



NAM TAI ELECTRONIC & ELECTRICAL PRODUCTS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2633)

Q2 2009 Sales down 30.3%, 1H 2009 Sales down 30.4%

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 second quarter of 2009 and the six months ended 30 June 2009 respectively together with comparative figures for the corresponding periods of last year as follows:

KEY HIGHLIGHTS

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

	Quarterly Results			Half-year Results		
	Q2 2009	Q2 2008	YoY (%)	1H 2009	1H 2008	YoY (%)
Sales (Revenue)	101,836	146,168	(30.3)	203,986	293,006	(30.4)
Profit (Loss) for the period attributable to equity holders of the Company	(144)	8,786	(101.6)	(8,167)	18,365	(144.5)
Basic (loss) earnings per share <i>(US cent(s))</i>	(0.02)	1.00	(102.0)	(0.93)	2.08	(144.7)
Weighted average number of shares ('000)	881,671	881,671		881,671	881,671	

Note : Net loss for the first half of 2009 included employee severance benefits of US\$5.1 million in relation to employee severance in PRC subsidiaries. (2008: Nil)

MANAGEMENT DISCUSSION & ANALYSIS

Business Review

For the six months ended 30 June 2009, sales of the Group decreased by approximately 30.4% from US\$293.0 million to US\$204.0 million when compared with the same period last year. Profit (loss) attributable to the equity holders of the Company for the interim period of year 2009 decreased by approximately 144.5% as compared with the same period last year.

As expected when we announced our results for the first quarter of 2009, the second quarter of 2009 was difficult for the Company’s operations continued to suffer from the effects of the global economic recession. Unless economic conditions recover sooner than we currently anticipate, we continue to expect no significant improvement in demand, particularly for our products or components for the end-user consumer markets, until the summer of 2010 at the earliest.

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

Nam Tai Electronics, Inc. ("NTEI"), the controlling shareholder of the Company, announced that it had received valid acceptances from over 90% of the public float shares of the Company thereby rendering unconditional NTEI's offer to acquire the Company's shares held by the Company's minority shareholders and to privatize the Company. Through the closing date of that offer on 22 July 2009, NTEI had received cumulative tenders aggregating approximately 96% the Company's shares held by NTEI's minority shareholders, increasing NTEI's ownership of the Company's shares as of the closing date to approximately 99% of the Company's outstanding shares. To complete the privatization of the Company, NTEI intends to exercise compulsory acquisition rights available under the securities law of Hong Kong to acquire the remaining publicly-held shares of the Company.

Save and except the aforesaid, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 June 2009.

CORPORATE GOVERNANCE

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

The Board has adopted the terms of the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Having made specific enquiry of all Directors, the Directors confirmed that they have complied with the Model Code for any part of the period ended 30 June 2009.

The Company has also taken effective measures to ensure that it is in compliance with the code provisions and as far as reasonably practicable the recommended best practices of the Code on Corporate Governance Practices (the "Corporate Governance Code"). In the opinion of the Board, the Company has also fully complied with the code provisions and a majority of the recommended best practice of the Corporate Governance Code throughout the accounting period ended 30 June 2009.

Audit Committee

As at 30 June 2009, the Audit Committee comprised three Independent Non-executive Directors, Mr. Chan Tit Hee, Charles, Mr. Lai Kin Ki and Mr. Leung Wai Hung. Mr. Chan is the chairman of the Audit Committee. The Audit Committee has adopted terms of reference which are in line with the Corporate Governance Code. The Group's unaudited financial statements for the six months ended 30 June 2009 have been reviewed by the Audit Committee, who is of the opinion that such statements comply with applicable accounting standards and legal requirements, and that adequate disclosures have been made.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 30 June		Six months ended 30 June	
		<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
		US\$'000	US\$'000	US\$'000	US\$'000
Revenue	2	101,836	146,168	203,986	293,006
Cost of sales		<u>(90,923)</u>	<u>(124,456)</u>	<u>(185,075)</u>	<u>(250,990)</u>
Gross profit		10,913	21,712	18,911	42,016
Interest income		161	867	384	1,885
Other income		(155)	1,957	(105)	4,820
Employee severance benefits		-	-	(5,058)	-
Selling and distribution costs		(1,645)	(2,268)	(3,411)	(4,274)
Administrative expenses		(4,340)	(6,344)	(9,002)	(12,895)
Research and development expenses		(1,313)	(2,665)	(3,490)	(4,999)
Finance costs		<u>(2,898)</u>	<u>(3,105)</u>	<u>(5,787)</u>	<u>(6,207)</u>
(Loss) profit before tax		723	10,154	(7,558)	20,346
Income tax expense	3	<u>(867)</u>	<u>(1,368)</u>	<u>(609)</u>	<u>(1,981)</u>
 (Loss) profit for the period Attributable to:					
Equity holders of the Company		<u>(144)</u>	<u>8,786</u>	<u>(8,167)</u>	<u>18,365</u>
Dividends paid	4	≡	<u>22,606</u>	≡	<u>22,606</u>
 (Loss) earnings per share for (loss) profit for the period attributable to equity holders of the Company					
- basic and diluted	5	<u>(0.02) US cent</u>	<u>1.00 US cent</u>	<u>(0.93) US cent</u>	<u>2.08 US cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

