

NAM TAI PROPERTY INC.  
Form 20-F  
March 14, 2016  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**Form 20-F**

(Mark one)

**REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

**OR**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 31, 2015**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**OR**

**SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report \_\_\_\_\_

Commission File Number: 001-31583

**Nam Tai Property Inc.**

(Exact name of registrant as specified in its charter)

**British Virgin Islands**

(Jurisdiction of incorporation or organization)

**Gushu Community,**

**Xixiang Street,**

**Baoan, Shenzhen,**

**People's Republic of China**

(Address of principal executive offices)

**Shan-Nen Bong, Chief Financial Officer**

**Gushu Community, Xixiang Street, Baoan, Shenzhen,**

**People's Republic of China**

**Tel: (755) 2749 0666; Fax: (755) 2747 2636;**

**E-mail: snbong@namtai.com.cn**

(Name, telephone, e-mail and/or facsimile number and address of company contact person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

**Title of Each Class**  
**Common shares, \$0.01 par value per share**

**Name of each exchange on which registered**  
**New York Stock Exchange**

**Securities registered pursuant to Section 12(g) of the Act.**

**None.**

**Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.**

**None.**

**As of December 31, 2015 there were 36,699,572 common shares of the registrant outstanding.**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.  Yes  No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP  International Financial Reporting Standards as issued  Other

by the International Accounting Standards Board

If "Other" has been checked, indicate by check mark which financial statement item the registrant has elected to follow:  Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No



**Table of Contents****Table of Contents**

<u>NOTE REGARDING USE OF FORWARD LOOKING STATEMENTS</u>	1
<u>FINANCIAL STATEMENTS AND CURRENCY PRESENTATION</u>	1
<u>INTRODUCTION</u>	1
<b><u>PART I</u></b>	2
ITEM 1. <u>IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS</u>	2
ITEM 2. <u>OFFER STATISTICS AND EXPECTED TIMETABLE</u>	2
ITEM 3. <u>KEY INFORMATION</u>	2
ITEM 4. <u>INFORMATION ON THE COMPANY</u>	16
ITEM 4A. <u>UNRESOLVED STAFF COMMENTS</u>	22
ITEM 5. <u>OPERATING AND FINANCIAL REVIEW AND PROSPECTS</u>	22
ITEM 6. <u>DIRECTORS AND SENIOR MANAGEMENT</u>	31
ITEM 7. <u>MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS</u>	39
ITEM 8. <u>FINANCIAL INFORMATION</u>	41
ITEM 9. <u>THE LISTING</u>	45
ITEM 10. <u>ADDITIONAL INFORMATION</u>	45
ITEM 11. <u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	52
ITEM 12. <u>DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES</u>	53
<b><u>PART II</u></b>	53
ITEM 13. <u>DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES</u>	53
ITEM 14. <u>MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS</u>	53
ITEM 15. <u>CONTROLS AND PROCEDURES</u>	54
ITEM 16 A. <u>AUDIT COMMITTEE FINANCIAL EXPERT</u>	56
ITEM 16 B. <u>CODE OF ETHICS</u>	56
ITEM 16 C. <u>PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	56
ITEM 16 D. <u>EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES</u>	57
ITEM 16 E. <u>PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS</u>	57
ITEM 16 F. <u>CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT</u>	58
ITEM 16 G. <u>CORPORATE GOVERNANCE</u>	58
ITEM 16 H. <u>MINE SAFETY DISCLOSURE</u>	58
<b><u>PART III</u></b>	58
ITEM 17. <u>FINANCIAL STATEMENTS</u>	58
ITEM 18. <u>FINANCIAL STATEMENTS</u>	58
<u>Index to Consolidated Financial Statements</u>	58
<u>REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	F-1
<u>CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME</u>	F-2
<u>CONSOLIDATED BALANCE SHEETS</u>	F-3
<u>CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY</u>	F-4
<u>CONSOLIDATED STATEMENTS OF CASH FLOWS</u>	F-5
ITEM 19. <u>EXHIBITS</u>	
<u>SIGNATURE</u>	

**CERTIFICATION PURSUANT TO SECTION 1350, AS ADOPTED PURSUANT TO SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002**

**CERTIFICATION PURSUANT TO RULE 13a-14(b) AND 18 U.S.C. SECTION 1350**

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**Table of Contents**

**NOTE REGARDING USE OF FORWARD LOOKING STATEMENTS**

This Annual Report on Form 20-F (this Report) contains forward-looking statements. Words such as aim, anticipate, believe, consider, continue, estimate, expect, forecast, going forward, intend, ought to, plan, propose, seek, may, might, can, could, will, would, shall, should, is / are likely to and the negative words and other similar expressions are intended to identify forward-looking statements. Forward-looking statements include information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, industry environment, potential growth opportunities, and the effects of future regulation and the effects of competition. We have based these forward-looking statements largely on our current beliefs, expectations and projections about future events and financial trends affecting our business. These statements are subject to many important factors, certain risks and uncertainties that could cause actual results to differ materially from those anticipated in the forward-looking statements. Factors that might cause such a difference include, but are not limited to those discussed in the section entitled Risk Factors under ITEM 3. Key Information.

