Namtai

ANNUAL REPORT
2007

Stock Code: 2633

Nam Tai Electronic & Electrical Products Limited

A member of the Nam Tai Group

(Incorporated in the Cayman Islands with limited liability)

Nam Tai Electronic & Electrical Products Limited, a subsidiary of Nam Tai Electronics, Inc. which is listed on the New York Stock Exchange (NYSE stock symbol: NTE), is an electronics manufacturing and design services provider to a select group of the world's leading OEMs of telecommunications and consumer electronic products. Through our electronics manufacturing services operations, we manufacture electronic components and subassemblies, including LCD panels, LCD modules, RF modules, DAB modules, FPC subassemblies and image sensors modules and PCBAs for headsets containing Bluetooth® (Note) wireless technology. These components are used in numerous electronic products, including mobile phones, laptop computers, digital cameras, electronic toys, handheld video game devices, and entertainment devices. We also manufacture finished products, including mobile phone accessories, home entertainment products and educational products.

Note: With respect to the use of "Bluetooth®" in this Report, the Bluetooth® word mark and logos are owned by the Bluetooth SIG, Inc. and any use of such mark by the Company is under licence.

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Masaaki YASUKAWA *(Chief Executive Officer)*
John Quinto FARINA *(Chief Financial Officer)*
WANG Lu-Ping *(Chief Operating Officer)*
Kazuhiro ASANO*(Note)*
WONG Kuen Ling, Karene
LEI Lai Fong, Patinda
CHUI Kam Wai

Non-executive Director
KOO Ming Kown *(Non-executive Chairman)*

Independent Non-executive Directors
CHAN Tit Hee, Charles
Thaddeus Thomas BECZAK
Roger Simon PYRKE

AUDIT COMMITTEE

CHAN Tit Hee, Charles *(Chairman)*
Thaddeus Thomas BECZAK
Roger Simon PYRKE

REMUNERATION COMMITTEE

Thaddeus Thomas BECZAK *(Chairman)*
KOO Ming Kown
Roger Simon PYRKE

COMPANY SECRETARY

WONG Long Kee

AUDITOR

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

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited

WEB SITE

http://www.namtaieep.com

Note: resigned as an Executive Director on 1 March 2008.

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

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

HONG KONG OFFICE

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

P.R.C. OFFICE

Gushu Industrial Estate
Xixiang, Baoan
Shenzhen, People's Republic of China

MACAO OFFICE

Units A and D, 17th Floor
Edificio Comercial Rodrigues
599 da Avenida da Praia Grande
Macao

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

During the quarter ended 31 December 2007, Nam Tai Electronic & Electrical Products Limited (the "Company") and its subsidiaries (collectively the "Group") recorded sales of US$63.2 million, representing an increase of approximately 29.2% as compared with the last quarter of 2006, which was mainly due to the increase in sales of mobile phone accessories and home entertainment devices. Gross profit for the fourth quarter of 2007 increased by approximately 37.2% from US$7.3 million to US$10.0 million as compared with the same period last year. Operating income and profit attributable to the equity holders of the Company for the fourth quarter of 2007 increased by approximately 79.1% and 257.4% respectively as compared with the same period last year.

For the twelve months ended 31 December 2007, sales of the Group increased by approximately 59.1% from US$178.3 million to US$283.8 million when compared with the same period last year. For the same reason as stated above, gross profit increased by approximately 62.1% from US$30.1 million to US$48.8 million as compared with the same period last year. Operating income and profit attributable to the equity holders of the Company for the twelve months ended 31 December 2007 also increased by approximately 97.3% and 251.2% respectively as compared with the same period last year.

OUTLOOK

The Company is operating in a challenging business environment, where competition remains intense and is expected to continue to manifest itself in pricing pressures from customers. This is expected to pose a significant ongoing challenge for the electronics manufacturing services industry in the coming years. Additionally, we will also have to face issues such as the continuing appreciation of Renminbi, changing tax and labour laws in the People's Republic of China ("PRC"), shortages of electricity supply and increases in overheads resulting from inflation. We continue to concentrate our efforts to improve manufacturing efficiencies, broaden our product offerings and diversify our customer base. Going forward, we are still cautiously optimistic about our business levels in 2008. In the first quarter of 2008, we anticipate steady business levels in the consumer electronics and communications segment and liquid crystal display ("LCD") product segment. However, we anticipate continuing weakness in demand in the telecommunications component assembly segment. Longer-term, the Company will strive to improve profitability in its core operations, especially after the increase in capacities from the production in the new factory facilities when they become operational.

As of 31 December 2007, we had spent approximately US$9.0 million as the land price for acquiring the land in Guangming Hi-Tech Industrial Park, Shenzhen. We are currently awaiting the land use right certificate to be issued by the PRC Bureau of State Land and Resources. In regard to the expansion project in Wuxi, Jiangsu Province, a competitive bidding process was implemented and we awarded construction of the project to a local Wuxi construction company which we believe has a strong management team that includes experienced members from both Hong Kong and the PRC.

CHAIRMAN'S STATEMENT

REORGANIZATION

As jointly announced previously by Nam Tai Electronics, Inc. ("NTEI") (NYSE stock symbol: NTE, a company listed on the New York Stock Exchange and the holding company of the Company), the Company and J.I.C. Technology Company Limited ("JIC") (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited ("SEHK") (SEHK stock code: 987)), the reorganization of NTEI and its subsidiaries (collectively the "NTEI Group") consisting of the Company and JIC (the "Reorganization") was completed in Macao, PRC on 31 December 2007. The Group is now in the process of reorganizing its internal structure in order to realize the expected benefits arising from centralization of resources, the efficient exchange of know-how and technology among the Group's business units, and a reduction of overhead costs following the Reorganization.

The Company sold Namtek Japan Company Limited and Shenzhen Namtek Co., Ltd. (collectively the "Namtek Group") to JIC on 31 December 2007 under the Reorganization. During the financial year ended 31 December 2007, Namtek Group recorded revenue of US$2.3 million and profit for the year of US$0.7 million, accounting for approximately 0.8% and 1.1% of the total revenue and profit for the year of the Group respectively. The disposal has no material impact on the Company's future performance.

APPRECIATION

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

Koo Ming Kown
Non-Executive Chairman

Hong Kong, 2 February 2008

SEGMENT INFORMATION

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

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

Mobile Phone Accessories

During the twelve months ended 31 December 2007, the Group recorded sales of mobile phone accessories of US$153.78 million, representing approximately 54.2% of the Group's turnover and a significant growth of approximately 48.6% when compared to US$103.47 million for the same period last year, as a result of increased sales in Bluetooth® headsets, and the Group's diversification off into new product categories of mobile speakers and wired headsets.

Home Entertainment Devices

During the twelve months ended 31 December 2007, sales of home entertainment devices were US$68.60 million, representing an increase of approximately 88.1% from US$36.47 million for the same period last year. This significant increase was attributable to an overall increase in the sale of game accessories products and the introduction of PLAYSTATION®Eye (for PLAYSTATION®3) for the rollout of Sony Computer Entertainment's PlayStation®3.

Educational Products

During the twelve months ended 31 December 2007, the Group's educational product business achieved sales of US$39.24 million, representing an increase of approximately 53.5% as compared to sales of US$25.56 million for the same period last year. This increase was largely attributable to the acquisition of a new customer, Leapfrog Enterprises, Inc., an educational toy company based in the United States, for whom the Group manufactured a digital pen product called the Fly Fusion™ Pentop Computer.

Optical Devices

During the twelve months ended 31 December 2007, sales of optical devices increased to US$19.86 million, representing an increase of approximately 102.2% as compared to sales for the same period last year of US$9.83 million. The increase was mainly attributable to sales of optical devices for a new notebook computer of a reputable Japanese client in 2007.

Software Development Services

During the twelve months ended 31 December 2007, sales amounted to US$2.28 million, representing a decrease of approximately 23.9% from US$3.00 million for the same period last year.

RESEARCH AND DEVELOPMENT

We invest in research and development for developing products, manufacturing and assembly technology that provide us with the potential to offer better and more technologically advanced services to our customers or assist us in working with our customers and in the design and development of future products. We plan to continue acquiring advanced design equipment and to enhance our technological expertise through continued training of our engineers and further hiring of qualified system engineers. The Group will also train new engineers in regard to the company processes, procedures on design techniques, manufacturing and testing engineering requirements as well as specific customers' needs. These investments are intended to improve the speed, efficiency, costs and quality of our assembly processes.

Additionally, we are responsible for the design and development of new products specified by our customers. We sell these products to OEM customers to be marketed to end users under the customers' brand names.

As at 31 December 2007, Namtai Electronic (Shenzhen) Co., Ltd. ("NTSZ") has 195 engineers specializing in design, manufacturing and test engineering functions, and the Namtek Group has approximately 100 software engineers.

Using its experience in manufacturing headsets featuring Bluetooth® wireless technology, NTSZ managed to develop more products for existing customers and break into new customer base in the mobile accessories market.

NTSZ also developed new CMOS camera modules which have been incorporated into notebook computer of leading brands. On educational products, NTSZ developed a new customer base to manufacture learning devices based on digital pen solution. For home entertainment devices, a new version of game accessories with wireless technology and USB 2.0 interfaces has also been developed for our customer.

The Namtek Group successfully developed for customers over 20 software projects in dictionaries and products using 3D sensor. The Namtek Group has also been engaged in developing portable navigation device (PND), navigation map, POI data conversion and compression, GPS location tracking device and will continue its development efforts on GPS and navigation products and their related technology with an aim to entering this market in the future.

Additionally, NTSZ has diversified into the development of WiFi, GPS and Portable Media Player (PMP) platforms together with key chipset manufacturers to support customers in these areas in 2008.

NTSZ's core engineering strength lies in electronics and mechanical design, packaging, manufacturing and testing for OEM customers and the development of products in optical, acoustics and RF technologies including Bluetooth®, GPS and WiFi.

ENHANCEMENT OF PRODUCTION CAPABILITIES

Manufacturing Technology

In 2007, NTSZ had 15 SMT production lines and 2 COB production lines to cope with future growth and expansion. In 2007, we used for the first time a wire bonder machine using stud bump process in the second COB bonding for specific camera modules to be embedded in notebook computers.

In April 2007, three sets of AOI (Auto Optical Inspection) solder paste inspection machines for use in high density PCBA products, such as Bluetooth® headsets, digital pens and laptop built-in camera module were also introduced in the SMT production line. The contribution of these AOI machines was to improve the first pass yield and to increase efficiency.

As of 31 December 2007, we had eight clean rooms at our principal manufacturing facilities, which housed COB, COF, COG and Chip Scale Package capabilities for manufacturing CMOS sensor modules, electronic calculators, digital camera accessories and LCD modules. We also had four clean rooms at another factory, which we used to manufacture LCD panels and modules.

Typically used in manufacturing or scientific research, a clean room is an environment that has a low level of environmental pollutants such as dust, airborne microbes, aerosol particles and chemical vapours. In other words, a clean room has a controlled level of contamination that is specified by the number of particles per cubic metre at a specified particle size. Of our 12 clean rooms as at 31 December 2007, 4 were class ten thousand, 6 were class one thousand, and 2 were class one hundred.

Production Space

The existing factory premises of NTSZ have a total area of approximately 51,800 square metres. The office building, staff quarters and ancillary facilities have a total area of approximately 8,100 square metres, 31,200 square metres and 9,500 square metres respectively.

As to the future plan after the Reorganization, we intend to commence construction of a new factory in Guangming Hi-Tech Industrial Park, Shenzhen in early 2009. The Group intends to use the new facility as its PRC headquarters and also to increase manufacturing capacity. We expect the additional space will meet our capacity needs in Shenzhen up to 2015.

In addition to the expansion project to build a new factory in Shenzhen, PRC, the Group continues to implement its plans to establish an industrial presence in Wuxi, Jiangsu Province, located on the East Coast of the PRC, approximately 80 miles northwest of Shanghai. The two parcels of land situated at Wuxi acquired by the Group in 2006, approximately three miles apart, have an area of approximately 43,700 square metres and 47,900 square metres respectively. We started the construction of our new Wuxi facility in January 2008 with respect to one of the parcels and we hope to begin mass production of FPC boards and FPC subassemblies there in early to mid-2009. We are currently considering the best use of the second parcel of land in Wuxi and the land in Guangming Hi-Tech Industrial Park, given the amalgamated manufacturing operations after the Reorganization.

Quality Assurance

We maintain strict quality control programs for our products, including the use of total quality management systems and advanced testing and calibration equipment. Our quality control personnel regularly test the quality of incoming raw materials and components. During the production stage, our quality control personnel also test the quality of work-in-progress at several points in the production process. Finally, after the assembly stage, we conduct testing of finished products. In addition, we facilitate our major customers in monitoring our production of their products by allowing their representatives to use our office space and to have direct access to our manufacturing personnel at our principal manufacturing facilities.

ISO 9001

All of our manufacturing facilities are certified under ISO 9001 quality standards of the International Organization for Standardization, or ISO. The ISO is a Geneva-based organization dedicated to the development of worldwide standards for quality management guidelines and quality assurance. ISO 9000, which was the first quality system standard to gain worldwide recognition, requires a company to gather, analyze, document, monitor and make improvements where needed. Our certification under an ISO 9001 quality standard demonstrates that our manufacturing operations meet the most demanding of the established world standards.

ISO 14001

All of our manufacturing facilities are also certified under an ISO 14001 environmental management standard, which was published in 2004 to provide a structured basis for environmental management control.

Six Sigma

In 2004, our principal manufacturing facilities were recognized by the China Association for Quality of PRC Government as a "National Advanced Enterprise for the Promotion of Six Sigma". Six Sigma is an internationally recognized approach that uses facts and data to develop better solutions, thereby reducing defects and production times, and improving customer satisfaction. This approach allows the Company to lower its costs due to the minimization of manufacturing defects, which results in improved profit margins and higher competitiveness.

