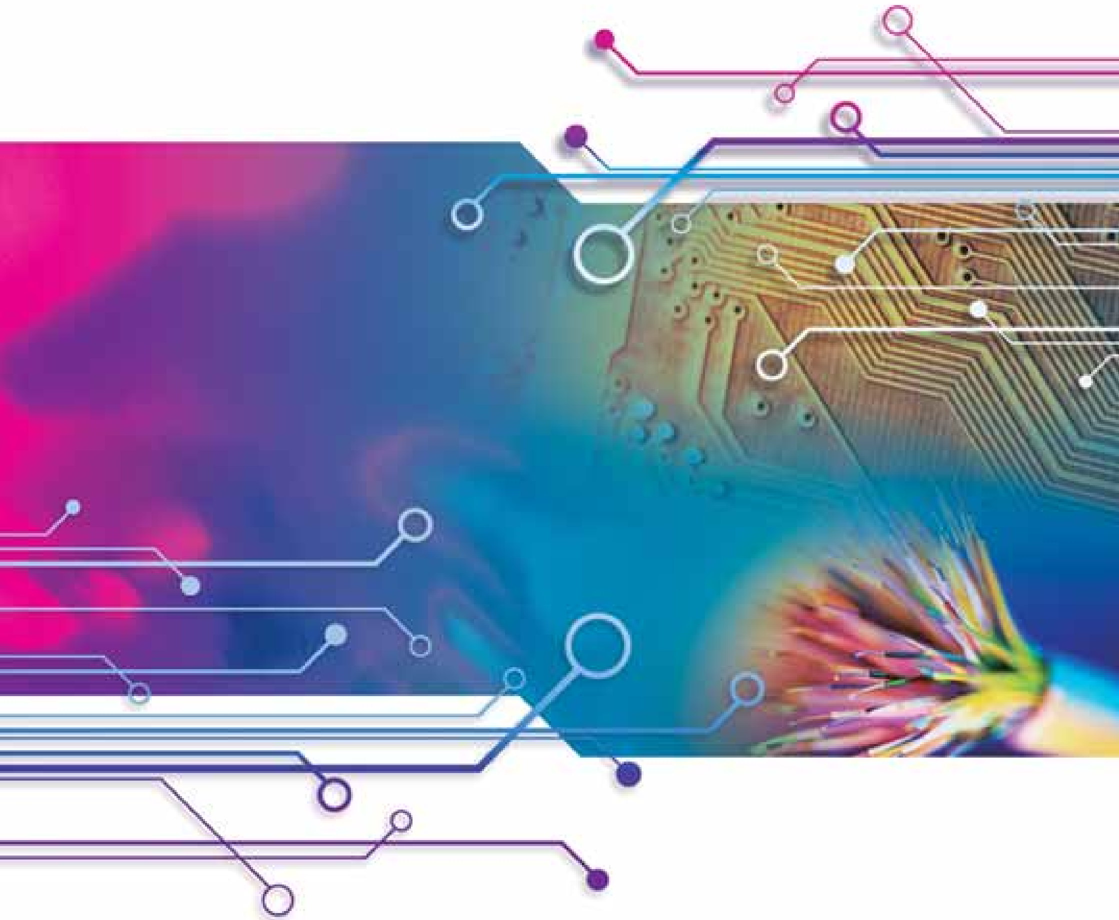
Namtai

Nam Tai Electronic & Electrical Products Limited

A Member of the Nam Tai Group

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2633)



Interim Report 2007

KEY HIGHLIGHTS

- **Comparing the results of 2007 to 2006**

  Q2 sales up 74.0% and profit for the period up 1,076.6%

- **The Directors have resolved to declare an interim dividend of 10 HK cents (equivalent to 1.28 US cents) per share for the six months ended 30 June 2007.**

SUMMARIZED STATEMENT OF INCOME

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

	Quarterly Results			Half-year Results		
	Q2 2007	Q2 2006	YoY (%)	**1H2007**	1H2006	YoY (%)
Sales (Revenue)	**75,732**	43,521	74.0	**130,293**	78,691	65.6
Gross Profit	**13,412**	7,034	90.7	**22,312**	13,864	60.9
% of sales	***17.7%***	*16.2%*		***17.1%***	*17.6%*	
Operating income *(Note 1)*	**10,133**	3,795	167.0	**15,631**	7,609	105.4
% of sales	***13.4%***	*8.7%*		***12.0%***	*9.7%*	
Per share *(US cent(s))*	**1.15**	0.43	167.4	**1.77**	0.86	105.8
Profit for the period attributable to the equity holders of the Company *(Note 2)*	**25,602**	2,176	1,076.6	**32,073**	6,203	417.1
% of sales	***33.8%***	*5.0%*		***24.6%***	*7.9%*	
Basic earnings per share *(US cent(s))*	**2.90**	0.25	1,060.0	**3.64**	0.70	420.0
Diluted earnings per share *(US cent(s))*	**2.90**	0.25	1,060.0	**3.64**	0.70	420.0
Weighted average number of shares *('000)*						
Basic	**881,671**	881,671		**881,671**	881,671	
Diluted *(Note 3)*	**881,671**	881,671		**881,671**	881,671	

Notes:

(1) Operating income = gross profit + other income – other expenses – selling and distribution costs – administrative expenses – research and development expenditure.

(2) Included (i) a gain of US$43.8 million in the second quarter of 2007, on disposal of the investment in TCL Corporation ("TCL Corp."); (ii) an impairment loss of US$24.3 million in the second quarter of 2007, on goodwill arising from the Group's acquisition of Namtek Group (comprising Namtek Japan Company Limited and Shenzhen Namtek Co., Ltd. ("Namtek Shenzhen")) in May 2005; and (iii) a loss of US$1.9 million in the second quarter of 2006, on available-for-sale investments arising from the split share structure reform of TCL Corp. in 2006, details of all of which are set out in the later parts of this Report under "Impairment Loss on Goodwill" and "Investment in TCL Corp.".