You should not place undue reliance on forward-looking statements, which reflect management's view only as of the date of this Report. The Company undertakes no duty to update any forward-looking statement to conform the statement to actual results or changes in management's expectations. You should also carefully review the risk factors described in other documents the Company files from time to time with the U.S. Securities and Exchange Commission, which we refer to in this Report as the SEC.

**FINANCIAL STATEMENTS AND CURRENCY PRESENTATION**

The Company prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and publishes its financial statements in United States dollars.

**INTRODUCTION**

Except where the context otherwise requires and for purposes of this Report only:

we, us, our company, our, the Company and Nam Tai refer to Nam Tai Property Inc. and, in the context of describing our operations, also include our PRC operating companies;

Board and Board of Directors refers to the board of directors of our Company;

shares refer to our common shares, \$0.01 par value;

China or PRC refers to the People's Republic of China, excluding Taiwan, Hong Kong and Macao;

Taiwan refers to the Taiwan province of the People's Republic of China;

Edgar Filing: NAM TAI PROPERTY INC. - Form 20-F

Hong Kong refers to the Hong Kong Special Administrative Region of the People's Republic of China and HK\$ refers to the legal currency of Hong Kong;

Macao refers to the Macao Special Administrative Region of the People's Republic of China; and

all references to Renminbi, RMB or yuan are to the legal currency of China; all references to U.S. dollars, US\$ or \$ are to the legal currency of the United States.



**Table of Contents**

**PART I**

**ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS**

Not applicable to Nam Tai.

**ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE**

Not applicable to Nam Tai.

**ITEM 3. KEY INFORMATION**

Our historical consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States, or U.S. GAAP, and are presented in U.S. dollars. The following selected consolidated statements of income data for each of the three years in the period ended December 31, 2015 and the consolidated balance sheets data as of December 31, 2014 and 2015 are derived from our consolidated financial statements and notes thereto included in this Report. The selected consolidated statements of comprehensive income data for each of the two-year periods ended December 31, 2011 and 2012 and the consolidated balance sheets data as of December 31, 2011, 2012 and 2013 were derived from our audited financial statements, which are not included in this Report. The following data should be read in conjunction with the Section of the Report entitled ITEM 5. Operating and Financial Review and Prospects and our consolidated financial statements including the related footnotes which are included in the F pages of this Report immediately following page 58.

