THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

Namtai

Nam Tai Electronics, Inc.

(Incorporated in the British Virgin Islands with limited liability)

(NYSE Stock Code: NTE)

Namtai

Nam Tai Electronic & Electrical Products Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2633)

COMPOSITE OFFER DOCUMENT RELATING TO PROPOSED PRIVATISATION OF NAM TAI ELECTRONIC & ELECTRICAL PRODUCTS LIMITED BY NAM TAI ELECTRONICS, INC. BY WAY OF A VOLUNTARY CONDITIONAL GENERAL CASH OFFER BY YU MING INVESTMENT MANAGEMENT LIMITED AND SOMERLEY LIMITED ON BEHALF OF NAM TAI ELECTRONICS, INC. FOR ALL THE ISSUED SHARES IN NAM TAI ELECTRONIC & ELECTRICAL PRODUCTS LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED BY NAM TAI ELECTRONICS, INC.)

Financial advisers to Nam Tai Electronics, Inc.

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

SOMERLEY LIMITED

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

CENTURION CORPORATE FINANCE LIMITED

A letter from Yu Ming Investment Management Limited and Somerley Limited containing, among other things, details of the terms of the offer is set out on pages 7 to 16 of this composite offer document. A letter from the board of directors of Nam Tai Electronic & Electrical Products Limited is set out on pages 17 to 21 of this composite offer document.

A letter from the independent board committee of Nam Tai Electronic & Electrical Products Limited to the independent shareholders of Nam Tai Electronic & Electrical Products Limited is set out on pages 22 to 23 of this composite offer document. A letter from Centurion Corporate Finance Limited containing its opinion and advice to the independent board committee of Nam Tai Electronic & Electrical Products Limited is set out on pages 24 to 54 of this composite offer document.

The procedure for acceptance and settlement of the offer is set out in Appendix II of this composite offer document and in the accompanying form of acceptance and transfer for the shares of Nam Tai Electronic & Electrical Products Limited. Acceptances of the offer for the shares of Nam Tai Electronic & Electrical Products Limited must be received by Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, by no later than 4:00 p.m. on Tuesday, 30 June 2009, or such later time as Nam Tai Electronics, Inc. may determine and announce.

An informal shareholders' luncheon forum will be organised by Nam Tai Electronics, Inc. on Sunday 14 June 2009 at 11:30 a.m. at Harbour View Ballroom II and III, Level 4, Four Seasons Hotel, 8 Finance Street, Central, Hong Kong where Nam Tai Electronics, Inc., Nam Tai Electronic & Electrical Products Limited and Yu Ming Investment Management Limited will answer questions Shareholders may have on the General Offer.

9 June 2009

SUMMARY OF THE GENERAL OFFER FOR NTEEP

The following is a summary of the selected sections of this composite offer document. Terms in capital letters have meanings ascribed to them in the section headed "Definitions".

You are advised to read the summary in conjunction with the full text of this composite offer document.

General Offer Price	:	HK$1.52 per Share.
Acceptance condition	:	90% valid acceptance of the Offer Shares by NTEI within the Acceptance Period. The acceptance condition of the General Offer cannot be waived by NTEI.
Acceptance period	:	Between 9:00 a.m. on 9 June and 4:00 p.m. on 30 June 2009, unless extended by NTEI pursuant to the Takeovers Code[1].
Acceptance and delivery	:	1. Registered Independent Shareholders intending to accept the General Offer should complete the form of acceptance and transfer accompanying the composite offer document. All Offer Shares intended for acceptance should be delivered to the Registrar before the end of the Acceptance Period. 2. Independent Shareholders intending to accept the General Offer but who hold Shares through stockbrokers, nominees or intermediaries should immediately contact their stockbrokers, nominees or intermediaries for details of their respective acceptance procedure and their respective acceptance deadline.
Payment under the Takeovers Code	:	Normally within 10 days of the later of the date on which the General Offer becomes unconditional and the date of receipt of duly completed form of acceptance and transfer from the Accepting Shareholders.

[1] Please refer to the section headed "Expected Timetable" on page 5 of the composite offer document for details of the timetable of the General Offer.

Accelerated payment under the General Offer	:	To encourage early acceptance of the General Offer by the Independent Shareholders so that the General Offer has a better chance of success, NTEI will pay Accepting Shareholders within 5 days of the later of the date on which the General Offer becomes unconditional and the date of receipt of duly completed form of acceptance and transfer by the Registrar from the Accepting Shareholders.
Enquiry	:	For further details of the acceptance procedure, please contact your stockbrokers, nominees or intermediaries, or Mr. Warren Lee or Mr. Godfrey Leung of Yu Ming at 2877 2340.
Shareholders' Luncheon Forum	:	A Shareholders' luncheon forum will be held by NTEI at the following time and venue to explain to the Independent Shareholders the acceptance procedure. 11:30 a.m. – 2:30 p.m. Sunday, 14 June 2009 Harbour View Ballroom II and III, Level 4 Four Seasons Hotel 8 Finance Street, Central, Hong Kong All Shareholders are invited. Registered Shareholders whose names remain on the Shareholders' register as at 12 June 2009 should produce their Hong Kong Identity Card and/or passport. Shareholders holding Shares through stockbrokers or other intermediaries should produce a copy of their latest statement issued by the relevant stockbrokers or intermediaries to show their holding of Shares. Corporations that wish to authorise representatives to attend the forum should give their representatives a written authorisation to present at the forum.

A copy of this summary will be sent separately to Independent Shareholders on 16 June 2009 as a reminder.

CONTENTS

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

"Acceptance Period"	the period commencing at 9:00 a.m. on 9 June 2009 and ending at 4:00 p.m. on 30 June 2009, unless extended by NTEI with the consent of the Executive
"Accepting Shareholder(s)"	Independent Shareholder(s) who accept the General Offer
"acting in concert"	shall have the meaning set out in the Takeovers Code
"Announcement Date"	19 May 2009, being the date of the joint announcement of NTEI and NTEEP in respect of the General Offer
"associate(s)"	shall have the meaning set out in the Takeovers Code
"Board"	board of directors
"business day"	any day on which the Stock Exchange is open for the transaction of business
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Centurion"	Centurion Corporate Finance Limited, a corporation licensed under the SFO to carry out regulated activities of Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management), and a company incorporated in Hong Kong with limited liability
"Closing Date"	30 June 2009 or such later date as may be extended by NTEI in accordance with the Takeovers Code
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Executive"	the executive director of the corporate finance division of the SFC or any of its delegates

"General Offer"	the voluntary conditional general cash offer for all the Shares other than those owned by NTEI at a price of HK$1.52 per Share
"General Offer Price"	the offer price of the General Offer at a price of HK$1.52 per Offer Share
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee of NTEEP comprising Mr. Chan Tit Hee, Charles, Mr. Lai Kin Ki and Mr. Leung Wai Hung established to advise the Independent Shareholders in respect of the General Offer
"Independent Shareholders"	Shareholders other than NTEI
"Latest Practicable Date"	5 June 2009, being the latest practicable date prior to the printing of this composite offer document for ascertaining certain information referred in this composite offer document
"LCH"	LCH (Asia-Pacific) Surveyors Limited, an independent professional surveyor and property valuer, the managing director of which, Mr. Joseph Ho Chin Choi, is a member of the Hong Kong Institute of Surveyors
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Koo"	Mr. Koo Ming Kown, the Non-Executive Chairman of NTEEP and Executive Chairman and Chief Financial Officer of NTEI
"NTEEP"	Nam Tai Electronic & Electrical Products Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange with a designated stock code of 2633
"NTEEP Board"	the board of directors of NTEEP

"NTEEP Group"	NTEEP and its subsidiaries
"NTEI"	Nam Tai Electronics, Inc., a company incorporated in the British Virgin Islands with limited liabilities, the shares of which are listed on the main board of the NYSE, with a designated stock code of NTE
"NTEI Board"	the board of directors of NTEI
"NYSE"	New York Stock Exchange
"Offer Share(s)"	Shares other than those already owned by NTEI
"Panel"	The Takeovers and Mergers Panel, a committee established by the SFC under section 8(1) of the SFO (Cap. 571)
"Panel Decision"	the decision of the Panel on 14 April 2009 refusing consent for NTEI to re-open the Previous Offer
"PRC"	People's Republic of China
"Previous Offer"	the voluntary conditional general cash offer by Yu Ming on behalf of NTEI to acquire all the Shares other than those owned by NTEI and parties acting in concert with it at a price of HK$1.50 per Share announced on 24 February 2009, and lapsed on 6 April 2009
"Previous Offer Price"	the offer price of the Previous Offer of HK$1.50 per Offer Share
"Registrar"	Computershare Hong Kong Investor Services Limited, the Hong Kong branch share registrar and transfer office of NTEEP, with its address at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
"SFC"	The Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong

"Share(s)"	existing ordinary share(s) of HK$0.01 each in the issued share capital of NTEEP
"Shareholder(s)"	holders of Share(s)
"Somerley"	Somerley Limited, a financial adviser to NTEI and a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO having CE registration number AAJ067, and a company incorporated in Hong Kong with limited liability
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	The Hong Kong Code on Takeovers and Mergers
"Valuation Report"	the valuation report dated 30 April 2009 produced by LCH in relation to the property assets held by the NTEEP Group
"Yu Ming"	Yu Ming Investment Management Limited, a financial adviser to NTEI and a corporation licensed under the SFO to carry out regulated activities of Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management), and a company incorporated in Hong Kong with limited liability
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Rmb"	Renminbi, the lawful currency of the PRC
"US$"	United States dollars, the lawful currency of the United States

Exchange rate: US$1.00 = HK$7.80, US$1.00 = Rmb6.83

Commencement date of the General Offer and posting date	Tuesday, 9 June 2009
Latest time and date for acceptance of the General Offer	4:00 p.m. on Tuesday, 30 June 2009
Closing date of the General Offer *(Note 1)*	Tuesday, 30 June 2009
Announcement in respect of the closing of the General Offer and acceptance under the General Offer	7:00 p.m. on Tuesday, 30 June 2009
Latest date for posting of remittances for the amounts due under the General Offer in respect of valid acceptances (assuming the General Offer becomes or is declared unconditional on Tuesday, 30 June 2009) *(Note 2)*	Sunday, 5 July 2009
Latest time and date of the General Offer remaining open for acceptance assuming the General Offer becomes or is declared unconditional on Tuesday, 30 June 2009	4:00 p.m. on Tuesday, 14 July 2009

Notes:

1. The General Offer will be closed on Tuesday, 30 June 2009 unless NTEI extends the General Offer in accordance with the Takeovers Code. Acceptances tendered after 4:00 p.m. on Tuesday, 30 June 2009 will only be valid if the General Offer is extended. If NTEI decides to extend the General Offer either the next closing date will be stated in an announcement to be issued by NTEI or, if the offer is unconditional as to acceptance, a statement may be made that the General Offer will remain open until further notice and an announcement will be published at least 14 days before the General Offer is closed to inform Independent Shareholders who have not accepted the General Offer.

   Pursuant to Rule 15.5 of the Takeovers Code, the General Offer may not become/be declared unconditional as to acceptance after 7:00 p.m. on the 60th day after the date this composite offer document is posted, that is Saturday, 8 August 2009, except with the consent of the Executive.

   If the General Offer becomes unconditional, NTEI intends to exercise any compulsory acquisition rights to which it is entitled under Rule 2.11 of the Takeovers Code and Section 88 of the Companies Law to acquire the remaining Shares not tendered under the General Offer. Pursuant to Rule 15.6 of the Takeovers Code, as NTEI has stated its intention to exercise the power of compulsory acquisition, the General Offer may not remain open for acceptance for more than four months from the date of posting of this composite offer document, that is Friday, 9 October 2009, unless NTEI has by that time become entitled to exercise the power of compulsory acquisition available to it under the Companies Law.

2. Remittances in respect of the consideration payable for the Shares tendered under the General Offer will be posted to the Accepting Shareholders as soon as practicable, but in any event within 5 days of the later of the date on which the General Offer becomes unconditional and the date of receipt of duly completed form of acceptance and transfer from the Accepting Shareholders.

3. In accordance with the Takeovers Code, where the General Offer becomes or is declared unconditional, the General Offer should remain open for acceptance for not less than 14 days thereafter. In such case, an announcement will be published at least 14 days before the General Offer is closed to inform the Shareholders who have not accepted the General Offer. If the General Offer is extended in accordance with the Takeovers Code (or as permitted by the Executive in accordance with the Takeovers Code), NTEI will issue an announcement in relation to any extension of the General Offer, which will state the next closing date or, if the General Offer has become or is at that time unconditional, that the General Offer will remain open until further notice.

4. Acceptance of the General Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

5. All time references contained in this composite offer document refer to Hong Kong date and time.

6. **COMPULSORY ACQUISITION AND WITHDRAWAL OF LISTING**

If NTEI receives acceptances and/or makes purchases totaling at least 90% of the Offer Shares within four months since the date of posting of this composite offer document,

(i) NTEI intends to exercise any compulsory acquisition rights to which it is entitled under Rule 2.11 of the Takeovers Code and Section 88 of the Companies Law to acquire the remaining Shares not already owned by NTEI. Upon completion of such compulsory acquisition, NTEEP would become a wholly-owned subsidiary of NTEI and application will be made for the withdrawal of listing of the Shares from the Stock Exchange in accordance with Rule 6.15 of the Listing Rules. An announcement in relation to the withdrawal application shall be made before the last day of dealing of the Shares; and

(ii) NTEEP will apply for a suspension of dealings in the Shares from the closing of the General Offer up to the withdrawal of listing of the Shares from the Stock Exchange.

MAINTAINING THE LISTING

If NTEI does not become entitled to exercise such power of compulsory acquisition set out above (whether by reason of not acquiring 90% of the Offer Shares or otherwise) within four months from the date of despatch of this composite offer document, it is NTEI's intention to maintain the listing of NTEEP on the Stock Exchange.

If, at the close of the General Offer, less than 25% of the Shares are held by the public or if the Stock Exchange believes that:

- **a false market exists or may exist in the trading of the Shares, or**

- **there are insufficient Shares in public hands to maintain an orderly market,**

then the Stock Exchange may exercise its discretion to suspend dealings in the Shares. In this connection, it should be noted that upon completion of the General Offer, there may be insufficient public float for the Shares and, therefore, trading in the Shares may be suspended until a prescribed level of public float is restored.

In the event that the compulsory acquisition rights are not available to NTEI and the General Offer closes, if the public float requirement is not met, NTEEP will undertake to take appropriate steps to restore its public float.

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

SOMERLEY LIMITED

9 June 2009

To the Independent Shareholders,

Dear Sir or Madam,

**PROPOSED PRIVATISATION OF
NAM TAI ELECTRONIC & ELECTRICAL PRODUCTS LIMITED
BY NAM TAI ELECTRONICS, INC.
BY WAY OF A VOLUNTARY CONDITIONAL GENERAL CASH OFFER
BY YU MING INVESTMENT MANAGEMENT LIMITED
AND SOMERLEY LIMITED ON BEHALF OF
NAM TAI ELECTRONICS, INC.
FOR ALL THE ISSUED SHARES IN
NAM TAI ELECTRONIC & ELECTRICAL PRODUCTS LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY
NAM TAI ELECTRONICS, INC.)**

INTRODUCTION

On 19 May 2009, NTEI and NTEEP jointly announced NTEI's intention to make a voluntary conditional general cash offer for all the issued shares in NTEEP (other than those Shares already owned by NTEI) with an ultimate aim to privatise NTEEP by way of the General Offer.

This letter sets out the detailed terms of the General Offer, together with the information on NTEI and NTEI's intention regarding the NTEEP Group, as well as the recent development since the lapse of the Previous Offer on 6 April 2009. Further details of the General Offer are also set out in Appendix II to this composite offer document, the accompanying form of acceptance and transfer for the Shares. Your attention is also drawn to the letter from the Board of NTEEP, the letter from the Independent Board Committee and the letter from Centurion contained in this composite offer document.

RECENT DEVELOPMENT

After the Previous Offer failed recently on 6 April 2009 due to unanticipated administrative irregularities of intermediaries, NTEI and the NTEEP Board respectively sought remedies with a view to return no less than HK$1.50 per Share to Independent Shareholders, including possibly a judicial review of the Panel Decision by NTEI as well as a voluntary winding up by NTEEP. After due and careful consideration, NTEI has reached the view that the General Offer is the most feasible option available to achieve the above purpose. NTEI has therefore ceased its application for a judicial review of the Panel Decision, and the NTEEP Board decided not to convene an extraordinary general meeting to consider a voluntary winding up of NTEEP as stated in the announcement made by NTEEP on 12 May 2009.

The chronology below summarises the major events that took place since the lapse of the Previous Offer:

2009	Major Events
6 April	As at 4:00 p.m., NTEI received valid acceptances in respect of 195,899,531 Offer Shares under the Previous Offer, representing approximately 88.46% of the total number of the Offer Shares.
	At or about 7:33 p.m., NTEI and NTEEP jointly announced that the Previous Offer had lapsed.
	After 7:33 p.m., NTEI and Yu Ming received requests from Independent Shareholders to extend the Previous Offer.
7 April	At about 9:30 a.m., trading in the Shares was suspended on the Stock Exchange at the request of NTEEP in order that Yu Ming could consult the Executive about the possibility of extending the Previous Offer without the market freefalling upon the announcement of the lapse of the Previous Offer while the consultation progressed.
	The Executive referred the extension request of Yu Ming to the Panel as it considered there were particularly novel, important or difficult points at issue.
9 April	Yu Ming made a submission to the Panel requesting its consent to extend the Previous Offer, which had been declared lapsed by NTEI and NTEEP jointly on 6 April 2009.

14 April	The Panel endorsed the view of the Executive that the Previous Offer could not be re-opened as it had been declared lapsed by NTEI.
16 April	The 195,899,531 Offer Shares tendered for acceptance under the Previous Offer were returned to Independent Shareholders.
21 April	The Panel Decision was published by the SFC.
7 May	NTEEP announced that NTEI was preparing an application for a judicial review of the Panel Decision.
11 May	NTEEP announced its quarterly results for the three months ended 31 March 2009.
12 May	NTEEP announced that the NTEEP Board had resolved to convene an extraordinary general meeting to consider a voluntary winding-up of NTEEP upon the request of NTEI, which tendered a letter of support offering to acquire the whole or part of the assets, properties and undertakings of NTEEP in a fair and open manner from NTEEP's liquidators (in the event of a voluntary winding up) which would result in not less than HK$1.52 in aggregate per Share being made available for distribution to the Independent Shareholders by the liquidators.
13 May	An application was made by Somerley on behalf of NTEEP to the Executive for its consent under Rule 31.1 of the Takeovers Code for NTEI to make another offer within 12 months from the lapse of the Previous Offer.
19 May	The Executive issued a public reprimand on Mr. Koo, and a cold-shoulder order on Mr. Koo denying him access to the Hong Kong securities market for 24 months commencing on 25 May 2009.
	Mr. Koo issued an unreserved apology for causing inconvenience to the Executive and the market through the issue of the NTEEP voluntary winding up announcement on 12 May 2009.

The Executive granted its consent under Rule 31.1 of the Takeovers Code for NTEI to make the General Offer within 12 months from the lapse of the Previous Offer.

NTEI and NTEEP jointly published an announcement of the General Offer.

After the suspension of trading in the Shares on 7 April 2009, NTEEP and NTEI discovered some administrative irregularities of intermediaries holding Offer Shares for some Independent Shareholders. As it transpired, without those irregularities, the Previous Offer could have crossed the 90% acceptance level to make the Previous Offer unconditional.

The General Offer is a response to the requests of certain Independent Shareholders who expressed their strong desire to Yu Ming and NTEI to revive the Previous Offer since the condition as to acceptances was not met by a small margin of 1.54%.

PRINCIPAL TERMS OF THE GENERAL OFFER

On 18 May 2009, NTEI informed the NTEEP Board that Yu Ming and Somerley, on behalf of NTEI (the controlling shareholder of NTEEP currently holding approximately 74.88% of the total issued share capital of NTEEP), would make a voluntary conditional general cash offer for the Offer Shares, being all the Shares other than those now owned by NTEI.

For each Offer Share. . . . . HK$1.52 in cash

The Offer Shares to be acquired under the General Offer shall be fully paid and free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature together with all rights attached to them as at the Announcement Date or subsequently becoming attached to them, including all dividends and distributions declared, made or paid on or after the Announcement Date.

The General Offer Price of HK$1.52 per Share represents:

(i) a premium of approximately 2.0% over the closing price of HK$1.49 per Share as quoted on the Stock Exchange on 6 April 2009 (being the last trading day prior to the suspension of trading in the Shares);

(ii) a premium of approximately 3.4% over the average closing price of HK$1.47 per Share for the 10 trading days up to and including 6 April 2009;

(iii) a premium of approximately 6.3% over the average closing price of HK$1.43 per Share for the 30 trading days up to and including 6 April 2009;

(iv) a premium of approximately 4.8% over the closing price of HK$1.45 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(v) a premium of approximately 245.5% to the audited consolidated net asset value per Share of approximately HK$0.44 as at 31 December 2008; and

(vi) a premium of approximately 166.7% over the closing price of HK$0.57 per Share as quoted on the Stock Exchange on 20 February 2009 (being the last trading day prior to the announcement of the Previous Offer).

The General Offer is conditional upon NTEI having received acceptances and/or made purchases after the posting of the composite offer document totaling at least 90% of the Offer Shares. The first closing date of the General Offer will fall on the 21st day from the date on which the composite offer document is posted (that is, Tuesday, 30 June 2009). The condition of the General Offer cannot be waived by NTEI.

CONSIDERATION

As disclosed in the letter from the Board of NTEEP contained in this composite offer document, as at the Latest Practicable Date, NTEEP had 881,670,588 Shares in issue, save for which NTEEP has no other relevant securities (as defined under Note 4 to the Rule 22 of the Takeovers Code) in issue.

Based on the above and on the basis that NTEI would not acquire any Shares from the Latest Practicable Date up to the date of posting of this composite offer document, the number of Shares not already owned by NTEI is 221,455,118 (which represent approximately 25.12% of the issued share capital of NTEEP). Based on 221,455,118 Shares, the total consideration of the General Offer amounts to approximately HK$336.6 million.

NTEI will use its internal financial resources to implement the General Offer. Yu Ming and Somerley are satisfied that sufficient financial resources are available to NTEI for the full implementation of the General Offer.

INFORMATION ON NTEI

NTEI is a company incorporated under the laws of the British Virgin Islands with limited liability. As the controlling shareholder of NTEEP, NTEI is a holding company of an electronics manufacturing and design services provider with a worldwide coverage of customers. Listed on the NYSE, NTEI had a market capitalisation of approximately US$192.2

million (equivalent to approximately HK$1,499 million) as at the Latest Practicable Date. The audited net profit of NTEI for the financial years ended 31 December 2007 and 31 December 2008 were approximately US$69.5 million (equivalent to approximately HK$542.1 million) and approximately US$30.6 million (equivalent to approximately HK$238.7 million) respectively. The audited net asset value of NTEI was approximately US$322.3 million (equivalent to approximately HK$2,513.9 million) as at 31 December 2008 (all figures prepared in accordance with generally accepted accounting principles in the United States).

EFFECT OF ACCEPTING THE GENERAL OFFER

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

STAMP DUTY

Seller's ad valorem stamp duty for the Shares registered with the Hong Kong branch register arising in connection with acceptances of the General Offer will be payable by each Shareholder at the rate of HK$1 for every HK$1,000 or part thereof of the consideration payable by NTEI for such Shareholder's Shares and will be deducted from the cash amount due to such Shareholder under the General Offer.