(3) Excluded outstanding share options of 14,520,000 which had not been exercised as at 30 June 2007 (as at 30 June 2006: 16,820,000).

QUARTERLY SALES BREAKDOWN

(In thousands of US Dollars, except percentage)

Quarter	2007	2006	YoY (%) (Quarterly)	YoY (%) (Quarterly accumulated)
1st Quarter	**54,561**	35,170	55.1	55.1
2nd Quarter	**75,732**	43,521	74.0	65.6
3rd Quarter	**N/A**	50,733	–	–
4th Quarter	**N/A**	48,898	–	–
Total	**130,293**	178,322		

KEY HIGHLIGHTS OF FINANCIAL POSITION

(In thousands of US Dollars, except ratio and percentage)

	As at 30 June 2007	As at 30 June 2006	As at 31 December 2006
Cash on Hand *(Note 1)*	**130,796**	46,163	60,460
Ratio of Cash *(Note 1)* to Current Liabilities	**1.94**	1.38	1.65
Current Ratio	**2.97**	3.33	3.50
Ratio of Total Assets to Total Liabilities	**3.77**	5.74	5.62
Return on Equity	**36%**	8%	10%
Ratio of Total Liability to Equity	**0.36**	0.21	0.22
Debtors Turnover *(Note 2)*	**60 days**	58 days	61 days
Inventory Turnover *(Note 3)*	**33 days**	32 days	24 days
Average Payable Period *(Note 4)*	**90 days**	78 days	76 days

Notes:

(1) Include cash equivalents.

(2) The calculation of debtors turnover is based on the amount of trade debtors as at the relevant period end divided by sales of the same period and multiplied by 181 days for the six months ended 30 June 2007 and 30 June 2006, and 365 days for the year ended 31 December 2006.

(3) The calculation of inventory turnover is based on the amount of inventories as at the relevant period end divided by cost of sales of the same period and multiplied by 181 days for the six months ended 30 June 2007 and 30 June 2006, and 365 days for the year ended 31 December 2006.

(4) The calculation of average payable period is based on the amount of trade creditors as at the relevant period end divided by cost of sales of the same period and multiplied by 181 days for the six months ended 30 June 2007 and 30 June 2006, and 365 days for the year ended 31 December 2006.

UNAUDITED INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Nam Tai Electronic & Electrical Products Limited (the "Company") is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the three months and the six months ended 30 June 2007 respectively together with comparative figures for the corresponding periods of last year as follows.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

		Three months ended 30 June		Six months ended 30 June	
	Notes	**2007 US$'000**	2006 US$'000	**2007 US$'000**	2006 US$'000
Revenue	3 & 4	**75,732**	43,521	**130,293**	78,691
Cost of sales		**(62,320)**	(36,487)	**(107,981)**	(64,827)
Gross profit		**13,412**	7,034	**22,312**	13,864
Bank interest income		**941**	309	**1,623**	585
Gain on disposal of available-for-sale investments	12	**43,815**	–	**43,815**	–
Other income		**1,528**	463	**2,105**	945
Other expenses		**(328)**	(307)	**(655)**	(605)
Loss on available-for-sale investments arising from the split share structure reform	12	**-**	(1,869)	**-**	(1,869)
Impairment loss on goodwill	10	**(24,340)**	–	**(24,340)**	–
Selling and distribution costs		**(767)**	(404)	**(1,316)**	(812)
Administrative expenses		**(2,735)**	(2,071)	**(4,995)**	(4,028)
Research and development expenditure		**(977)**	(920)	**(1,820)**	(1,755)
Interest on amount due to the ultimate holding company		**(9)**	–	**(24)**	–
Profit before tax	5	**30,540**	2,235	**36,705**	6,325
Income tax expense	6	**(5,055)**	(59)	**(4,749)**	(122)
Profit for the period		**25,485**	2,176	**31,956**	6,203
Attributable to:					
Equity holders of the Company		**25,602**	2,176	**32,073**	6,203
Minority interests		**(117)**	–	**(117)**	–
		25,485	2,176	**31,956**	6,203
Dividends	7	**-**	3,982	**-**	3,982
Earnings per share for profit for the period attributable to equity holders of the Company – basic and diluted	8	**2.90 US cents**	0.25 US cent	**3.64 US cents**	0.70 US cent

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	At 30 June 2007 US$'000 (Unaudited)	At 31 December 2006 US$'000 (Audited)
Non-current assets			
Property, plant and equipment	9	**34,327**	33,419
Investment properties		**16,524**	17,007
Prepaid lease payments		**2,567**	2,602
Goodwill	10	**–**	24,340
Other assets		**139**	139
Deferred tax assets		**424**	–
		53,981	77,507
Current assets			
Inventories		**19,731**	9,774
Trade and other receivables	11	**44,093**	30,500
Amount due from a fellow subsidiary		**117**	8
Prepaid lease payments		**71**	71
Taxation recoverable		**5,591**	2,884
Available-for-sale investments	12	**–**	24,360
Bank balances and cash		**130,796**	60,460
		200,399	128,057
Current liabilities			
Trade and other payables	13	**60,146**	36,223
Amount due to a fellow subsidiary		**42**	70
Taxation payable		**7,293**	305
		67,481	36,598
Net current assets		**132,918**	91,459
Total assets less current liabilities		**186,899**	168,966
Capital and reserves			
Share capital	14	**1,131**	1,131
Reserves		**185,768**	167,835
Equity attributable to equity holders of the Company		**186,899**	168,966
Minority interests		**–**	–
Total equity		**186,899**	168,966