During 2007, we speeded up Six Sigma deployment activities to further consolidate our overall quality management system. A total of 106 six sigma projects were successfully implemented to reduce manufacturing defects, improve process capability and testing system stability through variation reduction by applying Six Sigma DMAIC (Define, Measure, Analysis, Improve, Control) methodology and other Six Sigma tools. The efforts of our Six Sigma team (including representatives from our suppliers) were able to improve the quality chain of our suppliers, not only at mass production stage but also at new product development stage. Six Sigma helped our suppliers to provide consistent good quality products, which in turn allowed us to delight our customers with a supply chain producing high volumes of products of high quality, with great efficiency and at low cost.

Six sigma deployment is becoming more and more prevalent within the Group. During 2007, employees who were Six Sigma black belts have been selected to attend more comprehensive training. The Six Sigma black belts comprehensive curriculum includes not only hard skill training such as in Six Sigma methodology and high level statistical analysis tool, but also soft skill training such as in communication, leadership, etc.

When they have completed training, it is expected that black belts will attain the ability to lead complex multi function projects in order to add value to our customers. They will further attend the examination (of the third part) after training, and will obtain the relevant certification from China Association for Quality of PRC Government in year 2008. We are confident that the successful deployment of Six Sigma strategy will provide the Group with higher market competitiveness due to better quality management, higher production efficiency and flexibility as well as elimination of unnecessary inspection and rework.

ENVIRONMENTAL FRIENDLY AND HEALTH & SAFETY MEASURES

RoHS Directives

The directives of Restriction of Certain Hazardous Substances (RoHS) restrict the use of certain hazardous substances in electrical and electronic equipment and have been in force throughout the European Community since 1 July 2006.

As a manufacturer of electrical and electronic products, the Group recognizes its responsibilities to protect human health and to establish an environmentally sound system to dispose of waste electrical and electronic equipment. All of our products are RoHS compliant.

In January 2008, NTSZ was awarded the IECQ Certificate of Hazardous Substance Process Management applicable to RoHS requirements and customer specified requirements (QC080000), certifying that the Group has developed and implemented Hazardous Substance Process Management, procedures and related processes to control the use of those hazardous substances (including the six prohibited substances of RoHS) in materials or components in accordance with customers' requirements and national regulations.

Environmental Protection

During 2007, NTSZ has successfully passed the survey audit on ISO 14001:2004 environmental management system. The Group was successively awarded "the SONY Green Partner Certificate", Canon's "Certificate of Green Activity" and "Green Enterprise" issued by the State Environmental Protection Administration of PRC.

Corporate Social Responsibility

In May 2007, NTSZ was granted with a Seal of Compliance (Seal Number: C0801) by the International Council of Toy Industries ("ICTI") CARE Process, demonstrating that NTSZ had been verified to satisfy the strict provisions of the Code of Business Practices issued by ICTI in ensuring the toy products that NTSZ produces are made in a socially responsible environment. Being recognized as a qualified player in this field, NTSZ hopes to gain more business in this area in the future. The CARE Process is ICTI's program to promote ethical manufacturing, in the form of fair labour treatment, as well as employee health and safety, in the toy industry supply chain worldwide.

In January 2007, NTSZ was awarded an "Occupational Health and Safety Management System (OHSAS 18001) Certificate" by Shenzhen Southern Certification Co., Ltd., demonstrating that NTSZ had established a sound management system on occupational health and safety to eliminate or minimize risk to employees during production. An excellent manufacturing environment is also conducive to a smooth and stable production process which will improve yield rate and increase customers' satisfaction ultimately.

LIQUIDITY, FINANCIAL RESOURCES AND FINANCIAL RATIOS

The Group continued to maintain a sound financial position during the year 2007, with 17.5 US cents (2006: 6.9 US cents) of cash per share ("Share") and 23.2 US cents (2006: 19.2 US cents) of net asset per Share based on 881,670,588 (2006: 881,670,588) issued ordinary Shares. As at 31 December 2007, the Group had a cash to current liabilities ratio of 0.98 (2006: 1.65), a current ratio of 1.87 (2006: 3.50), a total assets to total liabilities ratio of 1.45 (2006: 5.62), and approximately US$154.2 million (2006: US$60.5 million) of bank balances and cash.

At the year end, the Group had cash of US$154.2 million which was mainly located in the PRC. It also had external debts of US$318.4 million, including an unsecured loan of US$311.4 million borrowed from NTEI, as a result of the Reorganization and a bank borrowing of US$7.0 million as at the end of the period under review.

The gearing ratio was 1.56. The Group recorded debtors turnover days of approximately 39 days for the 12 months ended 31 December 2007 (approximately 61 days for the 12 months ended 31 December 2006) based on the amount of trade debtors (prior to the Reorganization) as at the relevant period end divided by sales of the same period and multiplied by 365 days.

The Group recorded inventory turnover days of approximately 25 days for the 12 months ended 31 December 2007 (approximately 24 days for the 12 months ended 31 December 2006) based on the amount of inventories (prior to the Reorganization) as at the relevant period end divided by cost of sales of the same period and multiplied by 365 days.

FOREIGN EXCHANGE EXPOSURE

Since most business transactions conducted by the Group and payments made to suppliers are either in Hong Kong Dollars, United States Dollars or Renminbi, the Group currently does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure from time to time and will consider hedging significant foreign currency exposure when the need arises.

INVESTMENT IN TCL CORPORATION ("TCL CORP.")

On 20 April 2007 and 23 April 2007, the Group disposed of 39,000,000 and 41,600,173 A-shares respectively 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).

FINAL DIVIDEND

It was stated in the circular of the Company dated 5 December 2007 that the Company intended to pay a final dividend of 20 HK cents per Share (equivalent to 2.56 US cents) for the year ended 31 December 2007. The Board has now decided to declare a higher final dividend of 30 HK cents per Share (equivalent to 3.85 US cents).

20 HK cents per Share (equivalent to 2.56 US cents) of the final dividend is expected to be paid on or around 22 April 2008 to shareholders whose names appear on the register of members of the Company on 15 April 2008, and the remaining 10 HK cents per Share (equivalent to 1.28 US cents) is expected to be paid on or around 28 August 2008 to shareholders whose names appear on the register of members of the Company on 15 August 2008. In addition to the interim dividend of 10 HK cents per Share (equivalent to 1.28 US cents), the total dividends paid for the financial year 2007 is 40 HK cents per Share (equivalent to 5.13 US cents). The dividend will be paid in Hong Kong dollars.

The Board intends to consider and distribute dividends in two instalments for the whole financial year 2008 and will make the necessary announcement in January 2009. The Board also intends to follow this same pattern of dividend payment for the ensuing financial years.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 14 April 2008 to 15 April 2008 (both days inclusive) and from 14 August 2008 to 15 August 2008 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the aforementioned final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, of Rooms 1806-07, 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on 11 April 2008 and 13 August 2008 respectively.

The Directors have the pleasure of presenting their annual report together with the audited financial statements of the Group for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group are the manufacturing and marketing of consumer electronics and communications products, telecommunication component assembly, and liquid crystal display ("LCD") products, parts and components. The Group was also engaged in the provision of software development services before the relevant business was disposed of as at 31 December 2007. Details of the principal activities of the subsidiaries are set out in note 37 to the accompanying consolidated financial statements.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to results by geographical segments for the year ended 31 December 2007 is set out in note 8 to the accompanying consolidated financial statements.

RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 31 December 2007 are set out in the consolidated income statement on page 32 of this annual report.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 86 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2007, the five largest customers of the Group accounted for approximately 89.0% of the Group's total turnover while the largest customer of the Group accounted for approximately 29.8% of the Group's total turnover. In addition, for the year ended 31 December 2007, the five largest suppliers of the Group accounted for approximately 31.7% of the Group's total purchases while the largest supplier of the Group accounted for approximately 12.0% of the Group's total purchases. None of the Directors or their associates or any substantial shareholder of the Company had a beneficial interest in the Group's five largest customers or suppliers.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year and details of the Group's property, plant and equipment are set out in note 15 to the accompanying financial statements.

SHARE CAPITAL AND ISSUE OF SHARES

Details of the Company's share capital are set out in note 29 to the accompanying consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the year are set out on page 34. As at 31 December 2007, approximately US$43.9 million of the Company's reserves were available for distribution to its shareholders.

PRE-EMPTIVE RIGHTS

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

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

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

The Board will consider a share repurchase programme in 2008.

CHARITABLE DONATIONS

During the year, the Group made no charitable donation.

BANK BORROWINGS

Details of the Group's bank borrowings as at 31 December 2007 are set out in the Consolidated Balance Sheet on page 33 of this annual report and in note 27 to the accompanying financial statements.

CAPITALIZATION OF INTEREST

No interest was capitalized by the Group during the year.

CONNECTED TRANSACTIONS

During the year ended 31 December 2007, the Group entered into the following transactions with subsidiaries of NTEI. The transactions are defined by the Rules (the "Listing Rules") Governing the Listing of Securities on SEHK as "continuing connected transactions" and are exempt from the independent shareholders' approval requirements. The transactions are subject to the reporting and announcement requirements set out in Chapter 14A of the Listing Rules.

(I) NTSZ and Zastron Electronic (Shenzhen) Co. Ltd. ("Zastron Shenzhen")

On 8 April 2004, NTSZ, a wholly owned subsidiary of the Company, entered into a lease agreement ("Lease Agreement") with Zastron Shenzhen, a wholly owned subsidiary of NTEI for a term of 3 years commencing on 1 April 2004. The pricing basis under the Lease Agreement had been confirmed by an independent property valuer to be comparable to market. Details of the Lease Agreement had been set out in the prospectus ("Prospectus") of the Company dated 16 April 2004.

Pursuant to the Lease Agreement, NTSZ leased to Zastron Shenzhen manufacturing and office space as well as staff quarters in the building complex previously occupied by NTSZ (the "Old Complex"). Certain ancillary facilities had also been provided by NTSZ to Zastron Shenzhen under the Lease Agreement. During the term of the Lease Agreement, NTSZ was in the course of constructing its new factory and office building at a land adjacent to the Old Complex (the "New Complex"). NTSZ completed the construction and renovation of factory and office spaces at the New Complex in March 2005 and relocated to the New Complex in April 2005 which was ahead of the estimated relocation date of 30 June 2005 as set out in the Prospectus. The rental payable by Zastron Shenzhen under the Lease Agreement before and after its relocation was RMB603,000 and RMB796,000 per month respectively.

In December 2005, NSTZ completed the construction of its new staff quarters at the New Complex and relocated some of its workers and staff members to the new staff quarters at the New Complex subsequent to the year end of 2005 making available some staff quarters at the Old Complex which would be leased to Zastron Shenzhen at the same unit rate under the Lease Agreement. The rental payable by Zastron Shenzhen after the taking up of the additional staff quarters was HK$830,000 per month commencing 1 February 2006. The Company therefore reported in its 2005 Annual Report that the annual rentals for the year 2006 and the first quarter of 2007 were accordingly revised to approximately HK$9,895,080 and HK$2,490,000 respectively.

In March 2006, NTSZ and Zastron Shenzhen signed a new lease agreement ("the Renewal Lease Agreement") for the continuous lease of factory complex and provision of the use of ancillary facilities by NTSZ to Zastron Shenzhen, with an increased monthly rental of HK$830,000 effective for a period of five years from 1 April 2007 to 31 March 2012, i.e. upon expiry of the Lease Agreement.

In September 2007, NTSZ and Zastron Shenzhen entered into a supplemental lease agreement for the return by Zastron Shenzhen to NTSZ of certain premises under the Renewal Lease Agreement from 1 October 2007 to 31 December 2007 temporarily. As a result, the monthly rental was reduced from HK$830,000 to HK$792,000 for each of these 3 months.

During the year 2007, the aggregate value of the transaction under the Lease Agreement and the Renewal Lease Agreement was approximately US$1,267,000 as compared to US$1,276,000 for the year 2006.

Upon completion of the Reorganization on 31 December 2007, this transaction ceased to be a connected transaction because both NTSZ and Zastron Shenzhen are now within the same group.

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

On 8 April 2004, NTSZ and JIC Enterprises (Hong Kong) Limited ("JIC Enterprises"), an indirect wholly owned subsidiary of NTEI, entered into a letter purchase agreement for a term of 3 years commencing on 1 April 2004. The purpose of the agreement was to allow NTSZ to expand its supplier base. Pursuant to the agreement, it was agreed that JIC Enterprises would be included in NTSZ's list of designated suppliers of LCD panels (the "Products") and NTSZ may from time to time place purchase orders with JIC Enterprises at a price no less favourable than that available to NTSZ from independent third parties in accordance with the standard business terms of NTSZ. During 2005, JIC Enterprises ceased to carry on business and nominated its group companies, J.I.C. (Macao Commercial Offshore) Company Limited ("JIC Macao") and Jetup to provide services to NTSZ under the agreement. From 2006 onwards, only Jetup provided services to NTSZ under the agreement.

On 10 May 2007, NTSZ and Jetup entered into a new letter purchase agreement for a term of 3 years commencing on 1 January 2007 for the continuous sale and purchase of the Products. Other than the annual amount of the purchase of the Products (i.e. HK$4 million for each of the 3 years), Jetup (instead of JIC Enterprises) as designated supplier, provision for renewal of the agreement for another three years and the right to terminate the agreement by prior written notice, the remaining terms and conditions of the New Letter Purchase Agreement are substantially similar to those of the Letter Purchase Agreement.

The total amounts of purchases from Jetup by NTSZ during the years 2006 and 2007 were approximately US$415,000 and US$251,000 respectively.

Upon completion of the Reorganization on 31 December 2007, this transaction ceased to be a connected transaction because both NTSZ and Jetup are now within the same group.