INTENTION OF NTEI

If the General Offer becomes unconditional, NTEI will exercise any compulsory acquisition rights to which it is entitled under Rule 2.11 of the Takeovers Code and Section 88 of the Companies Law to acquire any Offer Shares not assented to the General Offer. The NTEI Board intends to subsequently withdraw the listing status of the Shares on the Stock Exchange pursuant to Rule 6.15 of the Listing Rules, but has no intention to introduce significant change to the existing operations, business, management and directorship of NTEEP (including the continued employment of all employees and any redeployment of the fixed assets of NTEEP and its subsidiaries).

According to Rule 15.6 of the Takeovers Code, to exercise the power of compulsory acquisition to acquire the Shares not tendered under the General Offer, the General Offer may not remain open for acceptance for more than four months from the posting of this composite offer document, unless NTEI has by that time become entitled to exercise the powers of compulsory acquisition available to it under the Companies Law.

REASONS FOR NTEI TO PRIVATISE NTEEP

The price of the Shares from 5 December 2005 (being the day on which the voluntary conditional general cash offer made by NTEI in 2005 lapsed) to the date prior to the announcement of the Previous Offer declined by 61.2% from HK$1.47 to HK$0.57 per Share. The performance lagged far behind Hang Seng Index, which edged down by 16.2% during the same period. The price weakness of the Shares has hampered the fund raising ability of NTEEP. In this regard, one of the main purposes of maintaining NTEEP as a listed company in Hong Kong had been compromised. The privatisation will enable NTEI to simplify its corporate structure, reduce administration time and costs and can save significant resources of NTEI on listing compliance and investor relations in Hong Kong.

BENEFIT OF THE GENERAL OFFER FOR THE INDEPENDENT SHAREHOLDERS

The General Offer is formulated as far as possible on the basis of the Previous Offer which lapsed on 6 April 2009. Had it not been for the omission of a stockbroker to effect the acceptance instructions of certain Independent Shareholders, and miscommunication of an intermediary with an Independent Shareholder, the acceptances under the Previous Offer could have crossed the 90% level and the Previous Offer could have become unconditional.

The General Offer gives the Independent Shareholders a new opportunity to decide for themselves whether to accept the General Offer, which is priced at HK$1.52 per Share, slightly above the Previous Offer Price of HK$1.50 per Share, and at a significant premium of approximately 245.5% to the audited consolidated net asset value per Share of approximately HK$0.44 as at 31 December 2008.

PROCEDURES FOR ACCEPTANCES

To accept the General Offer, the Accepting Shareholders should complete the accompanying form of acceptance and transfer for the Shares in accordance with the instructions printed thereon, which forms part of the terms and conditions of the General Offer. The completed form of acceptance and transfer for the Shares should then be forwarded, together with the relevant Share certificate(s) and /or transfer receipt(s) and/or any document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for not less than the number of Share tendered under the General Offer, by post or by hand, to the Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible but in any event not later than 4:00 p.m. on Tuesday, 30 June 2009, or such later time as NTEI may determine and announce in accordance with the Takeovers Code. No acknowledgement of receipt of any form of acceptance and transfer, share certificate(s), transfer receipt(s) or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

Your attention is drawn to the Appendix II to this composite offer document and in accompanying form of acceptance and transfer for the Shares.

SETTLEMENT OF THE GENERAL OFFER

Subject to the General Offer becoming unconditional and provided that the form of acceptance and transfer for the Shares, together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), are valid, complete and in good order and have been received by the Registrar by no later than 4:00 p.m. on Tuesday, 30 June 2009, or such later time as NTEI may determine and announce in accordance with the Takeovers Code, a cheque for the amount due to each of the Accepting Shareholders in respect of the Shares tendered under the General Offer, less seller's ad valorem stamp duty payable by them, will be despatched to the Accepting Shareholders by ordinary post at their own risk within 5 days of the later of the date on which the General Offer becomes or is declared unconditional and the date on which NTEI receives a duly completed form of acceptance and transfer from the Accepting Shareholders.

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

RETURN OF SHARE CERTIFICATES IF THE GENERAL OFFER LAPSES

If the General Offer lapses, NTEI will, as soon as possible but in any event within 10 days thereof, despatch the Share certificates lodged with the form of acceptance and transfer for Shares to, or make such Share certificates available for collection by, the Accepting Shareholders who accept the General Offer by ordinary post at their own risks.

NOMINEE REGISTRATION AND DESPATCH OF PAYMENT

Independent Shareholders who hold their Shares through stockbrokers, intermediaries or nominees should note that their intermediaries or nominees may or may not notify them the existence of the General Offer, and may or may not act on their acceptance instructions on time or at all. It is important that Independent Shareholders consult their intermediaries or nominees as to the timetable and the proper acceptance procedure relating to the General Offer, and closely monitor the acceptance progress. Independent Shareholders should also request a written confirmation from their intermediaries or nominees of acceptance instructions. If your intermediaries or nominees are unsure of any of the above matters, you may directly contact Mr. Warren Lee or Mr. Godfrey Leung of Yu Ming at 2877 2340 for assistance.

Independent Shareholders and potential investors in NTEEP should be aware that the implementation of the General Offer is subject to the condition set out in the section headed "Principal Terms of the General Offer" of this letter being fulfilled and consequently the General Offer may or may not become effective. They are advised to exercise caution when dealing in the Shares.

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

All documents and remittances will be sent to the Independent Shareholders through ordinary post at their own risk. These documents and remittances will be sent to them at their respective addresses as they appear in the register of members, or, in case of joint Independent Shareholders, to the Independent Shareholders whose name appears first in the said register of members, unless otherwise specified in the relevant forms of acceptance and transfer for the Shares completed and returned by the Accepting Shareholders. None of NTEI, the parties acting in concert with NTEI, Yu Ming, Somerley, NTEEP, the Registrar or any of their respective directors, officers, or associates or any other person involved in the General Offer will be responsible for any loss or delay in transmission of such documents and remittances or any other liabilities that may arise as a result thereof.

TAXATION

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting the General Offer. None of NTEI, the parties acting in concert with NTEI, Yu Ming, Somerley, NTEEP, the Registrar or any of their respective directors, officers, or associates or any other person involved in the General Offer will be responsible for any taxation effects on any persons as a result of their acceptance of the General Offer.

GENERAL

Independent Shareholders are advised to read carefully the letter from the Independent Board Committee and the letter from Centurion to the Independent Board Committee as contained in this composite offer document before deciding whether or not to accept the General Offer.

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

If you need further clarification on the procedures for acceptances of the General Offer, please contact Mr. Warren Lee or Mr. Godfrey Leung of Yu Ming at 2877 2340.

An informal Shareholders' luncheon forum will be organised by NTEI on Sunday, 14 June 2009 at 11:30 a.m. at Harbour View Ballroom II and III, Level 4, Four Seasons Hotel, 8 Finance Street, Central, Hong Kong where NTEI, NTEEP and Yu Ming will answer questions Shareholders may have on the General Offer.

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

Yours faithfully,
For and on behalf of
SOMERLEY LIMITED
Maggie Chan
Director

Nam Tai Electronic & Electrical Products Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2633)

Non-Executive Director:
KOO Ming Kown *(Chairman)*

Independent Non-Executive Directors:
CHAN Tit Hee, Charles
LAI Kin Ki
LEUNG Wai Hung

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

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

9 June 2009

To the Independent Shareholders,

Dear Sir or Madam,

**PROPOSED PRIVATISATION OF
NAM TAI ELECTRONIC & ELECTRICAL PRODUCTS LIMITED
BY NAM TAI ELECTRONICS, INC.
BY WAY OF A VOLUNTARY CONDITIONAL GENERAL CASH OFFER
BY YU MING INVESTMENT MANAGEMENT LIMITED
AND SOMERLEY LIMITED ON BEHALF OF
NAM TAI ELECTRONICS, INC.
FOR ALL THE ISSUED SHARES IN
NAM TAI ELECTRONIC & ELECTRICAL PRODUCTS LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY
NAM TAI ELECTRONICS, INC.)**

INTRODUCTION

Reference is made to the announcement issued jointly by NTEEP and NTEI dated 19 May 2009, in which the NTEEP Board had been informed that a proposed privatisation of NTEEP by way of a voluntary conditional general cash offer by Yu Ming and Somerley, on behalf of NTEI, to acquire all the issued Shares of NTEEP (other than those Shares already owned by NTEI). The listing status of NTEEP will thereafter be withdrawn.

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

PRINCIPAL TERMS OF THE GENERAL OFFER

On 18 May 2009, NTEI informed the NTEEP Board that Yu Ming and Somerley, on behalf of NTEI (the controlling shareholder of NTEEP currently holding approximately 74.88% of the total issued share capital of NTEEP), would make a voluntary conditional general cash offer for the Offer Shares, being all the Shares other than those owned by NTEI.

For each Offer Share. . . . . HK$1.52 in cash

The Offer Shares to be acquired under the General Offer shall be fully paid and free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature together with all rights attached to them as at the Announcement Date or subsequently becoming attached to them, including all dividends and distributions declared, made or paid on or after the Announcement Date.

The General Offer Price of HK$1.52 represents:

(i) a premium of approximately 2.0% over the closing price of HK$1.49 per Share as quoted on the Stock Exchange on 6 April 2009 (being the last trading day prior to the suspension of trading in the Shares);

(ii) a premium of approximately 3.4% over the average closing price of HK$1.47 per Share for the 10 trading days up to and including 6 April 2009;

(iii) a premium of approximately 6.3% over the average closing price of HK$1.43 per Share for the 30 trading days up to and including 6 April 2009;

(iv) a premium of approximately 4.8% over the closing price of HK$1.45 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(v) a premium of approximately 245.5% over the audited consolidated net asset value per Share of approximately HK$0.44 as at 31 December 2008; and

(vi) a premium of approximately 166.7% over the closing price of HK$0.57 per Share as quoted on the Stock Exchange on 20 February 2009 (being the last trading day prior to the announcement of the Previous Offer).

The General Offer is conditional upon NTEI having received acceptances and/or purchases made after the posting of the composite offer document totaling at least 90% of the Offer Shares such condition cannot be waived. The first closing date of the General Offer will fall on the 21st day from the date on which the composite offer document is posted (that is, Tuesday, 30 June 2009).

COMPULSORY ACQUISITION AND WITHDRAWAL OF LISTING

If NTEI receives acceptances and/or makes purchases totaling at least 90% of the Offer Shares within four months since the date of posting of this composite offer document,

(i) NTEI intends to exercise any compulsory acquisition rights to which it is entitled under Rule 2.11 of the Takeovers Code and Section 88 of the Companies Law to acquire the remaining Shares not already owned by NTEI. Upon completion of such compulsory acquisition, NTEEP would become a wholly-owned subsidiary of NTEI and application will be made for the withdrawal of listing of the Shares from the Stock Exchange in accordance with Rule 6.15 of the Listing Rules. An announcement in relation to the withdrawal application shall be made before the last day of dealing of the Shares; and

(ii) NTEEP will apply for a suspension of dealings in the Shares from the closing of the General Offer up to the withdrawal of listing of the Shares from the Stock Exchange.

MAINTAINING THE LISTING

If NTEI does not become entitled to exercise such power of compulsory acquisition set out above (whether by reason of not acquiring 90% of the Offer Shares or otherwise) within four months from the date of despatch of this composite offer document, it is NTEI's intention to maintain the listing of NTEEP on the Stock Exchange.

If, at the close of the General Offer, less than 25% of the Shares are held by the public or if the Stock Exchange believes that:

- **a false market exists or may exist in the trading of the Shares, or**

- **there are insufficient Shares in public hands to maintain an orderly market,**

then the Stock Exchange may exercise its discretion to suspend dealings in the Shares. In this connection, it should be noted that upon completion of the General Offer, there may be insufficient public float for the Shares and, therefore, trading in the Shares may be suspended until a prescribed level of public float is restored.

In the event that the compulsory acquisition rights are not available to NTEI and the General Offer closes, if the public float requirement is not met, NTEEP will undertake to take appropriate steps to restore its public float.

SHAREHOLDING

As at the Latest Practicable Date, the shareholding of NTEEP is as follows:

	Number of Shares owned	% of the total issued shares
NTEI	660,215,470	74.88
Independent Shareholders	221,455,118	25.12
Total	**881,670,588**	**100.00**

Note:

As at the Latest Practicable Date, as far as is known to NTEI, no parties acting in concert with it held any Shares.

As at the Latest Practicable Date, (i) NTEEP does not have other class of securities (other than the Shares), outstanding options, derivatives, warrants or other securities which are convertible or exchangeable into Shares, and (ii) NTEI and the parties acting in concert with it do not own any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) in NTEEP other than those disclosed above.

COMPOSITION OF THE INDEPENDENT BOARD COMMITTEE

Pursuant to Rule 2.8 of the Takeovers Code, the independent board committee of NTEEP shall comprise all non-executive directors of NTEEP who have no direct or indirect interest in the General Offer (other than as a Shareholder). Mr. Koo Ming Kown, a non-executive director of NTEEP, is also an executive director of NTEI, a party acting in concert with NTEI. Given his interest or relationship with NTEI, he is not considered sufficiently independent to advise the Independent Shareholders in respect of the General Offer and was not appointed as a member of the Independent Board Committee.

Mr. Chan Tit Hee, Charles, Mr. Lai Kin Ki and Mr. Leung Wai Hung, being all the independent non-executive directors of NTEEP, have been appointed as members of the Independent Board Committee for consideration of and making of recommendations to the Independent Shareholders in respect of the terms of the General Offer. Centurion has been appointed as the independent financial adviser to advise the Independent Board Committee on the fairness and reasonableness of the terms of the General Offer and as to whether the Independent Shareholders should accept the General Offer.

RECOMMENDATION

Your attention is drawn to the letter from Independent Board Committee set out in this composite offer document which contains its recommendation to the Independent Shareholders in respect of the General Offer and the letter from Centurion which contains its advice to the Independent Board Committee in respect of the fairness and reasonableness of the General Offer, as to whether you should accept the General Offer, and the principal factors and reasons it has considered before arriving at its advice to the Independent Board Committee. You are also advised to read this composite offer document and the accompanying form of acceptance and transfer for Shares in respect of the acceptance and settlement procedures of the General Offer.

Yours faithfully,
For and on behalf of the Board of
Nam Tai Electronic & Electrical Products Limited
Wong Long Kee
Company Secretary

Nam Tai Electronic & Electrical Products Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2633)

9 June 2009

To the Independent Shareholders,

Dear Sir or Madam,

**PROPOSED PRIVATISATION OF
NAM TAI ELECTRONIC & ELECTRICAL PRODUCTS LIMITED
BY NAM TAI ELECTRONICS, INC.
BY WAY OF A VOLUNTARY CONDITIONAL GENERAL CASH OFFER
BY YU MING INVESTMENT MANAGEMENT LIMITED
AND SOMERLEY LIMITED ON BEHALF OF
NAM TAI ELECTRONICS, INC.
FOR ALL THE ISSUED SHARES IN
NAM TAI ELECTRONIC & ELECTRICAL PRODUCTS LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY
NAM TAI ELECTRONICS, INC.)**

We have been appointed by the NTEEP Board to form the Independent Board Committee to consider the terms of the General Offer and to make recommendations to the Independent Shareholders in connection with the General Offer, details of which are set out in the Letter from the Board of NTEEP in the composite offer document dated 9 June 2009 (the "Offer Document") of which this letter forms part. The terms used in this letter shall have the same meanings as defined in the Offer Document unless the context otherwise requires.

Centurion has been appointed as the independent financial adviser to advise us in respect of the terms of the General Offer and as to whether the Independent Shareholders should accept the General Offer.

We wish to draw your attention to the letter from Yu Ming and Somerley set out on pages 7 to 16 of the Offer Document which contains, inter alia, information about the General Offer, and the letter of advice from Centurion set out on pages 24 to 54 of the Offer Document which contains its advice in respect of the terms of the General Offer.

Having taken into account the advice of Centurion, we consider the terms of the General Offer to be fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to accept the General Offer by tendering their Offer Shares to the General Offer.

Yours faithfully,
Independent Board Committee
Nam Tai Electronic & Electrical Products Limited
Chan Tit Hee, Charles **Lai Kin Ki**
Leung Wai Hung

The following is the text of the letter of advice to the Independent Board Committee and the Independent Shareholders from Centurion Corporate Finance Limited dated 9 June 2009 for incorporation in this composite offer document:

9 June 2009

To the Independent Board Committee and
the Independent Shareholders of
Nam Tai Electronic & Electrical Products Limited

Dear Sirs,

PROPOSED PRIVATISATION OF
NAM TAI ELECTRONIC & ELECTRICAL PRODUCTS LIMITED
BY NAM TAI ELECTRONICS, INC.
BY WAY OF A VOLUNTARY CONDITIONAL GENERAL CASH OFFER
BY YU MING INVESTMENT MANAGEMENT LIMITED
AND SOMERLEY LIMITED ON BEHALF OF
NAM TAI ELECTRONICS, INC.
FOR ALL THE ISSUED SHARES IN
NAM TAI ELECTRONIC & ELECTRICAL PRODUCTS LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY
NAM TAI ELECTRONICS, INC.)

INTRODUCTION

We have been engaged to advise the Independent Board Committee and the Independent Shareholders with respect to the General Offer, details of which are outlined in the composite offer document jointly issued by NTEI and NTEEP to the Shareholders dated 9 June 2009 ("Composite Offer Document") of which this letter forms a part.

We have been appointed to give an opinion as to (i) whether the terms of the General Offer are fair and reasonable in so far as the Independent Shareholders are concerned; and (ii) the acceptance or rejection of the General Offer. Capitalised terms used in this letter shall have the same meanings as defined in the Composite Offer Document unless the context otherwise requires.

NTEEP and NTEI jointly announced on 19 May 2009, that after the Previous Offer failed recently on 6 April 2009, NTEI and the NTEEP Board respectively sought remedies with a view to return no less than HK$1.50 per Share to Independent Shareholders, including possibly a judicial review of the Panel Decision by NTEI as well as a voluntary winding up by NTEEP. After due and careful consideration, NTEI was of the view that the General

Offer was the most feasible option available to achieve the above purpose. Therefore, via its financial advisers, NTEI is proposing to privatise NTEEP by way of a voluntary conditional general cash offer for all the issued Shares other than those Shares already owned by it pursuant to the Takeovers Code.

Yu Ming and Somerley, the financial advisers to NTEI, are making the General Offer on behalf of NTEI. The Composite Offer Document and the accompanying form of acceptance together set out the terms of, and certain other information relating to, the General Offer.

NTEEP has established the Independent Board Committee, comprising all independent non-executive directors of NTEEP (including Mr. CHAN Tit Hee, Charles, Mr. LAI Kin Ki and Mr. LEUNG Wai Hung) to advise the Independent Shareholders. Mr. Koo, a non-executive director of NTEEP, is also an executive director of NTEI and a party acting in concert with NTEI. Therefore, he is considered not independent of NTEEP and has not become a member of the Independent Board Committee.

We are not associated with NTEI, NTEEP, their respective substantial shareholders, or any of their respective parties acting, or presumed to be, acting in concert with any of them. Therefore, we are considered suitable to give our letter of independent advice on the terms of the General Offer. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from NTEEP, any of the parties involved in NTEEP, NTEI, their respective substantial shareholders, or any of their respective parties acting, or presumed to be acting, in concert with any of them.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the accuracy of the information, opinions and representation contained in the Composite Offer Document, NTEEP's annual reports and other publicly available documents of NTEEP and NTEI, which have been provided to us by the directors of NTEEP and for which they take full responsibility, insofar as NTEEP's documents are concerned. We have assumed that all statements, information, opinions and representations made or referred to in the Composite Offer Document were true at the time they were made and continued to be true at the date of the Composite Offer Document. We have also assumed that all statements of belief, opinions and intentions made by the directors of NTEEP in the Composite Offer Document are reasonably made after due and careful enquiry.

In respect of the financial information of the NTEEP Group, we have relied principally on its audited and/or unaudited financial statements, all prepared by NTEEP and for which the directors of NTEEP take full responsibility. We have also sought and obtained confirmation from NTEEP that no material facts have been omitted from the information provided and/or referred to in the Composite Offer Document.

We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the directors of NTEEP. We consider that we have reviewed sufficient financial information to enable us to reach an informed view and to justify reliance on the accuracy of the information as contained in the Composite Offer Document to provide a reasonable basis for our opinion and recommendation. We have not, however, conducted any form of independent or in-depth investigation into the businesses, financial positions, or prospects of the NTEEP Group, NTEI, or any of their respective subsidiaries or associates, nor have we independently verified any of the information supplied to us.

We have not considered the tax consequences on the Independent Shareholders accepting or not accepting the General Offer since these are particular to their individual circumstances. It should therefore be noted that we will not accept responsibility for any tax effect on or liability of any person resulting from his or her acceptance or non-acceptance of the General Offer. In particular, overseas Shareholders who, being residents overseas, are subject to overseas taxes or Hong Kong taxes on securities dealings should consider their own tax positions and, if in any doubt, should consult their own professional advisers.

Our opinion and recommendation as set out herein are for the sole purpose of the General Offer only and shall not be used for any other purposes.

TERMS OF THE GENERAL OFFER

Yu Ming and Somerley, are making the General Offer, on behalf of NTEI, on the terms as set out in the Composite Offer Document (including, without limitation, the further terms of the General Offer set out in Appendix II to the Composite Offer Document) and in the accompanying form of acceptance, to acquire all the Offer Shares. The terms of the General Offer are summarized below.

The Offer Shares to be acquired under the General Offer shall be fully paid and free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature together with all rights attached to them as at the Announcement Date or subsequently becoming attached to them, including all dividends and distributions declared, made or paid on or after the Announcement Date.

1. General Offer Price

The General Offer to acquire all the 221,455,118 Offer Shares is on the following basis:

For each Offer Share .... HK$1.52 in cash

The General Offer Price is the sum of the Previous Offer Price of HK$1.50, and a HK$0.02 per Share subsidy for administrative expenses incurred by Independent Shareholders in accepting the Previous Offer.

2. Condition of the General Offer

The General Offer is conditional upon NTEI having received acceptances and/or purchases made after the posting of the Composite Offer Document totaling at least 90% of the Offer Shares. If the General Offer becomes unconditional, NTEI intends to exercise any compulsory acquisition rights to which it is entitled under Rule 2.11 of the Takeovers Code and Section 88 of the Companies Law to acquire the remaining Shares, and following which, NTEI intends to withdraw the listing of NTEEP from the Stock Exchange. The condition of the General Offer can not be waived by NTEI. Further details of the General Offer are set out in the "Letter From Yu Ming and Somerley" in the Composite Offer Document.

3. Stamp Duty

Seller's ad valorem stamp duty for the Offer Shares registered with the Hong Kong branch register arising in connection with the acceptances of the General Offer will be payable by each Accepting Shareholder at the rate of HK$1 for every HK$1,000 or part thereof of the consideration payable by NTEI for such Accepting Shareholder's Offer Shares and will be deducted from the cash amount due to such Accepting Shareholders under the General Offer. Thus without taking into account any brokerage or CCASS charges which may be applicable, an Accepting Shareholder tendering a board lot of 1,000 Offer Shares would receive a net proceed of HK$1,518 under the General Offer.

4. Proposed privatisation with compulsory acquisition

As set out in the "Letter From The Board of NTEEP", if the General Offer becomes unconditional, NTEI will exercise the compulsory acquisition rights to which it is entitled under Rule 2.11 of the Takeovers Code and Section 88 of the Companies Law to acquire the remaining Offer Shares. NTEI Board intends to subsequently withdraw the listing status of the Shares on the Stock Exchange pursuant to Rule 6.15 of the Listing Rules. NTEEP will apply for a suspension of dealings in the Shares from the closing of the General Offer up to the withdrawal of listing of the Shares from the Stock Exchange.

According to Rule 15.6 of the Takeovers Code, to exercise the power of compulsory acquisition to acquire the Offer Shares not tendered under the General Offer, the General Offer may not remain open for acceptance for more than four months from the posting of the Composite Offer Document, that is Friday, 9 October 2009, unless NTEI has by that time become entitled to exercise the powers of compulsory acquisition available to it under the Companies Law.