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2007

	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	Retained profits US$'000	Total US$'000	Minority interests US$'000	Total US$'000
At 1 January 2006	1,131	81,198	2,829	823	4,381	1,362	50,721	142,445	-	142,445
Increase in fair value of available-for-sale investments recognised directly in equity	-	-	-	-	-	13,550	-	13,550	-	13,550
Released upon the split share structure reform	-	-	-	-	-	(213)	-	(213)	-	(213)
Profit for the period	-	-	-	-	-	-	6,203	6,203	-	6,203
Total recognised income for the period	-	-	-	-	-	13,337	6,203	19,540	-	19,540
Dividends paid	-	-	-	-	-	-	(3,982)	(3,982)	-	(3,982)
Share options expense	-	-	-	88	-	-	-	88	-	88
At 30 June 2006 and 1 July 2006	1,131	81,198	2,829	911	4,381	14,699	52,942	158,091	-	158,091
Decrease in fair value of available-for-sale investments recognised directly in equity	-	-	-	-	-	(438)	-	(438)	-	(438)
Profit (loss) for the period	-	-	-	-	-	-	11,126	11,126	(8)	11,118
Total recognised (expense) income for the period	-	-	-	-	-	(438)	11,126	10,688	(8)	10,680
Incorporation of a non-wholly owned subsidiary	-	-	-	-	-	-	-	-	8	8
Share options expense	-	-	-	187	-	-	-	187	-	187
At 31 December 2006 and 1 January 2007	1,131	81,198	2,829	1,098	4,381	14,261	64,068	168,966	-	168,966
Effect of change in tax rate	-	-	-	-	-	(2,139)	-	(2,139)	-	(2,139)
Disposal of available-for-sale investments	-	-	-	-	-	(12,122)	-	(12,122)	-	(12,122)
Profit (loss) for the period	-	-	-	-	-	-	32,073	32,073	(117)	31,956
Total recognised (expense) income for the period	-	-	-	-	-	(14,261)	32,073	17,812	(117)	17,695
Reclassify to amount due from a fellow subsidiary	-	-	-	-	-	-	-	-	117	117
Transfer	-	-	-	-	1,595	-	(1,595)	-	-	-
Share options expense	-	-	-	121	-	-	-	121	-	121
At 30 June 2007	1,131	81,198	2,829	1,219	5,976	-	94,546	186,899	-	186,899

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2007

	Six months ended 30 June	
	2007	2006
	US$'000	US$'000
	(unaudited)	(unaudited)
Net cash from operating activities	**18,671**	6,194
Net cash from (used in) investing activities, including net proceeds from disposal of available-for-sale investments of approximately US$53,914,000 (six months ended 30 June 2006: Nil)	**51,681**	(515)
Net cash used in financing activities	**(16)**	(3,982)
Net increase in cash and cash equivalents	**70,336**	1,697
Cash and cash equivalents at beginning of the period	**60,460**	44,466
Cash and cash equivalents at end of the period, represented by bank balances and cash	**130,796**	46,163

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2007

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 of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK") with effect from 28 April 2004. The 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.

The principal activities of the Group are the manufacturing and marketing of consumer electronics and communications products and software development.

The unaudited 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 the SEHK (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The functional currency of the Group is the United States dollar.

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial information has been prepared under the historical cost basis except for available-for-sale financial assets and certain financial instruments, which are measured at fair value.

The accounting policies used in the unaudited condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2006, except that in the current interim period, the Group has applied, for the first time, a number of new and revised applicable HKAS, Hong Kong Financial Reporting Standards, amendments and interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on or after 1 January 2007. The application 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.

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. The management anticipates the application of these new HKFRSs will have no material impact on the results of operations and financial position of the Group.

HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions[2]
HK(IFRIC) – INT 12	Service Concession Arrangements[3]

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

3. **SEGMENT INFORMATION**

Geographical Segment

The Group's primary format for reporting segment information is geographical segment based on the location of its customers.

Six months ended 30 June 2007 (unaudited)

	North America US$'000	Europe US$'000	Asia Pacific region US$'000	Others US$'000	Combined US$'000
Revenue	**54,420**	**42,613**	**30,456**	**2,804**	**130,293**
Segment results	**5,480**	**5,253**	**3,064**	**384**	**14,181**
Unallocated corporate income					**2,105**
Unallocated corporate expenses					**(655)**
Bank interest income					**1,623**
Gain on disposal of available-for-sale investments					**43,815**
Impairment loss on goodwill					**(24,340)**
Interest on amount due to the ultimate holding company					**(24)**
Profit before tax					**36,705**
Income tax expense					**(4,749)**
Profit for the period					**31,956**

Six months ended 30 June 2006 (unaudited)

	North America US$'000	Europe US$'000	Asia Pacific region US$'000	Others US$'000	Combined US$'000
Revenue	32,933	24,399	21,358	1	78,691
Segment results	1,961	3,192	2,115	1	7,269
Unallocated corporate income					945
Unallocated corporate expenses					(605)
Bank interest income					585
Loss on available-for-sale investments arising from the split share structure reform					(1,869)
Profit before tax					6,325
Income tax expense					(122)
Profit for the period					6,203

Three months ended 30 June 2007 (unaudited)

	North America US$'000	Europe US$'000	Asia Pacific region US$'000	Others US$'000	Combined US$'000
Revenue	**29,261**	**25,451**	**20,382**	**638**	**75,732**
Segment results	**3,554**	**3,060**	**2,204**	**115**	**8,933**
Unallocated corporate income					**1,528**
Unallocated corporate expenses					**(328)**
Bank interest income					**941**
Gain on disposal of available-for-sale investments					**43,815**
Impairment loss on goodwill					**(24,340)**
Interest on amount due to the ultimate holding company					**(9)**
Profit before tax					**30,540**
Income tax expense					**(5,055)**
Profit for the period					**25,485**