Pursuant to Rule 14A.38 of the Listing Rules, the Board engaged the auditors of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group. The auditors have reported their factual findings on these procedures to the Board. The independent non-executive Directors (comprising Mr. Chan Tit Hee, Charles, Mr. Thaddeus Thomas Beczak and Mr. Roger Simon Pyrke as at 31 December 2007) have reviewed the continuing transactions and the reports of the auditors and confirmed that the transactions were entered into in the ordinary and usual course of business of the Company and on terms no less favourable to the Company than terms available to/from independent third parties. The independent non-executive Directors further confirmed that the transactions were entered into in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

CONTRACTS OF SIGNIFICANCE

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

MANAGEMENT CONTRACTS

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

DIRECTORS & SERVICE CONTRACTS

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

Executive Directors

Masaaki Yasukawa (*Chief Executive Officer)*	(appointed on 2 February 2008)
John Quinto Farina (*Chief Financial Officer)*	(appointed as a non-executive Director on 1 August 2007 and re-designated as an executive Director on 2 February 2008)
Wang Lu-Ping (*Chief Operating Officer)*	(appointed on 2 February 2008)
Kazuhiro Asano	(appointed on 17 May 2005 and resigned on 1 March 2008)
Wong Kuen Ling, Karene	(appointed on 13 June 2003)
Lei Lai Fong, Patinda	(appointed on 2 February 2008)
Chui Kam Wai	(appointed on 2 February 2008)

Pursuant to the Directors' service contracts of Mr. Asano, the term of his directorship as an executive Director was 3 years commencing from 17 May 2005; of Ms. Wong, the term of her directorship as an executive Director is 3 years commencing from 28 April 2007; of Mr. Yasukawa, Mr. Farina, Mr. Wang, Ms. Lei and Mr. Chui, the term of each of their directorship as an executive Director is 3 years commencing from 2 February 2008.

Non-executive Directors

Koo Ming Kown (*Non-executive Chairman)*	(appointed as a non-executive Director on 13 June 2003)
Lee Wa Lun, Warren	(resigned on 16 April 2007)

Pursuant to the Director's service contract of Mr. Koo, the term of his directorship as a non-executive Director is one year commencing from 28 April 2004. The term will continue for successive periods of one year each unless terminated by either party giving one month's notice to the other party.

Independent Non-executive Directors

Chan Tit Hee, Charles	(appointed on 1 November 2004)
Thaddeus Thomas Beczak	(appointed on 22 March 2004)
Roger Simon Pyrke	(appointed on 13 February 2006)

The term of directorship of Mr. Beczak, Mr. Chan and Mr. Pyrke under their Director's service contracts is one year commencing from 28 April 2004, 1 November 2004 and 13 February 2006 respectively. All their respective terms will continue for successive periods of one year each unless terminated by either party giving one month's notice to the other party.

All the independent non-executive Directors (comprising Mr. Chan Tit Hee, Charles, Mr. Thaddeus Thomas Beczak and Mr. Roger Simon Pyrke as at 31 December 2007) have confirmed their independence pursuant to Rule 3.13 of the Listing Rules and based on such confirmation, the Company is of the opinion that the independent status of the independent non-executive Directors remains intact as at 31 December 2007.

In accordance with Articles 87(1) and 87(2) of the Company's articles of association, Ms. Wong Kuen Ling, Karene, will retire by rotation and, being eligible, will offer herself for re-election at the forthcoming annual general meeting. In accordance with Article 86(3) of the Company's articles of association, Mr. Masaaki Yasukawa, Mr. John Quinto Farina, Mr. Wang Lu-Ping, Ms. Lei Lai Fong, Patinda and Mr. Chui Kam Wai shall hold office only until the forthcoming annual general meeting and will offer themselves for re-election.

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed under the heading "Related Party Transactions" in note 36 to the accompanying consolidated financial statements, no Director (including past Directors) had a material interest, whether directly or indirectly, in any contract which is significant to the business of the Group to which the Company, its holding company or any of its fellow subsidiaries or subsidiaries was a party as at 31 December 2007 or during the year.

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

As at 31 December 2007, the interests or short positions of the Directors and chief executives in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and SEHK pursuant to the Listing Rules, were as follows:

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

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

Name of Director	Nature of Interest	Number of Shares held	Approximate percentage of the issued share capital of the Company
Mr. Kazuhiro Asano (*Note 1)*	Corporate (*Note 2)*	14,986,553	1.70%
Mr. Thaddeus Thomas Beczak	Family (*Note 3)*	500,000	0.06%
Mr. Chan Tit Hee, Charles	Personal	350,000	0.04%
Mr. Roger Simon Pyrke	Family (*Note 4)*	50,000	0.006%

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

Name of Director	Number of options held	Number of Underlying Shares
Ms. Wong Kuen Ling, Karene	7,000,000	7,000,000

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

(a) Common shares of US$0.01 each in NTEI

Name of Director	Nature of Interest	Number of Shares held	Approximate percentage of the issued share capital of the associated corporation
Mr. Koo Ming Kown	Personal *(Note 5)*	5,690,786	12.70%
Mr. Wang Lu-Ping	Family (*Note 6)*	1,516	0.003%
Ms. Wong Kuen Ling, Karene	Personal	37,100	0.08%
Ms. Lei Lai Fong, Patinda	Personal	26,400	0.06%
Mr. Chui Kam Wai	Personal	545,870	1.22%

(b) Share options granted by NTEI

Name of Director	Number of share options held	Number of underlying shares of the associated corporation
Mr. Koo Ming Kown	30,000	30,000
Mr. John Quinto Farina	90,000	90,000

Notes:

(1) Mr. Asano resigned as an executive Director with effect from 1 March 2008.

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

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

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

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

(6) The common shares are held by Ms. Jean S. Tsai, the spouse of Mr. Wang.

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

DIRECTORS' BENEFITS FROM RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

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

Long position of substantial shareholders in Shares of the Company

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

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

SHARE OPTION SCHEMES

The Company operates a Pre-IPO Share Option Scheme and a share option scheme (the "Scheme").

(I) Pre-IPO Share Option Scheme

The purpose of the Pre-IPO Share Option Scheme is to recognize the contribution of certain Directors and employees of the Group to the Group as a whole. The total number of Shares subject to the Pre-IPO Share Option Scheme is 20,000,000 and no further options shall be granted under the Pre-IPO Share Option Scheme after the listing of the Company.

Details of the share options which were granted under the Pre-IPO Share Option Scheme and which remained outstanding as at 31 December 2007 are as follows:

	Date of grant	Exercise price per Share	Exercisable period	Vesting period (from the date of grant)	Options outstanding as at 1 January 2007	Options granted during the period	Options exercised during the period	Options lapsed during the period	Options cancelled during the period	Options outstanding as at 31 December 2007
(1) Director										
Ms. Wong Kuen Ling, Karene	6 April 2004	HK$3.88	28 April 2005 to 27 April 2014	*Note 1*	7,000,000	–	–	–	–	7,000,000
(2) Employees										
Under Continuous Employment Contract	6 April 2004	HK$3.88	28 April 2005 to 27 April 2014	*Note 1*	7,720,000	–	–	700,000 (*Note 2*)	–	7,020,000
					14,720,000	–	–	700,000	–	14,020,000

Notes:

(1) During the first 12 months from 28 April 2004, no option may be exercised by any of the Directors and/or employees.
During the second 12 months from 28 April 2004, a cumulative maximum of 30% of the share options may be exercised by the Directors and/or employees.
During the third 12 months from 28 April 2004, a cumulative maximum of 60% of the share options may be exercised by the Directors and/or employees.
During the remaining option period, a cumulative maximum of 100% of the share options may be exercised by the Directors and/or employees.

(2) During the year, 700,000 share options lapsed due to the cessation of employment of 2 employees.

(II) The Scheme

On 8 April 2004, the Company adopted the Scheme to enable the Company to grant share options as an incentive or reward to eligible participants for their contributions to the Group and Associated Companies. Associated Companies refer to those companies in the equity share capital of which the Company, directly or indirectly, has a 20 percent or greater beneficial interest but excluding the Company's subsidiaries.

Particulars of the Scheme are set out in note 35 to the accompanying financial statements. No options have been granted under the Scheme during the year 2007.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID DIRECTORS/EMPLOYEES

(I) Directors

Details of the emoluments of the Directors on a named basis during the year are set out in note 10 to the accompanying financial statements.

(II) Employees

Amongst the five highest paid individuals of the Group, one of them is a Director.

EMPLOYEE & EMOLUMENT POLICY

After the Reorganization, the Group had a total of 8,349 dynamic and talented employees, among which 103 were marketing staff, 360 were research and development staff, 558 were quality control staff and 337 were engineering staff. All staff were dedicated to maintaining and advancing the quality and reliability of our operations. Total staff cost for 2,733 employees before the Reorganization for the year ended 31 December 2007 was approximately US$19.1 million.

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

In order to align the interests of staff with those of shareholders, options for 20,000,000 shares were granted to Directors and employees under the Pre-IPO Scheme of which options for 14,020,000 shares as at 31 December 2007 remained outstanding.

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

With regard to the Group's employees under Macao employment, the Group operates a retirement benefit scheme ("Macao Scheme") which is also a defined contribution scheme administered by independent trustees. Although the Macao Scheme is not a mandatory scheme, the Group has adopted terms identical to the MPF Scheme in terms of contribution amount, operation of the scheme and retirement age for the Macao Scheme. The Group's PRC local employees under PRC employment are covered under a local statutory retirement insurance policy operated by local government ("PRC Scheme"). Both the Group and the employees are required to contribute a designated percentage of the employees' monthly salary to the PRC Scheme.

For the Group's employees in Japan, they are 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, the Company and each employee have to each contribute about 12.2% of the relevant monthly income subject to a maximum payment of JPY103,539 per month. The rate and maximum payment will be revised every half year. For the Labour Insurance Scheme, the Company has to contribute about 1.4% and each employee has to contribute about 0.6% of the relevant monthly income.

Details of the Group's cost with respect to the MPF Scheme, Macao Scheme and PRC Scheme and the retirement scheme under the Social Insurance Scheme, charged to its income statement are set out in note 34 to the accompanying financial statements.

AUDITOR

The Board will propose to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company during the forthcoming annual general meeting of the Company.

SUFFICIENT PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

On behalf of the Board

Koo Ming Kown
Non-Executive Chairman

Hong Kong, 2 February 2008

REPORT OF CORPORATE GOVERNANCE PRACTICES

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Board has adopted the terms of the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, the Directors confirmed that they have complied with the Model Code for the whole of the year ended 31 December 2007.

THE BOARD

Roles of the Board

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

- to lay down the Group's objectives, strategies, policies and business plan;
- to monitor and control operating and financial performance through the determination of the annual budget in particular the capital expenditure budget; and
- to set appropriate policies to manage risks in pursuit of the Group's strategic objectives.

The Board has delegated the day-to-day responsibility to the executive management under the instruction/supervision of the chief executive officer and various Board committees.

Composition

The Board consists of 10 members with 6 executive Directors, 1 non-executive Director and 3 independent non-executive Directors. The chairman and the chief executive officer positions are split and each of them plays a distinctive role.

- The chairman, Mr. Koo Ming Kown, is responsible for the leadership and effective running of the Board, and ensuring that all key and appropriate issues are discussed by the Board in a timely and constructive manner.
- The chief executive officer, Mr. Masaaki Yasukawa, is delegated with the authority and is responsible for running the Group's business, and the implementation of the approved strategies in achieving the overall commercial objectives.

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

Attendance at Board Meeting	Number of Meetings Attended (6 Meetings in total)
Executive Directors:	
Masaaki Yasukawa (appointed on 2 February 2008)	0
John Quinto Farina (appointed as a non-executive Director on 1 August 2007 and re-designated as an executive Director on 2 February 2008)	3
Wang Lu-Ping (appointed on 2 February 2008)	0
Kazuhiro Asano (resigned on 1 March 2008)	6
Wong Kuen Ling, Karene	6
Lei Lai Fong, Patinda (appointed on 2 February 2008)	0
Chui Kam Wai (appointed on 2 February 2008)	0
Non-executive Directors:	
Koo Ming Kown	5
Lee Wa Lun, Warren (resigned on 16 April 2007)	1
Independent Non-executive Directors:	
Chan Tit Hee, Charles	6
Thaddeus Thomas Beczak	5
Roger Simon Pyrke	6

The Board will assess and affirm annually that all independent non-executive Directors satisfy the criteria of independence, as set out in the Listing Rules. Save as disclosed in this annual report, Board members are totally unrelated in every aspect including financial, business or family. Biographies of the Directors, and their respective roles in the Board and committees are set out on pages 27 to 30 of this annual report. Directors, committee members and the Company's senior management officers are indemnified against liabilities that may be incurred by them in the execution and discharge of their duties or in relation thereto. A Directors and Officers Liability Insurance policy has been arranged for providing the indemnity.

NOMINATION, APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Board considers the determination of the appointment and removal of Directors to be the Board's collective decision and thus does not intend to adopt the recommended best practice of the CG Code to set up a Nomination Committee. The rules governing the appointment, re-election and removal of Directors are laid down in the Articles of Association and details of the procedures for nominating candidates to stand for election at the annual general meeting for the year 2008 are set out in the circular to shareholders sent together with this annual report. Criteria adopted by the Board in considering the suitability of a candidate for directorship includes his/her qualifications, experience, expertise and knowledge as well as the requirements under the Listing Rules.

The terms of appointment of executive Directors, non-executive Directors and independent non-executive Directors are set out in the Report of the Directors on pages 14 to 15 of this annual report.

