NAM TAI ELECTRONIC & ELECTRICAL PRODUCTS LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2633)

ANNUAL REPORT
2008

Nam Tai Electronic & Electrical Products Limited ("NTEEP"), a subsidiary of Nam Tai Electronics, Inc. ("NTEI") 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.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-executive Director

Mr. KOO Ming Kown *(Non-executive Chairman)*

Independent Non-executive Directors

Mr. Thaddeus Thomas BECZAK*
Mr. CHAN Tit Hee, Charles
Mr. Roger Simon PYRKE*
Mr. CHAM Yau Nam#
Mr. CHOI Man Chau, Michael#
Mr. LEUNG Wai Hung
Mr. LAI Kin Ki^

COMPANY SECRETARY

Ms. CHAN Bo Shan#
Mr. WONG Long Kee@

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway, Hong Kong
(resigned with effect from 4 May 2009)

Moore Stephens
Certified Public Accountants
905 Silvercord, Tower 2
30 Canton Road, Tsimshatsui
Kowloon
(appointed with effect from 4 May 2009)

PRINCIPAL BANKER

The Hongkong and Shanghai Banking
Corporation Limited

WEB SITE

http://www.namtaieep.com

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
Grand Cayman KY1-1111
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

Units 5811-12, 58th Floor, The Center
99 Queen's Road Central
Central, Hong Kong

PRC OFFICES

Namtai Electronic (Shenzhen) Co., Ltd &
Zastron Electronic (Shenzhen) Co. Ltd
Gushu Industrial Estate
Xixiang, Baoan
Shenzhen, People's Republic of China

Jetup Electronic (Shenzhen) Co., Ltd
Sanyidui Industrial Zone, Zhoushi Road
Jiuwei Community, Xixiang Street, Bao'an District
Shenzhen, The People's Republic of China

JAPAN OFFICE

6/F, Sakura-Masamune Higashi-Nihonbashi Building, 3-12-12
Nigashi-Nihonbashi, Chuo-Ku,
Tokyo, Japan

resigned on 24 April 2009
* resigned on 5 May 2009
@ appointed on 24 April 2009
^ appointed on 5 May 2009

OPERATIONS REVIEW

For the twelve months ended 31 December 2008, sales of the Group increased by 119.4% from US$283.8 million to US$622.6 million when compared with the same period last year, mainly because of two business segments, Telecommunication Component Assembly ("TCA") (Zastron business unit) and Liquid Crystal Display Products ("LCDP") (Jetup business unit), acquired under the reorganisation of Nam Tai Electronics, Inc. (NYSE stock code: NTE) and its subsidiaries on 31 December 2007 (the "Reorganisation") such that only sales of Consumer Electronic and Communication Products ("CECP") business segment (NTEEP business unit) were included in year 2007. If sales for TCA business segment and LCDP business segment had been excluded, sales of the Group would have decreased by 4.5% as compared with the year ended 31 December 2007. Gross profit increased by 51.6% from US$48.8 million to US$74.0 million as compared with the same period last year. Operating income and loss attributable to the equity holders of the Company for the twelve months ended 31 December 2008 also decreased by 0.8% and 300.4% as compared with the same period last year mainly because of the substantial reduction in profit contribution from the decrease of sales, and impairment losses on goodwill of US$143.6 million and intangible assets of US$1.0 million.

OUTLOOK

Under the current global economic downturn, we continue to experience weaker demand across all of our product segments. To offset the potential decline in our sales during 2009, management has remained focused on efforts to reduce cost, improve operating and manufacturing efficiencies and deliver advanced technologies and innovative manufacturing solutions that offer value to our customers. Recent actions taken to reduce costs and conserve cash include:

- We have reduced headcount from 9,700 (as at the end of the third quarter of 2008) to 7,100 (as at the end of the fourth quarter of 2008), accounting for about 27% reduction of the total workforce from levels as at 30 September 2008. We continue to monitor the effects of market conditions on the businesses of our customers and may further reduce our workforce if reduced customer demand and market conditions so require.

- We have frozen salaries and are considering, in the worst scenario, additional steps to reduce employee compensation, which, depending on prevailing market conditions during 2009, could result in 2009 compensation reductions of up to 30 percent. Our management team will also step up internal control measures and work hard to look for effective ways to cut more costs.

- We have determined not to declare dividends for 2008 to be paid in 2009 in order to maintain cash reserves during the continuing economic turmoil.

- We have determined to postpone until at least mid-2009 further implementation of our expansion plans for new factories additions, except for our new facilities in Wuxi, PRC, to be used for the manufacture of Flexible Printed Circuit (the "FPC") boards and other components subassemblies. That project is on schedule and nearing completion.

Although we are taking a conservative position regarding expected demand during 2009 as the economic downturn continues or worsens, and expect further near-term declines in revenues that could even result in losses from operations during periods in 2009, we are nevertheless seeking to take advantage of perceived opportunities to expand our market share in targeted areas. Accordingly, we plan to strengthen our sales force and customer and technical support by establishing local sales and support offices in Japan and Taiwan to increase our presence and better serve our customers in those markets. By seeking to capitalize on these opportunities, we hope to ensure a more robust future when end markets stabilize and the recovery cycle begins.

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, 9 February 2009

SEGMENT INFORMATION

As at 31 December 2007, the Group completed the Reorganisation and consequently has formed three operating divisions, namely, Consumer Electronic and Communication Products ("CECP"), Telecommunication Component Assembly ("TCA"), and the LCD Products ("LCDP"), for the purposes of resource allocation and assessment of performance from 1 January 2008 onwards.

The results and prospects of the various products within these operating segments are as follows:

Consumer Electronic and Communication Products

Net sales moderately decreased by about 4.5% mainly because sales of educational devices decreased by 32.4% or US$12.7 million and sales of mobile phone accessories decreased by 8.6% or US$13.2 million, compared with 2007. However, this decrease was partially offset by increases of US$4.9 million, or 24.5%, in sales of optical products and US$10.4 million, or 15.2% in sales of home entertainment products. Sales of software development services were discontinued after the disposal of Namtek group in December 2007.

Telecommunication Component Assembly

Net sales contributed to Group is US$275.0 million in 2008. Compared with the sales before Reorganisation, net sales decreased by about 33.5%, driven primarily by the decrease in sales of FPC sub-assemblies of 52.8% or US$119.2 million and LCD modules of 8.5% or US$15.0 million.

LCD Products

Net sales contributed to Group is US$76.5 million in 2008. Compared with the sales before Reorganisation, net sales decreased by 8.7%, principally attributable to US$3.8 million decrease in sales of COG products.

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. Despite the economic slowdown, 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. To date, we have successfully developed a number of CMOS sensor camera modules, mobile phone accessories and game peripherals and 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, with partners such as CSR and 3D Labs.

ENHANCEMENT OF PRODUCTION CAPABILITIES

Manufacturing Technology

In 2008, we had 37 SMT (Surface Mount Technology) production lines and 53 COB (Chip on Board) 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. 3 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 2008, we had 8 clean rooms at our principal manufacturing facilities, which housed COB, COF (Chip on Film), COG (Chip on Glass) and Chip Scale Package capabilities for manufacturing CMOS sensor modules, electronic calculators, digital camera accessories and LCD modules. We also had 4 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 2008, 4 were class ten thousand, 6 were class one thousand, and 2 were class one hundred.

Production Space

The existing factory premises of the Group have a total area of approximately 87,900 square metres. The office building, staff quarters and ancillary facilities have a total area of approximately 20,200 square metres, 53,400 square metres and 9,700 square metres respectively.

In September 2005, we signed a letter of intent with The People's Government of Baoan District, Shenzhen, PRC, to purchase approximately 118,000 square metres of land in Guangming Hi-Tech Industrial Park, Shenzhen, PRC for our future expansion. This new piece of land is approximately 30 minutes driving distance from the existing facilities of the Company and is more than double the space of the land of the existing facilities.

In addition, in October 2006, we entered into the agreements with the Wuxi government for two factory expansion projects in that region of China. In December 2006, we completed the land transfer for two parcels of real property, approximately three miles apart and with approximately 47,000 square metres and 50,500 square meters, respectively. We began construction of our new Wuxi facility in January 2008 with respect to one of the parcels to produce FPC boards, FPC subassemblies and other products. This expansion project is on schedule for completion to be available for mass production by the second half of 2009.

Because of the current economic global downturn, we have determined to postpone implementation of our expansion plan to construct the new manufacturing facilities in Shenzhen Guangming and on the second Wuxi parcel until at least mid-2009 or later .

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 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 provide office space at our principal manufacturing facilities for representatives of our major customers to permit them to monitor production of their products and we provide them with direct access to our manufacturing personnel.

All of our existing manufacturing facilities are certified under ISO 9001 quality standards, the International Organization for Standardization, or ISO's, highest standards. 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 certifications under an ISO 9001 quality standard demonstrate that our manufacturing operations meet the most demanding of the established world standards.

As at the end of January 2007 and November 2008, Jetup Electronic (Shenzhen) Co. Ltd. ("Jetup") and Zastron Electronic (Shenzhen) Co. Ltd. ("Zastron SZ"), respectively were certified with the compliance of the Technical Specification 16949, or TS16949. TS16949 is an automotive sector-specific quality management system requirement that uses ISO 9001: 2000 (verbatim) as its base and is required for supplying products to OEMs of automotive industry.

In July 2008, Namtai Electronic (Shenzhen) Co., Ltd ("NTSZ") was certified under the Quality Management System Standard: ISO 13485:2003, this certificate is valid for manufacture of PCB assemblies for use in Ophthalmic Diagnostic Imaging Systems, which demonstrates that NTSZ runs in compliance with the code of business practices standard in the medical instrument industries.

In September 2008, NTSZ was certified under Customs-Trade Partnership Against Terrorism, or C-PTAT, program which demonstrates that NTSZ can speed up the processing of cargo.

We employ the Six Sigma approach in various projects that we run each year. In 2004, our principal manufacturing facilities in Shenzhen were recognized by the China Association for Quality of the Chinese 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 by minimizing manufacturing defects. This results in improved profit margins and higher competitiveness.

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 November 2007, NTSZ also completed an audit for the International Electrotechnical Commission, or IEC, Quality Assessment System for Electronic Components (IECQ) — Electrical and Electronic Components and Products — Hazardous Substance Process Management System Requirements and received IECQ 080000 certification in January 2008. In May 2008, Zastron SZ was also certified under QC080000. Such certification demonstrates that the control on electrical and electronic components products hazardous substance process management meets the demanding of world standard of the IEC.

Environmental Protection

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.

In October 2008, Zastron SZ, was certified under Sony OEM Green Partner which demonstrated that the environmental management system of Zastron SZ has met the requirement of Sony Green Partner Program. Sony Green Partner Program is established by Sony who requires its supplier to strictly comply with ISO14001 and to review and strengthen their company's environmental management based on this standard.

Corporate Social Responsibility

NTSZ was certified under International Council of Toy Industries, or ICTI, program in May 2007 which demonstrated that NTSZ runs in compliance with the code of business practices standard in the toy industries with fair labor treatment and care of employees' health and safety.