Three months ended 30 June 2006 (unaudited)

	North America US$'000	Europe US$'000	Asia Pacific region US$'000	Others US$'000	Combined US$'000
Revenue	20,547	11,568	11,406	–	43,521
Segment results	1,192	1,410	1,037	–	3,639
Unallocated corporate income					463
Unallocated corporate expenses					(307)
Bank interest income					309
Loss on available-for-sale investments arising from the split share structure reform					(1,869)
Profit before tax					2,235
Income tax expense					(59)
Profit for the period					2,176

4. REVENUE

	Three months ended 30 June		Six months ended 30 June	
	2007 US$'000 (unaudited)	2006 US$'000 (unaudited)	**2007 US$'000 (unaudited)**	2006 US$'000 (unaudited)
Sales of mobile phone accessories	**37,590**	28,194	**71,285**	45,112
Sales of home entertainment devices	**22,145**	5,240	**34,830**	14,488
Sales of educational products	**11,439**	8,923	**17,684**	16,546
Sales of optical devices	**4,141**	269	**5,330**	665
Software development services	**417**	895	**1,164**	1,880
	75,732	43,521	**130,293**	78,691

5. PROFIT BEFORE TAX

	Three months ended 30 June		Six months ended 30 June	
	2007 US$'000 (unaudited)	2006 US$'000 (unaudited)	**2007 US$'000 (unaudited)**	2006 US$'000 (unaudited)
Profit before tax has been arrived at after charging:				
Depreciation of property, plant and equipment	**1,373**	1,328	**2,634**	2,654
Depreciation of investment properties	**242**	242	**484**	477
Amortisation of prepaid lease payments	**17**	18	**35**	36
	1,632	1,588	**3,153**	3,167
Less: Depreciation and amortisation included in research and development expenditure	**(36)**	(29)	**(69)**	(58)
	1,596	1,559	**3,084**	3,109
Staff costs	**4,741**	2,958	**8,322**	6,025
Less: Staff costs included in research and development expenditure	**(792)**	(679)	**(1,466)**	(1,359)
	3,949	2,279	**6,856**	4,666

6. INCOME TAX EXPENSE

	Three months ended 30 June		Six months ended 30 June	
	2007 US$'000 (unaudited)	2006 US$'000 (unaudited)	**2007 US$'000 (unaudited)**	2006 US$'000 (unaudited)
The charge (credit) comprises:				
Enterprise income tax charge in the People's Republic of China ("PRC")	**4,782**	59	**5,173**	122
Deferred tax	**273**	–	**(424)**	–
	5,055	59	**4,749**	122

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 Namtek Shenzhen, two wholly owned subsidiaries of the Company, are subject to a tax rate of 15% on the assessable profits for both 2006 and 2007. In addition, if a foreign investment enterprise ("FIE") exports 70% or more of the production value of its product ("Export Enterprise"), it is able to enjoy a reduced tax rate of 10%. For the year ended 31 December 2006, NTSZ and Namtek Shenzhen exported more than 70% of the production value of their products and were qualified as Export Enterprises and enjoyed 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 2007.

Furthermore, if a foreign investor directly reinvests by way of capital injection of 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.

Under the newly promulgated PRC unified Enterprise Income Tax Law which will become effective from 1 January 2008, the tax refund under the capital reinvestment scheme as described above may be removed. As a result, for the current interim period, the Group has provided enterprise income tax at a tax rate of 10%.

As at 31 December 2006, income taxes recoverable under the above reinvestment arrangements were approximately US$2.31 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. 58/99/M, Chapter 2, Article 12, dated 18 October 1999.

No tax is payable on the profit for both 2006 and 2007 arising in Japan since the assessable profit is wholly absorbed by tax losses brought forward.

No provision for Hong Kong profits tax has been made as the Group did not have any assessable profit arising in Hong Kong for both 2006 and 2007.

The deferred tax credit for the six months ended 30 June 2007 mainly represents recognition of deferred tax assets on accelerated depreciation of property, plant and equipment.

7. DIVIDENDS

	Three months ended 30 June		Six months ended 30 June	
	2007	2006	**2007**	2006
	US$'000	US$'000	**US$'000**	US$'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Final paid – Nil US cent per share (0.45 US cent)	**–**	3,982	**–**	3,982

The Board has decided to declare an interim dividend of 10 HK cents (equivalent to 1.28 US cents) (for the six months ended 30 June 2006: Nil) for the six months ended 30 June 2007 to be payable to shareholders whose names appear on the register of members of the Company on 15 August 2007.

The interim dividend will be paid in Hong Kong dollars on or around 28 August 2007.

8. EARNINGS PER SHARE

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

	Three months ended 30 June		Six months ended 30 June	
	2007	2006	**2007**	2006
	US$'000	US$'000	**US$'000**	US$'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Profit for the period attributable to equity holders of the Company	**25,602**	2,176	**32,073**	6,203
	'000	'000	**'000**	'000
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share *(Note)*	**881,671**	881,671	**881,671**	881,671

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

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2007, the Group spent US$0.16 million (for the six months ended 30 June 2006: US$0.91 million) on the construction of its office and factory located in the PRC, and US$3.38 million (for the six months ended 30 June 2006: US$0.31 million) on the acquisition of plant and equipment, in order to increase and upgrade the Group's manufacturing capabilities.

During the six months ended 30 June 2007, there was no transfer (for the six months ended 30 June 2006: US$1.66 million) of buildings to investment properties.

During the six months ended 30 June 2007 and 2006, there was no material disposal of property, plant and equipment for the Group.

