Hao dated 26th April, 1999 and a supplement contract dated 16th July, 2003 for a term of 50 years commencing from 26th April, 1999 to 25th April, 2049. The consideration for the transfer of the land was RMB4,210,224.00 and the land is restricted for industrial usage. The maximum gross floor area permitted to be built on the land is 37,600 sq.m.
2. According to a supplementary contract of the Contract mentioned in Note 1 above dated 29th July, 2004 and entered between the Shenzhen Urban Planning and Land Resources Administration Bureau and Namtai Electronic (Shenzhen) Co., Ltd., maximum plot ratio and total permissible gross floor area for the buildings on the land of the property were increased to 1.6 and 42,230 sq.m., respectively at an additional premium of RMB1,457,495.00 (including land transfer fee and utilities charges).
3. According to a Realty Title Certificate known as Shen Fang Di Zi Di 5000109464 Hao issued by the People's Government of Shenzhen City dated 16th February, 2004, the legally interested party in the land is Namtai Electronic (Shenzhen) Co., Ltd. for a term of 50 years commencing from 26th April, 1999 to 25th April, 2049.

4. According to an official receipt issued by the Shenzhen Urban Planning and Land Resources Administration Bureau Baoan Branch on 10 August 2004, the Realty Title Certificate mentioned in Note 3 above was returned to Shenzhen Urban Planning and Land Resources Administration Bureau Baoan Branch for necessary proceeding.
5. According to a Planning Permit for Construction Usage Land known as Shen Gui Tu Gui Xu Zi 05-2004-0125 Hao dated 13th August 2004, Namtai Electronic (Shenzhen) Co., Ltd. was permitted to develop the land with various buildings or structures of a total gross floor area of 42,230 sq.m. upon completion.
6. According to 4 various Planning Permits for Construction Work issued in 2002 and 2003, and 4 various Permits for Commencement of Construction Work issued in 2003, Namtai Electronic (Shenzhen) Co., Ltd. was permitted to develop a 2-storey office, a 5-storey workshop, a 5-storey office and a 3-storey facilities building having a total gross floor area of approximately 33,491 sq.m. on the land.

According to 4 various Certificate for Completion of Construction Works dated 6th August, 2003, 21st October, 2004 and 4th February, 2005, the legally interested party in the following buildings having a total gross floor area of approximately 33,377.94 sq.m. is Namtai Electronic (Shenzhen) Company Limited:

Under Certificate for Completion of Construction Works	Gross Floor Area (sq.m.)
(i) a 2-storey office (composite building)	3,143.77
(ii) a 5-storey workshop	24,503.15
(iii) a 5-storey office	4,420.02
(iv) a 3-storey facilities building	1,311.00

7. According to 4 various Planning Permits for Construction Work issued in 2003 and 2005, and 4 various Permits for Commencement of Construction Work issued in 2003 and 2005, Namtai Electronic (Shenzhen) Company Limited was permitted to develop a 8-storey staff quarters, a 3-storey canteen, a single storey warehouse and a single storey ancillary facilities building having a total gross floor area of approximately 9,749.53 sq.m. on the land. The Company expects that the construction work to be completed by the end of January 2006. According to information made available to us, upon completion, the gross floor area of each building is as follows:

Construction in Progress	Gross Floor Area (sq.m.)
(i) an 8-storey staff quarters	8,291.11
(ii) a 3-storey canteen	1,350.10
(iii) a single storey warehouse (dangerous goods)	38.60
(iv) a single storey warehouse (wastes)	69.72

8. According to the information provided by the management of the Group, the cost for the construction in progress items was approximately RMB13,119,000 as at the date of valuation. In our valuation, the construction in progress items are reported at cost spent as at the date of valuation.
9. According to a business registration certificate dated 3rd June, 2005, Namtai Electronic (Shenzhen) Co., Ltd. is a wholly foreign owned enterprise with a valid Enterprise Legal Person Business License from 24th June, 1989 to 24th June, 2014.

