THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for shares in Nam Tai Electronic & Electrical Products Limited or any other company mentioned therein.

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in Nam Tai Electronic & Electrical Products Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

Namtai

NAM TAI ELECTRONIC & ELECTRICAL PRODUCTS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2633)

A Very Substantial Acquisition, A Discloseable Transaction and Connected Transactions for Nam Tai Electronic & Electrical Products Limited

Involving the sale of Namtek Interests by Nam Tai Electronic & Electrical Products Limited to J.I.C. Technology Company Limited, and the sale of the Zastron Interest and the Jetup Interest by Nam Tai Electronics, Inc. to Nam Tai Electronic & Electrical Products Limited

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

DBS

A letter from the NTEEP Independent Board Committee containing recommendation to the NTEEP Independent Shareholders is set out on pages 55 to 56 of this circular. A letter from DBS Asia containing its advice to the NTEEP Independent Board Committee and the NTEEP Independent Shareholders is set out on pages 57 to 101 of this circular.

A notice convening an extraordinary general meeting of Nam Tai Electronic & Electrical Products Limited to be held at 10:30 a.m. on 20th December, 2007 is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you intend to be present at the meeting, you are requested to complete the attached form of proxy in accordance with the instructions printed thereon and deposit the same at Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the extraordinary general meeting or any adjourned meeting. The completion and return of the form of proxy will not preclude you from attending and voting in person should you so wish.

5th December, 2007

EXPECTED TIMETABLE

	2007
Latest time for lodging proxy forms for the NTEEP EGM	10:30 a.m. on Tuesday, 18th December
Latest time for lodging transfer forms (accompanied by NTEEP Share certificates) in order to be entitled to attend and vote at the NTEEP EGM	4:30 p.m. on Tuesday, 18th December
Closure of the register of members of NTEEP for determination of entitlements to attend and vote at the NTEEP EGM	9:00 a.m. on Wednesday, 19th December until 4:30 p.m. on Thursday, 20th December
Suspension of trading of NTEEP Shares	Thursday, 20th December
The NTEEP EGM to be held at The Mandarin Oriental Hong Kong, No. 5 Connaught Road, Central, Hong Kong	10:30 a.m. on Thursday, 20th December
Announcement of the results of the NTEEP EGM	on or before Friday, 21st December
Resumption of trading of NTEEP Shares	9:30 a.m. on Friday, 21st December

RECOMMENDATION

The NTEEP Board, the NTEEP Independent Board Committee and DBS Asia, the independent financial adviser, are of the unanimous view that you should vote for the NTEEP Agreement and the Namtek Agreement in the NTEEP EGM to effect the Reorganization. The reasons are set out below.

IMPROVEMENTS IN REORGANIZATION TERMS

After the publication of the Announcement on 8th October, 2007, a number of NTEEP Independent Shareholders expressed their views on the Reorganization to NTEEP Board. To upkeep a high standard of corporate governance, the NTEEP Board, the board of NTEI and the NTEEP Independent Board Committee worked closely together to analyze the views of the NTEEP Independent Shareholders. After a thorough review, the NTEEP Board, the board of NTEI and the NTEEP Independent Board Committee resolved to make changes to the terms and conditions of the Reorganization to accommodate the views of the NTEEP Independent Shareholders, while at the same time keeping the Reorganization a balanced proposal.

The table below summarizes the major changes to the terms and conditions of the original NTEEP Agreement:

	Original NTEEP Agreement	**Supplemental NTEEP agreement**
Zastron's Dividends	Zastron will distribute US$38.5 million (HK$300 million) in cash as dividends to NTEI prior to the Reorganization	Zastron will not distribute such dividends to NTEI
Transaction	NTEEP will acquire 91% interests in Jetup	NTEEP will acquire 100% interests in Jetup
Payment method	(i) US$311,430,295 (HK$2,429.2 million) in NTEEP CB (ii) HK$300,000,000 (US$38.5 million) in cash	(i) US$311,430,295 (HK$2,429.2 million) in NTEEP Loan (ii) HK$325,373,700 (US$41.7 million) in cash

The supplemental NTEEP agreement has the following benefits over the original NTEEP Agreement:

– As there will be no issue of new NTEEP Shares or any rights to subscribe for NTEEP Shares, there will be no change in shareholding of NTEEP, and hence no dilution of shareholding interests of the existing NTEEP Independent Shareholders, which would have been significant upon conversion of the NTEEP CB under the original NTEEP Agreement;

– improvement in earnings before interest, taxation, depreciation and amortization of the Enlarged NTEEP by 53.2% to US$61.1 million (HK$476.5 million) as compared with that of the NTEEP Group immediately prior to the Reorganization for the 6-month period ended 30th June 2007 on a pro forma basis, according to the NTEEP 2007 Pro forma Accounts;

– improvement in net asset value of the Enlarged NTEEP by 4.0% from US$186.9 million (HK$1,457.8 million) to US$194.5 million (HK$1,516.8 million), as at 30th June, 2007;

– additional cash of US$38.5 million (HK$300 million) in NTEEP, which would have been distributed to NTEI prior to Reorganization pursuant to the original NTEEP Agreement; and

– Full control of Jetup, which will make the Reorganization more complete.

HOW TO VOTE

If you find the Reorganization attractive and would like to approve it, you should vote for both the ordinary resolutions 1 and 2 in the notice of the NTEEP EGM set out on pages EGM-1 to EGM-2 in this circular.

If you only find the sale of Namtek under the Namtek Agreement attractive and would like to approve only the Namtek Agreement, you should vote for ordinary resolution 1 in the notice of the NTEEP EGM set out on page EGM-1 in this circular.

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

"Associates"	Associates as defined in the Listing Rules
"Bluetooth®"	Bluetooth® wireless technology. The Bluetooth word mark and logos are owned by the Bluetooth SIG. Inc. and any use of such marks by NTEEP is under licence
"CMOS"	Complementary metal-oxide-semiconductor, is a major class of integrated circuits. This technology is used in a wide variety of analog circuits such as image sensors, data converters, and highly integrated transceivers for many types of communication
"COB"	Chip on board, a technology that utilizes wire bonding to connect large-scale integrated circuits directly to printed circuit boards
"COF"	Chip on film, an assembly method for bonding integrated circuit chips and other components onto a flexible printed circuit. This process allows for greater compression of the size of a product when assembled enabling the production and miniaturization of small form factor devices like cellular phones, personal digital assistant, digital cameras and notebook computers
"COG"	Chip on glass, a process that connects integrated circuits directly to LCD panels without the need for wire bonding
"Connected Transaction"	A connected transaction as defined in the Listing Rules
"DBS Asia"	DBS Asia Capital Limited, a company incorporated in Hong Kong with limited liability and a licensed corporation under the SFO authorized to carry out regulated activities of type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance)
"Discloseable Transaction"	A discloseable transaction as defined in the Listing Rules
"EMS"	Electronic manufacturing services

"EMS Business"	The business of providing EMS
"Enlarged JIC"	JIC after the completion of the JIC Agreement and Namtek Agreement
"Enlarged NTEEP"	NTEEP after the completion of the Namtek Agreement and the NTEEP Agreement
"FIE"	Foreign investment enterprise
"FPC"	Flexible printed circuit
"FPHS"	Fine pitch heat seal technology that connects LCD displays to printed circuit boards produced by COB and OLB that enables very thin connections. This method is highly specialized and is used in the production of finished products such as personal digital assistants
"HKFRS"	Hong Kong Financial Reporting Standards
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"GPS"	Global positioning system
"Jetup"	Jetup Electronic (Shenzhen) Co., Ltd. (捷騰電子(深圳)有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of JIC
"Jetup Interest"	100% of the registered capital of Jetup
"JIC"	J.I.C. Technology Company 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 987
"JIC Agreement"	The conditional sale and purchase agreement entered into between JIC and NTEI on 24th September, 2007 as amended and supplemented by supplemental agreements entered into between the same parties on 5th October, 2007 and 28th November, 2007 for the sale and purchase of the Jetup Interest
"JIC Board"	Board of directors of JIC
"JIC EGM"	The extraordinary general meeting of JIC to be convened to consider and, if thought fit, approve, inter alia, the JIC Agreement and the Namtek Agreement

"JIC Enterprises"	J.I.C. Enterprises (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of JIC
"JIC Group"	JIC, JIC Enterprises, JIC Macao and Jetup
"JIC Independent Shareholders"	Shareholders of JIC independent from and not connected with NTEI or its Associates. As at the Latest Practicable Date, none of the Associates of NTEI holds any JIC Shares, and only NTEI is excluded in definition of the JIC Independent Shareholders
"JIC Macao"	J.I.C. (Macao Commercial Offshore) Company Limited, a company incorporated in Macao with limited liability and a wholly-owned subsidiary of JIC
"JIC Shares"	Ordinary share(s) of HK$0.01 (US cent 0.128) each in the issued share capital of JIC
"Latest Practicable Date"	30th November, 2007, the latest practicable date prior to the printing of this circular
"LCD"	Liquid crystal display
"LCD Backend"	A main manufacturing process for LCD panels, and is regarded as part of the process for its finished product LCD modules. It includes the precise pure water cleaning process, scribing of LCD glass, liquid crystal insertion, sealing process and breaking process, then turns the LCD mother glass into LCD panels
"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
"Macao"	The Macao Special Administrative Region of the PRC
"Major Transaction"	A major transaction as defined in the Listing Rules
"Mr. Farina"	Mr. John Quinto Farina, the Chief Financial Officer of NTEI and a non-executive director of NTEEP and JIC. Mr. Farina worked with Celestica Inc., an EMS global provider with revenue significantly larger than that of the NTEI Group, and has extensive management experience in the EMS industry

"Mr. Koo"	Mr. Koo Ming Kown, the Chairman and Chief Executive Officer of NTEI. Mr. Koo is the founder of the NTEI Group and owns 12.70% shares in NTEI as at the Latest Practicable Date
"Namtek"	Namtek (Japan) and Namtek (Shenzhen)
"Namtek Agreement"	The conditional sale and purchase agreement entered into between JIC and NTEEP on 5th October, 2007 as amended and supplemented by a supplemental agreement entered into between the same parties on 28th November, 2007 for the sale and purchase of the Namtek Interests
"Namtek Interests"	Namtek (Japan) Interest and Namtek (Shenzhen) Interest
"Namtek (Japan)"	Kabushiki Kaisha Namtek Japan (expressed in English as Namtek Japan Company Limited), a company incorporated in Japan with limited liability and a wholly-owned subsidiary of NTEEP
"Namtek (Japan) Interest"	100% of the issued share capital of Namtek (Japan)
"Namtek (Shenzhen)"	Shenzhen Namtek Co., Ltd. (深圳南迪電子技術有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of NTEEP
"Namtek (Shenzhen) Interest"	100% of the registered capital of Namtek (Shenzhen)
"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 2006 Pro forma Accounts"	The pro forma consolidated income statement of NTEEP for the year ended 31st December, 2006
"NTEEP 2007 Pro forma Accounts"	The pro forma consolidated income statement and the pro forma consolidated cash flow statement of NTEEP for the interim period ended 30th June, 2007, and the pro forma consolidated balance sheet of NTEEP as at 30th June, 2007

"NTEEP Agreement"	The conditional sale and purchase agreement entered into between NTEEP and NTEI on 24th September, 2007 as amended and supplemented by a supplemental agreement entered into between the same parties on 28th November, 2007 for the sale and purchase of the Jetup Interest and Zastron Interest
"NTEEP Board"	Board of directors of NTEEP
"NTEEP CB"	The US$311,430,295 (HK$2,429.2 million) 5-year 2.5% per annum convertible bond to be issued by NTEEP with a conversion price of US$0.23077 (HK$1.8) per NTEEP Share
"NTEEP EGM"	The extraordinary general meeting of NTEEP to be convened to consider and, if thought fit, approve, inter alia, the NTEEP Agreement and Namtek Agreement
"NTEEP Group"	NTEEP and its subsidiaries
"NTEEP Independent Board Committee"	The independent board committee formed to advise the NTEEP Independent Shareholders
"NTEEP Independent Shareholders"	Shareholders of NTEEP independent from and not connected with NTEI or its Associates. As at the Latest Practicable Date, none of the Associates of NTEI holds any NTEEP Shares, and only NTEI is excluded in definition of the NTEEP Independent Shareholders
"NTEEP Loan"	The 12-year NTEEP Loan of US$311,430,295 (HK$2,429.2 million) issued by NTEEP to NTEI with an interest rate of 3.9% per annum and annual equal principal repayment
"NTEEP Shares"	Ordinary share(s) of HK$0.01 (US cent 0.128) each in the issued share capital of NTEEP
"NTEEP Shareholder"	Holder of NTEEP Shares
"NTEI"	Nam Tai Electronics, Inc., a company incorporated in the British Virgin Islands with limited liabilities and the shares of which are listed on the New York Stock Exchange
"NTEI Group"	NTEI and its subsidiaries
"OLB"	Outer layer bonding, an advanced technology used to connect printer circuit boards and large-scale integrated circuits with a large number of connectors

"PE"	Price earnings multiples
"Percentage Ratios"	The percentage ratios as defined under Rule 14.07 of the Listing Rules
"POI"	Point of Interests, which are represented by small icons on the maps displayed on mapping products such as GPS
"PRC"	The People's Republic of China
"Reorganization"	The reorganization to be effected by way of the transactions contemplated under the JIC Agreement, the Namtek Agreement and the NTEEP Agreement
"SAFE"	The State Administration of Foreign Exchange of the PRC
"SEC"	The Securities and Exchange Commission of the United States
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"SMT"	Surface mount technology, a process by which electronic components are mounted directly on both sides of a printed circuit board, increasing board capacity, facilitating product miniaturization and enabling advanced automation of production
"sq.ft."	square feet
"sq.m."	square metres
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"STN"	Super-twisted nematic LCDs, capable of providing higher information content display systems are found in applications such as cordless phones, mobile phones, MP3 players, pocket games and personal digital assistants
"TAB"	Tape automated bonding with anisotropic conductive film, an advanced heat sealing technology that connects a LCD component with an integrated circuit in very small LCD modules, such as those used in cellular phones and pagers
"TCL Corp."	TCL Corporation, a company incorporated in the PRC and whose A shares are listed on the Shenzhen Stock Exchange of the PRC (Stock code: 000100)

"TFT"	Thin Film Transistor
"Ungeared PE"	Price-earnings multiples, (i) market capitalization of a company or (as the case may be) consideration paid for acquiring a company, less net cash as numerator, (ii) net profit after tax for a full year of that company plus interest income and less its interest expenses as denominator
"VoIP"	Voice over internet protocol
"VSA"	A very substantial acquisition as defined in the Listing Rules
"VSD"	A very substantial disposal as defined in the Listing Rules
"Yu Ming"	Yu Ming Investment Management Limited, a company incorporated in Hong Kong with limited liability and a licensed corporation under the SFO authorized to carry out regulated activities of type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management)
"Zastron"	Zastron Precision-Tech Limited, a company incorporated in the Cayman Islands with limited liability and a wholly owned subsidiary of NTEI
"Zastron Group"	Zastron and the Zastron Subsidiaries
"Zastron Interest"	100% of the registered capital of Zastron
"Zastron Subsidiaries"	Zastron Electronic (Shenzhen) Co. Ltd. (世成電子（深圳）有限公司), Zastron Precision-Flex (Wuxi) Co., Ltd. (世成晶電柔性線路板（無錫）有限公司), Zastron Precision-Tech (Wuxi) Co., Ltd. (世成晶電科技（無錫）有限公司), all are companies incorporated in the PRC with limited liability and wholly owned subsidiaries of Zastron, and Zastron (Macao Commercial Offshore) Company Limited (世成（澳門離岸商業服務）有限公司), a company incorporated in Macao with limited liability and a wholly-owned subsidiary of Zastron
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"JPY"	Japanese Yen, the lawful currency of Japan
"Rmb"	Renminbi, the lawful currency of the PRC
"US$"	United States dollars, the lawful currency of the United States

(The exchange rate of US$1.0 = HK$7.8 is used throughout this circular.)

The businesses of NTEI Group are independently managed under three different groups – the Zastron Group, the NTEEP Group (comprising Namtek) and the JIC Group.

– The Zastron Group is engaged in the manufacture and sale of LCD modules, FPC subassemblies and FPC boards.

– The NTEEP Group is engaged in the manufacture and sale of consumer electronics and telecommunications products.

– The JIC Group is engaged in the manufacture and sale of LCD products.

– Namtek is a solution provider mainly for digital dictionary software development in the Japanese electronics industry.

The management of NTEI, Zastron, NTEEP and JIC consider that a centralized management of all the manufacturing businesses with greater economies of scale would be beneficial to continued growth of the combined businesses as a whole. The Reorganization is a plan that can achieve the above purposes and at the same time balances the interests of the NTEEP Independent Shareholders.

The Reorganization involves NTEI first acquiring from JIC the Jetup Interest at a PE of effectively 13.54 times JIC's audited net profit for the year ended 31st December, 2006, as adjusted for HKFRS. Afterwards, JIC will acquire the Namtek Interests from NTEEP at a PE of effectively 10 times Namtek's unaudited combined net profit for the year ended 31st December, 2006. Then NTEEP will acquire the Zastron Interest and the Jetup Interest from NTEI at an effective PE of 10 times Zastron's unaudited and JIC's audited net profit respectively for the year ended 31st December, 2006, as adjusted for HKFRS.

The Reorganization will transform NTEEP into a global EMS provider, with an annual revenue of US$867.0 million (HK$6,762.9 million), making NTEEP the third largest listed EMS company in Hong Kong in terms of revenue based on the NTEEP 2006 Pro forma Accounts.

The reason of the Reorganization is to centralize management of all EMS Businesses of the NTEI Group. The purpose of a centralized management is to permit an efficient and effective exchange of knowhow, technology and resources between the three manufacturing subsidiaries of NTEI. As explained below, a centralized management is critical to the growth for NTEEP.

The background that led NTEI to come up with the Reorganization was that the privatization offers launched by NTEI for NTEEP and JIC in 2005 were well received by the NTEEP Independent Shareholders and the JIC Independent Shareholders. The offer for NTEEP received support from approximately 69.81% of the NTEEP Independent Shareholders, and the offer for JIC received support from approximately 79.31% of the JIC Independent Shareholders. Despite with well over a majority of support from shareholders, both privatization offers failed because of the onerous condition of a privatization offer requiring 90% shareholders' acceptance.

To enable NTEEP Independent Shareholders to understand the benefits of the Reorganization, it is necessary to explain the challenges NTEEP faces.

Since NTEEP's separate listing in April 2004, NTEEP manages its affair independently from NTEI, who could no longer interfere with the daily management of NTEEP other than as non-executive directors on the NTEEP Board. As NTEEP has full discretion as to whether or not to follow the policies, strategies, management concepts and control systems previously set by NTEI, NTEI could only indirectly influence NTEEP in the NTEEP Board, in which NTEI only have two out of a total of seven directors.

After NTEEP's listing in April 2004, NTEI noted that NTEEP began to deviate from the policies, strategies, management concepts and control systems set by NTEI, and NTEEP's net profit has been declining since its separation from NTEI. Subsequently certain risks crystallized in employee relationship, as well as technology downgrade. In an attempt to salvage NTEEP's falling profits, NTEI sold Namtek to NTEEP in May 2005, at the time when Namtek was highly profitable. But this is not a complete solution to NTEEP's emerging problems, as NTEI understands that NTEEP cannot continue its success due to the different management concepts. Accordingly, when NTEI realized that NTEEP's downward profit trend of its manufacturing operation would persist, NTEI made a privatization offer for NTEEP in October 2005 to give NTEEP Independent Shareholders an exit opportunity at HK$1.80 per NTEEP Share, 47.5% above the then market price of NTEEP Shares.

Publicity for the privatization offer was mixed. While some published highly negative comments on the privatization offer, many NTEEP Independent Shareholders called the financial adviser making the offer to express their support of the privatization offer. The result was ironical in that the privatization offer lapsed in December 2005 despite a high majority of NTEEP Independent Shareholders supported and accepted it.

At hindsight, after the failed attempt of NTEI to privatize NTEEP in December 2005, NTEEP announced two profit warnings, and reported disappointing results on sales and profit for four subsequent and consecutive quarters in 2006, as follows:

Date	Announcements
December 2005	Privatization offer lapsed
February 2006	Fourth quarter of 2005 net profit down 36.8%
May 2006	First quarter of 2006 net profit down 21.0%
July 2006	Second quarter of 2006 net profit down 65.8%
October 2006	Third quarter of 2006 net profit down 11.1%

With persistent disappointing results, NTEI took appropriate measures and proposed to the NTEEP Board in September 2006 to re-designate the Chairman to the position of Chief Executive Officer after the resignation of former Chief Executive Officer, Mr. Guy Bindels.

In 2007, NTEEP's profit trend began to reverse and reported consecutive quarterly growth in net profit as follows:

Date	**Announcements**
February 2007	Fourth quarter of 2006 net profit up 35.7%
April 2007	First quarter of 2007 net profit up 60.7%
July 2007	Second quarter of 2007 net profit up 1,076.6%
October 2007	Third quarter of 2007 net profit up 86.8%

The NTEEP Board is of the view that NTEI's involvement in supervision and check-and-balance is beneficial to NTEEP. However, NTEI's involvement in NTEEP, no matter how forceful, can only happen at the NTEEP Board level, not on daily operational level. Under the current structure, too much intervention by the management of NTEI would be considered intrusive and may even be inappropriate. However, not stepping in promptly may result in severe negligence.

In the hiring of a Chief Executive Officer by NTEEP in October 2006 prior to the re-designation of NTEEP's Chairman, only one month after commencement of the Chief Executive Officer's contract did the management of NTEEP realize that the Chief Executive Officer used fraudulent documents to secure the position. NTEI offered to assist in the hiring of an overseas Chief Executive Officer for NTEEP, and was only possible after a board approval. Despite the favourable assistance of NTEI's management to NTEEP, the procedures presently required make it highly inefficient and less effective.

All of the assistance by NTEI to NTEEP is so far free of charge. However, to carry on such kind of support to NTEEP without consideration would be unfair to NTEI. It is also intricate and takes a lot of unnecessary efforts to prepare documents for various approval procedures required for the compliance with the Listing Rules. It probably cannot be continued without grouping together the management resources of NTEI and NTEEP.

The Reorganization puts all of NTEI's manufacturing resources under the umbrella of NTEEP, including NTEI's management expertise. After completion of the Reorganization, NTEI will propose to nominate Mr. Koo and Mr. Farina (the incumbent Chairman and Chief Financial Officer of NTEI respectively) as NTEEP's Chairman and Chief Financial Officer respectively. Furthermore, they, currently the non-executive directors of NTEEP, will be proposed to be re-designated as executive directors following completion of the Reorganization. There will also be a new group Chief Executive Officer of NTEI, who is coming to join NTEI, to strengthen the business of NTEEP. A relevant announcement of NTEI is expected to be released in early 2008. It is believed that the Reorganization, together with the experience and expertise of the new Chief Executive Officer of NTEI, Mr. Koo and Mr. Farina, would help take NTEEP to a new level.

If the Reorganization is unsuccessful, NTEI will no longer be able to provide further resources to NTEEP, and NTEEP may adopt its own policy and strategy. In that case, the following corporate moves may be implemented:

1. In order to better distinguish the businesses under distinctly separate management, policy and strategy, NTEI considers it beneficial to both NTEI and NTEEP if NTEEP adopts a different name and logo other than "Nam Tai"; and;

2. NTEEP will consider other acquisitions from independent third parties to pursue its expansion which may be of greater risk and potentially more expensive.

In addition to management deficiency, NTEEP also faces numerous challenges, which can be solved by the Reorganization.

NTEEP's production facilities are located in Xixiang, Baoan, Shenzhen in the PRC. As Xixiang is becoming a commercial district, the management of NTEEP anticipates that within a matter of few years, NTEEP may be requested by the local government to relocate to facilitate the redevelopment of the area. As land in Shenzhen is becoming scarce, relocation within its vicinity is difficult. It is important for NTEEP to plan ahead and this is an opportunity to do so through the Reorganization. In conjunction with the transformation of Xixiang from an industrial to a commercial district, security is worsening in the area. Water and power supplies are unstable which also arouse concern of its future operations. Even though NTEEP has laid standby cable to power stations, the underground cable was dug out and stolen. Further, overheads of operating in Xixiang keep on increasing. The above factors make operating at NTEEP's existing facilities a challenge. Most importantly, NTEEP definitely lacks sufficient ability and knowledge to handle administration, finance, future planning as well as to maintain excellent policies, systems and relationship with parties critical to its success including its employees, customers, suppliers and local governmental bodies.

Coincidentally, Zastron has properly planned its expansion and acquired three pieces of land as follows:

Site	**Site Area**
Guang Ming New District, Shenzhen Baoan Hi-Tech Industrial Park, Shenzhen, Guangdong, the PRC	1,270,163 sq.ft.
Wuxi National Hi-tech Industries Development Zone, Wuxi, Jiangsu, the PRC	515,413 sq.ft.
Wuxi New District Meicun Town, Zhang Gong Qiao Village, Wuxi, Jiangsu, the PRC	470,357 sq.ft.

Out of the planned capital expenditure of US$62.0 million (HK$483.6 million) in 2008, US$37.5 million (HK$292.5 million) and US$24.5 million (HK$191.1 million) are to be applied to factory facilities construction and machinery respectively.

Zastron will satisfy the capital requirements by internal resources.

Compared to NTEEP's site of 566,479 sq.ft., Zastron's sites are nearly 4 times that of NTEEP. As all the three sites are located within industrial parks in lower cost areas with stable water and power supplies and good security, the Reorganization can solve NTEEP's problems. Wuxi in particular will offer NTEEP's an additional strategic advantage in that NTEEP can explore new customers in the middle part of the PRC.

In the event NTEEP moves out of its existing site, NTEEP can consider alternative use of the land including change of use to increase its value, if possible.

On the technology side, both Zastron and Jetup possess technologies that NTEEP does not have. Zastron's COG, COF and FPC unit capability belong to a higher technology and precision category. Technologies used by Jetup are also not available in NTEEP. For instance, in undertaking solar cell module development in 2006, because JIC possessed certain technology applicable in solar cell modules, NTEEP and JIC formed a joint venture to jointly develop such products. Exchanges of technologies are hindered by the requirements of the Listing Rules at present. It is believed that joining NTEEP with Zastron and Jetup will permit an environment of free exchange of technologies and will benefit the Enlarged NTEEP. The Reorganization will be able to take away all the hindrance to a free exchange of technologies. In fact, all technologies of NTEEP so far are being taken care of under the substantial assistance of the Chief Operating Officer of Zastron, Mr. L.P. Wang.

In the Reorganization, NTEI acquires the Jetup Interest at a valuation of 13.54 times JIC's 2006 audited net profit, and then sells the Jetup Interest to NTEEP at a valuation of 10 times JIC's 2006 audited net profit. It is an arrangement of NTEI to ensure that conflict of interests that might otherwise arise between the JIC Independent Shareholders and the NTEEP Independent Shareholders, if NTEEP were to acquire the Jetup Interests directly from JIC, are aligned.

As for Namtek, as NTEEP, without the direct management of NTEI, did not take any initiatives to utilize either Namtek's technology or relationship with its Japanese customers, Namtek's results also declined after the takeover by NTEEP. In fact, Namtek so far was not taken care of or managed by NTEEP since it joined NTEEP. The sale of Namtek to JIC will allow Namtek to be on its own but not under the shadow of NTEEP. JIC Board intends to let this software development business thrive in an environment where creativity is encouraged and nurtured.

NTEI has indicated that in the event the Reorganization is not approved, it will not be able to continue to support NTEEP at the NTEEP Board level or be legally involved in its daily operation, which is highly inefficient and rather ineffective. In that case, NTEI will be forced to withdraw all its support from NTEEP, and without such support, same policies, strategies, management concepts, control systems and relationships, NTEI believes that NTEEP will not be able to become a higher quality listed company in Hong Kong, and accordingly NTEEP Shareholders as a whole will suffer. So all shareholders, including NTEI, should cautiously consider the value and return of its investment position in NTEEP.

Details of the JIC Agreement, the Namtek Agreement and the NTEEP Agreement and the benefits they are expected to bring to JIC, NTEEP and NTEEP Independent Shareholders are set out in the rest of this circular.

NAM TAI ELECTRONIC & ELECTRICAL PRODUCTS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2633)

Executive Directors:	*Registered Office:*
Mr. Kazuhiro Asano *(Chairman)*	Cricket Square
Ms. Wong Kuen Ling, Karene *(Chief Executive Officer)*	Hutchins Drive
	P.O. Box 2681
Non-Executive Directors:	Grand Cayman
Mr. Koo Ming Kown	KY1-1111
Mr. John Quinto Farina	Cayman Islands
Independent Non-Executive Directors:	*Hong Kong Office:*
Mr. Chan Tit Hee, Charles	Suites 1506-1508
Mr. Thaddeus Thomas Beczak	15th Floor
Mr. Roger Simon Pyrke	One Exchange Square
	8 Connaught Place
	Hong Kong

5th December, 2007

To NTEEP Independent Shareholders

A Very Substantial Acquisition, A Discloseable Transaction and Connected Transactions for Nam Tai Electronic & Electrical Products Limited

Involving the sale of Namtek Interests by Nam Tai Electronic & Electrical Products Limited to J.I.C. Technology Company Limited, and the sale of the Zastron Interest and the Jetup Interest by Nam Tai Electronics, Inc. to Nam Tai Electronic & Electrical Products Limited

A. INTRODUCTION

NTEEP entered into the NTEEP Agreement on 24th September, 2007 and 28th November, 2007 and the Namtek Agreement on 5th October, 2007 and 28th November, 2007 as part of the Reorganization proposed by NTEI, its major shareholder. The purpose of the Reorganization is for NTEI to centralize all EMS Businesses into NTEEP and non EMS Business into JIC. The result is to turn NTEEP into the flagship listed company of the NTEI Group, and transform NTEEP into a major EMS provider in the world. Based on the NTEEP 2006 Pro forma Accounts, NTEEP would become the third largest EMS Company listed on the Stock Exchange in terms of revenue.

Pursuant to the NTEEP Agreement, NTEEP is to acquire the Jetup Interest and Zastron Interest from NTEI for a total consideration of HK$2,754,530,000 (US$353.1 million) payable HK$325,373,700 (US$41.7 million) in cash and US$311,430,295 (HK$2,429.2 million) by way of the NTEEP Loan. Pursuant to the Namtek Agreement, JIC is to acquire 100% interests in Namtek from NTEEP for HK$80,500,000 (US$10.3 million) in cash.

After completion of the Reorganization, NTEEP will own:

i. its original business in the manufacturing and sale of consumer electronic and telecommunications products with an audited revenue of US$178.3 million (HK$1,390.7 million) in 2006;

ii. 100% interests in Zastron, a key electronic component manufacturer with an audited revenue of US$627.2 million (HK$4,892.2 million) in 2006;

iii. 100% interests in Jetup, a LCD product manufacturer with audited revenue of US$64.9 million (HK$506.2 million) in 2006;

iv. three pieces of land in industrial parks with a total site area of approximately 2.3 million sq.ft. for future expansion; and

v. the existing site with a site area of approximately 0.6 million sq.ft. located in downtown Xixiang, Shenzhen, the PRC.

The NTEEP Independent Board Committee has been appointed to advise the NTEEP Independent Shareholders, and DBS Asia has been appointed to advise the NTEEP Independent Board Committee and the NTEEP Independent Shareholders in respect of the NTEEP Agreement and the Namtek Agreement.

Each of DBS Asia and the NTEEP Independent Board Committee are of the view that the terms and conditions of the NTEEP Agreement and the Namtek Agreement are fair and reasonable so far as the NTEEP Independent Shareholders are concerned.

The purpose of this circular is (i) to provide you with further information in relation to Jetup, Namtek, Zastron and NTEEP, the NTEEP Agreement and the Namtek Agreement, (ii) to set out the advice from DBS Asia to the NTEEP Independent Board Committee and the NTEEP Independent Shareholders and the recommendation of the NTEEP Independent Board Committee in respect of NTEEP Agreement and the Namtek Agreement, and (iii) to seek your approval of NTEEP Agreement and the Namtek Agreement at the NTEEP EGM, a notice of which is set out in this circular.

B. THE SYNERGY

The Enlarged NTEEP after completion of the Reorganization will pull all the manufacturing resources of NTEEP, Zastron and Jetup, which have a combined annual revenue of US$867.0 million (HK$6,762.9 million), making NTEEP the third largest listed EMS company in Hong Kong in terms of revenue based on latest audited accounts, versus NTEEP's own revenue of US$178.3 million (HK$1,390.7 million) in 2006. There exists immense synergy in the combined resources of NTEEP, Zastron and Jetup, as set out below.

1. Technology

NTEEP, Zastron and Jetup are engaged in manufacturing in the electronic industries, but each utilizes distinct technologies in their respective manufacturing processes.

It can be generalized that Zastron possesses state-of-the-art technology that demands higher precision, reliability and copes with high volume; NTEEP possesses high-end technology geared towards making finished products; while Jetup possesses high-end technology that is geared towards continuous processes for high volume production.

The merger of all of NTEEP, Zastron and Jetup will give the Enlarged NTEEP a broadened and deepened technology base to add processes to the same products or for the same customers, to improve profit margin. The Enlarged NTEEP can approach new customers with a much more competitive technology offering.

Technology	NTEEP Group	Zastron Group	Jetup Group
COF		✓✓✓	
COG		✓✓✓	✓✓✓
COB	✓✓✓	✓✓	
OLB	✓		
SMT	✓✓✓	✓✓✓	
TAB	✓	✓✓	✓✓
FPHS	✓✓		
STN			✓✓✓
LCD Backend		✓✓✓	✓✓✓
Clean room type 100	✓✓		
Clean room type 1,000		✓✓	✓✓✓
Clean room type 10,000	✓✓✓	✓✓✓	✓✓✓

✓✓✓ Strong ✓✓ Capable ✓ Possess

2. Business and Products

NTEEP Group, Zastron Group and Jetup Group are engaged in manufacturing in the electronic industries, but in different product categories. The business synergy is dynamic and can range from extending processes to the same products, which not only save costs for customers but also generate additional revenue to the Enlarged NTEEP.

Key Products	NTEEP Group	Zastron Group	Jetup Group
LCD modules		✓✓✓	✓
FPC subassemblies		✓✓✓	
FPC boards		✓✓	
Mobile phone accessories	✓✓✓		
Home entertainment products	✓✓✓		
Educational products	✓✓✓		
Optical modules	✓✓		
LCD panels and products			✓✓✓

✓✓✓ Strong ✓✓ Capable ✓ Possess

3. Customers

NTEEP Group, Zastron Group and Jetup Group are engaged in manufacturing in the electronic industries, but each has distinct major customers. Synergy exists in marketing a broadened range of services the Enlarged NTEEP can provide to the same customers.

Major Customers	NTEEP Group	Zastron Group	Jetup Group
Hikari Alphax Inc.		✓✓✓	
Sanyo Epson Imaging Devices (HK) Limited		✓✓✓	
Sharp Corporation (Excel)		✓✓✓	
Wuxi Sharp Electronic Components Co., Ltd.		✓✓✓	
GN Netcom A/S	✓✓✓		
Sony Computer Entertainment Europe Ltd.	✓✓✓		
Sony Ericsson Mobile Communications AB	✓✓✓		
Texas Instruments Incorporated	✓✓✓		
LeapFrog Enterprises, Inc.	✓✓✓		
Uniden HK Ltd.			✓✓✓

4. Others

All of NTEEP, Zastron and Jetup are optimistic of their future businesses, and will require significant resources to expand production capacity, customer base and technology.

The Enlarged NTEEP will provide a scale that would otherwise be unavailable to NTEEP alone, in joint marketing, procurement, financial management, human resources, administration in addition to customers, technology and product development.

C. CONTINGENT GROWTH STRATEGY

The management of NTEEP has realized that organic growth has its own limits. Therefore, one of the reasons for the Reorganization is that NTEEP can pursue a faster expansion by merging with businesses in which NTEEP is familiar with. The Reorganization offers such growth opportunities with low execution risk, such as differences in systems, value and philosophy. However, in the event that Reorganization is not approved by the NTEEP Independent Shareholders, NTEEP will explore other acquisition targets from independent third parties. Though such acquisitions may have a higher execution risk, they are less onerous in terms of shareholders' approval requirements pursuant to the Listing Rules, because NTEI will be able to vote its NTEEP Shares in respect of these acquisitions.

D. THE JIC AGREEMENT

1. Terms and Conditions

Date	:	24th September, 2007, 5th October, 2007 and 28th November, 2007
Purchaser	:	NTEI
Vendor	:	JIC
Transaction	:	Pursuant to the JIC Agreement, subject to the conditions set out below, JIC agreed to sell and NTEI agreed to purchase the Jetup Interest.
Consideration	:	HK$381,767,378 (US$48.9 million), agreed by the parties on arm's length negotiations.
Payment	:	Cash on or before the fifth business day after the conditions of the JIC Agreement are satisfied.

Conditions : The JIC Agreement shall be subject to the satisfaction of the following conditions:

(i) the obtaining in terms acceptable to NTEI, of all consents, approvals, clearances and authorizations of any relevant governmental authorities or other relevant third parties in the PRC as may be necessary for the execution and implementation of the JIC Agreement;

(ii) Jetup receiving all relevant consents and approvals from third parties as may be necessary in connection with the proposed change in shareholding of Jetup so as to ensure that Jetup maintains all its existing contractual and other rights following the transfer of the Jetup Interest (including, without limitation, the consent of the existing bankers of Jetup to continue to provide the existing banking facilities to Jetup following the transfer of the Jetup Interest);

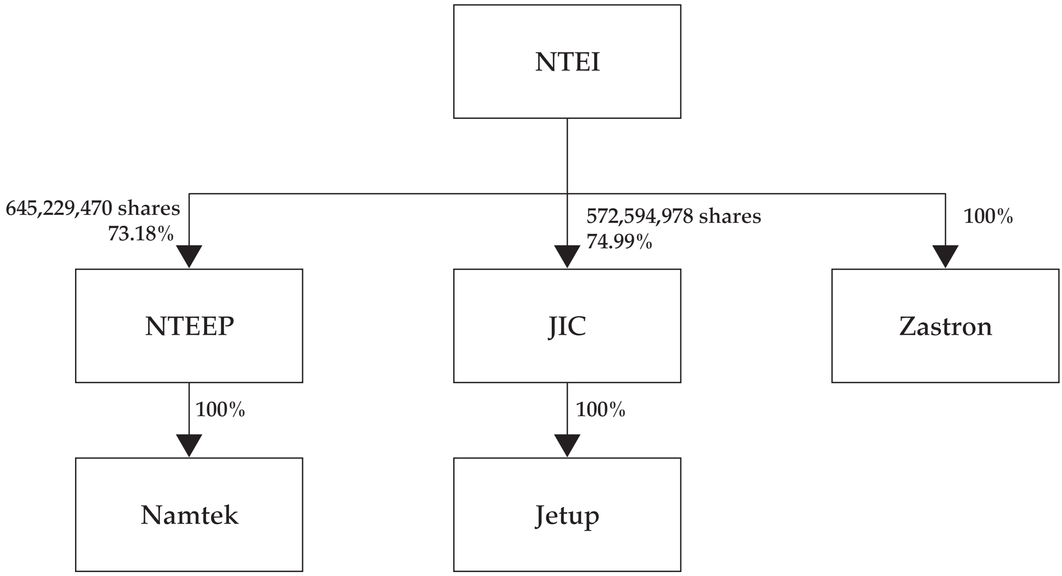
(iii) the passing at JIC EGM of ordinary resolution(s) approving the JIC Agreement and the transactions contemplated therein by the JIC Independent Shareholders; and

(iv) completion of the Namtek Agreement becoming unconditional in all respects (save in respect of any condition relating to completion of the JIC Agreement as supplemented and amended).

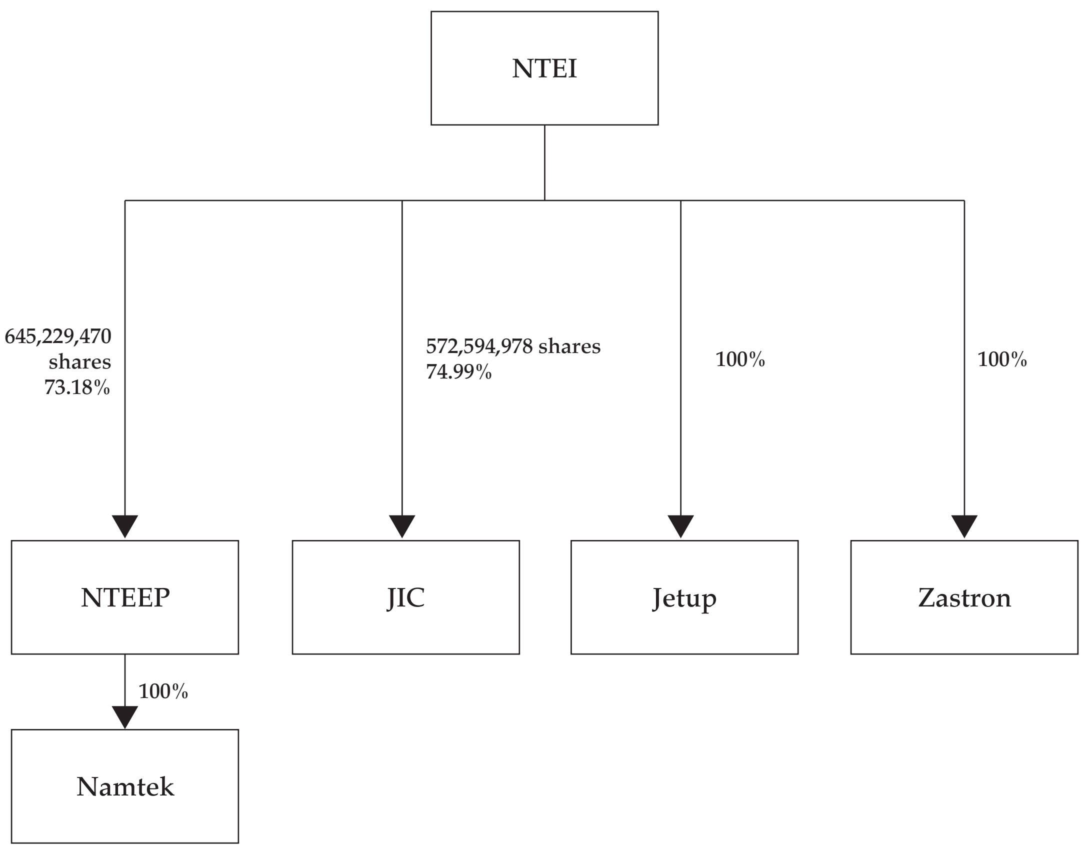
If any of the above conditions is not fulfilled on or before 31st December, 2007 (or such other date as otherwise agreed by the parties), then this Agreement will immediately terminate and all rights and obligations of the parties shall cease immediately upon termination.

2. Effect on Shareholding Structure

The following chart shows the existing structure of NTEI Group.



The following chart shows the structure of NTEI Group after completion of the JIC Agreement.



E. THE NAMTEK AGREEMENT

1. Terms and Conditions

Date	:	5th October, 2007 and 28th November, 2007
Purchaser	:	JIC
Vendor	:	NTEEP
Transaction	:	Pursuant to the Namtek Agreement, subject to the conditions set out below, NTEEP agreed to sell and JIC agreed to purchase the Namtek Interests.
Consideration	:	HK$80,500,000 (US$10.3 million), agreed by the parties on arm's length negotiations.
Payment	:	Cash on or before the fifth business day after the conditions of the Namtek Agreement are satisfied.
Conditions	:	The Namtek Agreement shall be subject to the satisfaction of the following conditions:

(i) the obtaining in terms acceptable to JIC, of all consents, approvals, clearances and authorizations of any relevant governmental authorities or other relevant third parties in Japan, the PRC or any part of the world as may be necessary for the execution and implementation of the Namtek Agreement;

(ii) Namtek (Japan) and Namtek (Shenzhen) receiving all relevant consents and approvals from third parties as may be necessary in connection with the proposed change in shareholding of Namtek (Japan) and Namtek (Shenzhen) so as to ensure that Namtek (Japan) and Namtek (Shenzhen) maintain all their existing contractual and other rights following the transfer of the Namtek (Japan) Interest and Namtek (Shenzhen) Interest (including, without limitation, the consent of the existing bankers of Namtek (Japan) and Namtek (Shenzhen) to continue to provide the existing banking facilities to Namtek (Japan) and Namtek (Shenzhen) following the transfer of the Namtek (Japan) Interest and Namtek (Shenzhen) Interest);

(iii) the passing at NTEEP EGM of ordinary resolution(s) approving the Namtek Agreement and the transactions contemplated therein by the NTEEP Independent Shareholders;

(iv) the passing at JIC EGM of ordinary resolution(s) approving the Namtek Agreement and the transactions contemplated therein by the JIC Independent Shareholders; and

(v) completion of the JIC Agreement becoming unconditional in all respects (save in respect of any condition relating to completion of the Namtek Agreement).

If any of the above conditions is not fulfilled on or before 31st December, 2007 (or such other date as otherwise agreed by the parties), then this Agreement will immediately terminate and all rights and obligations of the parties shall cease immediately upon termination.

2. Basis of the Consideration

The valuation of Namtek is based on a PE of 10 times Namtek's unaudited combined net profit for the year ended 31st December, 2006, which implies a PE of 12.53 times Namtek's unaudited combined trailing 12-month net profit for the period ended 30th September, 2007.

As Namtek is not a core business of NTEEP, NTEEP believes that the disposal will free the time and resources of the management and allow them to focus on its core manufacturing business. Based on the closing price of NTEEP Shares as at 24th September, 2007, the PE in relation to the NTEEP's audited net profit for the year ended 31st December, 2006 was 11.22 times, and the PE in relation to the NTEEP's unaudited trailing 12-month net profit for the period ended 30th September, 2007 (excluding a one-time gain on the sale of shares of TCL Corp. and a one-time provision relating to Namtek) was 6.66 times. Although NTEEP acquired the then group of companies of Namtek at US$26.7 million (HK$208.7 million) in May 2005, that consideration was based on the PE in relation to its combined net profit for the year ended 31st December, 2004, which was higher than that for the year ended 31st December, 2006 by 150.4%. Therefore, the NTEEP Board, including members of the NTEEP Independent Board Committee, considers that the consideration and the terms and conditions of the Namtek Agreement are on normal commercial terms, fair and reasonable and in the interests of the NTEEP Independent Shareholders and NTEEP as a whole.

Ungeared PE has not been adopted to determine the consideration for the Namtek Agreement because of the following reasons:

1. The share price of NTEEP has already factored in net cash position of NTEEP. Therefore, the use of normal PE already reflects a fair valuation of NTEEP;

2. Ungeared PE should be used only when the company concerned distributes all its cash to its shareholder. It is unlikely that NTEEP will make substantial cash distribution to its shareholder because NTEEP has to retain its cash to acquire Zastron Interest and Jetup Interest if the Reorganization is completed. If the Reorganization is unsuccessful, the

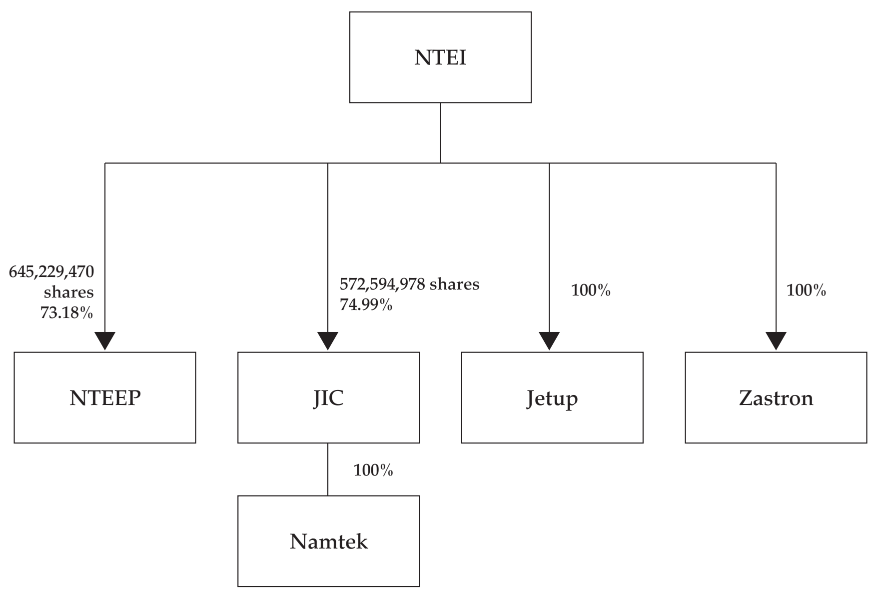
management of NTEEP will explore other acquisition targets from independent third parties (although concrete plans have yet to be hammered out); and

3. NTEEP can currently enjoy tax rebate in the PRC only if the profit is reinvested in the PRC subsidiary. As such, in order to enjoy such tax rebate, NTEEP has no intention to distribute its profit out of the PRC to its shareholder.

In view of the above and for the sake of consistent comparison, normal PEs have therefore been used to determine the consideration.

3. Effect on Shareholding Structure

The following chart shows the structure of NTEI Group after completion of the JIC Agreement and Namtek Agreement.



Upon completion of JIC Agreement and Namtek Agreement, NTEEP will cease to have any shareholding in Namtek.

4. Benefits to NTEEP and NTEEP Independent Shareholders

(i) Namtek does not fit well within the structure of NTEEP, the latter of which is manufacturing oriented with a scale designed for mass production. Namtek is a non-core asset of NTEEP. The sale of Namtek will reduce NTEEP's management time and resources to monitor and oversee Namtek's performance.

(ii) It is estimated that NTEEP will realize a profit of approximately US$7.9 million (HK$61.9 million) upon completion of the Namtek Agreement, arising from surplus over book cost as at 31st December, 2006. The sale proceeds are intended to be used as working capital.

5. Type of Transactions

NTEEP is a subsidiary of the substantial shareholder of JIC and is therefore its connected person pursuant to Rule 14A.11 of the Listing Rules. As such, the transactions contemplated under the Namtek Agreement constitute a Connected Transaction for JIC, and are subject to disclosure to and approval of the JIC Independent Shareholders by way of poll at the JIC EGM, where NTEI and its Associates are required to abstain from voting. As at the Latest Practicable Date, only NTEI but not its Associates owns JIC Shares.

Since one or more of the Percentage Ratios exceed 25% in respect of the acquisition of the Namtek Interests by JIC, the transactions contemplated under Namtek Agreement constitute a Major Transaction for JIC.

JIC is a subsidiary of the substantial shareholder of NTEEP and is therefore its connected person pursuant to Rule 14A.11 of the Listing Rules. As such, the transactions contemplated under the Namtek Agreement constitute a Connected Transaction for NTEEP, and are subject to disclosure to and approval of the NTEEP Independent Shareholders by way of poll at the NTEEP EGM, where NTEI and its Associates are required to abstain from voting. As at the Latest Practicable Date, only NTEI but not its Associates owns NTEEP Shares.

Since one or more of the Percentage Ratios exceed 5% in respect of the disposal of the Namtek Interests by NTEEP, the transactions contemplated under Namtek Agreement constitute a Discloseable Transaction for NTEEP.

F. THE NTEEP AGREEMENT

1. Terms and Conditions

Date	:	24th September, 2007 and 28th November, 2007
Purchaser	:	NTEEP
Vendor	:	NTEI
Transaction	:	Pursuant to the NTEEP Agreement, subject to the conditions set out below, NTEI agreed to sell and NTEEP agreed to purchase the Jetup Interest and the Zastron Interest.
Consideration	:	HK$2,754,530,000 (US$353.1 million), agreed by the parties on arm's length negotiations.
Payment	:	(i) HK$325,373,700 (US$41.7 million) in cash on or before the fifth business day after the conditions of the NTEEP Agreement are satisfied; and (ii) US$311,430,295 (HK$2,429.2 million) by NTEEP Loan.

Conditions : The NTEEP Agreement shall be subject to the satisfaction of the following conditions:

(i) the obtaining in terms acceptable to NTEEP, of all consents, approvals, clearances and authorizations of any relevant governmental authorities or other relevant third parties in the PRC and the Cayman Islands as may be necessary for the execution and implementation of the NTEEP Agreement;

(ii) Jetup and all members of the Zastron Group receiving all relevant consents and approvals from third parties as may be necessary in connection with the proposed change in shareholding of Jetup and the Zastron Group so as to ensure that Jetup and all members of the Zastron Group maintain all their respective existing contractual and other rights following the transfer of the Jetup Interest and the Zastron Interest (including, without limitation, the consent of the existing bankers of Jetup and all members of the Zastron Group to continue to provide the existing banking facilities to Jetup and all members of the Zastron Group following the transfer of the Jetup Interest and the Zastron Interest);

(iii) the passing at the NTEEP EGM of ordinary resolution(s) approving the NTEEP Agreement and the transactions contemplated by the NTEEP Agreement by the NTEEP Independent Shareholders; and

(iv) the passing at the JIC EGM of ordinary resolution(s) approving the JIC Agreement and the transactions contemplated by the JIC Agreement by the JIC Independent Shareholders.

(Effectively, the NTEEP Agreement is also conditional on the Namtek Agreement, as the JIC Agreement and the Namtek Agreement are interconditional.)

If any of the above conditions is not fulfilled on or before 31st December, 2007 (or such other date as otherwise agreed by the parties), then the Agreement will immediately terminate and all rights and obligations of the parties shall cease immediately upon termination.

2. Terms and Conditions of the NTEEP Loan

Borrower	:	NTEEP
Lender	:	NTEI
Instrument	:	Unsecured loan
Principal amount	:	US$311,430,295 (HK$2,429.2 million)

Interest rate	:	3.9% per annum payable annually in arrears
Maturity	:	12 years from the date of issue
Principal repayment	:	Annual equal principal instalment (that is, each instalment of US$25,952,525 (HK$202.4 million) (first repayment on 31st December, 2008)

3. Basis of the Consideration

The valuation of Jetup is based on a PE of 10 times JIC's audited net profit for the year ended 31st December, 2006, which implies a PE of 29.40 times JIC's unaudited consolidated trailing 12-month net profit for the period ended 30th September, 2007. Prior to the completion of the JIC Agreement, JIC's operation is carried out by Jetup, and JIC Macao provided consultancy, administration and data processing services to Jetup for remuneration. After completion of the JIC Agreement, Jetup would no longer use JIC Macao for those services, but instead performs those functions by itself. As disclosed in the pro forma financial information of the Enlarged JIC in Appendix V of the circular of JIC dated 5th December, 2007, assuming that Jetup had taken up all operations of JIC Macao and listing expenses of JIC, the profit and loss statements of Jetup would be effectively the same as that of JIC.

The valuation of Zastron is also based on 10 times Zastron's unaudited consolidated net profit for the year ended 31st December, 2006, which implies a PE of 15.68 times Zastron's unaudited consolidated trailing 12-month net profit for the period ended 30th September, 2007.

On balance, considering the benefits brought by the acquisition of Jetup Interest and Zastron Interest as depicted in the paragraph 4 below, although the aforementioned PEs of JIC and Zastron were higher than that of NTEEP (that is, 6.66 times based on the NTEEP's unaudited trailing 12-month net profit for the period ended 30th September, 2007 (excluding a one-off gain on the sale of shares of TCL Corp. and a one-time provision relating to Namtek) and the closing price of NTEEP Shares as at 24th September, 2007, the NTEEP Board, including members of the NTEEP Independent Board Committee, considers that the acquisition of Jetup Interest and Zastron Interest represents a fair and reasonable consideration and in the interests of the NTEEP Independent Shareholders and NTEEP as a whole.

Ungeared PE has not been adopted to determine the consideration for the NTEEP Agreement because such PE should be used only when the company concerned distributes all its cash to its shareholder. It is unlikely that Zastron will make substantial cash distribution to its shareholder because Zastron requires cash to fund its capital investment plan, details of which are set out in page 11 of this circular.

In view of the above and for the sake of consistent comparision, normal PEs have therefore been used to determine the consideration.

4. Benefits to NTEEP and NTEEP Independent Shareholders

(i) The Reorganization will transform NTEEP into a global EMS provider with an annual revenue of US$867.0 million (HK$6,762.9 million), making NTEEP the third largest listed EMS company in Hong Kong in terms of revenue based on the NTEEP 2006 Pro forma Accounts.

(ii) According to the NTEEP 2006 Pro forma Accounts and NTEEP 2007 Pro forma Accounts, earnings before interest, taxation, depreciation and amortization of the Enlarged NTEEP for the year ended 31st December, 2006 and the 6-month period ended 30th June, 2007 would increase by 217.0% and 53.2% to US$76.0 million (HK$593.0) and US$61.1 million (HK$476.5) respectively, as compared with that of the NTEEP Group immediately prior to the Reorganization.

(iii) NTEEP's overheads are rising more rapidly than expected due to high cost of operating manufacturing facilities in downtown area in Xixiang, Baoan, Shenzhen, the PRC. Labour costs and security concerns are constant problems for the management. Tense supply of water and electricity make it difficult for NTEEP to meet customers' orders and is becoming a threat of loss of business and customers to competitors. The Reorganization allows NTEEP to acquire not only two profitable businesses, it comes with three pieces of land from Zastron for future expansion in two industrial parks with a land site area nearly 4 times the existing site of NTEEP. Two of the sites are located in Wuxi and one in Guangming, Shenzhen – all acquired by the Zastron Subsidiaries in the PRC at a relatively low cost. The NTEEP Agreement provides huge expansion opportunities to the Enlarged NTEEP in lower cost areas of the PRC, with reliable water and electricity supplies and better security.

(iv) Upon completion of the NTEEP Agreement, NTEEP will have much more diversified products and a new customer base.

(v) The Reorganization will remove connected transaction implications for the Enlarged NTEEP for technology exchange or co-operation and therefore makes transfer of higher precision and manufacturing technology amongst NTEEP, Zastron and Jetup much easier.

(vi) After the Reorganization, dealings between NTEEP, Jetup and Zastron would no longer be connected transactions, therefore sharing and reallocation of resources are made possible – funding, land, enterprise resources planning, manufacturing facilities and so on.

(vii) With a much more sizeable operation, reduced overheads and greater economies of scale, the management of NTEEP is more confident in the growth prospects of the business. As such, a more liberal dividend policy may be considered for the future, benefiting the NTEEP Shareholders.

(viii) If appropriate, moving to the new industrial parks will enable NTEEP to serve customers in both the middle and southern parts of the PRC, improving the business prospects of NTEEP Group.

(ix) Accordingly, after moving to Zastron's new sites – with lower overheads, more reliable water and electricity supplies, broader customer coverage and better security – NTEEP may consider alternative use of the land site in downtown Xixiang, Baoan, Shenzhen.

(x) Zastron Group had unaudited retained earnings of US$79.2 million (HK$617.8 million) as at 30th September, 2007, which is for the benefit of NTEEP after the Reorganization.

5. Dividend Policy

NTEI proposes to procure NTEEP after completion of the Reorganization to pay a final dividend of a minimum of HK$0.20 (US cents 2.6) per NTEEP Share for the year ending 31st December, 2007. NTEI will also propose to the NTEEP Board after completion of the Reorganization to adopt a more liberal dividend policy in the future, including paying dividend twice a year totalling one third of NTEEP's net profit, subject to the final approval of the NTEEP Board and cashflow of NTEEP.

6. Type of Transactions

NTEI is a substantial shareholder of NTEEP and is therefore its connected person pursuant to Rule 14A.11 of the Listing Rules. As such, the transactions contemplated under the NTEEP Agreement constitute a Connected Transaction for NTEEP, and are subject to disclosure to and approval of the NTEEP Independent Shareholders by way of poll at the NTEEP EGM, where NTEI and its Associates are required to abstain from voting. As at the Latest Practicable Date, only NTEI but not its Associates owns NTEEP Shares.

Since one or more of the Percentage Ratios exceed 100% in respect of the transactions contemplated under the NTEEP Agreement, they constitute a VSA for NTEEP.

G. FINANCIAL IMPACT OF THE NTEEP AGREEMENT AND THE NAMTEK AGREEMENT

i. Profit

Based on the NTEEP 2006 Pro forma Accounts, consolidated net profit of NTEEP for the year ended 31st December, 2006 would increase from US$17.3 million (HK$134.9 million) to US$44.3 million (HK$345.5 million).

Based on the NTEEP 2007 Pro forma Accounts, consolidated net profit of NTEEP for the six months ended 30th June, 2007 would increase from US$32.0

million (HK$249.3 million) to US$40.2 million (HK$313.8 million). The profit comprises a one-off gain of US$43.8 million (HK$341.8 million) from the sale of all shares of TCL Corp.

ii. Net Assets

Based on the NTEEP 2007 Pro forma Accounts, NTEEP's consolidated net asset value as at 30th June, 2007 would increase from US$186.9 million (HK$1,457.8 million) to US$194.5 million (HK$1,516.8 million).

iii. Liabilities

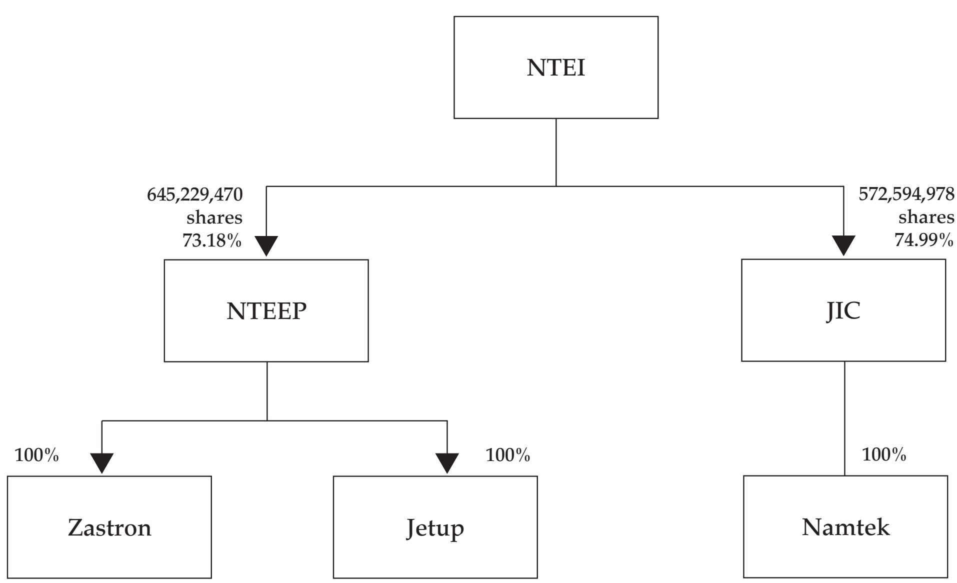
Based on the NTEEP 2007 Pro forma Accounts, NTEEP's consolidated liabilities as at 30th June, 2007 would increase from US$67.5 million (HK$526.4 million) to US$461.0 million (HK$3,595.5 million).

iv. Working Capital

Based on the NTEEP 2007 Pro forma Accounts, NTEEP's cash and bank balances as at 30th June, 2007 amount to US$145.1 million (HK$1,131.8 million). The NTEEP Board is of the view that sufficient working capital is available to the NTEEP Group to carry on its ordinary business after completion of the NTEEP Agreement and the Namtek Agreement.