If NTEI does not become entitled to exercise such power of compulsory acquisition set out above (whether by reason of not acquiring 90% of the Offer Shares or otherwise) within four months from the date of despatch of this Composite Offer Document, it is NTEI's intention to maintain the listing of NTEEP on the Stock Exchange.

5. Timetable of the General Offer

As set out in the Expected Timetable and its notes on pages 5 and 6 of this Composite Offer Document, the General Offer will be closed on Tuesday, 30 June 2009 unless NTEI extends the Offer in accordance with the Takeovers Code. Acceptances tendered after such closing date will only be valid if the General Offer is extended. If NTEI decides to extend the General Offer, in the announcement of an extension of the General Offer, either the next closing date must be stated or, if the General Offer is unconditional as to acceptances, a statement may be made that the General Offer will remain open until further notice. In the latter case, an announcement will be published at least 14 days before the General Offer is closed to inform Independent Shareholders who have not accepted the General Offer.

In accordance with the Takeovers Code, where the General Offer becomes or is declared unconditional, the General Offer should remain open for acceptance for not less than 14 days thereafter. In such case, an announcement will be published at least 14 days before the General Offer is closed to inform the Independent Shareholders who have not accepted the General Offer.

Pursuant to Rule 15.5 of the Takeovers Code, the General Offer may not become or be declared unconditional as to acceptance after 7:00 p.m. on the 60th day after the date this Composite Offer Document is posted, that is Saturday, 8 August 2009, except with the consent of the Executive.

6. Right of withdrawal

Acceptance of the General Offer by Accepting Shareholders shall be irrevocable and not capable of being withdrawn, except as permitted under Rule 17 of the Takeovers Code, which stipulates that an Accepting Shareholders shall be entitled to withdraw his/her acceptance after 21 days from the first closing date of the General Offer, if the General Offer has not by then become unconditional as to acceptance. This entitlement to withdraw shall be exercisable until such time as the General Offer becomes or is declared unconditional as to acceptance.

7. Procedures for acceptance for Offer Shares held through CCASS

If your Offer Shares are held through a CCASS participant who deposited your Shares in CCASS and if you are thinking of accepting the General Offer, you should carefully read the section headed "Further Procedures For Acceptance Of The General Offer For Shareholders Holding The Shares Through A CCASS Particiapant" in Appendix II to the Composite Offer Document.

Independent Shareholders who hold their Shares through stockbrokers, intermediaries or nominees should note that their intermediaries or nominees may or may not notify them the existence of the General Offer, and may or may not act on their acceptance instructions on time or at all. It is important that Independent Shareholders who would like to accept the General Offer consult their intermediaries or nominees as to the timetable and the proper acceptance procedure relating to the General Offer, and closely monitor the acceptance process. Accepting Shareholders should also request a written confirmation from their intermediaries or nominees of acceptance instructions. If your intermediaries or nominees are unsure of any of the above matters, you may directly contact Mr. Warren Lee or Mr. Godfrey Leung of Yu Ming at 2877 2340 for assistance.

Independent Shareholders should note that CCASS charges a corporate action service fee of HK$0.8 per board lot of Shares to be tendered under the General Offer and there may be other charges that are required by their stockbrokers, intermediaries or nominees in relation to tendering their Offer Shares to the General Offer.

8. Overseas Independent Shareholders

The ability of overseas Independent Shareholders to participate in the General Offer is subject to, and may be limited by, the laws and regulations of their respective jurisdictions. For further details, please refer to the section headed "General" as set out in the Appendix II to the Composite Offer Document.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

1. The General Offer

1.1 The General Offer Price

The General Offer Price of HK$1.52 per Offer Share is the sum of the Previous Offer Price of HK$1.50, and a HK$0.02 per Share subsidy for administrative expenses incurred by Independent Shareholders in accepting the Previous Offer.

1.2 Comparison of the General Offer Price to market prices/net assets per Share

As the total number of the Offer Shares was 221,455,118 as at the Latest Practicable Date, the total consideration of the General Offer amounted to approximately HK$336.6 million. On the basis of 881,670,588 Shares in issue as at the Latest Practicable Date, the General Offer Price values the entire issued share capital of NTEEP at approximately HK$1,340.1 million.

The following table summarises recent events which may have affected market price of the Shares.

Table A: Recent important events which may affect the Share price

Trading Date	Events announced or important milestones	Closing Share Price	No. of Shares traded
Friday, 5 June 2009	Latest Practicable Date	HK$1.45	226,000
Wednesday, 20 May 2009	Resumption of trading of the Shares following the joint announcement of the General Offer on 19 May 2009	HK$1.43	23,771,000
Monday, 11 May 2009	Release of the 1st quarter results announcement, the subject of the profit warning announcement on 23 April 2009	Trading Suspended	
Thursday, 23 April 2009	Profit warning announcement released in relation to the 1st quarter results	Trading Suspended	
Monday, 6 April 2009	Last date of trading of the Shares before trading suspended on 7 April 2009 pending the possibility of extending the Previous Offer, which was declared lapsed on 6 April 2009	HK$1.49	15,000
Monday, 16 March 2009	Commencement date of the Previous Offer and posting date of the previous composite offer document	HK$1.40	6,790,000
Wednesday, 25 February 2009	2nd day of Shares resumed trading following announcement of the Previous Offer	HK$1.42	17,219,000
Tuesday, 24 February 2009	Shares resumed trading following announcement of the Previous Offer	HK$1.28	10,282,117
Friday, 20 February 2009	Last date of trading of the Shares before trading suspended on 23 February 2009 pending the release of the Previous Offer announcement	HK$0.57	20,000

Trading Date	Events announced or important milestones	Closing Share Price	No. of Shares traded
Tuesday, 10 February 2009	Next trading date after the release of the annual results announcement on 9 February 2009 which reported a net loss of US$121.9 million for the year ended 31 December 2008	HK$0.58	1,669,000
Monday, 9 February 2009	The trading date on which the annual results announcement of the NTEEP Group was released after the close of trading	HK$0.70	90,000

Source: website of the Stock Exchange — www.hkex.com.hk

In the order of the numbered paragraphs in the section headed "Principal Terms Of The General Offer" set out in the "Letter From Yu Ming and Somerley", the General Offer Price of HK$1.52 represents:

(i) a premium of approximately 2.0% over the closing price of HK$1.49 per Share as quoted on the Stock Exchange on 6 April 2009 (being the last trading day prior to the suspension of trading in the Shares);

(ii) a premium of approximately 3.4% over the average closing price of HK$1.47 per Share for the 10 trading days up to and including 6 April 2009;

(iii) a premium of approximately 6.3% over the average closing price of HK$1.43 per Share for the 30 trading days up to and including 6 April 2009;

(iv) a premium of approximately 245.5% over the audited consolidated net asset value per Share of approximately HK$0.44 as at 31 December 2008; and

(v) a premium of approximately 166.7% over the closing price of HK$0.57 per Share as quoted on the Stock Exchange on 20 February 2009 (being the last trading day prior to the announcement of the Previous Offer).

In addition, the General Offer Price of HK$1.52 also represents:

(1) a premium of approximately 162.5% to the unaudited consolidated adjusted net asset value of the NTEEP Group as at 31 December 2008 of approximately HK$0.579, after adjusting for the surplus arising on the revaluation of its properties (details are set out in Table H below); and

(2) a premium of approximately 4.8% over the closing price of HK$1.45 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

For further details of such premium to net assets value, please refer to the section below headed "7. Net assets of the NTEEP Group".

Highest and lowest closing prices of the Shares

For the purpose of this letter of independent advice, we have chosen the period from 1 May 2008 (being the first trading day of the 12 calendar months prior to the Announcement Date) to the Latest Practicable Date as the review period ("Review Period"), which was chosen on the basis that such time frame should be adequate to cover various recent milestone events reasonably expected to affect the Share prices and trading volume. During the Review Period, the highest closing price of the Shares was HK$1.60 per Share as quoted on the Stock Exchange on 2, 5 and 6 May 2008 and the lowest closing price of the Shares was HK$0.39 per Share as quoted on the Stock Exchange on 29 October 2008. Independent Shareholders should note that as a result of the global financial turmoil last year, Hang Seng Index closed at the record low of 11,015 on 27 October 2008, which may explain such low closing price per Share on 29 October 2008. The following table summarises the highest and the lowest closing prices of the Shares during the Review Period:

Table B: Highest and lowest Share prices comparison during the Review Period

Month/Period	**Highest closing price** *(HK$)*	**Lowest closing price** *(HK$)*	**Weighted average daily closing price** *(HK$)*
2008			
May	1.600	1.470	1.524
June	1.540	1.480	1.517
July	1.590	1.470	1.505
August	1.590	1.100	1.373
September	1.140	0.840	0.956
October	0.950	0.390	0.568
November	0.620	0.550	0.582
December	0.650	0.550	0.592

2009			
January	0.810	0.620	0.742
February	1.420	0.530	1.285
March	1.470	1.390	1.423
April	1.490	1.460	1.478
May	1.460	1.430	1.441
June (up to the Latest Practicable Date)	1.45	1.45	1.45

The following chart illustrates the General Offer Price of HK$1.52 per Share as compared to the daily closing price of the Shares as quoted on the Stock Exchange during the Review Period:

Chart I: Closing Share prices chart during the Review Period

Source: website of the Stock Exchange — www.hkex.com.hk

The above chart illustrates that during the Review Period, the closing price of the Shares on the Stock Exchange ranged between HK$0.39 to HK$1.60 per Share. The closing price per Share on the Latest Practicable Date was HK$1.45.

The daily closing price of the Shares during the Review Period has shown a steady and considerable decline in market price prior to the announcement of the Previous Offer. During the Review Period, the trading date on which the daily closing price per Share was lasted quoted above the General Offer Price of HK$1.52 per Share was on 4 August 2008, with the then closing price per Share of HK$1.59. Subsequently, none of the closing prices per Share has ever reached the General Offer Price. Whilst the closing prices per Share recovered considerably since the announcement of the Previous Offer on 24 February 2009, such closing prices had still consistently been trading below the General Offer Price of HK$1.52. The closing price on 20 May 2009, being the first trading day after the Announcement Date, was HK$1.43 per Share.

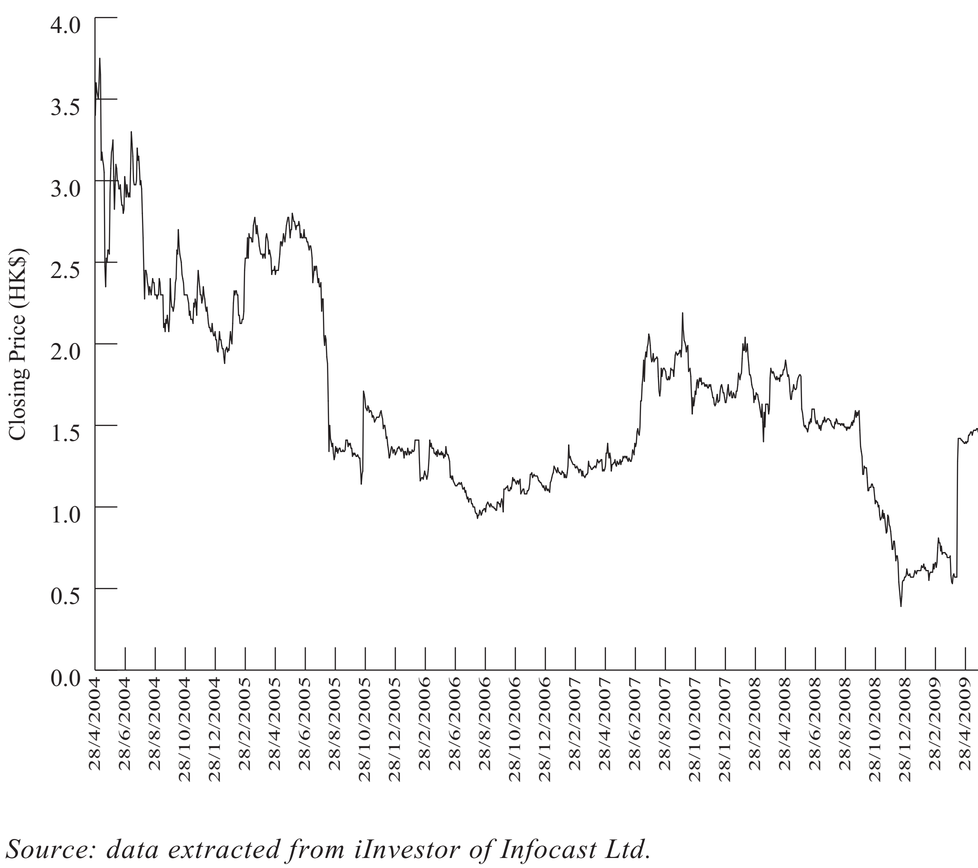
These recent elevated market Share prices are in our view, driven by the General Offer Price of HK$1.52 and not a result of the business fundamentals of the NTEEP Group. In fact, as set out in Table A above, after the release of the annual results announcement on 9 February 2009 which reported a net loss of US$121.9 million for the NTEEP Group for the year ended 31 December 2008, the closing price per Share declined by 17% on 10 February 2008, the next trading day following such announcement, to close at HK$0.58. We are therefore of the view that, based on the aforesaid Share price movements, such elevated market Share prices would not be sustainable, should the General Offer be lapsed.

The "bottoming out" of the Share prices in October 2008 and the decline in the closing prices per Share throughout the last few months of the Review Period and prior to the announcement of the Previous Offer were likely the result of global stock markets volatility, which on 27 October 2008, Hang Seng Index reached a record low of 11,015. That said, the fact that the Shares have historically been trading at relatively low prices during most of the Review Period is noted and we are of the view that this non performance of market price per Share (and also the thin trading volume of the Shares detailed in section below) may also be rationalised by the difficult electronics manufacturing services market conditions faced by the NTEEP Group.

1.3 Comparison of the General Offer Price to market index and IPO price per Share

NTEEP was listed by way of initial public offering and dealings in the Shares on the Stock Exchange began on 28 April 2004. The pricing per Share for its initial public offering was at HK$3.88 and under which, the then price-earnings multiple and market capitalization of NTEEP was at 17.45 times and HK$3,104 million respectively. The following chart is the closing price per Share since its listing. The downward trend of the Share price is in our view, a reflection of the weakening business prospects of the NTEEP Group following its listing.

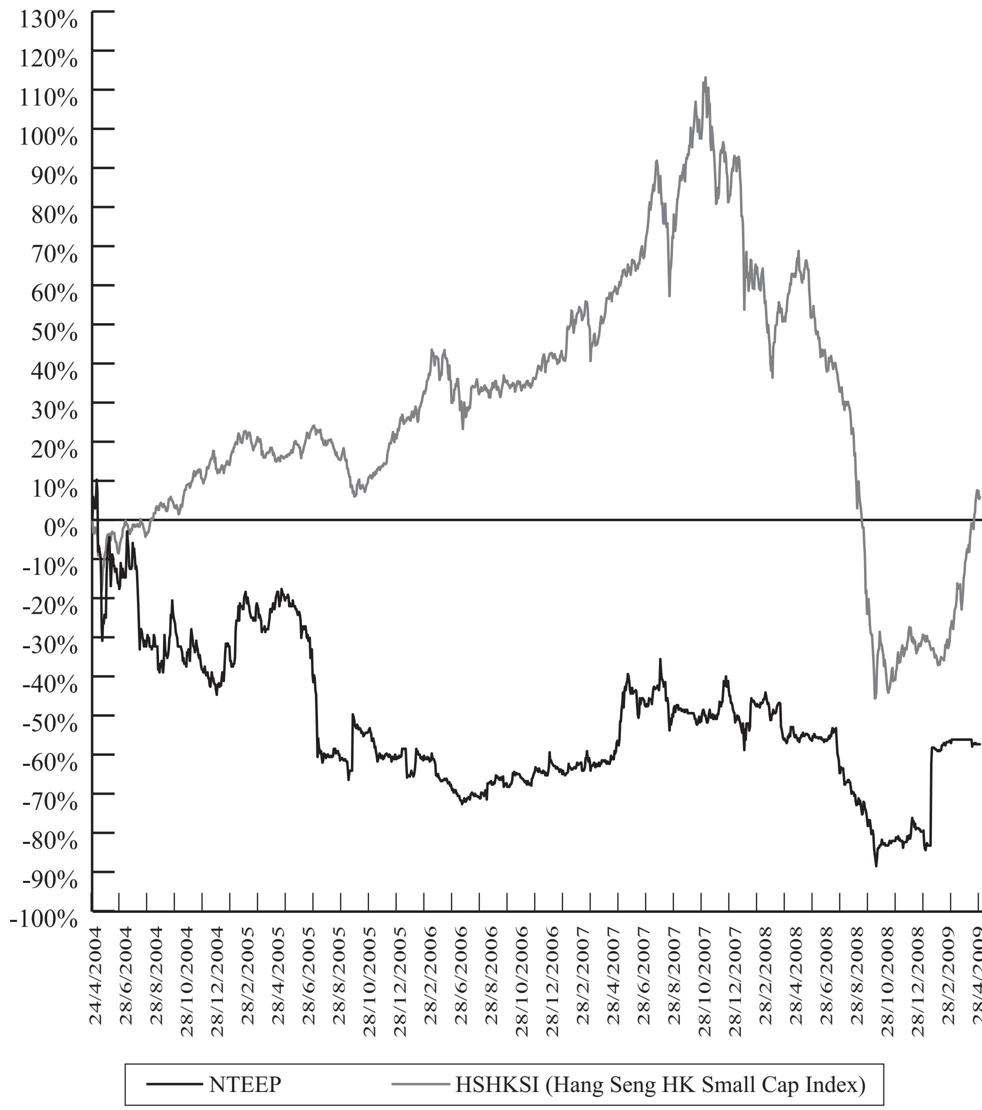
Chart II: Closing price per Share since listing



Source: data extracted from iInvestor of Infocast Ltd.

On 28 April 2004, the first day of listing of the Shares, Hang Seng HK SmallCap Index ("HSHKSI") closed at 1,646 and on the Latest Practicable Date, such index closed at 1,744. The following chart compares the changes in HSHKSI vs. changes in market price per Share, from 28 April 2004 to the Latest Practicable Date. Accordingly, the Share price has consistently under performed that of the HSHKSI.

Chart III: Changes in HSHKSI vs. changes in market price per Share from 28 April 2004 to the Latest Practicable Date

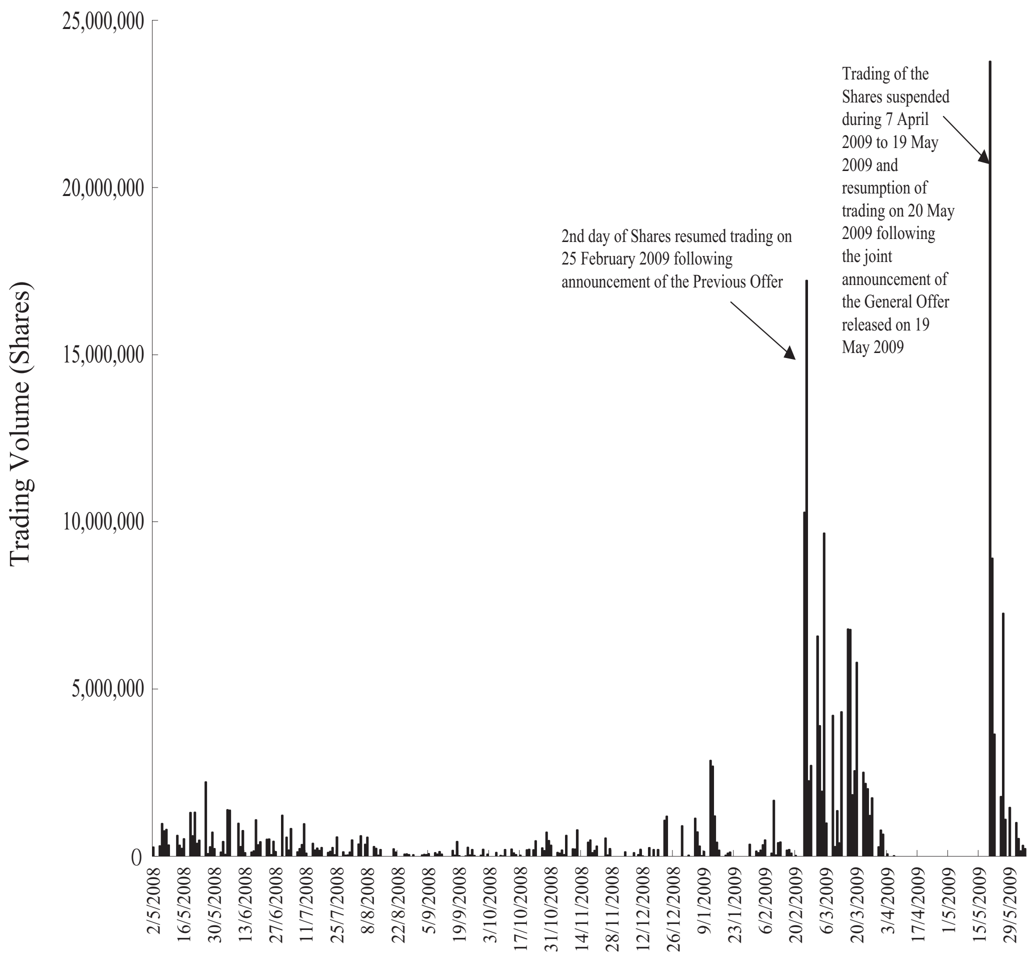


Source: data extracted from iInvestor of Infocast Ltd.

2. Trading volume of the Shares

The chart below illustrates the trading volume of the Shares on the Stock Exchange during the Review Period:

Chart IV: Trading volume of the Shares during the Review Period



Source: website of the Stock Exchange — www.hkex.com.hk

As set out in the above chart, excluding the sharp increases in trading volume (and price) due to the Previous Offer, the daily trading volume of the Shares on the Stock Exchange during the Review Period was very thinly traded, sometimes even with nil trading volume. The following table highlights the number of Shares traded on the Stock Exchange in each calendar month during the Review Period:

Table C: Monthly adjusted trading volume of the Shares during the Review Period

Month/Period	Total monthly trading volume *(Shares)*	Average daily trading volume *(Shares)*	Percentage of total monthly trading volume to total issued share capital *(Note 1)* *(%)*	Percentage of total monthly trading volume to public float Shares held by Shareholders *(Note 2)* *(%)*
2008				
May	12,761,000	638,050	1.45	5.43
June	10,526,000	526,300	1.19	4.61
July	6,029,000	274,045	0.68	2.70
August	3,690,000	194,211	0.42	1.67
September	1,987,000	94,619	0.23	0.90
October	3,742,000	178,190	0.42	1.68
November	4,542,878	227,144	0.52	2.05
December	4,316,000	205,524	0.49	1.95
2009				
January	10,292,000	571,778	1.17	4.65
February	36,830,117	1,938,427	4.18	16.63
March	68,114,122	3,096,096	7.73	30.76
April	743,000	185,750	0.08	0.34
May	47,922,365	6,846,052	5.44	21.64
June (up to the Latest Practicable Date)	2,234,000	446,800	0.25	1.01

Note 1: Based on 881,670,588 Shares, being the total number of Shares in issue

Note 2: Based on 221,455,118 Shares, being the total number of Shares held by Independent Shareholders counted as public float (i.e. excluding NTEI) from August 2008 to the Latest Practicable Date and prior to August 2008, on the exact number of Shares held by Independent Shareholders, calculated on a daily basis

The above table shows that the number of Shares traded on the Stock Exchange per month during the Review Period as compared to the number of total issued Shares held in public hands (i.e. excluding those shareholdings held by NTEI) ranges from 0.90% to 30.76%. The sudden surge in the trading volume of the Shares in the months of February and March 2009 was due to the announcement of the Previous Offer, and the percentage of the total monthly trading volume to public float for these two months reached 16.63% and 30.76% respectively, the highest during the Review Period. The sharp drop in trading volume in the month of April 2009 was because of the suspension of trading of the Shares beginning from 7 April 2009.