10. According to the legal opinion as prepared by the Group's PRC legal adviser, Guangdong Jingtian Law Firm, the following opinions are noted:
- (i) Namtai Electronic (Shenzhen) Co., Ltd. has obtained the right to use the land and its improvements legally by way of assignment, and has paid all the land transfer fee, land development charge and utilities charges amount of RMB4,210,224.00 on 6th May, 1999; and the required land premium pursuant to the supplementary contract as mentioned in Note 2 above on 9th July, 2004;
 - (ii) Due to changes in the planning conditions of the land pursuant to an supplementary contract as mentioned in Note 2 above, the Shenzhen Urban Planning and Land Resources Administration Bureau Baoan Branch has taken back and cancelled the Realty Title Certificate as mentioned in Note 3 above. There is no legal impediment for obtaining the new Realty Title Certificate regarding the buildings as mentioned in Note 6 above;
 - (iii) Namtai Electronic (Shenzhen) Co., Ltd. is the only legally interested party in the property and has an absolute right to use the property for its own. It is not allowed to freely assign, lease or mortgage the property even after obtaining the relevant new Realty Title Certificates unless additional premium is paid to the relevant local authority and complying with relevant rules and regulations;
 - (iv) Namtai Electronic (Shenzhen) Co., Ltd. has obtained all the relevant approval documents for the construction of buildings and structures as mentioned in Note 7 above; and
 - (v) The property is free of registered encumbrances.
11. Our valuation of the property indicates the value of owner occupied properties for financial statements purpose.

Group II – Property occupied by the Group in Hong Kong under short-term licence agreement and valued on the basis of market-based evidence

Property	Description and occupancy	Amount of valuations in its existing state attributable to the Group as at 30th September, 2005 US\$
3. A portion of Suites 1506 - 1508 15th Floor One Exchange Square No. 8 Connaught Place Central Hong Kong	<p>The property comprises a portion of three office units on the 15th Floor of a 53-storeyed (including mezzanine floor and basement) commercial building which was completed in 1984.</p> <p>The floor area currently occupied by the Group is approximately 195 sq.ft. (18.16 sq.m.). The Group is given a non-exclusive right to jointly use the entire Suites 1506-1508, which has a lettable floor area of approximately 3,482 sq. ft. (323.49 sq. m.), with the licensor and other licensee for a term commencing from 10th October, 2005 or such other date as the property is available for use and expiring on 31st August, 2008 at nil licence fee.</p> <p>Under the Business Facilities Agreement, the Group shall enjoy the use of the public area of the entire Suites 1506-1508 together with all the existing fixtures and fittings therein and with the provisions of office equipment, services, facilities and utilities.</p> <p>The property is currently occupied by the Group for office purpose.</p>	No Commercial Value

Notes:

1. The licensor of the property is Zastron Precision-Tech Limited, which is the tenant of the property.
2. The licensee of the property is Nam Tai Electronic & Electrical Products Limited.
3. According to a tenancy agreement dated 25th July, 2005 entered between HongKong Land Property Company, Limited, landlord of the property and Zastron Precision-Tech Limited, the tenant of the property, Zastron Precision-Tech Limited has leased the entire Suites 1506-1508 of One Exchange Square for a term commencing from 1st September, 2005 and expiring on 31st August, 2008 for office usage.
4. According to a letter dated 25th July, 2005 given by the landlord of the property, the landlord gave consent for Nam Tai Electronic & Electrical Products Limited to use the property as a licensee throughout the term of the lease as mentioned in Note 3 above.

Group III – Property rented by the Group in Japan and valued on the basis of market-based evidence

Property	Description and occupancy	Amount of valuations in its existing state attributable to the Group as at 30th September, 2005 US\$
4. The whole of 6th Floor 3-12-12 Higashi-Nihonbashi Chuo-Ku Tokyo Japan	<p>The property comprises the whole of the 6th Floor of a 9-storeyed commercial building which was completed in 1991.</p> <p>The gross floor area and lettable area of the property are approximately 99.10 sq.m. and 84.03 sq.m., respectively.</p> <p>The property is leased to the Group for a renewal term of 2 years commencing from 1st July, 2005 to 30th June, 2007 at a monthly rental of 203,360.00 yen exclusive of its consumption tax, management fee and its consumption tax.</p> <p>The property is currently occupied by the Group for office purpose.</p>	No Commercial Value

Notes:

1. The lessor of the property is 櫻正宗株式会社 (Sakura-Masamune Co., Ltd.), which is the current registered owner of the property.
2. The lessee of the property is Namtek Japan Company Limited, which is a wholly-owned subsidiary of the Company.