10. IMPAIRMENT LOSS ON GOODWILL

In the financial year 2005, the Group acquired 100% interest in Namtek Group, which is engaged in software development services, from its ultimate holding company, NTE Inc., and the then management of Namtek Group. 81,670,588 ordinary shares of HK$0.01 each of the Company were issued at HK$2.55 per share as consideration (amounting to a total of US$26.7 million) for the acquisition and resulted in goodwill of US$24.3 million. The goodwill arising on the acquisition was attributable to the anticipated augmentation of the Group's profitability.

During the six months ended 30 June 2007, the Group recognised a non-cash impairment loss of US$24.3 million as the performance of these businesses was not satisfactory.

11. TRADE AND OTHER RECEIVABLES

The Group allows its trade customers with credit periods normally ranging from 30 to 60 days (2006: 30 days to 60 days).

The following is an aged analysis of trade receivables (net of impairment) at the balance sheet dates:

	30 June 2007 US$'000 (unaudited)	31 December 2006 US$'000 (audited)
Trade receivables		
Up to 30 days	**29,647**	19,170
31 to 60 days	**12,308**	9,836
Over 60 days	**932**	646
	42,887	29,652
Other receivables	**1,206**	848
	44,093	30,500

12. AVAILABLE-FOR-SALE INVESTMENTS

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

On 28 November 2005, TCL Corp. announced the proposal of the split share structure reform. Under the split share structure reform, holders of TCL Corp.'s tradable A-shares will receive 2.5 shares for every 10 shares from the holders of promoter's shares of TCL Corp., on a pro rata basis. On 6 April 2006, upon approval of the split share structure reform by the China Securities Regulatory Commission, the Group's interest in TCL Corp. was reduced from 95,516,112 shares to 80,600,173 shares, representing a change from 3.69% to 3.12%. As a result of the split share structure reform, a loss of US$1.9 million was recognised in the unaudited consolidated income statement for the period ended 30 June 2006.

As at 31 December 2006, the available-for-sale investments were stated at fair value by reference to bid price quoted in the active stock exchange.

On 20 April 2007 and 23 April 2007, the Group disposed of 39,000,000 and 41,600,173, respectively, A-shares of TCL Corp. through the Shenzhen Stock Exchange. Upon these disposals, the Group no longer owned any share in TCL Corp. The net sales proceeds from the disposals in aggregate were US$53.9 million (net of commission, expenses and stamp duty), resulting in a gain of US$43.8 million (after taking into account the recognized loss of US$1.9 million arising from the split share structure reform of TCL Corp. in 2006 and the unrecognized gain since initial acquisition).

13. TRADE AND OTHER PAYABLES

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

	30 June 2007 US$'000 (unaudited)	31 December 2006 US$'000 (audited)
Trade payables		
Up to 30 days	**34,169**	15,923
31 to 60 days	**16,204**	13,174
Over 60 days	**3,580**	1,770
	53,953	30,867
Other payables	**6,193**	5,356
	60,146	36,223

14. SHARE CAPITAL

	Number of shares		Share capital	
	30 June 2007	31 December 2006	**30 June 2007 HK$'000**	31 December 2006 HK$'000
	(unaudited)	(audited)	**(unaudited)**	(audited)
Ordinary shares of HK$0.01 each				
Authorised:				
At beginning and end of the period/year	**2,000,000,000**	2,000,000,000	**20,000**	20,000
Issued and fully paid:				
At beginning and end of the period/year	**881,670,588**	881,670,588	**8,817**	8,817
			US$'000	US$'000
Shown in the condensed consolidated financial information as			**1,131**	1,131

15. CAPITAL COMMITMENTS

	30 June 2007 US$'000 (unaudited)	31 December 2006 US$'000 (audited)
Capital expenditure in respect of acquisition of property, plant and equipment:		
Contracted for but not provided in the condensed consolidated financial information	**110**	540
Authorised but not contracted for	**1,549**	184
	1,659	724

16. RELATED PARTY TRANSACTIONS

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

		Three months ended 30 June		Six months ended 30 June	
Related parties	**Nature of transactions**	**2007 US$'000 (unaudited)**	2006 US$'000 (unaudited)	**2007 US$'000 (unaudited)**	2006 US$'000 (unaudited)
Fellow subsidiaries	Rental income received	**321**	322	**643**	633
	Purchase of materials	**42**	137	**147**	296
Directors	Remuneration	**216**	235	**431**	536

17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation.

INTERIM DIVIDEND

In view of the positive performance of the Group, the management's increased confidence in the prospects of the Group's sales and profits, the cancellation of the solar cell energy project (which reduced the demand on the Group's capital investment) and the special gain on the disposal of the shares of TCL Corp. by NTSZ, the Board decided the need to pay interim dividend for the six months ended 30 June 2007.

However, most of the Group's cash is locked up in the PRC and cannot be remitted to Hong Kong unless the Group would forgo the re-investment tax refund. Furthermore, the investment gain made by NTSZ on the disposal of shares of TCL Corp. cannot be remitted to Hong Kong until the audited accounts of NTSZ for the financial year 2007 have been finalized and issued or the Group is unable to enjoy tax refund on the gain. Therefore, if the Group decides to pay dividend or any other distribution, it can only use cash situated outside the PRC. The Group has in fact reserved some cash originally intended for use by the solar cell energy business, which can now be used to pay an interim dividend.

In view of the above, the Board has decided to declare an interim dividend of 10 HK cents (equivalent to 1.28 US cents) (for the six month ended 30 June 2006: Nil) for the six months ended 30 June 2007 to be payable to shareholders whose names appear on the register of members of the Company on 15 August 2007. The interim dividend will be paid in Hong Kong dollars on or around 28 August 2007. Furthermore, the Group may consider to pay any further dividend or distribution at the financial year ended 2007, depending on the situation as mentioned above at that time.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 14 August 2007 to 15 August 2007, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the aforementioned interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on 13 August 2007.