H. EFFECT OF THE REORGANIZATION ON SHAREHOLDING STRUCTURE

The following chart shows the structure of NTEI Group after the completion of the Reorganization.



I. INFORMATION ON THE NTEI GROUP OF COMPANIES

1. NTEI Group

NTEI Group is an electronics manufacturing and design services provider with a worldwide coverage of customers. According to an independent market publication in August 2007, NTEI Group is amongst the top eight largest EMS providers whose securities are traded in the United States.

NTEI's shares are listed on the New York Stock Exchange with a market capitalization of approximately US$537.6 million (HK$4,193.6 million) as at the Latest Practicable Date. Audited consolidated revenue of NTEI for the financial years ended 31st December, 2005 and 31st December, 2006 were approximately US$797.2 million (HK$6,218.4 million) and US$870.2 million (HK$6,787.4 million) respectively. Audited consolidated net profit of NTEI for the financial years ended 31st December, 2005 and 31st December, 2006 were approximately US$51.3 million (HK$400.2 million) and approximately US$40.8 million (HK$317.9 million) respectively. The audited consolidated net asset value of NTEI was approximately US$317.1 million (HK$2,473.3 million) as at 31st December, 2006 (all figures prepared in accordance with generally accepted accounting principles in the United States). Major customers are Japanese corporations.

NTEI is compliant with the Sarbanes-Oxley Act of 2002 by including its auditor's resulting attestation report on management's assessment of NTEI's internal controls over financial reporting in its 2006 annual report filed with the SEC on 19th March, 2007. The Sarbanes-Oxley Act of 2002, also known as the Public Company Accounting Reform and Investor Protection Act of 2002, and commonly called SOX or Sarbox, is a United States federal law passed in response to a number of major corporate and accounting scandals that came to light early in the new millennium, including those affecting a number of major public companies in the United States. These scandals resulted in a decline of public trust in accounting and reporting practices. The legislation is wide ranging and establishes new or enhanced standards for all United States public company boards, management, and public accounting firms. The Act contains 11 titles, or sections, ranging from additional corporate board responsibilities to criminal penalties, and requires the SEC to implement requirements to comply with the new law.

2. Zastron Group

The Zastron Group was established by NTEI Group in 1992 and is engaged in the manufacture and sale of LCD modules, FPC subassemblies and FPC boards. FPC subassemblies are FPC boards enhanced by attaching electronic components, such as connectors, switches, resistors, capacitors, light emitting devices, integrated circuits, cameras and optical sensors, to the circuit. FPC boards consist of copper conductive patterns etched or printed while affixed to flexible substrate materials such as polyimide or polyester. They are used to provide connections between electronic components and as a substrate to support these electronic devices. Major customers are Japanese corporations.

The audited consolidated revenue of the Zastron Group for the financial years ended 31st December, 2005 and 31st December, 2006 were US$570.1 million and US$627.2 million respectively. The audited consolidated net profit before and after tax of Zastron Group for the financial year ended 31st December, 2005 were US$33.2 million and US$33.1 million respectively. The audited consolidated net profit before and after tax of Zastron Group for the financial year ended 31st December, 2006 were US$31.8 million and US$31.7 million respectively. The audited consolidated net asset value of Zastron was US$81.0 million as at 31st December, 2006 (all figures adjusted in accordance with HKFRS).

Management Discussion and Analysis

The following table sets out the key figures (i) in the audited consolidated income statements of Zastron Group for the 12 months ended 31st December, 2004, 2005 and 2006, and for 6 months ended 30th June, 2007; and (ii) of the financial performance for the trailing 12 months ended 30th September, 2007.

	For the six months ended 30th June,		For the trailing 12 months ended 30th September,	For the year ended 31st December,		
	2007	**2006**	**2007**	**2006**	**2005**	**2004**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
	audited	unaudited	unaudited	audited	audited	audited
Revenue:						
LCD modules	89,725	86,015	204,103	224,374	140,548	118,715
FPC modules	127,376	219,659	263,311	389,037	391,385	117,827
Others	2,907	8,712	7,570	13,789	38,136	84,546
Total	220,008	314,386	474,984	627,200	570,069	321,088
Profit attributable to the equity holders of Zastron	7,290	16,141	20,223	31,711	33,101	19,290

2007 For the trailing 12 months ended 30th September, 2007, revenue of Zastron Group dropped by 24.3% to US$475.0 million as compared with that for the year ended 31st December, 2006, mainly because sale of mobile phone by a major customer of Zastron Group dropped. This resulted in a decline in sale of FPC and other peripherals. Accordingly, profit attributable to equity holders for the period decreased by 36.2% to US$20.2 million as compared with the year 2006.

For the six months ended 30th June, 2007, revenue of the Zastron Group decreased by 30.0% to US$220.0 million as compared with that for the corresponding period in 2006. During the period, sale of mobile phone by a major customer of Zastron Group dropped, resulting in a decline in sales of FPC boards and other peripherals. Profit attributable to equity holders for the period amounted to US$7.3 million, a decrease of 54.8% from US$16.1 million reported in the corresponding period in 2006 due to a competitive pricing policy, increase in costs of raw materials and labour together with the drop in revenue.

2006 For the year ended 31st December, 2006, mobile phones equipped with TFT LCD modules became popular. Increased orders drove up the sales of LCD modules by 59.6% to US$224.4 million as compared with 2005. Moreover, sales unit of FPC subassemblies also increased. However, keen competition in mobile phone market pressurized Zastron Group's customers, which in turn affected Zastron Group's products. As a result, revenue of FPC subassemblies dropped by 0.6% to US$389.0 million.

All in all, total revenue for 2006 increased by 10.0% to US$627.2 million. However, net profit dropped by 4.2% to US$31.7 million as a result of the competitive pricing strategy.

2005 For the year ended 31st December, 2005, in view of the fierce competition and thin profit margin in the back light product market, Zastron Group discontinued that business and commenced production of FPC subassemblies in 2005. FPC subassemblies contributed revenue of US$391.4 million, representing 68.7% of total revenue in 2005.

In the meantime, a major customer, that is a mobile phone manufacturer, launched a new product with the use of TFT LCD modules, which were a relatively advanced technology at that time. In this regard, sales of the LCD modules increased by 18.4% to US$140.5 million. Total revenue in 2005 rose by 77.5% to US$570.1 million.

However, owing to keen competition in the mobile phone market and pricing pressure from customers, net profit rose by a lesser extent of 71.6% to US$33.1 million in 2005.

2004 For the year ended 31st December, 2004, a major customer of Zastron Group, which was a game console producer, diversified its product mix and launched a new product with the use of back light modules. Benefiting from the customer's policy, revenue brought by back light modules rose by 46% as compared with that for 2003. Moreover, new product of FPC subassemblies was launched during the year. Therefore, sales from this new product surged to US$117.8 million. Owing to the increased material price and pricing competition from the market, revenue of LCD modules dropped by 11.7% despite an increase in sales unit. Total revenue in 2004 rose by 43.2% to US$321.1 million from US$224.2 million in 2003.

Streamlined production process and mass production in 2004 improved efficiency, resulting in an increase of net profit by 63.6% to US$19.3 million in 2004.

Quarterly results analysis (prepared under HKFRS)

	For the third quarter ended 30th September,		**For the nine months ended 30th September,**	
	2007	**2006**	**2007**	**2006**
	US$'000	*US$'000*	*US$'000*	*US$'000*
	unaudited	unaudited	unaudited	unaudited
Revenue	90,701	148,539	310,709	462,925
Profit for the period	3,826	6,463	11,116	22,604

For the third quarter ended 30th September, 2007, sales of Zastron Group dropped by 38.9% to US$90.7 million because sales of mobile phone by a major customer of Zastron dropped. This results in a decline in sales of FPC and other peripherals. Accordingly, net profit for the period went down by 40.8% to US$3.8 million as compared with the same period last year.

As for the nine months ended 30th September, 2007, the Zastron Group recorded sales of US$310.7 million which represented a retreat of 32.9% as compared with the same period last year because sales of mobile phone by a major customer of Zastron dropped. Accordingly, net profit for the period went down by 50.8% to US$11.1 million as compared with the same period last year.

Trend and Prospects

In recent years, Zastron Group has already developed a niche in the following areas:

1. Advanced high-precision manufacturing technology

   Zastron Group is one of the few EMS providers in the PRC to effectively apply on an industrial scale a wide range of bonding and other sophisticated precision technologies such as COF, COG and TAB. The technology is not easily imitated by other competitors. With cooperation agreements with leading clients in the market, the board of Zastron expects that the niche will provide a stable growth in terms of profit and improvement in profit margin.

2. Vertical integration

Zastron Group has already started investing in FPC board production, which could an upstream integration effect on FPC module production. A new manufacturing plant is planned to be established in Wuxi (無錫), with gross floor area of approximately 470,000 sq.ft.. The plant will provide an annual production capacity of approximately 450,000 sq.m. of FPC boards. The establishment could shorten the lead time, increases operating efficiency and broaden product range, which eventually leverages the operation and attracts new businesses.

Apart from upstream integration, Zastron Group plans to fully utilize its advanced technologies to produce finished goods such as telecommunications networking products, personal computer peripherals and automotives, in the hope of exploring new revenue sources.

3. Customers relationship

Zastron Group also possesses a long-term and solid relationship with major Japanese customers namely:

1. Sharp Corporation

2. Sanyo Epson Imaging Devices (HK) Limited

3. Hikari Alphax Inc.

These three customers alone accounts for more than 40% of the LCD market share in the mobile phone industry. Close collaboration with leading customers remains an important strategy for Zastron Group in the coming years.

From the year 2008 onwards, the mobile phone market is expected to experience a double digit growth. The board of Zastron expects the LCD modules and FPC segment to experience a growth in line with the mobile phone market upon launch of new products.

Properties Valuation Reconciliation Statement

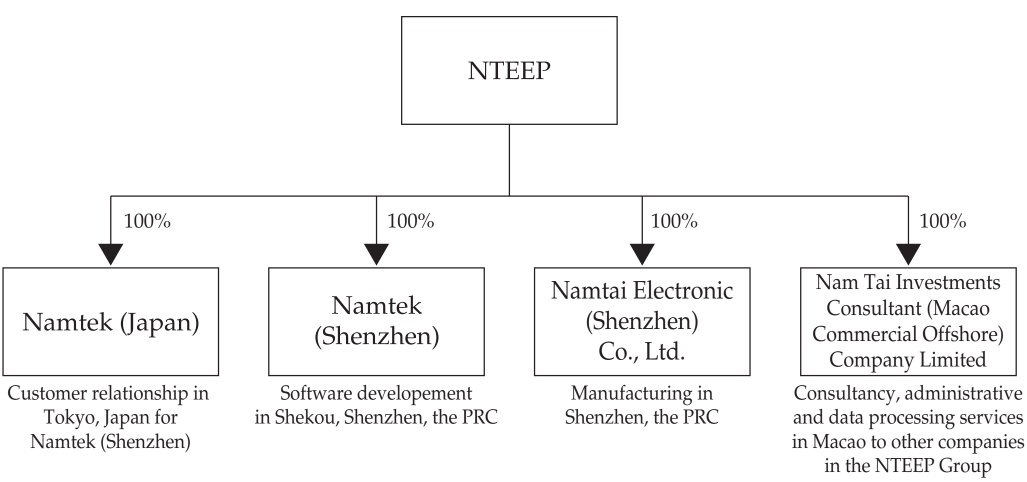
The table below shows the reconciliation of property interests of Zastron Group as at 30th June, 2007 to the unaudited net book value of the property interests of Zastron Group as at 30th September, 2007:

	Leasehold Land
	HK$'000
Net book value as at 30th June, 2007	10,463
Movement for the period from 1st July, 2007 to 30th September, 2007	
Amortisation	(52)
Net book value as at 30th September, 2007	10,411
Valuation surplus	18,589
Valuation as at 30th September, 2007	29,000

3. NTEEP Group (including Namtek)

NTEEP is a holding company, the subsidiaries of which are engaged in the manufacture and sale of consumer electronics (such as video game accessories) and telecommunications products (such as Bluetooth® headsets). NTEEP Shares are listed on the main board of the Stock Exchange and NTEEP had a market capitalization of approximately HK$1,569.4 million (US$201.2 million) as at the Latest Practicable Date.

The production facilities of NTEEP Group are at Xixiang, Baoan, Shenzhen, the PRC, with a gross floor area of 566,479 sq.ft. NTEEP has a total work force of approximately 3,000 employees in the PRC, Macao, Hong Kong and Tokyo. Customers in North America, Asia Pacific Region and Europe account for a majority of its revenue.



Management Discussion and Analysis

The following table sets out the key figures (i) in the audited income statements of NTEEP Group for the 12 months ended 31st December, 2004, 2005 and 2006; and (ii) of the financial performance for the trailing 12 months ended 30th September, 2007.

	For the trailing 12 months ended 30th September,	For the year ended 31st December,		
	2007	**2006**	**2005**	**2004**
	US$'000	*US$'000*	*US$'000*	*US$'000*
	unaudited	audited	audited	audited
Revenue	269,467	178,322	167,339	163,584
Gross profit	46,130	30,126	34,210	33,536
Profit before tax	54,389	17,535	22,527	23,548
Profit for the period/year	48,663	17,321	22,138	22,750

2007 For the trailing 12 months ended 30th September, 2007, revenue of NTEEP Group rose by 51.1% to US$269.5 million as compared with that for the year ended 31st December, 2006, mainly because of the rise in sales of mobile phone accessories and home entertainment devices. The two segments accounted for a vast majority of the turnover of NTEEP Group. The increase in turnover, coupled with a gain on disposal of shares of TCL Corp. of US$43.8 million (partly offset by the impairment loss on goodwill of Namtek of US$24.3 million), led to a 180.9% surge in profit for the period to US$48.7 million, as compared with the year 2006.

2006 In 2006, NTEEP Group recorded sales of mobile phone accessories of US$103.5 million, representing 58.0% of NTEEP Group's turnover and a significant growth of approximately 135.2% when compared to US$44.0 million for the same period last year as a result of the robust growth in sales of products featuring Bluetooth® wireless technology. Products in this category were expected to be continuously strong in view of the growing market demand for mobile phones featuring Bluetooth® wireless technology in 2007.

Sales of home entertainment devices were US$36.5 million, representing a decrease of approximately 31.1% from US$52.9 million for the same period last year. NTEEP Group was seeking more opportunities from existing and new customers for new product proposals, and it was expected that this category will remain one of NTEEP Group's major businesses in 2007.

Educational product business achieved sales of US$25.6 million, representing a slight increase of 5.0% as compared to the sales of US$24.3 million for the same period last year. NTEEP Group was actively widening its customer base and seeking opportunities to manufacture diversified products for its existing customers in order to achieve a higher growth in the coming years.

Sales of optical devices dropped to US$9.8 million, representing a reduction of 76.8% as compared to the sales for the same period last year of US$42.4 million. Extremely competitive pricing environment for camera modules in the mobile phone market continued to erode NTEEP Group's market share and margin. It was expected that realignment into camera module market for notebook computer would help NTEEP Group achieve a more moderate margin and revenue growth in this category.

Sales of software development services amounted to US$3.0 million comprising mainly the sales of the dictionary business, representing a decrease of approximately 18.9% from US$3.7 million for the same period last year. NTEEP Group would continue its development efforts on navigation system and seek more business opportunities from its current and new customers for growth in this segment. Further details are set out in the section below headed "Namtek".

2005 2005 was a very challenging year for NTEEP Group under the increasingly competitive market condition. Together with the contribution of Namtek, sales in 2005 amounted to US$167.3 million, almost flat as compared to sales of US$163.6 million in 2004.

In 2005, there was a decline in the sales of optical devices as NTEEP Group was not able to achieve the technical specification requirement of a major customer on time and thus was not successful in obtaining orders for new mega pixel CMOS camera modules from such customer. Sales in educational products also dropped as compared to that of last year. However, these were more or less compensated by the rather satisfactory increase in sales of home entertainment products and mobile phone accessories as NTEEP Group successfully secured orders from existing as well as new customers for a number of new products in these product lines.

Profit for the year dropped by 2.7% over 2004 due to the drop in gross profit as a result of the adoption of a competitive pricing policy in pursuing orders for new products from existing as well as new customers. Nevertheless, NTEEP Group still enjoyed a profitable year with a profit for the year of US$22.1 million.

2004 NTEEP Group commenced the manufacturing of CMOS image sensor modules in 2003 with substantial increase in sales in year 2004. The sales of optical devices amounted to US$63.8 million which contributed to approximately 39.0% of the total sales of NTEEP Group in year 2004.

To cope with its customers' strong demand for high resolution CMOS image sensor modules used in image capturing devices such as cellular phones with built in camera function, NTEEP Group upgraded its COB production technology by investing in new gold wire bonding COB equipment and related facilities in year 2004. The new COB gold wire bonding had the advantages of a fast bonding process, high productivity and excellent performance. It could also offer a low-cost, lightweight, and low profile solution to customers, which was critical to their latest product needs for extremely small camera modules used in mobile phone market. With the completed installation of upgraded COB equipment and successful pilot production run of high resolution CMOS image sensor modules, NTEEP Group was capable of handling CMOS image sensor modules in various package forms and further reduce the risk of component shortage and improve cost efficiency.

In 2004, NTEEP Group discontinued certain old products in the educational product category but experienced a delay in the introduction of new products. As a result, the sales of educational products during the year had been reduced by 22.5% as compared to year 2003 and the total sales achieved during the year were US$35.3 million.

Sales of home entertainment devices reached US$33.2 million from US$29.2 million for the same period last year representing a growth of approximately 13.9%, due to increasing demand for consumer electronic products. It is believed that the sales of the home entertainment devices segment would continue to record year on year growth.

Sales of mobile phone accessories amounted to US$31.2 million in year 2004, representing a decline of 36.7% when compared to that for the last year. The decline in sales was attributable to the fact that shipment of Bluetooth® headsets and desk speaker stands commenced only in May 2004 and September 2004 respectively and that the sales of snap-on cameras during the first quarter of 2003 was exceptionally high contrary to NTEEP Group's historical sales trend of relatively low sales for the first quarter.

Quarterly results analysis (prepared under HKFRS)

	For the third quarter ended 30th September,		For the nine months ended 30th September,	
	2007	**2006**	**2007**	**2006**
	US$'000	*US$'000*	*US$'000*	*US$'000*
	unaudited	unaudited	unaudited	unaudited
Revenue	90,276	50,733	220,569	129,424
Gross profit	16,528	8,972	38,840	22,836
Profit before tax	12,961	6,487	49,666	12,812
Profit for the period	12,026	6,437	43,982	12,640

For the third quarter ended 30th September, 2007, sales of the NTEEP Group increased by 77.9% to US$90.3 million this year as compared with the same period last year. The results were attributable to the increase in sales of all products. Gross profit increased by 84.2% to US$16.5 million as compared with the same period last year. Accordingly, net profit for the period increased by 86.8% to US$12.0 million.

For the nine months ended 30th September, 2007, sales of the Group increased by 70.4% to US$220.6 million when compared with the same period last year. For the same reasons as stated above, gross profit increased by 70.1% to US$38.8 million as compared with the same period last year. Net profit for the period increased by 248.0% to US$44.0 million as compared to the same period last year because of the overall increase in sales and the gain on the disposal of investments in TCL Corp.

Trend and Prospects

The mobile phone accessories business had a strong growth since 1st January, 2007, and the NTEEP Board is of the view that the prospects of this sector will continue to be good in 2007, particularly in the Bluetooth® headset products. The home entertainment business also saw a robust growth since 1st January, 2007, and the NTEEP Board is of the view that the prospects of this product segment will continue to be satisfactory in 2007. The educational product segment is a mature business of the NTEEP Group, showing a nominal growth since 1st January, 2007. The NTEEP Board expects this segment to remain steady in 2007.

Despite a good first three quarters of 2007, the NTEEP Board expects the overall market conditions to remain challenging. On the positive note, NTEEP has recently began production of the new product, Fly Fusion™ Pentop Computer, for LeapFrog Enterprises, Inc. and worked with another new customer, a leading Japanese company, in manufacturing 1.3 mega pixel CMOS image sensor modules for notebook computers.

Nevertheless, the NTEEP management remains vigilant. The appreciation of Rmb, shortage of electricity supply and increase in overheads due to inflation are amongst the problems beyond the ability of the NTEEP management. The proposed Reorganization will turn NTEEP into a major EMS provider, with a much deepened and broadened capability. With the right execution and implementation, the Reorganization is expected to bring great prospects to the NTEEP Group.

Properties Valuation Reconciliation Statement

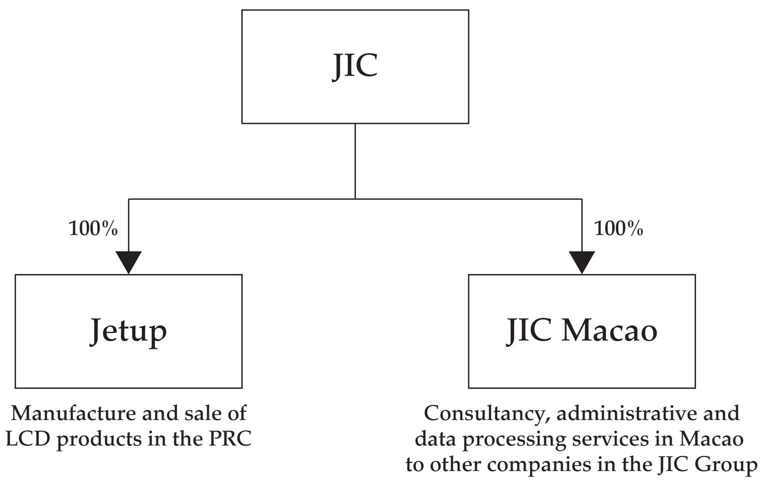
The table below shows the reconciliation of property interests of NTEEP Group as at 31st December, 2006 to the unaudited net book value of the property interests of NTEEP Group as at 30th September, 2007:

	Leasehold Land and Buildings *HK$'000*
Net book value as at 31st December, 2006	331,248
Movement for the period from 1st January, 2007 to 30th September, 2007	
Additions	1,935
Amortisation	(414)
Depreciation	(13,106)
Net book value as at 30th September, 2007	319,663
Valuation surplus	72,137
Valuation as at 30th September, 2007	391,800

4. JIC Group

JIC is an investment holding company whose business is carried out by its wholly-owned subsidiaries. JIC's principal activities are the manufacture and sale of LCD products for use in electronics products, such as watches, clocks, calculators, pocket games, personal digital assistants and mobile and cordless telephones, and car audio systems. JIC is a customized LCD product manufacturer, and develops each product from design concept all the way to a high quality mass producible product. Since 2003, JIC begun manufacturing customized LCD modules that include components such as backlights, FPC and COG. In 2005, JIC began developing LCD modules for cordless and VoIP phones. Customers in Japan, the United States and Europe, in that order of importance, account for most of the business of JIC.

The following chart shows the structure of the JIC Group and the functions of its major subsidiaries:



JIC Shares are listed on the main board of the Stock Exchange and JIC had a market capitalization of HK$336.0 million (US$43.1 million) as at the Latest Practicable Date.

Management Discussion and Analysis

The following table sets out the key figures (i) in the audited income statements of JIC for the 12 months ended 31st December, 2004, 2005 and 2006; and (ii) of the financial performance for the trailing 12 months ended 30th September, 2007.

	For the trailing 12 months ended 30th September,	For the year ended 31st December,		
	2007	**2006**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	unaudited	audited	audited	audited
Revenue	616,121	504,297	458,498	384,330
Gross profit	70,101	84,677	92,773	72,899
Profit before tax	5,355	28,794	37,964	23,956
Profit for the year	9,589	28,193	37,381	23,435

2007 For the trailing 12 months ended 30th September, 2007, revenue of JIC Group rose by 22.2% to HK$616.1 million (US$79.0 million) as compared with that for the year ended 31st December, 2006, mainly because of the rise in sales in the business of LCD modules. During the period, JIC Group suffered from yield losses and incurred overhead expenses because of the acquisition of new machines. In addition, there was fierce competitive pricing pressure in the LCD market. Therefore, net profit for the period dropped by 66.0% to HK$9.6 million (US$1.2 million) as compared with that for the year 2006.

2006 Revenue in 2006 increased moderately by 10.0% over 2005 to HK$504.3 million (US$64.7 million) as a result of growth in LCD panel business. During the year, a major customer reduced LCD module orders significantly due to its own setback in the consumer market. To compensate for the reduction in business, JIC Group solicited LCD module sales from new customers during the year. The lower production yield arising from new product, lower sales of higher margin LCD modules and competitive pricing pressure, drove the gross margin down from 20.2% in 2005 to 16.8% in 2006. As selling and research and development expenses rose 17.2% and 29.6% respectively in 2006, net profit for the year decreased by 24.6% to HK$28.2 million (US$3.6 million).

2005 JIC Group relocated to its new manufacturing facilities in January 2005 with a gross floor area of 759,428 sq.ft.. The new facilities offered upgraded machinery and expanded production capacities for both LCD panel and module products. Revenue in 2005 increased by 19.3% over 2004 to HK$458.5 million (US$58.8 million) mainly due to the significant increase in sales of LCD module products by 70.2% over 2004, representing 39.2% of the total revenue in 2005. As LCD module products offered a higher margin than other LCD products, the growth in sale of LCD module products increased gross profit by 27.3% to HK$92.8 million (US$11.9 million), and despite offset by the increase in overheads in the new and larger manufacturing plant and appreciation of Rmb, gross profit margin maintained at 20.2%. Net profit in 2005 increased by 59.5% to HK$37.4 million (US$4.8 million).

2004 Revenue for the continuing business of LCD manufacturing in 2004 increased significantly by 40.5% over 2003 to HK$384.3 million (US$49.3 million) mainly due to the significant increase in sales of products using COG technology by 92.4% over 2003, representing 27.3% of the total revenue in 2004. Despite significant costs were incurred in the preparation of the relocation of the production facilities to the new factory (including rental and utilities expenses for both the new and the old factories, overtime wages and additional headcounts) and the reduction of value added tax refund, gross profit grew by 29.2% to HK$72.9 million (US$9.3 million). Net profit for the continuing business of LCD manufacturing in 2004 increased by 22.9% to HK$23.4 million (US$3.0 million).

Quarterly results analysis (prepared under HKFRS)

	For the third quarter ended 30th September,		**For the nine months ended 30th September,**	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	unaudited	unaudited	unaudited	unaudited
Revenue	183,724	149,545	487,903	376,079
Gross profit	22,603	28,253	54,285	68,861
Profit before tax	4,610	12,857	5,112	28,551
Profit for the period	3,015	12,372	9,346	27,950

The JIC Group recorded sales of HK$183.7 million (US$23.6 million) for the third quarter ended 30th September, 2007, an increase of 22.9% over the same period last year. This growth of sales was attributable to the growth in the business of LCD modules that accounted for 60.9% of the total sales in the third quarter of 2007. However, gross profit dropped by 20.0% to HK$22.6 million (US$2.9 million) when compared with the same period last year. Taking account of a write-off of income tax recoverable of HK$2.0 million (US$0.3 million) on 2005 profit reinvestment, profit for the period was HK$3.0 million (US$0.4 million) in the third quarter of 2007 as compared with HK$12.4 million (US$1.6 million) for the same period last year.

As for the nine months ended 30th September, 2007, the JIC Group recorded sales of HK$487.9 million (US$62.6 million) which represented a growth of 29.7% over the same period last year. Although the gross profit in the second and the third quarters have improved from the first quarter of 2007, they were not enough to make an impact on profit for the period for the nine months ended 30th September, 2007 of HK$9.3 million (US$1.2 million), compared with HK$27.9 million (US$3.6 million) in the same period last year.

Trend and Prospects

Since 1st January, 2007, JIC Group's business achieved significant growth, mainly coming from growth in LCD modules. However, such an increase in the LCD modules demanded a two-fold increase in the capacity of LCD module assembly. To cope with the increase in capacity, JIC Group had acquired new machines and correspondingly, expanded the workforce. While tuning the bottleneck and balancing the productivity, JIC Group's profits dipped because of increased overheads expenses and yield losses. As at the end of the first half of 2007, JIC Group was able to attain a high-volume monthly production of 5 million LCD modules. This improved productivity would support the demand of business growth while the expected cost reduction and control in the future quarters should be able to improve profit margins.

The LCD market conditions have been competitive and challenging. In order to curb continuous pricing pressure, JIC continues to pursue business growth in the higher value LCD module products. At the same time, by focusing on manufacturing efficiencies and economies of scale, JIC also hopes to improve the profitability of LCD products with lower margins.

JIC Group has recently developed an infrastructure which will cater for an even larger and higher value module business. This includes medium-size coloured TFT module assembly and other monochrome LCD modules that required more customized and complex assembly technology. JIC Group will continue its efforts in gaining more market share in Europe, the United States and North-East Asia. In doing so, the management shall balance a portfolio of large and small volume LCD businesses with lower and higher margins respectively. The main product applications shall be coming from telecoms, white goods, industrial instruments, medical appliances and automotives.

5. Jetup

Jetup is incorporated in the PRC and is engaged in the manufacture and sale of LCD products. Jetup is the core operating subsidiary of JIC, and owns all the production facilities, knowhow, and management of the LCD manufacturing business.

The production facilities of Jetup is at Xixiang, Baoan, Shenzhen, the PRC, with a gross floor area of 759,428 sq.ft.. Jetup has approximately 3,100 employees in the PRC.

Jetup is equipped with the capability to make all passive monochrome and passive colour LCD products. Jetup has 3 lines capable of producing 150,000 pairs of substrate measuring 16 inches by 14 inches, probably one of the largest production volume in the LCD industry in southern PRC. LCD products manufactured from these lines are of the highest quality and performance and are used in highly demanding applications such as telecoms, automotives, white goods, industrial and medical instruments. Most products demand a manufacturing lifetime of 5 years or more. Jetup continuously upgrades its equipment to produce LCD products of higher volume, higher yield and quality.

In the area of LCD module assembly, COG is a crucial process to bond ICs onto the glass substrate. Since the growth of the business shall come predominantly from LCD modules, Jetup is currently equipped with the state of art COG bonding machines capable of manufacturing all sorts and sizes of passive COG LCD modules. The COG lines are set up with flexibility to handle multi-mix small volume and low-mix large volume business. The COG lines of Jetup can also be optimized to build small to medium sized TFT colour LCD panels of up to a diagonal measurement of 10 inches. TFT LCD assembly will be the new product category contributing to business growth in the next few years.

Audited revenue of Jetup for the financial years ended 31st December, 2005 and 31st December, 2006 were US$54.4 million (HK$424.5 million) and US$64.9 million (HK$506.5 million) respectively. Audited profit before tax and profit for the year of Jetup for the financial year ended 31st December, 2005 were US$4.1 million (HK$31.9 million) and US$3.8 million (HK$29.9 million) respectively. Audited profit before tax and profit for the year of the Jetup for the financial year ended 31st December, 2006 were US$2.4 million (HK$19.1 million) and US$2.3 million (HK$17.8 million) respectively. The audited net asset value of Jetup was US$21.6 million (HK$168.1 million) as at 31st December, 2006 (all figures adjusted in accordance with generally accepted accounting principles in Hong Kong).

Management Discussion and Analysis

The following table sets out the key figures (i) in the audited income statements of Jetup for the 12 months ended 31st December, 2004, 2005 and 2006, and the six months ended 30th June, 2007; and (ii) of the financial performance for the trailing 12 months ended 30th September, 2007.

	For the six months ended 30th June,		For the trailing 12 months ended 30th September,	For the year ended 31st December,		
	2007	**2006**	**2007**	**2006**	**2005**	**2004**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
	audited	unaudited	unaudited	audited	audited	audited
Revenue	39,165	29,168	78,990	64,931	54,420	47,822
Gross profit	4,079	5,150	8,987	10,825	7,911	7,720
(Loss)/profit before tax	(604)	1,226	(645)	2,447	4,096	4,468
(Loss)/profit for the period/year	(499)	1,128	(438)	2,285	3,828	4,149

2007 For the trailing 12 months ended 30th September, 2007, revenue of Jetup rose by 21.7% to US$79.0 million (HK$616.1 million) as compared with that for the year ended 31st December, 2006, mainly because of rise in sales in the business of LCD modules. During the period, Jetup suffered yield losses and incurred overhead expenses because of the acquisition of new machines. In addition, there was fierce competitive pricing pressure in the LCD market. Therefore, a net loss of US$0.4 million (HK$3.4 million) was recorded for the period ended 30th September, 2007, as opposed to profit for the year 2006 of US$2.3 million (HK$17.8 million).

For the six months ended 30th June, 2007, revenue rose by 34.3% to US$39.2 million (HK$305.5 million) as compared with that of the corresponding period in 2006, because of an increase in orders from two new customers, both of which are major players in the industry.

However, the fact that workers had yet to be familiar with the use of the new machines affects product yield. Furthermore, the needs to expand the workforce, wages and investment in machines significantly increased the cost of sales. Therefore, gross profit decreased by 20.8% to US$4.1 million (HK$31.8 million) as compared with that of the corresponding period in 2006.

To cope with the expansion plan into European and Japanese market, Jetup spent more money hiring consultancy firms to conduct market research. The costs were booked into selling and distribution costs. As a result, Jetup reported a loss for the period of US$0.5 million (HK$3.9 million).

2006 Revenue in 2006 increased by 19.3% to US$64.9 million (HK$506.5 million) as a result of growth in LCD panel business. Owing to the new manufacturing plant and the improved LCD module production capability, gross profit rose by 36.8% to US$10.8 million (HK$84.4 million) in 2006.

During the year, tremendous research and development was carried out, in preparation to produce TFT LCD modules. Moreover, selling commission expenses and consultancy fees substantially increased, resulting in a decrease in profit for the year by 40.3% to US$2.3 million (HK$17.8 million) as compared with that of the corresponding period in 2005.

2005 Revenue in 2005 increased by 13.8% over 2004 to US$54.4 million (HK$424.5 million) mainly due to a 30% increase in sales of LCD module products. In January 2005, Jetup relocated to its new manufacturing facilities, which offered Jetup more advanced machinery and expanded production capacities for both LCD panel and module products.

As the profit margin of LCD module was higher than that of LCD panel, the growth in sale of LCD module products increased gross profit by 2.5% to US$7.9 million (HK$61.7 million).

Jetup was poised to penetrate the European and Japanese markets in 2005. Two newly-hired managers were responsible for exploring the new markets, and commission fees were part of their package. Jetup also hired consultancy firms to study possible strategies to penetrate new markets. Both increased the operating expenses. Therefore, profit for the year in 2005 decreased by 7.7% to US$3.8 million (HK$29.9 million) as compared with that of the corresponding period in 2004.

2004 Revenue in 2004 increased by 48.4% over 2003 to US$47.8 million (HK$373.0 million) mainly due to the significant increase in sales of products using COG technology. Despite significant costs incurred in the preparation of the relocation of the production facilities to the new factory (including rental and utilities expenses for both the new and the old factories, overtime wages and additional headcounts) and the reduction of value-added tax refund, gross profit grew to US$7.7 million (HK$60.2 million). Accordingly, profit for the year in 2004 increased to US$4.1 million (HK$32.4 million).

Quarterly results analysis (prepared under HKFRS)

	For the third quarter ended 30th September,		For the nine months ended 30th September,	
	2007	**2006**	**2007**	**2006**
	US$'000	*US$'000*	*US$'000*	*US$'000*
	unaudited	unaudited	unaudited	unaudited
Revenue	23,316	19,254	62,481	48,422
Gross profit	2,871	3,638	6,950	8,788
Profit/(loss) before tax	45	1,307	(559)	2,533
Profit/(loss) for the period	101	1,197	(398)	2,325

Jetup recorded sales of US$23.3 million (HK$181.9 million) for the third quarter ended 30th September, 2007, an increase of 21.1% over the same period last year. This growth of sales was attributable to the growth in the business of LCD modules that accounted for 60.9% of the total sales in the third quarter of 2007. However, gross profit dropped by 21.1% to US$2.9 million (HK$22.4 million) when compared with the same period last year. Profit for the period was US$0.1 million (HK$0.8 million) in the third quarter of 2007 as compared with US$1.2 million (HK$9.3 million) for the same period last year.

As for the nine months ended 30th September, 2007, Jetup recorded sales of US$62.5 million (HK$487.4 million) which represented a growth of 29.0% over the same period last year. However, loss for the period of US$0.4 million (HK$3.1 million) for the nine months ended 30th September, 2007 was incurred, compared with profit for the period of US$2.3 million (HK$18.1 million) in the same period last year.

6. Namtek

Namtek is a solution provider mainly for digital dictionary software development in the Japanese electronics industry.

Since its establishment in 1995, Namtek has successfully developed software for over 100 models of electronic dictionaries for Japanese customers. Riding on the growth of the Japanese dictionary market, Namtek has developed itself by capitalizing on its advanced skill in data compression and search engines for dictionaries. However, owing to saturation of Japanese dictionary market, its revenue has decreased since 2006.

To recover its business, Namtek is diversifying its technology in car navigation and portable navigation engines (map matching, route planning and guidance), graphical user interface development, POI and map data compression, authoring, GPS applied product and 3G sensor application product.

Namtek's business is conducted in Shekou, Shenzhen in the PRC and Tokyo in Japan. Shekou's office occupies an area of 12,379 sq.ft., mainly responsible for software development and employs approximately 77 employees, comprising largely software engineers. Tokyo's office of Namtek occupies 904 sq.ft., mainly functions as the marketing representative office with 4 employees and is responsible for customer relationship. Namtek considers human capital as its major assets, which are not recorded on the balance sheet. Its tangible assets are mainly its working capital.

Namtek provides the following business service:

1. Software development and related service
2. Embedded software development (C Language)
3. Windows application development (Visual C, C++)
4. XML data and software Development
5. Middleware development (JPEG, MP3, G.729, USB)
6. Tool development (simulator, debugger, auto test system)
7. Digital circuit design and printed circuit board design

Namtek's current and past customers include:

1. Canon Electronic Business Machines (H.K.) Co., Ltd.
2. Kanda Tsushin Kogyo K.K.
3. KING JIM Co., Ltd.
4. NEC Corporation
5. Seiko Instruments Inc.
6. Seiko EPSON Corporation
7. Sony Corporation
8. Sony Engineering Corporation
9. Shinko Shoji K.K.
10. TANITA Corporation
11. Toshiba Corporation

Unaudited combined revenue of Namtek for the financial years ended 31st December, 2005 and 31st December, 2006 were HK$45.8 million (US$5.9 million) and HK$26.9 million (US$3.4 million) respectively. Unaudited combined net profit before and after tax of Namtek for the financial year ended 31st December, 2005 were HK$25.9 million (US$3.3 million) and HK$23.4 million (US$3.0 million) respectively. Unaudited combined net profit before and after tax of Namtek for the financial year ended 31st December, 2006 were HK$8.8 million (US$1.1 million) and HK$8.0 million (US$1.0 million) respectively. The unaudited combined net asset value of Namtek was HK$18.6 million (US$2.4 million) as at 31st December, 2006 (all figures prepared in accordance with HKFRS).

Unaudited combined revenue of Namtek for the six months ended 30th June, 2007 was HK$10.9 million (US$1.4 million). Unaudited combined net profit before and after tax of Namtek for the six months ended 30th June, 2007 were HK$3.2 million (US$0.41 million) and HK$2.9 million (US$0.37 million) respectively. Unaudited combined net asset value of Namtek was HK$21.5 million (US$2.8 million) as at 30th June, 2007 (all figures prepared in accordance with HKFRS).

As Namtek comprises two separate entities, one in Shekou, Shenzhen, the PRC and one in Tokyo, Japan, it is necessary to present the two separated financial statements to enable NTEEP Independent Shareholders to make an informed decision in the NTEEP EGM.

Management Discussion and Analysis – Namtek (Shenzhen)

The following table sets out the key figures (i) in the audited income statements of Namtek (Shenzhen) for the 12 months ended 31st December, 2004, 2005 and 2006, as well as the six months ended 30th June, 2006 and 30th June, 2007; and (ii) of the financial performance for the trailing 12 months ended 30th September, 2007.

	For the six months ended 30th June,		For the trailing 12 months ended 30th September,	For the year ended 31st December,		
	2007	**2006**	**2007**	**2006**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	audited	unaudited	unaudited	audited	audited	audited
Revenue	9,017	14,604	18,795	23,253	42,024	37,839
Gross profit	6,137	11,529	13,078	17,561	34,021	29,898
Profit before tax	3,374	5,808	7,030	8,392	24,988	23,033
Profit for the period/year	3,095	5,257	6,425	7,631	22,493	20,833

2007 For the trailing 12 months ended 30th September, 2007, revenue of Namtek (Shenzhen) dropped by 19.2% to HK$18.8 million (US$2.4 million) as compared with the year ended 31st December, 2006, mainly as a result of saturation of the Japanese market. This, coupled with a rise in research and development expenditure, led to lower net profit for the period by 15.8% to HK$6.4 million (US$0.8 million), as compared with the year 2006.

For the six months ended 30th June, 2007, revenue decreased by 38.3% to HK$9.0 million (US$1.2 million) as compared with the same period in 2006 amid the fully saturated market. Profit for the period decreased by 41.1% to HK$3.1 million (US$0.4 million) because of the rise in research and development expenditure.

2006 Revenue in 2006 decreased by 44.7% as compared with that for the year 2005 to HK$23.3 million (US$3.0 million), mainly due to the slowdown in development of dictionary as a result of saturation of the Japanese market. During the year, the market for dictionary software development became extremely competitive and business cycle changed rapidly, which dragged down the products' pricing. Therefore, profit for the year decreased by 66.1% to HK$7.6 million (US$1.0 million).

2005 In the year 2005, new businesses drove the revenue growth. Digital dictionary market was growing in Japan, resulting in an increase of 11.1% in revenue as compared with that for the year 2004 to HK$42.0 million (US$5.4 million). Therefore, profit for the year increased by 8.0% to HK$22.5 million (US$2.9 million).

2004 In the year 2004, revenue increased by 20.6% as compared with that of the year 2003 to HK$37.8 million (US$4.9 million) as a result of the stable growth in the digital dictionary market in Japan. Therefore, profit for the year increased by 15.5% to HK$20.8 million (US$2.7 million).

Quarterly results analysis (prepared by HKFRS)

	For the third quarter ended 30th September,		**For the nine months ended 30th September,**	
	2007	**2006**	**2007**	**2006**
	US$'000	*US$'000*	*US$'000*	*US$'000*
	unaudited	unaudited	unaudited	unaudited
Revenue	4,793	3,664	13,810	18,268
Gross profit	3,530	2,621	9,667	14,150
Profit before tax	1,990	918	5,364	6,726
Profit for the period	1,821	865	4,916	6,122

Namtek (Shenzhen) recorded sales of HK$4.8 million (US$0.6 million) for the third quarter ended 30th September, 2007, an increase of 30.8% over the same period last year. Gross profit increased by 34.6% to HK$3.5 million (US$0.5 million) when compared with the same period last year. Profit for the period was HK$1.8 million (US$0.2 million) in the third quarter of 2007 as compared with HK$0.9 million (US$0.1 million) for the same period last year.

As for the nine months ended 30th September, 2007, sales of Namtek (Shenzhen) dropped by 24.4% to HK$13.8 million (US$1.8 million) as compared with the same period last year. Accordingly, net profit for the period for the nine months ended 30th September, 2007 retarded to HK$4.9 million (US$0.6 million), compared with HK$6.1 million (US$0.8 million) in the same period last year.

Management Discussion and Analysis – Namtek (Japan)

The following table sets out the key figures (i) in the audited income statements of Namtek (Japan) for the 12 months ended 31st December, 2004, 2005 and 2006, as well as the six months ended 30th June, 2007; and (ii) of the financial performance for the trailing 12 months ended 30th September, 2007.

	For the six months ended 30th June,		For the trailing 12 months ended 30th September,	For the year ended 31st December,		
	2007	**2006**	**2007**	**2006**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	audited	unaudited	unaudited	audited	audited	audited
Revenue	1,835	1,786	4,091	3,646	3,806	2,830
(Loss)/profit before tax	(170)	221	6	400	954	(736)
(Loss)/profit for the period/year	(170)	221	0	394	954	(736)

Namtek (Japan) has been established as a cost centre and sales arm for Namtek. It also conducts sales and marketing operations in Japan. No direct transaction is carried out between Namtek's customers and Namtek (Japan). All of the revenue of Namtek (Japan) came from NTEEP and Namtek (Shenzhen) in order to cover Namtek (Japan)'s operation expenses.

For detailed information of the operation and financial performance for Namtek, please refer to the previous sub-section headed "Management Discussion and Analysis – Namtek (Shenzhen)".

Quarterly results performance (prepared under HKFRS)

	For the third quarter ended 30th September,		For the nine months ended 30th September,	
	2007	**2006**	**2007**	**2006**
	US$'000	*US$'000*	*US$'000*	*US$'000*
	unaudited	unaudited	unaudited	unaudited
Revenue	1,347	951	3,182	2,737
Profit/(loss) before tax	113	116	(57)	337
Profit/(loss) for the period	113	116	(57)	337

Unaudited revenue of Namtek (Japan) for the 3-month period ended 30th September, 2007 was HK$1.3 million (US$0.2 million). Unaudited net profit before and after tax of Namtek (Japan) for the 3-month period ended 30th September, 2007 were HK$113,000 (US$14,000) and HK$113,000 (US$14,000) respectively.

Unaudited revenue of Namtek (Japan) for the 9-month period ended 30th September, 2007 was HK$3.2 million (US$0.4 million). Unaudited net loss before and after tax of Namtek (Japan) for the 9-month period ended 30th September, 2007 were HK$57,000 (US$7,000) and HK$57,000 (US$7,000) respectively.

Trend and Prospects

The saturation of Japanese dictionary market has adversely affected Namtek's business since 2006. The growth of the digital dictionary software market in Japan is expected to be sluggish. In this regard, Namtek has to alter its business direction. In the year 2007, Namtek has already embarked on research and development in the following areas:

1. 3G sensor application such as step count and motion detector. In 2005, Namtek came to terms with a customer for which Namtek will develop 3G sensor application. At present, it is also discussing with another major client for business prospects in this area;

2. GPS location tracking device. Namtek is developing the GPS location tracking device with a customer and the device is expected to be launched in 2008; and

3. Navigation, map and POI data compression. Discussions with potential customers of the project are underway.

The respective board of Namtek (Japan) and Namtek (Shenzhen) believes the applications mentioned above can prosper in the years to come.

By changing its business focus, the respective board of Namtek (Japan) and Namtek (Shenzhen) expects a decent growth in 2008, and that the preparatory works in the three new application areas will bring a solid recovery in 2009. The Reorganization will not affect Namtek as its business has little connection with other businesses in JIC Group and NTEEP Group.

J. PROSPECTS OF NTEEP

The overall market conditions faced by the NTEEP Group remain to be challenging. Additionally, the NTEEP Group will also have to face issues such as the continuing appreciation of Rmb, changing tax and labour laws of PRC, shortages of electricity supply and increases in overhead expenses resulting from inflation. It is expected that mobile phone accessories and home entertainment devices will continue to account for a large part of the turnover of the NTEEP Group in the quarters to come.

NTEEP's prospects are expected to improve significantly as a result of the completion of the Reorganization, particularly when the synergy that may result from all facets of the EMS Businesses take effect in the medium term.

With a much higher revenue, the Enlarged NTEEP is expected to attract more attention from investors which may have a positive effect on the liquidity of the NTEEP Shares.

K. EXTRAORDINARY GENERAL MEETING

You will find on pages EGM-1 to EGM-2 of this circular a notice of the NTEEP EGM to be held at 10:30 a.m. on 20th December, 2007 at The Mandarin Oriental Hong Kong, No. 5 Connaught Road, Central, Hong Kong for the purposes of considering and, if thought fit, approving the NTEEP Agreement and Namtek Agreement.

Pursuant to Rule 14A.52 of the Listing Rules, NTEEP will procure that the chairman of the NTEEP EGM demand the resolutions in relation to the NTEEP Agreement and Namtek Agreement to be taken by a poll.

A form of proxy for use at the NTEEP EGM is enclosed with this circular. Whether or not you intend to be present at the meeting, you are requested to complete this form of proxy in accordance with the instructions printed thereon and deposit the same at Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the NTEEP EGM or any adjourned meeting. The completion and return of the form of proxy will not preclude you from attending and voting in person should you so wish.

L. PROCEDURES FOR DEMANDING A POLL

In accordance with Article 66 of the Articles of Association of NTEEP, at any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands, unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll), a poll is demanded:

(a) by the chairman of the meeting; or

(b) by at least three members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or

(c) by a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or

(d) by a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in NTEEP conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Pursuant to Article 66(a) of the Articles of Association of NTEEP and as required under the Listing Rules, the chairman will demand a poll on all the resolutions to be proposed at the NTEEP EGM. The results of the poll will be published in the local newspapers and on the websites of the Stock Exchange and NTEEP on the business day following the NTEEP EGM.

M. ADDITIONAL INFORMATION

Your attention is drawn to the letters from the NTEEP Independent Board Committee and DBS Asia as set out in this circular.

N. RECOMMENDATION

The Board, including members of the NTEEP Independent Board Committee, consider that the terms and conditions of the NTEEP Agreement and the Namtek Agreement are fair and reasonable and in the interests of the NTEEP Independent Shareholders and NTEEP as a whole, and recommend the NTEEP Independent Shareholders to vote in favour of the resolutions to be proposed at the NTEEP EGM to approve the NTEEP Agreement and the Namtek Agreement.

Yours faithfully
For and on behalf of the Board
NAM TAI ELECTRONIC & ELECTRICAL PRODUCTS LIMITED
Kazuhiro Asano
Chairman

NAM TAI ELECTRONIC & ELECTRICAL PRODUCTS LIMITED

(Incorporated in the Cayman Islands with limited liability)

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

Non-Executive Directors:
Mr. Koo Ming Kown
Mr. John Quinto Farina

Independent Non-Executive Directors:
Mr. Chan Tit Hee, Charles
Mr. Thaddeus Thomas Beczak
Mr. Roger Simon Pyrke

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

Hong Kong Office:
Suites 1506-1508
15th Floor
One Exchange Square
8 Connaught Place
Hong Kong

5th December, 2007

To NTEEP Independent Shareholders

A Very Substantial Acquisition, A Discloseable Transaction and Connected Transactions for Nam Tai Electronic & Electrical Products Limited

Involving the sale of Namtek Interests by Nam Tai Electronic & Electrical Products Limited to J.I.C. Technology Company Limited, and the sale of the Zastron Interest and the Jetup Interest by Nam Tai Electronics, Inc. to Nam Tai Electronic & Electrical Products Limited

We have been appointed by the NTEEP Board as members of the NTEEP Independent Board Committee to advise the NTEEP Independent Shareholders in respect of the NTEEP Agreement and the Namtek Agreement, details of which are set out in the letter from the NTEEP Board in the circular dated 5th December, 2007 (the "Circular") to the NTEEP Independent Shareholders. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

Your attention is drawn to the letter of advice from DBS Asia Capital Limited (the "Letter from DBS Asia"), the independent financial adviser to NTEEP Independent Board Committee and NTEEP Independent Shareholders, in respect of the NTEEP Agreement and the Namtek Agreement as set out in the pages 57 to 101 in the Circular.

Having taken into account the advice provided by DBS Asia in the Letter from DBS Asia and the qualitative benefits of the Reorganization, we consider that:

(a) the terms and conditions of the NTEEP Agreement and the Namtek Agreement are, on balance, fair and reasonable so far as the interests of the NTEEP Independent Shareholders are concerned; and

(b) the transactions contemplated under the NTEEP Agreement and the Namtek Agreement are in the interests of the NTEEP Independent Shareholders and NTEEP as a whole.

Accordingly, we recommend the NTEEP Independent Shareholders to vote in favour of the resolutions to be proposed at the NTEEP EGM to approve the NTEEP Agreement and the Namtek Agreement.

Yours faithfully
Chan Tit Hee, Charles **Thaddeus Thomas Beczak** **Roger Simon Pyrke**
NTEEP Independent Board Committee

The following is the text of the letter of advice from DBS Asia, the independent financial adviser to the NTEEP Independent Board Committee and NTEEP Independent Shareholders, in respect of a very substantial acquisition, a discloseable transaction and connected transactions for Nam Tai Electronic and Electrical Products Limited, which has been prepared for the purpose of inclusion in this circular.

DBS

5th December, 2007

To the NTEEP Independent Board Committee
and NTEEP Independent Shareholders

Nam Tai Electronic and Electrical Products Limited

Dear Sirs,

A VERY SUBSTANTIAL ACQUISITION, A DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTIONS FOR NAM TAI ELECTRONIC & ELECTRICAL PRODUCTS LIMITED

INTRODUCTION

We refer to our engagement as the independent financial adviser to the NTEEP Independent Board Committee and NTEEP Independent Shareholders in respect of:

(I) The discloseable and connected transactions in relation to the Namtek Agreement, which involves the sale of the Namtek Interests by NTEEP to JIC; and

(II) The very substantial acquisition and connected transactions in relation to the NTEEP Agreement, which involves the sale of the Zastron Interest and Jetup Interest by NTEI to NTEEP.

Pursuant to a joint announcement of NTEEP, JIC and NTEI dated 8th October, 2007, NTEEP and NTEI entered into a conditional sale and purchase agreement on 24th September, 2007 ("**Original NTEEP Agreement**"), and JIC and NTEEP entered into the Namtek Agreement on 5th October, 2007 as amended and supplemented by a supplemental agreement entered on 28th November, 2007 ("**Namtek Agreement**") as part of the Reorganization proposed by NTEI, its major shareholder. Subsequently, on 28th November, 2007, NTEEP and NTEI entered into a supplemental agreement ("**Supplemental NTEEP Agreement**") to amend and supplement the terms of the Original NTEEP Agreement. As discussed in the letter from the NTEEP Board (the "**Letter from the NTEEP Board**"), the purpose of the Reorganization was for NTEI to centralise all EMS business into NTEEP and non EMS Business into JIC. The result is to transform NTEEP into a major global EMS provider.

Pursuant to the NTEEP Agreement, NTEEP is to acquire the Jetup Interest and Zastron Interest from NTEI for a total consideration of HK$2,754.5 million (US$353.1 million) payable as to HK$325.3 million (US$41.7 million) in cash and US$311.4 million (HK$2,429.2 million) by way of the NTEEP Loan. Pursuant to the Namtek Agreement, JIC is to acquire 100% interests in Namtek from NTEEP for HK$80.5 million (US$10.3 million) in cash.

Further details of the Namtek Agreement and NTEEP Agreement are set out in the Letter from the NTEEP Board in the circular of NTEEP to its shareholders dated 5th December, 2007 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

The transactions contemplated under the Namtek Agreement constitute discloseable transaction for NTEEP under the Listing Rules as one or more of the Percentage Ratios exceed 5%. As JIC is a subsidiary of the substantial shareholder of NTEEP and is therefore a connected person of NTEEP pursuant to Rule 14A.11 of the Listing Rules, the Namtek Agreement also constitutes connected transaction for NTEEP under the Listing Rules and is accordingly, subject to the approval of the NTEEP Independent Shareholders by way of poll at the NTEEP EGM, in which NTEI and its associates are required to abstain from voting.

The transactions contemplated under the NTEEP Agreement constitute very substantial acquisitions for NTEEP under the Listing Rules as one or more of the Percentage Ratios exceed 100%. As NTEI is a substantial shareholder of NTEEP and is therefore a connected person of NTEEP pursuant to Rule 14A.11 of the Listing Rules, the transactions contemplated under the NTEEP Agreement also constitute connected transactions for NTEEP under the Listing Rules and are accordingly, subject to the approval of the NTEEP Independent Shareholders by way of poll at the NTEEP EGM, in which NTEI and its associates are required to abstain from voting.

Our scope of work under this engagement is to assess whether the terms and conditions of the Namtek Agreement and the NTEEP Agreement are fair and reasonable so far as the NTEEP Independent Shareholders are concerned and, from that perspective, are in the interests of the NTEEP Independent Shareholders and NTEEP as a whole, and to advise the NTEEP Independent Shareholders on how to vote on the resolutions to be proposed at the NTEEP EGM in respect of the Namtek Agreement and NTEEP Agreement.

BASIS OF OUR OPINION

In arriving at our opinion, we have relied on the information, opinions and facts supplied, and representations made to us, by the NTEEP Board, advisers and representatives of NTEEP (including those contained or referred to in the Circular). We have also assumed that the information and representations contained or referred to in the Circular were true and accurate in all respects at the time they were made and continue to be so at the date of dispatch of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the NTEEP Board. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable, and we have not independently verified the accuracy of such information. We have been advised by the NTEEP Board and believe that no material facts have been omitted from the Circular.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs, or other prospects of NTEEP or any of its respective subsidiaries or associates.

PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion in respect of the Namtek Agreement and NTEEP Agreement, we have considered the following principal factors:

I. Background of the Reorganization

The businesses of NTEI Group are independently managed under three different groups – the Zastron Group, the NTEEP Group (comprising Namtek) and the JIC Group.

– The Zastron Group is engaged in the manufacture and sale of LCD modules, FPC subassemblies and FPC boards.

– The NTEEP Group is engaged in the manufacture and sale of consumer electronics and telecommunications products.

– The JIC Group is engaged in the manufacture and sale of LCD products.

– Namtek is a solution provider mainly for digital dictionary software development in the Japanese electronics industry.

The management of NTEI, Zastron, NTEEP and JIC consider that a centralised management of all the manufacturing businesses with greater economies of scale would be beneficial to the continued growth of the combined businesses as a whole.

The Reorganization involves NTEI first acquiring from JIC the Jetup Interest at a PE of effectively 13.54 times JIC's audited net profit for the year ended 31st December, 2006, as adjusted for HKFRS. Afterwards, JIC will acquire the Namtek Interests from NTEEP at a PE of effectively 10 times Namtek's unaudited combined net profit for the year ended 31st December, 2006. Then NTEEP will acquire the Zastron Interest and the Jetup Interest from NTEI at an effective PE of 10 times Zastron's unaudited and JIC's audited net profit respectively for the year ended 31st December, 2006, as adjusted for HKFRS.

The reason of the Reorganization is to centralise management of all EMS Businesses of the NTEI Group. The purpose of a centralised management is to permit an efficient and effective exchange of knowhow, technology and resources between the three manufacturing subsidiaries of NTEI.

II. The Namtek Agreement

1. Background of Namtek

Namtek is a solution provider for digital dictionary software development in the Japanese electronics industry.

As discussed in the Letter from the NTEEP Board, since its establishment in 1995, Namtek has successfully developed software for over 100 models of electronic dictionaries for Japanese customers. Riding on the growth of the Japanese dictionary market, Namtek has developed itself by capitalising on its advanced skill in data compression and search engines for dictionaries. However, due to saturation of the Japanese dictionary market, Namtek's revenue has been on a downward trend since 2006.

To recover its business, Namtek is diversifying its technology in car navigation and portable navigation engines (map matching, route planning and guidance), graphical user interface development, POI and map data compression, authoring, GPS applied product and 3G sensor application product.

Namtek's business is conducted in Shekou, Shenzhen in the PRC and Tokyo in Japan. Shekou's office occupies an area of approximately 12,379 sq.ft., and is mainly responsible for software development and employs approximately 77 employees, comprising largely software engineers. The office of Namtek in Tokyo, Japan occupies 904 sq.ft., which mainly functions as the marketing representative office with 4 employees and is responsible for customer relationship. Namtek considers human capital as its major assets, which are not reflected in its balance sheet. Its tangible assets are mainly its working capital.

2. *Namtek's historical financial performance*

Namtek comprises two separate entities, one in Shekou, Shenzhen, the PRC and one in Tokyo, Japan.

Table 1 below sets out Namtek (Shenzhen)'s summary audited financial results for the year ended 31st December, 2004 ("**FY2004**"), 2005 ("**FY2005**") and 2006 ("**FY2006**"), financial results for the unaudited trailing 12 months ended 30th September, 2007, and the six months ended 30th June, 2006 and 2007 respectively.

Table 1 – Namtek (Shenzhen)'s summary audited financial results

	Six months ended 30th June,		Year ended 31st December,			Trailing 12 months ended 30th September,
	2007	**2006**	**2006**	**2005**	**2004**	**2007**
(HK$'000)	*Audited*	*Unaudited*	*Audited*	*Audited*	*Audited*	*Unaudited*
Revenue	9,017	14,604	23,253	42,024	37,839	18,795
Gross profit	6,137	11,529	17,561	34,021	29,898	13,078
Gross profit margin	*68.1%*	*78.9%*	*75.5%*	*81.0%*	*79.0%*	*69.6%*
Net profit after tax ("**NPAT**")	3,095	5,257	7,631	22,493	20,833	6,425
NPAT margin	*34.3%*	*36.0%*	*32.8%*	*53.5%*	*55.1%*	*34.2%*

As mentioned in the Letter from the NTEEP Board, revenue, gross profit and NPAT increased 11.1%, 13.8% and 8.0% respectively in FY2005 from FY2004 as a result of the successful acquisition of new businesses on the back of the growing digital dictionary market in Japan.

However, revenue, gross profit and net profit declined 44.7%, 48.4%, 66.1% respectively in FY2006 from FY2005 due to increasing competition in the saturated digital dictionary software market in Japan, which had adversely affected product pricing. Gross profit margin and NPAT margin also declined from 81.0% to 75.5% and 53.5% to 32.8% respectively.

Revenue, gross profit and NPAT declined by 19.2%, 25.5% and 15.8% respectively for the trailing 12 months ended 30th September, 2007 from FY2006 due to saturation of the Japanese digital dictionary market. Coupled with a rise in research and development expenditure, gross profit margin and net profit margin also declined from 75.5% to 69.6% and increased from 32.8% to 34.2% respectively.