Group IV – Properties rented by the Group in Macao and valued on the basis of market-based evidence

Property	Description and occupancy	Amount of valuations in its existing state attributable to the Group as at 30th September, 2005 US\$
5. A-17 17º Andar Edifício Comercial Rodrigues Nº 599 da Avenida da Praia Grande Macao	<p>The property comprises an office unit on the 17th Floor of a 19-storey office building which was completed in 1998.</p> <p>According to the information available to us, the property has an area of approximately 73.60 sq.m..</p> <p>The property is rented to the Group for a term of 2 years commencing from 10th July, 2005 to 9th July, 2007 at a monthly rental of HK\$6,750.00 inclusive of the rental for 2 air-conditioners and management fee but exclusive of other utilities charges. The Group has the right to terminate the tenancy agreement by giving 30 days advance written notice after the expiry of 1 year term. The tenancy agreement will be automatically renewed for 1 year if either parties does not serve the termination notice as mentioned above.</p> <p>The property is currently occupied by the Group for office purpose.</p>	No Commercial Value

Notes:

1. The landlord of the property is F. Rodrigues (Sucessores) Limitada.
2. The tenant of the property is Nam Tai Investments Consultant (Macao Commercial Offshore) Company Limited, which is a wholly-owned subsidiary of the Company.
3. According to the legal opinion prepared by the Group's Macao legal adviser, Artur Dos Santos Robarts, the following opinions are noted:
 - (i) the registered owner of the property is F. Rodrigues (Sucessores) Limitada; and
 - (ii) the tenancy agreement has been duly stamped and the relationship between the landlord and the tenant will be governed by the laws of Macao.

Property	Description and occupancy	Amount of valuations in its existing state attributable to the Group as at 30th September, 2005 US\$
6. Unit A on 21st Floor and Carpark No. 19 of Lily Court Ocean Gardens Avenida dos Jardins do Oceano Taipa Macao	<p>The property comprises a residential unit on the 21st Floor of a 24-storey residential building which was completed in 2000.</p> <p>According to the information available to us, the property has an area of approximately 140.122 sq.m..</p> <p>The property is rented to the Group for a term of 2 years commencing from 16th September, 2005 to 15th September, 2007 (both days inclusive) at a monthly rental of HK\$19,500.00 for the 1st year and HK\$20,000.00 for the 2nd year inclusive of fixtures and fittings, management fee, club membership fee at Ocean Club and other services fee such as cleaning charge. The Group has the right to terminate the tenancy agreement by giving 1 month prior written notice after expiry of 1 year term.</p> <p>The property is currently occupied by the Group as staff quarters.</p>	No Commercial Value

Notes:

1. The landlord of the property is Golden Crown Development Limited.
2. The tenant of the property is Nam Tai Investments Consultant (Macao Commercial Offshore) Company Limited, which is a wholly-owned subsidiary of the Company.
3. According to the legal opinion prepared by the Group's Macao legal adviser, Artur Dos Santos Robarts, the following opinions are noted:
 - (i) the registered owner of the property is Golden Crown Development Limited; and
 - (ii) the tenancy agreement has been duly stamped and the relationship between the landlord and the tenant will be governed by the laws of Macao.