MANAGEMENT DISCUSSION & ANALYSIS

Business Review

For the second quarter of 2007, sales of the Group increased by approximately 74.0% from US$43.5 million for the same period last year to US$75.7 million this year. The result was mainly attributable to the increase in sales of mobile phone accessories and home entertainment devices. Gross profit for the second quarter of 2007 increased by approximately 90.7% from US$7.0 million to US$13.4 million as compared with the same period last year. Operating income and profit attributable to the equity holders for the second quarter of 2007 increased by approximately 167.0% and 1,076.6% respectively as compared to the same period last year because of the gain on the disposal of investments in TCL Corp. (details of which are set out in the later part of this Report under "Investment in TCL Corp.").

For the six months ended 30 June 2007, sales of the Group increased by approximately 65.6% from US$78.7 million to US$130.3 million when compared with the same period last year. For the same reasons as stated above, gross profit increased by approximately 60.9% from US$13.9 million to US$22.3 million as compared with the same period last year. Operating income and profit attributable to the equity holders for the interim period of year 2007 also increased by approximately 105.4% and 417.1% respectively as compared to the same period last year.

The Group had cash of US$130.8 million with no external debt as at the end of the period under review. The aforesaid cash was mainly located in the PRC and in Renminbi.

Segment information
The Group has one business segment, being the manufacturing and marketing of consumer electronics and communications products and software development services.

The results and prospects of its various products within this segment are as follows:

Mobile Phone Accessories
During the six months ended 30 June 2007, the Group recorded sales of mobile phone accessories of US$71.29 million, representing approximately 54.7% of the Group's turnover and an increase of approximately 58.0% when compared with the same period last year of US$45.11 million. The growth was mainly due to the increased sales of products using Bluetooth® wireless technology, speakers as well as other mobile phone accessories.

Home Entertainment Devices
During the six months ended 30 June 2007, the Group recorded sales of home entertainment devices of US$34.83 million, representing a growth of approximately 140.4% when compared with the same period last year of US$14.49 million. The growth was mainly due to the strong orders of both new and running products.

Educational Products
During the six months ended 30 June 2007, the Group recorded sales of educational products of US$17.68 million, representing an increase of approximately 6.9% when compared with the same period last year of US$16.55 million. The growth was mainly due to the sales of a new product, FLY Fusion™ Pentop Computer, for a new customer, LF Leapfrog Enterprises, Inc. ("Leapfrog"). Leapfrog is a leading company in designing and developing educational products for children.

Optical Devices
During the six months ended 30 June 2007, the Group recorded sales of optical devices US$5.33 million, representing a significant growth of approximately 701.5% when compared with the same period last year of US$0.67 million. The increase was attributed to the sales of 1.3 mega pixel CMOS image sensor modules for notebook computers to a new customer, a leading Japanese company. The increase in sales is expected to continue for the next coming quarters.

Software Development Services

During the six months ended 30 June 2007, the Group recorded sales of US$1.16 million which comprised sales of software development for dictionary, electronic stationery and health care products, representing a decrease of approximately 38.1% as compared with the same period last year of US$1.88 million. The decrease was mainly due to the slow-down of new model development resulting from market saturation and keen competition of the dictionary market in Japan.

Outlook

The overall market conditions faced by the Group remain to be challenging. The Group also has to deal with difficulties like appreciation of Renminbi, shortage of electricity supply and increase in overheads due to inflation. Nevertheless, the Group recently began production of the new product, Fly Fusion™ Pentop Computer, for Leapfrog. The Group also worked for another new customer, a leading Japanese company, in manufacturing 1.3 mega pixel CMOS image sensor modules for notebook computers. The Group expected that all these new products would contribute to the results of the Group in the quarters to come.

In May 2007, NTSZ was granted with a Seal of Compliance (Seal Number: C0801) by the International Council of Toy Industries ("ICTI") CARE Process, demonstrating that NTSZ had been verified to satisfy the strict provisions of the Code of Business Practices issued by ICTI in ensuring the toy products that NTSZ produces are made in a socially responsible environment. Being recognized as a qualified player in this field, the Group hoped to gain more business in this area in the future.

Generally speaking, the management is more confident of the future prospects and potential growth of the Group. After Zastron Electronic (Shenzhen) Co. Ltd. (its fellow subsidiary) moves out from the factory premises rented from the Group, the Group would have significant additional production capacity to support continuous development and growth in the coming five years.

Unsuccessful New Business

In the financial year 2006, the Company and its fellow subsidiary, J.I.C. Technology Company Limited ("JIC"), jointly incorporated a company, Nam Tai Solartech, Inc., in the Cayman Islands for the purpose of developing new business of solar cell energy. The shareholdings of the Company and JIC in this company were 75% and 25% respectively. However, as there was technical problem which could not be resolved and in the second quarter of 2007 both parties agreed to put aside this project indefinitely and to deregister this company. The Group will continue to look for opportunities to develop a clean energy business. The Group incurred a loss of US$0.3 million as at 30 June 2007 on this project.

Investment in TCL Corp.

On 20 April 2007 and 23 April 2007, the Group disposed of 39,000,000 and 41,600,173, respectively, A-shares of TCL Corp. through the Shenzhen Stock Exchange. Upon these disposals, the Group no longer owned any share in TCL Corp. The net sales proceeds from the disposals in aggregate were US$53.9 million (net of commission, expenses and stamp duty), resulting in a gain of US$43.8 million (after taking into account the recognized loss of US$1.9 million arising from the split share structure reform of TCL Corp. in 2006 and the unrecognized gain since initial acquisition).