ACCOUNTABILITY AND AUDIT

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

(i) approved adoption of all Hong Kong Financial Reporting Standards ("HKFRSs") which are in conformity to the International Financial Reporting Standards in all material respects;

(ii) selected suitable accounting policies and applied them consistently;

(iii) made judgements and estimates that are prudent and reasonable; and

(iv) ensured that the accounts are prepared on a going concern basis.

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

AUDIT COMMITTEE

The Company set up an Audit Committee in 2004. The Audit Committee comprises three independent non-executive Directors, Mr. Chan Tit Hee, Charles, Mr. Thaddeus Thomas Beczak and Mr. Roger Simon Pyrke. Mr. Chan is the chairman of the Audit Committee. The Audit Committee has adopted terms of reference which are in line with the CG Code. The committee met 4 times in 2007 with attendance record as follows:

Name of Member	Meetings attended/eligible to attend
Chan Tit Hee, Charles	4/4
Thaddeus Thomas Beczak	4/4
Roger Simon Pyrke	4/4

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

(i) to make recommendations to the Board on the appointment, reappointment or removal of the external auditors (the "Auditors") and approving the audit fees and terms of engagement of the Auditors, or any questions of resignation or dismissal of the Auditors;

(ii) to review the quarterly, interim and annual financial statements prior to recommending them to the Board for approval;

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

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

(v) to review the appropriateness of reporting and accounting policies and disclosure practices; and

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

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

REMUNERATION COMMITTEE

The Remuneration Committee comprises three non-executive Directors, Mr. Thaddeus Thomas Beczak, Mr. Koo Ming Kown and Mr. Roger Simon Pyrke. Mr. Beczak is the chairman of the Remuneration Committee. The Remuneration Committee has adopted terms of reference which are in line with the CG Code and will meet once a year to review the remuneration policy and remuneration package of the executive directors and members of the senior management. All the committee members attended the meeting of the Remuneration Committee for the year 2007.

SARBANES-OXLEY ACT

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

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

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

QUARTERLY REVIEW BY AUDITORS

The Company engaged the Auditors to review its quarterly results in 2007 prior to publication.

AUDITORS' REMUNERATION

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

During the year, the Group engaged the Auditors to perform audit and audit related services, and non-audit services and incurred audit and audit related service fees of approximately US$210,000 (2006: US$189,000) and non-audit service fees of approximately US$311,000 (2006: US$22,000). The audit and audit related service fees included approximately US$16,000 (2006: US$15,000) for reviewing the Group's 2007 interim financial statements, and approximately US$26,000 (2006: US$25,000) for reviewing the Group's first and third quarters' financial results.

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

On behalf of the Board

Koo Ming Kown
Non-Executive Chairman

Hong Kong, 2 February 2008

DIRECTORS

Executive Directors

Mr. Masaaki Yasukawa, aged 48, is an executive Director and Chief Executive Officer of the Company appointed in February 2008. Mr. Yasukawa is also a director of Zastron Shenzhen, Zastron (Macao Commercial Offshore) Co. Ltd., Zastron Precision-Tech (Wuxi) Co. Ltd. and Zastron Precision-Flex (Wuxi) Co. Ltd. (collectively "Zastron Subsidiaries"). Mr. Yasukawa started his career as a corporate R&D engineer of Seiko Epson Corporation in Japan in 1983. In 1985, Mr. Yasukawa was appointed to Epson America Inc. (EAI) as an engineering support manager. After he returned to Seiko Epson R&D department, Mr. Yasukawa was appointed as a Manager and later the general manager of New Business Development department and initiated various programs of cross-divisional, multi-functional new business development. In 2003, he was appointed as the general manager of the Business Solution Business Unit at Epson Hong Kong, starting solution-based corporate businesses targeting Hong Kong, PRC and other Asian corporate customers. One of his solution products was honoured with South East Asia's IT Award in 2003. Mr. Yasukawa has established business relationships with major corporate customers, including Mass Transit Railway, Hong Kong and Shanghai Banking Corporation, Bank of China, Town Gas in Hong Kong, and Oriental Plaza in the PRC. Mr. Yasukawa graduated from the University of Tokyo, in Tokyo Japan in 1983, with a Bachelor's Degree in Mechanical Engineering, and later obtained a Master's Degree with distinction in Business Administration from University of Michigan, Ann Arbor in 1993. Mr. Yasukawa has been selected as the only Japanese member of Hong Kong Computer Society, and is an Asian Liaison of International Affairs Committee. Save as disclosed above, Mr. Yasukawa does not have any relationship with any Director or senior management of the Company.

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

Mr. Wang Lu-Ping, aged 51, is an executive Director and Chief Operating Officer of the Company appointed in February 2008. Mr. Wang was appointed to the position of chief operating officer of NTEI in December 2006 and in this position he oversaw the production operation of the NTEI Group. Mr. Wang is also a director of Zastron Precision and each of Zastron Subsidiaries. Mr. Wang has more than 23 years of experience in the electronics industry. He joined NTEI in 1997 as production engineering manager and was promoted to vice managing director in 2002. He was later promoted to managing director of Zastron Shenzhen in August of the same year. Mr. Wang left NTEI in February 2004 but re-joined in December 2006 as its chief operating officer. Prior to joining NTEI in 1997, Mr. Wang held several management positions in various companies in Taiwan and Malaysia. Mr. Wang graduated from the Chinese Military Academy in Taiwan. Save as disclosed above, Mr. Wang does not have any relationship with any Director or senior management of the Company.

Mr. Kazuhiro Asano, aged 56, was an executive Director of the Company appointed in May 2005. He was Chairman of the Company from October 2006 to February 2008. He resigned from the position of executive Director with effect from 1 March 2008. Mr. Asano has over 34 years of experience in the electronics industry. Mr. Asano joined the holding company of the Company, NTEI, as a general manager in 1995. Prior to joining NTEI Group, Mr. Asano was the general manager of Seiko Instruments Inc., a private consumer electronics company in Japan, and was responsible for its electronic dictionary division. Mr. Asano graduated from the Tsuyama Technical College, Japan with a degree in electrical engineering. Save as disclosed above, Mr. Asano does not have any relationship with any Director or senior management of the Company.

Ms. Wong Kuen Ling, Karene, aged 44, is an executive Director of the Company appointed in June 2003. Ms. Wong is also a director of Nam Tai Investments Consultant (Macao Commercial Offshore) Company Limited, a subsidiary of the Company. Ms. Wong was Chief Executive Officer of the Company from November 2006 to February 2008. Ms. Wong joined NTEI in June 1989. In January 2001, Ms. Wong was promoted to managing director of Nam Tai Trading Company Limited, formerly known as Nam Tai Electronic & Electrical Products Limited (incorporated in Hong Kong), a subsidiary of NTEI. She later held the position of Chairman of the Company from June 2003 until September 2006, at which time she became Vice Chairman of the Company. In November 2006, her title was changed to Chief Executive Officer of the Company. After the Reorganization, she was re-designated as Chief Executive Officer of the NTEEP business unit, responsible for overseeing the overall business of the NTEEP business unit. She continues to maintain close contact with key customers and to cultivate new customer relationships. Save as disclosed above, Ms. Wong does not have any relationship with any Director or senior management of the Company.

Ms. Lei Lai Fong, Patinda, aged 41, is an executive Director of the Company appointed in February 2008. Ms. Lei joined NTEI Group in May 1990. In June 2002, she assumed the position of managing director of Nam Tai Telecom (Hong Kong) Company Limited (a subsidiary of NTEI) and in March 2004, became chairman of Zastron Precision. In early 2007, she was re-designated as chief executive officer of Zastron Group. After the Reorganization, she was re-designated as Chief Executive Officer of the Zastron business unit which, as a result of the Reorganization, became part of the Group. She is also a director of each of Zastron Subsidiaries. She continues to maintain close contact with key customers and to cultivate new customer relationships. Ms. Lei has been working for various companies of NTEI for 17 years, specializing in promoting, generating and monitoring sales revenues on various high-end electronics products. Since January 2006, Ms. Patinda Lei was chief executive officer and chief financial officer of NTEI until November 2006 and April 2007 respectively. Ms. Lei graduated with a Bachelor of Sciences degree in Management Science from the Faculty of Engineering of the Tokyo University of Science in Japan and holds a Master's Degree in Business Administration from The Chinese University of Hong Kong. Save as disclosed above, Ms. Lei does not have any relationship with any Director or senior management of the Company.

Mr. Chui Kam Wai, aged 49, is an executive Director of the Company appointed in February 2008. Mr. Chui was an executive director of JIC from March 2002 to February 2008. Mr. Chui is the co-founder and a director of Jetup. Before the Reorganization, he also served as chairman of JIC from October 2006 to February 2008. After the Reorganization, he was appointed as Chief Executive Officer of the Jetup business unit of the Group which, as a result of the Reorganization, became part of the Group. Mr. Chui has directed Jetup's marketing activities since it was founded in 1980. He has over 20 years of experience in the LCD business and has extensive experience in doing business with Japanese companies. Save as disclosed above, Mr. Chui does not have any relationship with any Director or senior management of the Company.

Non-Executive Director

Mr. Koo Ming Kown, aged 63, was appointed as a non-executive Director of the Company in June 2003. He was later appointed as a member of the Remuneration Committee in April 2004 and non-executive Chairman of the Company in February 2008. He was also appointed as an executive director of JIC in March 2002 and re-designated as a non-executive director of JIC in March 2004. He was re-designated as non-executive Chairman of JIC in February 2008. Mr. Koo served as chairman of NTEI and its predecessor companies from inception until September 1998. He then became senior executive officer of NTEI, responsible for corporate strategy, finance and administration and served as chief financial officer of NTEI. Mr. Koo resigned from the position of chief financial officer of NTEI in January 2005 but maintained his role as a non-executive director of NTEI. In July 2005, Mr. Koo reassumed the position as chairman of NTEI upon the resignation of Mr. Tadao Murakami but maintained his non-executive status. In June 2007, Mr. Koo also assumed the position of acting chief executive officer of NTEI upon the resignation of Mr. Lee Wa Lun, Warren. Mr. Koo served as chief executive officer of NTEI until Mr. Masaaki Yasukawa joined NTEI as chief executive officer with effect from February 2008. Mr. Koo, who continues to serve NTEI as its chairman, received his Bachelor of Laws degree from the National Taiwan University in 1970. Save as disclosed above, Mr. Koo does not have any relationship with any Director or senior management of the Company.

Independent Non-executive Directors

Mr. Chan Tit Hee, Charles, aged 59, is an independent non-executive Director and chairman of the Audit Committee of the Company appointed in November 2004. Mr. Chan has extensive experience in accounting, auditing and finance. He began his career with Price Waterhouse & Co. in 1971, and later held senior executive positions with the Treasury of the Hong Kong Government, China Light & Power, Coopers & Lybrand, and Lane Crawford Limited. Mr. Chan is a Fellow of the Association of Chartered Certified Accountants (“ACCA”), a member of the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and a member of the Institute of Chartered Accountants in England and Wales. Mr. Chan graduated with a Higher Diploma in Accountancy from the Hong Kong Technical College and obtained an MSc degree in Management Studies and an MSc degree in Computer Science from the University of Bradford, U.K. Save as disclosed above, Mr. Chan does not have any relationship with any Director or senior management of the Company.

Mr. Thaddeus Thomas Beczak, aged 57, is an independent non-executive Director of the Company appointed in March 2004. He has also been appointed as a chairman of the Remuneration Committee of the Company in December 2005 and a member of the Audit Committee of the Company in April 2004. Mr. Beczak is an independent non-executive director of Advanced Semiconductor Manufacturing Corp Limited (Stock Code: 3355), Arnhold Holdings Limited (Stock Code: 102) and Pacific Online Limited (Stock Code: 543), companies listed on the Main Board of SEHK. Mr. Beczak is also an independent non-executive director of Phoenix Satellite Television Holdings Limited (Stock Code: 8002), a company listed on the Growth Enterprise Market. Mr. Beczak is also a senior advisor to Nomura International (Hong Kong) Limited, non-executive chairman of Nomura Asia Holding N.V., ACR Capital Holdings Pte Limited, Latitude Capital Group and a non-executive director of a number of other companies. He was a director of Kerry Holdings Limited (“Kerry”) from 1997 to 2003. He was also the deputy chairman and the publisher of SCMP Holdings Limited, deputy chairman of Shangri-La Asia Limited and a director of Kerry Properties Limited. Prior to joining Kerry, Mr. Beczak was a managing director of J.P. Morgan Inc. and president of J.P. Morgan Securities Asia Ltd., Hong Kong. From November 1997 until December 2002, Mr. Beczak was the chairman of the SEHK Listing Committee and a member of the board of directors of SEHK from 1998 until 2001. Currently, he is a member of the Advisory Committee of the Securities and Futures Commission (“SFC”) in Hong Kong and the International Advisory Committee of the China Securities Regulatory Commission in Beijing. Mr. Beczak is a graduate of the Georgetown University (B.S.F.S.) and Columbia University (M.B.A.). He is a member of the board of advisors of the School of Foreign Service of Georgetown University. Save as disclosed above, Mr. Beczak does not have any relationship with any Director or senior management of the Company.

Mr. Roger Simon Pyrke, aged 48, is an independent non-executive Director of the Company appointed in February 2006. He has been appointed as a member of the Audit Committee and Remuneration Committee of the Company with effect from February 2006. Mr. Pyrke has worked in the financial services industry for over 27 years. In 1990 he joined Barclays Bank as Regional Director to set up and run their Asian wholesale fund management business and launched a number of Asian related funds which were successfully sold to retail and institutional investors both in Asia and Europe. In 2003 he set up Asia Alternative Asset Partners Limited (formerly known as Harcourt Advisory Services Limited), a company specializing in providing working capital to Asian alternative investment fund managers and seed capital to their investment funds. Mr. Pyrke is licensed by the SFC to conduct asset management and securities dealing and advisory activities. Mr. Pyrke is a member of the Hong Kong Securities Institute. During his career in fund management, Mr. Pyrke has been extensively involved in industry related work. He was chairman of The Hong Kong Investment Funds Association from 1994 to 1995 and was chairman of SEHK and SFC Liaison Committee from 1999 to 2001. He has also served on a number of SFC advisory committees. Save as disclosed above, Mr. Pyrke does not have any relationship with any Director or senior management of the Company.