Group V – Properties rented by the Group in the PRC and valued on the basis of market-based evidence

Property	Description and occupancy	Amount of valuations in its existing state attributable to the Group as at 30th September, 2005 US\$
7. Units C1201-1203, C1207-1211 and C1401-1403 Ming Wah International Conventional Centre No. 8 Gui Shan Road Shekou, Shenzhen Guangdong Province The People's Republic of China	<p>The property comprises 11 various office units on Levels 12 and 14 of a 26-storeyed office/commercial building which was completed in 1998.</p> <p>The property has a gross floor area of approximately 1,132 sq.m..</p> <p>The property is rented to the Group for a term of 2 years commencing from 20th July, 2005 to 19th July, 2007 at a monthly rental of RMB62,260.00 inclusive of tax and cleaning charges but exclusive of management fee and utilities charge for office purpose. The Group has priority to renew the tenancy agreement by giving 1 month advance notice prior to lease expiry date.</p> <p>The property is currently occupied by the Group for office and ancillary supporting purposes.</p>	No Commercial Value

Notes:

1. The lessor of the property is 明華(蛇口)海員服務公司明華國際會議中心 (no English translation is available).
2. The lessee of the property is Shenzhen Namtek Co., Ltd., which is a wholly-owned subsidiary of the Company.
3. According to the legal opinion as prepared by the Group's PRC legal adviser, Guangdong Jingtian Law Firm, the lessor is the agent of the registered legally interested party in the property and the tenancy agreement of the property is binding and enforceable. The Group's interest in the tenancy agreement is protected by the PRC laws.

Property	Description and occupancy	Amount of valuations in its existing state attributable to the Group as at 30th September, 2005 US\$
8. Units C1204-1206 Ming Wah International Conventional Centre No. 8 Gui Shan Road Shekou, Shenzhen Guangdong Province The People's Republic of China	<p>The property comprises 3 various office units on Level 12 of a 26-storeyed office/commercial building which was completed in 1998.</p> <p>The property has a gross floor area of approximately 318 sq.m..</p> <p>The property is rented to the Group for a term of 2 years commencing from 20th July, 2005 to 19th July, 2007 at a monthly rental of RMB17,490.00 inclusive of tax and cleaning charges but exclusive of management fee and utilities charge for office purpose. The Group has priority to renew the tenancy agreement by giving 1 month advance notice prior to lease expiry date.</p> <p>The property is currently occupied by the Group for office purpose.</p>	No Commercial Value

Notes:

1. The lessor of the property is 明華(蛇口)海員服務公司明華國際會議中心 (no English translation is available).
2. The lessee of the property is Shenzhen Namtek Co., Ltd., which is a wholly-owned subsidiary of the Company.
3. According to the legal opinion as prepared by the Group's PRC legal adviser, Guangdong Jingtian Law Firm, the lessor is the agent of the registered legally interested party in the property and the tenancy agreement of the property is binding and enforceable. The Group's interest in the tenancy agreement is protected by the PRC laws.

RESPONSIBILITY STATEMENT

This composite offer document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to NTE and the Offers.

The NTEEP Directors jointly and severally accept full responsibility for the accuracy of the information contained in this composite offer document relating to the NTEEP Group and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this composite offer document relating to the NTEEP Group have been arrived at after due and careful consideration and there are no other facts relating to the NTEEP Group not contained in this composite offer document, the omission of which would make any statement relating to the NTEEP Group in this composite offer document misleading.

The NTE Directors jointly and severally accept full responsibility for the accuracy of the information contained in this composite offer document (other than those relating to the NTEEP Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this composite offer document (other than those relating to the NTEEP Group) have been arrived at after due and careful consideration and there are no other facts (other than those relating to the NTEEP Group) not contained in this composite offer document, the omission of which would make any statement (other than those relating to the NTEEP Group) in this composite offer document misleading.

MARKET PRICES

The NTEEP Shares are traded on the Stock Exchange. The table below shows the respective closing prices of the NTEEP Shares on the Stock Exchange.

- (a) on the last trading day of each of the calendar month during the period commencing 6 months preceding 23rd October, 2005, being the Announcement Date and ending on the Latest Practicable Date;
- (b) on 18th October, 2005, being the last trading day for the NTEEP Shares before the Announcement Date; and
- (c) on the Latest Practicable Date.