In January 2007, NTSZ was certified under the standard of Occupational Health and Safety Assessment Series, or OHSAS, 18001:1999. OHSAS 18001 is an international occupational health and safety management system specification. This demonstrates that NTSZ has a recognized international standard in management system on occupational health and safety. 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 healthy financial position during the year 2008, with 14.7 US cents (2007: 17.5 US cents) of cash per share ("Share") and 5.6 US cents (2007: 23.2 US cents) of net asset per Share based on 881,670,588 (2007: 881,670,588) issued ordinary Shares. As at 31 December 2008, the Group had a cash to current liabilities ratio of 0.67 (2007: 0.98), a current ratio of 1.41 (2007: 1.87), a total assets to total liabilities ratio of 1.11 (2007: 1.45), and approximately US$129.3 million (2007: US$154.2 million) of bank balances and cash.

At the year end, the Group had cash of US$129.3 million which was mainly located in the PRC. It also had external debts of US$319.6 million, including an unsecured loan of US$311.4 million borrowed from NTEI, as a result of the Reorganization and an entrusted loan arrangement of US$8.2 million between the Company's two PRC subsidiaries with a bank.

The gearing ratio was 6.47. The Group recorded debtors turnover days of approximately 61 days for the 12 months ended 31 December 2008 (approximately 39 days for the 12 months ended 31 December 2007) based on the amount of trade debtors as at 31 December 2008 (prior to the Reorganization as at 31 December 2007) divided by sales of the same period and multiplied by 366 days (365 days for 2007).

The Group recorded inventory turnover days of approximately 18 days for the 12 months ended 31 December 2008 (approximately 25 days for the 12 months ended 31 December 2007) based on the amount of inventories as at 31 December 2008 (prior to the Reorganization as at 31 December 2007) divided by cost of sales of the same period and multiplied by 366 days (365 days for 2007).

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.

FINAL DIVIDEND

We have determined not to declare dividends for 2008 in order to maintain cash reserves during the continuing economic turmoil.

Total dividends paid in 2008 for the financial year 2007 was 30 HK cents per share (equivalent to 3.85 US cents). The Company paid 20 HK cents per share in April 2008 and 10 HK cents per share in August 2008.

REPORT OF THE DIRECTORS

The Directors submit herewith their annual report together with the audited financial statements of the Group for the year ended 31 December 2008.

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 41 to the accompanying consolidated financial statements.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to results by operating segments for the year ended 31 December 2008 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 2008 are set out in the consolidated income statement on page 29 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 2008, the five largest customers of the Group accounted for approximately 68.9% of the Group's total turnover while the largest customer of the Group accounted for approximately 17.0% of the Group's total turnover. In addition, for the year ended 31 December 2008, the five largest suppliers of the Group accounted for approximately 37.2% of the Group's total purchases while the largest supplier of the Group accounted for approximately 11.4% 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 17 to the accompanying financial statements.

SHARE CAPITAL AND ISSUE OF SHARES

Details of the Company's share capital are set out in note 33 to the accompanying consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the year are set out on page 31. As at 31 December 2008, the company has no reserve to be distributed 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

NTEI, the controlling shareholder of the Company, has increased its equity interest in the Company in 2008. As at 31 December 2008, the equity interest of NTEI in the Company was 74.88%.

Save and except as aforesaid, 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 2008.

The Board will consider a share repurchase programme in 2009.

CHARITABLE DONATIONS

During the year, the Group made charitable donation amounting to approximately US$13,000.

BANK BORROWINGS

Details of the Group's bank borrowings as at 31 December 2008 are set out in the Consolidated Balance Sheet on page 30 of this annual report and in note 30 to the accompanying financial statements.

CAPITALIZATION OF INTEREST

No interest was capitalized by the Group during the year.

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.

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 2008 and up to the date of this annual report were:

Executive Directors

Wong Kuen Ling, Karene	(resigned on 1 November 2008)
Kazuhiro Asano	(resigned on 1 March 2008)
John Quinto Farina	(resigned on 26 September 2008)
Masaaki Yasukawa	(appointed on 2 February 2008 and resigned on 1 November 2008)
Wang Lu Ping	(appointed on 2 February 2008 and resigned on 1 November 2008)
Lei Lai Fong, Patinda	(appointed on 2 February 2008 and resigned on 1 November 2008)
Chui Kam Wai	(appointed on 2 February 2008 and resigned on 1 November 2008)

Non-executive Directors

Koo Ming Kown *(Non-executive Chairman)*

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

Mr. Thaddeus Thomas BECZAK	
Mr. CHAN Tit Hee, Charles	
Mr. Roger Simon PYRKE	
Mr. CHAM Yau Nam	(appointed on 5 May 2008)
Mr. CHOI Man Chau, Michael	(appointed on 5 May 2008)
Mr. LEUNG Wai Hung	(appointed on 5 May 2008)

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 and that of Mr. Cham, Mr. Choi and Mr. Leung is one year commencing from 5 May 2008. 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. Beczak, Mr. Cham, Mr. Chan, Mr. Choi, Mr. Leung and Mr. Pyrke as at 31 December 2008) 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 2008.

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 40 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 2008 or during the year.

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

As at 31 December 2008, 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 The Stock Exchange of Hong Kong Limited ("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

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. Thaddeus Thomas Beczak	Family *(Note 1)*	500,000	0.06%
Mr. Chan Tit Hee, Charles	Personal	350,000	0.04%
Mr. Roger Simon Pyrke	Family *(Note 2)*	50,000	0.006%

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

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 3)*	5,242,786	11.70%
Mr. Wang Lu Ping *(Note 5)*	Family *(Note 4)*	1,516	0.003%
Ms. Wong Kuen Ling, Karene *(Note 5)*	Personal	37,100	0.08%
Ms. Lei Lai Fong, Patinda *(Note 5)*	Personal	26,400	0.06%
Mr. Chui Kam Wai *(Note 5)*	Personal	545,870	1.22%

Notes:

(1) 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.

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

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

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

(5) Mr. Wang, Ms. Wong, Ms. Lei and Mr. Chui resigned as directors on 1 November, 2008.

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 2008 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 2008, 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	660,215,470	74.88%

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 2008 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 2008	Options cancelled with replacement during the year *(Note 2)*	Options lapsed during the year *(Note 3)*	Options repurchased and cancelled during the year *(Note 4)*	Options outstanding as at 31 December 2008
(1) Director or chief executive									
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*	7,020,000	3,900,000	800,000	2,320,000	–
					14,020,000	10,900,000	800,000	2,320,000	–

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, 10,900,000 options granted by the Company under the Pre-IPO Scheme were cancelled and replaced by options issued directly under the Scheme in (II) below.

(3) During the year, 800,000 share options lapsed due to the cessation of employment of 2 employees.

(4) During the year, 2,320,000 options were repurchased and cancelled by the Company.

(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.

Details of the share options which were granted under the Scheme and which remained outstanding as at 31 December 2008 are as follows:

	Date of Grant	Exercise price per share	Exercisable period	Vesting period (from the date of grant)	Options granted as replacement options during the year *(note 5)*	Options granted during the year *(note 6)*	Options lapsed during the year *(note 7)*	Options repurchased and cancelled during the year *(note 8)*	Options outstanding as at 31 December 2008
(1) Directors or chief executives									
Mr. Masaaki Yasukawa	5 February 2008	HK$1.85	5 February 2008 to 4 February 2011	–	–	2,000,000	2,000,000	–	–
Mr. John Quinto Farina	5 February 2008	HK$1.85	5 February 2008 to 4 February 2011	–	–	2,000,000	2,000,000	–	–
Mr. Wang Lu-Ping	5 February 2008	HK$1.85	5 February 2008 to 4 February 2011	–	–	1,460,000	–	1,460,000	–
Ms. Wong Kuen Ling, Karene	5 February 2008	HK$1.85	5 February 2008 to 4 February 2011	–	1,800,000	–	–	1,800,000	–
Ms. Lei Lai Fong, Patinda	5 February 2008	HK$1.85	5 February 2008 to 4 February 2011	–	–	1,050,000	–	1,050,000	–
(2) Employees Under Continuous Employment Contract	5 February 2008	HK$1.85	5 February 2008 to 4 February 2011	–	2,568,000	9,122,000	880,000	10,810,000	–
					4,368,000	15,632,000	4,880,000	15,120,000	–

Notes:

(5) During the year, 4,368,000 options were granted by the Company under the Scheme as replacement for the 10,900,000 options cancelled under the Pre-IPO Scheme. Details are set out in note 39(b) to the accompanying financial statements.

(6) Details are set out in note 39(b) to the accompanying financial statements.

(7) During the year, 880,000 and 4,000,000 share options were lapsed due to the cessation of employment of 4 employees and resignation of 2 directors, respectively.

(8) During the year, 15,120,000 options were repurchased and cancelled by the Company.

In order to simplify the administration of share option schemes, options for 2,320,000 shares under the Pre-IPO Scheme and options for 15,120,000 shares under the Scheme were repurchased and cancelled. The total cancellation cost paid by the Company to the senior management and selected participants of the Group was HK$325,600. As at 31 December 2008, no share options remained outstanding.

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 12 to the accompanying financial statements.

(II) Employees

Amongst the five highest paid individuals of the Group, four of them were Directors.

EMPLOYEE & EMOLUMENT POLICY

Up to 31 December 2008, the Group had a total of 7,100 dynamic and talented employees, among which 109 were marketing staff, 313 were research and development staff, 489 were quality control staff and 284 were engineering staff. All staff were dedicated to maintaining and advancing the quality and reliability of our operations. Total staff cost for the year ended 31 December 2008 was approximately US$51.8 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 chief executives and members of the senior management are reviewed by the Compensation Committee, the composition and responsibilities of which are detailed in "Report of Corporate Governance Practices" below.

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.

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 38 to the accompanying financial statements.

AUDITOR

The Company has not changed its auditors in any of the preceding three years. 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 subject to finalize the negotiation of audit fees for the financial year ending 31 December 2009.

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, 9 February 2009

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 2008. 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 2008.

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 2008.

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

As at 31 December 2008, the Board consists of 7 members with 1 non-executive Director and 6 independent non-executive Directors. The chairman and the president and 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 president and chief executive officer (Acting), Ms. Wong Kuen Ling, Karene, 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 4 meetings during the year with attendance record as follows:

Attendance at Board Meeting	Meetings attended/eligible to attend
Executive Directors:	
Masaaki Yasukawa (appointed on 2 February 2008 and resigned on 1 November 2008)	2/2
John Quinto Farina (resigned on 26 September 2008)	2/2
Wang Lu-Ping (appointed on 2 February 2008 and resigned on 1 November 2008)	3/3
Kazuhiro Asano (resigned on 1 March 2008)	0/1
Wong Kuen Ling, Karene (resigned on 1 November 2008)	3/3
Lei Lai Fong, Patinda (appointed on 2 February 2008 and resigned on 1 November 2008)	3/3
Chui Kam Wai (appointed on 2 February 2008 and resigned on 1 November 2008)	3/3
Non-executive Directors:	
Koo Ming Kown	4/4
Independent Non-executive Directors:	
Thaddeus Thomas Beczak	4/4
Cham Yau Nam (appointed on 5 May 2008)	2/2
Chan Tit Hee, Charles	4/4
Choi Man Chau, Michael (appointed on 5 May 2008)	2/2
Leung Wai Hung (appointed on 5 May 2008)	2/2
Roger Simon Pyrke	4/4

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 25 to 27 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. 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 non-executive Directors and independent non-executive Directors are set out in the Report of the Directors on page 13 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 2008, 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 Compensation 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 2008, 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 2008.