In light of the aforesaid, we are of the view that in the absence of a general cash offer, the liquidity of the Shares as evidenced by its daily or monthly trading volume is relatively low. Independent Shareholders should therefore take note that it may be difficult to dispose large number of their Shares in the market without exerting a considerable downward pressure on the Share prices, should the General Offer be declared lapsed.

3. An overview of the NTEEP Group's business and its background history

The NTEEP Group started operating as a manufacturer of consumer electronic products and eventually evolved from a contract manufacturer to a provider of vertically-integrated manufacturing solutions to its clients. Since 2001, the NTEEP Group has continued its developments in the consumer electronic and communication product market and diversified into optical devices, home entertainment electronic products and mobile phone accessories. NTEEP Group's electronics manufacturing services ("EMS") cater to a select group of the world's leading original equipment manufacturers of telecommunications and consumer electronics products.

NTEEP Group's operations are currently organized into three divisions for management purpose, consisting of consumer electronic and communication products ("CECP"); telecommunication component assembly ("TCA"); and the LCD products ("LCDP"). Their principal activities are as follows:

CECP — manufacturing and marketing of consumer electronic and communication products, assembling (accounted for approximately 44% of the NTEEP Group's sales in 2008);

TCA — manufacturing and marketing of telecommunication component assembly (accounted for approximately 44% of the NTEEP Group's sales in 2008); and

LCDP — manufacturing and marketing of LCD products, parts and components (accounted for approximately 12% of the NTEEP Group's sales in 2008).

NTEEP's business in its current form began in 1989 as a co-operative joint venture company with limited liability in the PRC and with a 30%-joint venture partner then. NTEEP itself was incorporated in June 2003 and is the holding company for its operating subsidiaries. Immediately upon its listing in April 2006, NTEEP was held as to 75% by NTEI. As at the Latest Practicable Date, NTEEP was held as to 74.88% by NTEI.

NTEI is a company incorporated under the laws of the British Virgin Islands with limited liability. As the controlling shareholder of NTEEP, NTEI is a holding company of an electronics manufacturing and design services provider with a worldwide coverage of customers. Listed on the NYSE, NTEI had a market capitalization of approximately US$179.7 million (equivalent to approximately HK$1,401.7 million) as at 18 May 2009.

4. Past results of the NTEEP Group, its price-earnings multiples

The following table highlights NTEEP's audited consolidated results for the three years ended 31 December 2008 as extracted from its annual reports and NTEEP's consolidated unaudited results for the three months ended 31 March 2009 as extracted from its first quarter results announcement dated 11 May 2009.

Table D: Past results highlights of the NTEEP Group

	For the year ended 31 December 2008 (Audited) *(US$'000)*	For the year ended 31 December 2007 (Audited) *(US$'000)*	For the year ended 31 December 2006 (Audited) *(US$'000)*	For the 3 months ended 31 March 2009 (unaudited) *(US$'000)*
Revenue	622,561	283,760	178,322	102,150
Gross profit	74,023	48,843	30,126	7,998
Gross profit margin	*11.9%*	*17.2%*	*16.9%*	*7.8%*
Bank interest/investment income	3,627	3,609	1,638	223
Other income	5,248	6,125	2,232	50
Other expenses		(1,275)	(1,278)	
Impairment loss on intangible assets	(979)			
Impairment loss on goodwill	(143,570)	(24,340)		
Gain on disposal of subsidiaries		8,289		
Gain (Loss) on disposal of available-for-sale investments		43,815	(1,869)	
Employee severance benefits				(5,058)
Selling and distribution Costs	(8,913)	(2,849)	(1,090)	(1,766)
Administrative expenses	(24,761)	(11,652)	(8,939)	(4,662)
Research and development expenditure	(10,823)	(4,144)	(3,285)	(2,177)
Finance Costs	(12,491)	(24)		(2,889)

	For the year ended 31 December 2008 (Audited) *(US$'000)*	For the year ended 31 December 2007 (Audited) *(US$'000)*	For the year ended 31 December 2006 (Audited) *(US$'000)*	For the 3 months ended 31 March 2009 (unaudited) *(US$'000)*
(Loss) Profit before tax	(118,639)	66,397	17,535	(8,281)
Income tax (expense) credit	(3,295)	(5,655)	(214)	258
(LOSS) PROFIT FOR THE YEAR/PERIOD	(121,934)	60,742	17,321	(8,023)
Attributable to:				
— Equity holders of NTEEP	(121,934)	60,859	17,329	(8,023)
— Minority interests		(117)	(8)	
The following adjustments (as extracted from the relevant audited or unaudited accounts) are to eliminate the one-off charges' effects on the net profit after tax of the NTEEP Group:-				
Add: Impairment loss on intangible assets	979			
Add: Impairment loss on goodwill	143,570	24,340		
Less: Gain on disposal of subsidiaries		(8,289)		
Add/Less: Gain (Loss) on disposal of available-for-sale investments		(43,815)	1,869	
Add: Employee severance benefits				5,058
Adjusted net profit attributable to equity holders of NTEEP	22,615	33,095	19,198	(2,965)
(Loss) earnings per share attributable to equity holders of NTEEP as set out in the audited accounts	US$(0.1382) HK$(1.0779)	US$0.0690 HK$0.5382	US$0.0196 HK$0.1528	US$(0.0091) HK$(0.0709)
Price-earnings multiples based on the above audited net loss per Share under the General Offer Price	N.A. *(due to net loss position)*			

	For the year ended 31 December 2008 (Audited) *(US$'000)*	For the year ended 31 December 2007 (Audited) *(US$'000)*	For the year ended 31 December 2006 (Audited) *(US$'000)*	For the 3 months ended 31 March 2009 (unaudited) *(US$'000)*
Adjusted earnings (loss) per share attributable to equity holders of NTEEP	US$0.0256	US$0.0375	US$0.0217	US$(0.0033)
as adjusted by Centurion	HK$0.1996	HK$0.2925	HK$0.1692	HK$(0.0257)
Date of the results announcement	9 February 2009	2 February 2008	12 February 2007	11 May 2009
Closing market price per Share in the period after such results announcement and before the next results announcement				
— Lowest closing price	HK$0.53	HK$0.39	HK$1.22	
— Highest closing price	HK$1.49	HK$1.90	HK$2.19	
— Average of the above two closing prices	HK$1.01	HK$1.15	HK$1.71	
Price-earnings multiple as represented by the above closing prices based on adjusted earnings per Share ("E.P.S.")				
— Lowest closing price	2.7 times	1.3 times	7.2 times	
— Highest closing price	7.5 times	6.5 times	12.9 times	
— Average of the above two closing prices	5.1 times	3.9 times	10.1 times	
Price-earnings multiple as represented by the General Offer Price of HK$1.52 (on adjusted E.P.S. of HK$0.1996)	**7.6 times**			**(No full year results)**

As each of the three years ended 31 December 2008 contained certain one time losses such as impairment loss on goodwill and on intangible assets in 2008, we have decided to adjust the NTEEP Group's profit to exclude the impact of such one time losses, so as to give a more precise picture of its profitability from its principal business. Given the EMS manufacturing background of the NTEEP Group, its price-earnings multiple is a more important indicator of the historical performance of the Share price, when compared to say, net assets backing per Share.

The aforesaid 7.6 times price-earnings multiple of NTEEP as represented by the Offer Price, when viewed against its other price-earnings multiples in the last three years based on the then earnings per Share and the highest and lowest closing price per Share respectively, is consistently higher in the last two years but is below the 12.9 times and 10.1 times (based on the highest and average of the highest/lowest closing price respectively) recorded in year 2006. We take the view that these two higher price-earnings multiples are less relevant to current market conditions due to the passage of time since 2006 and such high multiples are more likely the residual effect of the high price-earnings multiple of 17.45 times as commanded by NTEEP's share price in its initial public offering in April 2004.

In light of the above, insofar as the price-earnings multiple is concerned, the General Offer Price is in our view, fair and reasonable.

4.1 For the three months ended 31 March 2009

Sales in the first quarter ended 31 March 2009 were US$102.2 million, down 30.4% as compared to sales of US$146.8 million in the corresponding quarter of 2008. Gross profit margin for the first quarter of 2009 was 7.8% as compared to the 13.8% first quarter of 2008. When compared to the 9.1% gross profit margin in the fourth quarter of 2008, such gross profit margin of 7.8% for the first quarter of 2009 was down 14%. Thus it is clear that the downward trend in profitability of the NTEEP Group in 2008 continued into the first quarter of 2009. Net loss attributable to the Shareholders for the quarter under review was US$8.0 million, which principally resulted from the US$5.1 million arising from employee severance benefit expenses incurred in the PRC subsidiaries of NTEEP, as compared to net income of US$9.6 million for the corresponding first quarter of 2008.

The aforesaid decline in overall sales and profitability for the first quarter ended 31 March 2009 as compared to the corresponding quarter of 2008 can be explained by the following:

(i) Overhead costs to certain extent, were relatively fixed and were not able to adjust downward swift enough to reflect the decline in sales; and

(ii) The change in product fix by segments namely the drop in CECP sales (which have the highest profit margin), from 47% to 35%, notwithstanding the rise in TCA product mix (which have the lowest profit margin) from 41% to 52%,

all resulted in an overall lower profitability for the quarter under review.

As at 31 March 2009, the NTEEP Group had an external debt of US$294.7 million, including an unsecured loan of US$285.5 million borrowed from NTEI as a result of the reorganization of NTEI and its subsidiaries on 31 December 2007, bank borrowing of US$1 million and an entrusted loan arrangement with a bank of US$8.2 million between NTEEP's two PRC subsidiaries.

4.2 For the year ended 31 December 2008

For the year ended 31 December 2008, sales of the NTEEP Group increased by 119.4% from approximately US$283.8 million to US$622.6 million when compared with the same period last year, mainly because of the TCA (Zastron business unit) and LCDP (Jetup business unit) acquired under the reorganisation of NTEI and its subsidiaries on 31 December 2007 such that only sales of CECP business segment were included in 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 approximately US$48.8 million to US$74.0 million whereas gross profit margin (as set out in Table D), declined from 17.2% to 11.9%, as compared with the same period last year. Loss attributable to the Shareholders for the twelve months ended 31 December 2008 also increased 300.4% as compared with the same period last year.

As set out in Note 22 to the consolidated financial statements of NTEEP's audited accounts, 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 the Zastron Precision-Tech Limited group and Jetup Electronic (Shenzhen) Co., Ltd. after the annual goodwill impairment testing in December 2008. Such impairment was arrived at based on certain cash flow projections incorporating assumptions such as discount rate and annual growth rate and as set out therein, if the discount rate per annum for TCA increased by certain basis point and the growth rate of the cash flow decreased by certain basis point, a further impairment loss on goodwill would have to be required, details of which are set out in such Note 22 on page 95 of the 2008 annual report of NTEEP and in Appendix I to the Composite Offer Document.

Although NTEEP suffered under the adverse economic conditions, its financial position was said to remain strong with cash of US$129.3 million as at year end. Because a large portion of cash was then locked-up in the PRC subsidiaries, namely Namtai Electronic (Shenzhen) Co., Ltd.; Zastron Electronic (Shenzhen) Co., Ltd.; Jetup Electronic (Shenzhen) Co., Ltd.; Wuxi Zastron Precision-Tech Co., Ltd.; and Wuxi Zastron Precision-Flex Co., Ltd. (due to foreign exchange remittance restrictions), the NTEEP Group had obtained consent from NTEI to postpone the first repayment of the loan, including repayment of the principal and interest of US$38.1 million which was originally due on 31 December 2008. We understand the NTEEP Group has since undertaken certain restructuring to free up portion of the aforesaid cash in the PRC. As a result, the first repayment of the loan was made in the first quarter of 2009 as anticipated by, and as set out in, NTEEP's results announcement. We are advised by the management of NTEEP that after such repayment and as at 31 March 2009, the remaining cash portion that was not subject to any restrictions and cash portion which was still subject to foreign exchange restrictions amounted to approximately US$49 million and US$46 million respectively.

Under the economic slowdown, the net cash generated from operating activities was much lower than that of last year. Even if no dividend would be paid in 2009 and with expansion projects postponed, the NTEEP Group's cash flow would still be tight. As such, regarding the repayment of the principal and interest of US$37.1 million towards NTEI for 2009, as set out in NTEEP's results announcement, as part of the management's plan to ease the NTEEP Group's cash flow, the consent of NTEI might be sought to revise the repayment schedule, if necessary. We understand from NTEEP that no such consent has yet been sought.

Under the current global economic downturn, the NTEEP Group continued to experience weaker demand across all of its product segments. To offset the potential decline in its sales during 2009, management remained focused on efforts to reduce cost. Actions taken to reduce costs and conserve cash included (i) a reduction of 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; (ii) a freeze on salaries; and (iii) not to declare dividends for 2008.

4.3 For the year ended 31 December 2007

For the year ended 31 December 2007, sales of the NTEEP Group increased by approximately 59.1% from US$178.3 million to US$283.8 million when compared with the same period last year. Gross profit increased by approximately 62.1% from US$30.1 million to US$48.8 million as compared with the same period last year. Operating income and profit attributable to Shareholders for the year ended 31 December 2007 also increased by approximately 97.3% and 251.2% respectively as compared with the same period last year.

The NTEEP Group had cash of US$154.2 million as at year end, which was mainly located in the PRC. It also had an external debt of US$318.4 million, including an unsecured loan of US$311.4 million borrowed from NTEI, as a result of the reorganization set out below.

The reorganization of NTEI and its subsidiaries consisting of NTEEP and J.I.C. Technology Company Limited ("JIC", a company listed on the Stock Exchange) was completed in Macao, PRC on 31 December 2007. NTEEP sold Namtek Japan Company Limited and Shenzhen Namtek Co., Ltd. ("Namtek Group") to JIC on 31 December 2007 under the reorganization. During the financial year ended 31 December 2007, Namtek Group recorded revenue of US$2.3 million and profit for the year of US$0.7 million, accounting for approximately 0.8% and 1.1% of the total revenue and profit for the year of the NTEEP Group respectively. The disposal had no material impact on the Company's future performance.

In its chairman's statement in the annual report, the business environment of the NTEEP Group was said to be challenging, where competition remained intense and expected to continue to manifest pricing pressures from customers. This was expected to pose a significant ongoing challenge for the EMS industry in the coming years. The actual disappointing results of the NTEEP Group subsequent to this year end was in line with such industry outlook.

4.4 For the year ended 31 December 2006

The NTEEP Group had one business segment, being the manufacturing and marketing of CECP and software development. For the year ended 31 December 2006, sales of the NTEEP Group only increased by 6.6% from approximately US$167.3 million to US$178.3 million when compared with the same period last year. Gross profit margin dropped by 3.5% to 16.9% as compared with the same period last year, a decrease of approximately US$4.1 million. Operating income and net profit of the NTEEP Group for the twelve months ended 31 December 2006 also dropped 17.2% and 21.7% to US$17.8 million and US$17.3 million respectively as compared to the same period last year.

5. Market comparables which are competitors of NTEEP

As set out in the Form 20-F dated 13 March 2009 and filed with the SEC by NTEI, the companies in the table below are identified by NTEI as indicated in the Form 20-F as principal competitors to the NTEEP/NTEI group whose shares are also listed on the Stock Exchange. Other competitors set out in the aforesaid U.S. filings by NTEI are either privately owned companies or companies whose shares are traded on an exchange other than the Stock Exchange, thus they are in our view, not comparable to NTEEP. Based on the abovementioned Form 20-F and our research on EMS companies listed on the Stock Exchange, the list in Table E below is exhaustive.

Table E: Comparable EMS companies listed on the Stock Exchange

Company	Stock Code	Closing share price as at the Latest Practicable Date *(HK$)*	Market Cap. (based on closing share prices as at the Latest Practicable Date) *(HK$'million)*	Net asset per share based on the latest published audited accounts *(HK$)*	Price to book multiple based on the latest published audited N.A.V. *(times)*
VTech Holdings Ltd	303	42.95	10,559	14.350	2.99
Truly International Holdings Limited	732	6.10	2,885	6.864	0.89
Varitronix International Limited	710	2.31	747	4.311	0.54
Computime Group Limited	320	0.70	581	1.119	0.63
Wong's Kong King International (Holdings) Limited	532	0.70	518	1.622	0.43
Yeebo (International Holdings) Limited	259	0.25	253	0.632	0.40
NTEEP	**2633**	**1.45**	**1,278**	**0.437**	**3.48*** *(* based on General Offer Price of HK$1.52)*

The price to book ratio of 3.48 times as commanded by the General Offer Price is the highest in the above table. It should be noted that given the manufacturing background of the NTEEP Group, its net assets backing per Share would be less important than say, a property company. Thus the price to book multiples mentioned in Table E above should be used for general reference only.

We did not compare the price-earnings multiples of the above comparables with NTEEP as it had an audited consolidated net loss per Share of US$0.1383 for the latest year ended 31 December 2008 and thus the non application of price-earnings multiple comparison with the other EMS companies set out in Table E above.

6. Privatisation cases precedent

To determine whether or not the General Offer Price of HK$1.52 is fair and reasonable, we have also reviewed all the privatisation cases for listed issuers whose shares are listed on the Stock Exchange for the last two years beginning in June 2007.

Table F: Privatisation cases for the last two years beginning in June 2007

Date of initial announcement of privatisation	Company	Stock Code	Offer or cancellation price	Premium/(Discount) of offer or cancellation price over/(to) the average closing prices of the shares of the relevant companies for periods prior to initial announcement of privatisation		Result
			(HK$)	30 days or 1 month	Last Trading date	
14 June 2007	Chia Hsin Cement Greater China Holding Corporation *(Note 2)*	699	2.26	27.0%	2.3%	Successful
7 December 2007	Lei Shing Hong Limited	238	10.00	42.5%	88.7%	Successful
13 February 2008	Pacific Century Premium Developments Limited	432	2.85	19.2%	26.1%	Failed
28 February 2008	Mirabell International Holdings Limited	1179	6.00	17.7%	15.2%	Successful
2 June 2008	Wing Lung Bank Limited	96	156.5	9.7%	6.2%	Successful
3 September 2008	China Huiyuan Juice Group Limited	1886	12.20	198.0%	195.0%	Failed
2 June 2008	China Netcom Group Corporation (Hong Kong) Limited *(Note 2)*	906	27.87	12.7%	4.4%	Successful
10 June 2008	CITIC International Financial Holdings Limited *(Note 1 and 2)*	183	7.5	44.0%	33.0%	Successful
4 November 2008	PCCW Limited *(Note 1)*	8	4.5	14.5%	63.6%	Failed

Date of initial announcement of privatisation	Company	Stock Code	Offer or cancellation price *(HK$)*	Premium/(Discount) of offer or cancellation price over/(to) the average closing prices of the shares of the relevant companies for periods prior to initial announcement of privatisation: 30 days or 1 month	Last Trading date	Result
25 November 2008	Natural Beauty Bio-Technology Limited	157	1.2	1.8%* *(* 20 trading days)*	15.5%	Failed
3 December 2008	GST Holdings Limited	416	3.38	93.5%	77.9%	Pending
22 December 2008	Shaw Brothers (Hong Kong) Limited	80	13.35	73.5%	64.2%	Successful
17 February 2009	Crocodile Garments Limited *(Note 1)*	122	0.42	104.9%	101.9%	Failed
23 February 2009	China Resources Microelectronics Limited	597	0.30	123.9%	80.7%	Failed
12 March 2009	Delta Networks, Inc. *(Note 1)*	722	2.20	80.3%	43.8%	Pending
22 May 2009	The Man An (Holdings) Company Limited *(Note 2)*	1389	1.30	55.5%	44.4%	Pending
25 May 2009	Stone Group Holdings Limited	409	0.48	44.7%	39.1%	Pending
1 June 2009	Oriental Press Group Ltd.	18	0.95	23.4%	15.9%	Pending
19 May 2009	NTEEP	2633	1.52	126.9%	166.7%	

Notes:

1. The offer price of the privatisation proposal of the respective company was revised upwards after the initial announcement of privatisation. The computation was based on the revised offer price.

2. The offer in the privatisation proposal of the respective company consisted of share exchange offer or cash plus share exchange offer. The computation above was based on, among other things, the closing price of the respective shares to the exchange (if they were publicly listed) before the initial announcement of the privatisation proposal.

The table above shows the premium on closing prices commanded by the General Offer Price of HK$1.52 rank among one of the highest bids, when viewed against those under other privatisation cases precedent.

7. Net assets of the NTEEP Group

As at 31 December 2008, total audited net assets of the NTEEP Group amounted to US$49.435 million or HK$385.593 million. The following table summarises the audited balance sheet figures and the resulting net assets of the NTEEP Group as disclosed in its 2008 annual report, details of which are set out in the Appendix I to the Composite offer Document.

Table G: Consolidated net assets value of the NTEEP Group as at 31 December 2008

	(US$'000)
Non-current assets	
Property, plant and equipment	137,015
Goodwill	74,437
Intangible assets	4,325
Other non-current assets	19,613
Current assets	
Inventories	27,300
Trade and other receivables	108,180
Bank balances and cash	129,349
Other current assets	8,543
Total assets	508,762
Less:	
Current liabilities	
Trade and other payables	121,063
Loan from NTEI due within one year	51,905
Amount due to NTEI	12,146
Other current liabilities	9,049
Non-current liabilities	
Loan from NTEI	259,525
Deferred tax liabilities	5,639
Net assets	49,435
Net assets per Share	HK$0.437

Based on the above table, the adjustment on surplus arising from the valuation of the NTEEP Group's property interests as set out in Appendix III to the Composite Offer Document and the resulting net assets backing per Share are as follows:

Table H: Adjusted consolidated net assets value of the NTEEP Group as at 31 December 2008

On an adjusted net asset value basis	*(HK$'000)*
Audited net assets value as at 31 December 2008	385,593
Add: Surplus arising from the valuation of property interests *(Note 1)*	124,552
Adjusted net assets value	510,145
Adjusted net assets value per Share	HK$0.579
On an adjusted net tangible asset value basis	
Adjusted net assets value after adding surplus from valuation	510,145
Less: Goodwill	(74,437)
Less: Intangible assets	(4,325)
Adjusted net tangible assets value	431,383
Adjusted net tangible assets value per Share	HK$0.489

Note 1: Difference between the valuation on the NTEEP Group's property interests of HK$747,920,000 by LCH as at 30 April 2009 (the date of valuation) and the aggregate net book value of such interests as at 31 December 2008 of HK$623,368,000

Audited net assets value of the NTEEP Group as at 31 December 2008 was HK$385,593,000 or HK$0.437 per Share. After adjusting for surplus arising from valuation, the adjusted net assets value increased to HK$510,145,000 or HK$0.579 per Share. The General Offer Price of HK$1.52 represents a premium of approximately (i) 163% over, or a price to book ratio of 2.6 times to, such adjusted net asset value per Share; and (ii) 211% over, or a price to book ratio of 3.1 times to, such adjusted net tangible asset value per Share.

Based on the above analysis, we take the view that the General Offer Price of HK$1.52 per Offer Share, which represents a considerable premium to each of the above (i) published audited consolidated net assets; (ii) audited consolidated net assets value after adjusting the valuation surplus; and (iii) adjusted audited consolidated net tangible assets value, per Share, is fair and reasonable.