**Table of Contents****Selected Financial Information**

<b>Consolidated statements of comprehensive income data<sup>(1)</sup>:</b>	<b>Year ended December 31,</b>				
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<b>(in thousands, except per share data)</b>				
Rental income	\$ 27	\$ 92	\$ 136	\$ 2,341	\$ 2,978
Rental expenses		(62)	(68)	(1,073)	(1,949)
Net rental income	27	30	68	1,268	1,029
Cost and expenses:					
General and administrative expenses	(7,290)	(4,612)	(7,465)	(13,417)	(13,862)
Impairment loss on goodwill	(2,951)				
Operating loss	(10,214)	(4,582)	(7,397)	(12,149)	(12,833)
Other income (expenses), net	3,680	2,164	6,339	(2,379)	(7,389)
Interest income	2,676	2,037	4,939	9,173	8,054
Interest expenses				(61)	(360)
(Loss) income before income tax	(3,858)	(381)	3,881	(5,416)	(12,528)
Income tax credit (expense)	1,574	(2,501)	1,378		
(Loss) income from continuing operations, net of income tax	(2,284)	(2,882)	5,259	(5,416)	(12,528)
Income (loss) from discontinued operations, net of income tax	2,789	69,803	(4,962)	(20,172)	(630)
Consolidated net income (loss) attributable to Nam Tai shareholders	505	66,921	297	(25,588)	(13,158)
Other comprehensive income					
Consolidated comprehensive income (loss) attributable to Nam Tai shareholders	505	66,921	297	(25,588)	(13,158)
Earnings per share:					
Basic earnings per share					
Basic (loss) earnings per share from continuing operations	\$ (0.05)	\$ (0.06)	\$ 0.12	\$ (0.12)	\$ (0.31)
Basic earnings (loss) per share from discontinued operations	\$ 0.06	\$ 1.55	\$ (0.11)	\$ (0.46)	\$ (0.01)
Basic earnings (loss) per share	\$ 0.01	\$ 1.49	\$ 0.01	\$ (0.58)	\$ (0.32)
Diluted earnings per share					
Diluted (loss) earnings per share from continuing operations	\$ (0.05)	\$ (0.06)	\$ 0.12	\$ (0.12)	\$ (0.31)
Diluted earnings (loss) per share from discontinued operations	\$ 0.06	\$ 1.54	\$ (0.11)	\$ (0.46)	\$ (0.01)
Diluted net earnings (loss) per share	\$ 0.01	\$ 1.48	\$ 0.01	\$ (0.58)	\$ (0.32)
<b>Consolidated balance sheet data:</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<b>(in thousands, except per share data)</b>				
Cash and cash equivalents	118,510	157,838	68,707	212,760	157,371
Short term investments	34,825	49,824	201,565	85,295	49,983
Working capital <sup>(2)</sup>	275,651	313,909	316,478	280,159	226,568
Land use rights and property, plant and equipment, net	45,203	41,382	41,818	35,590	38,392
Current assets of discontinued operations	255,378	373,974	124,783	630	106
Total assets	457,743	636,044	494,419	367,753	271,480
Short-term debts				40,000	
Current liabilities of discontinued operations	119,492	243,760	126,412	173	160
Total shareholders' equity	322,206	362,792	363,390	316,952	265,565

Edgar Filing: NAM TAI PROPERTY INC. - Form 20-F

Common shares	448	448	453	426	367
Total dividend per share <sup>(3)</sup>	0.28	0.60	0.08	0.08	0.08
Total number of common shares issued	44,804	44,804	45,273	42,618	36,700

- (1) The Company's consolidated statements of comprehensive income from 2011 to 2013 have been adjusted according to the reclassified profit and loss resulting from discontinued operations.
- (2) Working Capital represents the excess of current assets over current liabilities.
- (3) For 2011, 2012, 2013, 2014 and 2015, the Company declared a dividend payable quarterly in 2012, 2013, 2014, 2015 and 2016, respectively. See the table entitled "Dividends declared for 2016" in ITEM 8. Financial Information Dividends on page 44 of this Report for the schedule of dividend payments for 2016.

## **Table of Contents**

### **Risk Factors**

*We may from time to time make written or oral forward-looking statements. Written forward-looking statements may appear in this document and other documents filed with the SEC, in press releases, in reports to shareholders, on our website, and other documents. The Private Securities Reform Act of 1995 contains a safe harbor for forward-looking statements on which the Company relies in making such disclosures. In connection with this safe harbor, we are hereby identifying important factors that could cause actual results to differ materially from those contained in any forward-looking statements made by us or on our behalf. Any such statements are qualified by reference to the following cautionary statements.*

*You should carefully consider each of the following risks and uncertainties associated with our company and the ownership of our securities. You should pay particular attention to the fact that we conduct substantially all of our operations in China and are governed by a legal and regulatory environment that differs significantly from that of the United States. Additional risks referred to elsewhere in this annual report, and other risks which are not currently known to us or that we currently deem immaterial may also have a material adverse impact on our business operations and financial condition.*

### **Risks Related to Our Business**

#### **A slow-down of economic growth in China may adversely affect our growth and financial performance.**

Our business is sensitive to the current China economic downturn. In recent years, the PRC economy has seen a slowdown related to the international financial crisis in 2008, and a slower growth in 2013, 2014 and 2015. For 2016, China's economic conditions remain uncertain and unpredictable. With the government lowering economic growth targets, some forecasters are predicting a significant slowdown.

The PRC economy also faces challenges in the short to medium term. Continued turbulence in the international markets and prolonged declines in consumer spending as well as any slowdown of economic growth in China may adversely affect our liquidity and financial condition, and significantly affect the demand for our commercial and residential units. A wide spread change in spending habits may also lead to tighter credit markets, drops in business and consumer confidence and dramatic changes in business and consumer behaviors. In response to the perceived uncertainty in China's economic conditions, commercial tenants could delay, reduce or cancel rental of office space, and homebuyers could also defer, reduce or cancel purchases of residential units, and thereby adversely affect our results of operations

#### **We may encounter difficulties in transforming our core business, which could adversely affect our growth and business prospects.**

We are a property development and management company located in Shenzhen, China. Prior to becoming a property development and management company, we were an electronic manufacturing service (EMS) company. In April 2014, we ceased our liquid crystal display modules (LCM) manufacturing business and turned our focus to re-developing two parcels of land in Gushu and Guangming, Shenzhen, China, by converting these two parcels of land that formally housed our manufacturing facilities into high-end commercial complexes.