Impairment Loss on Goodwill
In the financial year 2005, the Group acquired 100% interest in Namtek Group, which is engaged in software development services, from its ultimate holding company, NTE Inc., and the then management of Namtek Group. 81,670,588 ordinary shares of HK$0.01 each of the Company were issued at HK$2.55 per share as consideration (amounting to a total of US$26.7 million) for the acquisition and resulted in goodwill of US$24.3 million. The goodwill arising on the acquisition was attributable to the anticipated augmentation of the Group's profitability.

During the six months ended 30 June 2007, the Group recognised a non-cash impairment loss of US$24.3 million as the performance of these businesses was not satisfactory.

Capital Expenditure
During the six months ended 30 June 2007, an amount of US$3.38 million had been incurred for the purchase of new equipment and manufacturing facilities. Such investments are financed by internal cash resources.

Liquidity, Financial Resources and Financial Ratios
With US$18.67 million of net cash generated from operating activities in the first half of 2007, the Group continued to maintain a strong liquidity position. As at 30 June 2007, the Group had 14.84 US cents (31 December 2006: 6.86 US cents) of cash per share and 21.20 US cents (31 December 2006: 19.16 US cents) of net asset per share based on 881,670,588 shares (31 December 2006: 881,670,588 shares). The Group had, as at 30 June 2007, a cash to current liabilities ratio of 1.94 (31 December 2006: 1.65), a current ratio of 2.97 (31 December 2006: 3.50). A total assets to total liabilities ratio of 3.77 (31 December 2006: 5.62), and approximately US$130.80 million (31 December 2006: US$60.46 million) of bank balances and cash.

At the period end, the Group had no external loans of any kind. The gearing ratio was nil.

The Group recorded debtors turnover and average payable period of approximately 60 days and 90 days respectively for the six months ended 30 June 2007 (approximately 61 days and 76 days respectively for the year ended 31 December 2006) based on the amount of trade debtors/creditors as at the relevant period end divided by sales/cost of sales of the same period and multiplied by 181 days for the six months ended 30 June 2007 (365 days for the year ended 31 December 2006).

The Group recorded inventory turnover of approximately 33 days for the six months ended 30 June 2007 (approximately 24 days for the year ended 31 December 2006) based on the amount of inventories as at the relevant period end divided by cost of sales of the same period and multiplied by 181 days for the six months ended 30 June 2007 (365 days for the year ended 31 December 2006).

Based on the above, the Group's financial ratios continued to remain healthy during the interim period 2007.

Foreign Exchange Exposures

Since most business transactions conducted by the Group and payments made to suppliers are either in Hong Kong Dollars, United States Dollars or Renminbi, the use of financial instruments for hedging purposes is not considered to be necessary.

Employee and Remuneration Policy

Up to 30 June 2007, the Group had a total of 3,063 dynamic and talented employees, among which 42 were marketing staff and 351 were research and development staff. All staff were dedicated to maintaining and advancing the quality and reliability of our operations. Total staff cost for the period was approximately US$8.32 million.

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

In order to align the interests of staff with those of shareholders, 20,000,000 share options were granted to Directors and employees under the Company's share option scheme adopted on 22 March 2004 ("Pre-IPO Share Option Scheme"). As at 1 January 2007, 14,720,000 share options were outstanding. As 200,000 share options lapsed during the interim period as a result of the cessation of employment of 1 staff member, 14,520,000 share options remained outstanding as at 30 June 2007.

DIRECTORATE AND SENIOR MANAGEMENT

Executive Directors

Mr. Kazuhiro Asano *(Chairman)*
Ms. Wong Kuen Ling, Karene *(Chief Executive Officer)*

Non-Executive Directors

Mr. Koo Ming Kown
Mr. Lee Wa Lun, Warren (resigned as a Non-executive Director with effect from 16 April 2007)
Mr. John Quinto Farina (appointed as a Non-executive Director with effect from 1 August 2007)

Independent Non-executive Directors

Mr. Chan Tit Hee, Charles
Mr. Thaddeus Thomas Beczak
Mr. Roger Simon Pyrke

Senior Management

Ms. Sit Fung Ying *(Chief Financial Officer)*

REPURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2007, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any of the Company's shares.

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

As at 30 June 2007, the interests or short positions of the Directors and chief executives in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which were notified to the Company and SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and SEHK pursuant to the Listing Rules, were as follows:

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

(a) Ordinary shares of HK$0.01 each in the Company

Name of Director	Nature of Interest	Number of shares held	Approximate percentage of the issued share capital of the Company
Mr. Kazuhiro Asano	Corporate *(Note 1)*	14,986,553	1.70%
Mr. Thaddeus Thomas Beczak	Family *(Note 2)*	500,000	0.06%
Mr. Chan Tit Hee, Charles	Personal	350,000	0.04%
Mr. Roger Simon Pyrke	Family *(Note 3)*	50,000	0.006%

(b) Share Options under the Pre-IPO Share Option Scheme

Name of Director	Number of options held	Number of underlying shares
Ms. Wong Kuen Ling, Karene	7,000,000	7,000,000

(II) Long position in the shares and the underlying shares of the associated corporation

(a) Common shares of US$0.01 each in NTE Inc.

Name of Director	Nature of Interest	Number of shares held	Approximate percentage of the issued share capital of the associated corporation
Ms. Wong Kuen Ling, Karene	Personal	37,100	0.08%
Mr. Koo Ming Kown	Personal *(Note 4)*	5,690,786	12.70%

(b) Share Options granted by NTE Inc.

Name of Director	Number of share options held	Number of underlying shares of the associated corporation
Mr. Koo Ming Kown	30,000	30,000
Mr. John Quinto Farina *(Note 5)*	40,000	40,000

Notes:

(1) The shares are held by Asano Company Ltd., a company beneficially owned as to approximately 49.9999% by Mr. Asano and his spouse, Ms. Tazuko Asano.