8. NTEI's intentions and future prospects of the NTEEP Group

As set out in the "Letter From Yu Ming and Somerley", if the General Offer becomes unconditional, NTEI will exercise the compulsory acquisition rights to which it is entitled under Rule 2.11 of the Takeovers Code and Section 88 of the Companies Law to acquire the remaining Offer Shares. NTEI Board intends to subsequently withdraw the listing status of the NTEEP Shares on the Stock Exchange pursuant to Rule 6.15 of the Listing Rules, but has no intention to change the existing business of the NTEEP Group. There is no intention of NTEI to introduce significant changes to the existing management of the NTEEP Group.

Having reviewed a number of recent trade industry newsletters and other published research reports on the EMS industry up to and including the month of May 2009, we are of the view that whilst there may be a stabilisation of downward trend for the EMS industry, the recovery is not expected to be particularly quick or sharp. Going forward, the compound annual grow rate in the EMS industry for the next few years is projected to be around mid to high single digit growth rate only. This is in line with the latest Form 6-K filed by NTEI with the SEC dated 12 May 2009, which discloses that assuming the global economic crisis does not deteriorate further, NTEI expects that it will be difficult for it to improve its operating results significantly or at all in 2009 (as a major operating subsidiary of NTEI, such difficulty has indeed been faced by the NTEEP Group as evidenced by its results for the three months ended 31 March 2009 and stated in the "outlook" section in its first quarter results announcement). Thus, Independent Shareholders should note that whilst the NTEEP Group has adopted a conservative and realistic position regarding expected weak EMS industry demand in 2009 and the corresponding cost cutting measures undertaken by it already, until global business environment recovers, we are of the view that the operating environment will continue to be difficult and competitive in the short term.

9. Reasons for the proposed privatisation of NTEEP

As set out in the "Letter From Yu Ming and Somerley", the price of the Shares from 5 December 2005 (being the day on which the voluntary conditional general cash offer made by NTEI in 2005 lapsed) to the date prior to the announcement of the Previous Offer was down by 61.2% from HK$1.47 to HK$0.57 per share. Such price performance lagged far behind Hang Seng Index, which edged down by 16.2% during the same period. The price weakness of the Shares is said to hamper the fund raising ability of NTEEP and thus, one of the main purposes of maintaining NTEEP as a listed company is compromised. The privatisation will enable NTEI to simplify its corporate structure, reduce administration time and costs and save significant resources of NTEI on listing compliance and investor relations in Hong Kong.

According to the Form 6-K dated 12 May 2009 and filed by NTEI with the SEC for the month of May 2009, apart from the above, reasons cited by NTEI for the proposed privatisation included reduction of operating costs; elimination of actual or perceived conflicts of interest; reduction of regulatory burden of maintaining the listing status of NTEEP. We are in concurrence with such reasons for the proposed privatisation and the resulting cost savings to be accrued to NTEEP as cited.

10. Dividends

Citing the reason to preserve cash due to the current global economic downturn, NTEEP did not declare any dividends for the year ended 31 December 2008. For the year ended 31 December 2007, a dividend of US$0.051 per Share was declared. No dividend was declared for the year ended 31 December 2006. We do not consider NTEEP has a steady dividend policy over the last three years.

11. Maintaining the listing status of NTEEP

As set out in the "Letter From The Board of NTEEP", if NTEI does not become entitled to exercise such power of compulsory acquisition set out above (whether by reason of not acquiring 90% of the Offer Shares or otherwise) within four months from the date of despatch of this Composite Offer Document, it is NTEI's intention to maintain the listing of NTEEP on the Stock Exchange. In this regard, if there is insufficient public float for the Shares upon completion of the General Offer, the Stock Exchange has stated that it may exercise its discretion to suspend dealings in the Shares until a prescribed level of public float is restored. NTEEP has stated its intention to take appropriate steps to restore its public float under such a scenario.

SUMMARY

The NTEEP Group's EMS business is adversely affected by the on-going global recession, which resulted in declines in its gross profit margin and net profit attributable to Shareholders for each of the year ended 31 December 2008 and for the three-month period ended 31 March 2009. Going forward, we are of the view that the EMS industry, based on the various research reports and industry newsletters as reviewed by us, is unlikely to have a sharp V-shape recovery or high growth rate over the next few years.

Whilst the NTEEP Group has very little bank indebtedness, it indebtedness owed to NTEI is considerable (US$285.5 million as at 31 March 2009). For comparison, bank balances and cash amounted to US$129.3 million. The servicing of this indebtedness due to NTEI, which is not subject to any rescheduled repayment, coupled with the current weak demand in the EMS business, will continue to put pressure on the NTEEP Group's earnings.

After listing on the Stock Exchange in April 2004, the Share price has been under performing the Hang Seng HK SmallCap Index. The depressed market Share prices and the low liquidity of the Shares during the Review Period made it difficult for Independent Shareholder to exit their shareholdings in an orderly manner. Should the General Offer be declared lapsed, we expect such depressed Share price trend and low liquidity in trading volume would continue. Further, dividend yield over the last three years is unsteady.

In light of the above, coupled with (i) the historical Share price performance during the Review Period; and (ii) the pricing parameters of recent privatisation cases, we are of the view that the General Offer Price does represent a fair and reasonable price.

RECOMMENDATION

Having considered the principal factors and reasons set out above, we consider the terms of the General Offer to be fair and reasonable so far as the Independent Shareholders are concerned. We therefore, advise the Independent Board Committee to recommend the Independent Shareholders to accept the General Offer by tendering their Offer Shares to the General Offer.

Yours faithfully,
for and on behalf of
Centurion Corporate Finance Limited
Baldwin LEE
Managing Director

1. THREE-YEAR FINANCIAL SUMMARY

Set out below is a summary of the audited consolidated profit and loss accounts of the NTEEP Group for each of the three years ended 31 December 2008. The auditor's reports in respect of the NTEEP Group's audited consolidated financial statements for each of the three years ended 31 December 2006, 2007 and 2008 did not contain any qualifications. There were no extraordinary items and exceptional items in respect of the summary of the consolidated income statement of the NTEEP Group for each of the three years.

Financial Summary
For the three years ended 31 December

	2008	**2007**	**2006**
	US$'000	*US$'000*	*US$'000*
	(Audited)	(Audited)	(Audited)
Turnover	622,561	283,760	178,322
(Loss)/profit before income tax of NTEEP Group	(118,639)	66,397	17,535
Income tax expense of NTEEP Group	(3,295)	(5,655)	(214)
(Loss)/profit attributable to equity holders of NTEEP	(121,934)	60,859	17,329
Minority Interests	—	(117)	(8)
Dividends			
Interim dividend	—	11,303	—
Final dividend proposed after the balance sheet date	—	33,910	—
Dividends per share	—	5.13 US cents	—
(Loss)/earnings per share	(13.83) US cents	6.90 US cents	1.97 US cents

2. AUDITED ACCOUNTS OF THE NTEEP GROUP FOR THE YEAR ENDED 31 DECEMBER 2008

Set out below is the audited consolidated financial statements of the NTEEP Group as at 31 December 2008 together with the relevant notes, as extracted from the annual report of NTEEP published on 29 May 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

	Notes	2008 *US$'000*	2007 *US$'000* (restated)
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

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	2007
	US$'000	*US$'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

	2008	2007
	US$'000	*US$'000*
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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

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 *US$'000* (originally stated)	Restatements *US$'000*	31 December 2007 and 1 January 2008 *US$'000* (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:

	Segments total	Adjustments					Consolidated total
		Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	
	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

	Segments total	Adjustments 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)

	Segments total	Adjustments 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)*	Kazuhiro Asano *(note 2)*	Koo Ming Kown	John Quinto Farina *(note 3)*	Chan Tit Hee, Charles	Thaddeus Thomas Beczak	Roger Simon Pyrke	Lee Wa Lun, Warren *(note 6)*	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*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	**2007**
	US$'000	*US$'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 *US$'000*	2007 *US$'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 improve-ments	Plant and machinery	Furniture, fixtures and equipment	Construction in progress	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
COST						
At 1 January 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	**Intangible asset amortisation**	**Tax losses**	**Withholding tax on distributable profits of PRC businesses**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*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	**2007**
	US$'000	*US$'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	2007
	US$'000	*US$'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 57.

Compensation to key management personnel

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

	2008	2007
	US$'000	*US$'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

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	
			%	%	%	%	
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
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.

3. UNAUDITED ACCOUNTS FOR THE THREE MONTHS ENDED 31 MARCH 2009

Set out below is the unaudited results announcement of NTEEP for the three months ended 31 March 2009 published on 11 May 2009.

Q1 2009 Sales down 30.4%, Gross profit margin at 7.8%

The board ("the Board") of directors (the "Directors") of Nam Tai Electronic & Electrical Products Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the three months ended 31 March 2009 together with comparative figures for the corresponding period of last year as follows:

KEY HIGHLIGHTS

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

	Quarterly Results		
	Q1 2009	**Q1 2008**[(Note c)] (Restated)	**YoY** *(%)*
Net Sales (Revenue)	102,150	146,838	(30.4)
Gross Profit	7,998	20,304	(60.6)
% of sales	*7.8*	*13.8*	
Operating (loss) income[(Note a)]	(5,615)	12,276	(145.7)
% of sales	*(5.5)*	*8.4*	
Per share (US cent(s))	*(0.64)*	*1.39*	*(146.0)*
(Loss) profit for the period attributable to equity holders of the Company[(Note b)]	(8,023)	9,579	(183.8)
% of sales	*(7.9)*	*6.5*	
Basic (loss) earnings per share *(US cent(s))*	(0.91)	1.09	(183.5)
Diluted (loss) earnings per share *(US cent(s))*	(0.91)	1.09	(183.5)
Weighted average number of shares *('000)*			
Basic	881,671	881,671	
Diluted	881,671	881,671	

Notes:

(a) Operating (loss) income = gross profit + other income - other expenses - selling and distribution costs - administrative expenses - research and development expenditure - employee severance benefits.

(b) Operating loss and net loss for the first quarter of 2009 included US$5.1 million employee severance benefits in the PRC subsidiaries. (Q1/2008: Nil).

(c) The provisionally estimated fair values of assets acquired and liabilities assumed on the acquisitions of 100% equity interest in Zastron Precision-Tech Limited and its subsidiaries (the "Zastron Group") and 100% equity interest in Jetup Electronic (Shenzhen) Co., Ltd. ("Jetup", hereinafter together with the acquisition of the Zastron Group collectively referred as the "Acquisition") on 31 December 2007 were used for preparation of the 2007 annual financial statements. The fair value assessment was completed at the end of year 2008; therefore, results in previous quarters of 2008 have been restated to reflect the finalised fair value of assets acquired and liabilities from the Acquisition as at 31 December 2007. As a result, the net income for the three months ended 31 March 2008, has been increased by approximately US$1,057,000, which was due to the restatements in amortisation of intangible assets and recognition of deferred tax liabilities in the corresponding period.

SUPPLEMENTARY INFORMATION

1. Quarterly Sales Breakdown

(In thousands of US Dollars, except percentage information)

Quarter	**2009**	**2008**	**YoY*(%)* (Quarterly)**	**YoY*(%)* (Quarterly accumulated)**
1st Quarter	**102,150**	146,838	(30.4)	(30.4)
2nd Quarter	**—**	146,168	—	—
3rd Quarter	**—**	160,534	—	—
4th Quarter	**—**	169,021	—	—
Total	**102,150**	622,561		

2. Breakdown of Net Sales by Product Segment (as a percentage of Total Net Sales)

Segments	**2009 Q1** *(%)*	**2008 Q1** *(%)*
Consumer Electronic and Communication Products ("CECP")	35%	47%
Telecommunication Component Assembly ("TCA")	52%	41%
Liquid Crystal Display Products ("LCDP")	13%	12%
	100%	100%

3. Key Highlights of Financial Position

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

	As at 31 March		**As at 31 December**
	2009	**2008** (Restated)	**2008**
Cash on hand[(Note a)]	95,288	155,044	129,349
Ratio of cash[(Note a)] to current liabilities	0.86	1.18	0.67
Current ratio	1.65	2.14	1.41
Ratio of total assets to total liabilities	1.11	1.51	1.11
Return on equity	(71%)	18%	(96%)
Ratio of total liabilities to equity	9.07	1.97	9.29
Debtors turnover	52 days	56 days	61 days
Inventory turnover	16 days	20 days	18 days
Average payable period	53 days	56 days	65 days

Note:

(a) Includes cash equivalents.

MANAGEMENT DISCUSSION & ANALYSIS

OPERATIONS REVIEW

Sales in the first quarter of 2009 were US$102.2 million, a decrease of 30.4% as compared to sales of US$146.8 million in the same quarter of 2008. Sales in our TCA segment for the first quarter of 2009 decreased by 11.1% as compared to the same quarter of 2008 mainly because of the declining in sales of flexible printed circuit, or FPC, sub-assemblies. Sales in LCDP segment and CECP segment also dropped by 25.3% and 48.2%, respectively, during the first quarter of 2009 as compared to sales in such segments in the corresponding quarter of 2008. The decrease in sales in LCDP segment was principally a consequence of the decline in sales of LCD panels and our decision to reject an order with very a thin margin. Sales in our CECP segment declined significantly because of the continuous effect of the ongoing global economic downturn. The weak demand from end products in the consumer market adversely affected our sales of all products including mobile phone accessories which principally represented sales of our headsets containing Bluetooth®[1] wireless technology, educational products, optical products and home entertainment devices.

The Company's gross profit margin in the first quarter of 2009 was 7.8% as compared to 13.8% in the first quarter of 2008, primarily resulting from the decline in sales. The lower margin was also caused by a shift of product mix where higher margin products in CECP segment accounted for only 35% of sales in the first quarter of 2009, but 47% of sales in the first quarter of 2008. Gross profit in the first quarter of 2009 was US$8.0 million, a decrease of 60.6% as compared to US$20.3 million in the first quarter of 2008.

Net loss attributable to the Company's shareholders in the first quarter of 2009 was US$8.0 million, which principally resulted from US$5.1 million associated with employee severance benefits expenses incurred in our PRC subsidiaries, as compared to net income of US$9.6 million reported in the first quarter of 2008. Excluding such employee severance benefits expenses in the PRC subsidiaries, the Company recorded an operating loss of US$0.6 million in the first quarter of 2009 (a rare quarterly loss since the Company's IPO in 2004), or US cent 0.06 per share (diluted), compared to operating income of US$12.3 million, or US cents 1.39 per share (diluted) in the first quarter of 2008. Basic and diluted loss per share in the first quarter of 2009 were US cent 0.91 per share, compared to basic and diluted earnings per share of US cents 1.09 in the first quarter of 2008.

LIQUIDITY AND FINANCIAL RESOURCES

Despite current economic conditions, the Company had US$95.3 million cash on hand at the end of the first quarter 2009. During the first quarter of 2009, the Company incurred capital expenditures of US$11.2 million. On February 9, 2009, we announced that we do not intend to declare dividends in 2009 in order to maintain stronger cash reserves in view of the uncertainty caused by the global economic downturn.

The Company's cash on hand has been invested in term deposits with HSBC and China Construction Bank, generating minimal income in current environment that offers low interest rates on such deposits. We have not yet found better investments for our cash in excess of amounts needed to fund ongoing operations that offer quality, safety and the potential for higher returns.

The Company continues to exercise rigorous corporate governance and control policies and is not involved in trading of any debt securities or financial derivative products.

As at the end of the period under review, it also had an external debt of US$294.7 million, including an unsecured loan of US$285.5 million borrowed from NTEI as a result of the reorganisation of Nam Tai Electronics, Inc. (NYSE stock code: NTE) ("NTEI") and its subsidiaries on 31 December 2007 (the "Reorganisation"), a bank borrowing of US$1.0 million and an entrusted loan arrangement with a bank of US$8.2 million between the Company's two PRC subsidiaries.

EXPANSION PROJECTS

During the first quarter of 2009, we paid approximately US$11 million on our ongoing expansion project in Wuxi near the East Coast of China, approximately 80 miles Northwest of Shanghai. Construction of our new facility in Wuxi is nearing completion and we expect that it will be available for mass production of FPC boards, FPC subassemblies and other products by the fourth quarter of 2009.

Because of the current economic global downturn, we previously announced plans to postpone construction, until at least mid-2009 or later, of two other new manufacturing facilities, one in the Shenzhen Guangming Hi-Tech Industrial Park and the other on a second parcel we hold in Wuxi. We are now considering the indefinite postponement or termination of the second Wuxi expansion project, combining the operations we contemplated for that second Wuxi facility into the first facility that is nearing completion. We also plan to explore the feasibility of returning the second Wuxi parcel to the Wuxi government. This revision of our expansion projects will permit us, at the appropriate time, to concentrate our resources on the construction of new facilities in Shenzhen Guangming for future growth when business conditions recover.

PRIVATIZATION OF NTEEP

In February 2009, NTEI announced its intent to seek to privatize the Company by making a cash offer aggregating approximately $43 million for the Company's shares it did not own (the "Offer Shares"). Completion of that offer and the resulting privatization of the Company were conditioned upon NTEI acquiring at least 90% of the Offer Shares. As of the closing date of its cash offer, NTEI had received valid acceptances in respect of 195,899,531 Offer Shares, representing approximately 88.46% of the total number of the Offer Shares. Therefore, the condition of NTEI's offer was not satisfied on April 6, 2009.

After the announcement that NTEI's offer had been declared as unsucess, the Company received complaints from shareholders holding Offer Shares ("Independent Shareholders") that a total of 3,740,000 of the Company's shares, or approximately 1.69% of the Offer Shares, had been intended for acceptances but were not tendered because of broker omission and miscommunication from the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited. Had those Offer Shares been tendered, the 90%-condition required for NTEI's cash offer would have been fulfilled.

Accordingly, at NTEI's behest, its financial advisor requested an extension of NTEI's offer to the executive director of the corporate finance division of the Securities and Futures Commission of Hong Kong, which request was referred to the Takeovers and Mergers Panel (the "Panel") for a ruling. After hearing, the Panel determined that NTEI's offer was already closed and could not be re-opened.

NTEI is still exploring with the Securities and Futures Commission of Hong Kong the possibility of reviving its offer, but there can be no assurances that NTEI's efforts in this regard will be successful or that, if permitted, a revived offer to acquire the Offer Shares would actually satisfy the 90%-condition and thereby result in the privatization of the Company.

OUTLOOK

The recent global economic downturn may aggravate and exacerbate the difficult business environment we currently face and could result in continuing negative effects to our results of operations over the next several quarters. In an effort to counter the negative effects from the decline in our sales, management is continuing to focus on reducing cost and improving operating and manufacturing efficiencies.

Since December 31, 2008, we have reduced our headcount by 2,000 employees, from 7,100 at the end of December 2008, to 5,100 at the end of March 2009, representing an additional 28.2% reduction in our workforce during the three months ended March 31, 2009. We recognized approximately $5.1 million in pre-tax expenses in connection with these severance and termination arrangements during the three months ended March 31, 2009. Our headcount at September 30, 2008 was 9,700, and thus we have cumulatively reduced our total workforce by 47.4% during the six months ended March 31, 2009, incurring an aggregate of approximately $5.7 million in pre-tax expenses in connection with these severance and termination arrangements during that period. Additionally, beginning in the second quarter of 2009, we began a program to reduce employee salaries by up to 30 percent from the salaries prevailing at the end of the first quarter of 2009. These reductions in headcount and salaries are intended to reduce operating expenses in order to address current market conditions and to better align the Company's manufacturing capacity with the current weak demand we are experiencing across all of our product segments.

Even assuming that the global economic crisis does not deteriorate further, we expect that it will be difficult for the Company to improve operating results significantly or at all in 2009.

We have taken 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 result in additional losses from operations during periods in 2009 and until the global business environment recovers. However, we continue to work toward better serving our customers in select markets by strengthening our sales force and customer and technical support in Japan and Taiwan. By seeking to capitalize on these perceived opportunities, we hope to ensure a more robust future when end markets stabilize and the recovery cycle begins.

Annual General Meeting of the Company

The Company intends to hold the annual general meeting of the Company at 5:00 p.m. on Monday, 6 July 2009 at The Joint Professional Centre, Ground Floor, The Center, 99 Queen's Road Central, Central, Hong Kong. Formal notice will be made in due course.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2009
(In Thousands of US Dollars, except as otherwise stated)

	2009	2008 (Restated)
Revenue	102,150	146,838
Cost of sales	(94,152)	(126,534)
Gross profit	7,998	20,304
Interest income	223	1,018
Other income	50	2,863
Employee severance benefits	(5,058)	—
Selling and distribution costs	(1,766)	(2,006)
Administrative expenses	(4,662)	(6,551)
Research and development expenditure	(2,177)	(2,334)
Finance costs	(2,889)	(3,102)
(Loss) profit before tax	(8,281)	10,192
Income tax credit (expense)	258	(613)
(Loss) profit for the period attributable to equity holders of the Company	(8,023)	9,579
(Loss) earnings per share for (loss) profit for the period attributable to equity holders of the Company		
— basic and diluted	(0.91) US cent	1.09 US cents

4. ADDITIONAL FINANCIAL INFORMATION

(a) Basis of Preparation

NTEEP board have arrived at the unaudited accounts of NTEEP for the three months ended 31 March 2009 (the "Quarterly Accounts", set out in section 3 of this appendix) based on the management accounts of NTEEP for the each of the three months ended 31 March 2009. With the exception of the accounting policies stated in the paragraph "Significant Accounting Policies" below, the Quarterly Accounts have been prepared based on the basis of accounting policies consistent in all material respects with those adopted in the preparation of the audited consolidated financial statements of the NTEEP Group for the financial year ended 31 December 2008 as set out in section 2 of this appendix.

(b) Significant Accounting Policies

The accounting policies adopted in the preparation of the condensed consolidated financial information (set out in section 3 of this appendix) are consistent with those followed in the preparation of the NTEEP Group's annual financial statements for the year ended 31 December 2008, except for the adoption of the following new and revised standards, amendments and interpretations issued by the HKICPA, which are effective for the annual reporting period beginning on or after 1 January 2009.

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 &1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments
HK(IFRIC) — Int 9 and HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) — Int 13	Customer Loyalty Programmes
HK(IFRIC) — Int 15	Accounting for Agreements for the Construction of Real Estate
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation

The adoption of the above new and revised standards, amendments and interpretations did not have any significant impact on the accounting policies, financial position or performance of the NTEEP Group.

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

HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 39 (Amendment)	Eligible Hedged ltems[1]
HKFRS 1 (Revised)	First-time Adoption of HKFRSs[1]
HKFRS 3 (Revised)	Business Combination[1]
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) — Int 18	Transfers of Assets from Customers[2]

1 Effective for annual periods beginning on or after 1 July 2009
2 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. The directors of NTEEP anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and financial position of the NTEEP Group.

5. INDEBTEDNESS STATEMENT

As at 31 March 2009, the NTEEP Group had a loan of US$285,477,770 outstanding due to its ultimate holding company, NTEI. The loan is unsecured and is repayable, by a remaining 11 installments, at each year end until the last repayment on 31 December 2019.

As at 31 March 2009, NTEEP Group had the short-term bank borrowings of US$1,038,132. The amount is unsecured and is due within one year.

In addition, two of the PRC subsidiaries of NTEEP (as the entrusting party and borrower) entered into an entrusted loan arrangement in the amount of RMB56,000,000 (equivalent to approximately US$8,199,000) with a bank (as the lender) in June 2008 for a term of one year.

Save as disclosed above and apart from intra-group liabilities, as at the close of business of 31 March 2009, the NTEEP Group had no outstanding mortgages, charges, debentures or other loan capital or bank overdrafts, loans or other similar indebtedness, liabilities under acceptance (other than normal trade bills), or any obligations under finance leases or hire purchase contracts or any guarantee or other material contingent liabilities.

As at the Latest Practicable Date, there is no material change to NTEEP Group's indebtedness and contingent liabilities position since 31 March 2009.