SENIOR MANAGEMENT

Ms. Sit Fung Ying, Connie, aged 44, is the Operations Chief Financial Officer of the Group. Ms. Sit joined the NTEI Group in 2001. She has over 21 years of finance and accounting experience, of which 19 years were in the electronics industry. Prior to joining the NTEI Group, Ms. Sit had worked in a NASDAQ listed electronics manufacturer for 13 years. She is a Fellow of ACCA and an Associate Member of HKICPA. Ms. Sit holds a Master of Business Administration degree and a Master of Professional Accounting degree of The Hong Kong Polytechnic University.

Deloitte.
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TO THE SHAREHOLDERS OF
NAM TAI ELECTRONIC & ELECTRICAL PRODUCTS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Nam Tai Electronic & Electrical Products Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 32 to 85, which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
2 February 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	Notes	2007 US$'000	2006 US$'000
Revenue	7	**283,760**	178,322
Cost of sales		**(234,917)**	(148,196)
Gross profit		**48,843**	30,126
Bank interest income		**3,609**	1,638
Other income	9	**6,125**	2,232
Other expenses		**(1,275)**	(1,278)
Impairment loss on goodwill	20	**(24,340)**	—
Gain on disposal of subsidiaries	31	**8,289**	—
Gain on disposal of available-for-sale investments	24	**43,815**	—
Loss on available-for-sale investments arising from split share structure reform	24	**—**	(1,869)
Selling and distribution costs		**(2,849)**	(1,090)
Administrative expenses		**(11,652)**	(8,939)
Research and development expenditure		**(4,144)**	(3,285)
Interest expense on amount due to ultimate holding company		**(24)**	—
Profit before tax		**66,397**	17,535
Income tax expense	11	**(5,655)**	(214)
Profit for the year	12	**60,742**	17,321
Attributable to:			
Equity holders of the Company		**60,859**	17,329
Minority interests		**(117)**	(8)
		60,742	17,321
Dividends	13	**11,303**	3,982
Earnings per share for profit for the year attributable to equity holders of the Company — basic and diluted	14	**6.90 US cents**	1.97 US cents

CONSOLIDATED BALANCE SHEET

At 31 December 2007

	Notes	2007 US$'000	2006 US$'000
Non-current assets			
Property, plant and equipment	15	**118,934**	33,419
Prepaid lease payments	16	**15,083**	2,602
Investment properties	17	**—**	17,007
Goodwill	18	**186,299**	24,340
Deposits paid for the acquisition of equipment		**536**	—
Other assets		**357**	139
Deferred tax assets	21	**755**	—
Intangible assets	19	**46,721**	—
		368,685	77,507
Current assets			
Inventories	22	**32,598**	9,774
Trade and other receivables	23	**101,494**	30,500
Amount due from a fellow subsidiary		**—**	8
Prepaid lease payments	16	**143**	71
Taxation recoverable	11	**5,407**	2,884
Available-for-sale investments	24	**—**	24,360
Bank balances and cash	25	**154,236**	60,460
		293,878	128,057
Current liabilities			
Trade and other payables	26	**125,719**	36,223
Taxation payables		**390**	305
Amount due to a fellow subsidiary		—	70
Unsecured bank borrowings — due within one year	27	**5,470**	—
Loan from ultimate holding company — due within one year	28	**25,953**	—
		157,532	36,598
Net current assets		**136,346**	91,459
Total assets less current liabilities		**505,031**	168,966
Non-current liabilities			
Unsecured bank borrowings — due after one year	27	**1,558**	—
Loan from ultimate holding company — due after one year	28	**285,477**	—
Deferred tax liability	21	**13,614**	—
		300,649	—
		204,382	168,966
Capital and reserves			
Share capital	29	**1,131**	1,131
Reserves		**203,251**	167,835
Equity attributable to equity holders of the Company		**204,382**	168,966
Minority interests		**—**	—
Total equity		**204,382**	168,966

The consolidated financial statements on pages 32 to 85 were approved and authorised for issue by the board of directors on 2 February 2008 and are signed on its behalf by:

Masaaki Yasukawa
Director

John Quinto Farina
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2007

	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$'000 (note c)	Total US$'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	–	–	–	–	–	13,112	–	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
Dividends paid *(Note 13)*	–	–	–	–	–	–	(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
Profit (loss) for the year	–	–	–	–	–	–	60,859	60,859	(117)	60,742
Effect of change in tax rate	–	–	–	–	–	(2,139)	–	(2,139)	–	(2,139)
Increase in fair value of available-for-sale investments recognised for the year	–	–	–	–	–	26,939	–	26,939	–	26,939
Transfer to profit or loss on disposal of available-for-sale investments	–	–	–	–	–	(39,061)	–	(39,061)	–	(39,061)
Total recognised income and expense for the year	–	–	–	–	–	(14,261)	60,859	46,598	(117)	46,481
Dividends paid *(Note 13)*	–	–	–	–	–	–	(11,303)	(11,303)	–	(11,303)
Transfer to amount due from a fellow subsidiary	–	–	–	–	–	–	–	–	117	117
Transfer	–	–	–	–	8,728	–	(8,728)	–	–	–
Transfer to retained earnings	–	–	–	(42)	–	–	42	–	–	–
Share options expense	–	–	–	121	–	–	–	121	–	121
At 31 December 2007	1,131	81,198	2,829	1,177	13,109	–	104,938	204,382	–	204,382

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.

(c) The minority interests represented J.I.C. Technology Company Limited ("JIC"), a fellow subsidiary, regarding its 25% equity interest in one of the Company's former subsidiary, Nam Tai Solartech, Inc. ("NTSI"). On 31 December 2007, NTSI was de-registered and JIC agreed to bear its attributed losses in NTSI, and accordingly, the balance was settled through the current account.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2007

	2007	2006
	US$'000	*US$'000*
OPERATING ACTIVITIES		
Profit before tax	**66,397**	17,535
Adjustments for:		
Bank interest income	**(3,609)**	(1,638)
Gain on disposal of available-for-sale investments	**(43,815)**	—
Impairment loss on goodwill	**24,340**	—
Gain on disposal of property, plant and equipment	**(100)**	(190)
Loss on available-for-sale investments arising from split share structure reform	**—**	1,869
Share options expense	**121**	275
Interest expense on amount due to ultimate holding company	**24**	—
Gain on disposal of subsidiaries	**(8,289)**	—
Depreciation	**6,499**	6,380
Release of prepaid lease payments	**71**	71
Operating cash flows before movements in working capital	**41,639**	24,302
Increase in inventories	**(6,577)**	(732)
Increase in trade and other receivables	**(1,313)**	(9,482)
Increase in trade and other payables	**8,341**	6,973
Decrease in amount due from a fellow subsidiary	**125**	—
Decrease in amount due to a fellow subsidiary	**(29)**	(78)
Cash generated from operations	**42,186**	20,983
PRC enterprise income tax paid	**(9,833)**	(1,885)
PRC enterprise income tax refunded	**1,029**	930
NET CASH FROM OPERATING ACTIVITIES	**33,382**	20,028
INVESTING ACTIVITIES		
Proceeds from disposal of available-for-sale investments	**53,914**	—
Disposal of subsidiaries *(Note 31)*	**8,423**	—
Acquisition of subsidiaries *(Note 30)*	**10,848**	—
Interest received	**3,604**	1,420
Proceeds on disposal of property, plant and equipment	**108**	246
Purchase of property, plant and equipment	**(5,176)**	(1,718)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**71,721**	(52)
FINANCING ACTIVITIES		
Dividends paid	**(11,303)**	(3,982)
Interest paid	**(24)**	—
CASH USED IN FINANCING ACTIVITIES	**(11,327)**	(3,982)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**93,776**	15,994
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**60,460**	44,466
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash	**154,236**	60,460

1. BASIS OF PRESENTATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 9 June 2003. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited ("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.

Other than a PRC subsidiary which functional currency is Hong Kong Dollar, the functional currency of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") is United States dollar. The consolidated financial statements are presented in United States dollar.

The principal activities of the Group are the manufacturing and marketing of consumer electronics and communications products, telecommunication component assembly, and liquid crystal display ("LCD") products, parts and components. The Group also engaged in the provision of software development services before the relevant business was being disposed of at 31 December 2007 (Note 31).

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the 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.

Revenue from 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.

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).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

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.

Intangible assets acquired in a business combination

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

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

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 date.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

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.

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operations) 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.

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

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

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

— *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 (see accounting policy on impairment loss on financial assets below).

Effective interest method

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

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

Impairment of financial assets

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

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade and other receivables, that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

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

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

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

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity.

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, amount due to a fellow subsidiary, unsecured bank borrowings and loan from ultimate holding company 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received 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 with a corresponding adjustment to share option reserve.

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 be transferred to retained profits.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

4. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Notes 27 and 28, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure on a quarterly basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

5. KEY SOURCE OF UNCERTAINTY

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

Income taxes

As at 31 December 2007, a deferred tax asset of US$127,000 in relation to unused tax losses has been recognised in the Group's balance sheet. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the consolidated income statement for the period in which such a reversal takes place.

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	2007 US$'000	2006 US$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**255,730**	90,968
Available-for-sale financial assets	**—**	24,360
	255,730	115,328
Financial liabilities		
Amortised cost	**444,177**	36,293

6b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, available-for-sale investments, bank balances and cash, trade and other payables, unsecured bank borrowings and loan from ultimate holding company. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, and certain trade receivables and trade payables of the Group are denominated in Renminbi, which expose the Group to foreign currency risk. No sales of the Group are denominated in currencies other than the functional currencies of the group entity making the sale, whilst almost 74% costs are denominated in the group entity's functional currencies. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure by closely monitoring the movement of foreign currency rate.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	2007 US$'000	2006 US$'000
Assets		
Renminbi	**55,851**	8,324
Liabilities		
Renminbi	**12,407**	4,074

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Currency risk (Continued)

Sensitivity analysis

The Group is mainly exposed to the fluctuations in Renminbi against United States dollar.

The following table details the Group's sensitivity to a 7% increase and decrease in United States dollar against Renminbi. 7% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 7% change in foreign currency rate. A positive number below indicates an increase in profit where United States dollar strengthen 7% against the relevant currency. For a 7% weakening of United States dollar against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	Renminbi	
	2007	2006
	US$'000	*US$'000*
Profit or loss (i)	**416**	38

(i) This is mainly attributable to the exposure to outstanding Renminbi receivables and payables at year end in the Group.

The Group's sensitivity to foreign currency has increased mainly due to the acquisition of certain subsidiaries, which have certain trade receivables and trade payables denominated in mentioned foreign currencies, from NTE Inc. on 31 December 2007 (Note 30).

Interest Rate Risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate loan from ultimate holding company (see Note 28 for details of this borrowing).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see Note 27 for details of these borrowings). It is the Group's policy to keep its bank borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of London InterBank Offered Rate ("LIBOR") arising from the Group's United States dollar denominated borrowings.

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The Group's equity price risk is mainly concentrated on equity instruments operating in technology industry sector quoted in the Shenzhen Stock Exchange. The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for the variable-rate bank borrowings at the balance sheet date. For variable-rate bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 40 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

At balance sheet date if interest rates had been 40 basis points higher/lower and all other variables were held constant, the Group's profit would decrease/increase by US$281,000 and US$nil for the years ended 31 December 2007 and 2006 respectively.

The Group's sensitivity to interest rates has increased during the current year mainly due to the acquisition of a subsidiary from NTE Inc. on 31 December 2007 (Note 30).

Credit risk

As at 31 December 2007, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge obligations by the 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, management of the 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 the Company consider that the Group's credit risk is significantly reduced.

The Group has been largely dependent on a small number of customers for a substantial portion of its business. The five largest customers accounted for a total of 66% and 92% of the Group's trade receivables as at 31 December 2007 and 2006 respectively. The failure of any of these customers to make required payments could have a substantial negative impact on the Group's profits. The Group manages this risk by applying a limit on the credit to these customers.

The Group's concentration of credit risk by geographical locations is mainly in Asia Pacific Region and Europe, which accounted for 96% (2006: 95%) of the total trade receivable as at 31 December 2007.

The credit risk on bank balances is limited because the counterparties are reputable banks in the PRC and Hong Kong.

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. Financial risk management objectives and policies *(Continued)*

Liquidity risk

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

Liquidity and interest risk tables

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

	Interest rate	Less than 1 month	1-3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount at balance sheet date
	%	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
2007								
Trade and other payables	–	121,337	3,764	618	–	–	125,719	125,719
Unsecured bank borrowings								
– variable-rate *(note)*	6	3,439	1,853	227	1,558	–	7,077	7,028
Loan from ultimate holding company	3.9	–	–	38,098	142,272	210,008	390,378	311,430
		124,776	5,617	38,943	143,830	210,008	523,174	444,177
2006								
Trade and other payables	–	35,552	493	248	–	–	36,293	36,293

Note: The rate is based on Interbank Offered Rates outstanding at 31 December 2007.

6c. 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 Note 24. 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.

7. 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:

	2007	2006
	US$'000	*US$'000*
Sales of goods:		
Mobile phone accessories	**153,776**	103,470
Home entertainment devices	**68,603**	36,474
Educational products	**39,237**	25,556
Optical devices	**19,864**	9,826
	281,480	175,326
Software development services	**2,280**	2,996
	283,760	178,322

8. SEGMENTS

During the year ended 31 December 2006, as the Group was wholly engaged in manufacturing and marketing of consumer electronics and communication products and software development, the Group had only one business segment and its primary reporting segment was thus geographical segment.