Currently we focus our efforts on redeveloping these two parcels of land under the theme of "Smart Complex" where innovative intelligent equipment and facilities along with up-to-date technologies will be deployed for the buildings within the two complexes designated as "Namtai Inno City" and "Namtai Inno Park", respectively. Upon the completion of the development, we will become the landlord and manager of the commercial complexes and, as a result of which,

our core business will be transformed from the EMS industry to property development and management. During this transition development period, all overheads expenses, development costs and dividend will be funded from interest income, rental income together with our cash on hand and bank facilities, which we believe will be sufficient. Subsequently, we believe our principal income in the future will be derived from the rental income from the commercial complexes.

We cannot assure you that we will be able to obtain all requisite permits and approvals from relevant government authorities in relation to the redevelopment of the land, or to successfully redevelop the two parcels of land and the development of these real estate projects is subject to significant risks and uncertainties, including without limitation the following:

we do not currently have strong brand recognition or relationships in the real estate development and management business;

we may not be able to obtain all necessary government approvals or all requisite permits and approvals from relevant government authorities in relation to the redevelopment of the land, or to successfully redevelop the two parcels of land for our property development projects in a timely manner or at all;

we face intense competition from real estate developers that are already in the business for years;

## **Table of Contents**

our experience and expertise gained from EMS business may not be highly relevant or applicable to real estate development and management business; and

we may not be able to generate enough revenues to offset our costs in our real estate development and management business.

If we are not successful in development of our two property development projects, our growth, business, financial condition and results of operations could be adversely affected.

### **We may not be able to compete successfully against our current or future competitors.**

Some of our current and future competitors have competitive advantages over us, including more well-known brands, new and different business models, lower cost, larger customer bases, more experience in real estate development and greater financial, marketing, technology, human resources, and other expertise and resources. We cannot assure that we will always be able to successfully compete against our current or future competitors. If we are unable to compete successfully with our current or future competitors, our business, financial condition and results of operations could be adversely affected.

### **We may not have adequate financing, whether through bank loans or other arrangements, to fund our property developments, and such capital resources may not be available on commercially reasonable terms, or at all.**

As we transform our core business from the EMS industry to property development and management, we must make significant investments in property developments. Property development is capital intensive. We plan to finance our property developments with interest income together with our cash on hand and bank facilities. We cannot assure you that we will be able to generate sufficient interest income or those banks or other lenders will grant us sufficient financings in the future as we expect. There are certain PRC laws and regulations which govern financing policies on PRC financial institutions for the property development sector and tighten the criteria for banks to provide loans to property development enterprises. The PRC government may further tighten financing policies on PRC financial institutions for the property development sector. These property-related financing policies may limit our ability and flexibility to use bank borrowings to finance our property development projects and therefore may require us to maintain a relatively high level of internally generated cash.

### **We may fail to obtain, or experience material delays in obtaining, requisite certificates, licenses, permits or governmental approvals for our property developments, and as a result our development plans, business, results of operations and financial condition may be materially and adversely affected.**

Currently, we have two properties planned for development, including: (i) the site of our existing Shenzhen manufacturing facilities in Gushu of approximately 0.6 million square feet, which we have named Namtai Inno City ; and (ii) the raw land of approximately 1.1 million square feet in the Guangming Hi-Tech Industrial Park, which we have named Namtai Inno Park . We plan to develop them under the theme of Smart Complex where innovative intelligent equipment and facilities along with up-to-date technologies will be deployed for the buildings within the complexes. Upon the completion of development of these two parcels of land, we will become the landlord and manager of the commercial complexes and, as a result of which, our core business will be transformed from the EMS industry to property development and management.

Property development in the PRC is heavily regulated. Property developers in China must abide by various laws and regulations, including implementation rules promulgated by local governments to enforce these laws and regulations.

During various stages of our property development projects, we are required to obtain and maintain various certificates, licenses, permits, certificates and governmental approvals, including but not limited to qualification certificates, land use rights certificates, construction land planning permits, construction work planning permits, construction works commencement permits, pre-sale permits and completion certificates. Before the government authorities issue any certificate, license or permit, we must also meet specific conditions. We cannot assure you that we will be able to adapt to new PRC land policies that may come into effect from time to time with respect to the property development industry or that we will not encounter other material delays or difficulties in fulfilling the necessary conditions to obtain all necessary certificates, licenses or permits for our property developments in a timely manner, or at all, in the future. If we fail to obtain or encounter significant delays in obtaining the necessary certificates, licenses or permits we will not be able to continue with our development plans, and our business, results of operations and financial condition may be adversely affected.