Revenue, gross profit and net profit for the six months ended 30th June 2007 also declined 38.3%, 46.8% and 41.1% respectively when compared to the same period in 2006 because of the growing competitiveness of its core market and a decrease in software sales. Gross profit margin and NPAT margin also declined from 78.9% to 68.1% and 36.0% to 34.3% respectively. In addition, Namtek also incurred rising research and development expenditure as it had made some investments to develop GPS technology to diversify from the digital dictionary software industry as well as to capture new business opportunities to drive future growth. However, such investments have yet to begin producing additional revenue and profits for Namtek.

Table 2 below sets out Namtek (Japan)'s summary audited financial results for FY2004, FY2005, FY2006, financial results for the trailing 12 months ended 30th September, 2007, and the six months ended 30th June, 2006 and 2007.

Table 2 – Namtek (Japan)'s summary audited financial results

	Six months ended 30th June,		Year ended 31st December,			Trailing 12 months ended 30th September,
	2007	**2006**	**2006**	**2005**	**2004**	**2007**
(HK$'000)	*Audited*	*Unaudited*	*Audited*	*Audited*	*Audited*	*Unaudited*
Revenue	1,835	1,786	3,646	3,806	2,830	4,091
Net profit before tax ("**NPBT**")	(170)	221	400	954	(736)	6
NPBT margin	*Not applicable*	*12.4%*	*11.0%*	*25.1%*	*Not applicable*	*0.1%*
Net profit after tax ("**NPAT**")	(170)	221	394	954	(736)	0
NPAT margin	*Not applicable*	*12.4%*	*10.8%*	*25.1%*	*Not applicable*	*0%*

Namtek (Japan) is a cost centre and sales arm for Namtek. It also conducts sales and marketing operations in Japan. No direct transaction is carried out between Namtek's customers and Namtek (Japan). All of the revenue of Namtek (Japan) came from NTEEP and Namtek (Shenzhen) in order to cover Namtek (Japan)'s operation expenses.

3. Business outlook and prospects

As set out in the Letter from the NTEEP Board, the saturation of the Japanese dictionary market has adversely affected Namtek's business since 2006. Going forward, the growth of the digital software market in Japan is expected to be sluggish. In this regard, Namtek is altering its business direction. In 2007, Namtek has already embarked on research and development in the following areas:

(i) 3G sensor application such as step count and motion detector. In 2005, Namtek came to terms with a customer for which Namtek will develop 3G sensor application. At present, it is also discussing with another major client for business prospects in this area;

(ii) GPS location track device. Namtek is developing the GPS location tracking device with a customer and the device is expected to be launched in 2008; and

(iii) Navigation, map and POI data compression. Discussions with potential customers of the project are underway.

We note that the above initiatives are in preparatory stage and have yet to yield earnings. It is also uncertain if these new applications will take off in the future and help bring about a turnaround.

4. Background of and reasons for the Namtek Agreement

Namtek was acquired by NTEEP from NTEI and Asano Company Limited in May 2005. We understand from NTEEP that the rationale for the acquisition of Namtek in 2005 was to leverage on the software development experience and knowledge of the staff of Namtek to integrate their relevant know-how into NTEEP's new and existing products, as well as cross-sell NTEEP's products and services to Namtek's customers.

NTEEP paid a consideration of US$26.7 million for the acquisition in 2005, satisfied by the issuance of new NTEEP Shares. This resulted in goodwill of US$24.3 million, attributable to the anticipated augmentation of NTEEP's profitability. Based on NTEEP's unaudited consolidated financial results for the six months ended 30th June, 2007, NTEEP recognised a non-cash impairment loss of US$24.3 million as the performance of the Namtek business was not satisfactory.

Based on the Letter from the NTEEP Board, Namtek is essentially a software development business. Namtek does not fit well within the structure of NTEEP, the latter of which is manufacturing oriented with a scale designed for mass production. Namtek is a non-core asset of NTEEP. The sale of Namtek will reduce NTEEP's management time and resources to monitor and oversee Namtek's performance and allow management to focus on NTEEP's core manufacturing business.

5. Principal terms and conditions of the Namtek Agreement

Pursuant to the Namtek Agreement, subject to the conditions set out below, NTEEP agreed to sell and JIC agreed to purchase the Namtek Interests, representing 100% of the issued share capital of Namtek (Japan) and 100% of the registered capital of Namtek (Shenzhen).

The consideration payable by JIC for the Namtek Interests amounts to HK$80.5 million (US$10.3 million), which will be satisfied in cash on or before the fifth business day after the conditions of the Namtek Agreement are satisfied.

The above consideration was arrived at after arm's length negotiations between the relevant parties. The valuation of Namtek is based on a PE of 10 times of Namtek's unaudited combined net profit for the year ended 31st December, 2006, which implies a PE of 12.53 times Namtek's unaudited combined net profit for the trailing 12 months ended 30th September, 2007.

6. Consideration

Based on our understanding that a majority of Namtek's revenue comes from digital dictionary software development in the Japanese electronics industry, in analysing the valuation of Namtek, we have conducted searches for companies which are principally engaged in the digital dictionary industry in Asia ("**Selected Reference Companies to Namtek**").

Table 3 sets out the trading valuation multiples of Selected Reference Companies to Namtek as at the Latest Practicable Date.

Table 3 – Selected Reference Companies to Namtek as at the Latest Practicable Date

Company	Bloomberg ticker	Business description	Financial year end	Period end of the latest financial results	Market capitalisation[1,2] *(HK$ million)*	Historical PE[3,4] *(x)*	PE(T12)[4,5] *(x)*	PB[4,6] *(x)*
Inventec Co., Ltd.	2356 TT	Inventec Co., Ltd. manufactures and markets computers and electronic word processing products. The company's products include notebook computers, desktop computers, workstations, scientific graphic calculators, and electronic dictionaries. Inventec markets its products under the brand name "Besta"	31-Dec	30th September, 2007	10,503.3	7.7	8.1	1.3
Kinpo Electronics, Inc.	2312 TT	Kinpo Electronics, Inc. manufactures and markets consumer electronic products. The company's main products are electronic calculators, electronic dictionaries, facsimile machines, global positioning system devices, cable modems, motherboards, digital still cameras and personal digital assistants	31-Dec	30th September, 2007	3,824.7	18.8	25.0	0.7
Global View Co Ltd.	3040 TT	Global View Co., Ltd. develops, manufactures, and markets consumer electronics as well as peripheral networking products. The company produces electronic dictionaries, computer terminals, servers, and chips	31-Dec	30th September, 2007	587.7	298.8	13.4	1.0
Group Sense International Limited	601 HK	Group Sense International Limited, through its subsidiaries, designs, manufactures, and sells a range of handheld products and original design manufacturing products	31-March	31st March, 2007	425.2	7.2	7.2	0.7
High						**298.8**	**25.0**	**1.3**
Average						**83.1**	**13.4**	**0.9**
Average (excluding outliers)						**11.2**	**13.4**	**0.9**
Median						**13.3**	**10.7**	**0.9**
Low						**7.2**	**7.2**	**0.7**
Implied valuation of Namtek under Namtek Agreement						**10.0**[7,8]	**14.7**[7,9]	**3.7**[7,10]

Source: Bloomberg, company announcements, company latest published annual reports, company financial results announcements

Notes:

1. Market capitalisation is based on the closing price of the respective Selected Reference Companies to Namtek as quoted on Bloomberg as at the Latest Practicable Date.

2. Should the market capitalisation of the Selected Reference Companies to Namtek be quoted in a currency other than HK$, the exchange rate as at the Latest Practicable Date is applied to convert the market capitalisation to HK$ for reference.

3. Historical PE is calculated based on the NPAT of the Selected Reference Companies to Namtek as extracted from their latest available full year financial results as at the Latest Practicable Date.

4. Should the financial statements of the Selected Reference Companies to Namtek be quoted in a currency other than HK$, the exchange rate as at the Latest Practicable Date is applied to convert the net earnings to HK$ for computation purposes.

5. PE (T12) is calculated based on the trailing 12 months NPAT of the Selected Reference Companies to Namtek as extracted from their latest available full year financial results or quarterly/interim results as at the Latest Practicable Date.

6. PB is calculated based on the net asset value of the Selected Reference Companies to Namtek as extracted from their latest available quarterly/interim results as at the Latest Practicable Date.

7. Such multiples are calculated based on the consideration under the Namtek Agreement.

8. Historical PE is calculated based on the unaudited combined net profit of Namtek for the year ended 31st December, 2006.

9. PE (T12) is calculated based on the unaudited combined net profit of Namtek (Shenzhen) and Namtek (Japan) for the trailing 12 months ended 30th June, 2007.

10. PB is calculated based on the net asset value of Namtek as at 30th June, 2007.

In considering the reasonableness of the consideration, we have made reference to the trading valuation of Selected Reference Companies to Namtek. However, we would like to highlight that while the reference company analysis can reflect current market sentiment towards the sector and provide guidance on valuation, the analysis does not take into account differences, if any, in accounting policies and standards, local regulations, operating environments, business models, and/or tax treatments, and other unique characteristics of the different companies. We note that there is no directly comparable company to Namtek listed in Asia and none of the Selected Reference Companies to Namtek have the same type of products and geographical mix as Namtek.

The PE valuation multiple is a widely used earnings-based valuation methodology that illustrates the ratio of the current market valuation of a company relative to its net earnings. Namtek is a going concern for which an earnings-based valuation methodology is appropriate for the purpose of assessing the consideration of the Namtek Agreement.

We have made comparisons of the implied PE valuation multiple of the consideration with the trading PE valuation multiples of the Selected Reference Companies to Namtek as at the Latest Practicable Date. Although these valuation statistics may not necessarily fully reflect the fundamental value of these companies, they often provide useful insights into the relative performance of the software developers.

The PE implied by the consideration of the Namtek Agreement is 10 times, which is within the trading range of 7.2 to 298.8 times of the Selected Reference Companies to Namtek, and is slightly lower than the average of 11.2 times of the Selected Reference Companies to Namtek (excluding outliers).

On a trailing 12 months ("**T12**") basis up to 30th June, 2007, the consideration of the Namtek Agreement represents a PE (T12) of approximately 14.7 times, which is within the trading range of 7.2 to 25.0 times of the Selected Reference Companies to Namtek, and comparable to the average of 13.4 times of the Selected Reference Companies to Namtek. On a trailing 12 months basis up to 30th September, 2007, the consideration of the Namtek Agreement also represents a PE (T12) of approximately 12.5 times, which is within the trading range of PE (T12) of the Selected Reference Companies to Namtek, and slightly higher than the average of 13.4 times of the Selected Reference Companies to Namtek.

We note that the PE implied by the consideration of the Namtek Agreement appears to be on the low side of the PE ranges of the Selected Reference Companies to Namtek. This is partially attributable to the fact that many of the Selected Reference Companies to Namtek are listed on the Taiwan Stock Exchange which generally has a higher average PE than the Stock Exchange. In addition, software companies which have proven their competitiveness tend to trade at relatively higher PE generally. In the case of Namtek, as its business plans have yet to be developed and successfully executed, we consider that the PE (T12) of approximately 14.7 times and 12.5 times implied by the consideration of the Namtek Agreement on a trailing twelve months basis up to 30th June, 2007 and 30th September, 2007 respectively are not low in absolute terms considering the scale and stage of development of Namtek. As such, the consideration of the Namtek Agreement is fair and reasonable so far as the NTEEP Independent Shareholders are concerned.

The price to book multiple ("**PB**") is an asset-based valuation methodology that illustrates the ratio of the current market valuation of a company relative to its net book value. The asset-based valuation approach is more relevant to property-based companies as their asset bases are perceived as providing support for the value of their shares. It is meaningful as it shows the extent to which the value of each share is backed by assets and would be relevant in the event that the company decides to realise or convert the use of all or most of its assets (assuming the hypothetical sale of all its assets over a reasonable period of time). However, such a hypothetical scenario is assumed to be made without considering factors such as, *inter alia*, time value of money, market conditions, legal fees, liquidation costs, taxes, contractual obligations and availability of potential buyers, which may theoretically lower the net asset value that can be realised.

For a predominantly earnings-based going concern like Namtek, an earnings-based valuation approach is more relevant than the asset basis. In addition, the asset basis of valuation is less relevant for valuing Namtek as it is not in a capital-intensive industry. Namtek's assets are mainly its working capital. Accordingly, we would consider it relatively more meaningful to assess the consideration from an earnings perspective.

However, such a basis may serve to show how the net asset value can be an estimator of the relative ratings of similar businesses. As such, we have reviewed the PB valuation multiple of the Selected Reference Companies to Namtek based on their respective market capitalisation at the Latest Practicable Date.

For illustration purposes only, the consideration of the Namtek Agreement represents a PB of 3.7 of Namtek's unaudited net asset value as at 30th June, 2007, which is higher than the trading range of 0.7 to 1.3 times of the Selected Reference Companies to Namtek.

As mentioned in the Letter from the NTEEP Board, although NTEEP acquired Namtek at US$26.7 million (HK$208.7 million) in May 2005, that consideration was based on the PE in relation to Namtek's combined net profit for the year ended 31st December, 2004, which was higher than that for the year ended 31st December, 2006 by 150.4%. In assessing the fairness and reasonableness of the consideration of Namtek Agreement, we have also considered other factors discussed in this letter, including but not limited to the nature of business, historical financial performance, outlook and prospects of Namtek.

III. The NTEEP Agreement

1. Background of Jetup and the Zastron Group

Jetup

Jetup is incorporated in the PRC and is engaged in the manufacture and sale of LCD products. Jetup is the core operating subsidiary of JIC, and owns all the production facilities, knowhow, and management of the LCD manufacturing business.

The production facilities of Jetup are at Xixiang, Baoan, Shenzhen, the PRC, with a gross floor area of approximately 759,428 sq.ft.. Jetup has approximately 3,100 employees in the PRC.

Jetup is equipped with the capability to make all passive monochrome and passive colour LCDs. Jetup has 3 lines capable of producing 150,000 pairs of substrate measuring 16 inches by 14 inches. LCD products manufactured from these lines are used in applications such as telecommunications, automotives, white goods, industrial and medical instruments. Most products demand a manufacturing lifetime of 5 years or more. Jetup continuously upgrades its equipment to produce LCD products of higher volume, higher yield and quality.

As mentioned in the Letter from the NTEEP Board, in the area of LCD module assembly, COG is a crucial process to bond ICs onto the glass substrate. Since the growth of the business shall come predominantly from LCD modules, Jetup is currently equipped with the state of art COG bonding machines capable of manufacturing all sorts and sizes of passive COG LCD modules. The COG lines are set up with flexibility to handle multi-mix small volume and low-mix large volume business. The COG lines of Jetup can also be optimised to build small to medium sized TFT colour LCDs of up to a diagonal measurement of 10 inches. TFT LCD assembly will be the new product category contributing to business growth for the next few years.

The Zastron Group

The Zastron Group was established by NTEI Group in 1992 and is engaged in the manufacture and sale of LCD modules, FPC subassemblies and FPC boards. FPC subassemblies are FPC boards enhanced by attaching electronic components, such as connectors, switches, resistors, capacitors, light emitting devices, integrated circuits, cameras and optical sensors, to the circuit. FPCs consist of copper conductive patterns etched or printed while affixed to flexible substrate materials such as polyimide or polyester. They are used to provide connections between electronic components and as a substrate to support these electronic devices. Major customers are Japanese corporations.

2. *Historical financial performance*

Jetup

Table 4 below sets out Jetup's summary audited financial results for FY2004, FY2005, FY2006, financial results for the trailing 12 months ended 30th September, 2007, as well as for the six months ended 30th June, 2006 and 2007 respectively.

Table 4 – Jetup's summary financial results

	Six months ended 30th June,		**Year ended 31st December,**			**Trailing 12 months ended 30th September,**
	2007	**2006**	**2006**	**2005**	**2004**	**2007**
(US$'000)	*Audited*	*Unaudited*	*Audited*	*Audited*	*Audited*	*Unaudited*
Revenue	39,165	29,168	64,931	54,420	47,822	78,990
Gross profit	4,079	5,150	10,825	7,911	7,720	8,987
Gross profit margin	*10.4%*	*17.7%*	*16.7%*	*14.5%*	*16.1%*	*11.4%*
NPAT	(499)	1,128	2,285	3,828	4,149	(438)
NPAT margin	*Not applicable*	*3.9%*	*3.5%*	*7.0%*	*8.7%*	*Not applicable*

As mentioned in the Letter from the NTEEP Board, Jetup relocated to its new manufacturing facilities in January 2005. The new facilities had upgraded machinery and expanded production capacities for both LCD panel and module products. Revenue and gross profit increased approximately 13.8% and 2.5% respectively in FY2005 from FY2004 mainly due to significant increase in sales of LCD modules, which commanded higher profit margins than LCD panels did. Jetup was poised to penetrate the European and Japanese markets in 2005. Two newly-hired managers were responsible for exploring the new markets, and commission fees were part of their compensation package. Jetup also hired consultancy firms to study possible strategies to penetrate new markets. As a result of such increase in operating expenses, NPAT declined 7.7% from FY2004 to FY2005. Gross profit margin and NPAT margin also declined from 16.1% to 14.5% and 8.7% to 7.0% respectively.

Jetup achieved a 19.3% and 36.8% increase in revenue and gross profit respectively in FY2006 from FY2005 by successfully growing its LCD panel business. Due to improved LCD module production capability at its new manufacturing plant, gross profit margin improved from 14.5% to 16.7%. During the year, tremendous research and development was carried out in preparation to produce TFT LCD modules. In addition, selling commission expenses and consultancy fees substantially increased, resulting in a decrease in NPAT by 40.3%. NPAT margin also declined from 7.0% in FY2005 to 3.5% in FY2006.

Jetup achieved 34.3% revenue growth for the six months ended 30th June, 2007 compared to the same period last year, mainly attributable to an increase in orders from two new customers, both of which are major players in the industry. We understand from the management of Jetup that since January 2007, Jetup has been facing increased demand for LCD modules. To cope with growing demand, Jetup increased the capacity of LCD module assembly by two-fold. To cope with the increase in capacity, Jetup acquired new machines and correspondingly, expanded the workforce. However, workers had yet to be familiar with the use of the new machines. Furthermore, the needs to expand the workforce, wages and investment in machines significantly increased cost of sales. As a result, gross profit declined 20.8%. Gross profit margin also declined from 17.7% to 10.4%. To cope with the expansion plans into European and Japanese markets, Jetup spent more money hiring consultancy firms to conduct market research. Such costs were booked into selling and distribution expenses. As a result, Jetup moved from positive NPAT position for the six months ended 30th June, 2006 to a loss making position for the same period in 2007.

Jetup recorded sales of US$23.6 million (HK$183.7 million) for the three months ended 30th September, 2007, an increase of 22.9% over the same period last year. This growth of sales was attributable to the growth in the business of LCD modules that accounted for 60.9% of the total sales in the third quarter of 2007. However, gross profit dropped by 20.0% to US$2.9 million (HK$22.6 million) when compared with the same period last year. Profit for the period was US$0.1 million (HK$0.8 million) in the third quarter of 2007 as compared with US$1.2 million (HK$9.3 million) for the same period last year.

As for the nine months ended 30th September, 2007, Jetup recorded sales of US$62.6 million (HK$487.9 million) which represented a growth of 29.7% over the same period last year. However, loss for the period of US$0.4 million (HK$3.1 million) for the nine months ended 30th September, 2007 was incurred, compared with profit for the period of US$2.3 million (HK$18.1 million) in the same period last year.

For the trailing 12 months ended 30th September, 2007, Jetup achieved 21.7% revenue growth from FY2006, largely attributable to growing LCD module sales. During the period, Jetup suffered from yield losses and incurred overhead expenses because of the acquisition of new machines. In addition, there was fierce competitive pricing pressure in the LCD market. Accordingly, Jetup incurred a net loss of US$0.4 million (HK$3.4 million) over the trailing 12 month ended 30th September, 2007.

We have discussed with the management of Jetup and understand that they will continue to take remedial actions and implement cost control measures to improve profitability. Furthermore, we understand from the management of Jetup that Jetup has already completed the enhancement in production capability and the production yield has already improved. Therefore, the management of Jetup expects that Jetup may not experience the same substantial increase in costs due to turning of new production lines in the near future.

JIC

Table 5 below sets out JIC's summary audited financial results for FY2004, FY2005, FY2006, financial results for the trailing 12 months ended 30th September, 2007, as well as for the six months ended 30th June, 2006 and 2007 respectively, which are extracted from the interim reports of JIC for the 6 months ended 30th June, 2007 and annual reports of JIC for the years ended 31st December, 2006, 31st December, 2005 and 31st December, 2004.

Table 5 – JIC's summary financial results

	Six months ended 30th June,		**Year ended 31st December,**			**Trailing 12 months ended 30th September,**
	2007	**2006**	**2006**	**2005**	**2004**	**2007**
(HK$'000)	*Unaudited*	*Unaudited*	*Audited*	*Audited*	*Audited*	*Unaudited*
Revenue	304,179	226,534	504,297	458,498	384,330	616,121
Gross profit	31,682	40,608	84,677	92,773	72,899	70,101
Gross profit margin	*10.4%*	*17.9%*	*16.8%*	*20.2%*	*19.0%*	*11.4%*
NPAT	6,331	15,578	28,193	37,381	23,435	9,589
NPAT margin	*2.1%*	*6.9%*	*5.6%*	*8.2%*	*6.1%*	*1.6%*

As mentioned in the Letter from the NTEEP Board, we note that operation of JIC is carried out by Jetup and the other major subsidiary of JIC, JIC Macao, provides consultancy, administration and data processing services to Jetup. After completion of the JIC Agreement, Jetup would no longer use JIC Macao for those services, but instead performs those functions by itself. As disclosed in the pro forma financial information of the Enlarged JIC in Appendix V of the Circular of JIC dated 5th December, 2007, assuming that Jetup had taken up all operations of JIC Macao and listing expenses of JIC, the results of Jetup would be effectively the same as that of JIC.

We note that JIC recorded a profit for the 6 months ended 30th June, 2007. Based on our discussion with the management of JIC, we understand that JIC Macao received commissions from Jetup based on the amount of sales of Jetup. Therefore, even though Jetup recorded a loss for the 6 months ended 30th June, 2007, JIC recorded net profits of HK$6.3 million for the same period.

The JIC Group recorded sales of HK$183.7 million (US$23.6 million) for the three months ended 30th September, 2007, representing an increase of approximately 22.9% over the same period last year. This growth of sales was attributable to the growth in the business of LCD modules that accounted for approximately 60.9% of the total sales of the JIC Group in the third quarter of 2007. However, gross profit dropped by 20.0% to HK$22.6 million (US$2.9 million) when compared with the same period last year. Taking account of a write-off of income tax recoverable of HK$2.0 million (US$0.3 million) on 2005 profit reinvestment, profit for the three months ended 30th September, 2007 was HK$3.0 million (US$0.4 million) as compared with HK$12.4 million (US$1.6 million) for the same period last year.

As for the nine months ended 30th September, 2007, the JIC Group recorded sales of HK$487.9 million (US$62.6 million) which represented a growth of approximately 29.7% over the same period last year. Although the gross profit in the second and the third quarters in 2007 have improved from the first quarter of 2007, it was not enough to make an impact on profit for the period for the nine months ended 30th September, 2007 of HK$9.3 million (US$1.2 million), compared with HK$27.9 million (US$3.6 million) in the same period last year.

For the trailing 12 months ended 30th September, 2007, revenue of JIC Group rose by 22.2% to HK$616.1 million (US$79.0 million) as compared with that for the year ended 31st December, 2006, mainly because of the rise in sales in the business of LCD modules. During the period, JIC Group suffered from yield losses and incurred overhead expenses because of the acquisition of new machines. In addition, there was fierce competitive pricing pressure in the LCD market. Therefore, net profit for the period dropped by 66.0% to HK$9.6 million (US$1.2 million) as compared with that for the year 2006.

Zastron

Table 6 below sets out the Zastron Group's summary audited consolidated financial results for FY2004, FY2005, FY2006, financial results for the trailing 12 months ended 30th September, 2007, as well as for the six months ended 30th June, 2006 and 2007 respectively.

Table 6 – The Zastron Group's summary consolidated financial results

	Six months ended 30th June,		Year ended 31st December,			Trailing 12 months ended 30th September,
	2007	**2006**	**2006**	**2005**	**2004**	**2007**
(US$'000)	*Audited*	*Unaudited*	*Audited*	*Audited*	*Audited*	*Unaudited*
Revenue:						
LCD modules	89,725	86,015	224,374	140,548	118,715	204,103
FPC modules	127,376	219,659	389,037	391,385	117,827	263,311
Others	2,907	8,712	13,789	38,136	84,546	7,570
Total	220,008	314,386	627,200	570,069	321,088	474,984
NPAT	7,290	16,141	31,711	33,101	19,290	20,223
NPAT margin	*3.3%*	*5.1%*	*5.1%*	*5.8%*	*6.0%*	*4.3%*

As mentioned in the Letter from the NTEEP Board, in FY2005, in view of the fierce competition and thin profit margin in the back light product market, Zastron discontinued the business and commenced production of FPC subassemblies. FPC subassemblies contributed revenue of US$391.4 million, representing 68.7% of total revenue in FY2005. In addition, a major customer, a mobile phone manufacturer, launched a new product with the use of TFT LCD modules. As a result, sales of LCD modules increased by 18.4% to US$140.5 million. Together, total revenue rose by approximately 77.5% from US$321.1 million to US$570.1 million in FY2005 from FY2004. However, owing to keen competition in the mobile phone market and pricing pressure from customers, NPAT rose by a lesser extent of approximately 71.6% NPAT margin also declined from approximately 6.0% to 5.8% respectively in FY2005 from FY2004.

In FY2006, mobile phones equipped with TFT LCD modules became popular. Increased orders drove up the sales of LCD modules by 59.6% to US$224.4 million as compared with FY2005. In addition, sale units of FPC subassemblies also increased. However, keen competition in mobile phone market pressurized Zastron's customers, which in turn affected Zastron's products. As a result, revenue of FPC subassemblies dropped by 0.6% to US$389.0 million in FY2006 from FY2005. All in all, total revenue for FY2006 increased by 10.0% from FY2005 to US$627.2 million. However, NPAT declined 4.2% as a result of the competitive pricing strategy. NPAT margin also declined from 5.8% to 5.1% in FY2006 from FY2005.

For the six months ended 30th June, 2007, revenue of the Zastron Group declined by 30.0% to US$220.0 million as compared to the corresponding period in 2006. During the period, sales of mobile phone by a major end-customer of Zastron fell, resulting in decline in sales of FPC and other peripherals. NPAT for the period also declined approximately 54.8% due to a competitive pricing policy, increase in costs of raw materials and labour together with the drop in revenue. Accordingly, NPAT margin fell from approximately 5.1% to 3.3% respectively.

For the third quarter ended 30th September, 2007, sales of the Zastron Group dropped by 38.9% to US$90.7 million because sales of mobile phone by a major customer of Zastron dropped. This results in a decline in sales of FPC and other peripherals. Accordingly, net profit for the period went down by 40.8% to US$3.8 million as compared with the same period last year. Accordingly, NPAT margin for the three months ended 30 September 2007 was approximately 4.2%, which is higher than that for the six months ended 30 June 2007.

As for the nine months ended 30th September 2007, the Zastron Group recorded sales of US$310.7 million which represented a retreat of 32.9% as compared with the same period last year because sales of mobile phone by a major customer of Zastron dropped. Accordingly, net profit for the period went down by 50.8% to US$11.1 million as compared with the same period last year. Accordingly, NPAT margin for the nine months ended 30th September 2007 was approximately 3.6%, which is higher than that for the six months ended 30th June, 2007.

For the trailing 12 months ended 30th September, 2007, revenue and NPAT of the Zastron Group declined by 24.3% and 36.2% respectively as compared with FY2006, mainly due to declining mobile phone sales by a major customer of Zastron. This resulted in a decline in sales of FPC and other peripherals. Accordingly, net profit margin also declined from 5.1% to 4.3% respectively.

In assessing the fairness and reasonableness of the consideration of Zastron under the NTEEP Agreement, in addition to the financial performance of Zastron discussed above, we have also considered other factors discussed in this letter, including but not limited to the business outlook and prospects of Zastron, potential synergies and benefits of the Reorganisation.

3. *Business outlook and prospects*

Jetup

The LCD industry is closely associated with the consumer electronics industry. LCDs are used to present data and images in a wide variety of applications, ranging from cell phones to car navigation and entertainment systems to the larger displays used in flat panel televisions and computer monitors, including laptop computer screens.

The LCD technology has become the mainstream and dominant technology in today's display market with demand for such technology increasing by 10 to 15 per cent per year. According to Displaybank, an established display research firm, the global LCD display market was approximately US$48.5 billion in 2004 and is expected to grow to approximately US$94 billion by 2010, which means a compound average growth rate ("**CAGR**") of approximately 11.7%. The growth in the LCD industry will be driven mainly by the introduction of displays to a wide range of products and the upgrading of displays from monochrome to colour. LCD displays will replace mechanical displays in equipment such as speedometers in motor vehicles, power meters as well as static displays such as road signs. More LCD displays will be installed in electronic devices such as audio and video products, in Bluetooth® devices and 3G telecommunication products. Jetup is well-positioned to benefit from the widening applications of LCD modules.

Based on our discussion with the management of Jetup, from manufacturing simple LCD applications for calculators and watches, Jetup has moved towards production of higher value products such as LCD modules for internet protocol phones, white goods and telecommunication products. Going forward, Jetup will pursue the business of higher value LCD module products, improve manufacturing efficiencies and economies of scale, as well as implement cost control measures to boost profits.

As mentioned in the interim report of JIC for the six months ended 30th June, 2007, the LCD market condition is increasingly competitive and challenging. We understand from the management of Jetup that in order to curb continuous pricing pressure, Jetup will continue to pursue business growth in the higher value LCD module products. At the same time, by focusing on manufacturing efficiencies and economies of scale, Jetup is also seeking to improve the profitability of LCD products with lower margins.

In addition, Jetup has recently developed an infrastructure which will cater for a larger and higher value module business to move itself up the value chain. This includes medium-size coloured TFT module assembly and other monochrome LCD modules that require more customised and complex assembly technology. Jetup has made the necessary investments and put in the necessary production facilities to increase its capacity by nearly two-fold in 2006. As at the end of the first half of 2007, Jetup was able to attain a high-volume monthly production of 5 million LCD modules. This improved productivity is expected to help support the demand of business growth in the future.

Furthermore, Jetup will continue its efforts in gaining more market share in Europe, the United States and Northeast Asia. In doing so, the management shall balance a portfolio of large and small volume LCD businesses with lower and higher margins respectively. The main product applications shall be coming from telecommunications, white goods, industrial instruments, medical appliances and automotives sectors.

We understand from the management of Jetup that investments in capacity ramp up will be completed in 2007. Expenses and losses incurred in 2007 as a result of delayed delivery of machinery, bottleneck, balancing of productivity and yield losses may not recur in 2008. Coupled with a changing product mix to higher margin products and active acquisition of new projects and customers, the management is confident that Jetup is well-positioned to improve its performance in 2008.

The Zastron Group

FPC is a technology for building electronic circuits by depositing electronic devices on flexible substrates such as plastic. In the simplest case, FPC can be made by using the same components used for rigid printed circuit boards. The only thing that needs to change is the substrate, being made flexible, rather than rigid.

Based on our discussion with the management of Zastron, we understand that they consider the key growth areas for FPC over the next five years will continue to be in mobile phone along with the growth of mid to high-end cellular phone, flat panel display interconnect, digital camera, new applications for hard disk drive ("**HDD**") such as audio visual system and mobile phone with HDD, new type sensor modules for automobile, portable consumer electronics devices. New applications in medical, military and aerospace will offer small, more specialized opportunities to flex fabricators.

According to an independent business consultancy company in the United Kingdom, total worldwide production of FPC in 2005 accounted for US$7,471 million, which is forecasted to increase to US$12,531 million by 2011, representing a CAGR of approximately 9%. The Asian region outside of Japan produces the largest volumes of FPC. The fastest growing country in Asia is the PRC, with FPC production value of US$1,241 million in 2005, which is expected to increase to US$3,162 million in 2011 (more than that of Japan and North America combined). This represents a CAGR of approximately 16.9%.

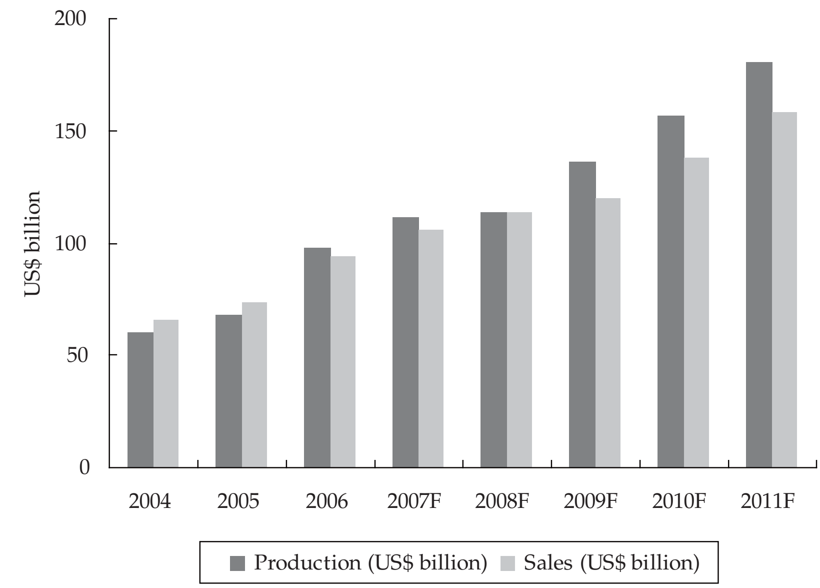
The Zastron Group mainly manufactures LCD, FPC and FPC subassemblies for the mobile phone industry. Based on our discussion with the management of Zastron, we understand that end customers of the Zastron Group include Nokia, Motorola, Samsung, Sony Ericsson and LG, which are the top five players in the global mobile phone industry. According to Gartner, these five players together command about 82% of the global market share. According to Gartner, the world market for mobile phones is expected to grow at a five-year CAGR for unit production of between 7% to 12% from 2006 to 2011. Growth will be driven largely by the sale of new mobile phones to new subscribers in emerging markets such as the PRC and India and the sale of replacement handsets in mature markets such as western Europe and North America.

Based on our discussion with the management of Zastron, we understand that Zastron will continue to drive for vertical integration to enhance business competitiveness, and improve profit margins. In order to reduce the risk of order fluctuation of the mobile phone industry, management of Zastron will continue to deploy strategy of product diversification. Furthermore, Zastron will also expand into PC peripheral and automotive sectors, which require more sophisticated assembly that will contribute and increase the value added portion.

Furthermore, in line with the strategy to drive for further vertical integration, Zastron would further enhance its business relationship with existing customers to cater for their upstream and downstream activities, such as FPC manufacturing, as well as co-design and new product development.

According to Business Monitor International, in 2006, the PRC overtook Japan as the world's second-largest automotive market, behind the United States, with a growth rate of 25%. The PRC is expected to become the biggest growth market by 2015.

Chart 1 – Historical data and forecasts of the automotive sector in the PRC



Source: Business Monitor International

We note that the financial performance of Zastron declined in the third quarter of 2007 when compared to the corresponding period in 2006 as described above under the historical financial performance section for Zastron. However, NPAT margin for the nine months ended 30 September 2007 has shown improvement when compared with that for the six months ended 30 June 2007. We also note that there is decent growth potentials for production of FPC, in particular in the PRC.

Competitive edges of Zastron

Based on the Letter from the NTEEP Board, in recent years, Zastron has already developed a niche in the following areas:

(i) Advanced high-precision manufacturing technology

Zastron is one of the few EMS providers in the PRC to effectively apply on an industrial scale a wide range of bonding and other sophisticated precision technologies such as COF, COG and TAB. The technology is not easily imitated by other competitors. With co-operation agreements with leading clients in the market, the board of Zastron expects that the niche will provide a stable growth in terms of profit and improvement in profit margin.

(ii) Vertical integration

Zastron has already started investing in FPC boards production, which could offer an upstream integration effect on FPC modules production. A new manufacturing plant is planned to be established in Wuxi, with gross floor area of approximately 470,000 sq.ft.. The plant will provide an annual production capacity of approximately 450,000 sq.m. of FPC boards. The establishment could shorten the lead time, increase operating efficiency and broaden product range, which eventually leverages the operation and attracts new businesses.

Apart from upstream integration, Zastron plans to fully utilise its advanced technologies to produce finished goods such as telecommunication networking products, personal computer peripherals and automotives, in the hope of exploring new revenue sources.

(iii) Customer relationship

Zastron also possesses long term and solid relationships with major Japanese customers, namely Sharp Corporation, Sanyo Epson Imaging Devices (HK) Limited and Hikari Alphax Inc.. These three customers alone account for more than 40% of the LCD market share in the mobile phone industry. Close collaboration with leading customers remains an important strategy for Zastron in the coming years.

From the year 2008 onwards, the mobile phone market is expected to experience double digit growth. The board of Zastron expects the LCD modules and FPC segment to experience a growth in line with the mobile phone market upon launch of new products.

Enlarged NTEEP

As discussed in the Letter from the NTEEP Board, the Enlarged NTEEP will enjoy benefits and synergies as a result of the Reorganization as set out below.

(i) Technology

NTEEP, Zastron and Jetup are engaged in manufacturing in the electronic industries, but each utilises distinct technologies in their respective manufacturing processes.

As mentioned in the Letter from the NTEEP Board, it can be generalised that Zastron possesses technology that demands higher precision, reliability and high volume; NTEEP possesses technology geared towards making finished products; while Jetup possesses technology that is geared towards continuous processes for high volume production.

The NTEEP Board considers that the merger of all of NTEEP, Zastron and Jetup will give the Enlarged NTEEP a broadened and deepened technology base to add processes to the same products or for the same customers, to improve profit margin. The Enlarged NTEEP can approach new customers with a much more competitive technology offering.

Set out below is the technology that NTEEP, Zastron and Jetup possess, as mentioned in the Letter from the NTEEP Board:

Technology	NTEEP	Zastron	JIC
COF		✓	
COG		✓	✓
COB	✓	✓	
OLB	✓		
SMT	✓	✓	
TAB	✓	✓	✓
FPHS	✓		
STN			✓
LCD Backend		✓	✓
Clean room Type 100	✓		
Clean room Type 1,000		✓	✓
Clean room Type 10,000	✓	✓	✓

(ii) Business and products

NTEEP, Zastron and Jetup are engaged in manufacturing in the electronic industries, but in different product categories. The NTEEP Board considers that the business synergy could be dynamic and range from extending processes to the same products, which can save costs for customers as well as generate additional revenue for the Enlarged NTEEP.

Set out below are the key products of NTEEP, Zastron and Jetup, as mentioned in the Letter from the NTEEP Board:

Key Products	NTEEP	Zastron	JIC
LCD modules		✓	✓
FPC subassemblies		✓	
FPC boards		✓	
Mobile phone accessories	✓		
Home entertainment products	✓		
Educational products	✓		
Optical modules	✓		
LCD panels and products			✓

(iii) Customers

NTEEP, Zastron and Jetup are engaged in manufacturing in the electronic industries, but each has distinct major customers. Synergy exists in marketing a broadened range of services the Enlarged NTEEP can provide to the same customers.

Set out below are the major customers of NTEEP, Zastron and Jetup as stated in the Letter from the NTEEP Board:

Major Customers	**NTEEP**	**Zastron**	**JIC**
Hikara Alphax Inc.		✓	
Sanyo Epson Imaging Devices (HK) Limited		✓	
Sharp Corporation (Excel)		✓	
Wuxi Sharp Electronic Components Co., Ltd.		✓	
GN Netcom A/S	✓		
Sony Computer Entertainment Europe Ltd.	✓		
Sony Ericsson Mobile Communications AB	✓		
Texas Instruments Incorporated	✓		
LeapFrog Enterprises, Inc.	✓		
Uniden HK Ltd.			✓

(iv) Other potential synergies

We are of the view that the Reorganization could bring about other potential synergies, including:

- Improvement in cost structure and greater economies of scale in joint marketing, procurement, financial management, human resources, administration, as well as centralised management, including engineering, supply chain management, finance, accounting, administration and human resources;

- Possible efficient and effective exchange of knowhow, technology and resources among NTEEP, Zastron and Jetup;

- Consolidation of the three entities' separate customer bases in the United States, Europe, Japan and other countries to diversify customer base, expand geographic footprint and leverage on cross-selling opportunities;

- Extension of industry coverage in consumer electronics, telecommunications, mobile telecommunications and automotive sectors to reduce concentration on any one sector;

- Expansion of product offerings to diversify revenue streams as well as provide customers with one-stop manufacturing solution; and

- Acceleration of NTEEP's growth to become one of the largest EMS companies listed on the Stock Exchange, which might attract better analyst coverage and stock following. Being a potentially bigger company, the Enlarged NTEEP is better positioned to command more attention from institutional and other investors, thereby enhancing its equity value fund raising capability which can assist further growth.

(v) Growth Options

NTEEP is essentially a mass production manufacturer whose scale, collaboration and ability to provide customers with one-stop solution are key critical success factors. It is in the interest of NTEEP to expand the scale of its operations, which it can achieve through either organic growth or acquisitions. Organic growth is often slow and limited compared to acquisitions. On the other hand, while acquisitions provide a faster growth path compared to organic growth, it can also be fraught with consolidation risk. In this case, the Reorganization presents a much lower consolidation risk compared to an acquisition from independent third parties as NTEEP, Jetup and Zastron are all part of the NTEI Group which share relatively compatible systems, management style and company culture. Hence, we are of the view that the acquisition of Jetup and Zastron presents a good opportunity for NTEEP to expand quickly within its core business and enhance its competitive edge with relatively lower consolidation risk.

4. *Background of and reasons for the NTEEP Agreement*

As stated in the Letter from the NTEEP Board, the transactions contemplated under the NTEEP Agreement provide the following benefits to NTEEP and the NTEEP Independent Shareholders:

(i) The Reorganization will transform NTEEP into a global EMS provider with an annual revenue of US$867.0 million (HK$6,762.9 million), making NTEEP the third largest listed EMS company in Hong Kong in terms of revenue based on the NTEEP 2006 Pro forma Accounts;

(ii) According to the NTEEP 2006 Pro forma Accounts and NTEEP 2007 Pro forma Accounts, earnings before interest, taxation, depreciation and amortisation of the Enlarged NTEEP for the year ended 31st December, 2006 and the six months ended 30th June, 2007 would increase by 217.0% and 53.2% to US$76.0 million (HK$593.0 million) and US$61.1 million (HK$476.5 million) respectively, as compared with that of the NTEEP Group immediately prior to the Reorganization;

(iii) NTEEP's overheads are rising more rapidly than expected due to high cost of operating manufacturing facilities in downtown area in Xixiang, Baoan, Shenzhen, the PRC. Labour costs and security concerns are constant problems for management. Tense supply of water and electricity make it difficult for NTEEP to meet customers' orders and is becoming a threat of loss of business and customers to competitors. The Reorganization allows NTEEP to acquire not only two profitable businesses, it comes with three pieces of land from Zastron for future expansion in two industrial parks with a land site area nearly 4 times the existing site of NTEEP. Two of the sites are located in Wuxi and one in Guangming, Shenzhen – all acquired by the Zastron Subsidiaries in the PRC at a relatively low cost. The NTEEP Agreement provides huge expansion opportunities to the Enlarged NTEEP in lower cost areas of the PRC, with reliable water and electricity supplies and better security;

(iv) Upon completion of the NTEEP Agreement, NTEEP will have much more diversified products and a new customer base;

(v) The Reorganization will remove connected transaction implications for the Enlarged NTEEP for technology exchange or co-operation and therefore makes transfer of higher precision and manufacturing technology amongst NTEEP, Zastron and Jetup much easier;

(vi) After the Reorganization, dealings between NTEEP, Jetup and Zastron would no longer be connected transactions; therefore sharing and reallocation of resources are made possible – funding, land, enterprise resources planning, manufacturing facilities, and so on;

(vii) With a much more sizeable operation, reduced overheads and greater economies of scale, the management of NTEEP is more confident in the growth prospects of the business. As such, a more liberal dividend policy may be considered for the future, benefiting the NTEEP Shareholders;

(viii) If appropriate, moving to the new industrial parks will enable NTEEP to serve customers in both the middle and southern parts of the PRC, improving the business prospects of NTEEP Group;

(ix) Accordingly, after moving to Zastron's new sites – with lower overheads, more reliable water and electricity supplies, broader customer coverage and better security – NTEEP may consider alternative use of the land site in downtown Xixiang, Baoan, Shenzhen; and

(x) Zastron Group had unaudited retained earnings of US$79.2 million (HK$617.8 million) as at 30th September, 2007, which is for the benefit of NTEEP after the Reorganization.

As mentioned in the "Background of the Reorganization" in the Circular, if the Reorganization is unsuccessful, NTEI will no longer be able to provide further resources to NTEEP and NTEEP may adopt its own policy and strategy. In that case, the following corporate moves may be implemented:–

(i) In order to better distinguish the businesses under distinct separate management, policy and strategy, NTEI considers it beneficial to both NTEI and NTEEP if NTEEP adopts a different name and logo other than "Nam Tai"; and

(ii) NTEEP will consider other acquisitions from independent third parties to pursue its expansion which may be of greater risk and potentially more expensive.

Should the Reorganization be unsuccessful and NTEEP adopts a different name and logo other than "Nam Tai", NTEEP may need to build up its own brand name, and it is possible that the business of NTEEP might be affected.

Besides the reasons and benefits for the NTEEP Agreement set out above, even if NTEEP were to look for other acquisition opportunities to expand its EMS business should the Reorganization be unsuccessful, it may be difficult to find suitable companies to acquire. More time and effort may be needed to consolidate the newly acquired companies. Moreover, there is no assurance that the operations and business of the companies acquired from independent third parties could be consolidated smoothly with NTEEP or that the operations and businesses of the newly acquired companies will not be interrupted.

5. Sites

According to the section "Background of the Reorganization" in the Circular, NTEEP's production facilities are currently located in Xixiang, Baoan, Shenzhen in the PRC. As Xixiang is becoming a commercial district, the management of NTEEP anticipates that within a matter of few years, NTEEP may be requested by the local government to relocate to facilitate the redevelopment of the area. As land in Shenzhen is becoming scarce, relocation within its vicinity is difficult. It is important for NTEEP to plan ahead and this is an opportunity to do so through the Reorganization. In conjunction with the transformation of Xixiang from an industrial to a commercial district, security is worsening in the area. Water and power supplies are unstable which arouse concern for its future operations. Even though NTEEP has laid standby cable to power stations, the underground cable was dug out and stolen. Further, overheads of operating in Xixiang keep on increasing. Based on our understanding with the management of NTEEP, the above factors make operating at NTEEP's existing facilities a challenge.

Zastron Group has acquired two pieces of land and will acquire one more piece of land, which are set out as follows:

Land held by Zastron Group

Land	**Site Area**	**Historical acquisition cost**[1]	**Appraised market value**[2]
	(sq.ft.)	*(HK$ million)*	*(HK$ million)*
Wuxi National Hi-tech Industries Development Zone, Wuxi, Jiangsu, the PRC	515,413	8.9	16.3
Wuxi New District Meicun Town, Zhang Gong Qiao Village, Wuxi, Jiangsu, the PRC	470,357	8.2	12.7
Total	985,770	17.1	29.0

Notes:

1. Based on exchange rate of Rmb1 = HK$1.0382.

2. Appraised market value based on property valuation of the Enlarged NTEEP prepared by LCH (Asia-Pacific) Surveyors Limited, which has been included in Appendix IX of the Circular.

Land to be acquired by Zastron Group

Land	Site Area *(sq.ft.)*	Acquisition cost[1] *(Rmb million)*
Guang Ming New District, Shenzhen Baoan Hi-Tech Industrial Park, Shenzhen, Guangdong, the PRC	1,270,163	56.6

Note:

1. As mentioned in the property valuation of the Enlarged NTEEP set out in Appendix IX to the Circular, Zastron Group has paid a deposit of Rmb5,664,062.

Compared to NTEEP's site of 566,479 sq.ft., the aggregate area of Zastron's site is nearly 4 times that of NTEEP. All the three sites are located within industrial parks in lower cost areas with stable water and power supplies and good security. Wuxi in particular will offer NTEEP an additional strategic advantage in that NTEEP can explore new customers in the middle part of the PRC. In addition, we note that the historical acquisition cost of these 2 pieces of land is approximately 41% lower than its appraised market value, as presented in the table above.

In the event that NTEEP moves out of its existing site, NTEEP can consider alternative use of the land including change of use to increase its value, if possible.

6. *Principal terms and conditions of the NTEEP Agreement*

Pursuant to the Original NTEEP Agreement, NTEI agreed to sell and NTEEP agreed to purchase 91% registered capital of Jetup and the Zastron Interest, representing the entire issued share capital of Zastron. In the Supplemental NTEEP Agreement, the terms and conditions are amended such that NTEEP will acquire 100% interests in Jetup ("**Jetup Interest**"). As a result, the consideration payable by NTEEP will increase from HK$2,729.2 million (US$349.9 million) to HK$2,754.5 million (US$353.1 million).

Based on the Original NTEEP Agreement, the consideration will originally be satisfied by HK$300 million (US$38.5 million) in cash before 30th June, 2008 and the issue of US$311,430,295 (HK$2,429.2 million) NTEEP CB to NTEI. Subsequently, based on the amended terms and conditions in the Supplemental NTEEP Agreement, the consideration payable by NTEEP will be satisfied by HK$325,373,700 (US$41.7 million) in cash and NTEEP Loan of US$311,430,295 (HK$2,429.2 million) upon completion.

The above consideration was arrived at after arm's length negotiations between the relevant parties. The valuation of Jetup is based on a PE of 10 times of JIC's audited net profit for the year ended 31st December, 2006, which implies a PE (T12) of 29.4 times of JIC's unaudited consolidated net profit for the trailing 12 months ended 30th September, 2007. JIC has no revenue and Jetup is the core business entity of JIC and owns all the assets and knowhow of JIC's business.

The valuation of Zastron is also based on a PE of 10 times of Zastron's unaudited consolidated net profit for the year ended 31st December, 2006, which implies a PE (T12) of 15.68 times of Zastron's unaudited consolidated net profit for the trailing 12 months ended 30th September, 2007.

Zastron had retained earnings of approximately HK$617.8 million (US$79.2 million) as at 30th September, 2007. Based on the terms and conditions of the Original NTEEP Agreement, Zastron would distribute HK$300 million (US$38.5 million) dividend from its retained earnings to NTEI prior to the Reorganization. Zastron would still have a remaining balance of retained earnings of approximately HK$317.8 million (US$40.7 million) for the benefit of NTEEP. Subsequently, based on the amended terms in the Supplemental NTEEP Agreement, Zastron would not be making any distributions from its retained earnings to NTEI prior to the Reorganization. As a result, NTEEP would be able to benefit from Zastron's entire retained earnings upon completion of the NTEEP Agreement.

The table below summarises the major amendments to the terms and conditions of the Original NTEEP Agreement:–

	Original NTEEP Agreement	**Supplemental NTEEP Agreement**
Zastron's dividends	Zastron will distribute US$38.5 million (HK$300 million) in cash as dividends to NTEI prior to the Reorganization	Zastron will not distribute such dividends to NTEI
Transaction	NTEEP will acquire 91% interests in Jetup	NTEEP will acquire 100% interests in Jetup
Payment method	(i) US$311,430,295 (HK$2,429.2 million) in NTEEP CB	(i) US$311,430,295 (HK$2,429.2 million) in NTEEP Loan
	(ii) HK$300,000,000 (US$38.5 million) in cash	(ii) HK$325,373,700 (US$41.7 million) in cash

As discussed in the Letter from the NTEEP Board, the amended terms and conditions in the Supplemental NTEEP Agreement have the following benefits over the Original NTEEP Agreement:–

- As there will be no issue of new NTEEP Shares or any rights to subscribe for NTEEP Shares, there will be no change in shareholding of NTEEP, and hence no dilution of shareholding interests of the existing NTEEP Independent Shareholders, which would have been significant upon conversion of the NTEEP CB under the Original NTEEP Agreement;

- Improvement in earnings before interest, taxation, depreciation and amortisation of the Enlarged NTEEP by 53.2% to US$61.1 million (HK$476.5 million) as compared with the NTEEP Group immediately prior to the Reorganization, according to the NTEEP 2007 Pro forma Accounts;

- Improvement in net asset value of the Enlarged NTEEP by 4.0% from US$186.9 million (HK$1,457.8 million) to US$194.5 million (HK$1,516.8 million), as at 30th June, 2007;

- Additional cash of US$38.5 million (HK$300 million) in NTEEP; and

- Full control of Jetup, which will make the Reorganization more complete.

7. Consideration for Jetup Interest

In analysing the valuation of Jetup, we have conducted searches for companies in Hong Kong that meet the following criteria ("**Selected Reference Companies to Jetup**"):

(i) Listed on the Stock Exchange;

(ii) Majority revenue contribution from the manufacture of LCD modules for consumer electronics and telecommunications industry; and

(iii) Majority of operations in the PRC and/or Hong Kong with minimal activities in other geographic segments.

Table 7 sets out the trading multiples of Selected Reference Companies to Jetup as at the Latest Practicable Date.

Table 7 – Selected Reference Companies to Jetup as at the Latest Practicable Date

Company	Stock Code	Principal business	Financial year end	Period end of the latest published financial results	Market capitalisation[1]	Historical PE[2,3]	PE(T12)[3,4]	PB[3,5]
					(HK$ million)	*(x)*	*(x)*	*(x)*
Truly International Holdings Limited	732	Principally engaged in the manufacture and sale of LCD products, electronic consumer products including calculators, pagers, MP3 player, and electronic components	31-Dec	30-Sep-07	9,342.3	17.6	14.5	3.3
CATIC Shenzhen Holdings Limited	161	Principally engaged in the, manufacture and sale of LCD, PCB and cable television equipment	31-Dec	30-Jun-07	3,879.6	29.9	27.9	2.4
Varitronix International Limited	710	Principally engaged in design, manufacture, and sale of LCD and related products	31-Dec	30-Jun-07	1,947.0	11.2	9.6	1.4
A-Max Holdings Limited	959	Principally engaged in the design, manufacture, andapplicable sale of electronic organizers and other consumables, LCD modules and LCD panels, and telecommunication products	31-Mar	31-Mar-07	1,591.0	n/a	n/a	0.9
Yeebo (International Holdings) Limited	259	Principally engaged in the, development, manufacture, and sale of LCDs	31-Mar	31-Mar-07	626.1	24.7	24.7	1.0
K & P International Holdings Limited	675	Principally engaged in the manufacture and sale of electronic and related components and parts comprising keypads, synthetic rubber and plastic parts and components, and LCD	31-Dec	30-Jun-07	95.6	68.9	18.1	0.7
High						**68.9**	**27.9**	**3.3**
Average						**30.5**	**19.0**	**1.6**
Median						**24.7**	**18.1**	**1.2**
Low						**11.2**	**9.6**	**0.7**
Implied valuation of Jetup under NTEEP Agreement						**10.0**[6,7]	**14.9**[6,8]	**1.7**[6,9]

Source: Bloomberg, company announcements, company latest published annual reports, company financial results announcements

Notes:

1. Market capitalisation is based on the closing price of the respective Selected Reference Companies to Jetup as quoted on Bloomberg as at the Latest Practicable Date.

2. Historical PE is calculated based on the NPAT of the Selected Reference Companies to Jetup as extracted from their latest available full year financial results as at the Latest Practicable Date.

3. Should the financial statements of the Selected Reference Companies to Jetup be quoted in a currency other than HK$, the exchange rate as at the Latest Practicable Date is applied to convert the net earnings to HK$ for computation purposes.

4. PE (T12) is calculated based on the NPAT of the Selected Reference Companies to Jetup as extracted from their latest available full year financial results and quarterly/interim results as at the Latest Practicable Date.

5. PB is calculated based on the net asset value of the Selected Reference Companies to Jetup as extracted from their latest available quarterly/interim financial results as at the Latest Practicable Date.

6. Such multiples are calculated based on the consideration for Jetup under the NTEEP Agreement.

7. Historical PE is calculated based on the audited net profit of JIC for the year ended 31st December 2006.

8. PE (T12) is calculated based on the unaudited net profit of JIC for the trailing 12 months ended 30th June 2007.

9. PB is calculated based on the net asset value of Jetup as at 30th June 2007.

In considering the reasonableness of the consideration, we have made reference to the trading multiples of Selected Reference Companies to Jetup. We note that there is no directly comparable company to Jetup listed in Hong Kong and none of the Selected Reference Companies to Jetup have the same type of products and geographical mix as Jetup.

As mentioned in the Letter from the NTEEP Board, the operation of JIC is carried out by Jetup and JIC Macao, provides consultancy, administration and data processing services to Jetup. After completion of the JIC Agreement, Jetup would no longer use JIC Macao for those services, but instead performs those functions by itself. As disclosed in the pro forma financial information of the Enlarged JIC in Appendix V of the Circular of JIC dated 5th December 2007, assuming that Jetup had taken up all operations of JIC Macao and listing expenses of JIC, the results of Jetup would effectively be similar to that of JIC. Therefore, we have made comparisons of the implied PE of the consideration based on the financial results of JIC with the trading PE of the Selected Reference Companies to Jetup as at the Latest Practicable Date. The PE implied by the consideration for Jetup under the NTEEP Agreement based on the historical net profit of JIC is 10.0 times, which is below the trading range of 11.2 to 68.9 times of the Selected Reference Companies to Jetup.

On a trailing 12 months basis up to 30th June, 2007, the consideration for Jetup under the NTEEP Agreement represents a PE (T12) of approximately 14.9 times, which is within the trading PE range of 9.6 to 27.9 times of the Selected Reference Companies to Jetup, and is lower than the average of 19.0 times. On a trailing 12 months basis up to 30th September, 2007, the consideration for Jetup under the NTEEP Agreement represents a PE (T12) of approximately 29.4 times, which is higher than the trading range of 9.59 to 27.93 times of the Selected Reference Companies to Jetup, and is lower than the average of 19.0 times.

We note that the six Selected Reference Companies to Jetup have adopted different financial year end for financial reporting purposes. In addition, all six Selected Reference Companies to Jetup have only announced their interim results but not quarterly results. As a result, as at the Latest Practicable Date, none of the Selected Reference Companies to Jetup have made publicly available their financial results up to 30th September, 2007. Hence, we are of the view that it is more appropriate to compare the implied PE of Jetup based on the consideration under the NTEEP Agreement on trailing 12 months basis up to 30th June, 2007 with the Selected Reference Companies to Jetup's trading PE(T12), instead of up to 30th September, 2007.

We have not compared the PE on a deleveraged basis based on the following rationale:–

(i) The capital structure of a company is one of the determinants of its trading valuation. The normal PE would have reflected this and be sufficient as a fair indicator of a company's market valuation.

(ii) When NTEEP acquires Zastron and Jetup, it will also take over their debt. Hence, any existing debt should be considered when evaluating the acquisition PE.

For illustration purposes only, the consideration for Jetup under the NTEEP Agreement represents a PB of 1.7 times, which is within the trading range of 0.7 to 3.3 times of the Selected Reference Companies to Jetup.

8. Consideration for Zastron Interest

In analysing the valuation of Zastron, we have conducted searches for companies in Hong Kong that meet the following criteria ("**Selected Reference Companies to Zastron**"):–

(i) Listed on the Stock Exchange;

(ii) Majority revenue contribution from the manufacture, sale and trading of PCB/FPC and PCB/FPC subassemblies; and

(iii) Majority of operations in the PRC and/or Hong Kong with minimal activities in other geographic segments.

Table 8 sets out the trading multiples of Selected Reference Companies to Zastron as at the Latest Practicable Date.

Table 8 – Selected Reference Companies to Zastron as at the Latest Practicable Date

Company	Stock Code	Principal business	Financial year end	Period end of the latest published financial results	Market capitalisation[1] *(HK$ million)*	Historical PE[2,3] *(x)*	PE(T12)[3,4] *(x)*	PB[3,5] *(x)*
Same Time Holdings Ltd	451	Manufactures and sells consumer electronics products and PCBs	31-Mar	31-Mar-07	162.2	2.3	2.3	0.5
TC Interconnect Holdings Ltd	515	Manufactures printed circuit boards for various electronic appliances, including consumer electronics, computers, and communications equipment	31-Dec	30-Jun-07	448.8	11.5	8.1	1.7
Meadville Holdings Ltd	3313	Manufactures printed circuit boards. Also produces prepreg and laminate	31-Dec	30-Jun-07	4,460.0	13.9	20.4	2.2
Daisho Microline Holdings Ltd	567	Manufactures and trades PCBs	31-Mar	31-Mar-07	802.6	5.6	5.6	2.2
Hannstar Board International Holdings	667	Manufactures PCBs for the notebook industry worldwide. Also supplies PCBs for the consumer electronics and communication industries, that are used for game consoles, servers, and mobile phones	31-Dec	30-Jun-07	2,211.3	9.2	6.8	1.5
Sinotronics Holdings Ltd	1195	Manufactures and trades printed circuit boards	30-Jun	30-Jun-07	585.0	5.5	5.5	0.6
Global Flex Holdings, Limited	471	Principally engaged in the design, manufacture and sale of FPC and PCBs	31-Dec	30-Jun-07	375.0	3.9	4.9	0.4
AKM Industrial Company Limited	8298	Principally engaged in the manufacturing and selling of flexible printed circuit which is used in communication, LCD, consumer electrical and electronic appliances	31-Dec	30-Sep-07	137.7	Not applicable	Not applicable	0.7
High						**13.9**	**20.4**	**2.2**
Average						**7.4**	**7.7**	**1.2**
Median						**5.6**	**5.6**	**1.1**
Low						**2.3**	**2.3**	**0.4**
Implied valuation of Zastron under NTEEP Agreement						**10.0**[6,7]	**13.9**[6,8]	**3.9**[6,9]

Source: Bloomberg, company announcements, company latest published annual reports, company financial results announcements

Notes:

1. Market capitalisation is based on the closing price of the respective Selected Reference Companies to Zastron as quoted on Bloomberg as at the Latest Practicable Date.