As at 31 December 2007, the Group completed acquisition of certain new businesses from NTE Inc. (see Note 30) and consequently is organised into three operating divisions for management purposes — the Consumer Electronic and Communication Products ("CECP"), Telecommunication Component Assembly ("TCA"), and the LCD Products ("LCDP"). Their principal activities are as follows:

CECP — manufacturing and marketing of consumer electronic and communication products, assembling.
TCA — manufacturing and marketing of telecommunication component assembly.
LCDP — manufacturing and marketing of LCD products, parts and components.

As the aforesaid acquisition was only completed at 31 December 2007, the board of directors of the Company considered that the Group's risk and return are affected predominantly by differences in geographical areas for the year ended 31 December 2007, and the Group's primary reporting segment is geographical segment.

8. SEGMENTS *(Continued)*

Geographical segments

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

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 2007

	North America *US$'000*	Europe *US$'000*	Asia Pacific region *US$'000*	Others *US$'000*	Consolidated *US$'000*
External revenue	116,428	88,191	73,383	5,758	283,760
Segment results	10,791	10,097	8,670	640	30,198
Unallocated corporate income					6,125
Unallocated corporate expenses					(1,275)
Bank interest income					3,609
Impairment loss on goodwill					(24,340)
Gain on disposal of subsidiaries					8,289
Gain on disposal of available-for-sale investments					43,815
Interest expense on amount due to ultimate holding company					(24)
Profit before tax					66,397
Income tax expense					(5,655)
Profit for the year					60,742

8. SEGMENTS *(Continued)*

Geographical segments *(Continued)*

Balance sheet

At 31 December 2007

	North America	Europe	Asia Pacific region	Others	Consolidated
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Assets					
Segment assets	7,649	29,048	132,469	736	169,902
Unallocated corporate assets					492,661
Total assets					662,563
Liabilities					
Segment liabilities	5,131	22,746	67,443	549	95,869
Unallocated corporate liabilities					362,312
Total liabilities					458,181

Other information

Year ended 31 December 2007

	North America	Europe	Asia Pacific region	Others	Unallocated	Consolidated
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Capital additions	–	–	8	–	5,168	5,176
Depreciation	–	–	87	–	6,412	6,499
Gain on disposal of property, plant and equipment	–	–	–	–	100	100

8. SEGMENTS *(Continued)*

Geographical segments *(Continued)*

Income statement

For the year ended 31 December 2006

	North America US$'000	Europe US$'000	Asia Pacific region US$'000	Others US$'000	Consolidated US$'000
External revenue	67,546	54,725	55,469	582	178,322
Segment results	4,705	7,549	4,509	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$'000	Europe US$'000	Asia Pacific region US$'000	Others US$'000	Consolidated US$'000
Assets					
Segment assets	2,214	28,278	32,835	527	63,854
Unallocated corporate assets					141,710
Total assets					205,564
Liabilities					
Segment liabilities	1,233	19,187	6,207	145	26,772
Unallocated corporate liabilities					9,826
Total liabilities					36,598

8. SEGMENTS *(Continued)*

Geographical segments *(Continued)*

Other information

Year ended 31 December 2006

	North America *US$'000*	Europe *US$'000*	Asia Pacific region *US$'000*	Others *US$'000*	Unallocated *US$'000*	Consolidated *US$'000*
Capital additions	–	–	4	–	1,770	1,774
Depreciation	–	–	95	–	6,285	6,380
Gain on disposal of property, plant and equipment	–	–	–	–	190	190

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.

9. OTHER INCOME

	2007 ***US$'000***	2006 *US$'000*
Exchange gain	**4,703**	745
Rental income *(note)*	**1,267**	1,276
Sundry	**155**	211
	6,125	2,232

Note: Direct operating expenses from investment properties that generated rental income during the year which amounted to US$1,275,000 (2006: US$1,278,000).

10. 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 eight (2006: nine) directors were as follows:

Year ended 31 December 2007

	Wong Kuen Ling, Karene US$'000	Kazuhiro Asano US$'000	Koo Ming Kown US$'000	John Quinto Farina *(note 1)* US$'000	Chan Tit Hee, Charles US$'000	Thaddeus Thomas Beczak US$'000	Roger Simon Pyrke US$'000	Lee Wa Lun, Warren *(note 2)* US$'000	Total US$'000
Fee	–	–	11	–	31	31	31	–	104
Other emoluments									
Salaries and other benefits	359	205	–	–	–	–	–	–	564
Performance related incentive bonus *(note 5)*	1,259	15	–	–	–	–	–	–	1,274
Retirement benefit scheme contributions	2	5	–	–	–	–	–	–	7
Share-based payments *(note 6)*	65	–	–	–	–	–	–	–	65
Total emoluments	1,685	225	11	–	31	31	31	–	2,014

Year ended 31 December 2006

	Wong Kuen Ling, Karene US$'000	Guy Jean Francois Bindels *(note 3)* US$'000	Kazuhiro Asano US$'000	Koo Ming Kown US$'000	Lee Wa Lun, Warren US$'000	Chan Tit Hee, Charles US$'000	Thaddeus Thomas Beczak US$'000	Roger Simon Pyrke US$'000	Li Shi Yuen, Joseph *(note 4)* US$'000	Total US$'000
Fee	–	57	–	–	28	31	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	–	28	31	31	27	–	1,429

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

(a) Directors' emoluments *(Continued)*

Notes:

1. Appointed on 1 August 2007.
2. Resigned on 16 April 2007.
3. Resigned on 7 July 2006.
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 35(c)) amortised to the income statement consolidated during the year.

(b) Employees' emoluments

During the year, the five highest paid individuals included one director (2006: two directors), details of whose emoluments are set out in (a) above. The emoluments of the remaining four (2006: three) highest paid individuals were as follows:

	2007	2006
	US$'000	*US$'000*
Salaries and other benefits	**675**	373
Performance related incentive payments	**1,157**	333
Retirement benefit scheme contributions	**1**	2
Share-based payments *(note)*	**22**	33
	1,855	741

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 35(c)) amortised to the consolidated income statement during the year.

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

(b) Employees' emoluments *(Continued)*

The emoluments of the employees were within the following bands:

	Number of employees 2007	2006
HK$1,500,000 to HK$2,000,000 (equivalent to US$192,308 to US$256,410)	**–**	3
HK$2,500,001 to HK$3,000,000 (equivalent to US$320,513 to US$384,615)	**1**	–
HK$3,000,001 to HK$3,500,000 (equivalent to US$384,615 to US$448,718)	**1**	–
HK$3,500,001 to HK$4,000,000 (equivalent to US$448,718 to US$512,821)	**1**	–
HK$4,500,001 to HK$5,000,000 (equivalent to US$576,923 to US$641,026)	**1**	–
	4	3

During the years ended 31 December 2007 and 2006, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and non-director employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None (2006: two) of the directors waived their emoluments during the year.

11. INCOME TAX EXPENSE

	2007 ***US$'000***	2006 *US$'000*
PRC enterprise income tax charged at applicable rates	**6,409**	214
Japan corporate tax charged at 22%	**1**	–
	6,410	214
Deferred tax credit *(Note 21)*	**(755)**	–
	5,655	214

In accordance with the applicable enterprise income tax laws of the PRC and the relevant rules promulgated by the Shenzhen municipal government, NTSZ and Shenzhen Namtek Company Limited ("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 an effective 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 were subject to a reduced tax rate of 10%. For the year ended 31 December 2007, NTSZ and Namtek Shenzhen also exported more than 70% of the production value of their products. The directors expect that NTSZ and Namtek Shenzhen will also qualify for an effective tax rate of 10% for the year ended 31 December 2007.

11. INCOME TAX EXPENSE *(Continued)*

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 2007, income tax recoverables under the above arrangements were US$5,334,000 (2006: US$2,884,000), which are included in taxation recoverables in the consolidated balance sheet.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. Under the new Law which becomes effective from 1 January 2008, the tax refund under the capital reinvestment scheme as described above may be removed. As a result, for the current year, the Group has provided enterprise income tax at a tax rate of 10%. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 15% to 18%, 20%, 22%, 24% and 25% for the year ending 31 December 2008, 2009, 2010, 2011, 2012 respectively for certain PRC subsidiaries of the Company. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply.

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 ended 31 December 2006 arising in Japan since the assessable profit was 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 deferred tax credit for the year ended 31 December 2007 and deferred tax assets as at 31 December 2007 mainly represents recognition of deferred tax assets on accelerated accounting depreciation of property, plant and equipment.

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

	2007 ***US$'000***	2006 *US$'000*
Profit before tax	**66,397**	17,535
Tax at PRC enterprise income rate of 15%	**9,960**	2,630
Tax effect of expenses not deductible for tax purpose	**2,259**	405
Effect of tax exemptions granted to Macao subsidiary	**(1,149)**	(953)
Tax effect of PRC income tax relief	**(3,201)**	(1,490)
Tax effect of income not taxable for tax purpose	**(1,425)**	(560)
Effect of change in PRC tax law	**(755)**	—
Others	**(34)**	182
Tax expense for the year	**5,655**	214

12. PROFIT FOR THE YEAR

	2007	2006
	US$'000	*US$'000*
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**210**	189
Cost of inventories recognised as expense	**234,140**	147,463
Release of prepaid lease payments	**71**	71
Depreciation of property, plant and equipment	**5,549**	5,419
Depreciation of investment properties	**950**	961
	6,499	6,380
Less: Depreciation and amortisation included in research and development expenditure	**(152)**	(119)
	6,347	6,261
Gain on disposal of property, plant and equipment	**(100)**	(190)
Staff costs, including directors' remunerations	**18,625**	12,430
Retirement benefit scheme contributions, including directors' remunerations	**490**	418
Total staff costs	**19,115**	12,848
Less: Staff costs included in research and development expenditure	**(3,459)**	(2,647)
	15,656	10,201

13. DIVIDENDS

	2007	2006
	US$'000	*US$'000*
Final paid — Nil per share (2006: 0.45 US cents)	**—**	3,982
Interim paid — 1.28 US cents per share (2006: Nil)	**11,303**	—
	11,303	3,982

The final dividend of 30 HK cents per share (equivalent to 3.85 US cents) (2006: Nil) has been proposed by directors and is subject to approval by shareholders in general meeting.

14. 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:

	2007	2006
	US$'000	*US$'000*
Profit for the year attributable to equity holders of the Company	**60,859**	17,329
	'000	*'000*
Number of ordinary shares for the purpose of basic and diluted earnings per share *(note)*	**881,671**	881,671

Note: During 2006 and 2007, 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 2006 and 2007 may affect earnings per share in future periods.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	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 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 and 1 January 2007	25,837	10,947	24,082	1,369	133	62,368
Additions	–	356	766	7	4,047	5,176
Transfer from investment properties	24,044	–	–	–	–	24,044
Transfer	248	253	3,114	–	(3,615)	–
Acquired on acquisition of subsidiaries	–	7,167	61,434	1,240	126	69,967
Disposals	–	–	(1,299)	(4)	–	(1,303)
Disposal of subsidiaries	–	(169)	(149)	(39)	–	(357)
At 31 December 2007	**50,129**	**18,554**	**87,948**	**2,573**	**691**	**159,895**
DEPRECIATION						
At 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 and 1 January 2007	3,051	8,472	16,597	829	–	28,949
Provided for the year	1,292	1,086	3,008	163	–	5,549
Transfer from investment properties	7,987	–	–	–	–	7,987
Eliminated on disposals	–	–	(1,290)	(5)	–	(1,295)
Disposal of subsidiaries	–	(106)	(101)	(22)	–	(229)
At 31 December 2007	**12,330**	**9,452**	**18,214**	**965**	**–**	**40,961**
NET BOOK VALUES						
At 31 December 2007	**37,799**	**9,102**	**69,734**	**1,608**	**691**	**118,934**
At 31 December 2006	22,786	2,475	7,485	540	133	33,419

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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%

16. PREPAID LEASE PAYMENTS

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

	2007	2006
	US$'000	*US$'000*
Analysed for reporting purposes as:		
Current assets	**143**	71
Non-current assets	**15,083**	2,602
	15,226	2,673

Prepaid lease payments are released to the consolidated income statement on a straight-line basis over the lease terms as stated in the land use right certificates.

As at 31 December 2006 and 2007, an amount of approximately nil and US$9,019,000 respectively represented prepaid lease payments in which land use rights certificate has not been obtained.

17. INVESTMENT PROPERTIES

	Buildings *US$'000*
COST	
At 1 January 2006	21,880
Transfer from property, plant and equipment during the year	2,164
At 31 December 2006 and 1 January 2007	24,044
Transfer to property, plant and equipment during the year upon acquisition of subsidiaries	(24,044)
At 31 December 2007	**–**
DEPRECIATION	
At 1 January 2006	5,567
Transfer from property, plant and equipment during the year	509
Provided for the year	961
At 31 December 2006 and 1 January 2007	7,037
Provided for the year	950
Transfer to property, plant and equipment during the year upon acquisition of subsidiaries	(7,987)
At 31 December 2007	**–**
NET BOOK VALUE	
At 31 December 2007	**–**
At 31 December 2006	17,007

The fair value of the Group's investment properties at 31 December 2006 was US$18,982,000. The fair value has been arrived at based on a valuation carried out by LCH (Asia-Pacific) Surveyors Limited, independent qualified professional 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 were 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 were situated on land in the PRC which were held by the Group under medium-term land use rights.