**We may be unable to complete our property developments on time or at all.**

The progress and costs for a development project can be adversely affected by many factors, including, without limitation:

delays in obtaining necessary licenses, permits or approvals from government agencies or authorities;

failure by our third-party contractors to comply with our designs, specifications or standards;

difficult geological situations or other geotechnical issues;

## **Table of Contents**

onsite labor disputes or work accidents; and

natural catastrophes or adverse weather conditions, including strong winds, storms, floods, and earthquakes. Any construction delays, or failure to complete a project according to our planned specifications or budget, may delay our property leasing timetable, which could adversely affect our revenues, cash flows and our reputation.

### **Increases in the price of raw materials or labor costs and the fluctuation of real estate prices in China, generally, and in Shenzhen, particularly may increase our cost of sales and reduce our revenues and earnings.**

We outsource the design and construction of our projects to third-party service providers or contractors. Any increase in labor costs or other construction related costs may result in an increase in our construction costs. In the event that the price of any raw materials, including cement, concrete blocks and bricks, increase in the future, such increase could be passed on to us by our contractors, and our construction costs would increase accordingly. The increase in construction cost will inevitably increase our cost of sales which in turn will reduce our earnings from both renting or selling of the properties in the future. Our future revenues and earnings from renting or selling of properties are subject to the fluctuation of the real estate prices in China, in particularly in Shenzhen.

### **We may be required to write down our long-lived assets and assets held for sale, which could result in a significant impairment charge that would adversely affect our operating results.**

As of December 31, 2015, we had \$38.4 million in long-lived assets and \$20.3 million in assets held for sale on our balance sheet. The valuation of our long-lived assets and assets held for sale requires us to make assumptions about future interest income. Our assumptions are used to forecast future undiscounted cash flows. Given the current economic environment, uncertainties regarding the duration and severity of these conditions, forecasting future business is difficult and subject to modification. If actual market conditions differ or our forecasts change, we may be required to reassess long-lived assets and we may have to record an impairment charge. Any impairment charge relating to long-lived assets would have the effect of decreasing our earnings or increasing our losses in such period. If we are required to take a substantial impairment charge, our operating results could be materially adversely affected in the periods and year in which the charge is incurred.

### **Our insurance coverage may not be sufficient to cover our potential liability or losses and as a result our business, results of operations and financial condition may be materially and adversely affected.**

We face risks during our transition to the property development and management business. Although we currently maintain property insurance for our buildings in the PRC and public liability insurance for our Shenzhen manufacturing facilities and our Wuxi manufacturing facilities, these insurances may not be adequate for either our existing core business or the business we plan to enter into in the future. In the event of certain incidents such as major earthquakes, hurricanes, tsunamis, war, acts of terrorism, pandemics and flood, and their consequences, we may not be covered adequately, or at all, by our insurance, as a result of which our business, results of operations and financial condition may be materially and adversely affected.

### **The PRC legal system has inherent uncertainties that could materially and adversely impact our ability to enforce the agreements governing our properties and their development and to do business.**

We occupy our manufacturing facilities under China land use agreements with agencies of the PRC government. Our operations depend on our relationship with the local governments in the regions which our facilities are located. Our



operations and prospects could be materially and adversely affected by the failure of the local government to honor these agreements or an adverse change in the law governing them. In the event of a dispute, enforcement of these agreements could be difficult in China. Unlike the United States, China has a civil law system based on written statutes in which judicial decisions have limited precedential value. The government of China has enacted laws and regulations dealing with economic matters such as corporate organization and governance, foreign investment, commerce, taxation and trade. However, its experience in implementing, interpreting and enforcing these laws and regulations is limited, and our ability to enforce commercial claims or to resolve commercial disputes in China is unpredictable. These matters may be subject to the exercise of considerable discretion by agencies of the PRC government, and forces and factors unrelated to the legal merits of a particular matter or dispute may influence their determination.