(2) The shares are held by Value Scale Investments Limited of which Ms. Rosalind G.D. Beczak, the spouse of Mr. Beczak, is the ultimate beneficial owner.

(3) The shares are held by Ms. May Thiri, the spouse of Mr. Pyrke.

(4) The common shares are held jointly by Mr. Koo and his spouse, Ms. Sui Sin Cho.

(5) Mr. John Quinto Farina will be appointed as a Non-executive Director of the Company with effect from 1 August 2007. The share options granted to him is subject to a vesting period of 1 year with effect from 14 May 2007.

Save as disclosed above, no Directors or chief executives have any interests or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to be have under such provisions), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and SEHK pursuant to the Listing Rules.

DIRECTORS' BENEFITS FROM RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above and "Share Options" below, at no time during the six months ended 30 June 2007 was the Company, its holding company or its subsidiaries a party to any arrangements which enabled the Directors of the Company (including their spouses or children under 18 years of age), to acquire benefits by means of acquisition of shares in or debenture of the Company or any other body corporate.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far as is known to any Director or chief executive of the Company, as at 30 June 2007, shareholders who had interests or short positions in the shares or underlying shares of the Company which would have to be disclosed to the Company and SEHK under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests or short positions which were taken or deemed to be have under such provisions), or which were recorded in the register of interests required to be kept by the Company under Section 336 of the SFO or, who were or were expected directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group, were as follows:

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

Name of substantial shareholder	Number of ordinary shares beneficially held	Approximate percentage of the issued share capital of the Company
NTE Inc.	645,229,470	73.18%

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

SHARE OPTIONS

(I) Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme is to recognize 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 Share Option Scheme is 20,000,000 and no further options shall be granted under the Pre-IPO Share Option Scheme.

Details of the share options which were granted under the Pre-IPO Share Option Scheme and remained outstanding as at 30 June 2007 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 2007	Options granted during the period	Options exercised during the period	Options lapsed during the period	Options cancelled during the period	Options outstanding as at 30 June 2007
(1) Director										
Ms. Wong Kuen Ling, Karene	6 April 2004	HK$3.88	28 April 2004 to 27 April 2014	*Note 1*	7,000,000	-	-	-	-	7,000,000
(2) Employees Under Continuous Employment Contract	6 April 2004	HK$3.88	28 April 2004 to 27 April 2014	*Note 1*	7,720,000	-	-	200,000 *Note 2*	-	7,520,000
					14,720,000	-	-	200,000	-	14,520,000

Notes:

(1) During the first 12 months from 28 April 2004, no option might be exercised by any of the directors or employees.

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

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

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

(2) 200,000 share options lapsed during the interim period due to the cessation of employment of 1 staff member.

(II) Share Option Scheme

On 8 April 2004, the Company adopted a share option scheme ("Share Option Scheme"). During the six months ended 30 June 2007, no options under the Share Option Scheme have been granted.

CORPORATE GOVERNANCE

The Group continues to achieve high standards of corporate governance which it believes is crucial to the development of the Group and to safeguard the interests of the Company's shareholders.

The Board has adopted the terms of the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 of the Listing Rules . Having made specific enquiry of all Directors, the Directors confirmed that they have complied with the Model Code for any part of the period ended 30 June 2007.

The Company has also taken effective measures to ensure that it is in compliance with the code provisions and as far as reasonably practicable the recommended best practices of the Code on Corporate Governance Practices (the "Corporate Governance Code"). In the opinion of the Board, the Company has also fully complied with the code provisions and a majority of the recommended best practice of the Corporate Governance Code throughout the accounting period ended 30 June 2007.

In compliance with the code provisions of the Corporate Governance Code, the Company has set up an Audit Committee and a Remuneration Committee under the Board. The Board considers the determination of the appointment and removal of Directors to be the Board's collective decision and thus does not intend to adopt the recommended best practice of the Corporate Governance Code to set up a Nomination Committee.

To further enhance its corporate governance, the group of companies of NTE Inc., a New York Stock Exchange listed company, successfully complied with U.S. Sarbanes-Oxley Section 404 (the "Act") at the first attempt in the year ended 31 December 2006. The Act focuses mainly on the effectiveness of internal control and essentially requires the management to annually state its responsibilities in establishing and maintaining an adequate internal control structure and procedure for financial reporting; and to conduct an assessment of the effectiveness of the Group's internal controls over financial reporting, followed by an attestation of the management's assertions as well as the effectiveness of the Group's internal controls over financial reporting by its external auditors. To this end, the Company has set up a task force which follows the methodology and time schedule of NTE Inc. to ensure that the internal control requirements under the Act can be fully complied with accordingly. Besides, the Company has engaged its external auditors to review its financial statements on a quarterly basis in year 2007.

AUDIT COMMITTEE

The Audit Committee comprises three Independent Non-executive Directors, Mr. Chan Tit Hee, Charles, Mr. Thaddeus Thomas Beczak and Mr. Roger Simon Pyrke. Mr. Chan is the chairman of the Audit Committee. The Audit Committee has adopted terms of reference which are in line with the Corporate Governance Code. The Group's unaudited financial statements for the six months ended 30 June 2007 have been reviewed by the Audit Committee, who is of the opinion that such statements comply with applicable accounting standards and legal requirements, and that adequate disclosures have been made.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three Non-executive Directors, Mr. Thaddeus Thomas Beczak, Mr. Koo Ming Kown and Mr. Roger Simon Pyrke. Mr. Beczak is the chairman of the Remuneration Committee. The Remuneration Committee has adopted terms of reference which are in line with the Corporate Governance Code. The Remuneration Committee met once at the end of each year to review the remuneration packages of the executive Directors and members of the senior management.

By Order of the Board
Kazuhiro Asano
Chairman

Hong Kong, 30 July 2007