2. Historical PE is calculated based on the NPAT of the Selected Reference Companies to Zastron as extracted from their latest available full year financial results as at the Latest Practicable Date.

3. Should the financial statements of the Selected Reference Companies to Zastron be quoted in a currency other than HK$, the exchange rate as at the Latest Practicable Date is applied to convert the net earnings to HK$ for computation purposes.

4. PE (T12) is calculated based on the NPAT of the Selected Reference Companies to Zastron as extracted from their latest available full year financial results or quarterly/interim results as at the Latest Practicable Date.

5. PB is calculated based on the net asset value of the Selected Reference Companies to Zastron as extracted from their latest available quarterly/interim financial results as at the Latest Practicable Date.

6. Such multiples are calculated based on the consideration for Zastron under the NTEEP Agreement.

7. Historical PE is calculated based on the audited consolidated net profit of Zastron for the year ended 31st December 2006.

8. PE (T12) of Zastron is calculated based on the unaudited net profit of Zastron for the trailing 12 months ended 30th June 2007.

9. PB of Zastron is calculated based on the net asset value of Zastron as at 30th June 2007.

In considering the reasonableness of the consideration, we have made reference to the trading multiples of Selected Reference Companies to Zastron. We note that there is no directly comparable company to Zastron listed in Hong Kong and none of the Selected Reference Companies to Zastron have the same type of products and geographical mix as Zastron.

We have made comparisons of the implied PE of the consideration with the trading PE of the Selected Reference Companies to Zastron as at the Latest Practicable Date. The PE implied by the consideration for Zastron under the NTEEP Agreement based on the audited consolidated net profit of Zastron for the year ended 31st December, 2006 is 10.0 times, which is within the trading PE range of 2.3 to 13.9 times of the Selected Reference Companies to Zastron, and higher than the average of 7.7 times.

On a trailing 12 months basis up to 30th June, 2007, the consideration of Zastron under the NTEEP Agreement represents a PE (T12) of approximately 13.9 times, which is within the trading PE range of 2.3 to 20.4 times of the Selected Reference Companies to Zastron, and higher than the average of 7.7 times. On a trailing 12 months basis up to 30th September, 2007, the consideration of Zastron under the NTEEP Agreement represents a PE (T12) of approximately 15.7 times, which is within the trading range of PE (T12) of the Selected Reference Companies to Zastron, and higher than the average of 7.7 times.

We note that the eight Selected Reference Companies to Zastron have adopted different financial year end for financial reporting purposes. In addition, except for AKM Industrial Company Limited, the remaining seven Selected Reference Companies to Zastron have only announced their interim results but not quarterly results. As a result, among the Selected Reference Companies to Zastron, only AKM Industrial Company's financial results up to 30th September, 2007 is publicly available as at the Latest Practicable Date. Hence, we are of the view that it is more appropriate to compare the implied PE of Zastron based on the consideration under the NTEEP Agreement on trailing 12 months basis up to 30th June, 2007 with the trading PE(T12) of the Selected Reference Companies to Zastron, instead of up to 30th September, 2007.

In addition, we note that the PE implied by the consideration of the NTEEP Agreement, though within market ranges as discussed above, appears to be on the high side relative to the trading PE of the Selected Reference Companies to Zastron. However, considering the benefits of the Reorganization to the Enlarged NTEEP, the control premium in terms of valuation sometimes necessary in securing a controlling stake in an acquisition, and the customer base and technical know-how possessed by Zastron, the consideration is still justifiable.

For illustration purposes only, the consideration of the NTEEP Agreement represents a PB of 3.9 times, which is higher than the trading range of 0.4 to 2.2 times of the Selected Reference Companies to Zastron.

9. *Terms and conditions of the NTEEP Loan*

(I) Overview

Based on the terms and conditions of the Original NTEEP Agreement, NTEEP will issue a NTEEP CB to satisfy part of the consideration. However, as amended by the Supplemental NTEEP Agreement, instead of issuing the NTEEP CB, NTEEP will obtain an NTEEP Loan to satisfy part of the consideration. The table below sets out a comparison of the principal terms of the NTEEP CB with the NTEEP Loan:

Table 9 – Principal terms and conditions of the NTEEP CB and NTEEP Loan

	NTEEP CB	**NTEEP Loan**
Principal amount:	US$311,430,295 (HK$2,429.2 million)	US$311,430,295 (HK$2,429.2 million)
Interest rate:	2.5% per annum payable semi-annually in arrears	3.9% per annum payable annually in arrears
Maturity and repayment:	5 years from the date of issue	12 years from the date of issue with equal annual principal repayment of US$25,952,525 (HK$202.4 million), with the first repayment due on 31st December, 2008
Conversion price:	US$0.23227 (HK$1.8) per NTEEP share	Not applicable

(II) Interest rate

The NTEEP CB bears an interest rate of 2.5% per annum, payable semi-annually in arrears. The NTEEP Loan bears an interest rate of 3.9% per annum, payable annually. Although the NTEEP Loan bears a higher interest rate than the NTEEP CB, it is expected to be lower than the interest rate that NTEEP would be subject to should it take up bank borrowings to finance the consideration. We had enquired the management of NTEEP of the interest rate that NTEEP would be subject to should NTEEP take up bank borrowings to satisfy the consideration for the NTEEP Agreement. We were advised that bank borrowings might bear a much higher interest rate of 6.0% per annum or more at present.

(III) Maturity

The NTEEP CB matures in 5 years from the date of its issue, with the full principal amount payable at maturity. The NTEEP Loan has a tenure of 12 years, with the principal payable in equal amounts annually. The NTEEP Loan provides NTEEP with a longer term to repay the principal. In addition, instead of a one-time repayment of the full principal amount, the principal is repaid in equal amount over 12 instalments, which reduces NTEEP's repayment risk.

10. No dilution effect on public shareholding level

As at the date of the Circular, NTEEP has 881,670,588 ordinary shares outstanding. NTEI holds 645,229,470 shares, representing approximately 73.18% of NTEEP's outstanding shares. Public shareholders hold the remaining 236,441,118 shares, representing approximately 26.82% of NTEEP's outstanding shares.

Based on the terms and conditions of the NTEEP CB in the Original NTEEP Agreement, upon conversion of the NTEEP CB in full at the initial conversion price of US$0.23227 (HK$1.80), 1,349,526,779 NTEEP Shares would be issued to NTEI, representing approximately 153.1% of the existing issued NTEEP Shares or approximately 60.5% of the fully diluted issued NTEEP Shares as enlarged by the conversion.

However, based on the amended terms and conditions of the Supplemental NTEEP Agreement, there will be no dilution effect on public shareholding level as new equity or convertible securities will not be issued.

11. Proposed dividend policy

NTEI proposes to procure NTEEP after completion of the Reorganization to declare a minimum dividend of HK$0.20 (US cents 2.6) per NTEEP Share for the year ending 31st December, 2007. NTEI will also propose to the NTEEP Board after completion of the Reorganization to adopt a more liberal dividend policy in the future, including paying dividend twice a year totalling one third of NTEEP's net profit, subject to the final approval of the NTEEP Board and cashflow of NTEEP.

We note that although NTEI has the intention to propose to the NTEEP Board to adopt a more liberal dividend policy in the future, NTEEP may not be able to declare dividends or may decide not to declare dividends in the future. NTEEP Board will determine the amounts of the dividends when they are to be declared and even if dividends are declared in the future, NTEEP may not continue to declare dividends in any future period.

iv. Financial Effects of the Reorganization

1. Net profit

Before the Reorganization, NTEEP reported an unaudited consolidated NPAT of US$32.1 (HK$249.3 million) for the six months ended 30th June, 2007. After the Reorganization, the Enlarged NTEEP's pro forma consolidated NPAT for the six months ended 30th June, 2007 will increase by 25.9% to US$40.2 million (HK$313.8 million). The increase is mainly attributable to the gain on disposal of Namtek of approximately US$7.9 million and inclusion of Zastron's net profit of approximately US$7.3 million.

Before the Reorganization, NTEEP reported basic and diluted earnings per share ("**EPS**") of US 3.64 cents for the six months ended 30th June, 2007. After the Reorganization, the Enlarged NTEEP's proforma basic and diluted EPS for the six months ended 30th June, 2007 will similarly increase by 25.8% to US 4.58 cents.

As accounting treatment, goodwill will arise as a result of the acquisitions of Jetup and Zastron in the financial statements of the Enlarged NTEEP for the year ending 31st December, 2007. It is not known at this stage whether any impairment loss arising from the review of the goodwill will need to be booked in such financial statements. Any impairment loss arising, however, will be of non-cash nature.

2. Net asset value

Before the Reorganization, NTEEP reported an unaudited consolidated net asset value of US$186.9 million (HK$1,457.8 million) as at 30th June, 2007. As set out in Appendix V of the Circular, after the Reorganization, the Enlarged NTEEP's pro forma consolidated net asset value as at 30th June, 2007 will increase by approximately 4.1% to US$194.5 million (HK$1,517.1 million). The increase is largely attributable to the inclusion of Jetup and Zastron's net assets in the Enlarged NTEEP's consolidated net asset.

The Enlarged NTEEP's pro forma consolidated net asset value of US$194.5 million (HK$1,517.1 million) as at 30th June, 2007 includes a goodwill of US$253.1 million arising from the difference between (i) the aggregate consideration and estimated legal and profession fees in relation to the acquisition of the Zastron Group and Jetup and (ii) the net asset of the Zastron Group and Jetup to be acquired. Excluding goodwill, which is an intangible asset, the Enlarged NTEEP will be in a negative pro forma consolidated net tangible asset position of approximately US$58.6 million (HK$457.1 million) as at 30th June, 2007.

In assessing the Enlarged NTEEP as a going concern with the ability to derive substantial benefits from the Reorganisation, we consider that net tangible asset is less relevant than other key financial parameters and analysis such as PE, EPS, cashflow and net asset value. Essentially, acquisitions for companies valued on PE basis in the electronics and industrial sectors will normally give rise to goodwill on the balance sheet of the acquirer and also potentially reduce the net tangible asset position of the acquirer upon completion of the acquisitions as the companies being acquired with an earnings track record are normally acquired at a consideration representing a premium over their book values.

As stated in Appendix V of the Circular, for the purpose of the preparation of the unaudited pro forma financial information of the Enlarged NTEEP, the fair value of the Zastron Group's and Jetup's assets are assumed to be the same as their carrying value. The Enlarged NTEEP will assess the fair value of the identifiable assets, including intangible assets, liabilities and contingent liabilities of the Zastron Group and Jetup as at the date of acquisition. Accordingly, goodwill on acquisition will be subject to further changes upon completion of the NTEEP Agreement.

3. *Cash position*

Based on NTEEP's unaudited consolidated balance sheet as at 30th June, 2007, NTEEP has bank balances and cash of US$130.8 million. Based on the Enlarged NTEEP's pro forma consolidated balance sheet as at 30th June, 2007, the Enlarged NTEEP's bank balances and cash will increase by 10.9% to US$145.1 million (HK$1,131.8 million).

Based on NTEEP, Jetup and Zastron's financial statements for the financial year ended 31st December, 2006, the three entities generated combined US$77.9 million (HK$607.6 million) net cash from operating activities. Based on NTEEP's pro forma cash flow statement for the six months ended 30th June, 2007, the Enlarged NTEEP generated US$31.5 million (HK$245.7 million) net cash from operating activities.

As NTEEP is subject to an interest rate of 3.9% per annum for the NTEEP Loan, it will incur about US$12.1 million (HK$94.4 million) in interest expense in the first year of the NTEEP Loan. Based on 12 annual equal installments of principal repayment, NTEEP is obliged to repay approximately US$26.0 million (HK$202.8 million) in principal amount of the NTEEP Loan annually, with the first repayment due on 31st December, 2008. Together, the debt servicing obligation of NTEEP as a result of the NTEEP Loan is about US$38.1 million (HK$297.2 million) in 2008.

In addition, Zastron has planned capital expenditure of approximately US$62.0 million (HK$483.6 million) in 2008, of which US$37.5 million (HK$292.5 million) and US$24.5 million (HK$191.1 million) are to be applied to factory facilities construction and purchase of machinery respectively. Zastron will satisfy the capital requirements by internal resources.

Together, the debt servicing obligations of the NTEEP Loan and Zastron's capital expenditure require a total cash of about US$100.1 million in 2008. As mentioned above, based on the Enlarged NTEEP's pro forma consolidated balance sheet as at 30th June, 2007, the Enlarged NTEEP's bank balances and cash will increase to US$145.1 million, which is more than the aggregate amount of the debt servicing requirements of the NTEEP Loan and Zastron's capital expenditure.

Furthermore, we note that the directors of NTEEP are of the view that there is sufficient working capital available to the Enlarged NTEEP for at least the next 12 months from the date of this Circular to carry on its ordinary business.

4. *Gearing*

Based on NTEEP's unaudited consolidated balance sheet as at 30th June, 2007, NTEEP had no borrowings and an equity position of US$186.9 million (HK$1,457.8 million). Based on the Enlarged NTEEP's pro forma consolidated balance sheet as at 30th June, 2007, the Enlarged NTEEP's borrowings will increase to US$317.6 million (HK$2,477.3 million) as a result of issue of the NTEEP Loan as well as consolidation of Jetup and Zastron's borrowings. The Enlarged NTEEP's pro forma equity position as at 30th June, 2007 is US$194.5 million (HK$1,517.1 million). This represents a debt/equity ratio of 1.63, which is on the high side, though a substantial proportion of NTEEP's debt will be in the form of the NTEEP Loan.

5. *Interest coverage and debt service coverage*

Based on NTEEP's unaudited consolidated financial results as at 30th June, 2007, NTEEP had no borrowings and hence no principal repayment and interest expenses. Based on the Enlarged NTEEP's proforma consolidated income statement for the six months ended 30th June, 2007, the Enlarged NTEEP's interest expenses is US$6.2 million (HK$48.4 million). Based on pro forma earnings before interest and taxation of approximately US$51.0 million (HK$397.8 million) for the same period, interest cover would be approximately 8.2 times, which is comfortably adequate for interest expense servicing.

Based on the NTEEP Loan, the aggregate of the principal repayment and interest expenses for the first year is US$38.1 million (HK$297.2 million). Based on (i) the pro forma earnings before interest and taxation of approximately US$51.0 million (HK$397.8 million) of the Enlarged NTEEP for the six months ended 30th June, 2007 and (ii) half of the aggregate of the principal repayment and interest expenses for the first year of issue of the NTEEP Loan (which amounts to approximately US$19.1 million (HK$149.0 million), debt service coverage would be approximately 2.7 times, which is comfortably adequate for debt servicing.

OPINION

Taking into consideration the above principal factors and reasons, in particular, the expected qualitative benefits of the Reorganization to the Enlarged NTEEP and the enhancement of the pro forma EPS for the six months ended 30th June, 2007, we are of the opinion that the terms of the Namtek Agreement and NTEEP Agreement are on balance, fair and reasonable as far as the NTEEP Independent Shareholders are concerned, and the transactions contemplated under the Namtek Agreement and the NTEEP Agreement are in the interests of the NTEEP Independent Shareholders and NTEEP as a whole. Accordingly, we advise the NTEEP Independent Board Committee to recommend the NTEEP Independent Shareholders to vote in favour of the resolutions to be proposed at the NTEEP EGM to approve the Namtek Agreement and NTEEP Agreement.

Yours faithfully,
For and on behalf of
DBS ASIA CAPITAL LIMITED
Kelvin S.K. Lau
Managing Director

RISKS RELATING TO THE NTEEP EGM

Stock commentators' comments and press articles may not be based on in-depth analyses

Material transactions relating to listed companies sometimes attract comments and reports from stock commentators and news reporters. Some of the comments or reports published by these stock commentators and news reporters may or may not be based on in-depth analyses such as those published by independent financial advisers appointed for the purpose. Independent financial advisers appointed to advise on a particular transaction are licensed by the Securities and Futures Commission to do so, and are provided with detailed financial and business information on the transaction to make an objective and balanced recommendation. Shareholders' voting decision on material transactions of listed companies based on the views of stock commentators and news reporters may not serve the best interests of the company or the shareholders themselves.

RISKS RELATING TO THE EXISTING BUSINESS OF NTEEP GROUP

Concentration of Customers

NTEEP Group's business prior to the Reorganization is derived from a few customers. The concentration risk for individual product segment is more severe. For instance, the loss of one customer in mobile phone CMOS module business in 2005 led to a significant decline in revenue and profits in many subsequent quarters. The lack of growth of this business means that growth for NTEEP Group must come from new areas which NTEEP Group may or may not have expertise.

Inability to expand technology, customers and products could materially and adversely affect business

NTEEP Group's business focuses on manufacturing electronic products where competition is fierce. As NTEEP Group does not own unique processes or technology, its competitive edge is driven primarily by its scale and pricing policy. If NTEEP Group does not broaden and deepen its technology and knowhow, it will continue to be vulnerable to loss of business or pricing pressure. Acquiring technology of higher precision and quality and customers in that category will to a certain extent mitigate this risk.

No long-term contracts

As NTEEP Group's customers do not have long-term purchase commitments with NTEEP and its sales are made on individual purchase orders, customers may cancel or defer purchase orders. Customers' purchase orders may vary significantly from period to period, and it is difficult to forecast future order quantities. Further, NTEEP Group does not typically operate with any significant backlog in orders, and this makes it difficult to forecast revenues and allocate resources for future periods. There can be no assurance that the volume of customers' orders will be consistent with that of prior periods or with NTEEP Group's expectations. Accordingly, operating results may fluctuate significantly in the future. Such fluctuations may adversely affect NTEEP Group's liquidity, profitability, operating results and financial condition.

There may not be a sufficient market for new products

NTEEP Group's customers may not develop new products in a timely and cost-effective manner, or the market for products they choose to develop may not grow or be sustained in line with their expectations. Even if NTEEP Group develops expertise for new products, there can be no guarantee that a market exists or will develop for such products or that such products will adequately respond to market trends.

Factors affecting the electronics industry and customers could harm NTEEP Group's operations

Most of NTEEP Group's sales are to customers in the electronics industry, which is subject to rapid technological change, product obsolescence and short product life cycles. The factors affecting the electronics industry in general, or any major customers or competitors in particular, could have a material adverse effect on NTEEP Group's business and operating results. NTEEP Group's success depends to a significant extent on the success achieved by its customers in developing and marketing their products. If customers' products become obsolete, fail to gain widespread commercial acceptance or become the subject of intellectual property disputes, NTEEP Group's business and operating results could be materially and adversely affected.

Insurance coverage may not be sufficient

NTEEP Group has not experienced any major accidents in the course of its business, which have caused significant property damage or personal injuries. However, there is no assurance that it will not experience major accidents in the future. Although NTEEP Group has insurance against various risks, including a business interruption, fidelity and losses or damages to its buildings and assets, the occurrence of certain incidents such as earthquake, war, pandemics, and flood, and the consequences resulting from them, may not be covered adequately, or at all, by the insurance NTEEP Group maintains. NTEEP Group also faces exposure to product liability claims in the event that any of its products is alleged to have resulted in property damage, bodily injury or other adverse effects. NTEEP Group has only limited product liability insurance. Losses incurred in excess of applicable insurance coverage or for uninsured events or any material claim for which insurance coverage is denied, limited or is not available could have a material adverse effect on NTEEP Group's business, operating results or financial condition.

Intellectual property

NTEEP Group does not have any patents, licences, or trademarks material to its business. Instead, NTEEP Group relies on trade secrets, industry expertise and its customers sharing of intellectual property with it. However, there can be no assurance that such intellectual property is not in violation of that belonging to other parties. NTEEP Group may be notified that it is infringing patents, copyrights or other intellectual property rights owned by other parties. In the event of an infringement claim, NTEEP Group may be required to spend a significant amount to develop a non-infringing alternative or to obtain licences. NTEEP Group may not be successful in developing such an alternative or obtaining a licence on reasonable terms, if at all. Any litigation, even without merit, could result in substantial costs and diversion of resources and could materially and adversely affect its business and operating results.

Dependence on executives and skilled management personnel

NTEEP Group's business depends largely upon the continued services of its executive and employees. Generally, these employees are bound by employment or non-competition agreements. However, there is no assurance that NTEEP Group will be able to retain executives and other key employees. NTEEP Group could be seriously harmed by the loss of any executives. In order to manage its growth, NTEEP Group will need to recruit and retain additional skilled management personnel and if it is not able to do so, its business and its ability to continue to grow could be harmed. NTEEP Group maintains no key person insurance on these individuals. The loss of service of any of these officers or key management personnel could have a material adverse effect on NTEEP Group's business growth and operating results.

Shortage of skilled workers in southern PRC could adversely affect gross margins or decrease revenue

To date, NTEEP Group conducts all of its product development in southern PRC, where it has been able to take advantage of the lower overhead costs and inexpensive wages as compared to Hong Kong or other developed countries. Over the last few years, businesses in southern PRC are facing a labour shortage as migrant workers and middle level management seek better wages and working conditions elsewhere. If this trend continues and adversely affects NTEEP Group's ability to recruit or retain necessary workers and management personnel, its operations could be adversely impacted. This could result in lower revenues or increased wages, which would adversely affect gross margins.

The recurrence of SARS, potential outbreak of avian flu in the PRC, or similar adverse public health developments, and concerns over the spread of these diseases in the PRC and elsewhere, may materially and adversely affect business and operating results

From December 2002 to June 2003, the PRC and certain other countries experienced an outbreak of a new and highly contagious form of atypical pneumonia now known as severe acute respiratory syndrome, or SARS. On 5th July, 2003, the World Health Organization declared that the SARS outbreak had been contained. However, a recurrence of SARS, outbreak of avian flu or any other epidemic may lead to health or other government regulations requiring suspension of NTEEP Group's business, or the businesses of its suppliers or customers, which will severely disrupt its business operations and have a material adverse effect on its financial condition and operating results.

RISKS RELATING TO FINANCIAL RELATED MATTERS OF NTEEP GROUP

Operating results could be negatively impacted by seasonality

Historically, sales and operating results have been affected by seasonality. Sales of NTEEP Group have generally been lower in the first half of the year. Sales patterns may not be indicative of future sales performance.

Quarterly and annual operating results are subject to significant fluctuations

NTEEP Group's quarterly and annual operating results are affected by a wide variety of factors that could materially and adversely affect its business and operating results during any period. This could result from the timing, cancellation or postponement of orders; the type of product and related margins; customers' announcement and introduction of new products or new generations of products; the life cycles of customers' products; and timing of expenditures in anticipation of future orders.

Because of any of the above factors, operating results in any period should not be considered indicative of results to be expected in any future period, and fluctuations in operating results may also result in fluctuations in the market price of NTEEP Shares. Operating results in future periods may fall below the expectations of public market analysts and investors. This failure to meet expectations could cause the trading price of NTEEP Shares to decline.

Financial results are affected by changes in currency exchange rates

Financial results are affected by currency fluctuations. NTEEP Group sells most of its products in US$ and pays most of its overhead expenses in Rmb. If the trend of Rmb appreciation continues or the PRC government allows a further and significant Rmb appreciation, NTEEP Group's operating costs would increase and its financial results would be adversely affected. Any attempt to pass the increased costs onto customers would make NTEEP Group's services unattractive. This could result in the loss of customers, who may seek, and be able to obtain, products and services comparable to those NTEEP Group offered in lower-cost regions of the world. If NTEEP Group does not increase its prices to pass on the effect of increases in the Rmb, its margins and profitability would suffer.

NTEEP may not pay dividends in the future

Although the NTEEP Board plans to declare dividends for 2007, NTEEP may not be able to declare dividends or may decide not to declare dividends in the future. NTEEP Board will determine the amounts of the dividends when they are to be declared and even if dividends are declared in the future, NTEEP may not continue to declare dividends in any future period.

The market price of NTEEP Shares will likely be subject to substantial price and volume fluctuations

The stock markets have been volatile and the price of NTEEP Shares has been and could continue to be subject to wide fluctuations in response to variations in operating results, news announcements, trading volume, sales of shares by its officers, directors and its principal shareholders, or other listed companies, general market trends both domestically and internationally, currency movements and interest rate fluctuations.

The concentration of share ownership in NTEEP allows its major shareholder to control or substantially influence the outcome of matters requiring shareholder approval. As at the Latest Practicable Date, NTEI owns 73.18% of all the NTEEP Shares. As a result, NTEI may be able to control and substantially influence the outcome of all matters requiring approval by NTEEP Shareholders, including the election of directors and approval of material transactions. This ability may have the effect of delaying or preventing a change in control of NTEEP, or causing a change in control of NTEEP that may not be favoured by NTEEP Independent Shareholders.

RISKS RELATING TO OPERATING IN THE PRC

Changes to PRC tax laws and heightened efforts by the China's tax authorities to increase revenues could subject us to greater taxes

Under applicable PRC law, we have been afforded a number of tax concessions by, and tax refunds from, China's tax authorities on a substantial portion of our operations in China by reinvesting all or part of the profits attributable to our PRC manufacturing operations. However, the PRC tax system is subject to substantial uncertainties with respect to interpretation and enforcement. Following the PRC government's program of privatizing many state-owned enterprises, the PRC government has attempted to augment its revenues through heightened tax collection efforts. Continued efforts by the PRC government to increases tax revenues could result in decisions or interpretations of the tax laws by China's tax authorities that would increase our future tax liabilities or deny us expected concessions or refunds. For example, PRC tax reform, which reduced the value added tax, or VAT, tax refund from 17% to 13%, effective 1st January, 2004, adversely affected our margins. Although, the PRC reinstated the VAT tax refund rate for certain products to 17% in mid-September 2006, such reinstatement did not cover all products and certain of our products remain limited to a VAT refund rate of 13% or less.

Inflation in the PRC

The rapid growth of the PRC economy has historically resulted in high levels of inflation. If the PRC government tries to control inflation, it may have an adverse effect on the business climate and growth of private enterprise in the PRC. If inflation is allowed to proceed unchecked, NTEEP Group's costs would likely increase, and there can be no assurance that it would be able to increase its prices to an extent that would offset the increase in expenses.

Changes in foreign exchange regulations of the PRC could adversely affect operating results

Most of NTEEP Group's overhead costs are denominated in Rmb. The People's Bank of China and SAFE regulate the conversion of Rmb into foreign currencies. Under the current unified floating exchange rate system, the People's Bank of China publishes a daily exchange rate for Rmb based on the previous day's dealings in the inter-bank foreign exchange market. Financial institutions may enter into foreign exchange transactions at exchange rates within an authorized range above or below the exchange rate published by the People's Bank of China according to the market conditions. Since 1996, the PRC government has issued a number of rules, regulations and notices regarding foreign exchange control designed to provide for greater convertibility of Rmb. Under such regulations, any FIE must establish a "current account" and a "capital account" with a bank authorized to deal in foreign exchange. Currently, FIEs are able to exchange Rmb into foreign exchange currencies at designated foreign exchange banks for settlement of current account transactions, which include payment of dividends based on the board resolutions authorizing the distribution of profits or dividends of the company concerned, without the approval of SAFE. Conversion of Rmb into foreign currencies for capital account transactions, which include the receipt and payment of foreign exchange for loans, capital contributions and the purchase of fixed assets, continues to be subject to limitations and requires the approval of SAFE. The PRC subsidiary of NTEEP is an FIE and is subject to the laws of the PRC to which such regulations apply. However, there can be no assurance that NTEEP will be able to obtain sufficient foreign exchange to make relevant payments or satisfy other foreign exchange requirements in the future.

RISKS RELATING TO THE ENLARGED NTEEP

Business of Zastron Group and Jetup declined in the first half of 2007

Although Zastron Group and Jetup had satisfactory growth during 2004 to 2006, their net profits started to deteriorate in the first half of 2007, for reasons explained in the section headed "Information on NTEI Group of Companies" in the "Letter from the NTEEP Board". It is the nature of the business of an EMS that results may be subject to a variety of factors, as explained in the rest of this Risk Factors section.

NTEEP's incumbent management may lack experience and competence in managing the Enlarged NTEEP

As Zastron Group's audited revenue in 2006 was 3.5 times that of NTEEP Group, NTEEP Group may not have the required management skills and experience to manage the enlarged business, and the synergy that comes with the Reorganization. With Mr. Koo and Mr. Farina offering to redesignate themselves from non-executive directors to executive directors, the risk is mitigated, as both have experience in managing enterprises of similar or larger scale.

A. SUMMARY OF FINANCIAL STATEMENTS

The following consolidated balance sheets of NTEEP Group as at 31 December 2004, 2005 and 2006 and the consolidated income statements, consolidated statements of changes in equity and consolidated cash flow statements for each of the years in the three-year period ended 31 December 2006 are derived from the audited financial statements of NTEEP Group prepared under HKFRS. All such financial information should be read in conjunction with the audited consolidated financial statements and accompanying notes, which are included in NTEEP Group's annual reports. There was no modification or qualification to the auditors' reports in respect of NTEEP Group's financial statements for these three years. The audited financial statements of NTEEP Group for the year ended 31 December 2006, as extracted from NTEEP Group's 2006 annual report, are set out in Part B of this Appendix.

In addition, the following condensed consolidated balance sheet of NTEEP Group as at 30 June 2007 and the condensed consolidated income statement, the condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period ended 30 June 2007 are derived from the unaudited interim financial report of NTEEP Group prepared under HKFRS. All such financial information should be read in conjunction with the unaudited interim financial report and accompanying notes, which are included in NTEEP Group's interim report. The unaudited interim financial report of NTEEP Group for the six-month period ended 30 June 2007, as extracted from NTEEP Group's 2007 interim report, are set out in Part C of this Appendix.

CONSOLIDATED INCOME STATEMENTS

	Years ended 31 December		
	2004	**2005**	**2006**
	US$'000	*US$'000*	*US$'000*
Revenue	163,584	167,339	178,322
Cost of sales	(130,048)	(133,129)	(148,196)
Gross profit	33,536	34,210	30,126
Bank interest income	137	495	1,638
Dividend income from available-for-sale investments	926	579	–
Other income	679	2,545	2,232
Other expenses	–	(1,029)	(1,278)
Loss on available-for-sale investments arising from split share structure reform	–	–	(1,869)
Selling and distribution costs	(2,950)	(2,004)	(1,090)
Administrative expenses	(6,552)	(8,856)	(8,939)
Research and development expenditure	(2,228)	(3,413)	(3,285)
Profit before tax	23,548	22,527	17,535
Income tax expense	(545)	(389)	(214)
Profit for the year from continuing operations	23,003	22,138	17,321
Discontinued operations			
Loss for the year from discontinued operations	(253)	–	–
Profit for the year	22,750	22,138	17,321
Attributable to:			
Equity holders of NTEEP	22,750	22,138	17,329
Minority interests	–	–	(8)
	22,750	22,138	17,321

CONSOLIDATED BALANCE SHEETS

	As at 31 December		
	2004	2005	2006
	US$'000	*US$'000*	*US$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	34,691	38,775	33,419
Investment properties	11,890	16,313	17,007
Prepaid lease payments	2,744	2,673	2,602
Goodwill	–	24,340	24,340
Deposits paid for the acquisition of equipment	175	56	–
Other assets	65	139	139
	49,565	82,296	77,507
CURRENT ASSETS			
Inventories	8,765	9,042	9,774
Trade and other receivables	30,380	20,800	30,500
Amount due from a fellow subsidiary	–	–	8
Prepaid lease payments	71	71	71
Investments in non-trading securities	20,700	–	–
Taxation recoverable	3,730	1,838	2,579
Available-for-sale investments	–	13,330	24,360
Bank balances and cash	22,079	44,466	60,460
	85,725	89,547	127,752
CURRENT LIABILITIES			
Trade and other payables	23,259	29,250	36,223
Amount due to a fellow subsidiary	113	148	70
	23,372	29,398	36,293
NET CURRENT ASSETS	62,353	60,149	91,459
TOTAL ASSETS LESS CURRENT LIABILITIES	111,918	142,445	168,966
CAPITAL AND RESERVES			
Share capital	1,026	1,131	1,131
Reserves	110,892	141,314	167,835
Equity attributable to equity holders of NTEEP	–	142,445	168,966
TOTAL EQUITY	111,918	142,445	168,966

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium	Capital reserve	Equity-settled share-based payment reserve	Statutory reserve	Investment revaluation reserve	Retained profits	Total	Minority interests	Total
	US$'000	*US$'000*	*US$000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 2004	13	–	4,960	–	138	–	25,313	30,424	–	30,424
Increase in fair value of non-trading securities recognized directly in equity	–	–	–	–	–	8,732	–	8,732	–	8,732
Profit for the year	–	–	–	–	–	–	22,750	22,750	–	22,750
Arising on group Reorganization	1,013	90,518	(2,131)	–	–	–	–	89,400	–	89,400
Dividend paid after capitalization issue	–	(35,915)	–	–	–	–	–	(35,915)	–	(35,915)
Dividends paid	–	–	–	–	–	–	(3,846)	(3,846)	–	(3,846)
Appropriation of NTSZ's profit	–	–	–	–	4,230	–	(4,230)	–	–	–
Share options expense	–	–	–	373	–	–	–	373	–	373
At 31 December 2004 and at 1 January 2005	1,026	54,603	2,829	373	4,368	8,732	39,987	111,918	–	111,918
Decrease in fair value of available-for-sale investments recognized directly in equity	–	–	–	–	–	(7,370)	–	(7,370)	–	(7,370)
Profit for the year	–	–	–	–	–	–	22,138	22,138	–	22,138
Issue of share capital	105	26,595	–	–	–	–	–	26,700	–	26,700
Dividends paid	–	–	–	–	–	–	(11,391)	(11,391)	–	(11,391)
Transfer	–	–	–	–	13	–	(13)	–	–	–
Share options expense	–	–	–	450	–	–	–	450	–	450
At 31 December 2005 and 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 recognized directly in equity	–	–	–	–	–	13,112	–	13,112	–	13,112
Profit/(loss) for the year	–	–	–	–	–	–	17,329	17,329	(8)	17,321
Release upon split share structure reform	–	–	–	–	–	(213)	–	(213)	–	(213)
Incorporation of a non-wholly owned subsidiary	–	–	–	–	–	–	–	–	8	8
Dividend paid	–	–	–	–	–	–	(3,982)	(3,982)	–	(3,982)
Share options expense	–	–	–	275	–	–	–	275	–	275
At 31 December 2006	1,131	81,198	2,829	1,098	4,381	14,261	64,068	168,966	–	168,966

CONSOLIDATED CASH FLOW STATEMENTS

	Years ended 31 December		
	2004	**2005**	**2006**
	US$'000	*US$'000*	*US$'000*
OPERATING ACTIVITIES			
Profit before tax	23,548	22,527	17,535
Adjustments for:			
Bank interest income	(137)	(495)	(1,638)
Dividend income from available-for-sale investments	(926)	(579)	–
Gain on disposal of property, plant and equipment	(150)	(43)	(190)
Loss for the year from discontinued operations	(253)	–	–
Loss on available-for-sale investments arising from split share structure reform	–	–	1,869
Share options expense	373	450	275
Depreciation and amortisation	4,200	4,911	6,451
Operating cash flows before movements in working capital	26,655	26,771	24,302
Increase in inventories	(256)	(277)	(732)
(Increase) decrease in trade and other receivables	(9,881)	10,094	(9,482)
Increase in trade and other payables	5,908	5,882	6,973
Decrease in amount due from a fellow subsidiary	7,491	–	–
Decrease in amount due to a fellow subsidiary	–	(31)	(78)
Cash generated from operations	29,917	42,439	20,983
Hong Kong profits tax paid	(41)	–	–
PRC enterprise income tax paid	(2,275)	(2,954)	(1,885)
PRC enterprise income tax refunded	1,216	4,613	930
NET CASH FROM OPERATING ACTIVITIES	28,817	44,098	20,028
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(21,060)	(12,984)	(1,718)
Proceeds on disposal of property, plant and equipment	273	44	246
Interest received	137	495	1,420
Purchase of other assets	–	(74)	–
Acquisition of subsidiaries	–	3,982	–
Dividends received	1,770	579	–
NET CASH USED IN INVESTING ACTIVITIES	(18,880)	(7,958)	(52)

	Years ended 31 December		
	2004	2005	2006
	US$'000	*US$'000*	*US$'000*
FINANCING ACTIVITIES			
Dividends paid	(3,846)	(11,391)	(3,982)
Repayments to fellow subsidiaries	(2,885)	–	–
Repayment to holding company	10,000	(1,890)	–
Repayment to a former shareholder of a subsidiary	–	(472)	–
CASH USED IN FINANCING ACTIVITIES	3,269	(13,753)	(3,982)
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,206	22,387	15,994
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	8,873	22,079	44,466
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash	22,079	44,466	60,460

B. FINANCIAL STATEMENTS OF NTEEP GROUP FOR THE YEAR ENDED 31 DECEMBER 2006

Set out below are the audited consolidated financial statements and notes to the consolidated financial statements of the NTEEP Group for the year ended 31st December, 2006 extracted from the 2006 annual report of NTEEP.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2006

	Notes	**2006** *US$'000*	**2005** *US$'000*
Revenue	*5*	178,322	167,339
Cost of sales		(148,196)	(133,129)
Gross profit		30,126	34,210
Bank interest income		1,638	495
Dividend income from available-for-sale investments		–	579
Other income	*7*	2,232	2,545
Other expenses		(1,278)	(1,029)
Loss on available-for-sale investments arising from split share structure reform	*19*	(1,869)	–
Selling and distribution costs		(1,090)	(2,004)
Administrative expenses		(8,939)	(8,856)
Research and development expenditure		(3,285)	(3,413)
Profit before tax		17,535	22,527
Income tax expense	*9*	(214)	(389)
Profit for the year	*10*	17,321	22,138
Attributable to:			
Equity holders of the Company		17,329	22,138
Minority interests		(8)	–
		17,321	22,138
Dividends	*11*	3,982	11,391
Earnings per share for profit for the year attributable to equity holders of the Company – basic and diluted	*12*	1.97 US cents	2.60 US cents

CONSOLIDATED BALANCE SHEET
At 31 December 2006

	Notes	2006 US$'000	2005 US$'000
Non-current assets			
Property, plant and equipment	13	33,419	38,775
Investment properties	14	17,007	16,313
Prepaid lease payments	15	2,602	2,673
Goodwill	16	24,340	24,340
Deposits paid for the acquisition of equipment		–	56
Other assets		139	139
		77,507	82,296
Current assets			
Inventories	17	9,774	9,042
Trade and other receivables	18	30,500	20,800
Amount due from a fellow subsidiary		8	–
Prepaid lease payments	15	71	71
Taxation recoverable	9	2,579	1,838
Available-for-sale investments	19	24,360	13,330
Bank balances and cash	20	60,460	44,466
		127,752	89,547
Current liabilities			
Trade and other payables	21	36,223	29,250
Amount due to a fellow subsidiary		70	148
		36,293	29,398
Net current assets		91,459	60,149
Total assets less current liabilities		168,966	142,445
Capital and reserves			
Share capital	22	1,131	1,131
Reserves		167,835	141,314
Equity attributable to equity holders of the Company		168,966	142,445
Minority interests		–	–
Total equity		168,966	142,445

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2006

	Share capital US$'000	Share premium US$'000	Capital reserve US$'000 (note a)	Equity-settled share-based payment reserve US$'000	Statutory reserve US$'000 (note b)	Investment revaluation reserve US$'000	Retained profits US$'000	Total US$'000	Minority interests US$'000	Total US$'000
At 1 January 2005	1,026	54,603	2,829	373	4,368	8,732	39,987	111,918	–	111,918
Decrease in fair value of available-for-sale investments recognised directly in equity	–	–	–	–	–	(7,370)	–	(7,370)	–	(7,370)
Profit for the year	–	–	–	–	–	–	22,138	22,138	–	22,138
Total recognised income and expense for the year	–	–	–	–	–	(7,370)	22,138	14,768	–	14,768
Issue of share capital	105	26,595	–	–	–	–	–	26,700	–	26,700
Dividends paid *(Note 11)*	–	–	–	–	–	–	(11,391)	(11,391)	–	(11,391)
Transfer	–	–	–	–	13	–	(13)	–	–	–
Share options expense	–	–	–	450	–	–	–	450	–	450
At 31 December 2005 and 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	–	–	–	–	–	13,112	–	13,112	–	13,112
Profit (loss) for the year	–	–	–	–	–	–	17,329	17,329	(8)	17,321
Release upon split share structure reform	–	–	–	–	–	(213)	–	(213)	–	(213)
Total recognised income and expense for the year	–	–	–	–	–	12,899	17,329	30,228	(8)	30,220
Incorporation of a non-wholly owned subsidiary	–	–	–	–	–	–	–	–	8	8
Dividend paid *(Note 11)*	–	–	–	–	–	–	(3,982)	(3,982)	–	(3,982)
Share options expense	–	–	–	275	–	–	–	275	–	275
At 31 December 2006	1,131	81,198	2,829	1,098	4,381	14,261	64,068	168,966	–	168,966

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.

(b) 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 profit after tax calculated in accordance with accounting principles and financial regulations applicable to PRC enterprises ("PRC GAAP") and shall not be less than 10% of profit after tax calculated in accordance with PRC GAAP.

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2006

	2006	2005
	US$'000	*US$'000*
OPERATING ACTIVITIES		
Profit before tax	17,535	22,527
Adjustments for:		
Bank interest income	(1,638)	(495)
Dividend income from available-for-sale investments	–	(579)
Gain on disposal of property, plant and equipment	(190)	(43)
Loss on available-for-sale investments arising from split share structure reform	1,869	–
Share options expense	275	450
Depreciation and amortisation	6,451	4,911
Operating cash flows before movements in working capital	24,302	26,771
Increase in inventories	(732)	(277)
(Increase) decrease in trade and other receivables	(9,482)	10,094
Increase in trade and other payables	6,973	5,882
Decrease in amount due to a fellow subsidiary	(78)	(31)
Cash generated from operations	20,983	42,439
PRC enterprise income tax paid	(1,885)	(2,954)
PRC enterprise income tax refunded	930	4,613
NET CASH FROM OPERATING ACTIVITIES	20,028	44,098
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,718)	(12,984)
Interest received	1,420	495
Proceeds on disposal of property, plant and equipment	246	44
Purchase of other assets	–	(74)
Acquisition of subsidiaries *(note 23)*	–	3,982
Dividends received	–	579
NET CASH USED IN INVESTING ACTIVITIES	(52)	(7,958)

	2006	2005
	US$'000	*US$'000*
FINANCING ACTIVITIES		
Dividends paid	(3,982)	(11,391)
Repayment to holding company	–	(1,890)
Repayment to a former shareholder of a subsidiary	–	(472)
CASH USED IN FINANCING ACTIVITIES	(3,982)	(13,753)
NET INCREASE IN CASH AND CASH EQUIVALENTS	15,994	22,387
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	44,466	22,079
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash	60,460	44,466

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

1. BASIS OF PRESENTATION

Nam Tai Electronic & Electrical Products Limited ("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. The immediate and 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 address of the registered office and principal place of business of the Company are disclosed in the Corporate information section of the annual report.

The consolidated financial statements are presented in United States dollars, which is also the functional currency of the Company and its subsidiaries (hereinafter collectively referred to as the "Group").

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

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

In the current year, the Group has applied, for the first time, a number of new Hong Kong Accounting Standards ("HKASs"), HKFRSs, amendments and interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new HKAS, HKFRS, amendment and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these HKAS, HKFRS, amendment and interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[2]
HK(IFRIC)-Int 8	Scope of HKFRS 2[3]
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives[4]
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment[5]
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions[6]

1 Effective for annual periods beginning on or after 1 January 2007
2 Effective for annual periods beginning on or after 1 March 2006
3 Effective for annual periods beginning on or after 1 May 2006
4 Effective for annual periods beginning on or after 1 June 2006
5 Effective for annual periods beginning on or after 1 November 2006
6 Effective for annual periods beginning on or after 1 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on SEHK and by the Hong Kong Companies Ordinance.

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

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 values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 *Business Combinations* are recognised at their fair values at the acquisition date.

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

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on an acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

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

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

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

Revenue recognition

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

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

Service income is recognised when services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

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

Property, plant and equipment

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

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

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Leasehold land held for owner-occupied purpose

The leasehold land component is classified as a prepaid lease payment and is amortised on a straight-line basis over the lease term.

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of investment properties using the straight-line method.

Research and development expenditure

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

Impairment losses (other than goodwill)

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. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is immediately recognised as income.

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 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 items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet.

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the consolidated 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 from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. United States dollar, the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in the income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased assets and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Retirement benefit costs

Payments to state managed retirement benefit schemes and other defined contribution retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Financial instruments

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

Financial assets

The Group's financial assets are mainly classified into loans and receivables or available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each of the categories of the Group's financial assets are set out below:

– Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from a fellow subsidiary and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

– Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in subsequent periods through profit or loss.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

– Financial liabilities

  Financial liabilities include trade and other payables and amount due to a fellow subsidiary and are subsequently measured at amortised cost, using the effective interest method.

– Equity instruments

  Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

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

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

Share-based payment transactions – Equity-settled share-based payment transactions

Share options granted to employees of the Group

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (equity-settled share-based payment reserve).

At each balance sheet date, the Group revises its estimate of the number of options that are expected to ultimately vest. The effect of any change in estimate of the number of options that the Group expects will eventually vest is recognised in profit or loss.

At the time when the share options are exercised, the amount previously recognised in the equity-settled share-based payment reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in the equity-settled share-based payment reserve will continue to be held in the equity-settled share-based reserve.

4. FINANCIAL INSTRUMENTS

4a. Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, trade and other receivables, bank balances and trade and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, and certain trade receivables and trade payables of the Group are denominated in Japanese Yen and Renminbi, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

Interest Rate Risk

The Group is exposed to fair value and cash flow interest rate risk through the impact of rate changes on interest bearing bank balances. The interest rates of bank balances of the Group are disclosed in note 20. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate change exposure and will consider hedging significant interest rate change exposure should the need arises.

Credit risk

As at 31 December 2006, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge obligations by the counter parties or debtors is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk relating to bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The Group has its credit risk concentrated in a few customers. The Group will continue to diversify and expand its customer base to mitigate this risk.

Price risk

The Group is exposed to equity security price risk. The Group currently does not have a hedging policy and will consider hedging significant equity security price change should the need arise.

4b. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets held and financial liabilities issued with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The Group's available-for-sale investments are measured at fair value as detailed in the Note 19. The directors consider that the carrying amounts of all other financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

5. REVENUE

Revenue represents the amounts received and receivable from sales of goods and provision of software development services by the Group to outside customers, less return and allowances, during the year. An analysis of the Group's revenue for the year is as follows:

	2006	**2005**
	US$'000	*US$'000*
Sales of goods:		
Mobile phone accessories	103,470	44,001
Home entertainment devices	36,474	52,938
Educational products	25,556	24,347
Optical devices	9,826	42,351
Others	–	7
	175,326	163,644
Software development services	2,996	3,695
	178,322	167,339

6. SEGMENTS

As the Group was wholly engaged in the manufacturing and marketing of consumer electronics and communications products and software development, the Group has only one business segment and the Group's primary reporting segment is geographical segment.

Geographical segments

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

The following tables provide an analysis of the Group's sales and results by geographical market based on the location of its customers:

Income statement
Year ended 31 December 2006

	North America US$'000	Asia Pacific region US$'000	Europe US$'000	Others US$'000	Consolidated US$'000
External revenue	67,546	55,469	54,725	582	178,322
Segment results	4,705	4,509	7,549	49	16,812
Unallocated corporate income					2,232
Unallocated corporate expenses					(1,278)
Bank interest income					1,638
Loss on available-for-sale investments arising from split share structure reform					(1,869)
Profit before tax					17,535
Income tax expense					(214)
Profit for the year					17,321

Balance sheet
At 31 December 2006

	North America US$'000	Asia Pacific region US$'000	Europe US$'000	Others US$'000	Consolidated US$'000
Assets					
Segment assets	2,214	32,835	28,278	527	63,854
Unallocated corporate assets					141,405
Total assets					205,259
Liabilities					
Segment liabilities	1,233	6,207	19,187	145	26,772
Unallocated corporate liabilities					9,521
Total liabilities					36,293

Other information
Year ended 31 December 2006

	North America	Asia Pacific region	Europe	Others	Unallocated	Consolidated
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Capital additions	–	4	–	–	1,770	1,774
Depreciation and amortisation	–	95	–	–	6,356	6,451
Gain on disposal of property, plant and equipment	–	–	–	–	190	190

Income statement
For the year ended 31 December 2005

	North America	Asia Pacific region	Europe	Others	Consolidated
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
External revenue	24,389	71,277	71,143	530	167,339
Segment results	2,510	7,758	9,620	49	19,937
Unallocated corporate income					2,545
Unallocated corporate expenses					(1,029)
Bank interest income					495
Dividend income from available-for-sale investments					579
Profit before tax					22,527
Income tax expense					(389)
Profit for the year					22,138

Balance sheet
At 31 December 2005

	North America	Asia Pacific region	Europe	Others	Consolidated
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Assets					
Segment assets	4,473	33,381	16,003	1	53,858
Unallocated corporate assets					117,985
Total assets					171,843
Liabilities					
Segment liabilities	1,326	6,440	12,301	–	20,067
Unallocated corporate liabilities					9,331
Total liabilities					29,398

Other information
Year ended 31 December 2005

	North America	Asia Pacific region	Europe	Others	Unallocated	Consolidated
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Capital additions	–	–	–	–	13,108	13,108
Depreciation and amortisation	–	59	–	–	4,852	4,911
Gain on disposal of property, plant and equipment	–	–	–	–	43	43

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.

7. OTHER INCOME

	2006	**2005**
	US$'000	*US$'000*
Exchange gain	745	915
Rental income *(note)*	1,276	1,091
Sundry	211	539
	2,232	2,545

Note: Direct operating expenses from investment properties that generated rental income during the year amounted to US$1,278,000 (2005: US$1,029,000).

8. 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 (2005: nine) directors were as follows:

Year ended 31 December 2006

	Wong Kuen Ling, Karene	Guy Jean Francois Bindels *(note 1)*	Kazuhiro Asano	Thaddeus Thomas Beczak	Lee Wa Lun, Warren	Chan Tit Hee, Charles	Koo Ming Kown	Roger Simon Pyrke *(note 2)*	Li Shi Yuen, Joseph *(note 4)*	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Fee	–	57	–	31	28	31	–	27	–	174
Other emoluments										
Salaries and other benefits	361	125	160	–	–	–	–	–	–	646
Performance related incentive bonus *(note 5)*	397	44	20	–	–	–	–	–	–	461
Retirement benefit scheme contributions	2	1	5	–	–	–	–	–	–	8
Share-based payments *(note 6)*	196	(56)	–	–	–	–	–	–	–	140
Total emoluments	956	171	185	31	28	31	–	27	–	1,429

Year ended 31 December 2005

	Wong Kuen Ling, Karene	Guy Jean Francois Bindels *(note 1)*	Kazuhiro Asano	Thaddeus Thomas Beczak	Lee Wa Lun, Warren	Chan Tit Hee, Charles	Koo Ming Kown	Tadao Murakami *(note 3)*	Li Shi Yuen, Joseph *(note 4)*	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Fee	–	101	–	31	31	31	–	–	–	194
Other emoluments										
Salaries and other benefits	358	250	109	–	–	–	–	–	–	717
Performance related incentive bonus *(note 5)*	263	149	33	–	–	–	–	–	–	445
Retirement benefit scheme contributions	2	2	3	–	–	–	–	–	–	7
Share-based payments *(note 6)*	196	34	–	–	–	–	–	–	–	230
Total emoluments	819	536	145	31	31	31	–	–	–	1,593

Notes:

1. Resigned on 7 July 2006.

2. Appointed on 13 February 2006.

3. Resigned on 5 July 2005.

4. Resigned on 1 March 2006.

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

6. Share-based payments represent fair value at grant date of share options issued under a Pre-IPO Share Option Scheme (as defined in note 27(c)) amortised to the consolidated income statement during the year.

(b) Employees' emoluments

During the year, the five highest paid individuals included two directors (2005: two directors), details of whose emoluments are set out in (a) above. The emoluments of the remaining three (2005: three) highest paid individuals were as follows:

	2006	**2005**
	US$'000	*US$'000*
Salaries and other benefits	373	471
Performance related incentive payments	333	146
Retirement benefit scheme contributions	2	1
Share-based payments *(Note)*	33	53
	741	671

Note: Share-based payments represent fair value at grant date of share options issued under a Pre-IPO Share Option Scheme (as defined in note 27(c)) amortised to the consolidated income statement during the year.

The emoluments of the employees were within the following bands:

	Number of employees	
	2006	**2005**
HK$1,000,000 to HK$1,500,000 (equivalent to US$128,205 to US$192,308)	–	2
HK$1,500,001 to HK$2,000,000 (equivalent to US$192,308 to US$256,410)	3	–
HK$2,000,001 to HK$2,500,000 (equivalent to US$256,410 to US$320,513)	–	1
	3	3

During the years ended 31 December 2006 and 2005, 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. Two (2005: three) of the directors waived their emoluments during the year.

9. TAXATION

	2006	**2005**
	US$'000	*US$'000*
PRC enterprise income tax charged at applicable rates	214	389

In accordance with the applicable enterprise income tax laws of the PRC and the relevant rules promulgated by the Shenzhen municipal government, NTSZ and Namtek (Shenzhen) are 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 2005, NTSZ and Namtek (Shenzhen) exported more than 70% of the production value of their products and were qualified as an Export Enterprise and enjoyed a reduced tax rate of 10%. For the year ended 31 December 2006, NTSZ and Namtek (Shenzhen) also exported more than 70% of the production value of their products and they had applied to the relevant authority to be recognised as an Export Enterprise. The directors expect that NTSZ and Namtek (Shenzhen) will also qualify for a reduced tax rate of 10% for the year ended 31 December 2006.

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 substantial amount of the taxes already paid on those profits may be obtained by the foreign investor, i.e. the Group.

At 31 December 2006, income taxes recoverable under such arrangements were US$2,579,000 (2005: US$1,838,000), which are included in taxation recoverable in the consolidated balance sheet.

NTIC 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 the year 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 years.

The tax expense for the year can be reconciled to profit before tax per the consolidated income statement as follows:

	2006	**2005**
	US$'000	*US$'000*
Profit before tax	17,535	22,527
Tax at PRC enterprise income rate of 10%	1,754	2,253
Tax effect of expenses that are not deductible in determining taxable profit	270	162
Tax exempted revenues	(374)	(291)
PRC enterprise income tax refundable	(923)	(1,283)
Tax effect of profit not subject to tax	(420)	(372)
Others	(93)	(80)
Tax expense for the year	214	389

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

10. PROFIT FOR THE YEAR

	2006	**2005**
	US$'000	*US$'000*
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	189	154
Cost of inventories recognised as expense	147,463	132,527
Depreciation of property, plant and equipment	5,419	3,956
Depreciation of investment properties	961	884
Amortisation of prepaid lease payments	71	71
	6,451	4,911
Less: Depreciation and amortisation included in research and development expenditure	(119)	(82)
	6,332	4,829
Gain on disposal of property, plant and equipment	(190)	(43)
Staff costs, including directors' remunerations	12,430	11,886
Retirement benefit scheme contributions	418	499
Total staff costs	12,848	12,385
Less: Staff costs included in research and development expenditure	(2,647)	(2,677)
	10,201	9,708

11. DIVIDENDS

	2006	2005
	US$'000	*US$'000*
Final paid – 0.45 US cent per share (2005: 1.00 US cent)	3,982	8,000
Interim paid – Nil US cent per share (2005: 0.38 US cent)	–	3,391
	3,982	11,391

A final dividend of 0.45 US cent per share to the shareholders, amounted to approximately US$3,982,000, was approved by the directors in respect of the results for the year ended 31 December 2005 and approved by the shareholders in the general meeting.

12. EARNINGS PER SHARE

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

	2006	2005
	US$'000	*US$'000*
Profit for the year attributable to equity holders of the Company	17,329	22,138
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share *(Note)*	881,671	851,240

Note: During 2005 and 2006, the exercise of the share options is not considered in calculating the diluted earnings per share because they will not result in a decrease in earnings per share. Share options which were not dilutive in 2005 and 2006 may affect earnings per share in future periods.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improve-ments	Plant and machinery	Furniture, fixtures and equipment	Construction in progress	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
COST						
At 1 January 2005	12,810	9,673	19,339	1,894	13,188	56,904
Additions	–	294	1,977	84	10,753	13,108
Transfer to investment properties	(5,888)	–	–	–	–	(5,888)
Transfer	17,458	636	3,077	–	(21,171)	–
Acquired on acquisition of subsidiaries	–	93	109	38	–	240
Disposals	–	–	(172)	(103)	–	(275)
At 31 December 2005 and 1 January 2006	24,380	10,696	24,330	1,913	2,770	64,089
Additions	–	96	172	186	1,320	1,774
Transfer to investment properties	(2,164)	–	–	–	–	(2,164)
Transfer	3,621	158	178	–	(3,957)	–
Disposals	–	(3)	(598)	(730)	–	(1,331)
At 31 December 2006	25,837	10,947	24,082	1,369	133	62,368
DEPRECIATION AND AMORTISATION						
At 1 January 2005	2,001	6,349	12,578	1,285	–	22,213
Provided for the year	898	1,048	1,834	176	–	3,956
Transfer to investment properties	(581)	–	–	–	–	(581)
Eliminated on disposals	–	–	(171)	(103)	–	(274)
At 31 December 2005 and 1 January 2006	2,318	7,397	14,241	1,358	–	25,314
Provided for the year	1,242	1,076	2,908	193	–	5,419
Transfer to investment properties	(509)	–	–	–	–	(509)
Eliminated on disposals	–	(1)	(552)	(722)	–	(1,275)
At 31 December 2006	3,051	8,472	16,597	829	–	28,949
NET BOOK VALUES						
At 31 December 2006	22,786	2,475	7,485	540	133	33,419
At 31 December 2005	22,062	3,299	10,089	555	2,770	38,775

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.

Property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	Over the shorter of term of the land use rights, or 20 years
Leasehold improvements	Over the shorter of term of the lease or 5 years
Other assets	20% – 25%

14. INVESTMENT PROPERTIES

	Buildings
	US$'000
COST	
At 1 January 2005	15,992
Transfer from property, plant and equipment during the year	5,888
At 31 December 2005 and 1 January 2006	21,880
Transfer from property, plant and equipment during the year	2,164
At 31 December 2006	24,044
DEPRECIATION	
At 1 January 2005	4,102
Transfer from property, plant and equipment during the year	581
Provided for the year	884
At 31 December 2005 and 1 January 2006	5,567
Transfer from property, plant and equipment during the year	509
Provided for the year	961
At 31 December 2006	7,037
NET BOOK VALUE	
At 31 December 2006	17,007
At 31 December 2005	16,313

The fair value of the Group's investment properties at 31 December 2006 is US$18,982,000 (2005: US$17,198,000). The fair value has been arrived at based on a valuation carried out by LCH (Asia-Pacific) Surveyors Limited, independent valuers not connected with the Group. The valuation, which conforms to International Valuation Standards, was determined by reference to recent market prices for similar properties.

The above investment properties are depreciated on a straight-line basis over the shorter of the term of the land use rights or 20 years.

All of the Group's investment properties are situated on land in the PRC which are held by the Group under medium-term land use rights.

15. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments represent payments for medium-term land use rights in the PRC.

	2006	2005
	US$'000	*US$'000*
Analysed for reporting purposes as:		
Current	71	71
Non-current	2,602	2,673
	2,673	2,744

16. GOODWILL AND IMPAIRMENT TESTING

The goodwill at balance sheet date arose from the acquisition of the software development businesses (the "Namtek Group") (note 23). Goodwill acquired in a business combination was allocated, at acquisition, to the cash generating unit ("CGU") – the Namtek Group – that is expected to benefit from that business combination.

During the years ended 31 December 2006 and 2005, management of the Group determined that there was no impairment of the CGU containing goodwill.

The recoverable amount of the CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period at a discount rate of 6.51% per annum. The CGU's cash flows beyond the five-year period are extrapolated using a steady -1% to 1% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculation relate to the estimation of cash inflows and outflows which include budgeted sales and budgeted gross margin, which is determined based on the CGU's past performance and management's expectation for the market development. Management believes that any reasonably possible change in any of these assumptions will not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount of the CGU.

17. INVENTORIES

	2006	2005
	US$'000	*US$'000*
Raw materials	7,793	7,283
Work in progress	1,216	642
Finished goods	765	1,117
	9,774	9,042

18. TRADE AND OTHER RECEIVABLES

	2006	**2005**
	US$'000	*US$'000*
Trade receivables	29,680	20,091
Less: accumulated impairment	(28)	(3)
	29,652	20,088
Other receivables	848	712
Total trade and other receivables	30,500	20,800

The Group allows its trade customers with credit period normally ranging from 30 days to 60 days (2005: 30 days to 60 days).

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

	2006	**2005**
	US$'000	*US$'000*
Up to 30 days	19,170	13,724
31 – 60 days	9,836	6,323
Over 60 days	646	41
	29,652	20,088

19. AVAILABLE-FOR-SALE INVESTMENTS

The amount at 31 December 2005 represented the Group's investment in the 95,516,112 promoter's shares of TCL Corporation ("TCL Corp."), being 3.69% of its equity interest. 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. TCL Corp.'s A-shares are listed on the Shenzhen Stock Exchange.

On 28 November 2005, TCL Corp. announced the proposal of a split share structure reform ("SSR"). Under the SSR, holders of TCL Corp.'s tradable A-shares would receive 2.5 shares for every 10 shares from the holders of promoter's shares of TCL Corp., on a pro rata basis. The remaining shares held by the promoters would be converted into A-shares, subject to a lock-up period of one year. On 6 April 2006, upon approval of the SSR by the China Securities Regulatory Commission, the Company'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 SSR, a loss of approximately US$1,869,000 was recognised in the consolidated income statement.

At 31 December 2005, the available-for-sale investments were stated at fair value, which had been determined using the comparable companies analysis carried out by an independent financial advisor.

At 31 December 2006, the available-for-sale investments were stated at fair value by reference to bid price quoted in the Shenzhen Stock Exchange.

20. BANK BALANCES AND CASH

Bank balances carry interest at market rates which range from 0.72% to 5.24% (2005: 0.15% to 4.10%).