**Changes to PRC tax laws and heightened efforts by the PRC's tax authorities to increase revenues have subjected us to greater taxes.**

Under PRC law before 2008, we were afforded a number of tax concessions by, and tax refunds from, China's tax authorities on a substantial portion of our operations in China by reinvesting all or part of the profits attributable to our PRC manufacturing operations. However, on March 16, 2007, the PRC government enacted a unified enterprise income tax law or EIT, which became effective on January 1, 2008. Prior to the EIT, as a foreign invested enterprise, or FIE, located in Shenzhen, China, our PRC subsidiaries enjoyed a national income tax rate of 15% and were exempted from the 3% local income tax. The preferential tax treatment given to our subsidiaries in the PRC as a result of reinvesting their profits earned in previous years in the PRC also expired on January 1, 2008. Under the EIT, most domestic enterprises and FIEs are subject to a single PRC enterprise income tax rate of 25% from 2012 onwards. For information on the EIT rates as announced by the PRC's State Council for the transition period until year 2013, please see the table in ITEM 5. Operating and Financial Review and Prospects on page 22 of this Report.

---

**Table of Contents**

We base our tax position upon the anticipated nature and conduct of our business and upon our understanding of the tax laws of the various administrative regions and countries in which we have assets or conduct activities; however, our tax position is subject to review and possible challenge by taxing authorities and to possible changes in law, which may have retroactive effect. According to Circular of the State Administration of Taxation on Issues Related to the End of Various Preferential Tax Policies for Foreign and Foreign-Invested Enterprises (STA [2008] No. 23) published by the State Administration of Taxation of the PRC) on February 27, 2008, a FIE may be required to pay back the taxes previously exempted as a result of the preferential tax treatment enjoyed in accordance with the Income Tax Law of People's Republic of China for Foreign Investment Enterprises and Foreign Enterprise, if such FIE no longer meets the conditions for preferential tax treatment after 2008 due to a change in its nature of business or if the term of its business operation is determined to be less than ten years since its inception. As we have ceased our production operations at all our manufacturing facilities and are transforming from the EMS industry to property development and management, our tax position may be subject to review by relevant taxing authorities, and we cannot determine in advance whether, or the extent to which such tax policy may require us to pay taxes or make payments in lieu of taxes.

**We may be deemed to be an investment company under the United States Investment Company Act of 1940, which could have a significant negative impact on our results of operations.**

We may be deemed to be an investment company under the United States Investment Company Act of 1940 (the 1940 Act), and may suffer adverse consequences as a result. Generally, the 1940 Act provides that a company is an investment company if the company (i) is, holds itself out as or proposes to be engaged primarily in the business of investing, reinvesting or trading in securities or (ii) is engaged or proposes to engage in the business of investing, reinvesting, owning, holding or trading in securities and owns or proposes to acquire investment securities having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities or cash items) on an unconsolidated basis. For purposes of the foregoing test, investment securities include, among other things, securities of non-majority owned businesses.

Due to deteriorating business condition, we ceased our original core business of LCM production in April 2014, and we transformed our core business from the EMS industry to property development and management. In addition, we also completed the sale of all of our EMS manufacturing equipment as of September 2014 to third parties and our last remaining production line in Wuxi had been removed in September 2014. As a result of these transactions, we have a significant amount of cash. See ITEM 4. Information on the Company - Historical Business Overview for additional information. Consequently, there is a risk that we could be deemed to be an investment company.

We intend to continue to conduct our businesses and operations so as to avoid being deemed to be an investment company. If, nevertheless, we were deemed to be an investment company, because we are a foreign company, in the absence of a grant by SEC of an exemptive order permitting us to register under the 1940 Act, the 1940 Act would prohibit us and any person deemed to be an underwriter of our securities from offering for sale, selling or delivering after sale, in connection with a public offering, any security issued by the Company in the United States. Additionally, we may be unable to continue operating as we currently do and might need to acquire or sell assets that we would not otherwise acquire or sell in order to avoid being treated as an investment company as defined under the 1940 Act. We may incur significant costs and management time in this regard, which could have a significant negative impact on our results of operations.

**We believe we were a passive foreign investment company for 2015 and we may be a passive foreign investment company for 2016, which could result in adverse U.S. federal income tax consequences for U.S. investors.**

The determination of whether we are a passive foreign investment company, or PFIC, in any taxable year is made on an annual basis after the close of that year and depends on the composition of our income and the nature and value of

our assets, including goodwill. Specifically, we will be classified as a PFIC if, after applying relevant look-through rules with respect to the income and assets of subsidiaries, either (i) 75% or more of our gross income for such taxable year is passive income (the PFIC income test ), or (ii) 50% or more of the value of our assets (based on an average of the quarterly values of the assets during such year) is attributable to assets that either produce passive income or are held for the production of passive income (the PFIC asset test ).