Date	Closing price per NTEEP share (HK\$)
29th April, 2005	2.450
31st May, 2005	2.775
30th June, 2005	2.575
29th July, 2005	2.275
31st August, 2005	1.360
30th September, 2005	1.330
18th October, 2005	1.220
31st October, 2005	1.590
Latest Practicable Date	1.550

The lowest and highest closing prices per NTEEP Share recorded on the Stock Exchange during the period from 24th April, 2005, being the date 6 months prior to 23rd October, 2005 (being the Announcement Date and commencement date of the offer period) to the Latest Practicable Date were HK\$1.14 on 14th October, 2005 and HK\$2.80 on 30th May, 2005 respectively.

DISCLOSURE OF INTERESTS AND DEALINGS

- (a) As at the Latest Practicable Date, NTE together with parties acting in concert with it were interested in 629,096,588 NTEEP Shares (of which 612,762,470 NTEEP Shares were held by NTE directly and 16,334,118 NTEEP Shares were held by Asano Company Ltd.) which represent approximately 71.4% of the issued share capital of NTEEP.
- (b) As at the Latest Practicable Date, no NTE Director was interested in any NTEEP Shares.
- (c) Save for the dealings set out below, neither NTE nor any party acting in concert with it had dealt in NTEEP Shares during the six months prior to 23rd October, 2005 and ending on the Latest Practicable Date:

Date	No. of NTEEP Shares Acquired	Issue Price (HK\$)	No. of NTEEP Shares Sold (Note i)	Average Sale Price (HK\$)
17th May, 2005	81,670,588 (Note ii)	2.550	–	–
8th August, 2005	–	–	1,437,000	1.943
9th August, 2005	–	–	6,024,000	1.858
10th August, 2005	–	–	14,585,000	1.754
11th August, 2005	–	–	528,000	1.625

Notes:

- i. All disposals were transacted by NTE on the market.
- ii. NTE and Asano Company Ltd. (a party acting in concert with NTE and controlled by Mr. Kazuhiro Asano, an executive director of NTEEP) were issued and allotted 65,336,470 NTEEP Shares and 16,334,118 NTEEP Shares respectively in May 2005 as consideration for injection of Namtek Software Development Company Limited into NTEEP. Details of the transaction have been disclosed in NTEEP's circular dated 22nd April, 2005.

- (d) Save for the interests set out below, no other NTEEP Director was interested in any NTEEP Shares and the Options as at the Latest Practicable Date:

NTEEP Shares:

Name of NTEEP Director	Personal interests	Corporate interests	Family interests	Capacity	Number of shares of NTEEP	Percentage of the issued share capital of NTEEP
Kazuhiro Asano	-	16,334,118 (Note 1)	-	Beneficial owner	16,334,188	1.85%
Guy Bindels	200,000	-	-	Beneficial owner	200,000	0.02%
Thaddeus Thomas Beczak	-	-	200,000 (Note 2)	Interests of spouse	200,000	0.02%

Note: (1) The NTEEP Shares were held by Asano Company Ltd., a company beneficially owned as to approximately 50% by Mr. Asano and his wife.

(2) The NTEEP Shares were held by a company controlled by the spouse of Mr. Thaddeus Thomas Beczak.

Options:

Name of NTEEP Director	Capacity	Number of Options	Number of underlying NTEEP Shares
Wong Kuen Ling, Karene	Beneficial owner	7,000,000	7,000,000
Guy Bindels	Beneficial owner	1,200,000	1,200,000

- (e) Save for the dealings set out below, no other NTEEP Directors had dealt in the NTEEP Shares during the six months prior to 23rd October, 2005 and ended on the Latest Practicable Date:

Name of NTEEP Director	Date of Purchase	No. of NTEEP Shares	Price per NTEEP Share (HK\$)
Guy Bindels	9th May, 2005	50,000	2.600
Guy Bindels	8th August, 2005	50,000	2.025
Guy Bindels	31st August, 2005	41,000	1.350
Guy Bindels	2nd September, 2005	59,000	1.350
Thaddeus Thomas Beczak (Note)	22nd August, 2005	200,000	1.300

Note: The NTEEP Shares were purchased by a company controlled by the spouse of Mr. Thaddeus Thomas Beczak.