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. Cham Yau Nam and Mr. Choi Man Chau, Michael. 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 2008 with attendance record as follows:

Name of Member	**Meetings attended/eligible to attend**
Chan Tit Hee, Charles (Chairman)	4/4
Thaddeus Thomas Beczak (resigned on 4 August 2008)	3/3
Cham Yau Nam (appointed on 4 August 2008)	1/1
Choi Man Chau, Michael (appointed on 4 August 2008)	1/1
Roger Simon Pyrke (resigned on 4 August 2008)	3/3

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 2008 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.

COMPENSATION COMMITTEE

The Compensation Committee comprises 4 non-executive Directors, Mr. Thaddeus Thomas Beczak, Mr. Koo Ming Kown, Mr. Leung Wai Hung and Mr. Roger Simon Pyrke. Mr. Beczak is the chairman of the Compensation Committee. The Compensation 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 chief executives and members of the senior management. All the committee members attended the meeting of the Remuneration Committee for the year 2008.

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 2009.

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 2008 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$521,000 (2007: US$210,000) and non-audit service fees of approximately US$15,000 (2007: US$311,000). The audit and audit related service fees included approximately US$27,000 (2007: US$16,000) for reviewing the Group's 2008 interim financial statements, and approximately US$48,000 (2007: US$26,000) 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, 9 February 2009

NON-EXECUTIVE DIRECTOR

Mr. Koo Ming Kown, aged 64, was appointed as a non-executive Director of the Company in June 2003. He was later appointed as a member of the Compensation Committee in April 2004 and non-executive Chairman of the Company in February 2008. He was further appointed as a member of the Audit Committee in May 2009. From March 2002 to April 2008, he was also appointed as a director of J.I.C. Technology Company Limited ("JIC") (stock code: 987) a company listed on the main board of SEHK. 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, chief executive or senior management of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Thaddeus Thomas Beczak, aged 58, is an independent non-executive Director of the Company from March 2004 to May 2009. He was chairman of the Compensation Committee of the Company from December 2005 to May 2009 and was a member of the Audit Committee of the Company from April 2004 to August 2008. 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 a non-executive director of Phoenix Satellite Television Holdings Limited (Stock Code: 2008), a company listed on the Main Board of SEHK. Mr. Beczak was also a senior advisor to Nomura International (Hong Kong) Limited, non-executive chairman of Nomura Asia Holding N.V.. He is now Chairman of ACR Capital Holdings Pte Limited, Cowen Latitude Capital Group, Artisan Du Luxe 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. He was a member of the Advisory Committee of the Securities and Futures Commission ("SFC") in Hong Kong and is now a member of 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, chief executive or senior management of the Company.

Mr. Cham Yau Nam, aged 61, was an independent non-executive Director of the Company from May 2008 to April 2009. He was also a member of the Audit Committee of the Company from August 2008 to April 2009. He has over 21 years' experience in the securities industry. From March 2002 to April 2008, he was an independent non-executive director of JIC (stock code: 987), a company listed on the main board of SEHK. He has been appointed as an independent non-executive director of Oriental Press Group Limited (stock code: 18), a company listed on the main board of SEHK since March 2006 and has been the managing director and a shareholder of Kwong Fat Hong (Securities) Limited since 1995. He is a Certified General Accountant in Canada. He obtained his Bachelor of Science degree from St. Mary's University, Halifax, Canada, Bachelor of Engineering (Electrical) degree from Nova Scotia Technical College, Halifax, Canada and Master of Business Administration degree from the University of British Columbia, Canada.

Mr. Chan Tit Hee, Charles, aged 60, 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, a member of the Hong Kong Institute of Certified Public Accountants 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, chief executive or senior management of the Company.

Mr. Choi Man Chau, Michael, aged 52, was an independent non-executive Director of the Company from May 2008 to April 2009. He was also a member of the Audit Committee of the Company from August 2008 to April 2009. From May 2007 to April 2008, Mr. Choi was an independent non-executive director of JIC (stock code: 987), a company listed on the main board of SEHK. Mr. Choi is also an independent non-executive director of Dynamic Energy Holdings Limited (stock code: 578), Oriental Watch Holdings Limited (Stock Code: 398) and Hunan Nonferrous Metals Corporation Limited (Stock Code: 2626), companies listed on the main board of SEHK. Mr. Choi is a fellow member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants. He is a Certified Public Accountant (practising) and has been practising public accountancy in Hong Kong for over 20 years.

Mr. Leung Wai Hung, aged 50, is an independent non-executive Director of the Company appointed in May 2008. He is appointed as a member of the Audit Committee of the Company with effect from May 2009. He was also appointed as a member of the Compensation Committee of the Company in August 2008. From March 2002 to April 2008, Mr. Leung was an independent non-executive director of J.I.C. Technology Company Limited (stock code: 987), a company listed on the main board of SEHK. He is a qualified solicitor and has practised as a solicitor in various legal firms in Hong Kong. He is now an in-house solicitor of a private company providing advisory and other services to banks and financial institutions.

Mr. Roger Simon Pyrke, aged 49, is an independent non-executive Director of the Company from February 2006 to May 2009. He is a member of the Compensation Committee of the Company and also a member of Audit Committee from February 2006 to August 2008. Mr. Pyrke has worked in the financial services industry for over 28 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, chief executive or senior management of the Company.

Mr. Lai Kin Ki, aged 56, is an independent non-executive Director of the Company with effect from May 2009. He is also a member of the Audit Committee with effect from 5 May 2009. He was a director from 1992 to 1997 of Sharp Brave Holdings Limited (stock code: 736), a company then listed on the main board of The Stock Exchange (now known as China Properties Investment Holdings Limited). Save as disclosed above, Mr. Lai does not have any relationship with any Director, chief executive or senior management of the Company.

CHIEF EXECUTIVES AND SENIOR MANAGEMENT

Ms. Karene Wong. Ms. Wong joined NTEI Group in March 1989. In January 2001, Ms. Wong was promoted to managing director of a subsidiary of NTEI Group. She later held the position of chairman of NTEEP. After the Reorganization in 2007, she was re-designated as Chief Executive Officer of NTEEP business unit, responsible for overseeing the overall business of NTEEP business unit. With effect from 1 November 2008, Ms. Wong was promoted as President and Chief Executive Officer (Acting) of NTEI and NTEEP to oversee the overall operation of NTEI and NTEEP.

Mr. Anthony Chan. Mr. Chan joined NTEI as a Financial Controller of JIC group in 2000. He was later promoted to Financial Controller of NTEI in April 2001. In September 2008, Mr. Chan was appointed as Chief Financial Officer (Acting) of NTEI and NTEEP. On March 1, 2009, Mr. Chan's position with NTEI was changed to Vice Chief Financial Officer, responsible for NTEI's financial matters. Mr. Chan obtained a Bachelor's Degree in accounting and Finance from the University of Wales in 1991 and a Master's degree in Accounting and Finance from Lancaster University in England in 1992. Prior to joining NTEI, Mr. Chan was employed by Deloitte Touche Thomatsu. Mr. Chan is a member of Hong Kong Institute of Certified Public Accountants and American Institute of Certified Public Accountants. In addition, he is a Chartered Financial Analyst in the United States.

Deloitte.
德勤

TO THE MEMBERS 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 29 to 85, which comprise the consolidated balance sheet as at 31 December 2008, 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 ("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 2008 and of the Group's loss 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
9 February 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Notes	2008 US$'000	2007 US$'000
Revenue		622,561	283,760
Cost of sales		(548,538)	(234,917)
Gross profit		74,023	48,843
Investment income	9	3,627	3,609
Other income	10	5,248	6,125
Other expenses		—	(1,275)
Impairment loss on intangible assets	21	(979)	—
Impairment loss on goodwill	22	(143,570)	(24,340)
Gain on disposal of businesses	35	—	8,289
Gain on disposal of available-for-sale investments	26	—	43,815
Selling and distribution costs		(8,913)	(2,849)
Administrative expenses		(24,761)	(11,652)
Research and development expenditure		(10,823)	(4,144)
Finance costs	11	(12,491)	(24)
(Loss) profit before tax		(118,639)	66,397
Income tax expense	13	(3,295)	(5,655)
(Loss) profit for the year	14	(121,934)	60,742
Attributable to:			
Equity holders of the Company		(121,934)	60,859
Minority interests		—	(117)
		(121,934)	60,742
Dividends	15	33,910	11,303
(Loss) earnings per share for (loss) profit for the year attributable to equity holders of the Company			
— basic and diluted	16	(13.83) US cents	6.90 US cents

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	Notes	2008 US$'000	2007 US$'000 (restated)
Non-current assets			
Property, plant and equipment	17	137,015	118,934
Prepaid lease payments	18	15,489	15,083
Goodwill	20	74,437	218,007
Deposits paid for the acquisition of equipment		2,936	536
Other assets		320	357
Intangible assets	21	4,325	7,300
Deferred tax assets	23	868	755
		235,390	360,972
Current assets			
Inventories	24	27,300	32,598
Trade and other receivables	25	108,180	101,494
Prepaid lease payments	18	344	143
Taxation recoverable	13	—	5,407
Entrusted loan receivable	27	8,199	—
Bank balances and cash	28	129,349	154,236
		273,372	293,878
Current liabilities			
Trade and other payables	29	121,063	125,719
Taxation payables		850	390
Entrusted loan payable	27	8,199	—
Unsecured bank borrowings — due within one year	30	—	5,470
Loan from ultimate holding company — due within one year	31	51,905	25,953
Amount due to ultimate holding company	32	12,146	—
		194,163	157,532
Net current assets		79,209	136,346
Total assets less current liabilities		314,599	497,318
Non-current liabilities			
Unsecured bank borrowings — due after one year	30	—	1,558
Loan from ultimate holding company — due after one year	31	259,525	285,477
Deferred tax liabilities	23	5,639	5,901
		265,164	292,936
		49,435	204,382
Capital and reserves			
Share capital	33	1,131	1,131
Reserves		48,304	203,251
Equity attributable to equity holders of the Company		49,435	204,382
Minority interests		—	—
Total equity		49,435	204,382

The consolidated financial statements on pages 29 to 85 were approved and authorised for issue by the board of directors on 9 February 2009 and are signed on its behalf by:

Wong Kuen Ling, Karene
Chief Executive Officer
(Acting)

Anthony Chan
Chief Financial Officer
(Acting)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	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	Accumulated profits (losses) US$'000	Total US$'000	Minority interests US$'000 (note c)	Total US$'000
At 1 January 2007	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 15)*	–	–	–	–	–	–	(11,303)	(11,303)	–	(11,303)
Transfer to amount due from a fellow subsidiary	–	–	–	–	–	–	–	–	117	117
Transfer	–	–	–	–	8,728	–	(8,728)	–	–	–
Transfer to accumulated profits	–	–	–	(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
Loss for the year	–	–	–	–	–	–	(121,934)	(121,934)	–	(121,934)
Total recognised expense for the year	–	–	–	–	–	–	(121,934)	(121,934)	–	(121,934)
Dividends paid *(Note 15)*	–	–	–	–	–	–	(33,910)	(33,910)	–	(33,910)
Transfer to accumulated losses	–	–	–	(2,074)	–	–	2,074	–	–	–
Share options expense	–	–	–	897	–	–	–	897	–	897
At 31 December 2008	1,131	81,198	2,829	–	13,109	–	(48,832)	49,435	–	49,435