18. GOODWILL

	2007	2006
	US$'000	*US$'000*
COST		
At 1 January	**24,340**	24,340
Arising on acquisition of subsidiaries *(Note 30)*	**186,299**	—
Eliminated on disposal of subsidiaries	**(24,340)**	—
At 31 December	**186,299**	24,340
IMPAIRMENT		
At 1 January	**—**	—
Impairment loss recognised in the year	**24,340**	—
Eliminated on disposal of subsidiaries	**(24,340)**	—
At 31 December	**—**	—
CARRYING AMOUNTS		
At 31 December	**186,299**	24,340

Particulars regarding impairment testing on goodwill are disclosed in Note 20.

19. INTANGIBLE ASSETS

The amount represents the customer base as part of acquisition of certain subsidiaries from NTE Inc. on 31 December 2007 (see Note 30).

Customer base represents a portfolio of customers with contractual business relationships with the subsidiaries acquired. These customers are expected to continue to trade with the Group as a result of the efforts of these subsidiaries in building the customer relationships and loyalty. Customer base is amortised on a straight line basis over its estimated useful live of 10 years.

20. IMPAIRMENT LOSS ON GOODWILL

The goodwill balance as at 31 December 2006 arose from the acquisition of the software development businesses (the "Namtek Group") from its ultimate holding company, NTE Inc., and the then management of Namtek Group. Goodwill acquired in a business combination was allocated, at acquisition, to the cash generating unit ("CGU") — Namtek Group — that is expected to benefit from that business combination. No impairment loss was recognised for the year ended 31 December 2006. During the year ended 31 December 2007, the management of the Group recognised an impairment loss of US$24.3 million as the performance of the Namtek Group was not satisfactory and had deviated much negatively from plan.

The goodwill balance as at 31 December 2007 arose from the acquisitions of certain subsidiaries from NTE Inc. on 31 December 2007 (see Note 30). For the purpose of impairment testing, the amount of goodwill as at 31 December 2007 has been allocated to two individual CGUs as follows:

	US$'000
TCA	180,520
LCDP	5,779
	186,299

During the year ended 31 December 2007, management of the Group determines that there are no impairments of any of its CGUs containing goodwill, except for Namtek Group.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

The recoverable amount of TCA and LCDP have 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 12% and 10% per annum for TCA and LCDP, respectively. TCA's and LCDP's cash flows beyond the five-year period are extrapolated using a steady 6% and 3% growth rate, respectively. 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 TCA's and LCDP'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 amounts of TCA and LCDP to exceed the aggregate recoverable amounts of TCA and LCDP.

21. DEFERRED TAX ASSETS AND LIABILITY

The following are the major deferred tax asset and liability recognised and movements thereon during the current and prior years:

	Accelerated accounting depreciation	**Fair value adjustments arising from acquisition of subsidiaries**	**Tax losses**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*
At 1 January 2006, 31 December 2006 and 1 January 2007	—	—	—	—
Acquisition of subsidiaries	2,492	(16,233)	127	(13,614)
Effect of change in tax rate	755	—	—	755
At 31 December 2007	3,247	(16,233)	127	(12,859)

22. INVENTORIES

	2007	2006
	US$'000	*US$'000*
Raw materials	**25,270**	7,793
Work in progress	**3,717**	1,216
Finished goods	**3,611**	765
	32,598	9,774

23. TRADE AND OTHER RECEIVABLES

	2007	2006
	US$'000	*US$'000*
Trade receivables	**95,611**	29,680
Less: allowance for doubtful debts	**(4)**	(28)
	95,607	29,652
Other receivables	**5,887**	848
Total trade and other receivables	**101,494**	30,500

The Group allows an average credit periods normally ranging from 30 days to 60 days to its trade customers.

23. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	2007 US$'000	2006 US$'000
Up to 30 days	**53,915**	19,170
31 — 60 days	**33,211**	9,836
Over 60 days	**8,481**	646
	95,607	29,652

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed once a year. 94% of the trade receivables that are neither past due nor impaired have the best credit scoring attributable under the internal credit scoring system used by the Group. Of the trade receivables balance at the end of the year, approximately US$26,443,000 (2006: US$15,518,000) is due from the Group's largest customer. There are no other customers who represent more than 25% of the total balance of trade receivables.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately US$5,786,000 (2006: US$4,236,000) which are past due at the reporting date for which the 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 Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired

	2007 US$'000	2006 US$'000
1-30 days	**110**	23
31-60 days	**2,539**	4,125
61-90 days	**1,383**	84
91-120 days	**1,205**	4
121-180 days	**549**	—
Total	**5,786**	4,236

23. TRADE AND OTHER RECEIVABLES *(Continued)*

The Group has fully provided allowance for all receivables over 180 days because historical experience is such that receivables that are past due beyond 180 days are generally not recoverable.

Movement in the allowance for doubtful debts

	2007	*2006*
	US$'000	*US$'000*
Balance at beginning of the year	**28**	4
Impairment losses recognised on receivables	**4**	28
Amounts recovered during the year	**(28)**	(4)
Balance at end of the year	**4**	28

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of US$4,000 (2006: US$28,000). The Group does not hold any collateral over these balances.

24. AVAILABLE-FOR-SALE INVESTMENTS

The amount at 31 December 2006 represented the Group's investment in 80,600,173 A-shares of TCL Corporation, being 3.12% of its equity interest.

On 28 November 2005, TCL Corporation announced the proposal of a split share structure reform ("SSR"). Under the SSR, holders of TCL Corporation's tradable A-shares would receive 2.5 shares for every 10 shares from the holders of promoter's shares of TCL Corporation, 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 Corporation 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 for the year 2006.

At 31 December 2006, the available-for-sale investments were stated at fair value by reference to bid price quoted on the Shenzhen 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 Corporation through the Shenzhen Stock Exchange. Upon these disposals, the Group no longer owned any share in TCL Corporation. 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 recognised loss of US$1.9 million arising from the split share structure reform of TCL Corporation in 2006 and the unrecognised gain since initial acquisition).

25. BANK BALANCES AND CASH

Bank balances and cash of the Group comprise cash and short-term bank deposits with an original maturity of three months or less. The bank balances and deposits carry prevailing market interest rates ranging from 0.72% to 5.45% (2006: 0.72% to 5.24%).

26. TRADE AND OTHER PAYABLES

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

	2007	2006
	US$'000	*US$'000*
Up to 30 days	**52,481**	15,923
31 to 60 days	**38,341**	13,174
Over 60 days	**16,504**	1,770
	107,326	30,867
Other payables	**18,393**	5,356
	125,719	36,223

The average credit period on purchases of goods is 60 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

27. UNSECURED BANK BORROWINGS

	2007	2006
	US$'000	*US$'000*
Trust receipt loans	**4,580**	—
Bank loans	**2,448**	—
	7,028	—

27. UNSECURED BANK BORROWINGS *(Continued)*

The exposure of the Group's unsecured bank borrowings and the contractual maturity dates are as follows:

	2007	2006
	US$'000	*US$'000*
Carrying amount repayable:		
On demand or within one year	**5,470**	–
More than one year, but not exceeding two years	**890**	–
More than two years but not more than five years	**668**	–
	7,028	–
Less: Amounts due within one year shown under current liabilities	**(5,470)**	–
	1,558	–

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 year ended 31 December 2007.

The range of effective interest rates on the Group's bank loans are as follows:

	2007	2006
Effective interest rate	**1.0% to 6.3%**	–

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

	Denominated in	
	JPY	**USD**
	US$'000	*US$'000*
As at 31 December 2007	877	5,626

During the year ended 31 December 2007, the Group obtained new bank borrowings through the acquisition of a subsidiary from NTE Inc.

28. LOAN FROM ULTIMATE HOLDING COMPANY

Pursuant to the sale and purchase agreement, the acquisition of subsidiaries from NTE Inc. on 31 December 2007 (Note 30) was settled by a loan from NTE Inc. of US$311,430,295 and the remainder in cash. The United States dollar denominated loan is unsecured, bears interest at a fixed rate of 3.9% per annum and is repayable over 12 years from 31 December 2008 by annual installment.

	2007	2006
	US$'000	*US$'000*
Carrying amount repayable as follows:		
On demand or within one year	**25,953**	—
More than one year, but not exceeding two years	**25,953**	—
More than two years but not more than five years	**77,858**	—
More than five years	**181,666**	—
	311,430	—
Less: Amounts due within one year shown under current liabilities	**(25,953)**	—
	285,477	—

29. SHARE CAPITAL

	Number of shares		**Amount**	
	2007	2006	**2007**	2006
			HK$'000	*HK$'000*
Ordinary shares of HK$0.01 each				
Authorised:				
At beginning and end of the year	**2,000,000,000**	2,000,000,000	**20,000**	20,000
Issued and fully paid:				
At beginning and end of the year	**881,670,588**	881,670,588	**8,817**	8,817
			US$'000	*US$'000*
Shown in the consolidated financial statements as			**1,131**	1,131

30. ACQUISITION OF SUBSIDIARIES

On 24 September 2007, the Group entered into conditional sales and purchase agreement with NTE Inc. for acquisition of 100% equity interest in Jetup Electronic (Shenzhen) Co. Ltd. ("Jetup"), which engages in manufacture and marketing of LCD products, parts and components and 100% equity interest in Zastron Precision-Tech Limited ("ZPT") and its subsidiaries (the "ZPT Group"), which engages in manufacturing and marketing of telecommunication component assembly (the "Acquisition"), which was amended and supplemented by a supplemental agreement of 28 November 2007 entered into by the same parties (collectively referred to as the "NTEEP Agreement").

Pursuant to the NTEEP Agreement, the consideration of the Acquisition was HK$2,754,530,000 (approximately US$353,145,000) and the Acquisition was completed on 31 December 2007. This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was US$186,299,000.

Pursuant to the NTEEP Agreement, consideration of US$41,715,000 is settled in cash on or before the fifth business day after the conditions of the NTEEP Agreement are satisfied; and the remaining consideration of US$311,430,000 is settled by a 12-year loan from NTE Inc. bearing an interest rate of 3.9% per annum and with annual equal principal repayment (see Note 28). Further details of the transaction and terms of the NTEEP Agreement are set out in a circular of the Company dated 5 December 2007.

30. ACQUISITION OF SUBSIDIARIES *(Continued)*

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

	Acquiree's carrying amount before combination *US$'000*	Provisional fair value adjustments *US$'000*	Provisional fair value *US$'000*
Net assets acquired:			
Property, plant and equipment	45,682	24,285	69,967
Intangible assets	—	46,721	46,721
Deposits paid for acquisition of plant and equipment	525	—	525
Prepaid lease payments	10,347	2,277	12,624
Other assets	218	—	218
Taxation recoverable	73	—	73
Inventories	16,004	243	16,247
Trade and other receivables	70,003	—	70,003
Bank balances and cash	52,881	—	52,881
Trade and other payable	(80,999)	—	(80,999)
Deferred tax assets (liability)	2,619	(16,233)	(13,614)
Unsecured bank borrowings	(7,028)	—	(7,028)
	110,325	57,293	167,618
Goodwill			186,299
Cash paid and payable for direct expenses incurred in relation to the acquisition			(772)
Total consideration			353,145
Satisfied by:			
Cash			41,715
Loan from ultimate holding company *(Note 28)*			311,430
			353,145
Net cash inflow arising on acquisition of subsidiaries:			
Cash consideration paid, including direct expenses incurred in relation to the Acquisition			(42,033)
Bank balances and cash acquired			52,881
			10,848

If the Acquisition had been completed on 1 January 2007, total group revenue for the year would have been US$781 million, and profit for the year would have been US$78 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2007, nor is it intended to be a projection of future results.

30. ACQUISITION OF SUBSIDIARIES *(Continued)*

Goodwill arose in the business combination because the consideration paid effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled work force of ZPT Group and Jetup. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

The Group is in the process of assessing the fair value of property, plant and equipment, inventories, other assets and identifiable intangible assets acquired at date of acquisition; thus the allocation of goodwill disclosed herein is preliminary and subject to revision once the Group completes the valuation exercise.

31. DISPOSAL OF SUBSIDIARIES

On 5 October 2007, the Group entered into a conditional sale and purchase agreement with a fellow subsidiary, JIC, for the disposal of its entire shareholding in Namtek Japan Company Limited and Namtek Shenzhen (the "Disposal"), which was amended and supplemented by a supplemental agreement of 28 November 2007 entered into by the same parties (collectively referred to as the "Namtek Agreement").

Pursuant to the Namtek Agreement, the consideration of the Disposal was HK$80,500,000 (approximately US$10,321,000) and must be settled in cash on or before the fifth business days after the conditions of the Namtek Agreement are satisfied. The Disposal was completed on 31 December 2007 and details of the transaction and terms of the Namtek Agreement, are set out in a circular of the Company dated 5 December 2007. The net assets of Namtek Japan Company Limited and Namtek Shenzhen at the date of disposal were as follows:

	US$'000
NET ASSETS DISPOSED OF	
Property, plant and equipment	128
Taxation recoverable	30
Trade and other receivables	243
Bank balances and cash	1,898
Trade and other payables	(266)
Taxation payables	(1)
	2,032
Gain on disposal	8,289
Total consideration, satisfied by cash	10,321
Net cash inflow arising on disposal:	
Cash consideration	10,321
Bank balances and cash disposed of	(1,898)
	8,423

31. DISPOSAL OF SUBSIDIARIES *(Continued)*

The results of Namtek Japan Company Limited and Namtek Shenzhen for the year ended 31 December 2007 which have been included in the consolidated income statement were insignificant and they also did not contribute and utilise significantly to the Group's cash flows.

No tax charge or credit arose on gain on the Disposal.