- (f) As at the Latest Practicable Date, NTEEP was not interested in any shares of NTE.
- (g) As at the Latest Practicable Date, the NTEEP Directors had the following interests in the shares of NTE:

Shares of NTE:

Name of NTEEP Director	Personal interests	Corporate interests	Capacity	Number of shares of NTE	Percentage of the issued share capital of NTE
Wong Kuen Ling, Karene	37,100	-	Beneficial owner	37,100	0.1%
Li Shi Yuen, Joseph (<i>Note i</i>)	78,870	2,935,087	Beneficial owner	3,013,957	7.0%
Guy Bindels	1,000	-	Beneficial owner	1,000	0.0%
Koo Ming Kown (<i>Note ii</i>)	5,690,786	-	Beneficial owner	5,690,786	13.1%

Options of NTE:

Name of NTEEP Director	Capacity	Number of share options	Number of underlying shares
Li Shi Yuen, Joseph	Beneficial owner	80,000	80,000

Notes:

- i. Mr. Li Shi Yuen, Joseph beneficially owned 50% of total issued share capital of Li & Chui Holdings (B.V.I.) Limited. Therefore, Mr. Li Shi Yuen, Joseph was deemed to be interested in the 2,935,087 shares of NTE held by Li & Chui Holdings (B.V.I.) Limited.
- ii. 4,690,786 shares of NTE were owned by Mr. Koo Ming Kown and Ms. Cho Sui Sin (the spouse of Mr. Koo Ming Kown) jointly.

Save as disclosed above, no NTEEP Director was interested in any shares of NTE as at the Latest Practicable Date.

- (h) Save as disclosed below, none of NTEEP, its subsidiaries or its directors had dealt in the shares of NTE during the period beginning six months prior to 23rd October, 2005 and ended on the Latest Practicable Date:

Name of NTEEP Director	Shares bought/sold and options granted/exercised	Date of transaction	Number of shares of NTE	Transaction price/Exercise price (US\$)
Koo Ming Kown	Options granted	24th June, 2005	15,000	21.62 per share
Koo Ming Kown	Sold	12th August, 2005	1,300,000	22.00 per share
Koo Ming Kown	Options exercised	25th August, 2005	545,000	Note

Note: Mr. Koo Ming Kown exercised options to subscribe for 180,000 shares at US\$19.40 per share; 350,000 shares at US\$20.84 per share; and 15,000 shares at US\$21.62 per share.

- (i) As at the Latest Practicable Date, none of the subsidiaries of NTEEP, pension fund of NTEEP or any of its subsidiaries, or advisers to NTEEP as specified in class (2) of the definition of associate under the Takeovers Code (but excluding exempt principal traders) had any shareholdings in NTEEP. During the period beginning six months prior to 23rd October, 2005 and ended on the Latest Practicable Date, none of the parties referred to in this paragraph had dealt in the NTEEP Shares.
- (j) No fund manager (other than exempt fund managers) connected with NTEEP managing on a discretionary basis had dealt in the NTEEP Shares during the period beginning six months prior to 23rd October, 2005 and ended on the Latest Practicable Date.
- (k) As at the Latest Practicable Date, no person has irrevocably committed to accept or reject the Offers.
- (l) No NTEEP Shares and Options to be acquired in pursuance of the Share Offer and the Option Offer will be transferred, charged or pledged to any other persons respectively.
- (m) There is no arrangement of the kind referred to in note 8 of Rule 22 of the Takeovers Code between NTE or any party acting in concert with it and any other person.
- (n) There is no arrangement of the kind referred to in note 8 to Rule 22 of the Takeovers Code between NTEEP or any person who is an associate of NTEEP by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code and any other person.

OTHER INTEREST

- (a) There is no agreement, arrangement or understanding (including any compensation arrangement) between NTE or any party acting in concert with it and any of the existing or recent NTEEP Directors or any existing or recent NTEEP Shareholders or any existing or recent holders of the Options having any connection with or dependence upon the Offers.
- (b) There is no agreement or arrangement between any NTEEP Director and any other person which is conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers.
- (c) As NTE has no intention to change the current management of the NTEEP Group, no benefit will be given to any of them as compensation for loss of office in connection with the Offers.
- (d) There is no agreement or arrangement to which NTE is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a condition to the Offers.
- (e) There is no material contract entered into by NTE in which any NTEEP Director has a material personal interest.

SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital of NTEEP was HK\$20,000,000.00 which solely comprised 2,000,000,000 ordinary shares of HK\$0.01 each. The issued share capital of NTEEP as at the Latest Practicable Date was HK\$8,816,705.88 which comprised 881,670,588 NTEEP Shares of HK\$0.01 each. Each NTEEP Share ranks pari passu with other NTEEP Shares in issue in all respects, including dividends, voting rights and capital.

As at the Latest Practicable Date, save for the 17,640,000 outstanding Options, there were no outstanding options, convertibles, warrants and rights to subscribe for NTEEP Shares.

During the period from 31st December, 2004 to the Latest Practicable Date, save for 81,670,588 NTEEP Shares issued at HK\$2.55 per NTEEP Share as consideration for the acquisition of Namtek Software Development Company Limited, no NTEEP Share was either issued or repurchased.

MATERIAL CONTRACTS

Save for the contracts disclosed below, NTEEP Group did not enter into any material contracts, not being contracts entered into in the ordinary course of business carried on or intended to be carried on by any member of NTEEP Group, after the date two years before commencement of the offer period:

- (a) a building contract dated 28th October, 2003 entered into between Namtai Electronic (Shenzhen) Co., Ltd. (a wholly-owned subsidiary of NTEEP) and Takasago Thermal Engineering (Hong Kong) Company, Limited regarding the construction of the new office and new factory in the PRC of Namtai Electronic (Shenzhen) Co., Ltd. at a consideration of RMB124,338,550.00 (equivalent to approximately HK\$119,103,897.05);
- (b) an assignment of debt dated 31st December, 2003 entered into between Namtai Electronic (Shenzhen) Co., Ltd. and NTEEP regarding a debt of HK\$388,744,688.21 owed by Nam Tai Trading Company Limited (formerly known as Nam Tai Electronic & Electrical Products Limited);
- (c) an assignment of debt dated 2nd January, 2004 entered into between Nam Tai Group Management Limited (a fellow subsidiary of NTEEP) and NTEEP regarding a debt of HK\$304,160,785.79 owed by Nam Tai Trading Company Limited (formerly known as Nam Tai Electronic & Electrical Products Limited);
- (d) an assignment of debt dated 1st April, 2004 entered into between NTE and NTEEP regarding a debt owed by Nam Tai Trading Company Limited (formerly known as Nam Tai Electronic & Electrical Products Limited);
- (e) a deed of indemnity dated 15th April, 2004 entered into between NTE and NTEEP providing for NTE's indemnities in respect of liability for Hong Kong estate duty and taxation;
- (f) a public offer underwriting agreement dated 15th April, 2004 entered into between, among others, NTE and NTEEP regarding the public offer of 20,000,000 NTEEP Shares;
- (g) an international underwriting agreement dated 22nd April, 2004 entered into between, among others, NTE and NTEEP regarding an international placing of 180,000,000 NTEEP Shares; and
- (h) an agreement dated 8th April, 2005 entered into between NTE, Asano Company Ltd. and NTEEP relating to the sale and purchase of the entire issued share capital of Namtek Software Development Limited regarding an allotment and issuance of 65,336,470 and 16,334,118 NTEEP Shares to NTE and Asano Company Ltd. respectively at an issue price of HK\$2.55 per NTEEP Share.