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 upon declaration of dividend, which are 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 former 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 2008

	2008 *US$'000*	2007 *US$'000*
OPERATING ACTIVITIES		
(Loss) profit before tax	(118,639)	66,397
Adjustments for:		
Bank interest income	(3,406)	(3,609)
Interest income from entrusted loan received	(221)	—
Gain on disposal of available-for-sale investments	—	(43,815)
Impairment loss on goodwill	143,570	24,340
Impairment loss on intangible assets	979	—
Loss (gain) on disposal of property, plant and equipment	14	(100)
Loss on disposal of other assets	3	—
Share options expense	939	121
Interest expense on amount due to ultimate holding company	12,146	24
Interest expense on unsecured bank borrowings	124	—
Interest expense on entrusted loan payable	221	—
Gain on disposal of businesses	—	(8,289)
Depreciation and amortisation	19,251	6,499
Release of prepaid lease payments	344	71
Operating cash flows before movements in working capital	55,325	41,639
Decrease (increase) in inventories	5,298	(6,577)
Increase in trade and other receivables	(6,965)	(1,313)
(Decrease) increase in trade and other payables	(12,879)	8,341
Decrease in amount due from a fellow subsidiary	—	125
Decrease in amount due to a fellow subsidiary	—	(29)
Cash generated from operations	40,779	42,186
PRC enterprise income tax paid	(3,210)	(9,833)
PRC enterprise income tax refunded	5,407	1,029
NET CASH FROM OPERATING ACTIVITIES	42,976	33,382
INVESTING ACTIVITIES		
Proceeds from disposal of available-for-sale investments	—	53,914
Disposal of businesses *(Note 35)*	—	8,423
Acquisition of businesses *(Note 34)*	—	10,848
Purchase of property, plant and equipment and prepaid lease payments	(30,560)	(5,176)
Advanced to entrusted loan receivable	(8,199)	—
Bank interest income received	3,685	3,604
Interest received on entrusted loan receivable	221	—
Proceeds on disposal of property, plant and equipment	82	108
Proceeds on disposal of other assets	34	—
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(34,737)	71,721
FINANCING ACTIVITIES		
Dividends paid	(33,910)	(11,303)
Repayment of unsecured bank borrowings	(7,028)	—
Interest paid	(124)	(24)
Interest paid on entrusted loan payable	(221)	—
Payment on repurchase of share options	(42)	—
Advanced from entrusted loan payable	8,199	—
NET CASH USED IN FINANCING ACTIVITIES	(33,126)	(11,327)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(24,887)	93,776
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	154,236	60,460
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash	129,349	154,236

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. Its ultimate holding company is Nam Tai Electronics, Inc. ("NTE Inc."), a company incorporated in the British Virgin Islands with its shares listed on the New York Stock Exchange. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is Units 5811-5812, 58th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong.

The principal activities of the Company and its subsidiaries (hereinafter collectively referred as the "Group") are the manufacturing and marketing of consumer electronics and communications products, telecommunication component assembly and Liquid Crystal Display ("LCD") products.

The consolidated financial statements are presented in United States dollar, which is also the functional currency of the Company.

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

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are or have become effective.

Hong Kong Accounting Standard ("HKAS") 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
Hong Kong (International Financial Reporting Interpretations Committee) — Interpretations ("HK(IFRIC)") — Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) — Int 12	Service Concession Arrangements
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction

The adoption of these interpretations and amendments had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

Besides, the Group has early adopted HKFRS 8 "Operating Segments" in advance of its effective date, with effect from 1 January 2008. Amounts reported for the prior year have been restated on the new basis.

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

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combination[3]
HK(IFRIC) — Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) — Int 15	Accounting for Agreements for the Construction of Real Estate[2]
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC) — Int 18	Transfers of Assets from Customers[6]

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

2 Effective for annual periods beginning on or after 1 January 2009

3 Effective for annual periods beginning on or after 1 July 2009

4 Effective for annual periods beginning on or after 1 July 2008

5 Effective for annual periods beginning on or after 1 October 2008

6 Effective for transfers on or after 1 July 2009

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. HKAS 23 (Revised) requires borrowing costs related to qualifying assets of the Group to be capitalised prospectively. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and financial positions of the Group.

3. RESTATEMENT OF CERTAIN 2007 COMPARATIVE INFORMATION

The provisionally estimated fair values of assets acquired and liabilities assumed on the acquisition of Jetup Electronics (Shenzhen) Co., Ltd. ("Jetup") and Zastron Precision—Tech Limited ("ZPT") and its subsidiaries (the "ZPT Group", hereinafter together with the acquisition of Jetup collectively referred as the "Acquisition") at 31 December 2007 were used for the preparation of the 2007 annual financial statements (Note 34). The fair value assessment was completed during the current year, and pursuant to HKFRS 3, the comparative 31 December 2007 consolidated balance sheet has been restated to reflect the finalised fair value of assets acquired and liabilities assumed from the Acquisition.

The effect of the reassessed fair value described above is summarised below:

	31 December 2007	Restatements	31 December 2007 and 1 January 2008
	US$'000	*US$'000*	*US$'000*
	(originally stated)		(as restated)
Balance sheet items			
Goodwill	186,299	31,708	218,007
Intangible assets	46,721	(39,421)	7,300
Deferred tax liabilities	(13,614)	7,713	(5,901)
	219,406	—	219,406

4. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

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

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

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

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

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

Business combinations

The acquisition of businesses 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 business 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 business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

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

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment at 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 consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, 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 is 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.

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.

Research and development expenditure

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

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life, and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

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 unit of production 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.

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 operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

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 and included in the consolidated income statement in the period in which they are incurred.

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 and 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.

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, entrusted loan receivable 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).

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 ("FVTPL"), 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.

Interest income is recognised on an effective interest basis other than those financial assets designated as at FVTPL, of which interest income is included in net gains or losses.

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 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 30 days to 90 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.

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.

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.

Financial liabilities include trade and other payables, entrusted loan payable, unsecured bank borrowings, amount due to ultimate holding company and loan from ultimate holding company are subsequently measured at amortised cost, using the effective interest method.

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

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.

The Group recognises the effects of modifications that increase the fair value of the share-based payment arrangement, measured immediately before and after modification, as share option expense when the modification occurs after vesting date. When the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognised for services received over the period from the modification date until the date when the modified share options vest, in addition to the amount based on the grant date fair value of the original share options, which is recognised over the remainder of the original vesting period.

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, cancelled after the vesting date 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.

When the Group repurchases share options which are vested, the payment made to the employee is accounted for as a deduction from equity, except to the extent that the payment exceeds the fair value of the share options repurchased, measured at the repurchase date. Any such excess is recognised as an expense.

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.

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.

5. 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 net debt, which includes the borrowings disclosed in Notes 30 and 31, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

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.

6. KEY SOURCE OF ESTIMATED 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 2008, a deferred tax asset of US$1,031,000 (2007: 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.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unites to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flow expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The Group recognised impairment loss on goodwill of US$143,570,000 (2007: US$24,340,000) during the year. Where the actual cash flows are less than expected or the actual discount rate is higher than expected, a further impairment loss may arise. As at 31 December 2008, the carrying amount of goodwill is US$74,437,000 (2007: US$218,007,000). Details of the recoverable amount calculation and the impacts of a reasonable possible change in the key assumptions are disclosed in Note 22.

7. FINANCIAL INSTRUMENTS

7a. Categories of financial instruments

	2008	**2007**
	US$'000	*US$'000*
Financial assets		
Loans and receivables		
(including cash and cash equivalents)	245,728	255,730
Financial liabilities		
Amortised cost	452,838	444,177

7b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, entrusted loan receivable, bank balances and cash, trade and other payables, entrusted loan payable, unsecured bank borrowings, loan from ultimate holding company and amount due to 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 and interest rate 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, which expose the Group to foreign currency risk. Approximately 84% of the Group's sales are denominated in the functional currencies of the group entity making the sale, whilst almost 68% (2007: 74%) of 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, including bank balances and cash, trade and other receivables and entrusted loan receivables, and monetary liabilities, including trade and other payables and entrusted loan payables at the reporting date are as follows:

	2008	**2007**
	US$'000	*US$'000*
Assets		
Renminbi	45,021	55,851
Liabilities		
Renminbi	21,391	12,407

Sensitivity analysis

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

A sensitivity analysis of 10% (2007: 7%) change in United States dollar against Renminbi is performed. 10% (2007: 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. As a result of the volatile financial market in 2008, the management adjust the sensitivity rate to 10% for the purpose of assessing foreign currency risk. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% (2007: 7%) change in foreign currency rate along the fluctuations of Renminbi in the year 2008. If a 10% (2007: 7%) weakening/strengthening of United States dollar against Renminbi and all other variables were held constant, the Group's loss for the year ended 31 December 2008 would decrease/increase by US$2,148,000, respectively (Profit for the year ended 31 December 2007 would increase/decrease by US$2,825,000, respectively).

Interest Rate Risk

For the year ended 31 December 2008, the Group is exposed to fair value interest rate risk in relation to fixed-rate loan from ultimate holding company (see Note 31 for details of this borrowing).

For the years ended 31 December 2008 and 2007, the Group was exposed to cash flow interest rate risk in relation to variable-rate bank balances. The Group's cash flow interest rate risk was mainly concentrated on the fluctuation of prevailing market interest rates for bank deposits.

For the year ended 31 December 2007, the Group was also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see Note 30 for details of these borrowings). The Group's cash flow interest rate risk was mainly concentrated on the fluctuation of Hong Kong/London/Singapore Interbank Offered Rates arising from the bank borrowings.

As at 31 December 2008, the Group does not have any variable rate financial liabilities. The Group's exposures to interest risk on financial liabilities for the year ended 31 December 2007 are detailed in the liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for the variable-rate bank balances and bank borrowings at the balance sheet date. The analysis is prepared assuming the amount 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.

If interest rates had been 40 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2008 would decrease/ increase by US$517,000, respectively (Profit for the year ended 31 December 2007 would increase/decrease by US$589,000, respectively).

Credit risk

As at 31 December 2008, 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 counterparties 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 five largest customers accounted for a total of 69% and 87% of the Group's total sales for the year ended 31 December 2008 and 2007, respectively. The five largest customers accounted for a total of 76% and 66% of the Group's trade receivables as at

31 December 2008 and 2007, 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 based on shipping destinations is mainly in Asia, which accounted for 42% (2007: 78%) of the total trade receivable as at 31 December 2008.

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

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 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 2008 and 2007. 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*
2008								
Trade and other payables	–	66,525	52,188	2,350	–	–	121,063	121,063
Fixed-rate entrusted loan payable	5.0	–	–	8,386	–	–	8,386	8,199
Fixed-rate loan from ultimate holding company	3.9	25,952	–	37,086	138,223	176,971	378,232	311,430
Amount due to ultimate holding company	–	12,146	–	–	–	–	12,146	12,146
		104,623	52,188	47,822	138,223	176,971	519,827	452,838
2007								
Trade and other payables	–	121,337	3,764	618	–	–	125,719	125,719
Variable-rate unsecured bank borrowings – variable-rate *(note)*	6.0	3,439	1,853	227	1,558	–	7,077	7,028
Fixed-rate 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

Note: The rate is based on Hong Kong/London/Singapore Interbank Offered Rates outstanding at 31 December 2007.