---

**Table of Contents**

We believe we were a PFIC for U.S. federal income tax purposes for 2015 based on both the PFIC income test and the PFIC asset test. The PFIC asset test requires a determination of the fair market value of each asset and a determination of whether such asset produces or is held for the production of passive income and involves complex legal issues. We have not made a determination of the fair market value of our assets for 2015 or currently in 2016, and we cannot anticipate our market capitalization for 2016. Accordingly, we may be treated as a PFIC for 2016 under the PFIC asset test, or under the PFIC income test, or both. Our characterization as a PFIC during any year could result in adverse U.S. federal income tax consequences for U.S. investors. For example, if we were a PFIC in 2015 or in any other taxable year, U.S. investors who owned our common shares generally would be subject to increased U.S. tax liabilities and reporting requirements.

Given the complexity of the issues regarding our classification as a PFIC, U.S. investors are urged to consult their own tax advisors for guidance as to our PFIC status. For further discussion of the adverse U.S. federal income tax consequences arising from the classification as a PFIC see [Taxation United States Federal Income Tax Consequences](#) beginning on page 48 of this Report.

**Changes in foreign exchange regulations of China could adversely affect our operating results.**

Some of our earnings are denominated in yuan, the base unit of the RMB. The People's Bank of China and the State Administration of Foreign Exchange (SAFE) regulate the conversion of RMB into foreign currencies. Under the current unified floating exchange rate system, the People's Bank of China publishes a daily exchange rate for RMB based on the previous day's dealings in the inter-bank foreign exchange market. Financial institutions may enter into foreign exchange transactions at exchange rates within an authorized range above or below the exchange rate published by the People's Bank of China according to the market conditions. Since 1996, the PRC government has issued a number of rules, regulations and notices regarding foreign exchange control designed to provide for greater convertibility of RMB. Under such regulations, any FIE must establish a current account and a capital account with a bank authorized to deal in foreign exchange. Currently, FIEs are able to exchange RMB into foreign exchange currencies at designated foreign exchange banks for settlement of current account transactions, which include payment of dividends based on the board resolutions authorizing the distribution of profits or dividends of the company concerned, without the approval of SAFE. Conversion of RMB into foreign currencies for capital account transactions, which include the receipt and payment of foreign currencies for loans and capital contributions, continues to be subject to limitations and requires the approval of SAFE. There can be no assurance that we will be able to obtain sufficient foreign currencies to make relevant payments or satisfy other foreign currency requirements in the future.

**Changes in currency exchange rates involving the RMB have and could continue to significantly affect our financial results.**

For the year of 2014 and earlier, our functional currencies are U.S. dollars and Hong Kong dollars. Our financial results have been affected by currency fluctuations, resulting in total foreign exchange gains and losses.

Effective from April 1, 2015, the Company's subsidiaries in China changed their functional currency from the U.S. dollar to the Renminbi. This change was made upon the progress of the property development projects in China causing the Company's subsidiaries primary operating activities to be in Renminbi and making the entities primarily generate and expend cash in Renminbi. The reporting currency is U.S. dollars. The fluctuation of foreign exchange rate will affect the amount for translation the financial statement in function currency to reporting currency and the impact was recorded in other comprehensive income (loss) in the equity.

**Our declaration and payment of dividends is not assured. Although our Board has decided dividends for 2012, 2013, 2014, 2015 and 2016, we may not declare or pay dividends thereafter.**

We decided the payment of quarterly dividends of \$0.07, \$0.15, \$0.02, \$0.02 and \$0.02 per share for 2012, 2013, 2014, 2015 and 2016, respectively. The payment of dividends in 2012, 2013, 2014, 2015 and 2016 does not necessarily mean that dividend payments will continue thereafter. Whether future dividends after 2016 will be declared will depend on our future growth and earnings at each relevant period, of which there can be no assurance, and our cash flow needs for our business transformation. Accordingly, there can be no assurance that cash dividends on the Company's common shares will be declared beyond those declared for 2016, what the amounts of such dividends will be or whether such dividends, once declared for a specific period, will continue for any future period, or at all. For additional information on the dividends we have declared for 2015 and historically, please see ITEM 8. Financial Information – Dividends on page 44 of this Report.