21. TRADE AND OTHER PAYABLES

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

	2006	2005
	US$'000	*US$'000*
Up to 30 days	15,923	10,710
31 to 60 days	13,174	8,362
Over 60 days	1,770	2,612
	30,867	21,684
Other payables	5,356	7,566
	36,223	29,250

22. SHARE CAPITAL

	Number of shares		Amount	
	2006	2005	2006	2005
			HK$'000	*HK$'000*
Ordinary shares of HK$0.01 each				
Authorised:				
At beginning and end of the year	2,000,000,000	2,000,000,000	20,000	20,000
Issued and fully paid:				
At beginning of the year	881,670,588	800,000,000	8,817	8,000
Issued in consideration for the acquisition of the Namtek Group *(Note)*	–	81,670,588	–	817
At end of the year	881,670,588	881,670,588	8,817	8,817
			US$'000	*US$'000*
Shown in the consolidated financial statements as			1,131	1,131

Note: On 17 May 2005, 81,670,588 ordinary shares of HK$0.01 each were issued at HK$2.55 per share as consideration for the acquisition of the Namtek Group, details of which are set out in note 23.

23. ACQUISITION OF SUBSIDIARIES

On 17 May 2005, the Group acquired 100% interest in the Namtek Group from NTE Inc. and management of the Namtek Group. This transaction has been accounted for using the purchase method of accounting. The amount of goodwill arising as a result of the acquisition was US$24,340,000. The carrying value of the assets and liabilities acquired approximated to their fair value at the date of acquisition.

	2005
	US$'000
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 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
Net cash inflow arising on acquisition of subsidiaries:	
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, expertise in the automotive electronics sector and the staff's experience and knowledge of the acquired subsidiaries.

The subsidiaries acquired during the year ended 31 December 2005 contributed a revenue of approximately US$3,695,000 and a profit of approximately US$1,957,000 in the Group's revenue and profit respectively.

If the acquisition had been completed on 1 January 2005, total group revenue for the year ended 31 December 2005 would have been US$169,056,000, and profit for the year would have been US$22,916,000. The pro forma information is for illustrative purposes only and is not necessarily an indicative indication of revenue 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.

24. CAPITAL COMMITMENTS

	2006	2005
	US$'000	*US$'000*
Capital expenditure in respect of acquisition of property, plant and equipment:		
Contracted for but not provided in the financial statements	540	1,051
Authorised but not contracted for	184	1,867
	724	2,918

25. OPERATING LEASES

The Group as lessee

	2006	2005
	US$'000	*US$'000*
Minimum lease payment made under operating leases in respect of land and building during the year	185	144

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

	2006	2005
	US$'000	*US$'000*
Within one year	93	189
In the second to fifth year inclusive	–	106
	93	295

Operating lease payments represent payable by the Group for certain of its office properties. Leases are negotiated for an average term of 2 years.

The Group as lessor

Property rental income earned during the year was US$1,276,000 (2005: US$1,091,000). The property are expected to generate rental yields of 7.5% on a ongoing basis. The property held has a committed tenant for next 6 years. At the balance sheet date, the Group had contracted with a tenant for the following future minimum lease payments:

	2006	2005
	US$'000	*US$'000*
Within one year	1,285	1,276
In the second to fifth year inclusive	5,140	321
Over five years	321	–
	6,746	1,597

26. RETIREMENT BENEFIT SCHEMES

According to the relevant laws and regulations in the PRC, NTSZ and Namtek (Shenzhen) are required to contribute 8% to 11% 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$397,000 (2005: US$477,000).

The Group operates a retirement benefit scheme ("Macao Scheme") for all qualifying employees in Macao and a mandatory provident fund scheme ("MPF Scheme") for all qualifying employees in Hong Kong. The assets of the Macao Scheme and the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes at the lower of HK$1,000 (equivalent to US$128) or 5% of the relevant payroll costs to the MPF Scheme and the Macao Scheme, which contribution is matched by employees. The total contributions incurred in this connection for the year were approximately US$10,000 (2005: US$16,000).

According to the relevant laws and regulations in Japan, Namtek (Japan) Company Limited ("Namtek (Japan)") is required to contribute approximately 7% of the relevant payroll costs to retirement benefit schemes in Japan. The total contributions incurred in this connection for the year were approximately US$11,000 (2005: US$6,000).

27. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme:

(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 ("2001 Scheme") 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 3,300,000 shares. There is no maximum entitlement for each of the key employee under this stock option plan. The option price granted to directors shall be equal to 100% of the market value of the common shares of 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.

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

The following table disclose details of the share options granted to the directors and employees of the Group for services provided to NTE Inc. and movements in such holdings during the years:

Directors of the Company

	2001 Scheme			
Exercise price per share	**US$19.400**	**US$20.840**	**US$21.620**	**US$22.250**
Number of options:				
Outstanding at 1 January 2005	390,000	–	–	–
Granted during the year	–	750,000	30,000	–
Resigned as director during the year	(180,000)	(350,000)	(15,000)	–
Exercised during the year	(180,000)	(350,000)	(15,000)	–
Outstanding at 31 December 2005 and 1 January 2006	30,000	50,000	–	–
Granted during the year	–	–	–	15,000
Resigned as director during the year *(Note)*	(30,000)	(50,000)	–	–
Outstanding at 31 December 2006	–	–	–	15,000

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

Employees of the Group

	2001 Scheme		
Exercise price per share	**US$6.015**	**US$19.400**	**US$20.840**
Number of options:			
Outstanding at 1 January 2005	9,550	36,000	–
Transferred of an employee from a fellow subsidiary during the year	–	30,000	–
Granted during the year	–	–	60,000
Resigned as employee during the year	–	(30,000)	–
Exercised during the year	(9,550)	(10,000)	–
Outstanding at 31 December 2005 and 1 January 2006	–	26,000	60,000
Exercised during the year	–	(26,000)	–
Outstanding at 31 December 2006	–	–	60,000

Details of specific categories of options are as follows:

Date of grant	Exercise period	Exercise price *US$*
30 April 2002	30 April 2002 to 30 April 2005	6.015
30 July 2004	30 July 2004 to 30 July 2006	19.400
2 February 2005	4 February 2005 to 4 February 2007	20.840
6 June 2005	6 June 2005 to 5 June 2008	21.620
9 June 2006	9 June 2006 to 8 June 2009	22.250

The weighted average closing prices of NTE Inc.'s shares on the dates in which the share options were exercised was approximately US$22.884 for the year ended 31 December 2006.

(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 were listed on the 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 the Stock Exchange's daily quotations sheet on the date of grant of that option, which must be a business day; (ii) the average of the closing share price per Company's share as stated in the Stock Exchange for the five trading days immediately preceding the date of grant of that option, and (iii) the nominal value of the Company shares.

The maximum number of shares which may be issued on exercise of all options granted under the Scheme (excluding, for this purpose, options which have lapsed in accordance with the terms of the Scheme) and any other scheme shall not exceed 80,000,000, being 10% of the ordinary share capital of the Company in issue at the date of adoption of 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 2006 are as follows:

	Date of grant	Exercise price per share	Exercisable period	Vesting period	Options outstanding as at 1 January 2006	Options lapsed during the year *(Note b)*	Options outstanding as at 31 December 2006
Directors	6 April 2004	HK$3.88	28 April 2005 to 27 April 2014	*Note a*	8,200,000	(1,200,000)	7,000,000
Employees under continuous employment contract	6 April 2004	HK$3.88	28 April 2005 to 27 April 2014	*Note a*	9,440,000	(1,720,000)	7,720,000
					17,640,000	(2,920,000)	14,720,000

Notes:

(a) During the first 12 months from 28 April 2004, no options granted to the directors and/or employees shall vest.

During the second 12 months from 28 April 2004, a cumulative maximum of 30% of the share options granted to the directors and/or employees shall vest.

During the third 12 months from 28 April 2004, a cumulative maximum of 60% of the share options granted to the directors and/or employees shall vest.

During the remaining option period, a cumulative maximum of 100% of the share options granted to the directors and/or employees shall vest.

(b) During the year, 1,720,000 and 1,200,000 shares options lapsed due to the cessation of employment of 6 employees and resignation of 1 director respectively.

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

The Group recognised a total expense of approximately US$275,000 for the year ended 31 December 2006 (2005: US$450,000) in relation to share options granted by the Company.

28. RELATED PARTY TRANSACTIONS

The Group has the following significant transactions with related parties in addition to the acquisition of subsidiaries as set out in note 23 and the granting of share options by NTE Inc. as set out in note 27:

Name of related parties	**Nature of transactions**	**2006**	**2005**
		US$'000	*US$'000*
Fellow subsidiaries:			
Zastron Electronic (Shenzhen) Co. Ltd.	Rental income received	1,276	1,091
Nam Tai Group Management Limited	Business facilities fee paid	–	286
J.I.C. Enterprises (Hong Kong) Limited	Purchase of materials	–	84
J.I.C. (Macao Commercial Offshore) Company Limited	Purchase of materials	–	436
Jetup Electronic (Shenzhen) Co. Ltd.	Purchase of materials	415	148
Nam Tai Trading Company Limited	Purchase of other assets	–	153

Details of the balances with related parties at the balance sheet date are set out in the consolidated balance sheet on page II-7.

Compensation to key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2006	2005
	US$'000	*US$'000*
Short-term benefits	1,543	1,649
Post-employment benefits	–	–
Other long-term benefits	–	–
Share-based payments	104	252
	1,647	1,901

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

29. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries at 31 December 2006 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 directly held by the Company	Principal activities
			%	
NTSZ	PRC *(note)*	US$139,000,000	100	Manufacture and marketing of consumer electronics and communications products
NTIC	Macao	MOP100,000	100	Provision of consultancy services
Namtek (Japan)	Japan	JPY10,000,000	100	Provision of consultancy services
Namtek (Shenzhen)	PRC *(note)*	US$800,000	100	Software development
Nam Tai Solartech, Inc.	Cayman Islands	US$30,000	75	Investment holding

Note: NTSZ and Namtek (Shenzhen) are registered in the form of wholly owned FIEs.

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

30. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation. In particular, cost of sales of US$628,000, other income of US$55,000 and administrative expenses of US$346,000 were reclassified as other expenses.

C. UNAUDITED INTERIM FINANCIAL INFORMATION OF NTEEP GROUP FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

Set out below are the unaudited consolidated results of the NTEEP Group for the six months ended 30th June, 2007 extracted from the 2007 interim report of NTEEP.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

		Three months ended 30 June		Six months ended 30 June	
		2007	**2006**	**2007**	**2006**
	Notes	*US$'000*	*US$'000*	*US$'000*	*US$'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

		Three months ended 30 June		Six months ended 30 June	
		2007	**2006**	**2007**	**2006**
	Notes	*US$'000*	*US$'000*	*US$'000*	*US$'000*
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	Six months ended 30 June 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

Nam Tai Electronic & Electrical Products Limited (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 Company and its subsidiaries (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	Europe	Asia Pacific region	Others	Combined
	US$'000	*US$'000*	*US$'000*	*US$'000*	*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	Europe	Asia Pacific region	Others	Combined
	US$'000	*US$'000*	*US$'000*	*US$'000*	*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	Europe	Asia Pacific region	Others	Combined
	US$'000	*US$'000*	*US$'000*	*US$'000*	*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	Europe	Asia Pacific region	Others	Combined
	US$'000	*US$'000*	*US$'000*	*US$'000*	*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	**2006**	**2007**	**2006**
	US$'000	*US$'000*	*US$'000*	*US$'000*
	(unaudited)	(unaudited)	(unaudited)	(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	**2006**	**2007**	**2006**
	US$'000	*US$'000*	*US$'000*	*US$'000*
	(unaudited)	(unaudited)	(unaudited)	(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	**2006**	**2007**	**2006**
	US$'000	*US$'000*	*US$'000*	*US$'000*
	(unaudited)	(unaudited)	(unaudited)	(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	**31 December 2006**
	US$'000	*US$'000*
	(unaudited)	(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**	**31 December 2006**
			HK$'000	*HK$'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.

D. INDEBTEDNESS STATEMENT

At the close of business on 30th September, 2007, being the latest practicable date for the purpose of ascertaining relating information to this indebtedness statement prior to the printing of this circular, the Enlarged NTEEP had bank borrowings of approximately HK$57,700,000 (equivalent to approximately US$7,397,000) comprising the term loans and trust receipt loans of approximately HK$20,800,000 (equivalent to approximately US$2,667,000) and HK$36,900,000 (equivalent to approximately US$4,731,000) respectively which were secured by corporate guarantee given by J.I.C. Technology Company Limited. Included in the bank borrowings of approximately HK$43,800,000 (equivalent to approximately US$5,615,000) would be due within one year and HK$13,900,000 (equivalent to approximately US$1,782,000) would be due over one year.

Save as aforesaid and apart from intra-group liabilities, the Enlarged NTEEP did not have outstanding, at close of business on 30th September, 2007, any debt securities (whether outstanding, and authorized or otherwise created but unissued), term loans (whether guaranteed, unguaranteed, secured or unsecured), any other borrowings or indebtedness in the nature of borrowings such as overdrafts, liabilities under acceptable or acceptable credits, hire purchase commitments (whether guaranteed, unguaranteed, secured or unsecured), mortgages, charges, guarantees or other contingent liabilities.

E. WORKING CAPITAL

The NTEEP Board is of the opinion that after taking into account the financial resources available to the Enlarged NTEEP, including internally generated funds and the available banking facilities, the Enlarged NTEEP has sufficient working capital for at least the next 12 months from the date of this circular, in the absence of unforeseeable circumstances.

The following is the text of a report, prepared for inclusion in the circular, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants.

Deloitte.
德勤

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太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

5th December, 2007

The Directors
Nam Tai Electronic & Electrical Products Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Zastron Precision-Tech Limited ("ZPT") and its subsidiaries (hereinafter collectively referred to as the "ZPT Group") for each of the three years ended 31st December, 2004, 2005 and 2006 and for the six months ended 30th June, 2007 (the "Relevant Periods") for inclusion in the circular dated 5th December, 2007 issued by Nam Tai Electronic & Electrical Products Limited ("NTEEP") in connection with its proposed acquisitions of the 100% equity interest in ZPT and 100% equity interest in Jetup Electronic (Shenzhen) Co., Ltd., and proposed disposals of the 100% equity interest in Shenzhen Namtek Company Limited and 100% equity interest in Kabushiki Kaisha Namtek Japan (expressed in English as Namtek Japan Company Limited) (the "Circular").

ZPT was incorporated 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 9th June, 2003. The ZPT Group is engaged in the manufacture and sale of liquid crystal display ("LCD") modules, flexible printed circuit ("FPC") subassemblies and FPC boards.

As at the date of this report, ZPT has the following direct wholly-owned subsidiaries:

Name	Place and date of incorporation/ establishment	Fully paid registered capital/ quota capital	Principal activities
Zastron Electronic (Shenzhen) Co. Ltd ("Zastron Shenzhen") *(notes 1 and 4)*	People's Republic of China (the "PRC") 26th March, 1992	US$38,500,000	Manufacturing and sale of LCD modules, FPC subassemblies and FPC boards
Zastron (Macao Commercial Offshore) Company Limited ("Zastron Macao") *(note 2)*	Macao 24th March, 2004	MOP100,000	Provision of consultancy services
Zastron Precision-Tech (Wuxi) Co. Ltd ("Zastron Tech") *(notes 3 and 4)*	PRC 23rd November, 2006	US$4,200,000	Research, development, manufacture and marketing of electronic and mobile communication devices
Zaston Precision-Flex (Wuxi) Co. Ltd ("Zaston Flex") *(notes 3 and 4)*	PRC 23rd November, 2006	US$4,335,000	Research, development, manufacture and marketing of FPC boards

Notes:

1. The statutory financial statements of Zastron Shenzhen were prepared in accordance with the relevant accounting principles and financial regulations applicable in the PRC ("PRC GAAP"). Deloitte Touche Tohmatsu CPA Limited, certified public accountants in the PRC, was the statutory auditor of Zastron Shenzhen for each of the two years ended 31st December, 2006. 深圳永明會計師事務所有限責任公司 Yongming Certified Public Accountants Shenzhen, certified public accountants in the PRC, was the statutory auditor of Zastron Shenzhen for the year ended 31st December, 2004.

2. The financial statements of Zastron Macao since its incorporation to 31st December, 2006 were audited by Deloitte Touche Tohmatsu, Macau.

3. No audited financial statements for the Relevant Periods have been prepared separately for Zastron Tech and Zastron Flex since their respective dates of establishment as they have not carried on any business.

4. These companies are registered in the form of wholly owned foreign investment enterprises.

5. None of the subsidiaries had issued any debt securities at 30th June, 2007.

We have acted as auditors of ZPT for each of the years ended 31st December, 2004, 2005 and 2006. For the purpose of this report, the directors of ZPT have prepared the consolidated financial statements of ZPT Group for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements").

We have performed an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have examined the Underlying Financial Statements for the Relevant Periods in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the ZPT Group for the Relevant Periods set out in this report has been prepared based on the Underlying Financial Statements for the purpose of preparing our report for inclusion in the Circular. No adjustments were deemed necessary by us to the Underlying Financial Statements in preparing our report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the directors of ZPT who approve their issue. The directors of NTEEP are responsible for the contents of the Circular in which this report is included. It is our responsibilities to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the ZPT Group as at 31st December, 2004, 2005 and 2006 and 30th June, 2007 and of the consolidated results and cash flows of the ZPT Group for the Relevant Periods.

The comparative consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement of the ZPT Group for the six months ended 30th June, 2006 together with the notes thereon have been extracted from the ZPT Group's unaudited consolidated financial information for the same period (the "30th June, 2006 Financial Information") which was prepared by the directors of ZPT solely for the purpose of this report. We have reviewed the 30th June, 2006 Financial Information in accordance with the Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the HKICPA. Our review consisted principally of making enquiries of the ZPT Group's management and applying analytical procedures to the 30th June, 2006 Financial Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the 30th June, 2006 Financial Information. On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the 30th June, 2006 Financial Information.

I. FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENTS

		Years ended 31st December,			Six months ended 30th June,	
		2004	**2005**	**2006**	**2006**	**2007**
	Notes	*US$'000*	*US$'000*	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
Revenue	*5*	321,088	570,069	627,200	314,386	220,008
Cost of sales		(291,618)	(524,553)	(581,864)	(291,519)	(206,380)
Gross profit		29,470	45,516	45,336	22,867	13,628
Bank interest income		105	728	809	436	417
Other income	*7*	56	1,276	1,158	507	499
Other expenses		(128)	(1,315)	–	–	(84)
Selling and distribution costs		(1,726)	(1,861)	(2,055)	(963)	(945)
Administrative expenses		(6,536)	(8,619)	(10,388)	(5,146)	(4,393)
Research and development expenditure		(1,749)	(2,545)	(3,064)	(1,434)	(1,915)
Interest expense on bank borrowing wholly repayable within five year		(23)	–	–	–	–
Profit before tax	*9*	19,469	33,180	31,796	16,267	7,207
Income tax (expense) credit	*10*	(179)	(79)	(85)	(126)	83
Profit for the year/period attributable to equity holder of ZPT		19,290	33,101	31,711	16,141	7,290
Dividends	*11*	–	–	9,352	–	8,844

CONSOLIDATED BALANCE SHEETS

	Notes	As at 31st December, 2004 US$'000	2005 US$'000	2006 US$'000	As at 30th June, 2007 US$'000
NON-CURRENT ASSETS					
Property, plant and equipment	12	24,203	25,132	36,470	33,992
Deposit paid for acquisition of property, plant and equipment		1,794	173	71	120
Prepaid lease payments	13	–	–	2,880	3,586
Other assets		–	132	132	132
Deferred tax assets	10	–	–	–	700
		25,997	25,437	39,553	38,530
CURRENT ASSETS					
Inventories	14	9,696	16,616	14,077	9,288
Trade and other receivables	15	51,195	95,433	75,918	43,078
Amount due from ultimate holding company	16	–	–	845	–
Amount due from a related company	17	65	–	–	–
Prepaid lease payments	13	–	–	–	27
Taxation recoverable		2,169	325	980	642
Bank balances, deposits and cash	18	38,107	32,781	39,569	46,157
		101,232	145,155	131,389	99,192
CURRENT LIABILITIES					
Trade and other payables	19	69,761	97,852	89,959	54,259
Amount due to ultimate holding company	16	–	14,116	–	4,034
Amount due to a fellow subsidiary	16	31,945	–	–	–
		101,706	111,968	89,959	58,293
NET CURRENT (LIABILITIES) ASSETS		(474)	33,187	41,430	40,899
NET ASSETS		25,523	58,624	80,983	79,429
CAPITAL AND RESERVES					
Share capital	20	–	–	–	–
Reserves		25,523	58,624	80,983	79,429
EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF ZPT		25,523	58,624	80,983	79,429

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital *US$'000*	Statutory reserve *US$'000* *(Note)*	Retained profits *US$'000*	Total *US$'000*
At 1st January, 2004	–	–	6,233	6,233
Transfer	–	1,528	(1,528)	–
Profit for the year and total recognised income	–	–	19,290	19,290
At 31st December, 2004 and 1st January, 2005	–	1,528	23,995	25,523
Profit for the year and total recognised income	–	–	33,101	33,101
Transfer	–	1,322	(1,322)	–
At 31st December, 2005 and 1st January, 2006	–	2,850	55,774	58,624
Profit for the year and total recognised income	–	–	31,711	31,711
Dividend paid *(note 11)*	–	–	(9,352)	(9,352)
Transfer	–	1,195	(1,195)	–
At 31st December, 2006 and 1st January, 2007	–	4,045	76,938	80,983
Profit for the period and total recognised income	–	–	7,290	7,290
Dividend paid *(note 11)*	–	–	(8,844)	(8,844)
At 30th June, 2007	–	4,045	75,384	79,429
(Unaudited)				
At 1st January, 2006	–	2,850	55,774	58,624
Profit for the period and total recognised income	–	–	16,141	16,141
At 30th June, 2006	–	2,850	71,915	74,765

Note: The statutory reserve is not distributable but can be capitalised as paid-in capital of Zastron Shenzhen subject to approvals by the relevant authorities. Appropriations to this reserve are made out of Zastron Shenzhen's profit after tax calculated in accordance with PRC GAAP and shall not be less than 10% of profit after tax calculated in accordance with PRC GAAP.

CONSOLIDATED CASH FLOW STATEMENTS

	Years ended 31st December,			Six months ended 30th June,	
	2004	2005	2006	2006	2007
	US$'000	*US$'000*	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
OPERATING ACTIVITIES					
Profit before tax	19,469	33,180	31,796	16,267	7,207
Adjustments for:					
Allowance for (recovery of) doubtful debt	100	(101)	19	4	(25)
Bank interest income	(105)	(728)	(809)	(436)	(417)
Depreciation	6,041	7,520	8,519	4,311	4,949
Release of prepaid lease payments	–	–	–	–	3
Interest expense	23	–	–	–	–
Loss (gain) on disposal of property, plant and equipment	2	5	(130)	2	12
Operating cash flows before movements in working capital	25,530	39,876	39,395	20,148	11,729
Decrease (increase) in inventories	5,197	(6,920)	2,539	5,762	4,789
(Increase) decrease in trade and other receivables	(14,330)	(43,944)	19,602	18,828	32,962
Decrease in amount due from a related company	2,642	65	–	–	–
Increase (decrease) in trade and other payables	30,142	28,091	(7,893)	(18,528)	(35,700)
Cash generated from operations	49,181	17,168	53,643	26,210	13,780
PRC enterprise income tax paid	(909)	(485)	(740)	(605)	(279)
PRC enterprise income tax refunded	243	2,250	–	–	–
NET CASH GENERATED FROM OPERATING ACTIVITIES	48,515	18,933	52,903	25,605	13,501
INVESTING ACTIVITIES					
Interest received	–	535	703	386	320
Purchase of property, plant and equipment	(14,551)	(6,661)	(19,730)	(3,686)	(2,413)
Advance to ultimate holding company	–	–	(845)	(5,006)	–
Purchase of other assets	–	(132)	–	–	–
Deposit paid for acquisition of property, plant and equipment	(1,794)	(173)	(71)	(4,797)	(120)
Prepayment of lease	–	–	(2,880)	–	(736)
Proceeds from disposal of property, plant and equipment	–	1	176	30	1
NET CASH USED IN INVESTING ACTIVITIES	(16,345)	(6,430)	(22,647)	(13,073)	(2,948)

	Years ended 31st December,			Six months ended 30th June,	
	2004	2005	2006	2006	2007
	US$'000	*US$'000*	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
FINANCING ACTIVITIES					
Advances from (repayment to) ultimate holding company	–	14,116	(14,116)	(14,116)	–
Repayment to a fellow subsidiary	(6,517)	(31,945)	–	–	–
Interest paid	(23)	–	–	–	–
Dividend paid	–	–	(9,352)	–	(3,965)
NET CASH USED IN FINANCING ACTIVITIES	(6,540)	(17,829)	(23,468)	(14,116)	(3,965)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	25,630	(5,326)	6,788	(1,584)	6,588
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	12,477	38,107	32,781	32,781	39,569
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, represented by bank balances, deposits and cash	38,107	32,781	39,569	31,197	46,157

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

ZPT was incorporated 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. Its immediate and 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 address of the registered office and principal place of business of ZPT is Suites 1506 - 1508, 15/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong.

The ZPT Group is engaged in the manufacture and sale of LCD modules, FPC subassemblies and FPC boards.

The Financial Information is presented in United States dollar ("US$"), which is the same as the functional currency of ZPT and its subsidiaries.

The earnings per share for the years ended 31st December, 2004, 2005 and 2006 and for the six months ended 30th June, 2006 and 2007 are not presented as the directors considered that the information is not meaningful for the purpose of this report.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA has issued a number of new or revised Hong Kong Accounting Standards ("HKASs"), Hong Kong Financial Reporting Standards ("HKFRSs"), amendments and Interpretations ("INTs") (hereinafter collectively referred to as "new HKFRSs") which are effective for ZPT Group's financial year beginning on 1st January, 2007. For the purposes of preparing and presenting the Financial Information for the Relevant Periods, ZPT Group has consistently applied all these new HKFRSs over the Relevant Periods.

At the date of this report, the HKICPA has issued the following new and revised standards or interpretations that are not yet effective. The directors of ZPT Group have considered the following standards, amendment or interpretations but do not expect that they will have a material impact on the results and the financial position of the ZPT 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]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[4]
HK(IFRIC)-Int 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

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

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared under the historical cost basis and in accordance with the accounting policies set out below, which conform with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year/period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the ZPT Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Revenue recognition

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

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

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Property, plant and equipment

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

Depreciation is 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 of their estimated residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each balance sheet date, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress represents property, plant and equipment in the course of construction for production, rental or administrative purpose. Construction in progress is carried at cost, less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year/period in which the item is derecognised.

Research and development expenditure

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

Impairment

At each balance sheet date, the ZPT 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. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is immediately recognised as income.

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/period. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The ZPT Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial Information 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 generally recognised for all deducible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where ZPT is able to control the reversal of the temporary difference 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 rates that are expected to apply in the year/period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. US$, the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

Leasing

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

The ZPT Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Retirement benefits costs

Payments to defined contribution retirement benefits schemes and state-managed retirement benefits schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Financial instruments

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

Financial assets

The ZPT Group's financial assets are classified into loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from ultimate holding company and a related company and bank balances and deposits) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the ZPT Group after deducting all of its liabilities.

Financial liabilities include trade and other payables and amounts due to ultimate holding company and a fellow subsidiary and are subsequently measured at amortised cost using the effective interest method.

Equity instruments issued by ZPT are recorded at the proceeds received, net of direct issue costs.

Derecognition

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

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

4. FINANCIAL INSTRUMENTS

a. Financial risk management objectives and polices

The ZPT Group's major financial instruments include trade and other receivables, amounts due from ultimate holding company and a related company, bank balances and cash, trade and other payables and amounts due to ultimate holding company and a fellow subsidiary. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The ZPT Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31st December, 2004, 2005 and 2006 and 30th June, 2007 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, management of the ZPT Group has credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of ZPT consider that the ZPT Group's credit risk is significantly reduced.

The ZPT Group has been largely dependent on a small number of customers for a substantial portion of its business. 3, 4, 4 and 4 customers accounted for a total of US$43,988,000, US$85,909,000 and US$74,694,000 and US$41,593,000 of the ZPT Group's trade receivables as at 31st December, 2004, 2005, 2006 and 30th June, 2007, respectively. The failure of any of these customers to make required payments could have a substantial negative impact on the ZPT Group's profits. The ZPT Group manages this risk by applying a limit on the credit to these customers.

The credit risk on bank balances is limited because the counterparties are reputable banks in the PRC.

Market risk

Currency risk

The ZPT Group carries out certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The ZPT Group currently does not have a foreign currency hedging policy. However, the management monitors foreign currency exposure by closely monitoring the movement of the foreign currency rate.

The carrying amount of the ZPT Group's foreign currency denominated monetary assets and monetary liabilities at the respective balance sheet dates are as follow:

	As at 31st December,			As at 30th June,
	2004	**2005**	**2006**	**2007**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Assets				
Hong Kong Dollar	129	343	371	427
Japanese Yen	3,877	6,562	15,580	11,281
Renminbi	3,699	5,297	1,189	3,681

	As at 31st December,			As at 30th June,
	2004	**2005**	**2006**	**2007**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Liabilities				
Hong Kong Dollar	1,121	1,642	552	368
Japanese Yen	2,737	6,979	13,543	5,705
Renminbi	3,037	3,235	2,179	2,442

Foreign currency sensitivity

The ZPT Group mainly exposes to fluctuations in Hong Kong Dollar, Japanese Yen and Renminbi against US$.

The following table details the ZPT Group's sensitivity to a 10% increase and decrease in the US$ against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year/period end for a 10% change in foreign currency rates. The sensitivity analysis includes trade and other receivables, bank balances, and trade and other payables. If there is 10% appreciation in US$ against the relevant foreign currencies, the decrease in the profit for the year/period is shown as below:

	As at 31st December,			As at 30th June,
	2004	**2005**	**2006**	**2007**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Decrease in profit for the year/period	(49)	(31)	(79)	(625)

Interest rate risk

The ZPT Group has exposed to cash flow interest rate risk through the impact of rate changes on interest bearing bank balances. The interest rates of bank balances of the ZPT Group are disclosed in note 18. The ZPT Group currently does not enter into interest rate hedging policy. However, management monitors the cash flow interest rate risk and will consider hedging interest rate change exposure should the need arise.

Interest rate sensitivity

At the respective balance sheet dates, if interest rates had increased by 40 basis points and all other variables were held constant, the ZPT Group's profit would increase by approximately US$152,000, US$131,000, US$158,000 and US$185,000 for the three years ended 31st December, 2006 and the six months ended 30th June, 2007, respectively.

If interest rates had decreased by 40 basis point and all other variables were held constant, the ZPT Group's profit would decrease by approximately US$142,000, US$129,000, US$144,000 and US$160,000 for the three years ended 31st December, 2006 and the six months ended 30th June, 2007, respectively.

There has been no change to ZPT Group's exposure to market risks or the manner in which it manages and measures the risks.

Liquidity risk

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

Liquidity risk tables

The following tables detail the ZPT Group's remaining contractual maturity for its non-derivative financial liabilities as at 31st December, 2004, 2005 and 2006 and 30th June, 2007. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which the ZPT Group can be required to pay.

At 31st December, 2004

	Weighted average effective interest rate	**Less than 30 days**	**31–60 days**	**61–90 days**	**Over 90 days**	**Total**
	%	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Trade and other payables	–	42,018	13,890	12,614	138	68,660
Amount due to a fellow subsidiary	–	31,945	–	–	–	31,945
		73,963	13,890	12,614	138	100,605

At 31st December, 2005

	Weighted average effective interest rate %	Less than 30 days US$'000	31–60 days US$'000	61–90 days US$'000	Over 90 days US$'000	Total US$'000
Trade and other payables	–	24,745	42,848	28,840	–	96,433
Amount due to ultimate holding company	–	14,116	–	–	–	14,116
		38,861	42,848	28,840	–	110,549

At 31st December, 2006

	Weighted average effective interest rate %	Less than 30 days US$'000	31–60 days US$'000	61–90 days US$'000	Over 90 days US$'000	Total US$'000
Trade and other payables	–	17,636	45,488	25,212	2	88,338

At 30th June, 2007

	Weighted average effective interest rate %	Less than 30 days US$'000	31–60 days US$'000	61–90 days US$'000	Over 90 days US$'000	Total US$'000
Trade and other payables	–	6,806	30,831	14,500	237	52,374
Amount due to ultimate holding company	–	4,034	–	–	–	4,034
		10,840	30,831	14,500	237	56,408

b. Fair value

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

The directors consider that the carrying amounts of all financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values at respective balance sheet dates.

c. Capital risk management

The ZPT Group manages its capital to ensure that entities in the ZPT Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the ZPT Group consists debt, which includes amount due to ultimate holding company, as disclosed in note 16, bank balances and equity attributable to equity holder of ZPT, comprising issued capital, reserve and retained profits.

The directors of ZPT review the capital structure on an annual basis. As part of this review, the directors consider the cost of capital and the risks associated. Based on recommendations of the directors, the ZPT Group will balance its overall capital structure through the raising of new borrowings.

d. Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial assets, financial liabilities and equity instrument are disclosed in note 3.

5. REVENUE

Revenue represents the fair value of amounts received and receivable from sales of goods to outside customers, net of discounts and sales related taxes, during the year/period. An analysis of the ZPT Group's revenue for the year is as follows:

	Years ended 31st December,			**Six months ended 30th June,**	
	2004	**2005**	**2006**	**2006**	**2007**
	US$'000	*US$'000*	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
LCD modules	118,715	140,548	224,374	86,015	89,725
FPC modules	117,827	391,385	389,037	219,659	127,376
Others	84,546	38,136	13,789	8,712	2,907
	321,088	570,069	627,200	314,386	220,008

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segment

As the ZPT Group was wholly engaged in the original equipment manufacture business focusing on the manufacture of LCP modules, FPC subassemblies and FPC, the ZPT Group has only one business segment and the ZPT Group's primary reporting segment is geographical segment.

Geographical segment

The ZPT Group's operations are principally located in the PRC. The Group's customers are mainly located in the Asia Pacific region, Europe and North America.

The following tables provide an analysis of the ZPT Group's sales and results by geographical market based on the location of its customers:

Income statement
Year ended 31st December, 2004

	Japan	Hong Kong	PRC (exclude Hong Kong)	Others	Consolidated
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
External revenue	57,033	209,233	54,822	–	321,088
Segment results	5,377	14,228	8,139	–	27,744
Unallocated corporate income					56
Unallocated corporate expenses					(8,413)
Bank interest income					105
Interest expense on bank borrowing wholly repayable within five years					(23)
Profit before tax					19,469
Income tax expense					(179)
Profit for the year					19,290

Balance sheet
At 31st December, 2004

	Japan	Hong Kong	PRC (exclude Hong Kong)	Others	Consolidated
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Assets					
Segment assets	7,869	45,238	7,674	–	60,781
Unallocated corporate assets					66,448
Total assets					127,229
Liabilities					
Segment liabilities	4,988	52,492	5,889	–	63,369
Unallocated corporate liabilities					38,337
Total liabilities					101,706

Other information
Year ended 31st December, 2004

	Japan	Hong Kong	PRC (exclude Hong Kong)	Others	Unallocated	Consolidated
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Allowance for doubtful debt	–	100	–	–	–	100
Capital additions	–	–	–	–	14,757	14,757
Depreciation	–	–	–	–	6,041	6,041

Income statement
Year ended 31st December, 2005

	Japan	Hong Kong	PRC (exclude Hong Kong)	Others	Consolidated
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
External revenue	16,960	463,151	80,392	9,566	570,069
Segment results	1,624	33,084	7,813	1,134	43,655
Unallocated corporate income					1,276
Unallocated corporate expenses					(12,479)
Bank interest income					728
Profit before tax					33,180
Income tax expense					(79)
Profit for the year					33,101

Balance sheet
At 31st December, 2005

	Japan	Hong Kong	PRC (exclude Hong Kong)	Others	Consolidated
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Assets					
Segment assets	480	80,317	27,052	3,490	111,339
Unallocated corporate assets					59,253
Total assets					170,592
Liabilities					
Segment liabilities	–	61,101	26,333	2,675	90,109
Unallocated corporate liabilities					21,859
Total liabilities					111,968

Other information
Year ended 31st December, 2005

	Japan	Hong Kong	PRC (exclude Hong Kong)	Others	Unallocated	Consolidated
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
(Recovery of) allowance for doubtful debt	6	(107)	–	–	–	(101)
Capital additions	–	–	–	–	8,455	8,455
Depreciation	–	–	–	–	7,520	7,520

Income statement
Year ended 31st December, 2006

	Japan	Hong Kong	PRC (exclude Hong Kong)	Others	Consolidated
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
External revenue	2,304	420,650	195,477	8,769	627,200
Segment results	146	28,378	13,885	872	43,281
Unallocated corporate income					1,158
Unallocated corporate expense					(13,452)
Bank interest income					809
Profit before tax					31,796
Income tax expense					(85)
Profit for the year					31,711

Balance sheet
At 31st December, 2006

	Japan	Hong Kong	PRC (exclude Hong Kong)	Others	Consolidated
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Assets					
Segment assets	174	55,232	31,673	1,458	88,537
Unallocated corporate assets					82,405
Total assets					170,942
Liabilities					
Segment liabilities	–	56,777	26,424	524	83,725
Unallocated corporate liabilities					6,234
Total liabilities					89,959

Other information
Year ended 31st December, 2006

	Japan	Hong Kong	PRC (exclude Hong Kong)	Others	Unallocated	Consolidated
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Allowance for doubtful debt	–	–	–	19	–	19
Capital additions	–	–	–	–	19,903	19,903
Depreciation	–	–	–	–	8,519	8,519

Income statement
Six months ended 30th June, 2006 (unaudited)

	Japan	Hong Kong	PRC (exclude Hong Kong)	Others	Consolidated
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
External revenue	1,953	199,500	108,295	4,638	314,386
Segment results	196	12,662	8,571	475	21,904
Unallocated corporate income					507
Unallocated corporate expense					(6,580)
Bank interest income					436
Profit before tax					16,267
Income tax expense					(126)
Profit for the period					16,141

Other information
Six months ended 30th June, 2006 (unaudited)

	Japan	Hong Kong	PRC (exclude Hong Kong)	Others	Unallocated	Consolidated
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
(Recovery of) allowance for doubtful debt	(6)	10	–	–	–	4
Depreciation	–	–	–	–	4,311	4,311

Income statement
Six months ended 30th June, 2007

	Japan	Hong Kong	PRC (exclude Hong Kong)	Others	Consolidated
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
External revenue	650	161,355	55,632	2,371	220,008
Segment results	109	9,950	2,384	240	12,683
Unallocated corporate income					499
Unallocated corporate expenses					(6,392)
Bank interest income					417
Profit before tax					7,207
Income tax credit					83
Profit for the period					7,290

Balance sheet
At 30th June, 2007

	Japan	Hong Kong	PRC (exclude Hong Kong)	Others	Consolidated
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Assets					
Segment assets	454	39,505	9,895	1,148	51,002
Unallocated corporate assets					86,720
Total assets					137,722
Liabilities					
Segment liabilities	–	36,315	11,706	249	48,270
Unallocated corporate liabilities					10,023
Total liabilities					58,293

Other information
Six months ended 30th June, 2007

	Japan	Hong Kong	PRC (exclude Hong Kong)	Others	Unallocated	Consolidated
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Recovery of doubtful debt	–	–	–	(25)	–	(25)
Capital additions	–	–	–	–	2,484	2,484
Depreciation and amortisation	–	–	–	–	4,949	4,949

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

7. OTHER INCOME

	Years ended 31st December,			Six months ended 30th June,	
	2004	**2005**	**2006**	**2006**	**2007**
	US$'000	*US$'000*	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
Exchange gain	–	1,128	405	145	–
Other income	56	148	195	86	191
Business facilities service income	–	–	558	276	308
	56	1,276	1,158	507	499

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

Details of emoluments paid by the ZPT Group to the directors of the ZPT during the year/period are as follows:

Year ended 31st December, 2004

	Lei Lai Fong, Patinda	Koo Ming Kown	Li Shi Yuen, Joseph	Shih Chi Ning	Murakami Tadao	Total
	US$'000	*US$'000*	*US$'000*	*US$'000* *(Note 1)*	*US$'000*	*US$'000*
Fee	–	–	–	–	–	–
Salaries and other benefits	595	400	–	193	–	1,188
Performance related incentive bonus	438	–	–	114	–	552
Retirement benefit scheme contributions	2	–	–	–	–	2
	1,035	400	–	307	–	1,742

Year ended 31st December, 2005

	Lei Lai Fong, Patinda *US$'000*	Koo Ming Kown *US$'000*	Li Shi Yuen, Joseph *US$'000*	Shih Chi Ning *US$'000*	Murakami Tadao *US$'000* *(Note 2)*	Total *US$'000*
Fee	–	–	–	–	–	–
Salaries and other benefits	359	–	–	258	–	617
Performance related incentive bonus	803	–	–	208	–	1,011
Retirement benefit scheme contributions	2	–	–	–	–	2
	1,164	–	–	466	–	1,630

Year ended 31st December, 2006

	Lei Lai Fong, Patinda *US$'000*	Koo Ming Kown *US$'000*	Li Shi Yuen, Joseph *US$'000* *(Note 3)*	Shih Chi Ning *US$'000* *(Note 3)*	Lee Kwok Wai, Patrick *US$'000* *(Note 4)*	Total *US$'000*
Fee	–	–	–	–	–	–
Salaries and other benefits	361	–	–	151	232	744
Performance related incentive bonus	560	–	–	–	248	808
Retirement benefit scheme contributions	2	–	–	–	–	2
	923	–	–	151	480	1,554

Six months ended 30th June, 2006 (unaudited)

	Lei Lai Fong, Patinda *US$'000*	Koo Ming Kown *US$'000*	Li Shi Yuen, Joseph *US$'000* *(Note 3)*	Shih Chi Ning *US$'000* *(Note 3)*	Lee Kwok Wai, Patrick *US$'000* *(Note 4)*	Total *US$'000*
Fee	–	–	–	–	–	–
Salaries and other benefits	180	–	–	151	93	424
Performance related incentive bonus	398	–	–	–	155	553
Retirement benefit scheme contributions	1	–	–	–	–	1
	579	–	–	151	248	978

Six months ended 30th June, 2007

	Lei Lai Fong, Patinda	Koo Ming Kown	Wang Lu Ping	Furukawa Seitaro	Lee Wa Lun	Lee Kwok Wai, Patrick	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
			(Note 5)	*(Note 6)*	*(Note 7)*	*(Note 8)*	
Fee	–	–	–	–	–	–	–
Salaries and other benefits	180	–	17	–	–	83	280
Retirement benefit scheme contributions	1	–	–	–	–	–	1
	181	–	17	–	–	83	281

Notes:

1. Appointed as director on 7th April, 2004
2. Resigned as director on 5th July, 2005
3. Resigned as director on 1st March, 2006
4. Appointed as director on 1st March, 2007
5. Appointed as director on 22nd May, 2007
6. Appointed as director on 16th April, 2007 and resigned as director on 1st August, 2007
7. Appointed as director on 2nd January, 2007 and resigned as director on 16th April, 2007
8. Resigned as director on 16th April, 2007

(b) Employees' emoluments

The five highest paid individuals of the ZPT Group included 3, 2, 2, 2 and 2 directors for the years ended 31st December, 2004, 2005 and 2006 and six-month periods ended 30th June, 2006 and 2007, respectively, details of whose emoluments are set out in (a) above. The emoluments of the remaining 2, 3, 3, 3 and 3 individuals for each of the years ended 31st December, 2004, 2005 and 2006 and six-month periods ended 30th June 2006 and 2007, respectively were as follows:

	Years ended 31st December,			**Six months ended 30th June,**	
	2004	**2005**	**2006**	**2006**	**2007**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
				(unaudited)	
Salaries and other benefits	389	394	543	270	303
Performance related incentive bonus	74	493	316	252	–
Retirement benefit scheme contribution	–	–	–	–	–
	463	887	859	522	303

The emoluments of the employees were with the following bands:

	Years ended 31st December,			Six months ended 30th June,	
	2004	2005	2006	2006	2007
				(unaudited)	
Nil to HK$1,000,000 (equivalent to Nil to US$128,205)	–	–	–	–	3
HK$1,000,001 to HK$1,500,000 (equivalent to US$128,205 to US$192,308)	–	–	–	3	–
HK$1,500,001 to HK$2,000,000 (equivalent to US$192,308 to US$256,410)	1	–	1	–	–
HK$2,000,001 to HK$2,500,000 (equivalent to US$256,410 to US$320,513)	1	2	1	–	–
HK$2,500,001 to HK$3,000,000 (equivalent to US$320,513 to US$384,615)	–	1	1	–	–
	2	3	3	3	3

During the Relevant Periods, no emolument was paid by the ZPT Group to any of ZPT's directors or the five highest paid individuals as an inducement to join or upon joining the ZPT Group or as compensation for loss of office. 2, 3, 2, 2 and 3 of the directors waived their remuneration during the Relevant Periods.

9. PROFIT BEFORE TAX

	Years ended 31st December,			Six months ended 30th June,	
	2004	2005	2006	2006	2007
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
				(unaudited)	
Profit before tax has been arrived at after charging (crediting):					
Auditor's remuneration	22	63	74	23	27
Release of prepaid lease payments	–	–	–	–	3
Depreciation of property, plant and equipment	6,041	7,520	8,519	4,311	4,949
Less: Depreciation included in research and development expenditure	(60)	(76)	(51)	(20)	(46)
	5,981	7,444	8,468	4,291	4,903
Loss (gain) on disposal of property, plant and equipment	2	5	(130)	2	12
Staff costs, including directors' emoluments	10,153	13,165	15,814	7,862	7,272
Retirement benefit scheme contributions, including directors' emoluments	399	567	519	284	220
Total staff costs	10,552	13,732	16,333	8,146	7,492
Less: Staff costs included in research and development expenditure	(1,386)	(2,136)	(2,473)	(1,246)	(1,553)
	9,166	11,596	13,860	6,900	5,939

10. INCOME TAX EXPENSE (CREDIT)

	Years ended 31st December,			Six months ended 30th June,	
	2004	2005	2006	2006	2007
	US$'000	*US$'000*	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
PRC enterprise income tax expense					
Current tax	179	79	85	126	617
Deferred tax credit	–	–	–	–	(700)
	179	79	85	126	(83)

In accordance with the applicable enterprise income tax law of the PRC and the relevant rules promulgated by the Shenzhen municipal government, Zastron Shenzhen is subject to a tax rate of 15% on the assessable profits for each of the Relevant Periods. 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 years ended 31st December, 2004, 2005 and 2006, Zastron Shenzhen exported more than 70% of the production value of its products and were qualified as Export Enterprises and were subject to a reduced tax rate of 10%. The directors expect that Zastron Shenzhen will also qualify for a reduced tax rate of 10% for 2007. In 2004, Zastron Shenzhen was recognised as a high and new technology enterprise and was granted a preferential tax rate of 7.5% for three years, subject to the satisfaction of certain conditions as imposed by the relevant authorities. Hence, for the period from 1st January, 2004 to 31st December, 2006, Zastron Shenzhen was able to enjoy a reduced tax rate of 7.5%.

Furthermore, if a foreign investor directly reinvests by way of capital injection of its share of profits obtained from a FIE in establishing or expanding an export-oriented or technologically advanced enterprise in the PRC for a minimum period of five years, a refund of the taxes already paid on those profits may be obtained by the ZPT Group.

Under the newly promulgated PRC Unified Income Tax Law which will become effective from 1st January, 2008, the tax refund under the capital reinvestment scheme as described above may be removed. As a result, for the six months ended 30th June, 2007, the ZPT Group has provided enterprise income tax at a tax rate of 10%.

Zastron Macao is exempted from Macao Complementary Tax in accordance with the Macao Decree Law No. 58/99/M, Chapter 2, Article 12, dated 18th October, 1999.

No provision for Hong Kong Profits Tax has been made as the ZPT Group did not have any assessable profit arising in Hong Kong for the Relevant Periods.

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

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

	Years ended 31st December,			Six months ended 30th June,	
	2004	**2005**	**2006**	**2006**	**2007**
	US$'000	*US$'000*	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
Profit before tax	19,469	33,180	31,796	16,267	7,207
Tax at the enterprise income tax rate of 15%	2,920	4,977	4,769	2,440	1,081
Tax effect of expenses not deductible for tax purpose	257	423	127	65	100
Effect of PRC tax concession	(713)	(889)	(642)	(218)	–
Effect of different tax rates of ZPT and its subsidiaries operating in other jurisdiction	(37)	(60)	(18)	(9)	(12)
Effect of tax exemptions granted to Macao subsidiary	(1,715)	(3,563)	(3,593)	(2,060)	(1,163)
Tax effect of PRC income tax relieves	(634)	(791)	(572)	(194)	–
Disallowed tax refundable	–	–	–	–	593
Effect of changes in PRC tax law	–	–	–	–	(700)
Others	101	(18)	14	102	18
Tax charge for the year/period	179	79	85	126	(83)

11. DIVIDENDS

A dividend of US$935,200 per share amounted to approximately US$9,352,000 was paid in the year ended 31st December, 2006, and a dividend of US$884,400 per share amounted to approximately US$8,844,000 was declared during the six months ended 30th June, 2007. No other dividends were paid during the Relevant Periods.

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements US$'000	Plant and machinery US$'000	Furniture, fixtures and equipment US$'000	Motor vehicles US$'000	Construction in progress US$'000	Total US$'000
COST						
At 1st January, 2004	2,636	16,436	120	31	1,451	20,674
Additions	1,199	12,265	4	369	920	14,757
Transfer	–	2,263	–	–	(2,263)	–
Disposals	–	(241)	–	–	–	(241)
At 31st December, 2004 and 1st January, 2005	3,835	30,723	124	400	108	35,190
Additions	965	7,258	76	–	156	8,455
Disposals	–	(102)	(2)	–	–	(104)
At 31st December, 2005 and 1st January, 2006	4,800	37,879	198	400	264	43,541
Additions	917	10,260	140	118	8,468	19,903
Transfer	–	1,104	–	–	(1,104)	–
Disposals	–	(1,969)	(12)	(123)	–	(2,104)
At 31st December, 2006 and 1st January, 2007	5,717	47,274	326	395	7,628	61,340
Additions	229	145	96	–	2,014	2,484
Transfer	–	6,880	–	–	(6,880)	–
Disposals	–	(94)	(1)	–	–	(95)
At 30th June, 2007	5,946	54,205	421	395	2,762	63,729
ACCUMULATED DEPRECIATION						
At 1st January, 2004	2,584	2,457	113	31	–	5,185
Provided for the year	124	5,734	5	178	–	6,041
Eliminated on disposals	–	(239)	–	–	–	(239)
At 31st December, 2004 and 1st January, 2005	2,708	7,952	118	209	–	10,987
Provided for the year	324	7,085	46	65	–	7,520
Eliminated on disposals	–	(97)	(1)	–	–	(98)
At 31st December, 2005 and 1st January, 2006	3,032	14,940	163	274	–	18,409
Provided for the year	521	7,921	18	59	–	8,519
Eliminated on disposals	–	(1,954)	(12)	(92)	–	(2,058)
At 31st December, 2006 and 1st January, 2007	3,553	20,907	169	241	–	24,870
Provided for the period	331	4,573	23	22	–	4,949
Eliminated on disposals	–	(81)	(1)	–	–	(82)
At 30th June, 2007	3,884	25,399	191	263	–	29,737
CARRYING VALUES						
At 31st December, 2004	1,127	22,771	6	191	108	24,203
At 31st December, 2005	1,768	22,939	35	126	264	25,132
At 31st December, 2006	2,164	26,367	157	154	7,628	36,470
At 30th June, 2007	2,062	28,806	230	132	2,762	33,992

Property, plant and equipment other than construction in progress are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	Over the shorter of term of the lease or 20%
Other assets	20%

13. PREPAID LEASE PAYMENTS

The ZPT Group's prepaid lease payments represents payments for medium-term land use rights in the PRC.

	As at 31st December,			As at 30th June,
	2004	**2005**	**2006**	**2007**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Analysed as:				
Non-current assets	–	–	2,880	3,586
Current assets	–	–	–	27
	–	–	2,880	3,613

Prepaid lease payments are released to the consolidated income statement on a straight-line basis over the lease terms of 50 years as stated in the land use right certificates.

As at 31st December, 2004, 2005, 2006 and 30th June, 2007, an amount of approximately nil, nil, US$2,880,000 and US$2,271,000 represented prepaid lease payments in which land use rights certificate has not been obtained.

14. INVENTORIES

	As at 31st December,			As at 30th June,
	2004	**2005**	**2006**	**2007**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Raw materials	8,316	12,605	13,278	8,535
Work in progress	658	1,698	445	647
Finished goods	722	2,313	354	106
	9,696	16,616	14,077	9,288

15. TRADE AND OTHER RECEIVABLES

	As at 31st December,			As at 30th June,
	2004	**2005**	**2006**	**2007**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Trade receivables	51,200	95,000	75,215	42,264
Less: accumulated impairment	(107)	(6)	(25)	–
	51,093	94,994	75,190	42,264
Other receivables	102	439	728	814
Total trade and other receivables	51,195	95,433	75,918	43,078

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

The aged analysis of trade receivables (net of impairment) at the balance sheet date is as follows:

	As at 31st December,			As at 30th June,
	2004	2005	2006	2007
	US$'000	*US$'000*	*US$'000*	*US$'000*
Up to 30 days	50,634	94,883	75,165	42,165
31 to 60 days	351	–	–	99
Over 60 days	108	111	25	–
	51,093	94,994	75,190	42,264

Movement in the allowance for doubtful debts

	As at 31st December,			As at 30th June,
	2004	2005	2006	2007
	US$'000	*US$'000*	*US$'000*	*US$'000*
Balance at beginning of the year/period	7	107	6	25
Amounts recovered during the year/period	–	(101)	–	(25)
Allowance recognised in profit or loss	100	–	19	–
Balance at end of the year/period	107	6	25	–

The ZPT Group does not hold any collateral over these balances.

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

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

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

The ZPT Group has fully provided allowance for trade receivables of approximately US$107,000, US$6,000, US$25,000 and Nil as at 31st December, 2004, 2005, 2006 and 30th June, 2007, respectively, for trade receivable which had been past due and considered as irrecoverable by the directors of the ZPT Group during the Relevant Periods.

Included in ZPT Group's trade receivables are debtors with a carrying amount of US$11,000, US$105,000, Nil and US$98,000 which are past due at 31st December, 2004, 2005, 2006 and 30th June, 2007, respectively for which the ZPT Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The ZPT Group does not hold any collateral over these balances. The average age of these receivables at 31st December, 2004, 2005 and 30th June, 2007 are 30, 105 and 45 days, respectively.

16. AMOUNTS DUE FROM (TO) ULTIMATE HOLDING COMPANY AND A FELLOW SUBSIDIARY

The non-trade amounts are unsecured, non-interest bearing and recoverable within one year/ repayable on demand.

17. AMOUNT DUE FROM A RELATED COMPANY

The amount represented an amount due from a subsidiary of an associate of the ultimate holding company. It was trade in nature, unsecured, non-interest bearing and fully repaid during the Relevant Periods.

18. BANK BALANCES, DEPOSITS AND CASH

Bank balances, deposits and cash of the ZPT Group comprise cash and short-term bank deposits with an original maturity of three months or less. The bank balances and deposits carry prevailing market interest rates ranging from 0.00% to 1.84% per annum, 0.00% to 3.93% per annum, 0.00% to 4.93% per annum and 0.00% to 5.01% per annum during the years ended 31st December, 2004, 2005 and 2006 and the six months ended 30th June, 2007, respectively.

19. TRADE AND OTHER PAYABLES

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

	As at 31st December,			As at 30th June,
	2004	**2005**	**2006**	**2007**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Up to 30 days	61,581	88,402	84,404	48,912
31 to 60 days	2,984	796	189	735
Over 60 days	–	3,001	608	40
	64,565	92,199	85,201	49,687
Other payables	5,196	5,653	4,758	4,572
	69,761	97,852	89,959	54,259

20. SHARE CAPITAL

	Number of shares	Amount
		HK$
Ordinary shares of HK$0.01 each		
At 1st January, 2004, 31st December, 2004, 2005, 2006 and 30th June, 2007:		
Authorised	10,000,000	100,000
Issued and fully paid	10	0.10
Shown in the Financial Information as		US$–

21. OPERATING LEASE COMMITMENTS

As lessee

Minimum lease payments paid under operating leases in respect of office premises amounted to approximately US$673,000, US$1,193,000, US$1,672,000, US$835,000 (unaudited) and US$837,000 for the years ended 31st December, 2004, 2005 and 2006 and the six months ended 30th June, 2006 and 2007, respectively.

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

	As at 31st December,			As at 30th June,
	2004	**2005**	**2006**	**2007**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Within one year	1,098	1,681	1,687	1,681
In the second to fifth year inclusive	5,131	1,374	5,797	5,280
Over five years	3,855	–	321	–
	10,084	3,055	7,805	6,961

Leases are negotiated for an average terms of 6 years and rentals are fixed over the relevant lease period.

22. COMMITMENTS

	As at 31st December,			As at 30th June,
	2004	**2005**	**2006**	**2007**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Capital expenditure in respect of acquisition of property, plant and equipment:				
Contracted for but not provided in the Financial Information	1,856	2,967	3,898	36,525
Authorised but not contracted for in the Financial Information	3,224	3,427	6,301	9,713
	5,080	6,394	10,199	46,238
Other commitment in respect of prepaid lease payment	–	–	4,304	4,411

23. EMPLOYEES BENEFITS

Retirement benefits schemes

According to the relevant laws and regulations in the PRC, Zastron Shenzhen is required to contribute 8% to 11% 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 ZPT Group with respect to the PRC Scheme is to make the required contributions under the scheme. The total contributions incurred in this connection were approximately US$396,000 US$554,000, US$507,000, US$277,000 (unaudited) and US$211,000 for the years ended 31st December, 2004, 2005 and 2006 and the six months ended 30th June, 2006 and 2007, respectively.

The ZPT Group operates a retirement benefit scheme for all qualifying employees in Macao ("Macao Scheme") and a mandatory provident fund scheme ("MPF Scheme") for all qualifying employees in Hong Kong. The assets of the Macao Scheme and the MPF Scheme are held separately from those of the ZPT Group, in funds under the control of trustees. The ZPT 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, which contribution is matched by employees. The total contributions incurred in this connection were approximately US$3,000, US$13,000, US$12,000, US$7,000 (unaudited) and US$9,000 for the years ended 31st December, 2004, 2005 and 2006 and the six months ended 30th June, 2006 and 2007, respectively.

Share option scheme

In May 2001, the board of directors of NTE Inc. approved a stock option plan ("2001 Scheme") 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 3,300,000 shares. There is no maximum entitlement for each of the key employee under this stock option plan. The option price granted to directors shall be equal to 100% of the market value of the common shares of 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.

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

The following table disclose details of the share options granted to the directors and employees of the ZPT Group for services provided to NTE Inc. and movements in such holdings during the Relevant Periods:

Directors of ZPT

	2001 Scheme				
Exercise price per share	**US$19.400**	**US$20.840**	**US$21.620**	**US$22.250**	**US$12.420**
Number of options:					
Outstanding at 1st January, 2004	–	–	–	–	–
Granted during the year	390,000	–	–	–	–
Outstanding at 31st December, 2004 and 1st January, 2005	390,000	–	–	–	–
Granted during the year	–	750,000	30,000	–	–
Resigned as director during the year	(180,000)	(350,000)	(15,000)	–	–
Exercised during the year	(180,000)	(350,000)	(15,000)	–	–
Outstanding at 31st December, 2005 and 1st January, 2006	30,000	50,000	–	–	–
Granted during the year	–	–	–	15,000	–
Resigned as director during the year *(Note)*	(30,000)	(50,000)	–	–	–
Outstanding at 31st December, 2006 and 1st January, 2007	–	–	–	15,000	–
Granted during the period	–	–	–	–	15,000
Outstanding at 30th June, 2007	–	–	–	15,000	15,000
(Unaudited)					
Outstanding at 1st January, 2006	30,000	50,000	–	–	–
Granted during the period	–	–	–	15,000	–
Resigned as director during the period	(30,000)	(50,000)	–	–	–
Outstanding at 30th June, 2006	–	–	–	15,000	–

Employees of the ZPT Group

	2001 Scheme		
Exercise price per share	**US$19.400**	**US$20.840**	**US$12.130**
Number of options:			
Outstanding at 1st January, 2004, 31st December, 2004 and 1st January, 2005	–	–	–
Transfer of an employee from a fellow subsidiary during the year	12,000	–	–
Granted during the year	–	20,000	–
Outstanding at 31st December, 2005 and 1st January, 2006	12,000	20,000	–
Exercised during the year	(12,000)	–	–
Outstanding at 31st December, 2006 and 1st January, 2007	–	20,000	–
Granted during the period	–	–	40,000
Lapsed during the period	–	(20,000)	–
Outstanding at 30th June, 2007	–	–	40,000
(Unaudited)			
Outstanding at 1st January, 2006	12,000	20,000	–
Exercised during the period	(12,000)	–	–
Outstanding at 30th June, 2006	–	20,000	–

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

Details of specific categories of options are as follows:

Date of grant	**Exercise period**	**Exercise price** *US$*
30th July, 2004	30th July, 2004 to 30th July, 2006	19.400
4th February, 2005	4th February, 2005 to 4th February, 2007	20.840
6th June, 2005	6th June, 2005 to 5th June, 2008	21.620
9th June, 2006	9th June, 2006 to 8th June, 2009	22.250
14th May, 2007	14th May, 2008 to 13th May, 2011	12.130
8th June, 2007	8th June, 2007 to 7th June, 2010	12.420

The weighted average closing prices of NTE Inc.'s shares on the dates in which the share options were exercised was approximately US$23.380, US$22.970 and US$22.970 for the years ended 31st December, 2005 and 2006 and for the six months ended 30th June, 2006, respectively. No share option was exercised for the years ended 31st December, 2004 and for the six months ended 30th June, 2007.