7c. Fair value

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

- the fair value of financial assets held 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 directors consider that the carrying amounts of all financial assets and financial liabilities recorded at amortised cost except for the loan from ultimate holding company in the consolidated financial statements approximate their fair values.

8. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" in advance of its effective date, with effect from 1 January 2008. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (HKAS 14, "Segment Reporting") required an entity to identify two sets of segments (business and geographical) using a risks and rewards approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. As a result, following the adoption of HKFRS 8, the identification of the Group's operating segments has changed.

In prior years, segment information reported externally was analysed on the basis of geographical locations of its customers. However, information reported to Chief Executive Officer for the purposes of resource allocation and assessment of performance is more specifically focused on the operating divisions for different products and services.

As at 31 December 2007, the Group completed the Acquisition and consequently has reorganised into three operating divisions, namely, Consumer Electronic and Communication Products ("CECP"), Telecommunication Component Assembly ("TCA"), and the LCD Products ("LCDP"), for the purposes of resource allocation and assessment of performance from 1 January 2008 onwards.

The Group's operating segments under HKFRS 8 are therefore CECP, TCA and LCDP and the principal activities of each operating segment are as follows:

- CECP — manufacturing and marketing of consumer electronic and communication products, assembling such as mobile phone accessories, home entertainment devices, educational products and optical devices and software development;

- TCA — manufacturing and marketing of telecommunication component assembly such as telecom LCD modules, telecom Flexible Printed Circuit ("FPC") subassemblies and FPC boards; and

- LCDP — manufacturing and marketing of LCD products, parts and components.

Financial information regarding these segments is reported below. As the acquisition of TCA segment and LCDP segment was only completed on 31 December 2007; the segment revenue for CECP is the same as the consolidated revenue for the year ended 31 December 2007; and segment result for CECP for the year ended 31 December 2007 is approximately US$45,400,000 which is determined based on the Group's profit for the year ended 31 December 2007, as adjusted for the gain on disposal of available-for-sale investments with related tax expense and impairment loss on goodwill recognised in that year, therefore segment revenue and segment result are not separately presented for the year ended 31 December 2007.

(a) Segment revenues and results

Year ended 31 December 2008

	CECP	TCA	LCDP	Elimination	Segment total
	US$'000	*US$'000*	*US$'000*	*US$'000* *(Note)*	*US$'000*
Revenue — third parties	271,074	274,953	76,534	—	622,561
Revenue — inter-segment	—	—	141	(141)	—
	271,074	274,953	76,675	(141)	622,561
Cost of sales	(221,423)	(259,355)	(71,559)	141	(552,196)
Gross profit	49,651	15,598	5,116	—	70,365
Investment income	2,807	863	48	(91)	3,627
Other income (expense)	4,436	1,385	(167)	(406)	5,248
Selling and distribution costs	(3,735)	(1,533)	(1,677)	—	(6,945)
Administrative expenses	(10,601)	(10,081)	(4,779)	410	(25,051)
Research and development expenditure	(5,469)	(3,776)	(1,614)	(4)	(10,863)
Finance costs	—	(91)	(345)	91	(345)
Profit (loss) before tax	37,089	2,365	(3,418)	—	36,036
Income tax (expense) credit	(4,278)	1,220	53	—	(3,005)
Profit (loss) for the year	32,811	3,585	(3,365)	—	33,031

Note: Being elimination of inter-segment sales and other transactions which are charged at terms agreed by both parties.

Revenue reported above represents revenue generated from external customers. There were inter-segment sales of US$141,000 in the year (2007: Nil).

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4. Segment profit represents the profit earned by each segment without allocation of the adjustments relating to changes in fair value of assets and the accrued interest on the loan from ultimate holding company arising from the Acquisition, reassessment on the estimation of the useful life of property, plant and equipment, amortisation of intangible assets arising from the Acquisition and impairment losses recognised on goodwill and intangible assets. This is the measure reported to Chief Executive Officer for the purposes of resource allocation and assessment of segment performance. These differences between this financial information and the consolidated total are also described below.

The amounts presented for operating segments results reconciled to the consolidated income statement are as follows:

		Adjustments					
	Segments total	*Note 1*	*Note 2*	*Note 3*	*Note 4*	*Note 5*	**Consolidated total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Revenue – third parties	622,561	–	–	–	–	–	622,561
Revenue – inter-segment	–	–	–	–	–	–	–
	622,561	–	–	–	–	–	622,561
Cost of sales	(552,196)	–	3,658	–	–	–	(548,538)
Gross profit	70,365	–	3,658	–	–	–	74,023
Investment income	3,627	–	–	–	–	–	3,627
Other income	5,248	–	–	–	–	–	5,248
Impairment loss on goodwill	–	–	–	–	(143,570)	–	(143,570)
Impairment loss on intangible assets	–	–	–	–	–	(979)	(979)
Selling and distribution costs	(6,945)	–	28	(1,996)	–	–	(8,913)
Administrative expenses	(25,051)	–	290	–	–	–	(24,761)
Research and development expenditure	(10,863)	–	40	–	–	–	(10,823)
Finance costs	(345)	(12,146)	–	–	–	–	(12,491)
Profit (loss) before tax	36,036	(12,146)	4,016	(1,996)	(143,570)	(979)	(118,639)
Income tax expense	(3,005)	–	(290)	–	–	–	(3,295)
Profit (loss) for the year	33,031	(12,146)	3,726	(1,996)	(143,570)	(979)	(121,934)

Note 1: Being accrued interest on loan from ultimate holding company.

Note 2: Being reassessment on the estimation of the useful life of the property, plant and equipment arising from the Acquisition.

Note 3: Being amortisation of intangible assets arising from the Acquisition.

Note 4: Being impairment loss recognised on goodwill.

Note 5: Being impairment loss recognised on intangible assets.

(b) Segment assets and liabilities

At 31 December 2008

	CECP	**TCA**	**LCDP**	**Elimination**	**Segment total**
	US$'000	*US$'000*	*US$'000*	*US$'000* *(Note)*	*US$'000*
Non-current assets	47,907	64,408	17,450	—	129,765
Current assets	158,170	100,039	25,527	(10,410)	273,326
Current liabilities	39,962	80,546	20,014	(10,410)	130,112
Non-current liabilities	740	—	—	—	740

Note: Being elimination of certain inter-segment entrusted loan balances which the Group had a legally enforceable right to set off the recognised amounts and intended to settle on a net basis.

At 31 December 2007 (restated)

	CECP	**TCA**	**LCDP**	**Elimination**	**Segment total**
	US$'000	*US$'000*	*US$'000*	*US$'000* *(Note)*	*US$'000*
Non-current assets	52,404	40,706	18,659	—	111,769
Current assets	154,676	110,330	28,657	(74)	293,589
Current liabilities	48,234	62,560	20,859	(74)	131,579
Non-current liabilities	—	—	1,558	—	1,558

Note: Being elimination of inter-segment balances.

For the purposes of monitoring segment performance and allocating resources between segments, the Chief Executive Officer monitors the tangible, intangible and financial assets attributable to each segment. All assets are allocated to operating segments other than goodwill, the change in fair value of assets and related deferred tax liabilities arising from the Acquisition and accrued interest on the loan from ultimate holding company. These differences between this financial information and the consolidated total are described below.

The amounts presented for operating segments assets and liabilities reconciled to the consolidated balance sheet are as follows:

At 31 December 2008

		Adjustments				
	Segments total	*Note 1*	*Note 2*	*Note 3*	*Note 4*	**Consolidated total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Non-current assets	129,765	–	109,536	–	(3,911)	235,390
Current assets	273,326	–	46	–	–	273,372
Current liabilities	130,112	12,146	–	51,905	–	194,163
Non-current liabilities	740	–	8,810	259,525	(3,911)	265,164

Notes:

1. Being accrued interest on loan from ultimate holding company.
2. Being adjustments for goodwill, fair value of property, plant and equipment and intangible assets, net of impairment loss recognised, arising from the Acquisition.
3. Being loan from ultimate holding company arising from the Acquisition.
4. Being reclassification adjustment to offset certain deferred tax assets and liabilities for the purpose of balance sheet presentation.

At 31 December 2007 (restated)

		Adjustments			
	Segments total	*Note 1*	*Note 2*	*Note 3*	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Non-current assets	111,769	–	(2,619)	251,822	360,972
Current assets	293,589	–	–	289	293,878
Current liabilities	131,579	25,953	–	–	157,532
Non-current liabilities	1,558	285,477	(2,619)	8,520	292,936

Notes:

1. Being loan from ultimate holding company arising from the Acquisition.
2. Being reclassification adjustment to offset certain deferred tax assets and liabilities for the purpose of balance sheet presentation.
3. Being the fair value adjustments of property, plant and equipment and intangible assets, net of impairment loss recognised, arising from the Acquisition.

(c) Other segment information

Year ended 31 December 2008

	CECP	TCA	LCDP	Segment total	Adjustment *Note 1*	Consolidated total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Capital additions	1,941	29,452	4,039	35,432	—	35,432
Depreciation and amortisation	6,460	10,559	4,800	21,819	(2,568)	19,251
Impairment losses on loan receivables recognised in the consolidated income statement	1	—	24	25	—	25
Gain (loss) on disposal of property, plant and equipment	36	(20)	(2)	14	—	14
Share options expenses	435	323	181	939	—	939

Note:

1. Being the fair value adjustments of property, plant and equipment and intangible assets arising from the Acquisition.

(d) Revenues from major products and services

The Group's revenue from its major products and services were as follows:

	2008	2007
	US$'000	*US$'000*
Sales of goods:		
Telecom LCD modules	162,912	—
Mobile phone accessories	140,565	153,776
Telecom FPC modules	106,441	—
Home entertainment devices	79,019	68,603
LCD products	76,534	—
Educational products	26,543	39,237
Optical devices	24,721	19,864
Others	5,826	—
	622,561	281,480
Software development services	—	2,280
	622,561	283,760

(e) Geographical information

The Group principally operates in PRC (country of domicile).

The Group's revenue from external customers attributed to the group entities' country of domicile (i.e. PRC) and other foreign locations from which revenues are derived (based on shipping destinations) and information about its segment assets (excluding deferred tax assets) located in the group entities' country of domicile (i.e. PRC) and other foreign locations in which the group entities have assets are detailed below:

	Revenue from external customers		**Non-current assets**	
	2008	**2007**	**2008**	**2007**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Country of domicile:				
PRC	87,110	49,382	234,387	360,085
Other foreign locations:				
Asia Pacific region, excluding PRC	254,181	24,001	135	132
North America	130,459	116,428	—	—
Europe	136,889	88,191	—	—
Others	13,922	5,758	—	—
	622,561	283,760	234,522	360,217

(f) Information about major customers

The Group's sales to customers which accounted for 10% or more of its sales are as follows:

	2008	**2007**
	US$'000	*US$'000*
Customer A in CECP segment	N/A	84,555
Customer B in CECP segment	95,912	68,536
Customer C in CECP segment	65,271	59,986
Customer D in TCA segment	102,874	N/A
Customer E in TCA segment	106,034	N/A
	370,091	213,077

9. INVESTMENT INCOME

	2008	**2007**
	US$'000	*US$'000*
Bank interest income	3,406	3,609
Interest income from entrusted loan receivable	221	—
	3,627	3,609

10. OTHER INCOME

	2008	2007
	US$'000	*US$'000*
Exchange gain	4,646	4,703
Rental income *(note)*	—	1,267
Sundry	602	155
	5,248	6,125

Note: Direct operating expenses from investment properties that generated rental income amounted to US$1,275,000 for the year ended 31 December 2007 (2008: Nil).