6. MATERIAL CHANGE

The Board of NTEEP confirms that other than the information shown in the unaudited quarterly results for the three months ended 31 March 2009 announced on 11 May 2009, it is not aware of any material change in the NTEEP Group's financial or trading position or outlook since 31 December 2008, the date to which the latest published audited consolidated accounts of the NTEEP Group were made up.

7. COMFORT LETTERS

The unaudited condensed consolidated income statement of the NTEEP Group for the three months ended 31 March 2009 as disclosed in section 3 of Appendix I in this composite offer document constitutes a profit forecast of NTEEP for the purpose of Rule 10 of the Takeovers Code.

Set out below are the texts of letters, prepared for inclusion in this composite offer document, received by the NTEEP Board from the NTEEP's reporting accountants, Moore Stephens, and from the independent financial adviser to the Independent Board Committee, Centurion, in connection with the unaudited condensed consolidated income statement of the NTEEP Group for the three months ended 31 March 2009.

(a) Report by Auditors

Set out below is the texts of the letter prepared for inclusion in this composite offer document, received by the Board of NTEEP from the auditors of NTEEP, Moore Stephens, in connection with the unaudited condensed consolidated income statement for the three months ended 31 March 2009 of NTEEP set out in section 3 of this appendix.

MOORE STEPHENS
CERTIFIED PUBLIC ACCOUNTANTS

905 Silvercord, Tower 2
30 Canton Road
Tsimshatsui
Kowloon
Hong Kong

Tel: (852) 2375 3180
Fax: (852) 2375 3828
E-mail: ms@ms.com.hk
Website: www.ms.com.hk

馬施雲
會計師事務所

9 June 2009

The Board of Directors
Nam Tai Electronic & Electrical Products Limited
Units 5811-12
The Center
99 Queen's Road Central
Central
Hong Kong

Dear Sirs,

NAM TAI ELECTRONIC & ELECTRICAL PRODUCTS LIMITED

Basis of preparation of condensed consolidated inome statement

The unaudited condensed consolidated income statement of the NTEEP Group for the three months ended 31 March 2009 has been prepared by the directors based on the unaudited management accounts of each entity in the NTEEP Group for the three months ended 31 March 2009, on a basis consistent in all material respects with the accounting policies normally adopted by the NTEEP Group as set out in its consolidated financial statements presented in its annual report dated 9 February 2009 (details of which are set out on pages 65 to 73 of the Offer Document), except for the adoption of the new and revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA that are effective for annual accounting periods beginning on or after 1 January 2009 (the "New HKFRS"), details of which are set out on pages 122 to 123 of the Offer Document. The adoption of the New HKFRS has had no singificant financial effect on the unaudited condensed consolidated income statement of the NTEEP Group for the three months ended 31 March 2009.

Our report

We have reviewed the accounting policies adopted and calculations made in arriving at the unaudited condensed consolidated income statement of Nam Tai Electronic & Electrical Products Limited ("NTEEP") and its subsidiaries (hereinafter collectively referred to as the "NTEEP Group") for the three months ended 31 March 2009, for which the directors of NTEEP are solely responsible, as set out on page 114 of the composite offer document relating to the proposed privatisation of NTEEP by Nam Tai Electronics, Inc. (the "Offer Document"). Our work has been carried out in accordance with the Auditing Guideline 3.341 "Accountants' Report on Profit Forecasts" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), and were performed solely to assist you in complying with the Hong Kong Code on Takeovers and Mergers.

Because the procedures that we have performed do not constitute an assurance or a review engagement made in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements, Hong Kong Standards on Assurance Engagements or Hong Kong Standards on Investment Circular Reporting Engagements issued by the HKICPA, we do not express any assurance on the unaudited condensed consolidated income statement of the NTEEP Group for the three months ended 31 March 2009.

Had we performed additional procedures or had we performed an assurance or a review engagement of the unaudited condensed consolidated income statement of the NTEEP Group for the three months ended 31 March 2009 in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements, Hong Kong Standards on Assurance Engagements or Hong Kong Standards on Investment Circular Reporting Engagements issued by the HKICPA, other matters might have come to our attention that would have been reported to you.

In our opinion, so far as the accounting policies and calculations are concerned, the unaudited condensed consolidated income statement of the NTEEP Group for the three months ended 31 March 2009 has been properly compiled on a basis consistent in all material respects with the accounting policies normally adopted by the NTEEP Group as set out in its consolidated financial statements presented in its annual report dated 9 February 2009 (details of which are set out on pages 65 to 73 of the Offer Document), except for the adoption of the New HKFRS, details of which are set out on pages 122 to 123 of the Offer Document. The adoption of the New HKFRS has had no significant financial effect on the unaudited condensed consolidated income statement of the NTEEP Group for the three months ended 31 March 2009.

Our report is solely for the purpose set forth in the first paragraph of this report and is not to be used for any other purpose. This report relates only to the matters specified above and does not extend to any financial statements of the NTEEP Group, taken as a whole.

Yours faithfully,

Moore Stephens
Certified Public Accountants
Hong Kong

(b) Report by Centurion

Set out below is the texts of the letter prepared for inclusion in this composite offer document, received by the Board of NTEEP from Centurion, in connection with the unaudited accounts for the three months ended 31 March 2009 of NTEEP set out in section 3 of this appendix.

CENTURION CORPORATE FINANCE LIMITED
盛百利財務顧問有限公司

7th Floor, Duke Wellington House
14-24 Wellington Street
Central, Hong Kong

香港中環
威靈頓街14-24號
威靈頓公爵大廈7樓

Telephone: (852) 2525 2128
(852) 2525 6026
Facsimile: (852) 2537 7622

9 June 2009

The Board of Directors
Nam Tai Electronic & Electrical Products Limited
Units 5811-12, 58/F., The Center
99 Queen's Road Central
Hong Kong

Dear Sirs,

Basis of preparation of condensed consolidated inome statement

The unaudited condensed consolidated income statement of the NTEEP Group for the three months ended 31 March 2009 (the "First Quarter Results") has been prepared by the directors of NTEEP based on the unaudited management accounts of each entity in the NTEEP Group for the three months ended 31 March 2009, on a basis consistent in all material respects with the accounting policies normally adopted by the NTEEP Group as set out in its consolidated financial statements presented in its annual report dated 9 February 2009 (details of which are set out on pages 65 to 73 of the composite offer document), except for the adoption of the new and revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA that are effective for annual accounting periods beginning on or after 1 January 2009 (the "New HKFRS"), details of which are set out on pages 122 to 123 of the composite offer document. The adoption of the New HKFRS has had no significant financial effect on the unaudited condensed consolidated income statement of the NTEEP Group for the three months ended 31 March 2009.

Our letter

We refer to the First Quarter Results published on the website of the Stock Exchange on 11 May 2009. Unless defined otherwise, terms used in this letter shall have the same meanings as those defined in the composite offer document dated 9 June 2009.

We have discussed with the management of NTEEP regarding the basis adopted in the preparation of the First Quarter Results by the directors of NTEEP as set out in the paragraph above. We have also considered the letter dated 9 June 2009 addressed to you from Moore Stephens, the auditors of the NTEEP Group, in respect of their opinion that, in so far as the accounting policies and calculations are concerned (and upon which the First Quarter Results has been prepared), the First Quarter Results has been properly compiled on a basis consistent in all material respects with the accounting policies normally adopted by the NTEEP Group as set out in its audited consolidated financial statements presented in its 2008 Annual Report dated 9 February 2009 (except for the adoption of the New HKFRS, details of which are set out on pages 122 to 123 of the composite offer document). The adoption of the New HKFRS has had no significant financial effect on the First Quarter Results.

Having considered the basis adopted by NTEEP and the accounting policies and calculations reviewed by Moore Stephens, we are of the opinion that the First Quarter Results, for which you as directors of NTEEP are solely responsible, has been compiled by you with due care and consideration.

Yours faithfully,
for and on behalf of
Centurion Corporate Finance Limited
Baldwin LEE
Managing Director

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

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

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

(i) Verbal Confirmation

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

(ii) Written Confirmation

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

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

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

FURTHER PROCEDURES FOR ACCEPTANCE OF THE GENERAL OFFER FOR REGISTERED SHAREHOLDERS

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

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

(b) If the certificate(s) and/or transfer receipt(s) and/or any other document(s) of title in respect of your Shares is/are in the name of a nominee company or some name other than your own, and you wish to accept the General Offer (in full or in part), you must either:

(i) lodge your Share certificate and/or transfer receipt and/or any other documents of title with the nominee company, or other nominee, with instructions authorising it to accept the General Offer on your behalf and requesting it to deliver the form of acceptance and transfer for Shares duly completed together with the relevant Share certificate and/or transfer receipt and/or other documents of title (and/or any satisfactory indemnity or indemnities required in respect of any lost Share certificate) to the Registrar; or

(ii) arrange for the Shares to be registered in your name by NTEEP through the Registrar and send the form of acceptance and transfer duly completed together with the relevant Share certificate and/or transfer receipt and/or any other document of title (and/or any satisfactory indemnity or indemnities required in respect of any lost Share certificate) to the Registrar.

(c) If you have lodged transfer of Shares for registration in your name and have not yet received your Share certificate and you wish to accept the General Offer, you should nevertheless complete the relevant form of acceptance and transfer for Shares and deliver it to the Registrar together with the transfer receipt duly signed by yourself. Such action will be deemed to be an authority to NTEI or its agent to collect from NTEEP or its share registrar on your behalf the relevant Share certificate when issued and to deliver such certificate to the Registrar and to authorise and instruct the Registrar to hold such certificate, subject to the terms of the General Offer, as if it was delivered to the Registrar with the relevant form of acceptance and transfer.

(d) If the Share certificate and/or transfer receipt and/or any other documents of title (and/or any satisfactory indemnity or indemnities required in respect of any lost Share certificate) is/are not readily available and/or is/are lost and you wish to accept the General Offer, the form of acceptance and transfer should nevertheless be completed and delivered to the Registrar and the relevant Share certificate and/or transfer receipt and/or any other documents of title (and/or any satisfactory indemnity or indemnities required in respect of any lost Share certificate) should be forwarded to the Registrar as soon as possible thereafter.

(e) An acceptance may not be counted towards fulfilling an acceptance condition unless the acceptance form is duly completed and is accompanied by the relevant Share certificate and/or transfer receipt and/or any other documents of title but may, at the discretion of NTEI, be treated as valid for other purposes and in such cases, the consideration due will not be despatched until the relevant Share certificate and/or transfer receipt and/or any other documents of title (and/or a satisfactory indemnity or indemnities in respect of any lost Share certificate) have been received by the Registrar and otherwise subject to the terms and conditions of the General Offer. No acknowledgement of receipt for any form of acceptance and transfer, Share certificate and/or transfer receipt and/or any other documents of title will be given.

Acceptance Period and Revisions

(a) Unless the General Offer has previously been extended or has previously become or been declared unconditional, the latest time for acceptance of the General Offer is 4:00 p.m. on Tuesday, 30 June 2009.

(b) If the General Offer becomes or is declared unconditional in all respects, it will remain open for acceptance for not less than 14 days from the date on which NTEI announces that the General Offer has become unconditional in all respects. If the General Offer has become unconditional and it is stated that it will remain open until further notice, then not less than 14 days' notice will be given in writing and by way of announcement prior to the closing of the General Offer.

(c) The General Offer may not become or be declared unconditional as to acceptances after 7:00 p.m. on the 60th day after the date of this composite document is posted, that is Saturday, 8 August 2009, except with the consent of the Executive.

(d) Although no such revision is envisaged, if the General Offer (in its original or any previously revised form) is revised, the benefit of the revised General Offer will be made available to any Accepting Shareholders already accepted the General Offer on the date of such revision. The revised General Offer must be kept open for at least 14 days following the date on which it is announced.

The acceptance by or on behalf of an Accepting Shareholder of the General Offer in its original and/or any previously revised form shall be treated as acceptance of the relevant General Offer(s) as so revised. It shall also constitute an authority to any director of NTEI, of Yu Ming or of Somerley as the agent of the Accepting Shareholder:

(i) to accept any such revised General Offer on behalf of such Accepting Shareholder;

(ii) if any revised or previously revised General Offer(s) include(s) alternative forms of consideration, to make such elections for and accept such alternative forms of consideration in such proportions (as nearly as practicable) as those made by such Accepting Shareholder in the form of acceptance and transfer for Shares previously executed by him or on his behalf (or, if no such alternatives were previously available, to make an election for the consideration in the previous form); and

(iii) to execute on behalf of and in the name of such Accepting Shareholder or all such further documents (if any) as may be required to give effect to such acceptances and/or elections.

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

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

Right of withdrawal

Pursuant to the Takeovers Code, an Accepting Shareholder is entitled to withdraw his acceptance after 21 days from Tuesday, 30 June 2009, being the first closing date of the General Offer, if the General Offer has not by then become unconditional as to acceptances. This entitlement to withdraw is exercisable until such time as the General Offer becomes or is declared unconditional as to acceptances.

Announcements

By 6:00 p.m. on the Closing Date, NTEI shall inform the Executive and the Stock Exchange of its decision in relation to the revision, extension, expiry or unconditionality of the General Offer. NTEI must publish an announcement on the Stock Exchange's website by 7:00 p.m. on Tuesday, 30 June 2009 stating whether the General Offer has not revised, extended, expired or became or been declared unconditional.

General

(a) All communications, notices, forms of acceptance, form of transfer, certificates, transfer receipts and other documents of title or of indemnity or of any other nature to be delivered by or sent to or from Shareholders will be delivered by or sent to or from them, or their designated agents, at their risk, and neither of NTEI, Yu Ming or Somerley accepts any liability for any loss or any other liabilities whatsoever which may arise as a result.

(b) Acceptance of the General Offer by any person or persons will be deemed to constitute a warranty by such person or persons to NTEI that the Shares tendered under the General Offer are sold by such person or persons free from all liens, charges, claims, equities, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them, including the rights to receive dividends if any, declared, made or paid by NTEEP on or after the Announcement Date.

(c) Acceptance of the General Offer by any nominee will be deemed to constitute a warranty by such nominee to NTEI that the number of Shares in respect of which it is indicated in the form of acceptance is the aggregate number of Shares held by such nominee for such beneficial owners who are accepting the General Offer.

(d) The provisions set out in the accompanying form of acceptance and transfer forms part of the terms of the General Offer.

(e) The accidental omission to despatching this composite offer document and/or the accompanying form of acceptance and transfer or either of them to any person to whom the General Offer is made shall not invalidate the General Offer in any way.

(f) The General Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.

(g) References to the General Offer in this composite offer document and in the form of acceptance and transfer for Shares shall include any extension and/or revision thereof.

(h) Due execution of a form of acceptance and transfer for Shares will constitute an authority to NTEI or its agents to complete and execute on behalf of the person accepting the General Offer, and to do any other act that may be necessary or expedient for the purpose of vesting in NTEI, or such other person as it may direct, the Shares which are the subject of such acceptance.

(i) The making of the General Offer to certain persons not resident in Hong Kong may be affected by the laws of the relevant jurisdictions. Overseas Shareholders should inform themselves about and observe any applicable legal requirements. It is the responsibility of any person outside Hong Kong wishing to accept the General Offer to satisfy himself as to the full observance of the laws of the relevant territory in connection therewith, including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and payment of any transfer or other taxes due in respect of such jurisdiction.

(j) The General Offer is made in accordance with the Takeovers Code.

(k) The English text of this composite offer document and of the form of acceptance and transfer for Shares shall prevail over the Chinese text.

The following is the text of a letter, summary of values and valuation certificate, prepared for the purposes of incorporation in this composite offer document received from LCH, the independent property valuer, in connection with its valuations as at 30 April 2009 of the property interests held by the NTEEP Group.

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

The readers are reminded that the report which follows has been prepared in accordance with the guidelines set by the International Valuation Standards, Eighth Edition, 2007 (the "IVS") published by the International Valuation Standards Committee and the HKIS Valuation Standards on Properties, First Edition, 2005 ("HKIS Standards") published by the Hong Kong Institute of Surveyors (the "HKIS"). Both standards entitle the valuer to make assumptions which may on further investigation, for instance by the readers' legal representative, prove to be inaccurate. Any exception is clearly stated below. Headings are inserted for convenient reference only and have no effect in limiting or extending the language of the paragraphs to which they refer. It is emphasised that the findings and conclusion presented below are based on the documents and facts known to the valuer at the date of this report. If additional documents and facts are made available, the valuer reserves the right to amend this report and its conclusions.

17th Floor
Champion Building
287 – 291 Des Voeux Road Central
Hong Kong

9 June 2009

The Directors
Nam Tai Electronic & Electrical Products Limited
Units 5811-5812, 58th Floor, The Center
99 Queen's Road Central
Central
Hong Kong

Dear Sirs,

In accordance with the instructions given by the management of Nam Tai Electronic & Electrical Products Limited (hereinafter referred to as the "Company") to us to value the properties held by the Company and its subsidiaries (hereinafter together with the Company referred to as the "Group") in Hong Kong and the People's Republic of China (hereinafter referred to as the "PRC" or "China"), we confirm that we have made relevant enquiries and obtained such further information as we consider necessary to support our opinion of values of the properties as at 30 April 2009 (hereinafter referred to as the "Date of Valuation") for the Company's internal management reference purpose.

We understand that the use of our work product (regardless of form of presentation) would form part of the Company's business due diligence to the properties and we have not been engaged to make specific sale or purchase recommendations. We further understand that the use of our work product will not supplant other due diligence which a rational investor should conduct in reaching business decisions regarding the properties. Our findings and conclusion in this valuation are documented in a valuation report and submitted to the Company at today's date.

At the request of the management of the Company, we prepared this summary report (including this letter, summary of values and the valuation certificate) to summarise our findings and conclusion as documented in the valuation report for the purpose of inclusion in this circular at today's date for the Company's shareholders' reference. Terms herein used without definition shall have the same meanings as in the valuation report, and the assumptions and caveats adopted in the valuation report also apply to this summary report.

BASIS OF VALUATION AND ASSUMPTIONS

According to the IVS which the HKIS Standards also follows, there are two valuation bases, namely market value basis and valuation bases other than market value. We considered that market value is the most appropriate basis of value for a wide range of applications, including the purpose of this engagement, thus, after discussed with the management of the Company, we have adopted the market value basis of the properties in our valuations. We confirmed that this is in line with the IVS and the HKIS Standards.

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

There are three generally accepted property valuation approaches to value in arriving at the market value of a property on an absolute title basis, namely the Market Approach, the Cost Approach and the Income Approach. Having considered the general and inherent characteristics of Properties 1, 2 and 5 in Group I, we have adopted the depreciated replacement cost ("DRC") approach which is an application of the Cost Approach in valuing specialised properties like these properties in Group I. The use of this approach requires an estimate of the market value of the land use rights of the property being valued for its existing use, and an estimate of the new replacement cost of the buildings and other site works from which deductions are then made to allow for age, condition, and functional obsolescence taken into account of the site formation cost and those public utilities connection charges to the property. The market value of the land use rights of the properties have been determined from market-based evidences by analysing similar sales or offerings of comparable properties.

The valuations of these properties are on the assumption that the properties are subject to the test of adequate potential profitability of the business having due regard to the values of the total assets employed and the nature of the operation.

By using this approach, the land should be assumed to have the benefit of planning permission for the replacement of the existing buildings and it is always necessary when valuing the land, to have regard to the manner in which the land is developed by the existing buildings and site works, and the extent to which these realise the full potential value of the land. When considering a notional replacement site, it should normally be regarded as having the same physical and location characteristics as the actual site, other than characteristics of the actual site which are not relevant, or are of no value, to the existing use. In considering the buildings, the gross replacement cost of the buildings should take into consideration everything which is necessary to complete the construction from a new green field site to provide buildings as they are, at the date of valuation, fit for and capable of being occupied and used for the current use. These costs to be estimated are not to erect buildings in the future but have the buildings available for occupation at the date of valuation, the work having commenced at the appropriate time.

In valuing Properties 1 and 2 in Group I, we understand that portions of the properties are subject to an inter-company lease. According to both standards, property subject to inter-company lease should be valued on vacant possession basis and the existence of the lease must be disregarded. Therefore, in our valuations, we have considered these properties as being owner-occupied and valued on market value basis.

In valuing Properties 3 and 4, we have adopted the Market Approach (also known as Sales Comparable Method) by referencing our valuation to market-based evidence.

Unless otherwise stated, in valuing the properties in Group I, we have assumed that:

1. the legally interested party in each of the property sells the property in the market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to increase the value of the property;

2. the legally interested party in each of the property has free and uninterrupted rights to use or assign the property interests for the whole of the unexpired term as granted and any premium payable has already been fully paid; and

3. the properties can be freely disposed and transferred free of all encumbrances at the Date of Valuation for their existing uses in the market to both local and overseas purchasers without payment of any premium to the government.

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

		Document/Approval	
Property	**Enterprise Legal Person Business Licence**	**Contract for the Grant of State-owned Land Use Rights/ Contract for the Transfer of Stated-owned Land Use Rights or equivalent**	**State-owned Land Use Rights Certificate/ Realty Title Certificate**
Property 1	Yes	Yes	Yes
Property 2	Yes	Yes	Yes
Property 3	Yes	Yes	Yes
Property 4	Yes	Yes	Yes
Property 5	Yes	Yes	Yes

We need to state that our opinion of values of the properties in Group I are not necessarily intended to represent the amount that might be realised from disposition of land use rights or various buildings of each of the properties on piece meal basis in the open market.

Properties in Groups II and III are all rented by the Group in Hong Kong and in the PRC, respectively, and have no commercial values due mainly to the short-term nature of the tenancy agreements or prohibition against assignment or sub-letting or lack of substantial profit rents.

MATTERS THAT MIGHT AFFECT THE VALUES REPORTED

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

For the properties situated in the PRC, the type of taxes that could arise when those properties are sold include enterprise income tax, business tax, land appreciation tax and stamp duty. According to the information provided by the management of the Group, the properties in Group I located in the PRC are held and occupied by the Group for its owned business operations. The Group has no plan to sell the properties in Group I and it is unlikely that the potential tax liability will be crystallised in the near future.

As at the Latest Practicable Date of this circular, we are unable to identify any adverse news against the properties which may affect the reported values in our work product. Thus, we are not in the position to report and comment on its impact (if any) to the properties. However, should it be established subsequently that such news did exist at the Date of Valuation, we reserve the right to adjust the values reported herein.

ESTABLISHMENT OF TITLES

Due to the market value basis of valuation, the management of the Company provided us the necessary documents to support that the legally interested party in the properties of Group I i.e. the Group, has free and uninterrupted rights to assign, to mortgage or to let the properties (in this instance, an absolute title) free of all encumbrances and any premiums payable have already been paid in full or outstanding procedures have been completed, and that the Group has the right to occupy the properties in Groups II and III. However, our procedures to value, as agreed with the management of the Company, did not require us to conduct legal due diligence on the legality and formality on the way that the legally interested party obtained the properties from the relevant authorities.

For the sake of valuation, we have been provided with copies of the title documents and tenancy agreements regarding the properties in Groups I and III, and have relied on the PRC legal opinions dated 11 November 2005, 3 December 2007 and 8 June 2009. We have been provided with copy of tenancy agreement for property in Group II and we have conducted title searches of the property in the Land Registry of Hong Kong. However, we have not examined the original documents to verify the ownership and encumbrances or to ascertain the existence of any lease amendments, which may not appear on the copies handed to us. All documents disclosed (if any) are for reference only and no responsibility is assumed for any legal matters concerning the legal title and the rights (if any) to the properties valued. Any responsibility for our misinterpretation of the documents cannot be accepted.