	At 30 June 2009	At 31 December 2008
	US\$'000	US\$'000
	(Unaudited)	(Audited)
Non-current assets		
Property, plant and equipment	137,609	137,015
Prepaid lease payments	15,318	15,489
Goodwill	74,437	74,437
Deposits paid for the acquisition of equipment	2,802	2,936
Other assets	320	320
Deferred tax assets	1,141	868
Intangible assets	3,610	4,325
	<u>235,237</u>	<u>235,390</u>
Current assets		
Inventories	16,224	27,300
Trade and other receivables	68,016	108,180
Prepaid lease payments	344	344
Entrusted loan receivable	8,199	8,199
Bank balances and cash	98,961	129,349
	<u>191,744</u>	<u>273,372</u>
Currents liabilities		
Trade and other payables	79,487	121,063
Taxation payable	530	850
Entrusted loan payable	8,199	8,199
Unsecured bank borrowings – due within one year	628	-
Loan from ultimate holding company - due within one year	25,953	51,905
Amount due to ultimate holding company	5,567	12,146
	<u>120,364</u>	<u>194,163</u>
Net current assets	<u>71,380</u>	<u>79,209</u>
Total assets less current liabilities	<u>306,617</u>	<u>314,599</u>
Non-current liabilities		
Loan from ultimate holding company - due after one year	259,525	259,525
Deferred tax liabilities	5,824	5,639
	<u>265,349</u>	<u>265,164</u>
Net assets	<u>41,268</u>	<u>49,435</u>
Capital and reserves		
Share capital	1,131	1,131
Reserves	40,137	48,304
	<u>41,268</u>	<u>49,435</u>
Equity attributable to equity holders of the Company	<u>41,268</u>	<u>49,435</u>
Minority interests	<u>-</u>	<u>-</u>
Total equity	<u>41,268</u>	<u>49,435</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the three months and six months ended 30 June 2009

1. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for available-for-sale investments which are measured at fair values.

The accounting policies adopted in the preparation of the condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 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 ⁵

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 Group.

The 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 Items 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

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

²Effective 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 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 position of the Group.

2. REVENUE

	Three months ended 30 June		Six months ended 30 June	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	US\$'000	US\$'000	US\$'000	US\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales of Flexible Printed Circuit modules	21,279	27,594	31,589	59,640
Sales of mobile phone accessories	13,726	27,049	28,231	55,780
Sales of home entertainment devices	1,044	27,088	13,657	53,056
Sales of educational products	7,948	12,833	12,689	20,546
Sales of LCD modules	36,686	22,729	78,402	48,442
Sales of LCD products	16,951	20,900	30,446	38,961
Sales of optical devices	3,788	6,422	7,731	13,503
Others	414	1,553	1,241	3,078
	<u>101,836</u>	<u>146,168</u>	<u>203,986</u>	<u>293,006</u>

3. TAXATION

	Three months ended 30 June		Six months ended 30 June	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	US\$'000	US\$'000	US\$'000	US\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
The charge (credit) comprises:				
The PRC enterprise income tax	530	1,116	651	1,869
Deferred tax (credit) expense	<u>337</u>	<u>252</u>	<u>(42)</u>	<u>112</u>
	<u>867</u>	<u>1,368</u>	<u>609</u>	<u>1,981</u>

The PRC subsidiaries of the Group in Shenzhen are subject to tax rate of 18%, 20%, 22%, 24% and 25% for the year ending 31 December 2008, 2009, 2010, 2011, 2012 onwards, respectively, under the new Law of the People's Republic of China ("PRC") on Enterprise Income Tax effective 1 January 2008.

Taxation arising in PRC is recognised based on management's best estimate of weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is 20% (2008: 18%) for the six months ended 30 June 2009.

The subsidiaries of the Company incorporated in Macao 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.

4. DIVIDENDS

	Three months ended 30 June		Six months ended 30 June	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	US\$'000	US\$'000	US\$'000	US\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Final paid – Nil (2008: 2.56 US cents per share)	=	<u>22,606</u>	=	<u>22,606</u>

Out of the 30 HK cents per share of the final dividend for 2007, the Company paid 20 HK cents per share in April 2008 to the shareholders of the Company whose names appeared on the register of members of the Company on 15 April 2008. The remaining 10 HK cents per share was paid on 28 August 2008.

The directors of the Company do not recommend the payment of an interim dividend for 2009.

5. EARNINGS PER SHARE

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

	Three months ended 30 June		Six months ended 30 June	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	US\$'000	US\$'000	US\$'000	US\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit for the period attributable to equity holders of the Company	<u>(144)</u>	<u>8,786</u>	<u>(8,167)</u>	<u>18,365</u>
	'000	'000	'000	'000
Number of ordinary shares for the purpose of basic and diluted earnings per share (Note)	<u>881,671</u>	<u>881,671</u>	<u>881,671</u>	<u>881,671</u>

Note: During each of the six months ended 30 June 2009 and 30 June 2008, the exercise of the share option is not considered in calculating the diluted earnings per share because they will not result in a decrease in earnings per share. Share options which were not dilutive in 2009 and 2008 may affect earnings per share in future periods.

As at the date of this announcement, the Executive Directors of the Company are Mr. Koo Ming Kown (Chairman and Chief Financial Officer) and Ms. Wong Kuen Ling, Karene (President & Chief Executive Officer), and the Independent Non-Executive Directors are Mr. Chan Tit Hee, Charles, Mr. Lai Kin Ki and Mr. Leung Wai Hung.

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

Hong Kong, 3 August 2009