11. FINANCE COSTS

	2008	2007
	US$'000	*US$'000*
Interest expense on unsecured bank borrowings	124	—
Interest expense on entrusted loan payable	221	—
Interest expense on loan from ultimate holding company	12,146	24
	12,491	24

12. 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 fourteen (2007: eight) directors were as follows:

Year ended 31 December 2008

	Wong Kuen Ling, Karene *(note 1)*	Kazuhiro Asano *(note 2)*	Koo Ming Kown	John Quinto Farina *(note 3)*	Massaaki Yasukawa *(note 4)*	Wang Lu Ping *(note 4)*	Lei Lai Fong, Patinda *(note 4)*	Chui Kam Wai *(note 4)*	Chan Tit Hee, Charles	Thaddeus Thomas Beczak	Roger Simon Pyrke	Cham Yau Nam *(note 5)*	Leung Wei Hung *(note 5)*	Choi Man Chau, Michael *(note 5)*	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Fee	–	–	43	–	–	–	–	–	31	31	31	20	20	20	196
Other emoluments															
Salaries and other benefits	299	–	–	458	230	170	268	144	–	–	–	–	–	–	1,569
Performance related incentive bonus *(note 7)*	361	–	–	–	–	–	–	–	–	–	–	–	–	–	361
Retirement benefit scheme contributions	1	–	–	2	1	–	1	1	–	–	–	–	–	–	6
Share-based payments *(note 8)*	–	–	–	108	108	78	56	–	–	–	–	–	–	–	350
Total emoluments	661	–	43	568	339	248	325	145	31	31	31	20	20	20	2,482

Year ended 31 December 2007

	Wong Kuen Ling, Karene *(note 1)* *US$'000*	Kazuhiro Asano *(note 2)* *US$'000*	Koo Ming Kown *US$'000*	John Quinto Farina *(note 3)* *US$'000*	Chan Tit Hee, Charles *US$'000*	Thaddeus Thomas Beczak *US$'000*	Roger Simon Pyrke *US$'000*	Lee Wa Lun, Warren *(note 6)* *US$'000*	Total *US$'000*
Fee	–	–	11	–	31	31	31	–	104
Other emoluments									
Salaries and other benefits	359	205	–	–	–	–	–	–	564
Performance related incentive bonus *(note 7)*	1,259	15	–	–	–	–	–	–	1,274
Retirement benefit scheme contributions	2	5	–	–	–	–	–	–	7
Share-based payments *(note 8)*	65	–	–	–	–	–	–	–	65
Total emoluments	1,685	225	11	–	31	31	31	–	2,014

Notes:

1. Resigned on 1 November 2008.
2. Resigned on 1 March 2008.
3. Appointed on 1 August 2007 and resigned 26 September 2008.
4. Appointed on 2 February 2008 and resigned on 1 November 2008.
5. Appointed on 5 May 2008.
6. Resigned on 16 April 2007.
7. The performance related incentive bonus is determined based on the performance of the Group.
8. Share-based payments represent fair value at grant date of share options issued under a Share Option Scheme (as defined in note 39(b)) and a Pre-IPO Share Option Scheme (as defined in note 39(c)) amortised to the income statement consolidated during the year.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2007: one) were directors of the Company, whose emoluments are included in the disclosures in (a) above. The emoluments of the remaining one (2007: four) individual are as follows:

	2008 *US$'000*	**2007** *US$'000*
Salaries and other benefits	282	675
Performance related incentive payments	77	1,157
Retirement benefit scheme contributions	—	1
Share-based payments *(note)*	33	22
	392	1,855

Note: Share-based payments represent fair value at grant date of share options issued under a Share Option Scheme (as defined in note 39(b)) and a Pre-IPO Share Option Scheme (as defined in note 39(c)) amortised to the consolidated income statement during the year.

The emoluments of the employees were within the following bands:

	Number of employees	
	2008	**2007**
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	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
	1	4

During the years ended 31 December 2008 and 2007, 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. One (2007: two) of the directors waived their emoluments during the year.

13. INCOME TAX EXPENSE

	2008	**2007**
	US$'000	*US$'000*
Current tax:		
PRC enterprise income tax charged at applicable rates	3,670	6,409
Japan corporate tax charged at 22%	—	1
	3,670	6,410
Deferred tax credit *(Note 23)*	(375)	(755)
	3,295	5,655

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. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. Under the New Law and Implementation Regulation, the Enterprise Income Tax rate of the Group's subsidiaries in Shenzhen, the PRC was increased from 18% to 25% progressively from 1 January 2008 onwards.

For the year ended 31 December 2007, NTSZ, a wholly owned subsidiary of the Company, and Shenzhen Namtek Co., Ltd. ("Namtek Shenzhen"), a former wholly owned subsidiary of the Company, were subject to a tax rate of 15% on the assessable profits in accordance with the then applicable enterprise income tax law of the PRC and the relevant rules promulgated by the Shenzhen municipal government ("Former EIT Law"). In addition, the then directors expected that NTSZ and Namtek Shenzhen would qualify for a reduced tax rate of 10% as these subsidiaries exported 70% or more of the production value of its product in the past. Furthermore, the Group has applied refund of the taxes already paid for the profits of the PRC subsidiaries as a result of reinvestment of those profits by way of capital injection as allowed under the Former EIT Law. The income tax recoverable under the above arrangements was US$5,334,000 as at 31 December 2007 while no such income tax recoverable was outstanding as at 31 December 2008.

The relevant tax rates for the Group's subsidiaries in Shenzhen are 18% (2007: 15%).

Zastron (Macao Commercial Offshore) Company Limited ("Zastron Macao") and NTIC are 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 provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profit arising in Hong Kong for both years.

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

	2008	**2007**
	US$'000	*US$'000*
(Loss) profit before tax	(118,639)	66,397
Tax at PRC enterprise income rate of 18% (2007: 15%)	(21,355)	9,960
Tax effect of expenses not deductible for tax purpose	28,582	2,259
Effect of tax exemptions granted to Macao subsidiaries	(3,553)	(1,149)
Tax effect of PRC income tax relief	—	(3,201)
Tax effect of income not taxable for tax purpose	(1,859)	(1,425)
Tax effect of tax losses not recognised	1,104	—
Deferred tax on undistributed earnings of PRC subsidiaries	740	—
Effect of change in PRC tax law	—	(755)
Others	(364)	(34)
Tax expense for the year	3,295	5,655

14. (LOSS) PROFIT FOR THE YEAR

	2008	2007
	US$'000	*US$'000*
(Loss) profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	521	210
Cost of inventories recognised as expense	548,538	234,140
Release of prepaid lease payments	344	71
Depreciation of property, plant and equipment	17,255	5,549
Depreciation of investment properties	—	950
Amortisation of intangible assets	1,996	—
	19,251	6,499
Less: Depreciation and amortisation included in research and development expenditure	(387)	(152)
	18,864	6,347
Loss (gain) on disposal of property, plant and equipment	14	(100)
Staff costs, including directors' remunerations	50,031	18,625
Retirement benefit scheme contributions, including directors' remunerations	1,814	490
Total staff costs	51,845	19,115
Less: Staff costs included in research and development expenditure	(8,720)	(3,459)
	43,125	15,656

15. DIVIDENDS

	2008	2007
	US$'000	*US$'000*
Dividends recognised as distribution during the year:		
Final paid — 3.85 US cents per share (2007: Nil)	33,910	—
Interim paid — Nil (2007: 1.28 US cents)	—	11,303
	33,910	11,303

No final dividend (2007: 30 HK cents per share (equivalent to 3.85 US cents)) has been proposed by directors for the year ended 31 December 2008 which is subject to approval by shareholders in general meeting.

16. (LOSS) EARNINGS PER SHARE

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

	2008	**2007**
	US$'000	*US$'000*
(Loss) profit for the year attributable to equity holders of the Company	(121,934)	60,859
	'000	*'000*
Number of ordinary shares for the purpose of basic (loss) earnings per share *(note)*	881,671	881,671

The denominators used are the same as those detailed above for both basic and diluted (loss) earnings per share.

Note: During 2007 and 2008, the exercise of the share options is not considered in calculating the diluted earnings (loss) per share because they will not result in a decrease in earnings per share and increase in loss per share. All share options granted by the Company are repurchased and cancelled during the year ended 31 December 2008. Accordingly no share option is outstanding as at 31 December 2008.

17. 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 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 and 1 January 2008	50,129	18,554	87,948	2,573	691	159,895
Additions	–	1,225	930	363	32,914	35,432
Transfer	–	2,388	2,785	(97)	(5,076)	–
Disposals	–	(25)	(1,387)	(68)	–	(1,480)
At 31 December 2008	50,129	22,142	90,276	2,771	28,529	193,847
DEPRECIATION						
At 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)
Disposals of subsidiaries	–	(106)	(101)	(22)	–	(229)
At 31 December 2007 and 1 January 2008	12,330	9,452	18,214	965	–	40,961
Provided for the year	2,242	1,962	12,804	247	–	17,255
Eliminated on disposals	–	(15)	(1,314)	(55)	–	(1,384)
At 31 December 2008	14,572	11,399	29,704	1,157	–	56,832
CARRYING VALUES						
At 31 December 2008	35,557	10,743	60,572	1,614	28,529	137,015
At 31 December 2007	37,799	9,102	69,734	1,608	691	118,934

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, other than construction in progress, 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	15%— 25%

18. PREPAID LEASE PAYMENTS

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

	2008	**2007**
	US$'000	*US$'000*
Analysed for reporting purposes as:		
Current assets	344	143
Non-current assets	15,489	15,083
	15,833	15,226

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 2007, an amount of approximately US$9,019,000 represented prepaid lease payments in which land use rights certificate has not been obtained. All land use right certificates has been obtained for the prepaid lease payments as at 31 December 2008.

19. INVESTMENT PROPERTIES

	Buildings
	US$'000
COST	
At 1 January 2007	24,044
Transfer to property, plant and equipment during the year upon acquisition of businesses	(24,044)
At 31 December 2007, 1 January 2008 and 31 December 2008	—
DEPRECIATION	
At 1 January 2007	7,037
Provided for the year	950
Transfer to property, plant and equipment during the year upon acquisition of businesses	(7,987)
At 31 December 2007, 1 January 2008 and 31 December 2008	—
CARRYING VALUES	
At 31 December 2008	—
At 31 December 2007	—

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 these properties were situated on land in the PRC which were held by the Group under medium-term land use rights.

All of the Group's investment properties were transferred to property, plant and equipment during the year ended 31 December 2007.