The inherent defects in the land registration system of China forbidden us to inspect the original documents of properties in Groups I and III that filed in the relevant authorities and to verify ownership or to verify any amendment which may not appear on the copies handed to us. We need to state that we are not legal professionals and are not qualified to ascertain the titles and to report any encumbrances that may be registered against the properties. However, we have complied with the requirements as stated in Practice Note No. 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and relied solely on the copies of title documents and the PRC legal opinions as provided by the Company with regard to the existing legally interested party in the properties in Groups I and III. We are given to understand that the PRC legal opinions were prepared by qualified PRC legal advisers Guangdong Jingtian Law Firm dated 11 November 2005, 北京市金杜律師事務所 King & Wood dated 3 December 2007 and Mr. An Fenglian, PRC qualified lawyer and registered foreign lawyer of Mason Ching & Associates dated 8 June 2009, respectively. No responsibility or liability is assumed in relation to those legal opinions.

In our valuations, we have assumed that the legally interested party in each of the properties in Group I has obtained all the approval and/or endorsement from the relevant authorities, and that there would have no legal impediment (especially from the regulators) for the legally interested party to continue the ownership of the properties. Should this not be the case, it will affect our conclusions in this report significantly. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability is assumed.

INSPECTIONS AND INVESTIGATIONS OF THE PROPERTIES IN ACCORDANCE WITH VALUATION STANDARD 4 OF THE HKIS STANDARDS

As part of the agreed-upon procedures, we have not conducted inspections to the properties for the purpose of this assignment. We have made reference to our last inspection conducted in March 2009 and made reference to our previous inspections records of the properties in respect of which we have been provided with such information as we have requested for the purpose of our valuations. In our last inspection, we have not inspected those parts of the properties which were covered, unexposed or inaccessible and such parts have been assumed to be in reasonable condition. We cannot express an opinion about or advice upon the condition of the properties and our work product should not be taken as making any implied representation or statement about the condition of the properties. No structural survey, investigation or examination has been made, but in the course of our inspections, we did not note any serious defects in the properties inspected. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out to the utilities (if any) and we are unable to identify those utilities covered, unexposed or inaccessible.

Our valuations have been made on the assumption that no unauthorised alteration, extension or addition has been made in the properties, and that the inspection and the use of this report do not purport to be a building survey of the properties. We have assumed that the properties are free of rot and inherent danger or unsuitable materials and techniques.

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

Our engagement and the agreed procedures to value the properties did not include an independent land survey to verify the legal boundaries of the properties. We need to state that we are not in the land survey profession, therefore, we are not in the position to verify or ascertain the correctness of the legal boundaries of such properties that appeared on the documents handed to us. No responsibility from our part is assumed. The management of the Company or interested party in the properties should conduct their own legal boundaries due diligence work.

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

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

SOURCES OF INFORMATION AND ITS VERIFICATION IN ACCORDANCE WITH VALUATION STANDARD 5 OF THE HKIS STANDARDS

We have relied solely on the information provided by the management of the Company or its appointed personnel without further verification and have fully accepted advice given to us on such matters as planning approvals or statutory notices, locations, titles, easements, tenure, occupation, lettings, rental, site and floor areas and all other relevant matters.

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

Unless otherwise stated, we have not carried out any valuation on a redevelopment basis and the study of possible alternative development options and the related economics do not come within the scope of our work product.

Our valuations have been made only based on the advice and information made available to us. While a limited scope of general inquiries had been made to the local property market practitioners, we are not in a position to verify and ascertain the correctness of the advice given by the relevant personnel. No responsibility or liability is assumed.

Information furnished by others, upon which all or portions of our work product are based, is believed to be reliable but has not been verified in all cases. Our procedures to value or work do not constitute an audit, review, or compilation of the information provided. Thus, no warranty is made nor liability assumed for the accuracy of any data, advice, opinions, or estimates identified as being furnished by others which have been used in formulating our work product.

When we adopted the work products from other professions, external data providers and the management of the Company in our valuations, the assumptions and caveats that adopted by them in arriving at their figures also applied in our valuations. The procedures we have taken do not provide all the evidence that would be required in an audit and, as we have not performed an audit, accordingly, we do not express an audit opinion.

We are unable to accept any responsibility for the information that has not been supplied to us by the management of the Company or its appointed personnel. Also, we have sought and received confirmation from the management of the Company or its appointed personnel that no materials factors have been omitted from the information supplied. Our analysis and valuations are based upon full disclosure between us and the Company of material and latent facts that may affect the valuations. We have had no reason to doubt the truth and accuracy of the information provided to us by the management of the Company or its appointed personnel. We consider that we have been provided with sufficient information to reach an informed view, and have had no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary amounts are in Hong Kong dollars (HK$). In valuing the properties in Group I, the adopted exchange rate was the prevailing rate as at the Date of Valuation, being Renminbi (Rmb) 0.88 per HK$1 and no significant fluctuation in exchange rate has been found between that date and the date of this summary report.

LIMITING CONDITIONS OF THIS SUMMARY REPORT

Our opinion of values of the properties in this summary report is valid only for the stated purpose and only for the Date of Valuation, and for the sole use of the named Company. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this summary report, and the valuer accepts no responsibility whatsoever to any other person.

No responsibility is taken for changes in market conditions and local government policy and no obligation is assumed to revise this summary report to reflect events or conditions, which occur or make known to us subsequent to the date hereof.

Neither the whole nor any part of this summary report or any reference made hereto may be included in any published documents, circular or statement, or published in any way, without our written approval of the form and context in which it may appear. Nonetheless, we consent to the publication of this summary report in this circular to the Company's shareholders' reference.

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

The Company is required to indemnify and hold us and our personnel harmless from any claims, liabilities, costs and expenses (including, without limitation, attorney's fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection with our report except to the extent that any such loses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence of our engagement team in conducting its work. This provision shall survive even after the termination of this engagement for any reason.

STATEMENTS

Our report is prepared in line with the requirements contained in Chapter 5 and Practice Note No. 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, Rule 11 of The Codes on Takeovers and Mergers and Share Repurchases published by the Securities and Futures Commission as well as the guidelines contained in the HKIS Standards. The valuations have been undertaken by valuers, acting as external valuers, qualified for the purpose of the valuations.

We retain a copy of this summary report and the detailed valuation report together with the data from which it was prepared, and these data and documents will, according to the Laws of Hong Kong, keep for a period of 6 years from the date of this report and to be destroyed thereafter. We considered these records confidential, and we do not permit access to them by anyone, with the exception for law enforcement authorities or court order, without the Company's authorisation and prior arrangement made with us.

The valuations of the properties depend solely on the assumptions made in this report and not all of which can be easily quantified or ascertained exactly. Should some or all of the assumptions prove to be inaccurate at a later date, it will affect the reported values significantly.

We hereby certify that the fee for this service is not contingent upon our conclusion of values and we have no significant interest in the properties, the Group or the values reported.

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

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

Joseph Ho Chin Choi	**Elsa Ng Hung Mui**
B.Sc. PgD RPS (GP)	*B.Sc. M.Sc. RPS (GP)*
Managing Director	*Director*

Contributing Valuer:
Terry Fung Chi Hang BSc

Notes:

1. Mr. Joseph Ho Chin Choi has been conducting assets valuation (including real estate properties) and advisory work in Hong Kong, Macau, Taiwan, Mainland China, Japan, South East Asia, Australia, Finland, Germany, Guyana, Argentina, the United Kingdom, Canada and the United States of America for various purposes since 1988. He has more than 20 years of experience in valuing real estate properties in mainland China.

2. Ms. Elsa Ng Hung Mui is a Registered Professional Surveyor who has been conducting valuation of real estate properties in Hong Kong since 1994 and has more than 10 years of experience in valuing properties in mainland China.

3. Both Mr. Joseph Ho Chin Choi and Ms. Elsa Ng Hung Mui are valuers on the List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by the HKIS.

SUMMARY OF VALUES

Group I – Properties held and occupied by the Group under long-term title certificates in the PRC and valued by DRC Approach or Market-based evidence

	Property	Interest attributable to the Group	Amount of valuations in its existing state attributable to the Group as at 30 April 2009
			HK$
1.	A factory complex located at Gushu Industrial Estate Xixiang Town Baoan District Shenzhen Guangdong Province The People's Republic of China	100 per cent.	196,220,000
2.	A factory complex adjoining to Property 1 as listed above and located at Gushu Industrial Estate Xixiang Town Baoan District Shenzhen Guangdong Province The People's Republic of China	100 per cent.	229,570,000
3.	A parcel of vacant land known as Lot No. A614-0377 and situated at the Guang Ming New District Shenzhen Baoan Hi-Tech Industrial Park Shenzhen Guangdong Province The People's Republic of China	100 per cent.	66,530,000

	Property	Interest attributable to the Group	Amount of valuations in its existing state attributable to the Group as at 30 April 2009
			HK$
4.	A parcel of vacant land known as Land No. B14-A (Lot No. 6-009-011-016) and situated at the Wuxi National Hi-tech Industries Development Zone Wuxi City Jiangsu Province The People's Republic of China	100 per cent.	21,800,000
5.	A parcel of land known as Lot No. 6-007-040-013 together with various improvements erected thereon and located at the Wuxi New District Meicun Town Zhang Gong Qiao Village Wuxi City Jiangsu Province The People's Republic of China	100 per cent.	233,800,000
		Sub-total:	**HK$747,920,000**

Group II – Property rented by the Group in Hong Kong

	Property	**Amount of Valuations in its existing state attributable to the Group as at 30 April 2009** *HK$*
6.	Units 5811-12 on the 58th Floor The Center 99 Queen's Road Central Central, Hong Kong	No Commercial Value
	Sub-total:	**Nil**

Group III – Property rented by the Group in the PRC

	Property	Amount of Valuations in its existing state attributable to the Group as at 30 April 2009 *HK$*
7.	A factory complex in Shenzhen Sanyidui Industrial Zone Zhoushi Road Jiuwei Village Xixiang Town Baoan District Shenzhen Guangdong Province The People's Republic of China	No Commercial Value
	Sub-total:	**Nil**
	Grand Total:	**HK$747,920,000**

VALUATION CERTIFICATE

Group I – Properties held and occupied by the Group under long-term title certificates in the PRC and valued by DRC Approach or Market-based evidence

	Property	Description and tenure	Particulars of occupancy	Amount of valuations in its existing state attributable to the Group as at 30 April 2009 *HK$*
1.	A factory complex located at Gushu Industrial Estate Xixiang Town Baoan District Shenzhen Guangdong Province The People's Republic of China	The property comprises a parcel of land having a site area of approximately 26,313.3 sq.m. with 10 various major buildings and structures erected thereon. The buildings and structures including workshops, office buildings, staff quarters, canteen and other ancillary facilities which were completed in between 1996 and 2005. They are of 3- to 7-storeys in height and have a total gross floor area of approximately 58,743.99 sq.m. *(See Note 3 below)* The property is subject to a right to use the land till 30 December 2043 for industrial purpose. *(See Notes 1 to 3 below)*	The property is currently occupied by the Group for manufacturing, storage, ancillary office, staff quarters and other supporting purposes. *(See Note 4 below)*	196,220,000 (100 per cent. interest) *(See Notes 6 and 7 below)*

Notes:

1. The right to possess the land is held by the State and the right to use the land has been granted by the State to Namtai Electronic (Shenzhen) Co., Ltd., a wholly-owned subsidiary of the Company, through a Contract for the Grant of State-owned Land Use Rights known as Shen Bao Di He Zi (1993) 146 Hao dated 29 December 1993 (the "Contract"), 2 various agreements dated on each of 29 December 1993 and 9 January 1995, and a supplementary contract on August 2000 granted for industrial usage.

2. According to a supplementary contract of the Contract mentioned in Note 1 above dated 18 August 2004 and entered between Shenzhen Urban Planning and Land Resources Administration Bureau and Namtai Electronic (Shenzhen) Co., Ltd., the maximum plot ratio and total permissible gross floor area for the buildings to be erected on the land of the property were increased to 2.3 and 60,230 sq.m., respectively at an additional premium of Rmb1,587,234 (including land transfer fee and utilities charges).

3. According to 53 various Realty Title Certificates issued by the People's Government of Shenzhen City and dated 24 January 2006, the legally interested party in the following buildings is Namtai Electronic (Shenzhen) Co., Ltd. for a term of 50 years commencing from 31 December 1993 and expiring on 30 December 2043 for industrial usage. The gross floor area of each of the following major buildings and structures is as follows:

		Gross Floor Area (sq.m.)
(i)	a 5-storeyed workshop (Block 1)	15,041.68
(ii)	a 5-storeyed workshop (Block 2)	12,298.60
(iii)	a 3-storeyed office (Block3)	3,708.42
(iv)	a 7-storeyed staff quarters (Block 4)	4,367.58
(v)	a 7-storeyed staff quarters (Block 5)	4,367.58
(vi)	a 7-storeyed staff quarters (Block 6)	4,367.58
(vii)	a 6-storeyed staff quarters (Block 7)	4,550.76
(viii)	a 7-storeyed staff quarters (Block 8)	6,495.15
(ix)	a 3-storeyed canteen (Block 9)	2,503.63
(x)	a 3-storeyed electricity room (Block 10)	1,043.01
	Total	58,743.99

4. We are given to understand that portions of the property are subject to an inter-company lease. According to the HKIS Standards, property subject to inter-company lease to be valued on vacant possession basis and the existence of the lease must be disregarded. Therefore, in our valuation, we have considered this property as being owner-occupied and valued on market value basis.

5. Namtai Electronic (Shenzhen) Co., Ltd. is a wholly foreign owned enterprise with a valid Enterprise Legal Person Business License dated 3 June 2005 from 24 June 1989 to 24 June 2014.

6. According to the legal opinion as prepared by the Group's PRC legal adviser, Guangdong Jingtian Law Firm dated November 2005, the following opinions were noted:

   (i) Namtai Electronic (Shenzhen) Co., Ltd. has obtained the right to use the land and its improvements legally by way of land grant, and has paid all the relevant land premium;

   (ii) Namtai Electronic (Shenzhen) Co., Ltd. is the only legally interested party in the property and has an absolute right to use the property for its own. It has the right to assign, lease or mortgage the property but except the buildings and structures as mentioned in Note 3 (iii) to (x);

   (iii) Namtai Electronic (Shenzhen) Co., Ltd. cannot freely assign the buildings and structures as mentioned in Note 3(iii) to (x). To lease or mortgage these buildings and structures is subject to an additional premium payment to the relevant local authority and complying with relevant rules and regulations;

   (iv) Existing use of the property comply with the Contract and the relevant Realty Title Certificates; and

   (v) The property is free of registered encumbrances.

   We are advised by the management of the Company that there did not have any changes on the legal opinion since November 2005.

7. Our valuation of the property indicates the market value of the property on the assumption of free of all premium and encumbrances which represents the fair value of owner occupied property before less cost of sale for financial statements purpose.

	Property	Description and tenure	Particulars of occupancy	Amount of valuations in its existing state attributable to the Group as at 30 April 2009 *HK$*
2.	A factory complex adjoining to Property 1 as listed above and located at Gushu Industrial Estate Xixiang Town Baoan District Shenzhen Guangdong Province The People's Republic of China	The property comprises a parcel of land having a site area of approximately 26,313.9 sq.m. which is adjoining to the land of Property 1 above. There are 8 various major buildings and structures including a 2-storeyed composite building, a 5-storeyed office building, a 5-storeyed workshop building, a 3-storeyed facilities building and an 8-storeyed senior staff quarters, a 3-storeyed canteen and two single storeyed supporting facilities buildings having a total gross floor area of approximately 41,927.06 sq.m. erected thereon. The buildings and structures were completed in between 2003 and 2006. *(See Note 3 below).* The property is subject to a right to use the land till 25 April 2049 for industrial purpose. *(See Notes 1 to 3 below)*	The property is currently occupied by the Group for manufacturing, storage, ancillary office, staff quarters and other supporting purposes. *(See Note 4 below)*	229,570,000 (100 per cent. interest) *(See Notes 6 and 7 below)*

Notes:

1. The right to possess the land is held by the State and the right to use the land has been granted by the State to Namtai Electronic (Shenzhen) Co., Ltd., a wholly-owned subsidiary of the Company, through a Contract for the Grant of State-owned Land Use Rights known as Shen Di He Zi (1999) 4-030 Hao dated 26 April 1999 (the "Contract"), an Agreement for the Transfer of State-owned Land Use Rights known as Shen Di Xie Zi (1999) 4-030 Hao dated 26 April 1999 and a supplement contract dated 16 July 2003 for a term of 50 years commencing from 26 April 1999 to 25 April 2049. The consideration for the transfer of the land was Rmb4,210,224 and the land is restricted for industrial usage. The maximum gross floor area permitted to be built on the land is 37,600 sq.m.

2. According to a supplementary contract of the Contract mentioned in Note 1 above dated 29 July 2004 and entered between the Shenzhen Urban Planning and Land Resources Administration Bureau and Namtai Electronic (Shenzhen) Co., Ltd., a maximum plot ratio and total permissible gross floor area for the buildings on the land of the property were increased to 1.6 and 42,230 sq.m., respectively at an additional premium of Rmb1,457,495 (including land transfer fee and utilities charges).

3. According to a Realty Title Certificate known as Shen Fang Di Zi Di 5000247177 Hao issued by the People's Government of Shenzhen City and dated 26 February 2007, the legally interested party in the land is Namtai Electronic (Shenzhen) Co., Ltd. for a term of 50 years commencing from 26 April 1999 to 25 April 2049. The gross floor area of each of the following major buildings and structures is as follows:

		Gross Floor Area (sq.m.)
(i)	a 2-storeyed office (composite building)	3,143.77
(ii)	a 5-storeyed office	4,420.02
(iii)	a 5-storeyed workshop	24,503.15
(iv)	a 3-storeyed facilities building	1,311.00
(v)	an 8-storeyed senior staff quarters	7,083.26
(vi)	a 3-storeyed canteen	1,355.86
(vii)	a single storeyed warehouse (dangerous goods)	35.75
(viii)	a single storeyed warehouse (wastes)	74.25
	Total	41,927.06

4. We are given to understand that portions of the property are subject to an inter-company lease. According to the HKIS Standards, property subject to inter-company lease to be valued on vacant possession basis and the existence of the lease must be disregarded. Therefore, in our valuation, we have considered this property as being owner-occupied and valued on market value basis.

5. Namtai Electronic (Shenzhen) Co., Ltd. is a wholly foreign owned enterprise with a valid Enterprise Legal Person Business License dated 3 June 2005 from 24 June 1989 to 24 June 2014.

6. According to the legal opinion as prepared by the Group's PRC legal adviser, Guangdong Jingtian Law Firm dated November 2005, the following opinions were noted:

   (i) Namtai Electronic (Shenzhen) Co., Ltd. has obtained the right to use the land and its improvements legally by way of land grant, and has paid all the land transfer fee, land development charge and utilities charges amount of Rmb4,210,224 on 6 May 1999; and the required land premium pursuant to the supplementary contract as mentioned in Note 2 above on 9 July 2004;

   (ii) Namtai Electronic (Shenzhen) Co., Ltd. is the only legally interested party in the property and has an absolute right to use the property for its own. It is not allowed to freely assign, lease or mortgage the property unless additional premium is paid to the relevant local authority and complying with relevant rules and regulations; and

   (iii) The property is free of registered encumbrances.

   We are advised by the management of the Company that there did not have any material changes on the legal opinion since November 2005.

7. Our valuation of the property indicates the market value of the property on the assumption of free of premium and encumbrances which represents the fair value of owner occupied property before less cost of sale for financial statements purpose.

	Property	Description and tenure	Particulars of occupancy	Amount of valuations in its existing state attributable to the Group as at 30 April 2009 *HK$*
3.	A parcel of vacant land known as Lot No. A614-0377 and situated at the Guang Ming New District Shenzhen Baoan Hi-Tech Industrial Park Shenzhen Guangdong Province The People's Republic of China	The property comprises a parcel of vacant land in a roughly triangular shape and has a site area of approximately 118,001.3 sq. m. The property is subject to a right to use the land (for a term of 50 years) till 28 December 2057 for industrial purpose. *(See Notes 1 to 3 below).*	At the time of our inspection and confirmed by the management of the Company, the property as at the Date of Valuation was used as a plantation farm.	66,530,000 (100 per cent.)

Notes:

1. The right to possess the land is held by the State and the right to use the land was granted to 世成電子(深圳)有限公司 Zastron Electronic (Shenzhen) Co. Ltd. (a wholly-owned subsidiary of the Company and hereinafter referred to as "Zastron (SZ)") by a Contract for the Grant of State-owned Land Use Rights dated 30 June 2007 (the "Contract") and known as Shen De He Zi (2007) 4150 Hao at a total consideration of Rmb56,640,624 (including community utilities charges). The land is restricted for industrial purpose.

2. Pursuant to a supplementary agreement of the Contract mentioned in Note 1 above and dated 29 December 2007. Shenzhen Municipal Bureau of Land Resources and Housing Management has settled the relocation and compensation issues of the land.

3. Pursuant to a Realty Title Certificate known as Shen Fang Di Zi Di 5000316492 Hao issued by the Shenzhen Municipal Bureau of Land Resources and Housing Management and dated 15 February 2008, the legally interested party in the land is Zastron (SZ) for a term of 50 years commencing from 29 December 2007 to 28 December 2057. The land is restricted for industrial (high – technology project) purpose and the approved usage is — digital audio and multimedia broadcasting projects, RF module and mobile phone parts and components projects, large, medium and small color LCD display module project.

4. Pursuant to a Planning Permit for Using Construction Usage Land known as Shen Qui Xu HQ-2007-0052 Hao issued by the People's Government of Shenzhen City on 25 April 2007, Zastron (SZ) is allowed to develop the land having a site area of approximately 118,000 sq.m and to erect a 5-storey factory building and a 15-storey staff quarters having a total gross floor area of approximately 265,000 sq.m.

5. Zastron (SZ) is a wholly foreign owned enterprise with a valid Enterprise Legal Person Business License dated 10 August 2007 from 26 March 1992 to 26 March 2017.

6. According to the legal opinion as prepared by the Group's PRC legal adviser, Mr. An Fenglian, PRC qualified lawyer and registered foreign lawyer of Mason Ching & Associates dated 8 June 2009, the following opinions were noted:

   (i) Zastron (SZ) has obtained the right to use the land legally by way of land grant, and has paid all the relevant land premium;

   (ii) Zastron (SZ) is the only legally interested party in the property, and has an absolute right to use the property for the designated usage as mentioned in Note 3 above within the land use term. Zastron (SZ) is able to assign, lease, mortgage or form joint-venture with others to develop the property subject to the approval from the relevant land authority;

   (iii) The property is free of registered encumbrances; and

   (iv) To change the designated usage or other conditions of the property is subject to the approval from relevant land authority with relevant additional premium payment and complying with relevant rules and regulations.

7. Our valuation of the property indicates the market value of the property on the assumption of free of premium and encumbrances which represents the fair value of owner occupied property before less cost of sale for financial statements purpose.

	Property	Description and tenure	Particulars of occupancy	Amount of valuations in its existing state attributable to the Group as at 30 April 2009 *HK$*
4.	A parcel of vacant land known as Land No. B14-A (Lot No. 6-009-011-016) and situated at the Wuxi National Hi-tech Industries Development Zone Wuxi City Jiangsu Province The People's Republic of China	The property comprises a parcel of vacant land in a rectangular shape and has a site area of approximately 47,883 sq.m. The property is subject to a right to use the land for a term of 50 years from 25 December 2006 to 24 December 2056 for industrial purpose, *(See Notes 1 and 2 below)*.	At the time of our inspection and confirmed by the management of the Company, the property as at the Date of Valuation was a vacant land and without any construction activities.	21,800,000 (100 per cent.)