32. COMMITMENTS

	2007	2006
	US$'000	*US$'000*
Capital expenditure in respect of acquisition of property, plant and equipment:		
Contracted for but not provided in the consolidated financial statements	**3,116**	540
Authorised but not contracted for	**42,918**	184
	46,034	724
Other commitments contracted for but not provided in the consolidated financial statements	**185**	—
	46,219	724

33. OPERATING LEASES

The Group as lessee

	2007	2006
	US$'000	*US$'000*
Minimum lease payment made under operating leases in respect of land and building, office and factory premises during the year	**246**	256

33. OPERATING LEASES *(Continued)*

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

	2007	2006
	US$'000	*US$'000*
Within one year	**1,683**	93
In the second to fifth year inclusive	**5,025**	—
	6,708	93

Operating lease payments represent payable by the Group for certain of its office and factory premises. Leases are negotiated for an average term of 2 to 8 years.

The Group as lessor

Property rental income earned during the year was US$1,267,000 (2006: US$1,276,000). The property is leased to a subsidiary of ZPT which becomes a subsidiary of the Group on 31 December 2007 (Note 30). At 31 December 2006, the Group had contracted with the subsidiary of ZPT for the following future minimum lease payments:

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

34. RETIREMENT BENEFIT SCHEMES

According to the relevant laws and regulations in the PRC, the PRC subsidiaries of the Group are required to contribute 10% to 11% of the stipulated salary set by the local government, 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$467,000 (2006: US$397,000).

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$8,000 (2006: US$10,000).

According to the relevant laws and regulations in Japan, Namtek Japan Company Limited 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$15,000 (2006: US$11,000).

35. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme:

(a) Share option scheme adopted by 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.

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

Equity-settled share option scheme: *(Continued)*

(a) Share option scheme adopted by NTE Inc. *(Continued)*

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$19.40	US$20.84	US$22.25	US$12.13	US$12.42
Number of options:					
Outstanding at 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 and 1 January 2007	—	—	15,000	—	—
Granted during the year	—	—	—	—	15,000
Appointed as a director during the year	—	—	—	40,000	—
Outstanding at 31 December 2007	—	—	15,000	40,000	15,000

Employees of the Group

	2001 Scheme	
Exercise price per share	US$19.40	US$20.84
Number of options:		
Outstanding at 1 January 2006	26,000	60,000
Exercised during the year	(26,000)	—
Outstanding at 31 December 2006 and 1 January 2007	—	60,000
Lapsed during the year	—	(60,000)
Outstanding at 31 December 2007	—	—

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

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

Equity-settled share option scheme: *(Continued)*

(a) Share option scheme adopted by NTE Inc. *(Continued)*

Details of specific categories of options are as follows:

Date of grant	Exercise period	Exercise price *US$*
30 July 2004	30 July 2004 to 30 July 2006	19.40
2 February 2005	4 February 2005 to 4 February 2007	20.84
9 June 2006	9 June 2006 to 8 June 2009	22.25
14 May 2007	14 May 2008 to 13 May 2011	12.13
8 June 2007	8 June 2007 to 7 June 2010	12.42

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. No share options granted to the directors and employees of the Group were exercised during the year ended 31 December 2007.

(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.

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

Equity-settled share option scheme: *(Continued)*

(b) Share option scheme of the Company *(Continued)*

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

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

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

Equity-settled share option scheme: *(Continued)*

(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 2007 and 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 and 1 January 2007	Options lapsed during the year *(note b)*	Options outstanding as at 31 December 2007
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	–	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	(700,000)	7,020,000
					17,640,000	(2,920,000)	14,720,000	(700,000)	14,020,000

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 ended 31 December 2007, 700,000 share options lapsed due to the cessation of employment of 2 employees.

During the year ended 31 December 2006, 1,720,000 share options and 1,200,000 share options lapsed due to the cessation of employment of 6 employees and resignation of 1 director, respectively.

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

Equity-settled share option scheme: *(Continued)*

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

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$121,000 for the year ended 31 December 2007 (2006: US$275,000) in relation to share options granted by the Company.

36. 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 30, disposal of subsidiaries as set out in Note 31 and the granting of share options by NTE Inc. as set out in Note 35:

Name of related parties	Nature of transactions	2007 US$'000	2006 US$'000
Former fellow subsidiaries:			
Zastron Electronic (Shenzhen) Co. Ltd. ("Zastron SZ")	Rental income received	**1,267**	1,276
Jetup	Purchase of materials	**251**	415

Details of the balances with related parties at the balance sheet date are set out in the consolidated balance sheet on page 33.

Compensation to key management personnel

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

	2007 US$'000	2006 US$'000
Short-term employee benefits	**2,284**	1,543
Post-employment benefits	**—**	—
Other long-term benefits	**—**	—
Share-based payment	**72**	104
	2,356	1,647

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.

37. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

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

Name of subsidiary	Place of incorporation/ registration and operations	Registered/quota capital issued and paid up	Proportion of issued registered/ quota capital held by the Company *Directly* %	*Indirectly* %	Principal activities
First Rich Holdings Limited	British Virgin Islands	US$1	100	–	Investment holding
Jetup	PRC *(note)*	HK$181,200,000	–	100	Manufacture and distribution of LCD products
NTSZ	PRC *(note)*	US$157,000,000	100	–	Manufacture and marketing of consumer electronics and communications products
NTIC	Macao	MOP100,000	100	–	Data management, research & development and technical analysis
Top Eastern Investment Limited	Hong Kong	HK$1	100	–	Investment holding
Zastron (Macao Commercial Offshore) Company Limited	Macao	MOP100,000	–	100	Data management, research & development and technical analysis
Zastron SZ	PRC *(note)*	US$46,500,000	–	100	Manufacture and sale of LCD modules, Flexible Printed Circuit ("FPC") subassemblies and FPC boards
ZPT	Cayman Islands	HK$0.1	100	–	Investment holding
Zastron Precision-Flex (Wuxi) Co., Ltd. ("Zastron Flex")	PRC *(note)*	US$4,335,000	–	100	Research, development manufacture and marketing of FPC boards
Zastron Precision-Tech (Wuxi) Co., Ltd. ("Zastron Tech")	PRC *(note)*	US$4,200,000	–	100	Research, development manufacture and marketing of electronic and mobile communication products

Note: NTSZ, Zastron SZ, Zastron Flex and Zastron Tech are registered in the form of wholly owned FIEs.

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

38. COMPARATIVE FIGURES

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

FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2003 *US$'000* *(Note 1)*	2004 *US$'000* *(Note 3)*	2005 *US$'000*	2006 *US$'000*	**2007** ***US$'000***
Revenue	135,893	163,584	167,339	178,322	**283,760**
Profit before taxation	22,804	23,548	22,527	17,535	**66,397**
Taxation	(11)	(545)	(389)	(214)	**(5,655)**
Profit for the year from continuing operations	22,793	23,003	22,138	17,321	**60,742**
Loss for the year from discontinued operations	—	(253)	—	—	**—**
Profit for the year	22,793	22,750	22,138	17,321	**60,742**
Attributable to:					
Equity holders of the Company	22,793	22,750	22,138	17,329	**60,859**
Minority interests	—	—	—	(8)	**(117)**
	22,793	22,750	22,138	17,321	**60,742**

ASSETS AND LIABILITIES

	At 31 December				
	2003 *US$'000* *(Note 2)*	2004 *US$'000*	2005 *US$'000*	2006 *US$'000*	**2007** ***US$'000***
Total assets	140,814	135,290	171,843	205,564	**662,563**
Total liabilities	110,390	23,372	29,398	36,598	**458,181**
	30,424	111,918	142,445	168,966	**204,382**
Equity attributable to equity holders of the Company	30,424	111,918	142,445	168,966	**204,382**
Minority interests	—	—	—	—	**—**
	30,424	111,918	142,445	168,966	**204,382**

Notes:

1. The results for the year ended 31 December 2003 have been prepared on a combined basis to indicate the results of the Group as if the group structure, at the time the Company's shares were listed on the SEHK, had been in existence throughout the years concerned. The figures for the year ended 31 December 2003 have been extracted from the prospectus of the Company dated 16 April 2004 (the "Prospectus").

2. The assets and liabilities as at 31 December 2003 have been prepared on a combined basis to indicate the assets and liabilities of the Group as if the group structure, at the time the Company's shares were listed on the SEHK, had been in existence as at each of the balance sheet date. The figures as at 31 December 2003 have been extracted from the Prospectus.

3. In 2005, the Group applied HKFRS 2 Share-based Payment for the first time. The Group applied the transitional arrangement and restated its 2004 results.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of Nam Tai Electronic & Electrical Products Limited (the "Company") will be held at Lecture Room A of Unit 1, The Joint Professional Centre, Ground Floor, The Centre, 99 Queen's Road Central, Hong Kong on Friday, 18 April 2008 at 10:00 a.m. for the following purposes:

1. To receive and consider the audited consolidated financial statements and the reports of the directors and auditors for the year ended 31 December 2007.

2. To consider and declare a final dividend for the year ended 31 December 2007.

3. To re-elect the retiring directors and to authorise the board of directors to fix the directors' remuneration.

4. To appoint auditors and to authorise the board of directors to fix their remuneration.

5. As special business, to consider and, if thought fit, pass, with or without amendments, the following resolution as an ordinary resolution of the Company:

   "**THAT**:

   (A) subject to paragraph 5(C) below, the exercise by the directors of the Company (the "Directors") during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with unissued shares in the capital of the Company and to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into shares of the Company) which might require the exercise of such powers be and is hereby generally and unconditionally approved;

   (B) the approval in paragraph 5(A) above shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into shares of the Company) which would or might require the exercise of such powers after the end of the Relevant Period;

   (C) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph 5(A) and (B), otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); (ii) an issue of shares under any options granted under the share option scheme adopted by the Company; (iii) an issue of shares upon the exercise of subscription rights attached to the warrants which might be issued by the Company; (iv) an issue of shares in lieu of the whole or part of a dividend pursuant to any scrip dividend scheme or similar arrangement in accordance with the articles of association of the Company; and (v) any adjustment, after the date of grant or issue of any options, rights to subscribe or other securities referred to in (ii) and (iii) above, in the price at which shares in the Company shall be subscribed, and/or in the number of shares in the Company which shall be subscribed, on exercise of relevant rights under such options, warrants or other securities, such adjustment being made in accordance with, or as contemplated by, the terms of such options, rights to subscribe or other securities, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue at the time of passing this resolution; and

(D) for the purposes of this resolution:

"Relevant Period" means the period from the time of the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the memorandum and articles of association of the Company or any applicable laws of the Cayman Islands to be held; and

(iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

"Rights Issue" means an offer of shares open for a period fixed by the Directors to holders of shares on the register of members on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or the requirements of any recognised regulatory body or any stock exchange)."

6. As special business, to consider and, if thought fit, pass, with or without amendments, the following resolution as an ordinary resolution of the Company:

"**THAT**:

(A) subject to paragraph 6(C) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all powers of the Company to purchase issued shares in the capital of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, and that the exercise by the Directors of all powers of the Company to purchase such securities are subject to and in accordance with all applicable laws and/or requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby, generally and unconditionally approved;

(B) the approval in paragraph 6(A) shall be in addition to any other authorisation given to the Directors and shall authorise the Directors on behalf of the Company during the Relevant Period to procure the Company to purchase its shares at a price determined by the Directors;

(C) the aggregate nominal amount of share capital of the Company purchased or agreed conditionally or unconditionally to be purchased by the Company pursuant to the approval in paragraph 6(A) during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the time of passing this resolution; and

(D) for the purposes of this resolution:

"Relevant Period" means the period from the time of the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the memorandum and articles of association of the Company or any applicable laws of the Cayman Islands to be held; and

(iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting."

7. As special business, to consider and, if thought fit, pass, with or without amendments, the following resolution as an ordinary resolution of the Company:

"**THAT** conditional upon the passing of the ordinary resolutions numbered 5 and 6 in the notice convening this meeting, the aggregate nominal amount of the shares in the capital of the Company which are purchased by the Company pursuant to and in accordance with the said resolution numbered 6 shall be added to the aggregate nominal amount of the share capital of the Company that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to and in accordance with the resolution numbered 5 set out in this notice of meeting."

By Order of the Board
Nam Tai Electronic & Electrical Products Limited
Wong Long Kee
Company Secretary

Hong Kong, 26 March 2008

Notes:

(1) 20 HK cents per Share of the final dividend is expected to be paid on or around 22 April 2008 to shareholders whose names appear on the register of members of the Company on 15 April 2008, and the remaining 10 HK cents per Share is expected to be paid on or around 28 August 2008 to shareholders whose names appear on the register of members of the Company on 15 August 2008. The register of members of the Company will be closed from 14 April 2008 to 15 April 2008 (both days inclusive) and 14 August 2008 to 15 August 2008 (both days inclusive) respectively, during which period no transfer of shares will take effect. All transfer(s) accompanied by the relevant share certificate(s) must be lodged with the Company's branch share register and transfer office, Computershare Hong Kong Investor Services Limited, of Rooms 1806-07, 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 11 April 2008 and 13 August 2008 respectively.

(2) Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person (who must be an individual) as his proxy to attend and vote on his behalf. On a poll votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint any number of proxies to attend in his stead at any general meeting.

(3) The form of proxy and (if required by the board of Directors) the power of attorney or other authority (if any), under which it is signed, or a notarially certified copy of such power or authority shall be deposited at the Company's branch share and transfer office, Computershare Hong Kong Investor Services Limited, Rooms 1806-07, 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than forty-eight hours before the time appointed for holding the above meeting or adjourned meeting at which the person named in the form of proxy proposes to vote or, in the case of a poll taken subsequently to the date of the above meeting or adjourned meeting, not less than twenty-four hours before the time appointed for the taking of the poll and in default the form of 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 or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

(4) Where there are joint registered holders of any share, any one of such persons may vote at any meeting, either personally 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 any meeting personally or by proxy, one of the said persons so present being the most, or as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand in the register in respect of the relevant joint holding.

(5) The form of proxy must be signed by the appointor or his attorney authorized in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person duly authorized to sign the same.