SERVICE CONTRACTS

Save for the service contracts disclosed below, as at the Latest Practicable Date, none of the NTEEP Directors had any service contract in force with any member of the NTEEP Group or any associated companies of NTEEP which (i) have been entered into or amended within six months before the commencement of the offer period (including both continuous and fixed term contracts); or (ii) are continuous contracts with a notice period of twelve months or more; or (iii) are fixed term contracts with more than twelve months to run irrespective of the notice period:

- (a) A director's service agreement dated 22nd March, 2004 was entered into between NTEEP and Ms. Wong Kuen Ling, Karene, the chairman and an executive director of NTEEP, for a term of 3 years since the commencement of trading of the NTEEP Shares on the Stock Exchange (that is 28th April, 2004) and subject to termination at any time by either party giving to the other not less than 3 months' notice in writing. Ms. Wong Kuen Ling, Karene is entitled to the monthly director's fee of HK\$10.00 and a discretionary bonus at the sole discretion of NTEEP.
- (b) A director's service agreement dated 22nd March, 2004 was entered into between NTEEP and Mr. Guy Bindels, chief executive officer and an executive director of NTEEP, for a term of 3 years since 28th April, 2004 and subject to termination at any time by either party giving to the other not less than 3 months' notice in writing. Mr. Guy Bindels is entitled to the monthly director's fee of HK\$10.00 and a discretionary bonus at the sole discretion of NTEEP.
- (c) A service agreement dated 17th May, 2005 was entered into between NTEEP and Mr. Kazuhiro Asano, an executive director of NTEEP, for a term of 3 years with immediate effect and subject to termination at any time by either party giving to the other not less than 3 months' notice in writing. Mr. Kazuhiro Asano is entitled to the monthly director's fee of HK\$10.00 and a discretionary bonus at the sole discretion of NTEEP. No earlier contracts have been replaced or amended by the service agreement dated 17th May, 2005.

LITIGATION

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

CONSENTS

Platinum, LCH and Deloitte Touche Tohmatsu have given and have not withdrawn their written consent to the issue of this composite offer document with the inclusion therein of their opinion and letters, and the references to their names, opinion or letters in the form and context in which they respectively appear.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection from 10:00 a.m. to 5:00 p.m., Monday to Friday at the office of Yu Ming, the financial adviser to NTE, at 1001, 10th Floor, AON China Building, 29 Queen's Road Central, Hong Kong while the Offers remain open for acceptance.

- (a) the memorandum and articles of association of NTE;
- (b) the memorandum and articles of association of NTEEP;
- (c) the letter of recommendation from Independent Board Committee, the text of which is set out on pages 19 to 20 of this composite offer document;
- (d) the letter of recommendation from Platinum, the text of which is set out on pages 21 to 45 of this composite offer document;
- (e) the Valuation Report produced by LCH, the text of which is set out in Appendix III of this composite offer document;
- (f) the annual report of NTEEP for the year ended 31st December, 2004;
- (g) the 2004 and 2005 interim reports of NTEEP;
- (h) the unaudited consolidated results of NTEEP for the third quarter of 2005 and for the nine months ended 30th September, 2005;
- (i) the letters of consent referred to in the paragraph headed "Consents" in this appendix;
- (j) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;
- (k) the comfort letters of Deloitte Touche Tohmatsu and Platinum set out in appendix I to this composite offer document; and
- (l) the service contracts referred to in the paragraph headed "Service Contracts" in this appendix.

MISCELLANEOUS

- (a) The address of Yu Ming is 1001, 10th Floor, AON China Building, 29 Queen's Road Central, Hong Kong.
- (b) The address of Platinum is 22nd Floor, Standard Chartered Building, 4 Des Voeux Road Central, Hong Kong.

- (c) The registered office of NTE is McNamara Chambers, P.O. Box 3342, Road Town, Tortola, British Virgin Islands.
- (d) The directors of NTE (all non-executive directors) include, Koo Ming Kown (Chairman), Stephen Seung (Corporate Secretary), Charles Chu (Chairman of Compensation Committee), Peter R. Kellogg, Dr. Wing Yan (William) Lo and Mark Waslen (Chairman of Audit Committee).
- (e) The directors of NTEEP include Wong Kuen Ling, Karene (Chairman and executive director), Guy Bindels (Chief Executive Officer and executive director), Kazuhiro Asano (Executive director), Koo Ming Kown (Non-executive director), Li Shi Yuen, Joseph (Non-executive director), Thaddeus Thomas Beczak (Independent non-executive director), Chan Tit Hee, Charles (Independent non-executive director), Lee Wa Lun, Warren (Independent non-executive director).
- (f) There is no controlling shareholder in NTE.