Notes:

1. The right to possess the land is held by the State and the right to use the land was granted to 世成晶電科技（無錫）有限公司 Zastron Precision-Tech (Wuxi) Co., Ltd. (currently renamed as 無錫世成晶電科技有限公司 Wuxi Zastron Precision-Tech Co., Ltd. and hereinafter referred to as "Wuxi Zastron Tech"), a wholly-owned foreign investment enterprises of the Company, by a Contract for the Grant of State-owned Land Use Rights dated 2006 and known as Xi Xin Guo Tu Zi Jian Chu He (2006) Di 120 Hao at a consideration of Rmb8,618,940 (excluding community utilities charges).

2. Pursuant to a State-owned Land Use Rights Certificate known as Xi Xin Guo Yong (2007) Di 1108 Hao issued by the People's Government of Wuxi City on 8 May 2007, the legally interested party in the property is Wuxi Zastron Tech with a term of land use till 24 December 2056 for industrial purpose. According to the Certificate, Wuxi Zastron Tech is required to complete construction of the factory before 8 September 2008.

3. Wuxi Zastron Tech is a wholly foreign owned enterprise with a valid Enterprise Legal Person Business License dated 23 November 2006 from 23 November 2006 to 22 November 2056.

4. According to the legal opinion as prepared by the Group's PRC legal adviser, 北京市金杜律師事務所 King & Wood dated 3 December 2007, the following opinions were noted:

    (i) Wuxi Zastron Tech has obtained the right to use the land legally by way of land grant and the consideration as mentioned in Note 1 above has been fully paid;

    (ii) Wuxi Zastron Tech is the only legally interested party in the property and has the right to assign, lease or mortgage the property; and

    (iii) The property is free of registered encumbrances.

    We are advised by the management of the Company that there did not have any material changes on the legal opinion since 3 December 2007.

	Property	Description and tenure	Particulars of occupancy	Amount of valuations in its existing state attributable to the Group as at 30 April 2009 *HK$*
5.	A parcel of land known as Lot No. 6-007-040-013 together with various improvements erected thereon and located at the Wuxi New District Meicun Town Zhang Gong Qiao Village Wuxi City Jiangsu Province The People's Republic of China	The property comprises a parcel of land in a rectangular shape and has a site area of approximately 43,697.2 sq.m. with 8 various major buildings and structures erected thereon. The buildings and structures include factory building, ware house, and other ancillary facilities of single to 2-storeys in height and have a total gross floor of approximately 50,490.89 sq.m. upon completion. The construction work (including internal decoration) is expected to be completed in around mid of 2009, *(See Note 5 below)*. The property is subject to a right to use the land for a term of 50 years from 31 December 2006 to 30 December 2056 for industrial purpose *(see Notes 1 and 2 below)*.	At the time of our inspection and confirmed by the management of the Company. the property as at the Date of Valuation was under construction.	233,800,000 (100 per cent.) *(see Note 7 below)*

Notes:

1. The right to possess the land is held by the State and the right to use the land was granted to 世成晶電科技（無錫）有限公司 Zastron Precision-Tech (Wuxi) Co., Ltd. (currently renamed as 無錫世成晶電柔性線路板有限公司 Wuxi Zastron Precision-Flex Co., Ltd. and hereinafter referred to as "Wuxi Zastron Flex"), a wholly-owned foreign investment enterprises of the Company, by a Contract for the Grant of State-owned Land Use Rights dated 2006 (the "Contract") and known as Xi Xin Guo Tu Zi Jian Chu He (2006) Di 162 Hao at a consideration of Rmb7,865,496 (excluding community utilities charges).

2. Pursuant to a State-owned Land Use Rights Certificate known as Xi Xin Guo Yong (2007) Di 1083 Hao issued by the People's Government of Wuxi City on 3 April 2007, the legally interested party in the property is Wuxi Zastron Flex with a term of land use till 30 December 2056 for industrial purpose.

3. Pursuant to a Planning Permit for Using Construction Usage Land dated 20 November 2006, Wuxi Zastron Flex is allowed to develop the land having a site area of approximately 44,005 sq.m.

4. Pursuant to a Construction Planning Permit known as Xi Xin Gui Jian Xu: (2007) Di 278 Hao（錫新規建許：(2007)第278號)dated 24 December 2007 and Permit to Commence Construction dated 28 April 2008, Wuxi Zastron Flex was permitted to develop 5 various buildings and structures having a total gross floor area of approximately 48,540 sq.m. According to the information provided by the management of the Company, the buildings and structures were under construction on the land as mentioned in Note 2 above.

Pursuant to the above mentioned Permit to Commence Construction, the gross floor area of each of the buildings and structures is as follows:

		Gross Floor Area (sq.m.)
(i)	a factory building	47,551.00
(ii)	a guard house No.1	117.00
(iii)	a guard house No.2	32.00
(iv)	a warehouse	360.00
(v)	a waste material warehouse	480.00
	Total:	48,540.00

5. According to the information provided by the management of the Company, the gross floor area of each of the buildings and structures erected on the land is as follows:

		Gross Floor Area (sq.m.)
(i)	a 2-storeyed factory building	47,550.63
(ii)	a single storeyed guard house No. 1	117.00
(iii)	a single storeyed guard house No. 2	32.00
(iv)	a single storeyed warehouse	360.00
(v)	a single storeyed waste material warehouse	480.00
(vi)	a 2-storeyed waste water treatment plant	1,786.50
(vii)	a single storeyed motorbike shed	152.00
(viii)	a single storeyed steam flow meter room	12.76
	Total:	50,490.89

6. Wuxi Zastron Flex is a wholly foreign owned enterprise with a valid Enterprise Legal Person Business License dated 23 November 2006 from 23 November 2006 to 22 November 2056.

7. As advised by the management of the Company, the buildings and structures erected on the land were classified as construction in progress items. The cost spent for the construction in progress items was approximately Rmb193,520,000 and the expected cost to be spent to complete the project was Rmb60,000,000 as at 30 April 2009. In our valuation, the construction in progress items were reported at cost spent as at 30 April 2009.

8. According to the legal opinion as prepared by the Group's PRC legal adviser, 北京市金杜律師事務所 King & Wood dated 3 December 2007, the following opinions were noted:

   (i) Wuxi Zastron Flex has obtained the right to use the land legally by way of land grant and the consideration as mentioned in Note 1 above has been fully paid;

   (ii) Wuxi Zastron Flex is the only legally interested party in the property and has the right to assign, lease or mortgage the property; and

   (iii) The property is free of registered encumbrances.

   We are advised by the management of the Company that there did not have any material changes on the legal opinion since 3 December 2007.

Group II – Property rented by the Group in Hong Kong

	Property	Description and occupancy	Amount of valuations in its existing state attributable to the Group as at 30 April 2009 *HK$*
6.	Units 5811-12 on the 58th Floor The Center 99 Queen's Road Central Central Hong Kong	The property comprises two office units on the 58th Floor of a 73-storeyed (including upper ground floor, entrance hall floor and basements) commercial building which was completed in 1998. According to the information made available to us, the property has an area of approximately 3,895 sq.ft. The property is rented to the Group for a term of 3 years commencing from 1 May 2008 to 30 April 2011 at a monthly rental of HK$263,100 exclusive of rates, Government rent, air conditioning and management charges and other utilities charges. The property is currently occupied by the Group for office purpose.	No Commercial Value

Notes:

1. The landlord of the property is The Centre (58) Limited.

2. The tenant of the property is Nam Tai Electronic & Electrical Products Limited.

Group III –Property rented by the Group in the PRC

	Property	Description and occupancy	Amount of valuations in its existing state attributable to the Group as at 30 April 2009 *HK$*
7.	A factory complex in Shenzhen Sanyidui Industrial Zone Zhoushi Road Jiuwei Village Xixiang Town Baoan District Shenzhen Guangdong Province The People's Republic of China	The property comprises a parcel of land having a site area of approximately 27,150 sq.m. and there were 12 various major buildings and structures erected thereon. The buildings and structures including 3 various 6-storeyed workshop buildings, a 6-storeyed office building, 3 various 7-storeyed staff quarters, a 4-storeyed composite building and various single to 2-storeyed supporting facilities building having a total gross floor area of approximately 70,552.55 sq.m.. The buildings and structures were completed in 2004 *(see Note 3 below)*. The property is rented to the Group for a term till 31 May 2012 at a current monthly rental of Rmb 769,070 inclusive of tax and management fee and water charges but exclusive of electricity charge. The property is currently occupied by the Group for manufacturing, office, staff quarters and ancillary supporting facilities purposes.	No Commercial Value

Notes:

1. The lessor of the property is 深圳市愉盛股份合作有限公司 (previously known as 寶安區新安街道辦翻身村三(1) 隊經濟合作社) (no English translation is available).

2. The lessee of the property is Jetup Electronic (Shenzhen) Co., Ltd. (hereinafter referred to as "Jetup").

3. According to the information provided by the management of the Company, the gross floor area of each of the following major buildings and structures is as follows:

		Gross Floor Area (sq.m.)
(i)	a 6-storeyed workshop (Block A)	10,386.80
(ii)	a 6-storeyed workshop (Block B)	10,386.80
(iii)	a 6-storeyed office (Block C)	8,923.24
(iv)	a 6-storeyed workshop and its ancillary building (Block D)	15,286.88
(v)	a 7-storeyed staff quarters (Block E)	5,329.14
(vi)	a 7-storeyed staff quarters (Block F)	4,593.51
(vii)	a 7-storeyed staff quarters (Block G)	5,915.74
(viii)	a 4-storeyed composite building (Block J)	2,704.00
(ix)	a 7-storeyed senior staff quarters and the senior staff canteen (Block H1-H3)	6,371.00
(x)	a single storeyed sewerage treatment plant	203.52
(xi)	a single storeyed pump room	24.96
(xii)	a 2-storeyed electricity room	426.96
	Total:	70,552.55

4. Jetup is a wholly foreign owned enterprise with a valid Enterprise Legal Person Business License dated 8 March 2007 from 15 April 1993 to 15 April 2013.

5. According to the legal opinion as prepared by the Company's PRC legal adviser, 北京市金杜律師事務所 King & Wood dated 3 December 2007, the main tenancy agreement has been registered in the relevant government authorities and all related agreements are legal and binding though some of the supplementary agreements have not been registered. The interest of the lessee under the tenancy agreements is protected under the PRC laws and regulations.

RESPONSIBILITY STATEMENT

This composite offer document includes particulars given in compliance with the Takeovers Code for the purposes of giving information with regard to NTEI and the General Offer.

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

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

MARKET PRICES

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

(a) on the last trading day of each of the six calendar months preceding 19 May 2009, being the Announcement Date;

(b) on 6 April 2009, being the last trading day for the NTEEP before the Announcement Date; and

(c) on the Latest Practicable Date.

Date	**Closing price per Share** *(HK$)*
28 November 2008	0.61
31 December 2008	0.60
30 January 2009	0.71
27 February 2009	1.42
31 March 2009	1.47
6 April 2009	1.49
30 April 2009	Suspended
29 May 2009	1.45
Latest Practicable Date	1.45

The lowest and highest closing prices per Share recorded on the Stock Exchange during the period from 19 November 2008, being the date 6 months prior to 19 May 2009 (being the Announcement Date and commencement of the offer period) to the Latest Practicable Date were HK$0.53 on 12 February 2009 and HK$1.49 on 6 April 2009.

DISCLOSURE OF INTERESTS AND DEALINGS

(a) As at the Latest Practicable Date, NTEI was interested in 660,215,470 Shares which represent approximately 74.88% of the issued share capital of NTEEP. As at the Latest Practicable Date, no parities acting in concert with NTEI held any Shares and other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of NTEEP.

(b) No director of NTEI was interested in any Shares and other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of NTEEP as at the Latest Practicable Date.

(c) Neither NTEI nor any party acting in concert with it, including directors of NTEI, had dealt in Shares and other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of NTEEP during the six months prior to the Announcement Date and ending on the Latest Practicable Date.

(d) Save for the interests set out below, no other director of NTEEP was interested in any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of NTEEP as at the Latest Practicable Date:

Name of director	Personal interests	Family interests	Capacity	Number of Shares	Percentage of the issued share capital of NTEEP
Chan Tit Hee, Charles	350,000	—	Beneficial owner	350,000	0.04%

(e) No director of NTEEP had dealt in the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of NTEEP during the six months prior to the Announcement Date and ending on the Latest Practicable Date.

(f) As at the Latest Practicable Date, NTEEP was not interested in any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of NTEI.

(g) NTEEP had not dealt in the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of NTEI during the period beginning 6 months prior to the Announcement Date to the Latest Practicable Date.

(h) Save for the interests set out below, no other director of NTEEP was interested in the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of NTEI as at the Latest Practicable Date:

Shares of NTEI:

Name of director	**Interests**	**Capacity**	**Percentage of the issued share capital of NTEI**
Koo Ming Kown	5,242,786 (Personal) *(Note)*	Beneficial owner	11.7%

Note: The common shares are jointly held by Mr. Koo and his spouse, Ms. Cho Sui Sin.

(i) Save for the dealings set out below, no other director of NTEEP had dealt in the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of NTEI during the period beginning 6 months prior to the Announcement Date to the Latest Practicable Date.

Options of NTEI (Note):

Name of director	Date of cancellation	Number of options cancelled	Cancellation price per option *(US$)*	Date of Granting	Underlying shares	Expiry date	Exercise price *(US$)*	Premium paid or received
Koo Ming Kown	30 November 2008	15,000	0.20	9 June 2006	15,000	8 June 2009	22.25	Nil
	30 November 2008	15,000	0.39	8 June 2007	15,000	7 June 2010	12.42	Nil
	30 November 2008	15,000	0.50	6 June 2008	15,000	5 June 2011	12.03	Nil

Note: Mr. Koo Ming Kown surrendered the options set out above to NTEI for cancellation.

(j) As at the Latest Practicable Date, none of the subsidiaries of NTEEP, pension fund of NTEEP or any of its subsidiaries, or advisers to NTEEP as specified in class (2) of the definition of associate under the Takeovers Code (but excluding exempt principal traders) had any shareholdings in the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of NTEEP. During the period beginning six months prior to the Announcement Date and ending on the Latest Practicable Date, none of the parties referred to in this paragraph had dealt in the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of NTEEP.

(k) No fund managers (other than exempt fund managers) connected with NTEEP had managed any shareholdings in the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of NTEEP on a discretionary basis nor had they dealt in the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of NTEEP during the period beginning six months prior to the Announcement Date and ending on the Latest Practicable Date.

(l) As at the Latest Practicable Date, no person has irrevocably committed to accept or reject the General Offer.

(m) As at the Latest Practicable Date, save for Mr. Chan Tit Hee, Charles who intends to accept the General Offer in respect of his own beneficial shareholdings of NTEEP, no other directors of NTEEP had owned any beneficial shareholdings of NTEEP.

(n) No relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of NTEEP to be acquired in pursuance of the General Offer will be transferred, charged or pledged to any other persons respectively.

(o) There is no person with whom NTEI or party acting in concert with it or its associates has arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code.

(p) There is no person who has an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with NTEEP or with any person who is an associate of NTEEP by virtue of classes 1, 2, 3 and 4 of the definition of associate.

(q) NTEI and parties acting in concert with it as well as NTEEP and its directors have not borrowed or lent any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) in NTEEP.

OTHER INTEREST

(a) There is no agreement, arrangement or understanding (including any compensation arrangement) between NTEI or any party acting in concert with it and any of the existing or recent directors of NTEEP or any existing or recent Shareholders having any connection with or dependence upon the General Offer.

(b) There is no agreement or arrangement between any director of NTEEP and any other person which is conditional on or dependent upon the outcome of the General Offer or otherwise connected with the General Offer.

(c) No benefit will be given to any director of NTEEP as compensation for loss of office or otherwise in connection with the General Offer.

(d) There is no agreement or arrangement to which NTEI is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition to the General Offer.

(e) There is no material contract entered into by NTEI in which any director of NTEEP has a material personal interest.

SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital of NTEEP was HK$20,000,000 which solely comprised 2,000,000,000 ordinary shares of HK$0.01 each. The issued share capital of NTEEP as at the Latest Practicable Date was HK$8,816,706 which comprised 881,670,588 Shares of HK$0.01 each. Each Share ranks pari passu with other Shares in issue in all respects, including dividends, voting rights and capital.

As at the Latest Practicable Date, there were no options, derivatives, warrants or other securities which are convertible or exchangeable into the Shares.

During the period from 31 December 2008 to the Latest Practicable Date, no Share was either issued or repurchased.

MATERIAL CONTRACTS

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

(a) a land use transfer agreement and supplemental agreement both dated 30 June 2007 entered into between Zastron Electronic (Shenzhen) Co. Limited (a wholly-owned subsidiary of NTEEP) and Shenzhen Municipal Bureau of State Land and Resources pursuant to which the land use right of number A614-0377 Plot located in Shenzhen Guangming Hi-Tech Industrial Park was assigned to Zastron Electronic (Shenzhen) Co. Limited in exchange for approximately US$7.5 million (equivalent to approximately HK$58.5 million);

(b) a sales and purchase agreement dated 24 September 2007, supplemented by a supplemental agreement dated 28 November 2007, entered into between NTEI and NTEEP pursuant to which NTEI sold the entire equity in Jetup Electronic (Shenzhen) Co. Limited and the entire equity of Zastron Precision-Tech Limited to NTEEP with a consideration of approximately US$353.1 million (equivalent to approximately HK$2,754.5 million);

(c) a sales and purchase agreement dated 5 October 2007, supplemented by a supplemental agreement dated 28 November 2007, entered into between NTEEP and J.I.C. Technology Company Limited pursuant to which NTEEP sold the entire equity of Shenzhen Namtek Co. Limited and Namtek Japan Company Limited to J.I.C. Technology Company Limited with a consideration of approximately US$10.3 million (equivalent to approximately HK$80.5 million);

(d) a contract dated 28 March 2008 entered into between Wuxi Zastron Precision-Flex Co. Ltd. (a wholly-owned subsidiary of NTEEP) and Yixing Building Engineering & Installation Co., Limited pursuant to which the latter agreed to act as the main contractor to provide civil works services for Flexible Printed Circuit (FPC) construction project in Wuxi with total contract amount of approximately US$18.7 (equivalent to approximately HK$145.9 million) ("Main Contract");

(For information, FPC construction project in Wuxi is a project of the NTEEP Group to construct new facilities in Wuxi, the PRC, to expand production capacity of FPC boards and other components subassemblies.); and

(e) A supplemental agreement to the Main Contract dated 10 July 2008 entered into between Wuxi Zastron Precision-Flex Co. Ltd. and Yixing Building Engineering & Installation Co., Limited pursuant to which the latter agreed to act as the main contractor to provide mechanical and electrical services for FPC construction project in Wuxi with total contract amount of approximately US$11.6 million (equivalent to approximately HK$90.7 million).

SERVICE CONTRACTS

As the Latest Practicable Date, save for the service contracts set out below, no other directors of NTEEP had any service contract in force with any member of the NTEEP Group or any associated companies of NTEEP which (i) have been entered into or amended within six months before the commencement of the offer period (including both continuous and fixed term contracts); or (ii) are continuous contracts with a notice period of twelve months or more; or (iii) are fixed term contracts with more than twelve months to run irrespective of the notice period.

Name of director	**Expiry date of the service contract**	**Fixed remuneration**	**Variable remuneration**
Koo Ming Kwon	Fixed term of three years with NTEI with effect from 1 March 2009	Salary of US$1 per month and housing allowance of up to US$15,000 per month	Not applicable
Lai Kin Ki	Initial term of one year with NTEEP with effect from 5 May 2009 and the term will continue thereafter for successive terms of one year, subject to termination at any time (whether during such initial one-year term or otherwise) by either party giving to the other not less than one month's notice in writing	HK$20,000 per month	Not applicable

LITIGATION

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

CONSENTS

Yu Ming, Somerley, Centurion, Moore Stephens and LCH have given and have not withdrawn their written consent to the issue of this composite offer document with the inclusion therein of their opinion and letters, and the references to their names, opinion or letters in the form and context in which they respectively appear.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection from 10:00 a.m. to 5:00 p.m., Monday to Friday at: (i) the office of Yu Ming, the financial adviser to NTEI, at Room 1901B, 19th Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong; (ii) on the website of the SFC (http://www.sfc.hk); and (iii) the website of NTEEP at http://www.namtaieep.com while the General Offer remains open for acceptance.

(a) the memorandum and articles of association of NTEI;

(b) the memorandum and articles of association of NTEEP;

(c) the letter from Yu Ming and Somerley, the text of which is set out on pages 7 to 16 of this composite offer document;

(d) the letter from the Board of NTEEP, the text of which is set out on pages 17 to 21 of this composite offer document;

(e) the letter of recommendation from Independent Board Committee, the text of which is set out on pages 22 to 23 of this composite offer document;

(f) the letter of recommendation from Centurion, the text of which is set out on pages 24 to 54 of this composite offer document;

(g) the Valuation Report produced by LCH, the text of which is set out in Appendix III of this composite offer document;

(h) the report of NTEEP produced by Moore Stephens, the text of which is set out in Appendix I of this composite offer document;

(i) the report of NTEEP produced by Centurion, the text of which is set out in Appendix I of this composite offer document;

(j) the audited consolidated financial statements of NTEI for each of the two years ended 31 December 2008;

(k) the annual report of NTEEP for the year ended 31 December 2008;

(l) the unaudited quarterly results of NTEEP for the three months ended 31 March 2009;

(m) the letters of consent referred to in the paragraph headed "Consents" in this appendix; and

(n) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix.

MISCELLANEOUS

(a) The address of Yu Ming is Room 1901B, 19th Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong.

(b) The address of Somerley is 10th Floor, The Hong Kong Club Building, 3A Chater Road, Central, Hong Kong.

(c) The address of Centurion is 7th Floor, West Portion, Duke Wellington House, 14-24 Wellington Street, Central, Hong Kong.

(d) The registered office of NTEI is P.O. Box 3342, Road Town, Tortola, British Virgin Islands.

(e) The executive director of NTEI is Mr. Koo Ming Kown (Chairman and Chief Financial Officer) and the independent non-executive directors of NTEI include Mr. Peter R. Kellogg, Mr. Charles Chu, Dr. Lo Wing Yan, William and Mr. Mark Waslen.

(f) There is no controlling shareholder in NTEI.

SHAREHOLDERS' LUNCHEON FORUM INVITATION

PROPOSED PRIVATISATION OF NAM TAI ELECTRONIC & ELECTRICAL PRODUCTS LIMITED BY NAM TAI ELECTRONICS, INC.

Dear shareholders of Nam Tai Electronic & Electrical Products Limited ("NTEEP")

Terms in capital letters have meanings ascribed to them in the section headed "Definitions" in the composite offer document dated 9 June 2009 issued jointly by NTEI and NTEEP.

You are cordially invited to the luncheon forum organised by Nam Tai Electronics, Inc. ("NTEI") in relation to the General Offer of NTEI for all the shares of NTEEP (other than those owned by NTEI). The luncheon forum will be held at the following time and venue:

Time	:	Sunday, 14 June 2009 from 11:30 a.m. to 2:30 p.m.
Venue	:	Harbour View Ballroom II and III, Level 4, Four Seasons Hotel 8 Finance Street, Central, Hong Kong

Director(s) of NTEI, NTEEP and Yu Ming Investment Management Limited will host the forum to explain to the Independent Shareholders the acceptance procedure in relation to the General Offer.

All shareholders of NTEEP are invited. Registered Shareholders whose names remain on the Shareholders' register as at 12 June 2009 should produce their Hong Kong Identity Card and/or passport. Shareholders holding shares in NTEEP through stockbrokers or other intermediaries should produce a copy of their latest statement issued by the relevant stockbrokers or intermediaries to show their holding of shares in NTEEP. Corporations that wish to authorise representatives to attend the forum should give their representatives a written authorisation to present at the forum.

Lunch will be served at the forum. We look forward to seeing you.

Yours faithfully
For and on behalf of
NAM TAI ELECTRONICS, INC.
Koo Ming Kown
Chairman

9 June 2009