20. GOODWILL

	2008	**2007**
	US$'000	*US$'000*
		(restated)
COST		
At 1 January	218,007	24,340
Arising on acquisition of businesses *(Note 34)*	—	218,007
Eliminated on disposal of business	—	(24,340)
At 31 December	218,007	218,007
IMPAIRMENT		
At 1 January	—	—
Impairment loss recognised in the year	143,570	24,340
Eliminated on disposal of business	—	(24,340)
At 31 December	143,570	—
CARRYING AMOUNTS		
At 31 December	74,437	218,007

Particulars regarding impairment testing on goodwill are disclosed in Note 22.

21. INTANGIBLE ASSETS

The amount represents the customer base as part of acquisition of certain businesses from NTE Inc. on 31 December 2007 (Note 34).

	US$'000
COST	
At 1 January 2007	—
Acquired on acquisition of a businesses (restated)	7,300
At 31 December 2007 (restated) and 1 January 2008 and 31 December 2008	7,300
AMORTISATION AND IMPAIRMENT	
At 1 January 2007, 31 December 2007 and 1 January 2008	—
Charge for the year	1,996
Impairment loss recognised in the year	979
At 31 December 2008	2,975
CARRYING VALUES	
At 31 December 2008	4,325
At 31 December 2007 (restated)	7,300

Customer base represents a portfolio of customers with 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 unit of production basis over its estimated useful live of 5-7 years.

22. IMPAIRMENT LOSS ON GOODWILL

For the purpose of impairment testing, goodwill set out in Note 20 has been allocated to two individual cash generating units ("CGUs"), including five subsidiaries in TCA segment and two subsidiaries in LCDP segment which are determined by reference to the purchase consideration of each of the CGU as set out in the Acquisition agreement and the respective fair value of the net assets of each of CGU acquired by the Group. The purchase consideration was determined by reference to the price earnings multiple of the ZPT Group (representing the TCA segment) and JIC and its subsidiaries (the "JIC group", in which Jetup (representing the LCDP segment) was the principal operating subsidiary) for the year ended 31 December 2006. The carrying amounts of goodwill (net of accumulated impairment losses) as at 31 December 2008 allocated to these units are analysed as follows:

	2008	**2007**
	US$'000	*US$'000* (restated)
TCA	74,437	209,437
LCDP	—	8,570
	74,437	218,007

During the year ended 31 December 2007, the management of the Group recognised a goodwill impairment loss of US$24.3 million for the software development businesses (“Namtek Group”) as the performance of the Namtek Group was not satisfactory and had deviated much negatively from plan (See Note 20).

During the year ended 31 December 2008, the Group recognised an impairment loss of US$143.5 million in relation to goodwill arising on acquisition of ZPT Group and Jetup after the annual goodwill impairment testing in December 2008. Due to the slowdown in the global economy brought by the financial tsunami, operating profits and cash flows were lower than expected in the fourth quarter of 2008 for both TCA and LCDP segments. Based on the trend, the earnings forecast for the next five years for TCA and LCDP was revised.

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 has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period at discount rate of 13.1% (2007: 12%) and 13.8% (2007: 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 3% (2007: 6%) and 2.5% (2007: 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.

At 31 December 2008, a reasonably possible change in the key assumptions may cause the carrying amount of TCA to exceed its recoverable amount, if the discount rate per annum for TCA increased by 65 basis point and the steady growth rate of the cash flows beyond the five year period decreased by 15 basis point, a further impairment loss on goodwill of US$19,027,000 would have to be recognised for TCA, of which US$16,470,000 is attributable to the possible change in discount rate and US$2,557,000 is attributable to the possible change in growth rate.

At 31 December 2007, a reasonably possible change in the key assumptions may cause the carrying amounts of TCA and LCDP to exceed their recoverable amounts, if the discount rate per annum for TCA and LCDP increased by 65 basis point and the steady growth rate of the cash flows beyond the five-year period decreased by 15 basis point respectively, an impairment loss on goodwill of US$5,927,000 and US$2,726,000 would have to be recognised for TCA and LCDP, respectively, of which US$2,462,000 and US$2,409,000 is attributable to the possible change in discount rate for TCA and LCDP, respectively and US$3,465,000 and US$317,000 is attributable to the possible change in growth rate for TCA and LCDP, respectively.

23. DEFERRED TAX ASSETS AND LIABILITIES

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

	Accelerated tax depreciation US$'000	Intangible asset amortisation US$'000	Tax losses US$'000	Withholding tax on distributable profits of PRC businesses US$'000	Total US$'000
At 1 January 2007	—	—	—	—	—
Acquisitions of businesses (restated)	(4,477)	(1,551)	127	—	(5,901)
Effect of charge in tax rate	755	—	—	—	755
At 31 December 2007 and 1 January 2008 (restated)	(3,722)	(1,551)	127	—	(5,146)
Charge for the year	(375)	586	904	(740)	375
At 31 December 2008	(4,097)	(965)	1,031	(740)	(4,771)

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of deferred tax balances for reporting purposes.

	2008 US$'000	2007 US$'000 (restated)
Deferred tax assets	868	755
Deferred tax liabilities	(5,639)	(5,901)
	(4,771)	(5,146)

At the balance sheet date, the Group has unused tax losses of US$11,288,000 (2007: US$705,000) available for offset against future profits. A deferred tax asset has been recognised in respect of US$5,154,000 (2007: US$705,000) of such losses. No deferred tax asset has been recognised in respect of the remaining US$6,134,000 (2007: Nil) due to the unpredictability of future profit streams. The unrecognised tax losses are losses (2007: Nil) that will expire in 2013.

24. INVENTORIES

	2008 US$'000	2007 US$'000
Raw materials	16,910	25,270
Work in progress	4,351	3,717
Finished goods	6,039	3,611
	27,300	32,598

25. TRADE AND OTHER RECEIVABLES

	2008	2007
	US$'000	*US$'000*
Trade receivables	104,175	95,611
Less: allowance for doubtful debts	(25)	(4)
	104,150	95,607
Other receivables	4,030	5,887
Total trade and other receivables	108,180	101,494

The Group allows an average credit periods normally ranging from 30 days to 90 days to its trade customers.

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

	2008	2007
	US$'000	*US$'000*
Up to 30 days	45,808	53,915
31 — 60 days	34,410	33,211
Over 60 days	23,932	8,481
	104,150	95,607

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately US$10,913,000 (2007: US$5,786,000) 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

	2008	2007
	US$'000	*US$'000*
1-30 days	8,456	110
31-60 days	1,815	2,539
61-90 days	642	1,383
91-120 days	—	1,205
121-180 days	—	549
Total	10,913	5,786

Before accepting any new customer, the Group uses an external 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. 90% 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$42,071,000 (2007: US$26,443,000) 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.

The Group has provided full 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

	2008	**2007**
	US$'000	*US$'000*
Balance at beginning of the year	4	28
Impairment losses recognised on receivables	25	4
Amounts recovered during the year	(4)	(28)
Balance at end of the year	25	4

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of US$25,000 (2007: US$4,000). The Group does not hold any collateral over these balances.

26. GAIN ON DISPOSAL OF AVAILABLE-FOR-SALE INVESTMENTS

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 resulted a net gain of US$43.8 million in 2007. Upon these disposals, the Group no longer owned any share in TCL Corporation.

27. ENTRUSTED LOAN RECEIVABLE/PAYABLE

During the year ended 31 December 2008, two of the PRC subsidiaries of the Company, NTSZ and Jetup, entered into an entrusted loan arrangement in the amount of RMB56,000,000 (equivalent to US$8,199,000) with a bank, in which NTSZ acts as the entrusting party, the bank acts as the lender and Jetup acts as the borrower (the "Entrusted Loan"). The Entrusted Loan receivable and Entrusted Loan payable cannot be set off and bear interest at 5% per annum and are repayable within one year. The Entrusted Loan is used to finance the operation and working capitals needs of Jetup.

28. 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 0.01% to 5.09% (2007: 0.72% to 5.45%).

29. TRADE AND OTHER PAYABLES

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

	2008	**2007**
	US$'000	*US$'000*
Up to 30 days	42,978	52,481
31 to 60 days	33,172	38,341
Over 60 days	21,974	16,504
	98,124	107,326
Other payables	22,939	18,393
	121,063	125,719

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.

30. UNSECURED BANK BORROWINGS

During the year, the Group early settled bank borrowings which was assumed on acquisition of a subsidiary from NTE Inc. on 31 December 2007; thus, no outstanding balance was noted at 31 December 2008. The details of the unsecured bank borrowings at 31 December 2007 were as follows:

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

The exposure of the Group's unsecured bank borrowings and the contractual maturity dates at 31 December 2007 were as follows:

	2007
	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 carried 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 for the year ended 31 December 2007 were as follows:

	2007
Effective interest rate	1.0% to 6.3%

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

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

31. LOAN FROM ULTIMATE HOLDING COMPANY

Pursuant to the sale and purchase agreement, the Acquisition was settled by a loan from NTE Inc. of US$311,430,000 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.

	2008	**2007**
	US$'000	*US$'000*
Carrying amount repayable as follows:		
On demand or within one year	51,905	25,953
More than one year, but not exceeding two years	25,953	25,953
More than two years but not more than five years	77,858	77,858
More than five years	155,714	181,666
	311,430	311,430
Less: Amounts due within one year shown under current liabilities	(51,905)	(25,953)
	259,525	285,477

The fair value of the loan from ultimate holding company approximates US$253,535,000 (2007: US$311,430,000) as at 31 December 2008.

Pursuant to the aforesaid sale and purchase agreement, the repayment of first instalment of the loan of approximately US$25,953,000 with accrued interest of approximately US$12,146,000 ("First Repayment") shall be on 31 December 2008. Pursuant to a supplementary agreement entered into between the Company and NTE Inc., NTE Inc. agreed to offer the Company with postponement of the First Repayment and the Company expects the First Repayment will be settled by the end of 31 March 2009. The First Repayment is therefore classified as current liability as at 31 December 2008.

32. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

The amount represents the interest payable on the loan from ultimate holding company (Note 31). The amount is unsecured, interest-free and repayable on demand.

33. SHARE CAPITAL

	Number of shares		Amount	
	2008	**2007**	**2008**	**2007**
			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

34. ACQUISITION OF BUSINESSES

On 24 September 2007, the Group entered into a conditional sales and purchase agreement with NTE Inc. for acquisition of 100% equity interest in Jetup, which engages in manufacture and marketing of LCD products, parts and components and 100% equity interest in ZPT Group, which engages in manufacturing and marketing of telecommunication component assembly, 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), which were determined by reference to the price earnings multiples of the ZPT Group and the JIC Group for the year ended 31 December 2006, 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$218,007,000 (restated).

Pursuant to the NTEEP Agreement, consideration of US$41,715,000 was settled in cash 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 31). Further details of the transaction and terms of the NTEEP Agreement are set out in a circular of the Company dated 5 December 2007.

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

	Acquiree's carrying amount before combination *US$'000*	**Fair value adjustments** *US$'000* (restated)	**Fair value** *US$'000* (restated)
Net assets acquired:			
Property, plant and equipment	45,682	24,285	69,967
Intangible assets	—	7,300	7,300
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 (liabilities)	2,619	(8,520)	(5,901)
Unsecured bank borrowings	(7,028)	—	(7,028)
	110,325	25,585	135,910
Goodwill			218,007
			353,917
Satisfied by:			
Cash			41,715
Loan from ultimate holding company *(Note 31)*			311,430
Cash paid and payable for direct expenses incurred in relation to the Acquisition			772
			353,917
Net cash inflow arising on acquisition of businesses:			
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 ended 31 December 2007 would have been US$779 million, and profit for the year ended 31 December 2007 would have been US$67 million (restated). 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 the acquisition been completed on 1 January 2007, nor is it intended to be a projection of future results.