24. RELATED PARTY TRANSACTIONS

Apart from details of the balances with ultimate holding company and fellow subsidiaries disclosed elsewhere in the Financial Information, the ZPT Group had also entered into the following transactions with related parties during the Relevant Periods:

		Years ended 31st December,			Six months ended 30th June,	
Name	**Nature of transaction**	**2004**	**2005**	**2006**	**2006**	**2007**
		US$'000	*US$'000*	*US$'000*	*US$'000* (*unaudited*)	*US$'000*
Fellow subsidiaries						
Namtai Electronic (Shenzhen) Co., Ltd.	Rental expenses	656	1,091	1,276	633	643
	Purchase of property, plant and equipment	59	–	–	–	–
J.I.C. Technology Company Limited	Business facilities service income	–	–	279	138	154
Nam Tai Electronic & Electrical Products Limited	Business facilities service income	–	–	279	138	154
An associate of the ultimate holding company						
JCT Wireless Technology Company Limited	Sales of goods	34,181	6,195	–	–	–
	Purchases of raw materials	12,398	5,766	–	–	–

Compensation of key management personnel

The remuneration of directors and other members of key management during the Relevant Periods was as follows:

	Years ended 31st December,			Six months ended 30th June,	
	2004	**2005**	**2006**	**2006**	**2007**
	US$'000	*US$'000*	*US$'000*	*US$'000* (*unaudited*)	*US$'000*
Short-term benefits	1,795	1,889	1,995	1,245	412
Post-employment benefits	–	–	–	–	–
Other long-term benefits	–	–	–	–	–
Share-based payments	–	–	–	–	–
	1,795	1,889	1,995	1,245	412

II. SUBSEQUENT EVENTS

Subsequent to 30th June, 2007, NTE Inc. and NTEEP entered into a conditional sale and purchase agreement (the "NTEEP Agreement"). Pursuant to the NTEEP Agreement, NTEEP will acquire 100% equity interest of ZPT and 100% equity interest in Jetup Electronic (Shenzhen) Co., Ltd., a fellow subsidiary, from NTE Inc. at a consideration of approximately US$353,145,000 to be settled by cash of approximately US$41,715,000 and a loan from NTE Inc. in the amount of approximately US$311,430,000.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of ZPT or any of its subsidiaries have been prepared in respect of any period subsequent to 30th June, 2007.

Yours faithfully
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The following is the text of a report, prepared for inclusion in the circular, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants.

Deloitte.
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5th December, 2007

The Directors
Nam Tai Electronic & Electrical Products Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Jetup Electronic (Shenzhen) Co., Ltd. ("Jetup") for each of the three years ended 31st December, 2004, 2005 and 2006 and for the six months ended 30th June, 2007 (the "Relevant Periods") for inclusion in the circular dated 5th December, 2007 issued by Nam Tai Electronic & Electrical Products Limited ("NTEEP") in connection with the proposed acquisitions of 100% equity interest in Jetup, 100% equity interest in Zastron Precision-Tech Limited, the disposals of 100% equity interest in Shenzhen Namtek Company Limited and 100% equity interest in Kabushiki Kaisha Namtek Japan (expressed in English as Namtek Japan Company Limited) (the "Circular").

Jetup was established as a limited liability company in the People's Republic of China (the "PRC") on 15th April, 1993. Jetup is engaged in the manufacture and distribution of liquid crystal display ("LCD") products.

The statutory financial statements of Jetup were prepared in accordance with the relevant accounting principles and financial regulations applicable in the PRC. Deloitte Touche Tohmatsu CPA Limited, certified public accountants in the PRC, is the statutory auditor of Jetup for each of the two years ended 31st December, 2006. 深圳永明會計師事務所有限責任公司 Yongming Certified Public Accountants Shenzhen, certified public accountants in the PRC, was the statutory auditor of Jetup for the year ended 31st December, 2004.

For the purpose of this report, the directors of Jetup has prepared the financial statements of Jetup for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements").

We have performed an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have examined the Underlying Financial Statements for the Relevant Periods in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of Jetup for the Relevant Periods set out in this report has been prepared based on the Underlying Financial Statements for the purpose of preparing our report for inclusion in the Circular. No adjustments were deemed necessary by us to the Underlying Financial Statements in preparing our report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the directors of Jetup. The directors of NTEEP are responsible for the contents of the Circular in which this report is included. It is our responsibilities to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of Jetup as at 31st December, 2004, 2005 and 2006 and 30th June, 2007 and of the results and cash flows of Jetup for the Relevant Periods.

The comparative income statement, statement of changes in equity and cash flow statement of Jetup for the six months ended 30th June, 2006 together with the notes thereon have been extracted from the Jetup's unaudited financial statements for the same period (the "Comparative Information") which were prepared by the directors of Jetup solely for the purpose of this report. We have reviewed the Comparative Information in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the HKICPA. Our review consisted principally of making enquiries of management and applying analytical procedures to the Comparative Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the Comparative Information. On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the Comparative Information.

I. FINANCIAL INFORMATION

INCOME STATEMENTS

		Years ended 31st December,			Six months ended 30th June,	
		2004	**2005**	**2006**	**2006**	**2007**
	Notes	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
					(unaudited)	
Revenue		47,822	54,420	64,931	29,168	39,165
Cost of sales		(40,102)	(46,509)	(54,106)	(24,018)	(35,086)
Gross profit		7,720	7,911	10,825	5,150	4,079
Bank interest income		2	5	25	9	11
Other (expense) income	6	(54)	655	–	(101)	175
Selling and distribution costs		(227)	(1,170)	(4,035)	(1,736)	(2,565)
Administrative expenses		(1,648)	(2,021)	(2,469)	(1,178)	(1,308)
Research and development expenditure		(938)	(1,168)	(1,531)	(734)	(864)
Interest on bank borrowings		(31)	(116)	(368)	(184)	(132)
Impairment loss in respect of property, plant and equipment		(356)	–	–	–	–
Profit (loss) before tax		4,468	4,096	2,447	1,226	(604)
Income tax (expense) credit	8	(319)	(268)	(162)	(98)	105
Profit (loss) for the year/ period attributable to equity holder of Jetup	9	4,149	3,828	2,285	1,128	(499)
Dividends	10	2,860	4,530	2,245	–	2,923

BALANCE SHEETS

		As at 31st December,			As at 30th June,
		2004	**2005**	**2006**	**2007**
	Notes	*US$'000*	*US$'000*	*US$'000*	*US$'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*11*	11,453	18,190	16,183	15,811
Machinery under installation and deposit paid for acquisition of plant and equipment		5,752	1,019	479	755
Intangible asset	*12*	–	49	49	49
Deferred tax assets	*13*	331	496	646	751
		17,536	19,754	17,357	17,366
CURRENT ASSETS					
Inventories	*14*	4,788	6,073	7,027	7,821
Trade and other receivables	*15*	624	9,474	12,870	16,622
Amount due from a fellow subsidiary	*16*	–	148	70	42
Taxation recoverable		576	460	710	741
Bank balances and cash	*17*	800	2,742	3,078	2,408
		6,788	18,897	23,755	27,634
CURRENT LIABILITIES					
Trade and other payables	*18*	4,434	7,441	11,251	13,964
Amount due to immediate holding company	*19*	3,189	3,576	3,463	3,463
Amount due to a fellow subsidiary	*19*	–	1,294	342	361
Bank borrowings	*20*	1,262	7,073	4,504	6,159
		8,885	19,384	19,560	23,947
NET CURRENT (LIABILITIES) ASSETS		(2,097)	(487)	4,195	3,687
NET ASSETS		15,439	19,267	21,552	21,053
CAPITAL AND RESERVES					
Paid-in capital	*21*	12,962	17,492	19,737	22,660
Reserves		2,477	1,775	1,815	(1,607)
EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF JETUP		15,439	19,267	21,552	21,053

STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital *US$'000*	Retained profits (accumulated losses) *US$'000*	Total *US$'000*
At 1st January, 2004	10,102	1,188	11,290
Profit for the year and total recognised income	–	4,149	4,149
Dividend paid	–	(2,860)	(2,860)
Capital contribution by way of re-investment of dividend previously declared to the shareholder	2,860	–	2,860
At 31st December, 2004 and 1st January, 2005	12,962	2,477	15,439
Profit for the year and total recognised income	–	3,828	3,828
Dividend paid	–	(4,530)	(4,530)
Capital contribution by way of re-investment of dividend previously declared to the shareholder	4,530	–	4,530
At 31st December, 2005 and 1st January, 2006	17,492	1,775	19,267
Profit for the year and total recognised income	–	2,285	2,285
Dividend paid	–	(2,245)	(2,245)
Capital contribution by way of re-investment of dividend previously declared to the shareholder	2,245	–	2,245
At 31st December, 2006 and 1st January, 2007	19,737	1,815	21,552
Loss for the period and total recognised expense	–	(499)	(499)
Dividend paid	–	(2,923)	(2,923)
Capital contribution by way of re-investment of dividend previously declared to the shareholder	2,923	–	2,923
At 30th June, 2007	22,660	(1,607)	21,053
(Unaudited)			
At 1st January, 2006	17,492	1,775	19,267
Profit for the period and total recognised income	–	1,128	1,128
At 30th June, 2006	17,492	2,903	20,395

CASH FLOW STATEMENTS

	Years ended 31st December,			Six months ended 30th June,	
	2004	2005	2006	2006	2007
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
				(unaudited)	
OPERATING ACTIVITIES					
Profit (loss) before tax	4,468	4,096	2,447	1,226	(604)
Adjustments for:					
Allowance for (reversal of allowance for) inventories	–	136	(65)	(88)	(14)
Bank interest income	(2)	(5)	(25)	(9)	(11)
Interest on bank borrowings	31	116	368	184	132
Depreciation of property, plant and equipment	2,298	3,335	3,939	1,956	2,047
Loss on disposal of property, plant and equipment	2	3	2	2	42
Impairment loss in respect of property, plant and equipment	356	–	–	–	–
Impairment losses recognised (reversed) in respect of trade receivables	–	–	98	–	(59)
Operating cash flows before movements in working capital	7,153	7,681	6,764	3,271	1,533
Increase in inventories	(1,415)	(1,421)	(889)	(375)	(780)
Increase in trade and other receivables	(319)	(8,850)	(3,494)	(2,652)	(3,693)
(Increase) decrease in amount due from a fellow subsidiary	–	(148)	78	–	28
Increase (decrease) in amount due to a fellow subsidiary	2,388	1,294	(952)	(1,137)	19
Increase in trade and other payables	1,392	3,007	3,810	1,830	2,713
Cash generated from operations	9,199	1,563	5,317	937	(180)
PRC enterprise income tax paid	(546)	(504)	(538)	(167)	(31)
PRC enterprise income tax refunded	25	574	211	–	–
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES	8,678	1,633	4,990	770	(211)

	Years ended 31st December,			Six months ended 30th June,	
	2004	2005	2006	2006	2007
	US$'000	*US$'000*	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
INVESTING ACTIVITIES					
Purchase of machinery under installation and deposits paid for the acquisition of plant and equipment	(5,752)	(1,019)	(479)	(101)	(755)
Purchase of property, plant and equipment	(2,121)	(4,323)	(915)	(481)	(1,238)
Interest received	2	5	25	9	11
Purchase of intangible assets	–	(49)	–	–	–
NET CASH USED IN INVESTING ACTIVITIES	(7,871)	(5,386)	(1,369)	(573)	(1,982)
FINANCING ACTIVITIES					
Repayment of bank loans	–	–	(5,027)	(1,806)	–
(Decrease) increase in trust receipt loans	(276)	3,541	(299)	(283)	1,655
Interest paid	(31)	(116)	(368)	(184)	(132)
Proceeds from bank loans	–	2,270	2,757	2,757	–
Repayment to immediate holding company	–	–	(348)	(348)	–
NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES	(307)	5,695	(3,285)	136	1,523
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	500	1,942	336	333	(670)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	300	800	2,742	2,742	3,078
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, represented by bank balances and cash	800	2,742	3,078	3,075	2,408

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

Jetup was established as a limited liability company in the PRC in 1993. Its immediate holding company is J.I.C. Technology Company Limited ("JIC"), a company incorporated in the Cayman Islands with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). 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. The address of the registered office and principal place of business of Jetup is Sanyidui Industrial Zone, Zhoushi Road, Jiuwei Village, Xixiang Town, Bao'an District, Shenzhen, the PRC.

Jetup is engaged in the manufacture and distribution of LCD products.

The functional currency of Jetup is in Hong Kong dollar, the financial statements are presented in United States dollars ("US$"), which is the presentation currency of Nam Tai Electronic & Electrical Products Limited for the convenience of the readers of the Circular.

The earnings per share for the years ended 31st December, 2004, 2005 and 2006 and for the six months ended 30th June, 2006 and 2007 are not presented as the directors considered that the information is not meaningful for the purpose of this report.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA has issued a number of new or revised Hong Kong Accounting Standards ("HKASs"), Hong Kong Financial Reporting Standards ("HKFRSs"), amendments and Interpretations ("INTs") (hereinafter collectively referred to as "new HKFRSs") which are effective for Jetup's financial year beginning 1st January, 2007. For the purposes of preparing and presenting the Financial Information of the Relevant Periods, Jetup has consistently applied all these new HKFRSs over the Relevant Periods.

At the date of this report, the HKICPA has issued the following new and revised standards or interpretations that are not yet effective. The directors of Jetup have considered the following standards or interpretations but do not expect that they will have a material impact on the results and the financial position of Jetup.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared under the historical cost basis and in accordance with the accounting policies set out below, which conform with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Revenue recognition

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

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

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Property, plant and equipment

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

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each balance sheet date, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

Research and development expenditure

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

Impairment loss

At each balance sheet date, Jetup 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. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is immediately recognised as income.

Inventories

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

Intangible assets

Intangible assets represent club membership with indefinite useful lives and are carried at cost less any subsequent accumulated impairment losses.

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

Intangible assets with indefinite useful lives are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When 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.

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/period. Taxable profit differs from 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 items that are never taxable or deductible. Jetup's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial Information 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 generally recognised for all deducible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit.

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

Deferred tax is calculated at the rates that are expected to apply in the year/period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss.

Foreign currencies

In preparing the financial statements of Jetup, transactions in currencies other than the functional currency of Jetup (foreign currencies) are recorded in its functional currency (i.e. Hong Kong dollar, the currency of the primary economic environment in which Jetup operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purpose of presenting the Financial Information, the assets and liabilities of Jetup is translated into the presentation currency (i.e. US$) at the rate of exchange prevailing at the balance sheet date, and the income and expenses are translated at the average exchange rates for the year/period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve).

Leasing

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

Jetup as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Retirement benefits costs

Payments to state-managed retirement benefits schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Financial instruments

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

Financial assets

Jetup's financial assets are classified into loans and receivables. The accounting policies adopted in respect of financial assets are set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from a fellow subsidiary and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by Jetup are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of Jetup after deducting all of its liabilities.

The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities (including trade and other payables, amount due to immediate holding company, amount due to a fellow subsidiary and bank borrowings) are subsequently measured at amortised cost using the effective interest method.

Equity instruments

Equity instruments issued by Jetup are recorded at the proceeds received, net of direct issue costs.

Derecognition

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

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

4. FINANCIAL INSTRUMENTS

a. Financial risk management objectives and polices

Jetup's major financial instruments include trade and other receivables, balances with group companies, bank balances and cash, trade and other payables and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk management

Majority of Jetup's assets and liabilities are denominated in HK$, as such Jetup currently does not have significant foreign currency exposure. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Foreign currency sensitivity

The directors of Jetup are of the opinion that the Jetup's sensitivity to the change in foreign currency is low.

Interest rate risk management

Jetup's cash flow interest rate risk relates primarily to variable-rate bank borrowings (see Note 20 for details of these borrowings) and bank deposits. Jetup currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Jetup's exposure in fluctuation of interest rate on financial asset and financial liabilities are detailed in liquidity risk management section of this note.

Interest rate risk sensitivity

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

Bank Balances

If interest rates had been 40 basis points higher/lower and all other variables were held constant, Jetup's profit for the years ended 31st December, 2004, 2005 and 2006 and the six months ended 30th June 2006 and 2007 would increase/decrease by approximately US$3,000, US$11,000, US$12,000, US$12,000 (unaudited) and US$10,000, respectively. This is attributable to Jetup's exposure to interest rates on its variable rate bank balances.

Borrowings

If interest rates had been 150 basis points higher/lower and all other variables were held constant, Jetup's profit for the years ended 31st December, 2004, 2005 and 2006 and the six months ended 30th June, 2006 and 2007 would decrease/increase by approximately US$19,000, US$106,000, US$68,000, US$116,000 (unaudited) and US$92,000, respectively. This is mainly attributable to Jetup's exposure to interest rates on its variable rate borrowings.

Jetup's sensitivity to interest rates has increased during the Relevant Periods mainly due to the addition in variable rate debt instruments.

There has been no change to Jetup's exposure to market risks or the manner in which it manages and measures the risk.

Credit risk

Jetup's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31st December, 2004, 2005 and 2006 and 30th June, 2007 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the balance sheet. In order to minimise the credit risk, management of Jetup has credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of Jetup consider that Jetup's credit risk is significantly reduced.

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

Jetup's concentration of credit risk by geographical locations is mainly in the PRC. At 31st December, 2004, 2005 and 2006 and 30th June, 2007, trade receivable are concentrated in few PRC customers amounted to approximately Nil, US$4,244,000, US$5,567,000 and US$4,604,000, respectively.

Jetup is exposed to concentration of credit risk as the receivables are concentrated in few counterparties. Jetup manages the risk by applying a limit on the credit to these counterparties.

Liquidity risk

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

Liquidity and interest risk tables

The following tables detail Jetup's remaining contractual maturity for its non-derivative financial liabilities as at 31st December, 2004, 2005 and 2006 and 30th June, 2007. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which Jetup can be required to pay. The tables includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial liability on the balance sheet.

At 31st December, 2004

	Weighted average effective interest rate	Less than 30 days	31-60 days	61-90 days	Over 90 days	Adjustments	Total
	%	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Trade payables	–	3,017	547	–	–	–	3,564
Other payables	–	870	–	–	–	–	870
Amount due to immediate holding company	–	3,189	–	–	–	–	3,189
Bank borrowings	3	594	51	623	–	(6)	1,262
		7,670	598	623	–	(6)	8,885

At 31st December, 2005

	Weighted average effective interest rate	Less than 30 days	31-60 days	61-90 days	Over 90 days	Adjustments	Total
	%	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Trade payables	–	6,186	–	–	20	–	6,206
Other payables	–	1,235	–	–	–	–	1,235
Amounts due to group companies	–	4,870	–	–	–	–	4,870
Bank borrowings	5	1,972	3,006	2,153	–	(58)	7,073
		14,263	3,006	2,153	20	(58)	19,384

At 31st December, 2006

	Weighted average effective interest rate	Less than 30 days	31-60 days	61-90 days	Over 90 days	Adjustments	Total
	%	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Trade payables	–	8,509	1,280	11	5	–	9,805
Other payables	–	1,446	–	–	–	–	1,446
Amounts due to group companies	–	3,805	–	–	–	–	3,805
Bank borrowings	6	1,156	1,750	1,645	–	(47)	4,504
		14,916	3,030	1,656	5	(47)	19,560

At 30th June, 2007

	Weighted average effective interest rate	Less than 30 days	31-60 days	61-90 days	Over 90 days	Adjustments	Total
	%	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Trade payables	–	11,547	–	5	33	–	11,585
Other payables	–	2,379	–	–	–	–	2,379
Amounts due to group companies	–	3,824	–	–	–	–	3,824
Bank borrowings	6	2,469	2,358	1,388	–	(56)	6,159
		20,219	2,358	1,393	33	(56)	23,947

b. Fair value

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

The directors consider that the carrying amounts of all financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair value at respective balance sheet date.

c. Capital risk management

Jetup manages its capital to ensure that Jetup will be able to continues as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of Jetup consists debt, which includes bank borrowings, bank balances and cash and equity attributable to equity holder of Jetup, comprising issued capital and accumulated losses.

The directors of Jetup review the capital structure on an annual basis. As a part of this review, the directors consider that cost of capital and the associated risks. Based on recommendations of the directors, Jetup will balance its overall capital structure through the issue of new shares, raise new borrowings and repayment of existing borrowings.

d. Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial assets, financial liabilities and equity instrument are disclosed in note 3.

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

As Jetup is entirely engaged in the manufacturing and distribution of LCD products, it has only one business segment and its primary reporting segment is geographical segment.

Geographical segments

Jetup's operation are located in the PRC and remains as an export based enterprise in the PRC. Revenue of Jetup represents the amounts received and receivable for goods sold by Jetup to a fellow subsidiary for the year ended 31st December, 2004 and the nine months ended 30th September, 2005, and to outside customers for the three months end 31st December, 2005, year ended 31st December, 2006, and six months ended 30th June, 2006 and 2007. Jetup reports its primary segment information based on the initial destination of shipment (i.e. location of customers destinated) of its products, principally Hong Kong, the PRC, Europe and Japan. Revenues from sales to other locations, that do not meet the criteria as a separate reportable segment, have been combined and reported as "Others". Segment information about these geographical markets is presented follows:

Income statement
For the year ended 31st December, 2004

	Hong Kong	The PRC	Europe	Japan	Others	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Revenue	7,373	39,068	98	538	745	47,822
Segment results	1,048	5,553	14	76	106	6,797
Unallocated expenses						(2,246)
Bank interest income						2
Other expense						(54)
Interest on bank borrowings						(31)
Profit before tax						4,468
Income tax expense						(319)
Profit for the year						4,149

Balance sheet
At 31st December, 2004

	Hong Kong	The PRC	Europe	Japan	Others	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Assets						
Segment assets	–	1,107	–	–	–	1,107
Unallocated assets						23,217
Total assets						24,324
Liabilities						
Segment liabilities	–	4,434	–	–	–	4,434
Unallocated liabilities						4,451
Total liabilities						8,885

Other information
Year ended 31st December, 2004

	Hong Kong	The PRC	Europe	Japan	Others	Unallocated	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Capital additions	–	584	–	–	–	1,645	2,229
Depreciation	–	86	–	–	–	2,212	2,298
Impairment loss in respect of property, plant and equipment	–	–	–	–	–	356	356

Income statement
For the year ended 31st December, 2005

	Hong Kong	The PRC	Europe	Japan	Others	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Revenue	24,267	28,952	422	351	428	54,420
Segment results	3,006	3,587	43	52	53	6,741
Unallocated expenses						(3,189)
Bank interest income						5
Other income						655
Interest on bank borrowings						(116)
Profit before tax						4,096
Income tax expense						(268)
Profit for the year						3,828

Balance sheet
At 31st December, 2005

	Hong Kong	The PRC	Europe	Japan	Others	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Assets						
Segment assets	6,705	4,244	111	49	54	11,163
Unallocated assets						27,488
Total assets						38,651
Liabilities						
Segment liabilities	–	380	–	–	–	380
Unallocated liabilities						19,004
Total liabilities						19,384

Other information
Year ended 31st December, 2005

	Hong Kong *US$'000*	The PRC *US$'000*	Europe *US$'000*	Japan *US$'000*	Others *US$'000*	Unallocated *US$'000*	Total *US$'000*
Capital additions	–	1,180	–	–	–	8,895	10,075
Depreciation	–	129	–	–	–	3,206	3,335

Income statement
Year ended 31st December, 2006

	Hong Kong *US$'000*	The PRC *US$'000*	Europe *US$'000*	Japan *US$'000*	Others *US$'000*	Total *US$'000*
External revenue	36,642	22,903	4,350	575	461	64,931
Segment results	3,797	2,373	451	60	48	6,729
Unallocated expenses						(3,939)
Bank interest income						25
Interest on bank borrowings						(368)
Profit before tax						2,447
Income tax expense						(162)
Profit for the year						2,285

Balance sheet
At 31st December, 2006

	Hong Kong *US$'000*	The PRC *US$'000*	Europe *US$'000*	Japan *US$'000*	Others *US$'000*	Total *US$'000*
Assets						
Segment assets	7,367	4,328	2,227	66	118	14,106
Unallocated assets						27,006
Total assets						41,112
Liabilities						
Segment liabilities	1,355	–	–	–	–	1,355
Unallocated liabilities						18,205
Total liabilities						19,560

Other information
Year ended 31st December, 2006

	Hong Kong	The PRC	Europe	Japan	Others	Unallocated	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Capital additions	65	127	–	–	–	1,742	1,934
Depreciation	48	95	–	–	–	3,796	3,939
Impairment losses recognised in respect of trade receivables	–	–	–	–	–	98	98

Income statement
Six months ended 30th June, 2006 (unaudited)

	Hong Kong	The PRC	Europe	Japan	Others	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
External revenue	16,858	10,824	1,009	212	265	29,168
Segment results	1,940	1,246	24	116	31	3,357
Unallocated expenses						(1,855)
Bank interest income						9
Other expense						(101)
Interest on bank borrowings						(184)
Profit before tax						1,226
Income tax expense						(98)
Profit for the period						1,128

Other information
Six months ended 30th June, 2006 (unaudited)

	Hong Kong	The PRC	Europe	Japan	Others	Unallocated	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Depreciation	25	54	–	–	–	1,878	1,956

Income statement
Six months ended 30th June, 2007

	Hong Kong	The PRC	Europe	Japan	Others	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
External revenue	26,056	10,996	1,339	249	525	39,165
Segment results	1,041	439	10	53	21	1,564
Unallocated expenses						(2,222)
Bank interest income						11
Other income						175
Interest on bank borrowings						(132)
Loss before tax						(604)
Income tax credit						105
Loss for the period						(499)

Balance sheet
At 30th June, 2007

	Hong Kong	The PRC	Europe	Japan	Others	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Assets						
Segment assets	8,557	4,603	7	–	4,105	17,272
Unallocated assets						27,728
Total assets						45,000
Liabilities						
Segment liabilities	1,093	–	–	–	–	1,093
Unallocated liabilities						22,854
Total liabilities						23,947

Other information
Six months ended 30th June, 2007

	Hong Kong	The PRC	Europe	Japan	Others	Unallocated	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Capital additions	–	–	–	–	–	1,717	1,717
Depreciation	–	–	–	–	–	2,047	2,047
Impairment loss reversed in respect is trade receivables	–	–	–	–	–	(59)	(59)
Loss on disposal of property, plant and equipment	–	–	–	–	–	42	42

Jetup do not have inter-segment sales for the years ended 31st December, 2004, 2005, 2006 and the six months ended 30th June, 2006 and 2007

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

6. OTHER (EXPENSE) INCOME

	Years ended 31st December,			Six months ended 30th June,	
	2004	2005	2006	2006	2007
	US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
Exchange (loss) gain	(43)	525	(24)	(117)	164
Others	(11)	130	24	16	11
	(54)	655	–	(101)	175

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

Details of emoluments paid by Jetup to the directors of Jetup during the year/period are as follows:

Year ended 31st December, 2004

	Seitaro Furukawa	Li Shi Yuen, Joseph	Yeoh Teck Hooi	Murakami Tadao	Yuen Lap Kei	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Fee	–	–	–	–	–	–
Other emoluments:						
Salaries and other benefits	169	–	–	–	73	242
	169	–	–	–	73	242

Year ended 31st December, 2005

	Seitaro Furukawa	Li Shi Yuen, Joseph	Yeoh Teck Hooi	Murakami Tadao	Yuen Lap Kei	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Fee	–	–	–	–	–	–
Other emoluments:						
Salaries and other benefits	194	–	73	–	83	350
	194	–	73	–	83	350

Year ended 31st December, 2006

	Seitaro Furukawa	Li Shi Yuen, Joseph	Yeoh Teck Hooi	Murakami Tadao	Yuen Lap Kei	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Fee	–	–	–	–	–	–
Other emoluments:						
Salaries and other benefits	146	–	145	–	90	381
	146	–	145	–	90	381

Six months ended 30th June, 2006 (unaudited)

	Seitaro Furukawa	Li Shi Yuen, Joseph	Yeoh Teck Hooi	Murakami Tadao	Yuen Lap Kei	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Fee	–	–	–	–	–	–
Other emoluments:						
Salaries and other benefits	89	–	73	–	46	208
	89	–	73	–	46	208

Six months ended 30th June, 2007

	Seitaro Furukawa	Koo Ming Kown	Li Shi Yuen, Joseph	Yeoh Teck Hooi	Murakami Tadao	Yuen Lap Kei	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Fee	–	–	–	–	–	–	–
Other emoluments:							
Salaries and other benefits	1	–	–	76	–	45	122
	1	–	–	76	–	45	122

(b) Employees' emoluments

The five highest paid individuals of Jetup included 2, 3, 3, 3 and 3 directors for each of the years ended 31st December, 2004, 2005, 2006 and six months ended 30th June, 2006 and 2007, details of whose emoluments are set out in (a) above. The emoluments of the remaining 3, 2, 2, 2 and 2 individuals for each of the years ended 31st December, 2004, 2005, 2006 and six months ended 30th June, 2006 and 2007, respectively were as follows:

	Years ended 31st December,			Six months ended 30th June,	
	2004	**2005**	**2006**	**2006**	**2007**
	US$'000	*US$'000*	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
Salaries and other benefits	195	134	143	71	104

Each of their emoluments were below HK$1,000,000 (equivalent to US$128,750).

8. INCOME TAX EXPENSE (CREDIT)

	Years ended 31st December,			Six months ended 30th June,	
	2004	2005	2006	2006	2007
	US$'000	*US$'000*	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
PRC enterprise income tax:					
Current year/period	416	433	312	137	–
Deferred tax	(97)	(165)	(150)	(39)	(105)
	319	268	162	98	(105)

In accordance with the applicable enterprise income tax law of the PRC and the relevant rules promulgated by the Shenzhen municipal government, Jetup is subject to a tax rate of 15% on the assessable profits for each of the Relevant Periods. The Company was recognised as a high and new technology enterprise in 2002 and was granted a preferential tax rate of 7.5% for the year ended 31st December 2004. 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 years ended 31st December, 2005 and 2006, Jetup exported more than 70% of the production value of its products and was qualified as an Export Enterprise and was subject to a reduced tax rate of 10% ("Export Enterprise Tax Relief"). The directors expect that Jetup will also qualify for a reduced tax rate of 10% for 2007.

The deferred tax credit for the Relevant Periods mainly represents recognition of deferred tax assets on accelerated depreciation of property, plant and equipment.

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

	Years ended 31st December,			Six months ended 30th June,	
	2004	2005	2006	2006	2007
	US$'000	*US$'000*	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
Profit (loss) before tax	4,468	4,096	2,447	1,226	(604)
Tax at the enterprise income tax rate of 15%	670	614	367	184	(91)
Tax effect of expenses not deductible for tax purpose	65	21	6	–	–
Tax effect of income not taxable for tax purposes	–	(153)	(83)	(18)	(23)
Tax effect of tax loss not recognised	–	–	–	–	9
Effect of tax concession granted to Jetup	(416)	–	–	–	–
Tax effect of Export Enterprise Tax Relief	–	(214)	(128)	(68)	–
Income tax expense (credit) for the year/period	319	268	162	98	(105)

9. PROFIT (LOSS) FOR THE YEAR/PERIOD ATTRIBUTABLE TO EQUITY HOLDER OF JETUP

	Years ended 31st December,			Six months ended 30th June,	
	2004	2005	2006	2006	2007
	US$'000	*US$'000*	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
Profit (loss) for the year/period has been arrived at after charging (crediting):					
Auditor's remuneration	3	18	26	13	15
Allowance for (reversal of allowance for) inventories *(note)*	–	136	(65)	(88)	(14)
Depreciation of property, plant and equipment	2,298	3,335	3,939	1,956	2,047
Less: Depreciation included in research and development expenditure	–	–	–	–	(45)
	2,298	3,335	3,939	1,956	2,002
Impairment losses in respect of property, plant and equipment	356	–	–	–	–
Impairment loss recognised (reversed) in respect of trade receivables, net	–	–	98	–	(59)
Loss on disposal of property, plant and equipment	2	3	2	2	42
Net foreign exchange losses (gains)	43	(525)	24	117	(164)
Staff costs, including directors' remunerations:					
Salaries and other benefits	4,977	6,667	8,080	3,691	5,637
Retirement benefit scheme contributions	377	526	557	250	381
Total staff costs	5,354	7,193	8,637	3,941	6,018
Less: Staff costs included in research and development expenditure	(278)	(549)	(789)	(381)	(401)
	5,076	6,644	7,848	3,560	5,617

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

10. DIVIDENDS

	Years ended 31st December,			Six months ended 30th June,	
	2004	2005	2006	2006	2007
	US$'000	*US$'000*	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
Dividends recognised as distribution during the year/period:					
Final	2,860	4,530	2,245	–	2,923

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements US$'000	Plant and machinery US$'000	Furniture, fixtures and equipment US$'000	Motor vehicles US$'000	Total US$'000
COST					
At 1st January, 2004	1,408	15,759	568	76	17,811
Additions	87	1,946	131	65	2,229
Disposals	–	(1)	(4)	(1)	(6)
At 31st December, 2004 and 1st January, 2005	1,495	17,704	695	140	20,034
Additions	6,820	2,940	259	56	10,075
Disposals	–	(1)	(12)	–	(13)
At 31st December, 2005 and 1st January, 2006	8,315	20,643	942	196	30,096
Additions	406	1,416	60	52	1,934
Disposals	–	(18)	(1)	–	(19)
At 31st December, 2006 and 1st January, 2007	8,721	22,041	1,001	248	32,011
Additions	94	1,506	117	–	1,717
Disposals	(63)	–	(12)	–	(75)
At 30th June, 2007	8,752	23,547	1,106	248	33,653
DEPRECIATION AND IMPAIRMENT					
At 1st January, 2004	295	5,382	195	59	5,931
Provided for the year	274	1,913	99	12	2,298
Impairment loss	356	–	–	–	356
Eliminated on disposals	–	(1)	(3)	–	(4)
At 31st December, 2004 and 1st January, 2005	925	7,294	291	71	8,581
Provided for the year	822	2,367	128	18	3,335
Eliminated on disposals	–	–	(10)	–	(10)
At 31st December, 2005 and 1st January, 2006	1,747	9,661	409	89	11,906
Provided for the year	1,199	2,563	142	35	3,939
Eliminated on disposals	–	(16)	(1)	–	(17)
At 31st December, 2006 and 1st January, 2007	2,946	12,208	550	124	15,828
Provided for the period	614	1,341	73	19	2,047
Eliminated on disposals	(23)	–	(10)	–	(33)
At 30th June, 2007	3,537	13,549	613	143	17,842
CARRYING VALUES					
At 31st December, 2004	570	10,410	404	69	11,453
At 31st December, 2005	6,568	10,982	533	107	18,190
At 31st December, 2006	5,775	9,833	451	124	16,183
At 30th June, 2007	5,215	9,998	493	105	15,811

In 2004, Jetup has relocated to its new manufacturing facilities. As at 31st December, 2004, the directors conducted a review of Jetup's property, plant and equipment and determined that certain leasehold improvements would no longer be used upon the completion of relocation in January 2005. Accordingly, an impairment loss of approximately US$356,000 has been recognised in respect of these leasehold improvements for the year ended 31st December, 2004.

Property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

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

12. INTANGIBLE ASSET

The club membership currently has a second hand market and has no foreseeable limit to its useful life. The club membership has been tested for impairment in the Relevant Periods by reference to its second hand market value and no impairment loss was charged for the Relevant Periods.

13. DEFERRED TAX ASSETS

The following are the major deferred tax assets recognised and movements thereon during the years ended 31st December, 2004, 2005 and 2006 and six months ended 30th June, 2007:

	Accelerated book depreciation	**Allowance for doubtful debts**	**Allowance for inventory**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*
At 1st January, 2004	234	–	–	234
Credit to income for the year	97	–	–	97
At 31st December, 2004 and 1st January, 2005	331	–	–	331
Credit to income for the year	145	–	20	165
At 31st December, 2005 and 1st January, 2006	476	–	20	496
Credit (charge) to income for the year	144	15	(9)	150
At 31st December, 2006 and 1st January, 2007	620	15	11	646
Credit (charge) to income for the period	116	(9)	(2)	105
At 30th June, 2007	736	6	9	751

14. INVENTORIES

	As at 31st December, 2004	As at 31st December, 2005	As at 31st December, 2006	As at 30th June, 2007
	US$'000	*US$'000*	*US$'000*	*US$'000*
Raw materials	4,254	5,086	6,209	6,567
Work in progress	373	701	596	662
Finished goods	161	286	222	592
	4,788	6,073	7,027	7,821

15. TRADE AND OTHER RECEIVABLES

	As at 31st December, 2004	As at 31st December, 2005	As at 31st December, 2006	As at 30th June, 2007
	US$'000	*US$'000*	*US$'000*	*US$'000*
Trade receivables	–	9,375	12,647	16,107
Less: accumulated impairment	–	–	(98)	(39)
	–	9,375	12,549	16,068
Other receivables	624	99	321	554
Total trade and other receivables	624	9,474	12,870	16,622

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

	As at 31st December, 2004	As at 31st December, 2005	As at 31st December, 2006	As at 30th June, 2007
	US$'000	*US$'000*	*US$'000*	*US$'000*
Up to 30 days	–	3,553	5,482	7,380
31 to 60 days	–	3,824	3,640	4,876
Over 60 days	–	1,998	3,427	3,812
	–	9,375	12,549	16,068

Movement in the allowance for doubtful debts

	As at 31st December,			As at 30th June,
	2004	2005	2006	2007
	US$'000	*US$'000*	*US$'000*	*US$'000*
Balance at beginning of the year/period	–	–	–	98
Allowance recognised in income statement	–	–	98	–
Amounts recovered during the year/period	–	–	–	(59)
Balance at end of the year/period	–	–	98	39

Jetup does not hold any collateral over these balances.

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

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

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

Jetup has provided allowance for trade receivables of approximately Nil, Nil, US$98,000 and US$39,000 at 31st December, 2004, 2005, 2006 and 30th June, 2007, respectively, for trade receivables which had been past due and considered as irrecoverable by the directors of Jetup.

Included in Jetup's trade receivables are debtors with a carrying amount of Nil, US$962,000, US$948,000 US$725,000 at 31st December, 2004, 2005, 2006 and 30th June, 2007 which are past due at the balance sheet date for which Jetup has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. Jetup does not hold any collateral over these balances. The average age of these receivables are 90 days at 31st December, 2005, 2006 and 30th June, 2007.

16. AMOUNT DUE FROM A FELLOW SUBSIDIARY

The non-trade amount is unsecured, non-interest bearing and recoverable within one year.

17. BANK BALANCES AND CASH

Bank balances and cash of Jetup comprise cash and short-term bank deposits with an original maturity of three months or less. The bank balances carry prevailing market interest rates ranging from 1.0% to 3.5% per annum, 1.0% to 3.9% per annum, 1.0% to 3.6% per annum and 0.8% to 1.5% per annum during the years ended 31st December, 2004, 2005 and 2006 and the six months ended 30th June, 2007, respectively.

18. TRADE AND OTHER PAYABLES

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

	As at 31st December,			As at 30th June,
	2004	**2005**	**2006**	**2007**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Up to 30 days	2,989	4,508	7,555	8,654
31 to 60 days	533	1,396	1,362	1,814
Over 60 days	42	302	888	1,117
	3,564	6,206	9,805	11,585
Other payables	870	1,235	1,446	2,379
	4,434	7,441	11,251	13,964

19. AMOUNTS DUE TO IMMEDIATE HOLDING COMPANY/A FELLOW SUBSIDIARY

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

20. BANK BORROWINGS

The trust receipt loans carry annual interest rates ranging from 0.55% to 1.50% over Hong Kong/London/Singapore Interbank Offered Rate during the Relevant Periods.

The ranges of effective interest rates which are also equal to contracted interest rates on Jetup's borrowings for the years ended 31st December, 2004, 2005, 2006 and six months ended 30th June, 2007 are as follows:

	2004	**2005**	**2006**	**2007**
Effective interest rate	2.1% to 3.2%	3.2% to 5.2%	4.5% to 6.1%	4.7% to 6.0%

Jetup's borrowings that are denominated in currencies other than its functional currency are set out below:

	Denominated in		
	JPY	**RMB**	**USD**
	US$'000	*US$'000*	*US$'000*
As at 31st December, 2004	692	–	570
As at 31st December, 2005	1,084	1,425	4,298
As at 31st December, 2006	1,055	–	3,107
As at 30th June, 2007	953	–	4,652

During the years ended 31st December, 2004, 2005, 2006 and six months ended 30th June, 2007, Jetup obtained new bank loans in the amount of approximately Nil, US$2,270,000, US$2,757,000 and Nil respectively. The loans bear interest at market rates and the proceeds were used to finance the acquisition of plant and equipment.

21. REGISTERED AND PAID-IN CAPITAL

	Registered capital Amount	Paid-in capital Amount	Paid-in capital Equivalent to
	HK$	*HK$*	*US$'000*
At 1st June, 2004	135,790,296	78,452,183	10,102
Capital contribution by way of re-investment of dividend previously declared to the shareholder	17,500,000	22,216,509	2,860
At 31st December, 2004 and 1st January, 2005	153,290,296	100,668,692	12,962
Capital contribution by way of re-investment of dividend previously declared to the shareholder	–	35,185,211	4,530
At 31st December, 2005 and 1st January, 2006	153,290,296	135,853,903	17,492
Capital contribution by way of re-investment of dividend previously declared to the shareholder	–	17,436,393	2,245
At 31st December, 2006 and 1st January, 2007	153,290,296	153,290,296	19,737
Capital contribution by way of re-investment of dividend previously declared to the shareholder	22,700,000	22,700,000	2,923
At 30th June, 2007	175,990,296	175,990,296	22,660

22. MAJOR NON-CASH TRANSACTION

During the years ended 31st December, 2004, 2005 and 2006 and six months ended 30th June, 2006 and 2007, dividends of approximately US$2,860,000, US$4,530,000, US$2,245,000, Nil (unaudited) and US$2,923,000, respectively, were settled through the amount due to immediate holding company, which were then re-invested to Jetup by the immediate holding company as capital contributions.

23. OPERATING LEASE COMMITMENTS

As lessee

Minimum lease payments paid under operating leases in respect of office premises amounted to approximately US$777,000, US$1,028,000, US$1,131,000, US$561,000 (unaudited), US$589,000 for the years ended 31st December, 2004, 2005 and 2006 and the six months ended 30th June, 2006 and 2007, respectively.

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

	As at 31st December, 2004	As at 31st December, 2005	As at 31st December, 2006	As at 30th June, 2007
	US$'000	*US$'000*	*US$'000*	*US$'000*
Within one year	1,105	1,127	1,204	1,321
In the second to fifth years inclusive	4,422	4,982	5,311	5,487
After five years	2,672	1,931	588	–
	8,199	8,040	7,103	6,808

Leases are negotiated for terms ranging from one to six years. Monthly rent is negotiated every three years with a maximum increase of 10% on prior year's monthly rent.

24. CAPITAL COMMITMENTS

	As at 31st December,			As at 30th June,
	2004	**2005**	**2006**	**2007**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Capital expenditure in respect of acquisition of property, plant and equipment:				
Contracted for but not provided in the Financial Information	1,189	412	120	456
Authorised but not contracted for in the Financial Information	1,177	1,035	314	1,442
	2,356	1,447	434	1,898

25. EMPLOYEES BENEFITS

Retirement benefits schemes

According to the relevant laws and regulations in the PRC, Jetup is required to contribute 8% to 11% and 1% to 2% of the stipulated salary set by the local government of Shenzhen, PRC, to fund the retirement benefit schemes ("PRC Scheme") and social benefits respectively of their employees. The principal obligation of Jetup with respect to the PRC Scheme is to make the required contributions under the scheme. The total contributions incurred in this connection for the years ended 31st December, 2004, 2005 and 2006 and the six months ended 30th June, 2006 and 2007 were approximately US$377,000, US$526,000, US$557,000, US$250,000 (unaudited) and US$381,000 respectively.

Equity-settled share options scheme:

(a) *Share option scheme adopted by NTE Inc.*

In May 2001, the board of directors of NTE Inc. approved a stock option plan ("2001 Scheme") 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 3,300,000 shares. There is no maximum entitlement for each of the key employee under this stock option plan. The option price granted to directors shall be equal to 100% of the market value of the common shares of 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.

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

The following table disclose details of the share options granted to the directors and employees of Jetup for services provided to NTE Inc. and movements in such holdings during the Relevant Periods:

Directors of Jetup

	2001 Scheme		
Exercise price per share	**US$19.400**	**US$20.840**	**US$12.420**
Number of options:			
Outstanding at 1st January, 2004	–	–	–
Granted during the year	30,000	–	–
Outstanding at 31st December, 2004 and 1st January, 2005	30,000	–	–
Granted during the year	–	50,000	–
Outstanding at 31st December, 2005 and 1st January, 2006	30,000	50,000	–
Resigned as director during the year *(Note)*	(30,000)	(50,000)	–
Outstanding at 31st December, 2006 and 1st January, 2007	–	–	–
Granted during the period	–	–	15,000
Outstanding at 30th June, 2007	–	–	15,000
(Unaudited)			
Outstanding at 1st January, 2006	30,000	50,000	–
Resigned as director during the period *(Note)*	(30,000)	(50,000)	–
Outstanding at 30th June, 2006	–	–	–

No shares options were granted to employees of Jetup for the years ended 31st December, 2004, 2005, 2006 and for the six months ended 30th June, 2006 and 2007, respectively.

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

Details of specific categories of options are as follows:

Date of grant	**Exercise period**	**Exercise price** *US$*
30th July, 2004	30th July, 2004 to 30th July, 2006	19.400
4th February, 2005	4th February, 2005 to 4th February, 2007	20.840
8th June, 2007	8th June, 2007 to 7th June, 2010	12.420

(b) *Share option scheme adopted by JIC*

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

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

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

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

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

26. RELATED PARTY TRANSACTIONS

Apart from details of the balances with immediate holding company and fellow subsidiaries disclosed elsewhere in the Financial Information, Jetup had also entered into the following transactions:

		Years ended 31st December,			Six months ended 30th June,	
Name	**Nature of transaction**	**2004**	**2005**	**2006**	**2006**	**2007**
		US$'000	*US$'000*	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
Fellow subsidiaries:						
J.I.C. Enterprises (H.K.) Ltd.	Sales of finished goods	(47,822)	–	–	–	–
	Purchase of goods	20,854	–	–	–	–
J.I.C. (Macao Commercial Offshore) Co., Ltd.	Sales of finished goods	–	(40,262)	–	–	–
	Purchase of goods	–	7,621	–	–	–
	Commission paid	–	708	3,206	1,458	1,705
Namtai Electronic (Shenzhen) Co., Ltd.	Sales of finished goods	–	(148)	(415)	(296)	(147)

Compensation of key management personnel

The remuneration of directors which represent key management during the Relevant Periods was as follows:

	Years ended 31st December,			Six months ended 30th June,	
	2004	**2005**	**2006**	**2006**	**2007**
	US$'000	*US$'000*	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
Short-term benefits	437	484	524	279	226

II. SUBSEQUENT EVENTS

Subsequent to 30th June, 2007, NTE Inc. and JIC entered into a conditional sale and purchase agreement (the "JIC Agreement"). Pursuant to the JIC Agreement, NTE Inc. will acquire 100% equity interest of Jetup from JIC at a consideration of approximately US$48,900,000, to be settled by cash. Pursuant to another conditional sale and purchase agreement entered into between NTE Inc. and NTEEP, NTEEP will acquire 100% equity interest of Jetup and 100% equity interest of Zastron Precision-Tech Limited, a fellow subsidiary, at a consideration of approximately US$353,145,000 to be settled by cash of approximately US$41,715,000 and a loan from NTE Inc. in the amount of approximately US$311,430,000.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Jetup have been prepared in respect of any period subsequent to 30th June, 2007.

Yours faithfully
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

(1) INTRODUCTION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The accompanying unaudited pro forma consolidated balance sheet, consolidated income statement and consolidated cash flow statement (hereinafter collectively referred to as the "Unaudited Pro Forma Financial Information") of the enlarged group ("Enlarged NTEEP") has been prepared to illustrate the effect of the proposed disposals of the 100% equity interest in Shenzhen Namtek Co., Ltd. ("Namtek (Shenzhen)") and Kabushiki Kaisha Namtek Japan (expressed in English as Namtek Japan Company Limited, "Namtek (Japan)") and the proposed acquisitions of 100% equity interest in Zastron Precision-Tech Limited ("Zastron") and its subsidiaries (hereinafter collectively referred to as the "Zastron Group") and 100% equity interest in Jetup Electronic (Shenzhen) Co., Ltd. ("Jetup") (collectively referred to as the "Transactions").

The Unaudited Pro Forma Financial Information of the Enlarged NTEEP, which has been prepared by the directors of Nam Tai Electronic & Electrical Products Limited (the "Company") in accordance with paragraph 29 of Chapter 4 of the Listing Rules, is for the purpose of illustrating the effect as if the Transactions had taken place on 30th June, 2007 or 1st January, 2007 or 1st January, 2006.

The unaudited pro forma consolidated income statement and consolidated cash flow statement of the Enlarged NTEEP are prepared by the directors of the Company based upon (i) the unaudited consolidated income statement and cash flow statement of the Group for the six months ended 30th June, 2007, which has been extracted from the interim report of the Company as set out in Section C of Appendix II to the Circular; (ii) the audited consolidated income statement and cash flow statement of Zastron Group for the six months ended 30th June, 2007 as extracted from the accountants' report on Zastron Group for the three years ended 31st December, 2006 and the six months ended 30th June, 2007 as set out in Appendix III to the Circular; and (iii) the audited income statement and cash flow statement of Jetup for the six months ended 30th June, 2007 as extracted from the accountants' report on Jetup for the three years ended 31st December, 2006 and the six months ended 30th June, 2007 as set out in Appendix IV to the Circular, after making pro forma adjustments relating to the Transactions that are (i) directly attributable to the transactions; and (ii) factually supportable, as if the Transactions has been completed on 1st January, 2007.

The unaudited pro forma consolidated income statement of the Enlarged NTEEP for the year ended 31st December, 2006 are prepared by the directors of the Company based upon (i) the audited consolidated income statement of the Group for the year ended 31st December, 2006, which has been extracted from the annual report of the Company as set out in Section B of Appendix II to the Circular; (ii) the audited consolidated income statement of Zastron Group for the year ended 31st December, 2006 as extracted from the accountants' report on Zastron Group for the three years ended 31st December, 2006 and the six months ended 30th June, 2007 as set out in Appendix III to the Circular; and (iii) the audited income statement of Jetup for the year ended 31st December, 2006 as extracted from the accountants' report on Jetup for the three years ended 31st December, 2006 and the six months ended 30th June, 2007 as set out in Appendix IV to the Circular, after making pro forma adjustments relating to the Transactions that are (i) directly attributable to the transactions; and (ii) factually supportable, as if the Transactions has been completed on 1st January, 2006.

The unaudited pro forma consolidated balance sheet of the Enlarged NTEEP is prepared by the directors of the Company based upon (i) the unaudited consolidated balance sheet of the NTEEP Group at 30th June, 2007, which has been extracted from interim report of the Company as set out in Section C of Appendix II to the Circular; (ii) the audited consolidated balance sheet of Zastron Group at 30th June, 2007, which has been extracted from the accountants' report on Zastron Group for the three years ended 31st December, 2006 and the six months ended 30th June, 2007 as set out in Appendix III to the Circular; and (iii) the audited balance sheet of Jetup at 30th June, 2007, which has been extracted from the accountants' report on Jetup for the three years ended 31st December, 2006 and the six months ended 30th June, 2007 as set out in Appendix IV to the Circular, after making pro forma adjustments relating to the Transactions that are (i) directly attributable to the transactions; and (ii) factually supportable, as if the Transactions have been completed on 30th June, 2007.

The Unaudited Pro Forma Financial Information of the Enlarged NTEEP is prepared by the directors of the Company to provide information of the Enlarged NTEEP upon completion of the Transactions. As it is prepared for illustration purpose only, it does not purport to give a true picture of the financial position, results and cash flows of the Group following completion of the Transactions.

(2) UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET

As at 30th June, 2007

	The Group	Pro forma adjustments	Subtotal	Zastron Group	Jetup	Pro forma adjustments	Pro forma Enlarged NTEEP after the Transactions
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
		Note 1				*Note 2*	
Non-current assets							
Property, plant and equipment	34,327	(162)	34,165	33,992	15,811	16,524	100,492
Investment properties	16,524	–	16,524	–	–	(16,524)	–
Prepaid lease payments	2,567	–	2,567	1,315	–	–	3,882
Deposit for prepaid lease payments	–	–	–	2,271	–	–	2,271
Deposit paid for the acquisition of equipment	–	–	–	120	755	–	875
Goodwill	–	–	–	–	–	253,101	253,101
Deferred tax assets	424	–	424	700	751	–	1,875
Other assets	139	–	139	132	49	–	320
	53,981	(162)	53,819	38,530	17,366	253,101	362,816
Current assets							
Inventories	19,731	–	19,731	9,288	7,821	–	36,840
Trade and other receivables	44,093	(262)	43,831	43,078	16,622	–	103,531
Amount due from a fellow subsidiary	117	–	117	–	42	(42)	117
Prepaid lease payments	71	–	71	27	–	–	98
Taxation recoverable	5,591	(70)	5,521	642	741	–	6,904
Bank balances and cash	130,796	7,900	138,696	46,157	2,408	(42,153)	145,108
	200,399	7,568	207,967	99,192	27,634	(42,195)	292,598
Current liabilities							
Trade and other payables	60,146	(138)	60,008	54,259	13,964	–	128,231
Amount due to ultimate holding company	–	–	–	4,034	–	–	4,034
Amount due to immediate holding company of Jetup	– –	–	–	–	3,463	–	3,463
Amounts due to fellow subsidiaries	42	(8)	34	–	361	(42)	353
Taxation payable	7,293	(5)	7,288	–	–	–	7,288
Loan from ultimate holding company – due within one year	–	–	–	–	–	25,953	25,953
Bank borrowings	–	–	–	–	6,159	–	6,159
	67,481	(151)	67,330	58,293	23,947	25,911	175,481
Net current assets	132,918	7,719	140,637	40,899	3,687	(68,106)	117,117
Total assets less current liabilities	186,899	7,557	194,456	79,429	21,053	184,995	479,933
Non-current liability							
Loan from ultimate holding company – due after one year	–	–	–	–	–	285,477	285,477
Net Assets	186,899	7,557	194,456	79,429	21,053	(100,482)	194,456

	The Group	Pro forma adjustments	Subtotal	Zastron Group	Jetup	Pro forma adjustments	Pro forma Enlarged NTEEP after the Transactions
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
		Note 1				*Note 2*	
Capital and reserves							
Share capital/paid-in capital	1,131	–	1,131	–	22,660	(22,660)	1,131
Reserves	185,768	7,557	193,325	79,429	(1,607)	(77,822)	193,325
Equity attributable to equity holders of the Company	186,899	7,557	194,456	79,429	21,053	(100,482)	194,456
Minority interests	–	–	–	–	–	–	–
Total equity	186,899	7,557	194,456	79,429	21,053	(100,482)	194,456

Notes:

1. The conditional sale and purchase agreement entered into between the Company and J.I.C. Technology Company Limited ("JIC") dated 5th October, 2007 as amended and supplemented by a supplemental agreement entered into between the same parties on 28th November, 2007 (the "Namtek Agreement") involves the disposals of Namtek (Shenzhen) and Namtek (Japan) by the Company to JIC at a consideration of approximately US$10,321,000, receivable in cash (the "Disposals"). The adjustments reflect:

   (a) the exclusion of the assets and liabilities of Namtek (Shenzhen) and Namtek (Japan), including bank balances and cash of approximately US$2,421,000 at 30th June, 2007, as if the Disposals had been completed on 30th June, 2007; and

   (b) the consideration of approximately US$10,321,000 which is receivable in cash.

   (c) the gain on disposals of Namtek (Shenzhen) and Namtek (Japan) of approximately US$7,557,000 attributable to the Enlarged NTEEP, which is calculated based on the difference between:

      (i) the cash consideration of approximately US$10,321,000; and

      (ii) the net assets of Namtek (Shenzhen) of approximately US$2,703,000 at 30th June, 2007 and the net assets of Namtek (Japan) of approximately US$61,000 at 30th June, 2007.

2. The conditional sale and purchase agreement entered into between the Company and Nam Tai Electronics, Inc. ("NTEI") on 24th September, 2007 as amended and supplemented by a supplemental agreement entered into between the same parties on 28th November, 2007 (the "NTEEP Agreement") involves the acquisitions of Zastron Group and Jetup at a consideration of approximately US$353,145,000, to be settled by cash of approximately US$41,715,000 and a loan from ultimate holding company in the amount of approximately US$311,430,000 (the "Acquisitions"). The adjustments reflect the following:

   (a) goodwill of approximately US$253,101,000 arising from the acquisition of Zastron Group and Jetup, which is calculated as the difference between (1) the aggregate of the consideration of approximately US$353,145,000 and the estimated legal and professional fees in relation to the Acquisitions of approximately US$438,000; and (2) the net assets of approximately US$79,429,000 for the Zastron Group and net assets of approximately US$21,053,000 for Jetup to be acquired.

For the purpose of the preparation of the Unaudited Pro Forma Financial Information, the fair values of the Zastron Group's and Jetup's assets and liabilities as of 30th June, 2007 are assumed to be the same as their carrying value. The Group will assess the fair value of the identifiable assets, including intangible assets, liabilities and contingent liabilities of the Zastron Group and Jetup at date of acquisition. Accordingly, goodwill on acquisition will be subject to further changes upon completion of the Acquisitions;

(b) the recording of a loan from ultimate holding company in the amount of approximately US$311,430,000, of which approximately US$25,953,000 is repayable within one year.

(c) the reclassification of investment properties leased by the Group to the Zastron Group to property, plant and equipment in the amount of approximately US$16,524,000; and

(d) the elimination of intercompany balances between the Group and Jetup.

(3) UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2007

	The Group	Pro forma adjustments	Subtotal	Zastron Group	Jetup	Pro forma adjustments	Pro forma Enlarged NTEEP after the Transactions
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
	(Notes 3)	*Notes 1(a) and 1(b)*				*Notes 2(a) and 2(b)*	
Revenue	130,293	(1,163)	129,130	220,008	39,165	(147)	388,156
Cost of sales	(107,981)	371	(107,610)	(206,380)	(35,086)	214	(348,862)
Gross profit	22,312	(792)	21,520	13,628	4,079	67	39,294
Bank interest income	1,623	(19)	1,604	417	11	–	2,032
Gain on disposal of available-for-sale investments	43,815	–	43,815	–	–	–	43,815
Gain on disposal of subsidiaries	–	7,933	7,933	–	–	–	7,933
Other income	2,105	(53)	2,052	499	175	(797)	1,929
Other expenses	(655)	–	(655)	(84)	–	655	(84)
Impairment loss on goodwill	(24,340)	–	(24,340)	–	–	–	(24,340)
Selling and distribution costs	(1,316)	–	(1,316)	(945)	(2,565)	–	(4,826)
Administrative expenses	(4,995)	378	(4,617)	(4,393)	(1,308)	75	(10,243)
Research and development expenditure	(1,820)	75	(1,745)	(1,915)	(864)	–	(4,524)
Interest expenses	(24)	–	(24)	–	(132)	(6,073)	(6,229)
Profit (loss) before tax	36,705	7,522	44,227	7,207	(604)	(6,073)	44,757
Income tax (expense) credit	(4,749)	36	(4,713)	83	105	–	(4,525)
Profit for the period	31,956	7,558	39,514	7,290	(499)	(6,073)	40,232
Attributable to:							
Equity holder of the Company	32,073	7,558	39,631	7,290	(499)	(6,073)	40,349
Minority interests	(117)	–	(117)	–	–	–	(117)
	31,956	7,558	39,514	7,290	(499)	(6,073)	40,232

UNAUDITED PRO FORMA CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2007

	The Group US$'000	Pro forma adjustments US$'000 Note 1(c)	Subtotal US$'000	Zastron Group US$'000	Jetup US$'000	Pro forma adjustments US$'000 Notes 2(a), 2(c) and 2(d)	Pro forma Enlarged NTEEP after the Transactions US$'000
OPERATING ACTIVITIES							
Profit (loss) before taxation	36,705	7,522	44,227	7,207	(604)	(6,073)	44,757
Adjustments for:							
Bank interest income	(1,623)	19	(1,604)	(417)	(11)	–	(2,032)
Recovery of doubtful debt	–	–	–	(25)	(59)	–	(84)
Reversal of allowance for inventory	–	–	–	–	(14)	–	(14)
Interest expense	24	–	24	–	132	6,073	6,229
Goodwill impairment	24,340	–	24,340	–	–	–	24,340
Depreciation and release of prepaid lease payments	3,153	(45)	3,108	4,952	2,047	–	10,107
Gain on disposal of subsidiaries	–	(7,933)	(7,933)	–	–	–	(7,933)
Share option Expense	121	–	121	–	–	–	121
Gain on disposal of available-for-sale investments	(43,815)	–	(43,815)	–	–	–	(43,815)
(Gain) loss on disposal of property, plant and equipment	(14)	–	(14)	12	42	–	40
Operating cash flows before movement in working capital	18,891	(437)	18,454	11,729	1,533	–	31,716
(Increase) decrease in inventories	(9,957)	–	(9,957)	4,789	(780)	–	(5,948)
(Increase) decrease in trade and other receivables	(13,266)	(95)	(13,361)	32,962	(3,693)	–	15,908
Decrease in amount due from a fellow subsidiary	–	–	–	–	28	(28)	–
Increase (decrease) in trade and other payables	23,923	44	23,967	(35,700)	2,713	–	(9,020)
(Decrease) increase in amounts due to fellow subsidiaries	(28)	–	(28)	–	19	28	19
Decrease in amount due to immediate holding company	–	(8)	(8)	–	–	–	(8)
Cash generated from operations	19,563	(496)	19,067	13,780	(180)	–	32,667
People's Republic of China enterprise income tax paid	(890)	81	(809)	(279)	(31)	–	(1,119)
Japan enterprise income tax paid	(2)	2	–	–	–	–	–
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES	18,671	(413)	18,258	13,501	(211)	–	31,548

	The Group	Pro forma adjustments	Subtotal	Zastron Group	Jetup	Pro forma adjustments	Pro forma Enlarged NTEEP after the Transactions
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
		Note 1(c)				*Notes 2(a), 2(c) and 2(d)*	
INVESTING ACTIVITIES							
Interest received	1,296	(18)	1,278	320	11	–	1,609
Proceeds on disposal of property, plant and equipment	14	–	14	1	–	–	15
Proceeds on disposal of available-for-sale investments	53,914	–	53,914	–	–	–	53,914
Acquisition of subsidiaries	–	–	–	–	–	494	494
Purchase of property, plant and equipment	(3,543)	–	(3,543)	(2,413)	(1,238)	–	(7,194)
Deposit for prepaid lease payment	–	–	–	(736)	–	–	(736)
Deposit for property, plant and equipment	–	–	–	(120)	(755)	–	(875)
Disposals of subsidiaries	–	8,332	8,332	–	–	–	8,332
NET CASH FROM (USED IN) INVESTING ACTIVITIES	51,681	8,314	59,995	(2,948)	(1,982)	494	55,559
FINANCING ACTIVITIES							
Advance from to a fellow subsidiary	8	–	8	–	–	–	8
Interest paid	(24)	–	(24)	–	(132)	–	(156)
Dividend paid	–	–	–	(3,965)	–	–	(3,965)
Increase in trust receipt loans	–	–	–	–	1,655	–	1,655
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(16)	–	(16)	(3,965)	1,523	–	(2,458)
NET INCREASE (DECREASE) IN CASH	70,336	7,901	78,237	6,588	(670)	494	84,649
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	60,460	–	60,460	39,569	3,078	(42,647)	60,460
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTED BY BANK BALANCES, DEPOSITS AND CASH	130,796	7,901	138,697	46,157	2,408	(42,153)	145,109

Notes:

1. The Namtek Agreement involves the disposals of Namtek (Shenzhen) and Namtek (Japan) by the Company to JIC at a consideration of approximately US$10,321,000, receivable in cash. The adjustments reflect:

   (a) the exclusion of the income statement items attributable to Namtek (Shenzhen) and Namtek (Japan) for the six months ended 30th June, 2007 as if the Disposals had been completed on 1st January, 2007;

   (b) the gain on the disposals of Namtek (Shenzhen) and Namtek (Japan) of approximately US$7,933,000 attributable to the Enlarged NTEEP, which is calculated based on the differences between:

      (i) the consideration of approximately US$10,321,000 which is receivable in cash; and

      (ii) the net assets of approximately US$2,304,000 attributable to Namtek (Shenzhen) at 31st December, 2006 and the net assets of approximately US$84,000 attributable to Namtek (Japan) at 31st December, 2006; and

   (c) the exclusion of the cash flows of Namtek (Shenzhen) and Namtek (Japan) for the six months ended 30th June, 2007 and the cash and cash equivalents of Namtek (Shenzhen) and Namtek (Japan) of approximately US$1,989,000 at 1st January, 2007 disposed of, and the receipt of consideration of approximately US$10,321,000.

2. The NTEEP Agreement involves the acquisitions of 100% equity interest in the Zastron Group and 100% equity interest in Jetup at a consideration of approximately US$353,145,000, to be settled by cash of approximately US$41,715,000 and a loan from ultimate holding company in the amount of approximately US$311,430,000. The loan from ultimate holding company is interest bearing at 3.9% per annum and has a maturity period of twelve years. The interest is payable annually in arrears and the principal is to be repaid by annual equal instalments. The adjustments reflect the following:

   (a) the recording of interest expense on the loan from ultimate holding company of approximately US$6,073,000 for the six months ended 30th June, 2007 calculated based on interest rate of 3.9% per annum which is payable annually in arrear.

   For the purpose of the preparation of the Unaudited Pro Forma Financial Information, the effective interest rate is also 3.9% per annum, which is estimated by the directors of the Company by reference to market interest rate applicable to financial instruments of similar credit status and with similar terms. The imputed interest expense adopted will be subject to further assessment upon completion of the Acquisitions;

   (b) the elimination of intercompany sales between the Zastron Group and Jetup and the intercompany rental income between the Zastron Group and the Group;

   (c) the net cash inflow arising from the Acquisitions, being the difference between the payment of the cash consideration of approximately US$41,715,000, the payment of the estimated legal and professional fee of approximately US$438,000 and the cash and cash equivalents of the Zastron Group and Jetup of approximately US$42,647,000 at 1st January, 2007 acquired; and

   (d) the elimination of cash flow effect of intercompany balances between the Group and Jetup.

3. The profit for the period included a gain on disposal of available-for-sale investments of approximately US$43,815,000, and an impairment loss on goodwill of approximately US$24,340,000.

4. For the six months ended 30th June, 2007, the pro forma profit of the Enlarged NTEEP before income tax expense, interest expense, depreciation and amortisation ("Pro Forma EBITDA") amounted to approximately US$61,093,000. The Pro Forma EBITDA per share for the six months ended 30th June, 2007, calculated based on the weighted average number of ordinary shares for the purpose of Pro Forma EBITDA per share of approximately 881,671,000 shares for the six months ended 30th June, 2007, was approximately US 6.93 cents.

(4) UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2006

	The Group	Pro forma adjustments	Subtotal	Zastron Group	Jetup	Pro forma adjustments	Pro forma Enlarged NTEEP after the Transactions
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
		Notes 1(a) and 1(b)				*Notes 2(a) and 2(b)*	
Revenue	178,322	(2,996)	175,326	627,200	64,931	(415)	867,042
Cost of sales	(148,196)	733	(147,463)	(581,864)	(54,106)	541	(782,892)
Gross profit	30,126	(2,263)	27,863	45,336	10,825	126	84,150
Bank interest income	1,638	(60)	1,578	809	25	–	2,412
Loss on available-for-sale investments arising from split share structure reform	(1,869)	–	(1,869)	–	–	–	(1,869)
Gain on disposal of subsidiaries	–	6,202	6,202	–	–	–	6,202
Other income	2,232	(134)	2,098	1,158	–	(1,555)	1,701
Other expenses	(1,278)	–	(1,278)	–	–	1,278	–
Selling and distribution costs	(1,090)	–	(1,090)	(2,055)	(4,035)	–	(7,180)
Administrative expenses	(8,939)	931	(8,008)	(10,388)	(2,469)	151	(20,714)
Research and development expenditure	(3,285)	393	(2,892)	(3,064)	(1,531)	–	(7,487)
Interest expenses	–	–	–	–	(368)	(12,146)	(12,514)
Profit before tax	17,535	5,069	22,604	31,796	2,447	(12,146)	44,701
Income tax expense	(214)	99	(115)	(85)	(162)	–	(362)
Profit for the year	17,321	5,168	22,489	31,711	2,285	(12,146)	44,339
Attributable to:							
Equity holders of the Company	17,329	5,168	22,497	31,711	2,285	(12,146)	44,347
Minority interest	(8)	–	(8)	–	–	–	(8)
	17,321	5,168	22,489	31,711	2,285	(12,146)	44,339

Notes:

1. The Namtek Agreement involves the disposals of Namtek (Shenzhen) and Namtek (Japan) by the Company to JIC at a consideration of approximately US$10,321,000, receivable in cash. The adjustments reflect:

   (a) the exclusion of the income statement items attributable to Namtek (Shenzhen) and Namtek (Japan) for the year ended 31st December, 2006 as if the Disposals had been completed on 1st January, 2006; and

(b) The gain on the disposals of Namtek (Shenzhen) and Namtek (Japan) of approximately US$6,202,000 attributable to the Enlarged NTEEP, which is calculated based on the differences between:

(i) the consideration of approximately US$10,321,000 which is receivable in cash;

(ii) the net assets of approximately US$4,085,000 attributable to Namtek (Shenzhen) at 31st December, 2005 and the net assets of approximately US$34,000 attributable to Namtek (Japan) at 31st December, 2005.

The combined net profit of Namtek (Shenzhen) and Namtek (Japan) for the year ended 31st December, 2006 was approximately US$1,034,000.

2. The NTEEP Agreement involves the acquisitions of 100% equity interest in the Zastron Group and 100% equity interest in Jetup at a consideration of approximately US$353,145,000, to be settled by cash of approximately US$41,715,000 and a loan from ultimate holding company in the amount of approximately US$311,430,000. The loan from ultimate holding company is interest bearing at 3.9% per annum and has a maturity period of twelve years. The interest is payable annually in arrears and the principal is to be repaid by annual equal instalments. The adjustments reflect the following:

(a) the recording of interest expense on the loan from ultimate holding company of approximately US$12,146,000 for the year ended 31st December, 2006 calculated based on interest rate of 3.9% per annum which is payable annually in arrear.

For the purpose of the preparation of the Unaudited Pro Forma Financial Information, the effective interest rate is also 3.9% per annum which is estimated by the directors of the Company by reference to market interest rate applicable to financial instruments of similar credit status and with similar terms. The imputed interest expense adopted will be subject to further assessment upon completion of the Acquisitions; and

(b) the elimination of intercompany sales between the Zastron Group and Jetup and the intercompany rental income between the Zastron Group and the Group.

3. For the year ended 31st December, 2006, the Pro Forma EBITDA of the Enlarged NTEEP amounted to approximately US$76,029,000. The Pro Forma EBITDA per share for the year ended 31st December, 2006, calculated based on the weighted average number of ordinary shares for the purpose of Pro Forma EBITDA per share of approximately 881,671,000 shares for the year ended 31st December, 2006, was approximately US 8.62 cents.

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(5) ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF NAM TAI ELECTRONIC & ELECTRICAL PRODUCTS LIMITED

We report on the unaudited pro forma financial information ("Unaudited Pro Forma Financial Information") of Nam Tai Electronic & Electrical Products Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed acquisitions of 100% equity interest in Zastron Precision-Tech Limited and its subsidiaries and 100% equity interest in Jetup Electronic (Shenzhen) Co., Ltd. and the proposed disposals of 100% equity interest in Shenzhen Namtek Company Limited and 100% equity interest in Kabushiki Kaisha Namtek Japan (expressed in English as Namtek Japan Company Limited) (collectively referred to as the "Transactions") might have affected the financial information presented, for inclusion in sections 2 to 4 of Appendix V of the circular dated 5th December, 2007 (the "Circular"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out in section 1 of Appendix V to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of:

- the financial position of the Group as at 30th June, 2007 or any future date;

- the results of the Group for the year ended 31st December, 2006, the six months ended 30th June, 2007 or any future period; or

- the cash flows of the Group for the six months ended 30th June, 2007 or any future periods.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
5th December, 2007

FOR THE YEAR ENDED 31ST DECEMBER, 2006

Liquidity, Financial Resources and Financial Ratios

NTEEP continued to maintain a sound financial position during the year 2006, with 6.9 US cents (2005: 5.0 US cents) of cash per NTEEP Share of HK$0.01 each of NTEEP and 19.2 US cents (2005: 16.2 US cents) of net assets per NTEEP Share based on 881,670,588 (2005: 881,670,588) issued NTEEP Shares. As at 31st December, 2006, NTEEP had a cash to current liabilities ratio of 1.67 (2005: 1.51), a current ratio of 3.52 (2005: 3.05), a total assets to total liabilities ratio of 5.66 (2005: 5.85), and approximately US$60.5 million (2005: US$44.5 million) of cash.

At the year end, NTEEP had no external loans of any kind. The gearing ratio was nil. NTEEP recorded debtors turnover days of approximately 61 days for the 12 months ended 31st December, 2006 (approximately 44 days for the 12 months ended 31st December, 2005) based on the amount of trade debtors as at the relevant period end divided by sales of the same period and multiplied by 365 days.

NTEEP recorded an inventory turnover days of approximately 24 days for the 12 months ended 31st December, 2006 (approximately 25 days for the 12 months ended 31st December, 2005) based on the amount of inventories as at the relevant period end divided by cost of sales of the same period and multiplied by 365 days.

NTEEP continued to maintain a strong liquidity position throughout the year and had no external borrowings as at 31st December, 2006.

Foreign Exchange Exposure

Since most business transactions conducted by NTEEP and payments made to suppliers were either in HK$, US$ or Rmb, NTEEP did not have a foreign currency hedging policy. However, the management monitored foreign exchange exposure from time to time and would consider hedging significant foreign currency exposure when the need arose.

Investment in TCL Corp.

Pursuant to the Split Share Structure Reform ("SSR") of TCL Corp., NTEEP's interest in TCL Corp. had been changed from 95,516,112 promoter's shares to 80,600,173 A-shares. As a result of the reduction in NTEEP's interest in TCL Corp., NTEEP recorded a loss of US$1.87 million. The A-shares held by NTEEP would be tradable on the Shenzhen Stock Exchange after 12 months from 20th April 2006, which was the first trading day after the SSR was formally implemented. Based on available information, NTEEP believed there was a risk that NTEEP might suffer losses at the time of disposal of its interest in TCL Corp. NTEEP therefore believed it would be prudent to make impairment on this investment. However, according to the applicable accounting standards, the investment was recorded at fair value. As the fair value of NTEEP's investment in TCL Corp. exceeded the original investment cost at 31st December, 2006, no impairment loss was required. NTEEP would however continue to monitor the situation and might consider making impairment should it become appropriate under applicable accounting principles.

Employee and Emolument Policy

Up to 31st December, 2006, NTEEP had a total of 2,067 dynamic and talented employees, among which 38 were marketing staff and 309 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 year ended 31st December, 2006 was approximately US$12.8 million.

Remuneration policy of NTEEP was reviewed regularly, making reference to legal framework, market condition and performance of NTEEP and individual staff. The remuneration policy and remuneration packages of the executive Directors and members of the senior management were reviewed by the Remuneration Committee.

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 Pre-IPO Scheme of which 14,720,000 share options remained outstanding at the period end.

NTEEP operated a mandatory provident fund scheme ("MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all their employees under Hong Kong employment. The MPF Scheme was a defined contribution scheme administered by independent trustees and pursuant to which NTEEP and its employees had to each contribute 5% of the relevant income of the employees to the MPF Scheme subject to the minimum and maximum levels of income of HK$5,000 and HK$20,000 respectively with a statutory cap of HK$1,000 per month. NTEEP's contributions were 100% vested in the employees' accounts once they were paid into the MPF Scheme until the employee reached the retirement age of 65 subject to a few exceptions.

With regard to NTEEP's employees under Macao employment, NTEEP operated a retirement benefit scheme ("Macao Scheme") which was also a defined contribution scheme administered by independent trustees. Although the Macao Scheme was not a mandatory scheme, NTEEP had adopted terms identical to the MPF Scheme in terms of contributory amount, operation of the scheme and retirement age for the Macao Scheme. NTEEP's PRC local employees under PRC employment were covered under a local statutory retirement insurance policy operated by local government ("PRC Scheme"). Both NTEEP and the employees were required to contribute a designated percentage of the employees' monthly salary to the PRC Scheme.

For NTEEP's employees in Japan office, they were subject to the mandatory social insurance scheme ("Social Insurance Scheme") for medical and retirement coverage and the mandatory labour insurance scheme ("Labour Insurance Scheme") to cover accidents incurred during work and unemployment. For the Social Insurance Scheme, NTEEP and each employee had to each contribute about 12.0% of the relevant monthly income subject to a maximum payment of JPY 91,597 per month. The rate and maximum payment will be revised every half year. Whilst for the Labour Insurance Scheme, NTEEP had to contribute about 1.3% and each employee had to contribute about 0.9% of the relevant monthly income. The retirement scheme under the Social Insurance Scheme was a defined contribution scheme.

Details of NTEEP's cost with respect to the MPF Scheme, the Macao Scheme and the PRC Scheme and the retirement scheme under the Social Insurance Scheme, charged to its income statement were set out in note 26 to Appendix II – Financial Information on NTEEP.

Share Option Schemes

NTEEP operated a Pre-IPO share option scheme (the "Pre-IPO Scheme") and a share option scheme (the "Scheme"). No option had been granted by NTEEP under the Pre-IPO Scheme during the year 2006.

(I) Pre-IPO Scheme

The Pre-IPO Scheme was to recognize the contribution of certain directors and employees to NTEEP Group to NTEEP as a whole. The total number of Shares subject to the Pre-IPO Scheme was 20,000,000 and no further options should 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 31st December, 2006 were as follows:

	Date of grant	Exercise price per Share	Exercisable period	Vesting period (from the date of grant)	Options outstanding as at 1st January, 2006	Options granted during the period	Options exercised during the period	Options lapsed during the period	Options cancelled during the period	Options outstanding as at 31st December, 2006
(1) Directors										
Ms. Wong Kuen Ling, Karene	6th April, 2004	HK$3.88	28th April, 2005 to 27th April, 2014	*Note b*	7,000,000	–	–	–	–	7,000,000
Mr. Guy Bindels *(Note a)*	6th April, 2004	HK$3.88	28th April, 2005 to 27th April, 2014	*Note b*	1,200,000	–	–	1,200,000	–	–
(2) Employees Under Continuous Employment Contract	6th April, 2004	HK$3.88	28th April, 2005 to 27th April, 2014	*Note b*	9,440,000	–	–	1,720,000 *(Note c)*	–	7,720,000
					17,640,000	–	–	2,920,000	–	14,720,000

Notes:

(a) Mr. Guy Bindels resigned on 7th July, 2006.

(b) During the first 12 months from 28th April, 2004, no option might be exercised by any of the Directors and/or employees.

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

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

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

(c) During the year, 1,200,000 and 1,720,000 share options lapsed due to resignation of 1 director and the cessation of employment of 6 employees respectively.

(II) Scheme

On 8th April, 2004, NTEEP adopted the Scheme to enable NTEEP to grant share options as an incentive or reward to eligible participants for their contributions to NTEEP and those companies in the equity share capital of which NTEEP, directly or indirectly, had a 20 percent or greater beneficial interest but excluding NTEEP's subsidiaries.

Particulars of the Scheme were set out in note 27 to Appendix II – Financial Information on NTEEP. No options had been granted under the Scheme during the year 2006.

FOR THE YEAR ENDED 31ST DECEMBER, 2005

Liquidity, Financial Resources and Financial Ratios

NTEEP continued to maintain a sound financial position during the year of 2005, with 5.0 US cents (2004: 2.8 US cents) of cash per NTEEP Share and 16.2 US cents (2004: 14.0 US cents) of net assets per NTEEP Share based on 881,670,588 (2004: 800,000,000) issued NTEEP Shares. NTEEP had, as at 31st December, 2005, a cash to current liabilities ratio of 1.51 (2004: 0.94), a current ratio of 3.05 (2004: 3.67), a total assets to total liabilities ratio of 5.85 (2004: 5.79), and approximately US$44.5 million (2004: US$22.1 million) of cash.

At the year end, NTEEP had no external loans of any kind. The gearing ratio was nil. NTEEP recorded debtors turnover days of approximately 44 days for the 12 months ended 31st December, 2005 (approximately 66 days for the year ended 31st December, 2004) based on the amount of trade debtors as at the relevant period end divided by sales of the same period and multiplied by 365 days.

NTEEP recorded an inventory turnover days of approximately 25 days for the 12 months ended 31st December, 2005 (approximately 25 days for the year ended 31st December, 2004) based on the amount of inventories as at the relevant period end divided by cost of sales of the same period and multiplied by 365 days.

NTEEP continued to maintain a strong liquidity position throughout the year and had no external borrowings as at 31st December, 2005.

Foreign Exchange Exposure

Since most business transactions conducted by NTEEP and payments made to suppliers were either in HK$, US$ or Rmb, NTEEP currently did not have a foreign currency hedging policy. However, the management monitored foreign exchange exposure from time to time and would consider hedging significant foreign currency exposure when the need arose.

Acquisition of Namtek Software Development Company Limited ("Namtek Software")

In order to enhance NTEEP's service scope and its profits, NTEEP had in May 2005 acquired the entire issued capital of Namtek Software which wholly owned Namtek (Shenzhen) and Namtek (Japan), a representative office of Namtek in Japan. Namtek was a total solution provider offering a wide range of services on software development, data processing & compression and electronic hardware design & development specializing in digital dictionaries and car navigation system.

Investment in TCL Corp.

NTEEP had reclassified its investment in TCL Corp. as "available-for-sale investments". In this respect, NTEEP had taken into account the recommendation of an independent financial adviser to value its promoter's shares in TCL Corp. at a 51.88% discount to the market price. Accordingly, based on the closing share price of TCL Corp. at the year end of Rmb 2.34 (US$0.29), the value of NTEEP's investment in TCL Corp. was discounted and included in NTEEP's balance sheet at US$13.33 million, compared to its cost of US$11.97 million. There was no impact on NTEEP's income statement until the promoter's shares were sold or considered to be impaired.

On 28th November, 2005, TCL Corp. announced the proposal of the SSR. Under the proposed SSR, holders of TCL Corp.'s tradable A-shares would receive 2.5 shares for every 10 shares from the holders of non-tradable shares of TCL Corp., on a pro rata basis. The proposed SSR was approved by the holders of TCL Corp.'s A-shares during the shareholders' meeting held on 30th December, 2005 and should become effective upon approval by the Ministry of Commerce of the PRC. Upon completion of the SSR, the Company's interest in TCL Corp. would be reduced from 95,516,112 non-tradable shares to 80,600,173 A-shares which would be tradable on the Shenzhen Stock Exchange 12 months from the first trading day after the SSR was formally in force. However, the financial impact on NTEEP's interest in TCL Corp. could not be ascertained at the time because of the unforeseeable impact of the SSR on the price of TCL Corp.'s A-share.

Employee and Emolument Policy

Up to 31st December, 2005, NTEEP had a total of 1,463 dynamic and talented employees, among which 31 were marketing staff and 299 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 year ended 31st December, 2005 was approximately US$12.4 million.

Remuneration policy of NTEEP was reviewed regularly, making reference to legal framework, market condition and performance of NTEEP and individual staff. The remuneration policy and remuneration packages of the executive Directors and members of the senior management were reviewed by the Remuneration Committee.

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 Pre-IPO Scheme of which 17,640,000 share options remained outstanding at the period end.

NTEEP operated the MPF Scheme under the Mandatory Provident Fund Schemes Ordinance for all their employees under Hong Kong employment. The MPF Scheme was a defined contribution scheme administered by independent trustees and pursuant to which NTEEP and its employees had to each contribute 5% of the relevant income of the employees to the MPF Scheme subject to the minimum and maximum levels of income of HK$5,000 and HK$20,000 respectively with a statutory cap of HK$1,000 per month. NTEEP's contributions were 100% vested in the employees' accounts once they were paid into the MPF Scheme until the employee reached the retirement age of 65 subject to a few exceptions.

With regard to NTEEP's employees under Macao employment, NTEEP operated the Macao Scheme which is also a defined contribution scheme administered by independent trustees. Although the Macao Scheme was not a mandatory scheme, NTEEP had adopted terms identical to the MPF Scheme in terms of contributory amount, operation of the scheme and retirement age for the Macao Scheme. NTEEP's PRC local employees under PRC employment were covered under the PRC Scheme. Both NTEEP and the employees were required to contribute a designated percentage of the employees' monthly salary to the PRC Scheme.

For NTEEP's employees in Japan office, they were subject to the Social Insurance Scheme for medical and retirement coverage and the Labour Insurance Scheme to cover accidents incurred during work and unemployment. For the Social Insurance Scheme, NTEEP and each employee had to each contribute about 11.9% of the relevant monthly income subject to a maximum payment of JPY 90,598 per month. The rate and maximum payment would be revised every half year. Whilst for the Labour Insurance Scheme, NTEEP had to contribute about 1.3% and each employee had to contribute about 0.9% of the relevant monthly income. The retirement scheme under the Social Insurance Scheme was a defined contribution scheme.

Share Option Schemes

NTEEP operated the Pre-IPO Scheme and the Scheme. No option had been granted by NTEEP under the Pre-IPO Scheme during the year 2005.

(I) Pre-IPO Scheme

The Pre-IPO Scheme was to recognize the contribution of certain Directors and employees of NTEEP Group to NTEEP as a whole. The total number of Shares subject to the Pre-IPO Scheme was 20,000,000 and no further options should 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 31st December, 2005 were as follows:

	Date of grant	Exercise price per Share	Exercisable period	Vesting period (from the date of grant)	Options outstanding as at 1st January, 2005	Options granted during the period	Options exercised during the period	Options lapsed during the period	Options cancelled during the period	Options outstanding as at 31st December, 2005
(1) Directors										
Ms. Wong Kuen Ling, Karene	6th April, 2004	HK$3.88	28th April, 2005 to 27th April, 2014	*Note a*	7,000,000	–	–	–	–	7,000,000
Mr. Guy Bindels	6th April, 2004	HK$3.88	28th April, 2005 to 27th April, 2014	*Note a*	1,200,000	–	–	–	–	1,200,000
(2) Employees Under Continuous Employment Contract	6th April, 2004	HK$3.88	28th April, 2005 to 27th April, 2014	*Note a*	11,800,000	–	–	2,360,000 *(Note b)*	–	9,440,000
					20,000,000	–	–	2,360,000	–	17,640,000

Note:

(a) During the first 12 months from 28th April, 2004, no option might be exercised by any of the Directors and/or employees.

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

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

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

(b) During the year, 2,360,000 share options lapsed due to the cessation of employment of 6 employees of Namtai Electronic (Shenzhen) Company Limited.

(II) Scheme

On 8th April, 2004, NTEEP adopted the Scheme to enable NTEEP to grant share options as an incentive or reward to eligible participants for their contributions to NTEEP and those companies in the equity share capital of which NTEEP, directly or indirectly, had a 20 percent or greater beneficial interest but excluding NTEEP's subsidiaries.

No options had been granted under the Scheme during the year 2005.

FOR THE YEAR ENDED 31ST DECEMBER, 2004

Liquidity, Financial Resources and Financial Ratios

NTEEP continued to maintain a sound financial position during the year of 2004, with 2.76 US cents of cash per NTEEP Share and 13.99 US cents of net assets per NTEEP Share based on 800,000,000 issued NTEEP shares. NTEEP had, as at 31st December, 2004, a cash to current liabilities ratio of 0.94, a current ratio of 3.67, a total assets to total liabilities ratio of 5.79, and approximately US$22.1 million of cash.

At the year end, NTEEP had no external loans of any kind. The gearing ratio was nil. NTEEP recorded a debtors turnover days of approximately 66 days for the 12 months ended 31st December, 2004 based on the amount of trade debtors as at the relevant period and divided by sales of the same period and multiplied by 365 days.

NTEEP recorded an inventory turnover days of approximately 25 days for the 12 months ended 31st December, 2004 based on the amount of inventories as at the relevant period end divided by cost of sales of the same period and multiplied by 365 days.

NTEEP continued to maintain a strong liquidity position throughout the year and had no external borrowings as at 31st December, 2004.

Foreign Exchange Exposure

Since most business transactions conducted by NTEEP and payments made to suppliers were either in HK$, US$ or Rmb, the use of financial instruments for hedging purposes was not considered to be necessary.

Investment in TCL Corp.

NTEEP had reclassified its investment in TCL Corp. from non-current asset to current asset. In this respect, NTEEP had taken into account the recommendation of an independent financial adviser to value its promoter's shares in TCL Corp. at a 50.1% discount to the market price. Accordingly, based on the closing share price at the year end of Rmb3.61 (US$0.44), the value of NTEEP's investment in TCL Corp. was discounted and included in NTEEP's balance sheet as US$20.7 million, compared to its cost of US$12.0 million. There was no impact on NTEEP's income statement until the promoter's shares were sold.

Employee and Emolument Policy

Up to 31st December, 2004, NTEEP had a total of 1,501 dynamic and talented employees, among which 20 were marketing staff and 106 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 year ended 31st December, 2004 was approximately US$7.6 million.

Remuneration policy of NTEEP was reviewed regularly, making reference to legal framework, market condition and performance of NTEEP and individual staff. The remuneration policy and remuneration packages of the Executive Directors and members of the senior management were reviewed by the Remuneration Committee.

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 Pre-IPO Scheme which 20,000,000 remained outstanding at the period end.

NTEEP operated the MPF Scheme under the Mandatory Provident Fund Schemes Ordinance for all their employees under Hong Kong employment. The MPF Scheme was a defined contribution scheme administered by independent trustees and pursuant to which NTEEP and its employees had to each contribute 5% of the relevant income of the employees to the MPF Scheme subject to the minimum and maximum levels of income of HK$5,000 and HK$20,000 respectively with a statutory cap of HK$1,000 per month. NTEEP's contributions were 100% vested in the employees' accounts once they were paid into the MPF Scheme until the employee reaches the retirement age of 65 subject to a few exceptions.

With regard to NTEEP's employees under Macao employment, NTEEP operated the Macao Scheme which was also a defined contribution scheme administered by independent trustees. Although the Macao Scheme was not a mandatory scheme, NTEEP had adopted terms identical to the MPF Scheme in terms of contributory amount, operation of the scheme and retirement age for the Macao Scheme.

NTEEP's PRC local employees under PRC employment were covered under the PRC Scheme. Both NTEEP and the employees were required to contribute a designated percentage of the employees' monthly salary to the PRC Scheme.

Share Option Schemes

NTEEP operates the Pre-IPO Scheme and the Scheme. As at 31st December, 2004, NTEEP had granted 20,000,000 share options under the Pre-IPO Scheme whilst no options had been granted under the Scheme. Details of the Pre-IPO Scheme and the Scheme were set out below:

(I) Pre- IPO Share Option Scheme

The Pre-IPO Scheme was to recognize the contribution of certain Directors and employees of NTEEP Group to NTEEP as a whole. The total number of Shares subject to the Pre-IPO Scheme was 20,000,000 and no further options should 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 31st December, 2004 were as follows:

	Date of grant	Subscription price per Share	Exercisable period	Vesting period (from the date of grant)	Options outstanding as at 1st January, 2004	Options granted during the period	Options exercised during the period	Options lapsed during the period	Options cancelled during the period	Options outstanding as at 31st December, 2004
(1) Director										
Ms. WONG Kuen Ling	6th April, 2004	HK$3.88	28th April, 2005 to 27th April, 2014	*Note a*	–	7,000,000	–	–	–	7,000,000
Mr. Guy Bindels	6th April, 2004	HK$3.88	28th April, 2005 to 27th April, 2014	*Note a*	–	1,200,000	–	–	–	1,200,000
(2) Employees Under Continuous Employment Contract	6th April, 2004	HK$3.88	28th April, 2005 to 27th April, 2014	*Note a*	–	11,800,000	–	–	–	11,800,000
					–	20,000,000	–	–	–	20,000,000

Note:

(a) During the first 12 months from 28th April, 2004, no option might be exercised by any of the Directors and/or employees.

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

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

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

(II) Scheme

On 8th April, 2004, NTEEP adopted the Scheme to enable NTEEP to grant share options as an incentive or reward to eligible participants for their contributions to NTEEP and those companies in the equity share capital of which NTEEP, directly or indirectly, had a 20 percent or greater beneficial interest but excluding NTEEP's subsidiaries.

FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

Liquidity, Financial Resources and Financial Ratios

As at 30th June, 2007, Zastron Group maintained a financial position with US$46.2 million (HK$360.0 million) of cash and US$79.4 million (HK$619.5 million) of net assets. As at 30th June, 2007, Zastron Group had a cash to current liabilities ratio of 0.8, current ratio of 1.7, total assets to total liabilities ratio of 2.4.

As at 30th June, 2007, Zastron Group had no bank borrowings, gearing ratio was nil. Zastron Group recorded debtors turnover days of approximately 35 days for the six months ended 30th June, 2007 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.

Zastron Group recorded an inventory turnover days of approximately 8 days for the six months ended 30th June, 2007 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.

Revenue for the six months ended 30th June, 2007 amounted to US$220.0 million (HK$1.7 billion), which represented a 30.0% decline over the same period in year 2006.

Foreign Exchange Exposure

Since most of the business transactions conducted by Zastron Group and payments to suppliers were mainly in US$, Zastron Group currently did not have a foreign currency hedging policy. However, the management of Zastron Group would monitor the foreign exchange from time to time and would consider hedging significant currency exposure when needed.

Investment in Wuxi FPC project

As at 30th June, 2007, capital commitment totalled US$46.2 million (HK$360.7 million) of which US$34.8 million (HK$271.4 million) was reserved for development of new manufacturing plant established in Wuxi, and would be funded by internal resources. Upon completion of the Wuxi FPC manufacturing plant, potential supply chain integration effect with suppliers and customers was expected.

Employee and Emolument Policy

Up to 30th June, 2007, Zastron Group had approximately 2,700 employees. Total staff cost for the six months ended 30th June, 2007 was approximately US$7.5 million (HK$58.4 million).

Remuneration policy of Zastron Group was reviewed regularly, making reference to legal framework, market condition and performance of Zastron Group and individual staff. Extensive training programme would be provided to staff regularly. For the six months ended 30th June, 2007, more than 11,000 man-times attended training courses offered by Zastron Group.

According to the relevant laws and regulations in the PRC, Zastron Group was required to contribute 8% to 11% 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 Zastron Group with respect to the PRC Scheme was to make the required contributions under the scheme. The total contributions incurred in this connection were approximately US$211,000 (HK$1.6 million) for the six months ended 30th June, 2007. The Zastron Group operates a retirement benefit scheme ("Macao Scheme") for all qualifying employees in Macao and a mandatory provident fund scheme ("MPF Scheme") for all qualifying employees in Hong Kong. The assets of the Macao Scheme and the MPF Scheme were held separately from those of the Zastron Group, in funds under the control of trustees. The Zastron Group contributed at the lower of US$128 (HK$1,000) or 5% of the relevant payroll costs to the MPF Scheme and the Macao Scheme, which contribution was matched by employees. The total contributions incurred in this connection were approximately US$9,000 (HK$70,200) for the six months ended 30th June, 2007.

Share Option Scheme

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

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

The following table disclosed details of the share options granted to the directors and employees of the Zastron Group for services provided to NTEI and movements in such holdings during the period:

Directors of Zastron

	2001 Scheme	
Exercise price per share	US$22.250	US$12.420
Number of options:		
Outstanding at 1st January, 2007	15,000	–
Granted during the period	–	15,000
Outstanding at 30th June, 2007	15,000	15,000

Employees of the Zastron Group

	2001 Scheme	
Exercise price per share	US$20.840	US$12.130
Number of options:		
Outstanding at 1st January, 2007	20,000	–
Granted during the period	–	40,000
Lapsed during the period	(20,000)	–
Outstanding at 30th June, 2007	–	40,000

Details of specific categories of options were as follows:

Date of grant	**Exercise period**	**Exercise price** *US$*
9th June, 2006	9th June, 2006 to 8th June, 2009	22.250
14th May, 2007	14th May, 2008 to 13th May, 2011	12.130
8th June, 2007	8th June, 2007 to 7th June, 2010	12.420

No share option was exercised for the six months ended 30th June, 2007.

FOR THE YEAR ENDED 31ST DECEMBER, 2006

Liquidity, Financial Resources and Financial Ratios

As at 31st December, 2006, Zastron Group maintained a financial position with US$39.6 million (HK$308.9 million) of cash and US$81.0 million (HK$631.8 million) of net assets. As at 31st December, 2006, Zastron Group had a cash to current liabilities ratio of 0.4, current ratio of 1.5, total assets to total liabilities ratio of 1.9.

As at 31st December, 2006, Zastron Group had no bank borrowings, gearing ratio was nil. Zastron Group recorded debtors turnover days of approximately 44 days for the year ended 31st December, 2006 based on the amount of trade debtors as at the relevant period end divided by sales of the same period and multiplied by 365 days.

Zastron Group recorded an inventory turnover days of approximately 9 days for the year ended 31st 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 365 days.

Revenue for the year ended 31st December, 2006 amounted to US$627.2 million (HK$4.9 billion), which represented a 10% growth over the year ended 31st December, 2005.

Foreign Exchange Exposure

Since most of the business transactions conducted by Zastron Group and payments to suppliers were mainly in US$, Zastron Group currently had not have a foreign currency hedging policy. However, the management of Zastron Group would monitor the foreign exchange from time to time and would consider hedging significant currency exposure when needed.

Investment in Shenzhen FPC project

As at 31st December, 2006, capital commitment totalled US$10.2 million (HK$79.6 million) of which US$9.3 million (HK$72.8 million) was reserved for investment in FPC project in Shenzhen and would be funded by internal resources.

Employee and Emolument Policy

Up to 31st December, 2006, Zastron Group had approximately 3,000 employees. Total staff cost for the year ended 31st December, 2006 was US$16.3 million (HK$127.4 million).

Remuneration policy of Zastron Group was reviewed regularly, making reference to legal framework, market condition and performance of Zastron Group and individual staff. Extensive training programme would be provided to staff regularly. For the year ended 31st December, 2006, more than 35,000 man-times attended training courses offered by Zastron Group.

According to the relevant laws and regulations in the PRC, Zastron Group was required to contribute 8% to 11% of the stipulated salary set by the local government of Shenzhen, PRC, to the PRC Scheme to fund the retirement benefits of their employees. The principal obligation of the Zastron Group with respect to the PRC Scheme was to make the required contributions under the scheme. The total contributions incurred in this connection were approximately US$507,000 (HK$4.0 million) for the year ended 31st December, 2006. The Zastron Group operated the Macao Scheme for all qualifying employees in Macao and the MPF Scheme for all qualifying employees in Hong Kong. The assets of the Macao Scheme and the MPF Scheme are held separately from those of the Zastron Group, in funds under the control of trustees. The Zastron Group contributed at the lower of US$128 (HK$1,000) or 5% of the relevant payroll costs to the MPF Scheme and the Macao Scheme, which contribution was matched by employees. The total contributions incurred in this connection were approximately US$12,000 (HK$94,000) for the year ended 31st December, 2006.

Share Option Scheme

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

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

The following table disclosed details of the share options granted to the directors and employees of the Zastron Group for services provided to NTEI and movements in such holdings during the period:

Directors of Zastron

	2001 Scheme		
Exercise price per share	US$19.400	US$20.840	US$22.250
Number of options:			
Outstanding at 1st January, 2006	30,000	50,000	–
Granted during the year	–	–	15,000
Resigned as director during the year	(30,000)	(50,000)	–
Outstanding at 31st December, 2006	–	–	15,000

Employees of the Zastron Group

	2001 Scheme	
Exercise price per share	US$19.400	US$20.840
Number of options:		
Outstanding at 1st January, 2006	12,000	20,000
Exercised during the year	(12,000)	–
Outstanding at 31st December, 2006	–	20,000

Details of specific categories of options were as follows:

Date of grant	**Exercise period**	**Exercise price** *US$*
30th July, 2004	30th July, 2004 to 30th July, 2006	19.400
4th February, 2005	4th February, 2005 to 4th February, 2007	20.840
9th June, 2006	9th June, 2006 to 8th June, 2009	22.250

The weighted average closing prices of NTEI shares on the dates in which the share options were exercised was US$22.97 (HK$179.2) for the year ended 31st December, 2006.

FOR THE YEAR ENDED 31ST DECEMBER, 2005

Liquidity, Financial Resources and Financial Ratios

As at 31st December, 2005, Zastron Group maintained a financial position with US$32.8 million (HK$255.8 million) of cash and US$58.6 million (HK$457.1 million) of net assets. As at 31st December, 2005, Zastron had a cash to current liabilities ratio of 0.3, current ratio of 1.3, total assets to total liabilities ratio of 1.5.

As at 31st December, 2005, Zastron Group had no bank borrowings, gearing ratio was nil. Zastron Group recorded debtors turnover days of approximately 61 days for the year ended 31st December, 2005 based on the amount of trade debtors as at the relevant period end divided by sales of the same period and multiplied by 365 days.

Zastron Group recorded an inventory turnover days of approximately 12 days for the year ended 31st December, 2005 based on the amount of inventories as at the relevant period end divided by cost of sales of the same period and multiplied by 365 days.

Revenue for the year ended 31st December, 2005 amounted to US$570.1 million (HK$4.4 billion), which represented a 77.5% growth over the year ended 31st December, 2004.

Foreign Exchange Exposure

Since most of the business transactions conducted by Zastron Group and payments to suppliers were mainly in US$, Zastron Group currently did not have a foreign currency hedging policy. However, the management of Zastron Group would monitor the foreign exchange from time to time and would consider hedging significant currency exposure when needed.

Employee and Emolument Policy

Up to 31st December, 2005, Zastron Group had approximately 3,000 employees. Total staff cost for the year ended 31st December, 2005 was approximately US$13.7 million (HK$107.1 million).

Remuneration policy of Zastron Group was reviewed regularly, making reference to legal framework, market condition and performance of Zastron Group and individual staff. Extensive training programme would be provided to staff regularly. For the year ended 31st December, 2005, more than 33,000 man-times attended training courses offered by Zastron Group.

According to the relevant laws and regulations in the PRC, Zastron Group was required to contribute 8% to 11% of the stipulated salary set by the local government of Shenzhen, PRC, to the PRC Scheme to fund the retirement benefits of their employees. The principal obligation of the Zastron Group with respect to the PRC Scheme was to make the required contributions under the scheme. The total contributions incurred in this connection were approximately US$554,000 (HK$4.3 million) for the year ended 31st December, 2005. The Zastron Group operated the Macao Scheme for all qualifying employees in Macao and the MPF Scheme for all qualifying employees in Hong Kong. The assets of the Macao Scheme and the MPF Scheme were held separately from those of the Zastron Group, in funds under the control of trustees. The Zastron Group contributed at the lower of US$128 (HK$1,000) or 5% of the relevant payroll costs to the MPF Scheme and the Macao Scheme, which contribution was matched by employees. The total contributions incurred in this connection were approximately US$13,000 (HK$101,000) for the year ended 31st December, 2005.

Share Option Scheme

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

The following table discloses details of the share options granted to the directors and employees of the Zastron Group for services provided to NTEI and movements in such holdings during the period:

Directors of Zastron

	2001 Scheme		
Exercise price per share	US$19.400	US$20.840	US$21.620
Number of options:			
Outstanding at 1st January, 2005	390,000	–	–
Granted during the year	–	750,000	30,000
Resigned as director during the year	(180,000)	(350,000)	(15,000)
Exercised during the year	(180,000)	(350,000)	(15,000)
Outstanding at 31st December, 2005	30,000	50,000	–

Employees of the Zastron Group

	2001 Scheme	
Exercise price per share	US$19.400	US$20.840
Number of options:		
Outstanding at 1st January, 2005	–	–
Transfer of an employee from a fellow subsidiary during the year	12,000	–
Granted during the year	–	20,000
Outstanding at 31st December, 2005	12,000	20,000

Details of specific categories of options were as follows:

Date of grant	Exercise period	Exercise price *US$*
30th July, 2004	30th July, 2004 to 30th July, 2006	19.400
4th February, 2005	4th February, 2005 to 4th February, 2007	20.840
6th June, 2005	6th June, 2005 to 5th June, 2008	21.620

The weighted average closing prices of NTEI shares on the dates in which the share options were exercised was US$23.38 (HK$182.4) for the year ended 31st December, 2005.

FOR THE YEAR ENDED 31ST DECEMBER, 2004

Liquidity, Financial Resources and Financial Ratios

As at 31st December, 2004, Zastron Group maintained a financial position with US$38.1 million (HK$297.2 million) of cash and US$25.5 million (HK$198.9 million) of net assets. As at 31st December, 2004, Zastron Group had a cash to current liabilities ratio of 0.4, current ratio of 1.0, total assets to total liabilities ratio of 1.3.

As at 31st December, 2004, Zastron Group had no bank borrowings, gearing ratio was nil. Zastron Group recorded debtors turnover days of approximately 58 days for the year ended 31st December, 2004 based on the amount of trade debtors as at the relevant period end divided by sales of the same period and multiplied by 365 days.

Zastron Group recorded an inventory turnover days of approximately 12 days for the year ended 31st December, 2004 based on the amount of inventories as at the relevant period end divided by cost of sales of the same period and multiplied by 365 days.

Revenue for the year ended 31st December, 2004 amounted to US$321.1 million (HK$2.5 billion), which represented a 43.2% growth over the year ended 31st December, 2003.

Foreign Exchange Exposure

Since most of the business transactions conducted by Zastron Group and payments to suppliers were mainly in US$, Zastron Group currently does not have a foreign currency hedging policy. However, the management of Zastron Group would monitor the foreign exchange from time to time and would consider hedging significant currency exposure when needed.

Employee and Emolument Policy

Up to 31st December, 2004, Zastron had approximately 2,000 employees. Total staff cost for the year ended 31st December, 2004 was US$10.6 million (HK$82.3 million).

Remuneration policy of Zastron Group was reviewed regularly, making reference to legal framework, market condition and performance of Zastron Group and individual staff. Extensive training programme would be provided to staff regularly. For the year ended 31st December, 2004, more than 9,000 man-time attended training courses offered by Zastron Group.

According to the relevant laws and regulations in the PRC, Zastron Group was required to contribute 8% to 11% of the stipulated salary set by the local government of Shenzhen, PRC, to the PRC Scheme to fund the retirement benefits of their employees. The principal obligation of the Zastron Group with respect to the PRC Scheme was to make the required contributions under the scheme. The total contributions incurred in this connection were approximately US$396,000 (HK$3.1 million) for the year ended 31st December, 2004. The Zastron Group operated the Macao Scheme for all qualifying employees in Macao and the MPF Scheme for all qualifying employees in Hong Kong. The assets of the Macao Scheme and the MPF Scheme were held separately from those of the Zastron Group, in funds under the control of trustees. The Zastron Group contributed at the lower of US$128 (HK$1,000) or 5% of the relevant payroll costs to the MPF Scheme and the Macao Scheme, which contribution was matched by employees. The total contributions incurred in this connection were US$3,000 (HK$23,000) for the year ended 31st December, 2004.

Share Option Scheme

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

The following table disclosed details of the share options granted to the directors and employees of the Zastron Group for services provided to NTEI and movements in such holdings during the period:

Directors of Zastron

	2001 Scheme
Exercise price per share	US$19.400
Number of options:	
Outstanding at 1st January, 2004	–
Granted during the year	390,000
Outstanding at 31st December, 2004	390,000

Employees of the Zastron Group

No shares options were granted to employees of Zastron Group for the year ended 31st December 2004.

Details of specific categories of options were as follows:

Date of grant	**Exercise period**	**Exercise price** *US$*
30th July, 2004	30th July, 2004 to 30th July, 2006	19.400

No share option was exercised for the year ended 31st December, 2004.

FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

Liquidity, Financial Resources and Financial Ratios

As at 30th June, 2007, Jetup maintained a financial position with US$2.4 million (HK$18.7 million) of cash and US$21.1 million (HK$164.6 million) of net assets. As at 30th June, 2007, Jetup had a cash to current liabilities ratio of 0.1, current ratio of 1.2, a total assets to total liabilities ratio of 1.9.

As at 30th June, 2007, bank borrowings of Jetup amounted to US$6.2 million (HK$48.4 million), the bank loans were at effective interest rate ranging from 4.7% to 6.0%. Gearing ratio, defined as total bank borrowings over total shareholder's equity, was 0.3. Jetup recorded debtors turnover days of approximately 74 days for the six months ended 30th June, 2007 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.

Jetup recorded an inventory turnover days of approximately 40 days for the six months ended 30th June, 2007 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.

Revenue for the six months ended 30th June, 2007 amounted to US$39.2 million (HK$305.8 million), which represented a 34.3% growth over the same period in year 2006.

Foreign Exchange Exposure

Certain bank balances, trade receivables, balances with group companies and bank borrowings of Jetup were denominated in currencies other than the functional currency of Jetup. Jetup currently did not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and would consider hedging significant foreign currency exposure should the need arise.

Employee and Emolument Policy

Up to 30th June, 2007, Jetup had 3,100 employees approximately. Total staff cost for the six months ended 30th June, 2007 was US$6.0 million (HK$46.8 million).

Remuneration policy of Jetup was reviewed regularly, making reference to legal framework, market condition and performance of Jetup and individual staff. Training programme would be provided to staff upon job commencement. It would also be provided periodically should the need arise.

According to the relevant laws and regulations in the PRC, Jetup was required to contribute 8% to 11% 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 Jetup with respect to the PRC Scheme was to make the required contributions under the scheme. The total contributions incurred in this connection for the six months ended 30th June, 2007 were approximately US$381,000 (HK$3.0 million).

For details of share option schemes, please refer to later paragraph – "Share Option Schemes for the years ended 31st December, 2004, 2005, 2006, and the six months ended 30th June, 2007".

FOR THE YEAR ENDED 31ST DECEMBER, 2006

Liquidity, Financial Resources and Financial Ratios

As at 31st December, 2006, Jetup maintained a financial position with US$3.1 million (HK$24.2 million) of cash and US$21.6 million (HK$168.5 million) of net asset. As at 31st December, 2006, Jetup had a cash to current liabilities ratio of 0.2, current ratio of 1.2, a total assets to total liabilities ratio of 2.1.

As at 31st December, 2006, bank borrowings of Jetup amounted to US$4.5 million (HK$35.1 million), the bank loans were at effective interest rate ranging from 4.5% to 6.1%. Gearing ratio, defined as total bank borrowings over total shareholder's equity, was 0.2. Jetup recorded debtors turnover days of approximately 71 days for the year ended 31st December, 2006 based on the amount of trade debtors as at the relevant period end divided by sales of the same period and multiplied by 365 days.

Jetup recorded an inventory turnover days of approximately 47 days for the year ended 31st 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 365 days.

Revenue for the year ended 31st December, 2006 amounted to US$64.9 million (HK$506.2 million), represented a 19.3% growth over the year ended 31st December, 2005.

Foreign Exchange Exposure

Certain bank balances, trade receivables, balances with group companies and bank borrowings of Jetup were denominated in currencies other than the functional currency of Jetup. Jetup did not have a foreign currency hedging policy. However, the management monitored foreign exchange exposure and would consider hedging significant foreign currency exposure should the need arise.

Employee and Emolument Policy

Up to 31st December, 2006, Jetup had approximately 2,300 employees. Total staff cost for the year ended 31st December, 2006 was US$8.6 million (HK$67.1 million).

Remuneration policy of Jetup was reviewed regularly, making reference to legal framework, market condition and performance of Jetup and individual staff. Training programme would be provided to staff upon job commencement. It would also be provided periodically should the need arise.

According to the relevant laws and regulations in the PRC, Jetup was required to contribute 8% to 11% of the stipulated salary set by the local government of Shenzhen, PRC, to the PRC Scheme to fund the retirement benefits of their employees. The principal obligation of Jetup 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 ended 31st December, 2006 were US$557,000 (HK$4.34 million).

For details of share option schemes, please refer to later paragraph – "Share Option Schemes for the years ended 31st December, 2004, 2005, 2006, and the six months ended 30th June, 2007".

FOR THE YEAR ENDED 31ST DECEMBER, 2005

Liquidity, Financial Resources and Financial Ratios

As at 31st December, 2005, Jetup maintained a financial position with US$2.7 million (HK$21.1 million) of cash and US$19.3 million (HK$150.5 million) of net asset. As at 31st December, 2005, Jetup had a cash to current liabilities ratio of 0.1, current ratio of 1.0, a total assets to total liabilities ratio of 2.0.

As at 31st December, 2005, bank borrowings of Jetup amounted to US$7.1 million (HK$55.4 million), the bank loans were at effective interest rate ranging from 3.2% to 5.2%. Gearing ratio, defined as total bank borrowings over total shareholder's equity, was 0.4. Jetup recorded debtors turnover days of approximately 63 days for the year ended 31st December, 2005 based on the amount of trade debtors as at the relevant period end divided by sales of the same period and multiplied by 365 days.

Jetup recorded an inventory turnover days of approximately 48 days for the year ended 31st December, 2005 based on the amount of inventories as at the relevant period end divided by cost of sales of the same period and multiplied by 365 days.

Revenue for the year ended 31st December, 2005 amounted to US$54.4 million (HK$424.3 million), represented a 13.8% growth over the year ended 31st December, 2004.

Foreign Exchange Exposure

Certain bank balances, trade receivables, balances with group companies and bank borrowings of Jetup were denominated in currencies other than the functional currency of Jetup. Jetup did not have a foreign currency hedging policy. However, the management monitored foreign exchange exposure and would consider hedging significant foreign currency exposure should the need arise.

Employee and Emolument Policy

Up to 31st December, 2005, Jetup had 2,100 employees approximately. Total staff cost for the year ended 31st December, 2005 was US$7.2 million (HK$56.2 million).

Remuneration policy of Jetup was reviewed regularly, making reference to legal framework, market condition and performance of Jetup and individual staff. Training programme would be provided to staff upon job commencement. It would also be provided periodically should the need arise.

According to the relevant laws and regulations in the PRC, Jetup was required to contribute 8% to 11% of the stipulated salary set by the local government of Shenzhen, PRC, to the PRC Scheme to fund the retirement benefits of their employees. The principal obligation of Jetup with respect to the PRC Scheme was to make the required contributions under the scheme. The total contributions incurred in this connection for the year ended 31st December, 2005 were US$526,000 (HK$4.1 million).

For details of share option schemes, please refer to later paragraph – "Share Option Schemes for the years ended 31st December, 2004, 2005, 2006, and the six months ended 30th June, 2007".

FOR THE YEAR ENDED 31ST DECEMBER, 2004

Liquidity, Financial Resources and Financial Ratios

As at 31st December, 2004, Jetup maintained a financial position with US$0.8 million (HK$6.2 million) of cash and US$15.4 million (HK$120.1 million) of net asset. As at 31st December, 2004, Jetup had a cash to current liabilities ratio of 0.1, current ratio of 0.8, a total assets to total liabilities ratio of 2.7.

As at 31st December, 2004, bank borrowings of Jetup amounted to US$1.3 million (HK$10.1 million), the bank loans were at effective interest rate ranging from 2.1% to 3.2%. Gearing ratio, defined as total bank borrowings over total shareholder's equity, was 0.1.

Jetup recorded an inventory turnover days of approximately 44 days for the year ended 31st December, 2004 based on the amount of inventories as at the relevant period end divided by cost of sales of the same period and multiplied by 365 days.

Revenue for the year ended 31st December, 2004 amounted to US$47.8 million (HK$372.8 million), represented a 18.1% growth over the year ended 31st December, 2003.

Foreign Exchange Exposure

Certain bank balances, trade receivables, balances with group companies and bank borrowings of Jetup were denominated in currencies other than the functional currency of Jetup. Jetup did not have a foreign currency hedging policy. However, the management monitored foreign exchange exposure and would consider hedging significant foreign currency exposure should the need arise.

Employee and Emolument Policy

Up to 31st December, 2004, Jetup had 1,900 employees approximately. Total staff cost for the year ended 31st December, 2004 was US$5.4 million (HK$42.1 million).

Remuneration policy of Jetup was reviewed regularly, making reference to legal framework, market condition and performance of Jetup and individual staff. Training programme would be provided to staff upon job commencement. It would also be provided periodically should the need arise.

According to the relevant laws and regulations in the PRC, Jetup was required to contribute 8% to 11% of the stipulated salary set by the local government of Shenzhen, PRC, to the PRC Scheme to fund the retirement benefits of their employees. The principal obligation of Jetup with respect to the PRC Scheme was to make the required contributions under the scheme. The total contributions incurred in this connection for the year ended 31st December, 2004 were US$377,000 (HK$2.9 million).

For details of share option schemes, please refer to later paragraph – "Share Option Schemes for the years ended 31st December, 2004, 2005, 2006, and the six months ended 30th June, 2007".

Share Option Schemes for the years ended 31st December, 2004, 2005, 2006, and the six months ended 30th June, 2007

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

In February 2006, the board of directors of NTEI approved another stock option plan with basically the same terms and conditions of the 2001 Scheme. The maximum number of shares to be issued pursuant to the exercise of options granted was 2,000,000 shares. The following table discloses details of the share options granted to the directors and employees of Jetup for services provided to NTEI and movements in such holdings during the years ended 31st December, 2004, 2005, 2006 and six months ended 30th June 2007, respectively.

Directors of Jetup

		2001 Scheme	
Exercise price per share	US$19.400	US$20.840	US$12.420
Number of options:			
Outstanding at 1st January, 2004	–	–	–
Granted during the year	30,000	–	–
Outstanding at 31st December, 2004 and 1st January, 2005	30,000	–	–
Granted during the year	–	50,000	–
Outstanding at 31st December, 2005 and 1st January, 2006	30,000	50,000	–
Resigned as director during the year	(30,000)	(50,000)	–
Outstanding at 31st December, 2006 and 1st January, 2007	–	–	–
Granted during the period	–	–	15,000
Outstanding at 30th June, 2007	–	–	15,000

Employees of Jetup

No shares options were granted to employees of Jetup for the years ended 31st December, 2004, 2005, 2006 and for the six months ended 30th June, 2007, respectively.

Details of specific categories of options were as follows:

Date of grant	Exercise period	Exercise price *US$*
30th July, 2004	30th July, 2004 to 30th July, 2006	19.400
4th February, 2005	4th February, 2005 to 4th February, 2007	20.840
8th June, 2007	8th June, 2007 to 7th June, 2010	12.420

A. Property Interests of Zastron Group

The following is the text of the letter, summary of values and valuation certificate on valuation of the property interests of Zastron Group as at 30th September, 2007 prepared by LCH for the purpose of inclusion in this circular.

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

The readers are reminded that the report which follows has been prepared in accordance with the guidelines set by the International Valuation Standards, Eighth Edition, 2007 (the "IVS") published by the International Valuation Standards Committee and the HKIS Valuation Standards on Properties, First Edition, 2005 ("HKIS Standards") published by the Hong Kong Institute of Surveyors (the "HKIS"). Both standards entitle the valuer to make assumptions which may on further investigation, for instance by the readers' legal representative, prove to be inaccurate. Any exception is clearly stated below. Headings are inserted for convenient reference only and have no effect in limiting or extending the language of the paragraphs to which they refer.

17th Floor
Champion Building
287 – 291 Des Voeux Road
Central
Hong Kong

5th December, 2007

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 the instructions given by the management of Nam Tai Electronic & Electrical Products Limited (hereinafter referred to as the "Company") to us to value certain properties currently held by Zastron Precision-Tech Limited or its subsidiaries (collectively, hereinafter referred to as the "Zastron Group") in Hong Kong, Macao and the People's Republic of China (hereinafter referred to as the "PRC" or "China"), 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, 2007 (hereinafter referred to as the "Date of Valuation") for the Company's internal management reference purpose.

We understand that the use of our work product (regardless of form of presentation) would form part of the Company's business due diligence to the properties and we have not been engaged to make specific sale or purchase recommendations. We further understand that the use of our work product will not supplant other due diligence which a rational investor should conduct in reaching business decisions regarding the properties. Our findings and conclusion in this valuation are documented in a valuation report and submitted to the Company at today's date.

At the request of the management of the Company, we prepared this summary report (including this letter and the valuation certificate) to summarise our findings and conclusion as documented in the valuation report for the purpose of inclusion in this circular at today's date for the Company's shareholders' reference. Terms herein used without definition shall have the same meanings as in the valuation report, and the assumptions and caveats adopted in this summary report also apply to the valuation report.

BASIS OF VALUATION AND ASSUMPTIONS

According to the IVS which the HKIS Standards also follows, there are two valuation bases, namely market value basis and valuation bases other than market value. We considered that market value is the most appropriate basis of value for a wide range of applications, including the purpose of this engagement, thus, after discussed with the management of the Company, we have adopted the market value basis of the properties in our valuations. We confirmed that this is in line with the IVS and the HKIS Standards.

The term "Market Value" 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".

In valuing the properties in Groups I and II, we have adopted the comparable sales method of the Market Approach (also called sales comparison approach) on the assumption that the properties are sold with the benefit of vacant possession as at the Date of Valuation. The comparable sales method considers the sales, listings or offering of similar or substitute properties and related market data and establishes a value of a property that a reasonable investor would have to pay for a similar property of comparable utility and with an absolute title.

Our valuations of properties in Group I have been made on the assumptions, that

1. the legally interested party in the properties (that is Zastron Group in this case) sells the properties in the market in their existing states without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to increase the values of the properties;

2. the legally interested party in the properties has free and uninterrupted rights to use or assign the property interests for the whole of the unexpired terms as granted and any premiums payable have already been fully paid; and

3. the properties can be freely disposed and transferred free of all encumbrances at the Date of Valuation for its existing or alternative uses in the market to both local and overseas purchasers without payment of any premium to the government.

Should this is not be the case, it will have adverse impact to the values as reported.

Properties in Groups III, IV and V are either licenced or rented in Hong Kong, in Macao and in 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.

MATTERS THAT MIGHT AFFECT THE VALUES REPORTED

Based on the information made available to us, we are given to understand that the properties 1 and 2 in Group I are currently subject to 七通一平 Seven Accesses and a Leveling i.e. with the properties being leveled and services of electricity, water, gas, heat, drainage, sewerage and tele-communication connected to the periphery of the properties. As most of the services are unexposed or buried underground, we are unable to verify the relevant statements, but in our valuations, we have valued the properties in accordance with this information. Should this not be the case, the values reported will be affected significantly.

Based on the information made available to us, we were given to understand that the property 3 in Group II is currently using as various plantation farms by various occupants, and the purchaser has not yet fully paid the consideration. In our valuation, we have relied on the PRC legal opinion regarding the title of the property. No commercial value has been assigned to the property as Zastron Group has not obtained the land use rights of the property as at the Date of Valuation.

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

As at the Latest Practicable Date of this circular, we are unable to identify any adverse news against the properties which may affect the reported values in our work product. 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.

ESTABLISHMENT OF TITLES

Due to the market value basis of valuation, the management of the Company provided us the necessary documents to support that the legally interested party in the properties, the Zastron Group, has free and uninterrupted rights to assign, to mortgage or to let the properties (in this instance, an absolute title) free of all encumbrances and any premiums payable have already been paid in full or outstanding procedures have been completed. However, our procedures to value, as agreed with the management of the

Company, did not require us to conduct legal due diligence on the legality and formality on the way that the legally interested party obtained the properties from the relevant authorities.

For the sake of valuation, we have been provided with copies of the title documents regarding the properties in Groups I and II. We have conducted title searches of the properties in Groups III and IV in the Land Registry of Hong Kong and Conservatoria do Registo Predial 物業登記局 of Macao, respectively. However, we have not examined the original documents to verify the ownership and encumbrances or to ascertain the existence of any lease amendments, which may not appear on the copies handed to us. All documents disclosed (if any) are for reference only and no responsibility is assumed for any legal matters concerning the legal title and the rights (if any) to the properties valued. Any responsibility for our misinterpretation of the documents cannot be accepted. However, for properties in Groups I, II and V, the inherent defects in the land registration system of China forbidden us to inspect the original documents of properties in Groups I, II and V filed in the relevant authorities to verify ownership or to verify any amendment which may not appear on the copies handed to us. We need to state that we are not legal professionals and are not qualified to ascertain the titles and to report any encumbrances that may be registered against the properties. However, 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 Company with regard to the existing legally interested party in the properties in Groups I, II and V. We are given to understand that the PRC legal opinion was prepared by a qualified PRC legal adviser, 北京市金杜律師事務所 King & Wood. No responsibility and liability is assumed in relation to those legal opinions.