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.

35. DISPOSAL OF BUSINESSES

On 5 October 2007, the Group entered into a conditional sale and purchase agreement with a former 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").

The consideration of the Disposal of HK$80,500,000 (approximately US$10,321,000) was settled in cash. 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

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.

36. COMMITMENTS

	2008	**2007**
	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	21,456	3,116
Authorised but not contracted for	11,615	42,918
	33,071	46,034
Other commitments contracted for but not provided in the consolidated financial statements	—	185
	33,071	46,219

37. OPERATING LEASES

The Group as lessee

	2008	**2007**
	US$'000	*US$'000*
Minimum lease payment made under operating leases in respect of land and building, office and factory premises during the year	1,799	246

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

	2008	**2007**
	US$'000	*US$'000*
Within one year	1,848	1,683
In the second to fifth year inclusive	4,129	5,025
	5,977	6,708

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 5 years.

The Group as lessor

Property rental income of US$1,267,000 was earned during the year ended 31 December 2007 (2008: Nil).

The property is leased to a subsidiary of ZPT, which became a subsidiary of the Group on 31 December 2007 after the Acquisition (Note 34); therefore, no future minimum lease payment was contracted at 31 December 2008.

38. 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, in 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$1,777,000 (2007: US$467,000).

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$37,000 (2007: US$8,000).

39. 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.

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 and movements in such holdings during the years. Such options were granted for services provided to NTE Inc. and accordingly, the related share options expenses are not recorded in the Group's consolidated income statement.

Directors of the Company

	2001 Scheme					
Grant date	9 June 2006	14 May 2007	8 June 2007	5 February 2008	6 June 2008	24 September 2008
Exercise price per share	US$22.25	US$12.13	US$12.42	US$9.856	US$12.03	US$9.856
Number of options:						
Outstanding at 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 and 1 January 2008	15,000	40,000	15,000	–	–	–
Granted during the year	–	–	–	50,000	15,000	50,000
Lapsed during the year	–	(40,000)	–	(50,000)	–	(50,000)
Repurchased and cancelled during the year	(15,000)	–	(15,000)	–	(15,000)	–
Outstanding at 31 December 2008	–	–	–	–	–	–

Employees of the Group

	2001 Scheme
Grant date	4 February 2005
Exercise price per share	US$20.84
Number of options:	
Outstanding at 1 January 2007	60,000
Lapsed during the year	(60,000)
Outstanding at 31 December 2007, 1 January 2008 and 31 December 2008	–

Details of specific categories of options are as follows:

Date of grant	**Exercise period**	**Exercise price**
		US$
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
5 February 2008	5 February 2008 to 4 February 2011	9.856
6 June 2008	6 June 2008 to 5 June 2011	12.03
24 September 2008	24 September 2008 to 23 September 2011	9.856

No share options granted to the directors and employees of the Group were exercised during the years ended 31 December 2008 and 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.

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.

Details of the share options which were granted under the Scheme and remained outstanding as at 31 December 2008 and 2007 are as follows:

	Date of grant	Exercise price per share	Exercisable period	Vesting period	Options outstanding as at 1 January 2007, 31 December 2007 and 1 January 2008	Options granted as replacement options *(note i)*	Options granted during the year	Options lapsed during the year *(note ii)*	Options repurchased and cancelled during the year *(note iii)*	Options outstanding as at 31 December 2008
Directors	5 February 2008	HK$1.85	5 February 2008 to 4 February 2011	Vested immediately	–	1,800,000	6,510,000	(4,000,000)	(4,310,000)	–
Employees under continuous employment contract	5 February 2008	HK$1.85	5 February 2008 to 4 February 2011	Vested immediately	–	2,568,000	9,122,000	(880,000)	(10,810,000)	–
					–	4,368,000	15,632,000	(4,880,000)	(15,120,000)	–

Notes:

(i) During the year ended 31 December 2008, 4,368,000 options were granted by the Company under the Scheme as replacement for the 10,900,000 options cancelled under the Pre-IPO Scheme. Details are set out in note (ii) in (c).

(ii) During the year ended 31 December 2008, 880,000 and 4,000,000 share options were lapsed due to the cessation of employment of 4 employees and resignation of 2 directors, respectively.

(iii) During the year ended 31 December 2008, 15,120,000 options were repurchased and cancelled by the Company.

During the year ended 31 December 2008, estimated fair value at grant date of the options granted is US$840,000.

These fair values were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

	2008
Weighted average share price	HK$1.85
Exercise price	HK$1.85
Expected volatility	45.3%
Expected life	3 years
Risk-free rate	3.44%
Expected dividend yield	6.45%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 3 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

(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 2008 and 2007 are as follows:

	Date of grant	Exercise price per share	Exercisable period	Vesting period	Options outstanding as at 1 January 2007	Options lapsed during the year *(note iii)*	Options outstanding as at 31 December 2007 and 1 January 2008	Options cancelled with replacement during the year *(note ii)*	Options lapsed during the year *(note iii)*	Options repurchased and cancelled during the year *(note iv)*	Options outstanding as at 31 December 2008
Directors	6 April 2004	HK$3.88	28 April 2005 to 27 April 2014	*Note i*	7,000,000	–	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 i*	7,720,000	(700,000)	7,020,000	(3,900,000)	(800,000)	(2,320,000)	–
					14,720,000	(700,000)	14,020,000	(10,900,000)	(800,000)	(2,320,000)	–

Notes:

(i) 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.

Subsequent to the third 12 months from 28 April 2004, a cumulative maximum of 100% of the share options granted to the directors and/or employees shall vest.

(ii) During the year ended 31 December 2008, 10,900,000 options granted by the Company under the Pre-IPO Scheme were cancelled and replaced by options issued directly under the Scheme in (b) above. The Company has accounted for the replacement of options issued under the Pre-IPO Scheme with options issued under the Scheme as a modification pursuant to HKFRS 2 "Share-based payment". The incremental fair value of US$77,000 was expensed as the options cancelled were vested in previous years.

(iii) During the year ended 31 December 2007, 700,000 share options were lapsed due to the cessation of employment of 2 employees.

During the year ended 31 December 2008, 800,000 share options were lapsed due to the cessation of employment of 2 employees.

(iv) During the year ended 31 December 2008, 2,320,000 options were repurchased and cancelled by the Company.

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$939,000 for the year ended 31 December 2008 (2007: US$121,000) in relation to share options granted by the Company.

40. RELATED PARTY TRANSACTIONS

Other than those disclosed elsewhere, the Group has the following significant transactions with related parties.

Name of related parties	**Nature of transactions**	**2008** *US$'000*	**2007** *US$'000*
Ultimate holding company:			
NTE Inc.	Interest expense payable	12,146	24
Former fellow subsidiaries:			
Zastron Electronic (Shenzhen) Co. Ltd. ("Zastron SZ")	Rental income received	—	1,267
Jetup	Purchase of materials	—	251

Details of the balances with related parties at the balance sheet date are set out in the consolidated balance sheet on page 30.

Compensation to key management personnel

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

	2008 *US$'000*	**2007** *US$'000*
Short-term employee benefits	2,283	2,284
Post-employment benefits	—	—
Other long-term benefits	—	—
Share-based payment	355	72
	2,638	2,356

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.

41. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries at 31 December 2007 and 2008 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				Principal activities
			Directly		Indirectly		
			2008 %	2007 %	2008 %	2007 %	
Nam Tai Holdings Limited (formerly known as First Rich Holdings Limited)	British Virgin Islands	US$1	100	100	–	–	Investment holding
Jetup	PRC *(note)*	HK$181,200,000	–	–	100	100	Manufacture and distribution of LCD products
NTSZ	PRC *(note)*	US$157,000,000	100	100	–	–	Manufacture and marketing of consumer electronics and communications products
NTIC	Macao	MOP100,000	100	100	–	–	Provision of consultancy services
Nam Tai Investment Limited (formerly known as Top Eastern Investment Limited)	Hong Kong	HK$1	–	–	100	100	Investment holding
Zastron (Macao)	Macao	MOP100,000	100	–	–	100	Inactive
Zastron SZ	PRC *(note)*	US$46,500,000	–	–	100	100	Manufacture and sale of LCD modules, FPC subassemblies and FPC boards
ZPT	Cayman Islands	HK$0.1	100	100	–	–	Investment holding

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				Principal activities
			Directly		Indirectly		
			2008	2007	2008	2007	
			%	%	%	%	
Wuxi Zastron Precision-Flex Co., Ltd. (formerly known as Zastron Precision-Flex Wuxi Co, Ltd.) ("Zastron Flex")	PRC *(note)*	US$21,675,000	–	–	100	100	Research, development manufacture and marketing of FPC boards
Wuxi Zastron Precision-Tech Co., Ltd. (formerly known as Zastron Precision-Tech (Wuxi) Co., Ltd.) ("Zastron Tech")	PRC *(note)*	US$4,200,000	–	–	100	100	Research, development manufacture and marketing of electronic and mobile communication devices
Namtai Japan Company Limited	Japan	JPY5,000,000	100	–	–	–	Provision of sales co-ordination and marketing services

Note: Jetup, NTSZ, Zastron SZ, Zastron Flex and Zastron Tech are registered in the form of wholly owned foreign investment enterprises.

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

FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2004	**2005**	**2006**	**2007**	**2008**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
	(Note 1)				
Revenue	163,584	167,339	178,322	283,760	622,561
Profit (loss) before tax	23,548	22,527	17,535	66,397	(118,639)
Income tax expense	(545)	(389)	(214)	(5,655)	(3,295)
Profit (loss) for the year from continuing operations	23,003	22,138	17,321	60,742	(121,934)
Loss for the year from discontinued operations	(253)	—	—	—	—
Profit (loss) for the year	22,750	22,138	17,321	60,742	(121,934)
Attributable to:					
Equity holders of the Company	22,750	22,138	17,329	60,859	(121,934)
Minority interests	—	—	(8)	(117)	—
	22,750	22,138	17,321	60,742	(121,934)

ASSETS AND LIABILITIES

	At 31 December				
	2004	**2005**	**2006**	**2007**	**2008**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
				(restated) *(Note 2)*	
Total assets	135,290	171,843	205,564	654,850	508,762
Total liabilities	23,372	29,398	36,598	450,468	459,327
	111,918	142,445	168,966	204,382	49,435
Equity attributable to equity holders of the Company	111,918	142,445	168,966	204,382	49,435
Minority interests	—	—	—	—	—
	111,918	142,445	168,966	204,382	49,435

Notes:

(1) 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.

(2) The provisionally estimated fair values of assets acquired and liabilities assumed on the Acquisition at 31 December 2007 were used for the preparation of the 2007 annual financial statements. The fair value assessment was completed during the year, and pursuant to HKFRS 3, the comparative 31 December 2007 consolidated balance sheet has been restated to reflect the finalised fair value of assets acquired and liabilities assumed from the Acquisition.