In our valuations, we have assumed that the legally interested party in the properties has obtained all the approval and/or endorsement from the relevant authorities, and that there would have no legal impediment (especially from the regulators) for the legally interested party to continue the ownership of the properties. Should this not be the case, it will affect our conclusion in this report significantly. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability is assumed.

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

	Document/Approval		
Property	**Enterprise Legal Person Business Licence**	**Contract for the Transfer of State-owned Land Use Rights or equivalent**	**State-owned Land Use Rights Certificate**
1.	Yes	Yes	Yes
2.	Yes	Yes	Yes
3.	Yes	Yes	No

INSPECTIONS AND INVESTIGATIONS OF THE PROPERTIES IN ACCORDANCE WITH VS4 OF THE HKIS STANDARDS

We have conducted inspection to the properties and made reference to our previous inspection records in respect of which we have been provided with such information as we have requested 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 the properties and our work product should not be taken as making any implied representation or statement about the condition of the properties. 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 inspected. 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 utilities (if any) and we are unable to identify those utilities covered, unexposed or inaccessible.

Our valuations have been made on the assumption that no unauthorised alteration, extension or addition has been made in the properties, and that the inspection and the use of this report do not purport to be a building survey of the properties. We have assumed that the properties are free of rot and inherent danger or unsuitable materials and techniques.

If the management of the Company is proposing to purchase the properties and wants to satisfy them as to the condition of it, then the management of the Company should obtain a surveyor's detailed inspection and report of their own before deciding whether or not to enter into an agreement for sale and purchase.

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

Our engagement and the agreed procedures to value the properties did not include an independent land survey to verify the legal boundaries 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 legal boundaries of such properties that appeared on the documents handed to us. No responsibility from our part is assumed. The management of the Company or interested party in the properties should conduct their own legal boundaries due diligence work.

We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of the properties, or has since been incorporated, 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 material 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.

SOURCES OF INFORMATION AND ITS VERIFICATION IN ACCORDANCE WITH VS5 OF THE HKIS STANDARDS

We have relied solely on the information provided by the management of the Company or its appointed personnel without further verification and have fully accepted advice given to us on such matters as planning approvals or statutory notices, locations, titles, easements, tenure, occupation, lettings, rental, site and floor areas and all other relevant matters.

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 our valuations. 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.

Unless otherwise stated, we have not carried out any valuation on a redevelopment basis and the study of possible alternative development options and the related economics do not come within the scope of our work product.

Our valuations have been made only based on the advice and information made available to us. While a limited scope of general inquiries had been made to the local property market practitioners, we are not in a position to verify and ascertain the correctness of the advice given by the relevant personnel. No responsibility and liability is assumed.

Information furnished by others, upon which all or portions of our work product are based, is believed to be reliable but has not been verified in all cases. Our procedures to value or work do not constitute an audit, review, or compilation of the information provided. Thus, no warranty is made nor liability assumed for the accuracy of any data, advice, opinions, or estimates identified as being furnished by others which have been used in formulating our work product.

When we adopted the work products from other professions, external data providers and the management of the Company in our valuations, the assumptions and caveats that adopted by them in arriving at their figures also applied in our valuations. The procedures we have taken do not provide all the evidence that would be required in an audit and, as we have not performed an audit, accordingly, we do not express an audit opinion.

We are unable to accept any responsibility for the information that has not been supplied to us by the management of the Company or its appointed personnel. Also, we have sought and received confirmation from the management of the Company or its appointed personnel that no materials 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 or its appointed personnel. 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.

Unless otherwise stated, all monetary amounts are in Hong Kong dollars (HK$). In valuing the properties in Group I, the adopted exchange rate was the prevailing rate as at the Date of Valuation, being Renminbi (Rmb) 0.96 per HK$1 and no significant fluctuation in exchange rate has been found between that date and the date of this letter.

LIMITING CONDITIONS OF THIS SUMMARY REPORT

Our opinion of values of the properties in this summary report is valid only for the stated purpose and only for the Date of Valuation, and for the sole use of the named Company. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this summary report, and the valuer accepts no responsibility whatsoever to any other person.

No responsibility is taken for changes in market conditions and local government policy and no obligation is assumed to revise the attached valuation certificate to reflect events or conditions, which occur or make known to us subsequent to the date hereof.

Neither the whole nor any part of this summary report or any reference made hereto may be included in any published documents, circular or statement, or 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 summary report in this circular to the Company's shareholders' reference.

Our maximum liability relating to services rendered under this engagement (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.

The Company is required to indemnify and hold us and our personnel harmless from any claims, liabilities, costs and expenses (including, without limitation, attorney's fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection with our report except to the extent that any such loses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence of our engagement team in conducting its work. This provision shall survive even after the termination of this engagement for any reason.

STATEMENTS

The attached valuation certificate is 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 the guidelines contained in the HKIS Standards. The valuations have been undertaken by valuers, acting as external valuers, qualified for the purpose of the valuations.

We retain a copy of this summary report and the detailed valuation report together with the data from which it was prepared, and these data and documents will, according to the Laws of Hong Kong, keep for a period of 6 years from the date of this report and to be destroyed thereafter. We considered these records confidential, and we do not permit access to them by anyone, with the exception for law enforcement authorities or court order, without the client's authorisation and prior arrangement made with us.

The valuations of the properties depend solely on the assumptions made in this report and not all of which can be easily quantified or ascertained exactly. Should some or all of the assumptions prove to be inaccurate at a later date, it will affect the reported values significantly.

We hereby certify that the fee for this service is not contingent upon our conclusion of values and we have no significant interest in the properties, the Zastron 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. PgD RPS (GP)
Managing Director

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

Contributing Valuer
Terry Fung Chi Hang *B.Sc.*

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, Guyana, Canada and the United States of America for various purposes since 1988. He has more than 18 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 8 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 by Zastron Group under long-term title certificate in the PRC and valued on market value basis

	Property	Amount of valuations in its existing state as at 30th September, 2007 *HK$*
1.	A parcel of vacant land known as Land No. B14-A (Lot No. 6-009-011-016) and situated at the Wuxi National Hi-tech Industries Development Zone Wuxi City Jiangsu Province The People's Republic of China	16,300,000 (100 per cent. interest)
2.	A parcel of vacant land known as Lot No. 6-007-040-013 and situated at the Wuxi New District Meicun Town Zhang Gong Qiao Village Wuxi City Jiangsu Province The People's Republic of China	12,700,000 (100 per cent. interest)
	Sub-total:	HK$29,000,000

Group II – Property to be acquired by Zastron Group in the PRC and valued on market value basis

3.	A parcel of vacant land known as Lot No. A614-0377 and situated at the Guang Ming New District Shenzhen Baoan Hi-Tech Industrial Park Guangdong Province The People's Republic of China	No Commercial Value
	Sub-total:	Nil

Group III – Property rented by the Zastron Group in Hong Kong and valued on market value basis

	Property	Amount of Valuations in its existing state as at 30th September, 2007
		HK$
4.	Suites 1506 – 1508 15th Floor, One Exchange Square No. 8 Connaught Place Central Hong Kong	No commercial value
	Sub-total:	Nil

Group IV – Property rented by the Zastron Group in Macao and valued on market value basis

	Property	Amount of Valuations in its existing state as at 30th September, 2007
		HK$
5.	C-17 17º Andar Edificio Comercial Rodrigues No 599 da Avenida da Praia Grande Macao	No Commercial Value
	Sub-total:	Nil

Group V – Property rented by the Zastron Group in the PRC and valued on market value basis

	Property	Amount of valuations in its existing state as at 30th September, 2007 *HK$*
6.	A factory complex located at Gushu Industrial Estate Xixiang Town, Baoan District Shenzhen Guangdong Province The People's Republic of China	No Commercial Value
	Sub-total:	Nil
	Grand Total:	HK$29,000,000

VALUATION CERTIFICATE

Group I – Properties held by Zastron Group under long-term title certificate in the PRC and valued on market value basis

	Property	Description and tenure	Particulars of occupancy	Amount of valuations in its existing state as at 30th September, 2007 *HK$*
1.	A parcel of vacant land known as Land No. B14-A (Lot No. 6-009-011-016) and situated at the Wuxi National Hi-tech Industries Development Zone Wuxi City Jiangsu Province The People's Republic of China	The property comprises a parcel of vacant land in a rectangular shape and having a site area of approximately 47,883 sq. m. The property is subject to a right to use the land for a term of 50 years from 25th December, 2006 to 24th December, 2056 for industrial purpose *(see Notes 1 and 2 below).*	At the time of our inspection, we noticed that the property was a vacant land without any construction activities.	16,300,000 (100 per cent.)

Notes:

1. The right to possess the land is held by the State and the right to use the land was granted to 世成晶電科技（無錫）有限公司 Zastron Precision-Tech (Wuxi) Co., Ltd. (a wholly-owned subsidiary of Zastron Precision-Tech Limited and hereinafter referred to as "Zastron Tech (Wuxi)") by a Contract for the Grant of State-owned Land Use Rights and known as Xi Xin Guo Tu Zi Jian Chu He (2006) Di 120 Hao at a consideration of Rmb8,618,940 (excluding community utilities charges)

2. Pursuant to a State-owned Land Use Rights Certificate known as Xi Xin Guo Yong (2007) Di 1108 Hao issued by the People's Government of Wuxi City on 8th May, 2007, the legally interested party in the property was Zastron Tech (Wuxi) with a term of land use till 24th December, 2056 for industrial purpose. According to the Certificate, Zastron Tech (Wuxi) is required to complete construction of the factory before 8th September, 2008.

3. According to a business registration certificate dated 23rd November, 2006, Zastron Tech (Wuxi) is a wholly foreign owned enterprise with a valid Enterprise Legal Person Business License from 23rd November, 2006 to 22nd November, 2056.

4. According to the legal opinion as prepared by the Company's PRC legal adviser, 北京市金杜律師事務所 (King & Wood), the following opinions are noted:

   (i) Zastron Tech (Wuxi) has obtained the right to use the land legally by way of assignment and the consideration as mentioned in Note 1 above has been fully paid;

   (ii) Zastron Tech (Wuxi) is the only legally interested party in the property and has the right to assign, lease or mortgage the property; and

   (iii) the property is free of registered encumbrances.

	Property	Description and tenure	Particulars of occupancy	Amount of valuations in its existing state as at 30th September, 2007 *HK$*
2.	A parcel of vacant land known as Lot No. 6-007-040-013 and situated at the Wuxi New District Meicun Town Zhang Gong Qiao Village Wuxi City Jiangsu Province The People's Republic of China	The property comprises a parcel of vacant land in a rectangular shape and having a site area of approximately 43,697.2 sq. m. The property is subject to a right to use the land for a term of 50 years from 31st December, 2006 to 30th December, 2056 for industrial purpose *(see Notes 1 and 2 below)*.	At the time of our inspection, we noticed that the property was a vacant land without any construction activities.	12,700,000 (100 per cent.)

Notes:

1. The right to possess the land is held by the State and the right to use the land was granted to 世成晶電柔性線路板(無錫)有限公司 Zastron Precision-Flex (Wuxi) Co., Ltd. (a wholly-owned subsidiary of Zastron Precision-Tech Limited and hereinafter referred to as "Zastron Flex (Wuxi)") by a Contract for the Grant of State-owned Land Use Rights and known as Xi Xin Guo Tu Zi Jian Chu He (2006) Di 162 Hao at a consideration of Rmb7,865,496 (excluding community utilities charges).

2. Pursuant to a State-owned Land Use Rights Certificate known as Xi Xin Guo Yong (2007) Di 1083 Hao issued by the People's Government of Wuxi City on 3rd April, 2007, the legally interested party in the property was Zastron Flex (Wuxi) with a term of land use till 30th December, 2056 for industrial purpose.

3. Pursuant to a Planning Permit for Using Construction Usage Land dated 20th November, 2006, Zastron Flex (Wuxi) is allowed to develop the land having a site area of approximately 44,005 sq.m.

4. According to a business registration certificate dated 23rd November, 2006, Zastron Flex (Wuxi) is a wholly foreign owned enterprise with a valid Enterprise Legal Person Business License from 23rd November, 2006 to 22nd November, 2056.

5. According to the legal opinion as prepared by the Company's PRC legal adviser, 北京市金杜律師事務所King & Wood, the following opinions are noted:

   (i) Zastron Flex (Wuxi) has obtained the right to use the land legally by way of assignment and the consideration as mentioned in Note 1 above has been fully paid;

   (ii) Zastron Flex (Wuxi) is the only legally interested party in the property and has the right to assign, lease or mortgage the property; and

   (iii) the property is free of registered encumbrances.

Group II – Property to be acquired by Zastron Group in the PRC and valued on market value basis

	Property	Description and tenure	Particulars of occupancy	Amount of valuations in its existing state as at 30th September, 2007
				HK$
3.	A parcel of vacant land known as Lot No. A614-0377 and situated at the Guang Ming New District Shenzhen Baoan Hi-Tech Industrial Park Guangdong Province The People's Republic of China	The property comprises a parcel of vacant land in a roughly triangular shape and having a site area of approximately 118,001.3 sq. m. The property is subject to a right to use the land for a term of 50 years from 30th June, 2007 for industrial purpose *(see Notes 1 and 2 below).*	At the time of our inspection, we noticed that the property was using as a plantation farm.	No Commercial Value *(see Notes 5 and 6 below)*

Notes:

1. The right to possess the land is held by the State and the right to use the land was granted to 世成電子（深圳）有限公司 Zastron Electronic (Shenzhen) Co. Ltd. (a wholly-owned subsidiary of Zastron Precision-Tech Limited and hereinafter referred to as "Zastron (SZ)") by a Contract for the Grant of State-owned Land Use Rights dated 30th June, 2007 and known as Shen De He Zi (2007) 4150 Hao at a total consideration of Rmb56,640,624 (including community utilities charges). The land is restricted for industrial purpose.

2. Pursuant to a supplementary agreement of the Contract mentioned in Note 1 above and dated 30th June, 2007, Zastron (SZ) has to pay 10 per cent of the total consideration as mentioned in Note 1 above as security deposit. Zastron SZ and the Land Resources Bureau of Shenzhen City shall settle the relocation and compensation issues of the land on or before 31 December 2007. Zastron (SZ) shall then settle the remaining consideration of Rmb50,976,562, which is to be satisfied by the internal resources of Zastron Group.

3. Pursuant to a Planning Permit for Using Construction Usage Land known as Shen Qui Xu HQ-2007-0052 Hao issued by the People's Government of Shenzhen City on 25th April, 2007, Zastron (SZ) is allowed to develop the land having a site area of approximately 118,000 sq.m and erect a 5-storey factory building and a 15-storey staff quarters having a total gross floor area of approximately 265,000 sq.m.

4. According to a business registration certificate dated 10th August, 2007, Zastron (SZ) is a wholly foreign owned enterprise with a valid Enterprise Legal Person Business License from 26th March, 1992 to 26th March, 2017.

5. According to the legal opinion as prepared by the Company's PRC legal adviser, 北京市金杜律師事務所King & Wood, the following opinions are noted:

   (i) Zastron (SZ) has settled the security deposit as mentioned in Note 2 above; and

   (ii) the land grant contract as mentioned in Note 1 above is not effective and Zastron SZ has not obtained the land use rights of the land.

6. Based on the PRC legal opinion as mentioned in Note 5 above, no commercial value has been assigned to the property although Zastron (SZ) has paid the security deposit of Rmb5,664,062.

Group III – Property rented by the Zastron Group in Hong Kong and valued on market value basis

Property	Description and occupancy	Amount of valuations in its existing state as at 30th September, 2007 *HK$*
4. Suites 1506 – 1508 15th Floor One Exchange Square No. 8 Connaught Place Central Hong Kong	The property comprises three adjoining office units on the 15th Floor of a 53-storeyed (including mezzanine floor and basement) commercial building which was completed in 1984. The property has a lettable floor area of approximately 3,482 sq.ft. (323.49 sq.m.) commencing from 1st September, 2005 and expiring on 31st August, 2008 at monthly rental of HK$226,330 exclusive of management fee and government rates for office usage. The property is currently occupied by the Zastron Group for office purpose. *(See Note 3 below)*	No commercial value

Notes:

1. The tenant of the property is Zastron Precision-Tech Limited, which is the tenant of the property.

2. The landlord of the property is The Hongkong Land Property Company, Limited, the registered owner of the property.

3. According to two various business facilities agreements both dated 21st September, 2005, the property is also occupied by Nam Tai Electronic & Electrical Products Limited and J.I.C Technology Company Limited at nil rental. 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 and J.I.C. Technology Company Limited to use the property as a licensee throughout the term of the tenancy.

Group IV – Property rented by the Zastron Group in Macao and valued on market value basis

	Property	Description and occupancy	Amount of valuations in its existing state as at 30th September, 2007
			HK$
5.	C-17 17º Andar Edificio Comercial Rodrigues No 599 da Avenida da Praia Grande Macao	The property comprises an office unit on the 17th Floor of a 18-storeyed office building which was completed in 1998. According to the information available to us, the property has an area of approximately 92.00 sq.m.. The property is rented to the Zastron Group for a term of 2 years commencing from 10th July, 2007 to 9th July, 2009 at a monthly rental of HK$9,100 inclusive of the rental for 3 air-conditioners but exclusive of management fee and other utilities charges. The tenant 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 automatically renew for 1 year if either parties do not serve the termination notice as mentioned above. The property is currently occupied by the Zastron Group for office purpose.	No Commercial Value

Notes:

1. The landlord of the property is F.Rodrigues (Sucessores) Limitada.

2. The tenant of the property is Zastron (Macao Commercial Offshare) Company Limited, which is a wholly-owned subsidiary of Zastron Precision-Tech Limited.

Group V – Property rented by the Zastron Group in the PRC and valued on market value basis

Property	Description and occupancy	Amount of valuations in its existing state as at 30th September, 2007 *HK$*
6. A factory complex located at Gushu 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. and 11 various buildings and structures. The buildings and structures including workshops, office buildings, staff quarters, canteen and other ancillary facilities which were completed in between 1996 and 2005, and of 3- to 8-storeyed in height. The property is rented to the Zastron Group for a term of 5 years commencing from 1st April, 2007 to 31st March, 2012 at a monthly rental of HK$830,000 inclusive of tax and management fee and water charges but exclusive of electricity charge. According to the lease agreement, workshops, office buildings and staff quarters having a total gross floor area of approximately 49,823.74 sq.m. are occupied on exclusive basis while others ancillary facilities having a total gross floor area of approximately 6,690.41 sq.m. is occupied on non-exclusive basis. *(See Note 3 below)* The property is currently occupied by the Zastron Group for manufacturing, storage, ancillary office, staff quarters and other supporting purposes.	No Commercial Value

Notes:

1. The lessor of the property is 南太電子(深圳)有限公司Namtai Electronic (Shenzhen) Co., Ltd., which is the legally interested party in the property.

2. The lessee of the property is世成電子(深圳)有限公司 Zastron Electronic (Shenzhen) Co. Ltd., which is a wholly-owned subsidiary of Zastron Precision-Tech Limited.

3. According to the information provided by the management of the Company, the breakdowns of gross floor area of the buildings and structures of the property are as follows:

Exclusively Occupied		**Gross Floor Area** *(sq.m.)*
(i)	Whole of the 5-storeyed workshop (Block 1)	15,041.68
(ii)	Whole of the 5-storeyed workshop (Block 2)	12,298.60
(iii)	Whole of the 3-storeyed office (Block 3)	3,708.42
(iv)	Whole of the four 6- and 7-storeyed staff quarters (Blocks 4 – 7)	17,653.50
(v)	Portion of an 8-storeyed senior staff quarters (which is erected on the land adjoining the land of the property in which the lessor is also the legally interested party)	1,121.54
Non-exclusively Occupied		
(i)	a 3-storeyed canteen (Block 9)	2,503.63
(ii)	a 3-storeyed electricity room (Block 10)	1,043.01
(iii)	a 2-storeyed office (composite building) (which is erected on the land adjoining the land of the property in which the lessor is also the legally interested party)	3,143.77

4. According to the legal opinion as prepared by the Company's PRC legal adviser, 北京市金杜律師事務所 King & Wood, the following opinions are noted:

   (i) the tenancy agreement for the exclusive occupied portion has been registered in the relevant government authorities and is legal and binding;

   (ii) although the tenancy agreement for non-exclusive occupied portion has not been registered, the lessor is the legally interested party in the property, the relevant tenancy agreement is also legal and binding; and

   (iii) the interest of lessee under the tenancy agreement is protected under the PRC law and regulation.

B. Property Interests of NTEEP Group

The following is the text of the letter, summary of values and valuation certificate on valuation of the property interests of NTEEP Group as at 30th September, 2007 prepared by LCH for the purpose of inclusion in this circular.

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

The readers are reminded that the report which follows has been prepared in accordance with the guidelines set by the International Valuation Standards, Eighth Edition, 2007 (the "IVS") published by the International Valuation Standards Committee and the HKIS Valuation Standards on Properties, First Edition, 2005 ("HKIS Standards") published by the Hong Kong Institute of Surveyors (the "HKIS"). Both standards entitle the valuer to make assumptions which may on further investigation, for instance by the readers' legal representative, prove to be inaccurate. Any exception is clearly stated below. Headings are inserted for convenient reference only and have no effect in limiting or extending the language of the paragraphs to which they refer.

17th Floor
Champion Building
287 – 291 Des Voeux Road
Central
Hong Kong

5th December, 2007

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 the instructions given by the management of 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") to us to value the properties held by the Group in Hong Kong, Japan, Macao and the People's Republic of China (hereinafter referred to as the "PRC" or "China"), 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, 2007 (hereinafter referred to as the "Date of Valuation") for the Company's internal management reference purpose.

We understand that the use of our work product (regardless of form of presentation) would form part of the Company's business due diligence to the properties and we have not been engaged to make specific sale or purchase recommendations. We further understand that the use of our work product will not supplant other due diligence which a rational investor should conduct in reaching business decisions regarding the properties. Our findings and conclusion in this valuation are documented in a valuation report and submitted to the Company at today's date.

At the request of the management of the Company, we prepared this summary report (including this letter and the valuation certificate) to summarise our findings and conclusion as documented in the valuation report for the purpose of inclusion in this circular at today's date for the Company's shareholders' reference. Terms herein used without definition shall have the same meanings as in the valuation report, and the assumptions and caveats adopted in this summary report also apply to the valuation report.

BASIS OF VALUATION AND ASSUMPTIONS

According to the IVS which the HKIS Standards also follows, there are two valuation bases, namely market value basis and valuation bases other than market value. We considered that market value is the most appropriate basis of value for a wide range of applications, including the purpose of this engagement, thus, after discussed with the management of the Company, we have adopted the market value basis of the properties in our valuations. We confirmed that this is in line with the IVS and the HKIS Standards.

The term "Market Value" 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".

There are three generally accepted approaches to value in arriving at the market value of a property on an absolute title basis, namely the Market Approach, the Cost Approach and the Income Approach. Having considered the general and inherent characteristics of properties in Group I, we have adopted the depreciated replacement cost ("DRC") approach which is an application of the Cost Approach in valuing specialised properties like properties in Group I. The use of this approach requires an estimate of the market value of the land use rights for its existing use, and an estimate of the new replacement cost of the buildings and other site works from which deductions are then made to allow for age, condition, and functional obsolescence taken into account of the site formation cost and those public utilities connection charges to the properties. The land use rights of these properties have been determined from market-based evidences by analysing similar sales or offerings of comparable properties.

The valuations of these properties are on the assumption that the properties are subject to the test of adequate potential profitability of the business having due regard to the values of the total assets employed and the nature of the operation.

By using this approach, the land should be assumed to have the benefit of 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, 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, fit for and capable of being occupied and used for the current use. These costs to be estimated are not to erect buildings in the future but have the buildings available for occupation at the date of valuation, the work having commenced at the appropriate time.

We need to state that our opinion of values of properties in Group I are not necessarily intended to represent the amount that might be realised from disposition of land use rights or various buildings of each of the properties on piece meal basis in the open market.

In valuing the properties in Group I, we have assumed that

1. the legally interested party in the properties sells the properties in the market in their existing states without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to increase the values of the properties;

2. the legally interested party in the properties has free and uninterrupted rights to use or assign the property interests for the whole of the unexpired terms as granted and any premiums payable have already been fully paid; and

3. the properties can be freely disposed and transferred free of all encumbrances at the Date of Valuation for their existing or alternative uses in the market to both local and overseas purchasers without payment of any premium to the government.

Should this not be the case, it will have adverse impact to the values as reported.

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

	Document/Approval		
Property	**Enterprise Legal Person Business Licence**	**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
Property 2	Yes	Yes	Yes

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 valuations, we have considered these properties as being owner-occupied and valued on the basis of DRC.

Properties in Groups II, III, IV and V are either licenced or rented by the Group in Hong Kong, in Japan, in Macao and in 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.

MATTERS THAT MIGHT AFFECT THE VALUES REPORTED

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

As at the Latest Practicable Date of this circular, we are unable to identify any adverse news against the properties which may affect the reported values in our work product. 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.

ESTABLISHMENT OF TITLES

Due to the market value basis of valuation, the management of the Company provided us the necessary documents to support that the legally interested party in the properties, the Group, has free and uninterrupted rights to assign, to mortgage or to let the properties (in this instance, an absolute title) free of all encumbrances and any premiums payable have already been paid in full or outstanding procedures have been completed. However, our procedures to value, as agreed with the management of the Company, did not require us to conduct legal due diligence on the legality and formality on the way that the legally interested party obtained the properties from the relevant authorities.

For the sake of valuation, we have been provided with copies of the title documents regarding the properties in Group I and have relied on the legal opinion as disclosed in the circular of the Company dated 11th November, 2005. We have conducted title searches of the properties in Groups II and IV in the Land Registry of Hong Kong and Conservatoria do Registo Predial 物業登記局 of Macao, respectively. However, we have not examined the original documents to verify the ownership and encumbrances or to ascertain the existence of any lease amendments, which may not appear on the copies handed to us. All documents disclosed (if any) are for reference only and no responsibility is assumed for any legal matters concerning the legal title and the rights (if any) to the properties valued. Any responsibility for our misinterpretation of the documents cannot be accepted. However, for properties in Groups I and V, the inherent defects in the land registration system of China forbidden us to inspect the original documents of properties in Groups I and V filed in the relevant authorities to verify ownership or to verify any amendment which may not appear on the copies handed to us. We need to state that we are not legal professionals and are not qualified to ascertain the titles and to report any encumbrances that may be registered against the properties. However, 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 opinions as provided by the Company with regard to the existing legally interested party in the properties in Groups I and V. We are given to understand that the PRC legal opinions were prepared by qualified PRC legal advisers Guangdong Jingtian Law Firm dated November 2005 and 北京市金杜律師事務所King & Wood dated 3rd December, 2007 respectively. No responsibility and liability is assumed in relation to those legal opinions.

In our valuations, we have assumed that the legally interested party in the properties has obtained all the approval and/or endorsement from the relevant authorities, and that there would have no legal impediment (especially from the regulators) for the legally interested party to continue the ownership of the properties. Should this not be the case, it will affect our conclusion in this report significantly. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability is assumed.

INSPECTIONS AND INVESTIGATIONS OF THE PROPERTIES IN ACCORDANCE WITH VS4 OF THE HKIS STANDARDS

As part of the agreed-upon procedures, we have conducted inspections to most of the properties and made reference to our previous inspection records of the properties in respect of which we have been provided with such information as we have requested 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 the properties and our work product should not be taken as making any implied representation or statement about the condition of the properties. 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 inspected. 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 utilities (if any) and we are unable to identify those utilities covered, unexposed or inaccessible.

Our valuations have been made on the assumption that no unauthorised alteration, extension or addition has been made in the properties, and that the inspection and the use of this report do not purport to be a building survey of the properties. We have assumed that the properties are free of rot and inherent danger or unsuitable materials and techniques.

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

Our engagement and the agreed procedures to value the properties did not include an independent land survey to verify the legal boundaries 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 legal boundaries of such properties that appeared on the documents handed to us. No responsibility from our part is assumed. The management of the Company or interested party in the properties should conduct their own legal boundaries due diligence work.

We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of the properties, or has since been incorporated, 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 material 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.

SOURCES OF INFORMATION AND ITS VERIFICATION IN ACCORDANCE WITH VS5 OF THE HKIS STANDARDS

We have relied solely on the information provided by the management of the Company or its appointed personnel without further verification and have fully accepted advice given to us on such matters as planning approvals or statutory notices, locations, titles, easements, tenure, occupation, lettings, rental, site and floor areas and all other relevant matters.

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 our valuations. 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.

Unless otherwise stated, we have not carried out any valuation on a redevelopment basis and the study of possible alternative development options and the related economics do not come within the scope of our work product.

Our valuations have been made only based on the advice and information made available to us. While a limited scope of general inquiries had been made to the local property market practitioners, we are not in a position to verify and ascertain the correctness of the advice given by the relevant personnel. No responsibility and liability is assumed.

Information furnished by others, upon which all or portions of our work product are based, is believed to be reliable but has not been verified in all cases. Our procedures to value or work do not constitute an audit, review, or compilation of the information provided. Thus, no warranty is made nor liability assumed for the accuracy of any data, advice, opinions, or estimates identified as being furnished by others which have been used in formulating our work product.

When we adopted the work products from other professions, external data providers and the management of the Company in our valuations, the assumptions and caveats that adopted by them in arriving at their figures also applied in our valuations. The procedures we have taken do not provide all the evidence that would be required in an audit and, as we have not performed an audit, accordingly, we do not express an audit opinion.

We are unable to accept any responsibility for the information that has not been supplied to us by the management of the Company or its appointed personnel. Also, we have sought and received confirmation from the management of the Company or its appointed personnel that no materials 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 or its appointed personnel. 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.

Unless otherwise stated, all monetary amounts are in Hong Kong dollars (HK$). In valuing the properties in Group I, the adopted exchange rate was the prevailing rate as at the Date of Valuation, being Renminbi (Rmb) 0.96 per HK$1 and no significant fluctuation in exchange rate has been found between that date and the date of this letter.

LIMITING CONDITIONS OF THIS SUMMARY REPORT

Our opinion of values of the properties in this summary report is valid only for the stated purpose and only for the Date of Valuation, and for the sole use of the named Company. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this summary report, and the valuer accepts no responsibility whatsoever to any other person.

No responsibility is taken for changes in market conditions and local government policy and no obligation is assumed to revise the attached valuation certificate to reflect events or conditions, which occur or make known to us subsequent to the date hereof.

Neither the whole nor any part of this summary report or any reference made hereto may be included in any published documents, circular or statement, or 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 summary report in this circular to the Company's shareholders' reference.

Our maximum liability relating to services rendered under this engagement (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.

The Company is required to indemnify and hold us and our personnel harmless from any claims, liabilities, costs and expenses (including, without limitation, attorney's fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection with our report except to the extent that any such loses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence of our engagement team in conducting its work. This provision shall survive even after the termination of this engagement for any reason.

STATEMENTS

The attached valuation certificate is 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 the guidelines contained in the HKIS Standards. The valuations have been undertaken by valuers, acting as external valuers, qualified for the purpose of the valuations.

We retain a copy of this summary report and the detailed valuation report together with the data from which it was prepared, and these data and documents will, according to the Laws of Hong Kong, keep for a period of 6 years from the date of this report and to be destroyed thereafter. We considered these records confidential, and we do not permit access to them by anyone, with the exception for law enforcement authorities or court order, without the Company's authorisation and prior arrangement made with us.

The valuations of the properties depend solely on the assumptions made in this report and not all of which can be easily quantified or ascertained exactly. Should some or all of the assumptions prove to be inaccurate at a later date, it will affect the reported values significantly.

We hereby certify that the fee for this service is not contingent upon our conclusion of values and we have no significant interest in the properties, 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	**Elsa Ng Hung Mui**
B.Sc. PgD RPS (GP)	*B.Sc. M.Sc. RPS (GP)*
Managing Director	*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, Guyana, Canada and the United States of America for various purposes since 1988. He has more than 18 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 8 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 by DRC

	Property	Interest attributable to the Group	Amount of valuations in its existing state as at 30th September, 2007 *HK$*
1.	A factory complex located at Gushu Industrial Estate Xixiang Town Baoan District Shenzhen Guangdong Province The People's Republic of China	100 per cent	182,800,000 *(see Note below)*
2.	A factory complex adjoining to Property 1 above and located at Gushu Industrial Estate Xixiang Town Baoan District Shenzhen Guangdong Province The People's Republic of China	100 per cent	209,000,000 *(see Note below)*
		Total:	**HK$391,800,000**

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 market value basis

	Property	Amount of Valuations in its existing state as at 30th September, 2007 *HK$*
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 market value basis

	Property	Amount of Valuations in its existing state as at 30th September, 2007 *HK$*
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 market value basis

Property	Amount of Valuations in its existing state as at 30th September, 2007 *HK$*
5. A-17 17° Andar Edificio Comercial Rodrigues No 599 da Avenida da Praia Grande Macao	No Commercial Value
6. 21° Andar A and a car parking space known as No. 19 of Lily Court Jardins Do Oceano Rua Seis Dos Jardins Do Oceano N° 141-A Taipa Macao	No Commercial Value
Sub-total:	**Nil**

Group V – Property rented by the Group in the PRC and valued on market value basis

Property	Amount of Valuations in its existing state as at 30th September, 2007 *HK$*
7. Whole of Level C12 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:	**HK$391,800,000**

VALUATION CERTIFICATE

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

	Property	Description and tenure	Particulars of occupancy	Amount of valuations in its existing state as at 30th September, 2007 *HK$*
1.	A factory complex located at Gushu 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-storeyed height and have a total gross floor area of approximately 58,743.99 sq.m. *(See Notes 3 and 4 below)* The property is subject to a right to use the land till 30th December, 2043 for industrial purpose. *(See Notes 1 to 3 below)*	The property is currently occupied by the Group for manufacturing, storage, ancillary office, staff quarters and other supporting purposes. *(See Note 4 below)*	182,800,000 (100 per cent. interest) *(See Notes 6 and 7 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 for a term of 30 years commencing from 31st December, 1993. According to relevant PRC laws and regulations, the lease term was changed to 50 years instead of 30 years.

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 53 various Realty Title Certificates issued by the People's Government of Shenzhen City dated 24th January, 2006, 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. According to the certificates and information provided by the management of the Company, the gross floor area of the following major buildings and structures is as follows:

		Gross Floor Area *(sq.m.)*
(i)	a 5-storeyed workshop (Block 1)	15,041.68
(ii)	a 5-storeyed workshop (Block 2)	12,298.60
(iii)	a 3-storeyed office (Block 3)	3,708.42
(iv)	a 7-storeyed staff quarters (Block 4)	4,367.58
(v)	a 7-storeyed staff quarters (Block 5)	4,367.58
(vi)	a 7-storeyed staff quarters (Block 6)	4,367.58
(vii)	a 6-storeyed staff quarters (Block 7)	4,550.76
(viii)	a 7-storeyed staff quarters (Block 8)	6,495.15
(ix)	a 3-storeyed canteen (Block 9)	2,503.63
(x)	a 3-storeyed electricity room (Block 10)	1,043.01

4. We are given to understand portions of the property are subject to inter-company lease. According to the HKIS 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 this property as being owner-occupied and valued by DRC approach.

5. 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.

6. According to the legal opinion as prepared by the Group's PRC legal adviser, Guangdong Jingtian Law Firm dated November 2005, 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) 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 but except the buildings and structures as mentioned in Note 3 (iii) to (x);

   (iii) 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;

   (iv) Existing use of the property comply with the land grant contract and the relevant Realty Title Certificates; and

   (v) The property is free of registered encumbrances.

7. Our valuation of the property indicates the value in use of owner occupied properties for financial statements purpose.

	Property	Description and tenure	Particulars of occupancy	Amount of valuations in its existing state as at 30th September, 2007 *HK$*
2.	A factory complex adjoining to Property 1 above and located at Gushu 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 are 8 various buildings and structures including a 2-storeyed composite building, a 5-storeyed office building, a 5-storeyed factory building, a 3-storeyed utilities building and an 8-storeyed staff quarters, a 3-storeyed canteen and two single storeyed supporting facilities building having a total gross floor area of approximately 41,927.06 sq.m. erected thereon. The buildings and structures were completed in between 2003 and 2006. *(See Notes 4 and 5 below).* The property is subject to a right to use the land till 25th April, 2049 for industrial purpose. *(See Notes 1 to 3 below)*	The property is currently occupied by the Group for manufacturing, storage, ancillary office, staff quarters and other supporting purposes. *(See Note 5 below)*	209,000,000 (100 per cent. interest) *(See Notes 7 and 8 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 5000247177 Hao issued by the People's Government of Shenzhen City dated 26th February, 2007, 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 the Realty Title Certificate mentioned in Note 5 above, the legally interested party in the following buildings is Namtai Electronic (Shenzhen) Co., Ltd. for a term of 50 years commencing from 26th April, 1999 to 25th April, 2049 for industrial usage. The gross floor area of the following major buildings and structures is as follows:

		Gross Floor Area *(sq.m.)*
(i)	a 2-storeyed office (composite building)	3,143.77
(ii)	a 5-storeyed office	4,420.02
(iii)	a 5-storeyed workshop	24,503.15
(iv)	a 3-storeyed facilities building	1,311.00
(v)	an 8-storeyed senior staff quarters	7,083.26
(vi)	a 3-storeyed canteen	1,355.86
(vii)	a single storeyed warehouse (dangerous goods)	35.75
(viii)	a single storeyed warehouse (wastes)	74.25

5. We are given to understand portions of the property are subject to inter-company lease. According to the HKIS 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 this property as being owner-occupied and valued by DRC approach.

6. 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.

7. According to the legal opinion as prepared by the Group's PRC legal adviser, Guangdong Jingtian Law Firm dated November 2005, 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 26th May, 1999; and the required land premium pursuant to the supplementary contract as mentioned in Note 2 above on 29th July, 2004;

   (ii) 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 unless additional premium is paid to the relevant local authority and complying with relevant rules and regulations; and

   (iii) The property is free of registered encumbrances.

8. Our valuation of the property indicates the value in use 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 market value basis

	Property	Description and occupancy	Amount of valuations in its existing state as at 30th September, 2007 *HK$*
3.	A portion of Suites 1506 – 1508 15th Floor One Exchange Square No. 8 Connaught Place Central Hong Kong	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. 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. 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. The property is currently occupied by the Group for office purpose.	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 Suites 1506-1508 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 market value basis

	Property	Description and occupancy	Amount of valuations in its existing state as at 30th September, 2007 *HK$*
4.	The whole of 6th Floor 3-12-12 Higashi-Nihonbashi Chuo-Ku Tokyo Japan	The property comprises the whole of the 6th Floor of a 9-storeyed commercial building which was completed in 1991. The gross floor area and lettable area of the property are approximately 99.10 sq. m. and 84.03 sq.m., respectively. The property is leased to the Group for a renewal term of 2 years commencing from 1st July, 2007 to 30th June, 2009 at a monthly rental of 203,360 yen exclusive of consumption tax, management fee and its consumption tax. The property is currently occupied by the Group for office purpose.	No Commercial Value

Notes:

1. The lessor of the property is 櫻正宗株式會社 (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 market value basis

	Property	Description and occupancy	Amount of valuations in its existing state as at 30th September, 2007 *HK$*
5.	A-17 17° Andar Edificio Comercial Rodrigues No 599 da Avenida da Praia Grande Macao	The property comprises an office unit on the 17th Floor of a 18-storeyed office building which was completed in 1998. According to the information available to us, the property has an area of approximately 73.60 sq.m. The property is rented to the Group for a term of 2 years commencing from 10th July, 2007 to 9th July, 2009 at a monthly rental of HK$7,350 inclusive of the rental for 2 air-conditioners but exclusive of management fee and other utilities charges. The tenant 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 automatically renew for 1 year if either parties do not serve the termination notice as mentioned above. The property is currently occupied by the Group for office purpose.	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.

	Property	Description and occupancy	Amount of valuations in its existing state as at 30th September, 2007 *HK$*
6.	21° Andar A and a car parking space known as No. 19 of Lily Court Jardins Do Oceano Rua Seis Dos Jardins Do Oceano N° 141-A Taipa Macao	The property comprises a residential unit on the 21st Floor of a 23-storeyed residential building which was completed in 2000. According to the information available to us, the property has an area of approximately 140.122 sq.m. The property is rented to the Group for a term of 2 years commencing from 16th September, 2007 to 15th September, 2009 (both days inclusive) at a monthly rental of HK$21,000 inclusive of fixtures and fittings, electrical appliances, management fee, club membership fee at Ocean Club, a car park and other services fee such as cleaning charge. The tenant has the right to terminate the tenancy agreement by giving 1 month prior written notice after expiry of 1 year term. The property is currently occupied by the Group as staff quarters.	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.

Group V – Property rented by the Group in the PRC and valued on market value basis

Property	Description and occupancy	Amount of valuations in its existing state as at 30th September, 2007 *HK$*
7. Whole of Level C12 Ming Wah International Conventional Centre No. 8 Gui Shan Road Shekou, Shenzhen Guangdong Province The People's Republic of China	The property comprises the whole of Level 12 of a 26-storeyed office/commercial building on top of 2 levels carpark podium which was completed in 1998. The property has a gross floor area of approximately 1,150 sq.m. The property is rented to the Group for a term of 1 year commencing from 20th July, 2007 to 19th July, 2008 at a monthly rental of Rmb70,150 inclusive of tax and cleaning charges but exclusive of management fee and electricity charge for office purpose. The tenant has priority to renew the tenancy agreement by giving 1 month advance notice prior to lease expiry date. The property is currently occupied by the Group for office and ancillary supporting facilities purposes.	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 Company's PRC legal adviser, 北京市金杜律師事務所 King & Wood, the tenancy agreement has been registered in the relevant government authorities and is legal and binding. The interest of the lessee under the tenancy agreement is protected under the PRC law and regulation.

C. Property Interest of Jetup

The following is the text of the letter and valuation certificate on valuation of the property interest of Jetup as at 30th September, 2007 prepared by LCH for the purpose of inclusion in this circular.

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

The readers are reminded that the report which follows has been prepared in accordance with the guidelines set by the International Valuation Standards, Eighth Edition, 2007 (the "IVS") published by the International Valuation Standards Committee and the HKIS Valuation Standards on Properties, First Edition, 2005 ("HKIS Standards") published by the Hong Kong Institute of Surveyors (the "HKIS"). Both standards entitle the valuer to make assumptions which may on further investigation, for instance by the readers' legal representative, prove to be inaccurate. Any exception is clearly stated below. Headings are inserted for convenient reference only and have no effect in limiting or extending the language of the paragraphs to which they refer.

17th Floor
Champion Building
287–291 Des Voeux Road Central
Hong Kong

5th December, 2007

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 the instructions given by the management of Nam Tai Electronic & Electrical Products Limited (hereinafter referred to as the "Company") to us to value a property interest currently held by Jetup Electronic (Shenzhen) Co., Ltd. (hereinafter referred to as the "Jetup") in the People's Republic of China (hereinafter referred to as the "PRC" or "China"), we confirm that we have made relevant enquiries and obtained such further information as we consider necessary to support our opinion of value of the property as at 30th September, 2007 (hereinafter referred to as the "Date of Valuation") for the Company's internal management reference purpose.

We understand that the use of our work product (regardless of form of presentation) would form part of the Company's business due diligence to the property and we have not been engaged to make specific sale or purchase recommendations. We further understand that the use of our work product will not supplant other due diligence which a rational investor should conduct in reaching business decisions regarding the property. Our findings and conclusion in this valuation are documented in a valuation report and submitted to the Company at today's date.

At the request of the management of the Company, we prepared this summary report (including this letter and the valuation certificate) to summarise our findings and conclusion as documented in the valuation report for the purpose of inclusion in this circular at today's date for the Company's shareholders' reference. Terms herein used without definition shall have the same meanings as in the valuation report, and the assumptions and caveats adopted in this summary report also apply to the valuation report.

BASIS OF VALUATION AND ASSUMPTIONS

According to the IVS which the HKIS Standards also follows, there are two valuation bases, namely market value basis and valuation bases other than market value. We considered that market value is the most appropriate basis of value for a wide range of applications, including the purpose of this engagement, thus, after discussed with the management of the Company, we have adopted the market value basis of the properties in our valuation. We confirmed that this is in line with the IVS and the HKIS Standards.

The term "Market Value" 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".

The property is rented by the Group in the PRC and no commercial value was assigned due mainly to the short-term nature of the tenancy agreements or prohibition against assignment or sub-letting or lack of substantial profit rents.

MATTERS THAT MIGHT AFFECT THE VALUE REPORTED

As at the Latest Practicable Date of this circular, we are unable to identify any adverse news against the property which may affect the reported value in our work product. Thus, we are not in the position to report and comment on its impact (if any) to the property. However, should it be established subsequently that such news did exist at the Date of Valuation, we reserve the right to adjust the value reported herein.

ESTABLISHMENT OF TITLES

For the sake of valuation, we have been provided with copies of the tenancy agreements regarding the property, but we have not been provided with title documents regarding the property. However, we have not examined the original documents to verify the ownership and encumbrances or to ascertain the existence of any lease amendments, which may not appear on the copies handed to us. All documents disclosed (if any) are for reference only and no responsibility is assumed for any legal matters concerning the legal title and the rights (if any) to the property valued. Any responsibility for our misinterpretation of the documents cannot be accepted. However, for property, the inherent defects in the land registration system of China forbidden us to inspect the original documents of the property filed in the relevant authorities to verify ownership or to verify any amendment which may not appear on the copies handed to us. We need to state that we are not legal professions and are not qualified to ascertain the titles and to report any encumbrances that may be registered against the property. However, 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 Company with regard to the existing legally interested party in the property. We are given to understand that the PRC legal opinion was prepared by a qualified PRC legal adviser 北京市金杜律師事務所King & Wood. No responsibility and liability is assumed in relation to those legal opinions.

INSPECTIONS AND INVESTIGATIONS OF THE PROPERTY IN ACCORDANCE WITH VS4 OF THE HKIS STANDARDS

We have conducted inspection to the exterior, where possible, interior of the property in respect of which we have been provided with such information as we have requested for the purpose of our valuation. We have not inspected those parts of the property 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 the property and our work product should not be taken as making any implied representation or statement about the condition of the property. 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 property inspected. We are not, however, able to report that the property is free from rot, infestation or any other structural defects. No tests were carried out to the utilities (if any) and we are unable to identify those utilities covered, unexposed or inaccessible.

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

Our engagement and the agreed procedures to value the property did not include an independent land survey to verify the legal boundaries of the property. 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 legal boundaries of such property that appeared on the documents handed to us. No responsibility from our part is assumed. The management of the Company or interested party in the property should conduct their own legal boundaries due diligence work.

We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of the property, or has since been incorporated, and we are therefore unable to report that the property is 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 material 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 property 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 property. We have not carried out any investigation into past or present uses, either of the property or of any neighbouring land, to establish whether there is any contamination or potential for contamination to the property 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 property or on any neighbouring land, or that the premises have been or are being put to a contaminative use, this might reduce the value now reported.

SOURCES OF INFORMATION AND ITS VERIFICATION IN ACCORDANCE WITH VS5 OF THE HKIS STANDARDS

We have relied solely on the information provided by the management of the Company or its appointed personnel without further verification and have fully accepted advice given to us on such matters as planning approvals or statutory notices, locations, titles, easements, tenure, occupation, lettings, rental, site and floor areas and all other relevant matters.

The scope of valuation has been determined by reference to the property list provided by the management of the Company. All property on the list have been included in our valuation. 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.

Unless otherwise stated, we have not carried out any valuation on a redevelopment basis and the study of possible alternative development options and the related economics do not come within the scope of our work product.

Information furnished by others, upon which all or portions of our work product are based, is believed to be reliable but has not been verified in all cases. Our procedures to value or work do not constitute an audit, review, or compilation of the information provided. Thus, no warranty is made nor liability assumed for the accuracy of any data, advice, opinions, or estimates identified as being furnished by others which have been used in formulating our work product.

When we adopted the work products from other professions, external data providers and the management of the Company in our valuation, the assumptions and caveats that adopted by them in arriving at their figures also applied in our valuation. The procedures we have taken do not provide all the evidence that would be required in an audit and, as we have not performed an audit, accordingly, we do not express an audit opinion.

We are unable to accept any responsibility for the information that has not been supplied to us by the management of the Company or its appointed personnel. Also, we have sought and received confirmation from the management of the Company or its appointed personnel that no materials factors have been omitted from the information supplied. Our analysis and valuation are based upon full disclosure between us and the Company of material and latent facts that may affect the valuation. We have had no reason to doubt the truth and accuracy of the information provided to us by the management of the Company or its appointed personnel. 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.

Unless otherwise stated, all monetary amounts are in Hong Kong dollars (HK$).

LIMITING CONDITIONS OF THIS SUMMARY REPORT

Our opinion of value of the property in this summary report is valid only for the stated purpose and only for the Date of Valuation, and for the sole use of the named Company. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this summary report, and the valuer accepts no responsibility whatsoever to any other person.

No responsibility is taken for changes in market conditions and local government policy and no obligation is assumed to revise the attached valuation certificate to reflect events or conditions, which occur or make known to us subsequent to the date hereof.

Neither the whole nor any part of this summary report or any reference made hereto may be included in any published documents, circular or statement, or 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 summary report in this circular to the Company's shareholders' reference.

Our maximum liability relating to services rendered under this engagement (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.

The Company is required to indemnify and hold us and our personnel harmless from any claims, liabilities, costs and expenses (including, without limitation, attorney's fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection with our report except to the extent that any such loses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence of our engagement team in conducting its work. This provision shall survive even after the termination of this engagement for any reason.

STATEMENTS

The attached valuation certificate is 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 the guidelines contained in the HKIS Standards. The valuation has been undertaken by valuers, acting as external valuers, qualified for the purpose of the valuation.

We retain a copy of this summary report and the detailed valuation report together with the data from which it was prepared, and these data and documents will, according to the Laws of Hong Kong, keep for a period of 6 years from the date of this report and to be destroyed thereafter. We considered these records confidential, and we do not permit access to them by anyone, with the exception for law enforcement authorities or court order, without the Company's authorisation and prior arrangement made with us.

The valuation of the property depend solely on the assumptions made in this report and not all of which can be easily quantified or ascertained exactly. Should some or all of the assumptions prove to be inaccurate at a later date, it will affect the reported value significantly.

We hereby certify that the fee for this service is not contingent upon our conclusion of value and we have no significant interest in the property, Jetup or the value reported.

The valuation certificate is attached.

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

Joseph Ho Chin Choi	**Elsa Ng Hung Mui**
B.Sc. PgD RPS (GP)	*B.Sc. M.Sc. RPS (GP)*
Managing Director	*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, Guyana, Canada and the United States of America for various purposes since 1988. He has more than 18 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 8 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 Valuation in Connection with Takeovers and Mergers published by the HKIS.

VALUATION CERTIFICATE

Property rented by Jetup in the PRC and valued on market value basis

Property	Description and occupancy	Amount of valuation in its existing state as at 30th September, 2007 *HK$*
A factory complex in Shenzhen Sanyidui Industrial Zone Zhoushi Road Jiuwei Village Xixiang Town Baoan District Shenzhen Guangdong Province The People's Republic of China	The property a parcel of land having a site area of approximately 27,150 sq.m. and 12 various major buildings and structures erected thereon. The buildings and structures includes 3 various 6-storeyed workshop buildings, a 6-storeyed office building, 3 various 7-storeyed staff quarters, a 4-storeyed composite building and various single to 2-storeyed supporting facilities building having a total gross floor area of approximately 70,552.55 sq.m. erected thereon. The buildings and structures were completed in 2004 (see Note 3 below). The property is rented to Jetup for a term till 31st May, 2012 at a current monthly rental of Rmb769,070 inclusive of tax and management fee and water charges but exclusive of electricity charge. The property is currently occupied by Jetup for manufacturing, office, staff quarters and ancillary supporting facilities purposes.	No commercial value

Notes:

1. The lessor of the property is 深圳市愉盛股份合作公司 (previously known as 寶安區新安街道辦翻身村三(1)隊經濟合作社) (no English translation is available).

2. The lessee of the property is Jetup Electronic (Shenzhen) Co., Ltd. (hereinafter referred to as "Jetup").

3. According to the information provided by the management of the Company, the gross floor area of the following major buildings and structures is as follows:

		Gross Floor Area *(sq.m.)*
(i)	a 6-storeyed workshop (Block A)	10,386.80
(ii)	a 6-storeyed workshop (Block B)	10,386.80
(iii)	a 6-storeyed office (Block C)	8,923.24
(iv)	a 6-storeyed workshop and its ancillary building (Block D)	15,286.88
(v)	a 7-storeyed staff quarters (Block E)	5,329.14
(vi)	a 7-storeyed staff quarters (Block F)	4,593.51
(vii)	a 7-storeyed staff quarters (Block G)	5,915.74
(viii)	a 4-storeyed composite building (Block J)	2,704
(ix)	a 7-storeyed senior staff quarters and the senior staff canteen (Block H1 – H3)	6,371
(x)	a single storeyed sewerage treatment plant	203.52
(xi)	a single storeyed pump room	24.96
(xii)	a 2-storeyed electricity room	426.96

4. According to a business registration certificate dated 8th March, 2007, Jetup is a wholly foreign owned enterprise with a valid Enterprise Legal Person Business License from 15th April, 1993 to 15th April, 2013.

5. According to the legal opinion as prepared by the Company's PRC legal adviser, 北京市金杜律師事務所 King & Wood, the main tenancy agreement has been registered in the relevant government authorities and all related agreements are legal and binding though some of the supplementary agreements have not been registered. The interest of the lessee under the tenancy agreements is protected under the PRC law and regulation.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to NTEEP. The directors of NTEEP collectively and individually accept full responsibility for the accuracy of information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES OR DEBENTURES

As at the Latest Practicable Date, the interests and short positions of the directors and chief executive of NTEEP in the shares, underlying shares or debentures of NTEEP or any of the associated corporations (within the meaning of the SFO) as required to be notified to NTEEP and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which he was taken or deemed to have under such provisions of the SFO); or required to be recorded in the register required to be kept by NTEEP pursuant to Section 352 of the SFO; or as otherwise notified to NTEEP and the Stock Exchange pursuant to the Model Code for Securities Transactions by directors of Listed Companies were as follows:

(a) Directors' Interests in shares of NTEEP

Name of Director	Nature of interest	Number of Shares held	Approximate percentage of the issued share capital of NTEEP
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

(c) Directors' Interests in shares of the associated corporation

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

(d) Share options granted by the associated corporation

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

Notes:

1. 14,986,553 shares are held by Asano Company Ltd., a company beneficially owned as to 49.9999% by Mr. Kazuhiro Asano and his spouse, Ms. Tazuko Asano.

2. 500,000 shares are held by Value Scale Investments Limited of which Ms. Rosalind G. D. Beczak, the spouse of Mr. Thaddeus Thomas Beczak, is the ultimate beneficial owner.

3. 50,000 shares are held by Ms. May Thiri, being the spouse of Mr. Roger Simon Pyrke.

4. 5,690,786 shares are held by Mr. Koo Ming Kown and his spouse of Ms. Cho Sui Sin.

5. The share options granted to Mr. Farina is subject to a veting period of 1 year with effect from 14th May, 2007.

Save as disclosed above, as at the Latest Practicable Date, none of the directors or chief executive of NTEEP or their respective associates had any interests and short positions in the share capital of NTEEP or any associated corporations as required to be notified to NTEEP and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which he was taken or deemed to have under such provisions of the SFO) or required to be recorded in the register required to be kept by NTEEP pursuant to Section 352 of the SFO or as otherwise notified to NTEEP and the Stock Exchange pursuant to the Model Code for Securities Transactions by directors of Listed Companies.

3. OTHER INTERESTS OF DIRECTORS

(a) Interests in service contracts

As at the Latest Practicable Date, none of the directors of NTEEP had entered into any service contracts with NTEEP or any member of the NTEEP Group, other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

(b) Interests in assets of the NTEEP Group

Since 31st December, 2006, the date to which the latest published audited accounts of NTEEP have been made up, none of the directors of NTEEP has, or has had, any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the NTEEP Group or are proposed to be acquired or disposed of by or leased to, any member of the NTEEP Group.

(c) Interests in contracts or arrangements

Save as disclosed above, none of the directors of NTEEP is materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the NTEEP Group taken as a whole.

4. SUBSTANTIAL SHAREHOLDER

As at the Latest Practicable Date, as far as is known to the directors of NTEEP and chief executive of NTEEP, the following persons (other than a Director or chief executive of NTEEP) had the following interests or short positions in shares or underlying shares of NTEEP which would fall to be disclosed to NTEEP under the provisions of Divisions 2 and 3 of the Part XV of SFO, or who is, 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 other members of the NTEEP Group:

Long positions in the shares of NTEEP:

Name of Shareholder	Number of Shares	Approximate percentage of Shareholding
NTEI	645,229,470	73.18%

Save as disclosed above, as far as was known to the directors of NTEEP as at the Latest Practicable Date, no other person (other than a director or chief executive) had any interest or short positions in shares or underlying shares of NTEEP which would fall to be disclosed to NTEEP under the provisions of Divisions 2 and 3 of the Part XV of SFO, or who is, 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 other members of the NTEEP Group.

5. COMPETING INTERESTS

As at the Latest Practicable Date, the directors of NTEEP were not aware that any of the directors has interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the NTEEP Group which falls to be disclosed under the Listing Rules.

6. LITIGATION

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

7. MATERIAL CONTRACTS

As at the Latest Practicable Date, there are no contracts, not being contracts entered into in the ordinary course of business of the NTEEP Group, have been entered into by the member of the NTEEP Group within the two years immediately preceding the Latest Practicable Date and are, or may be material.

8. MATERIAL CHANGE

The directors of NTEEP are not aware of any material adverse change in the financial or trading position of the NTEEP Group since 31st December, 2006 (being the date to which the latest published audited consolidated financial statements of the NTEEP Group were made up).

9. EXPERTS' DISCLOSE OF INTEREST AND CONSENT

(a) As at the Latest Practicable Date, DBS Asia (a licensed corporation under SFO permitted to be engaged in types 1, 4 and 6 of the regulated activities as stipulated in the SFO), LCH (an independent professional surveyor and property valuer) and Deloitte Touche Tohmatsu (certified public accountants) had no direct or indirect shareholding in any member of the NTEEP Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the NTEEP Group.

(b) As at the Latest Practicable Date, DBS Asia, LCH and Deloitte Touche Tohmatsu had no direct or indirect interests in any assets which have since 31st December, 2006 (being the date to which the latest published audited consolidated accounts of the NTEEP Group were made up) been acquired or disposed of by or leased to or by NTEEP or any of its subsidiaries, or are proposed to be acquired or disposed of by or leased to or by NTEEP or any of its subsidiaries.

(c) DBS Asia, LCH and Deloitte Touche Tohmatsu have given and have not withdrawn its written consent to the issue of this circular with the inclusion therein of their respective letters or reports and reference to its name in the form and context in which it appears.

10. MISCELLANEOUS

(a) NTEEP's branch share registrar and transfer office of NTEEP in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

(b) The company secretary of NTEEP is Mr. Wong Long Kee. He is a solicitor of the High Court of the Hong Kong Special Administrative Region. He graduated from the University of Hong Kong with a Bachelor of Laws in 1994 and Postgraduate Certificate in Laws in 1995.

The qualified accountant of NTEEP is Ms. Sit Fung Ying, Connie. She is a fellow of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. She also holds a Master of Business Administration degree and a Master of Professional Accounting degree awarded by the Hong Kong Polytechnic University.

(c) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at NTEEP's Hong Kong office at Suites 1506–1508, 15th Floor, One Exchange Square, 8 Connaught Place, Central, Hong Kong up to and including 20th December, 2007:

(a) the JIC Agreement, the Namtek Agreement and the NTEEP Agreement;

(b) the letter from DBS Asia to the NTEEP Independent Board Committee and the NTEEP Independent Shareholders as set out on pages 57 to 101 of this circular;

(c) the valuation reports from LCH as set out in Appendix IX of this circular;

(d) the written consents referred to in paragraph 9 of this Appendix;

(e) the circular of NTEEP dated 16th May, 2007;

(f) the memorandum of association and articles of association of NTEEP; and

(g) the annual report of NTEEP for the financial year ended 31st December, 2006.

NAM TAI ELECTRONIC & ELECTRICAL PRODUCTS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2633)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the shareholders of Nam Tai Electronic & Electrical Products Limited (the "Company") will be held at The Mandarin Oriental Hong Kong, No. 5 Connaught Road, Central, Hong Kong on 20th December, 2007, Thursday, at 10:30 a.m. for the purpose of considering and, if it thought fit, passing the following resolutions as ordinary resolutions:–

ORDINARY RESOLUTIONS

1. "**THAT** the Namtek Agreement (as defined and described in the circular to the shareholders of Nam Tai Electronic & Electrical Products Limited dated 5th December, 2007, a copy of which will be produced to the meeting marked "A" and signed by the Chairman hereof for the purpose of identification) (the "Circular") and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed and any one of the directors of Nam Tai Electronic & Electrical Products Limited be and is hereby authorised to sign, execute and deliver all such documents and take all such actions as he may consider necessary or desirable for the purpose of or in connection with the Namtek Agreement."

2. "**THAT** the NTEEP Agreement (as defined and described in the Circular) and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed and any one of the directors of Nam Tai Electronic & Electrical Products Limited be and is hereby authorised to sign, execute and deliver all such documents and take all such actions as he may consider necessary or desirable for the purpose of or in connection with the NTEEP Agreement."

By Order of the Board
Kazuhiro Asano
Chairman

Dated 5th December, 2007

NOTICE OF EXTRAORDINARY GENERAL MEETING

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

Hong Kong Office:
Suites 1506–1508
15th Floor
One Exchange Square
8 Connaught Place
Hong Kong

Notes:

1. A member of NTEEP entitled to attend and vote at a meeting of NTEEP shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the above meeting of NTEEP. A proxy need not be a member of NTEEP. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.

2. Where there are joint holders of any share, any one of such joint holder may vote, either in person or by proxy in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of NTEEP in respect of the joint holding.

3. A form of proxy is enclosed herewith.

4. To be valid, a form of proxy, together with any power of attorney or other authority (if any) under which it is signed, or a certified copy of such power of authority, shall be delivered to the offices of NTEEP's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible, and in any event not less than 48 hours before the time appointed for holding the meeting or adjourned meeting and in default the instrument appointing a proxy shall not be treated as valid. Delivery of any instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.

5. The ordinary resolutions will be voted upon by way of a poll in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.