**Payment of dividends by our subsidiaries in the PRC to our subsidiaries outside of the PRC and to us, as the ultimate parent, is subject to restrictions under PRC law. If we determine to continue our payment of dividends to our shareholders, the PRC tax law could force us to reduce the amount of dividends we have historically paid to our shareholders or possibly eliminate our ability to pay any dividends at all.**

Under PRC law, dividends may only be paid out of distributable profits. Distributable profits with respect to our subsidiaries in the PRC refers to after-tax profits as determined in accordance with accounting principles and financial regulations applicable to PRC enterprises ( PRC GAAP ) less any recovery of accumulated losses and allocations to statutory funds that we are required to make. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years. The calculation of distributable profits under PRC GAAP differs in many respects from the calculation under U.S. GAAP. As a result, our subsidiaries in PRC may not be able to pay a dividend in a given year as determined under U.S. GAAP. China's tax authorities may also change the determination of income which would limit our PRC subsidiaries' ability to pay dividends and make other distributions.

## **Table of Contents**

Prior to the EIT law, which became effective on January 1, 2008, PRC-organized companies were exempt from withholding taxes with respect to earnings distributions, or dividends, paid to shareholders of PRC companies outside the PRC. However, under the new EIT Law, dividends payable to foreign investors which are derived from sources within the PRC will be subject to income tax at the rate of 5% to 15% by way of withholding unless the foreign investors are companies incorporated in countries which have tax treaty agreements with the PRC and then the rate agreed by both parties will be applied. For example, under the terms of the tax treaty between Hong Kong and the PRC, which became effective in December 2006, distributions from our PRC subsidiaries to our Hong Kong subsidiary, will be subject to a withholding tax at a rate ranging from 5% to 10%, depending on the extent of ownership of equity interests held by our Hong Kong subsidiary in our PRC enterprises. As a result of this new PRC withholding tax, amounts available to us in earnings distributions from our PRC enterprises will be reduced. Since we derive most of our profits from our subsidiaries in PRC, the reduction in amounts available for distribution from our PRC enterprises could, depending on the income generated by our PRC subsidiaries, force us to reduce, or possibly eliminate, the dividends we have paid to our shareholders historically. For this reason, or other factors, we may decide not to declare dividends in the future. If we do pay dividends, we will determine the amounts when they are declared and even if we do declare dividends in the future, we may not continue them in any future period.

### **The market price of our shares will likely be subject to substantial price and volume fluctuations.**

The markets for equity securities have been volatile and the price of our common shares has been and could continue to be subject to wide fluctuations in response to variations in our operating results, news announcements, trading volume, sales of common shares by our officers, directors and our principal shareholders, customers, suppliers or other publicly traded companies, general market trends both domestically and internationally, currency movements and interest rate fluctuations. Other events, such as the issuance of common shares upon the exercise of our outstanding stock options could also materially and adversely affect the prevailing market price of our common shares.

Further, the stock markets have often experienced extreme price and volume fluctuations that have affected the market prices of the equity securities of many companies and that have been unrelated or disproportionate to the operating performance of such companies. These fluctuations may materially and adversely affect the market price of our common shares.

### **Our senior management owns a large portion of our common stock allowing them to control or substantially influence the outcome of matters requiring shareholder approval.**

On January 31, 2016, members of our senior management and our Board of Directors as a group beneficially owned approximately 36.4% of our common shares. As a result, acting together, they may be able to control and substantially influence the outcome of all matters requiring approval by our shareholders, including the election of directors and approval of significant corporate transactions. This ability may have the effect of delaying or preventing a change in control of Nam Tai, or causing a change in control of Nam Tai that may not be favored by our other shareholders.

### **Regulatory initiatives in the United States, such as the Dodd-Frank Act and the Sarbanes-Oxley Act have increased, and may continue to increase the time and costs of being a U.S. public company and any further changes would likely continue to increase our costs.**

In the United States, changes in corporate governance practices due to the Dodd-Frank Act and the Sarbanes-Oxley Act, changes in the continued listing rules of the New York Stock Exchange, new accounting pronouncements and new regulatory legislation, rules or accounting changes have increased our cost of being a U.S. public company and may have an adverse impact on our future financial position and operating results. These regulatory changes and other

legislative initiatives have made some activities more time-consuming and have increased financial compliance and administrative costs for public companies, including foreign private issuers like us. In addition, any future changes in regulatory legislation, rules or accounting may cause our legal and accounting costs to further increase. These new rules and regulations require increasing time commitments and resource commitments from our company, including from senior management. This increased cost could negatively impact our earnings and have a material adverse effect on our financial position results of operations.

**Table of Contents**

**Due to inherent limitations, there can be no assurance that our system of disclosure and internal controls and procedures will be successful in preventing all errors or fraud, or in informing management of all material information in a timely manner.**

Our management, including the Chief Executive Officer and the Chief Financial Officer, does not expect that our disclosure controls and internal controls and procedures will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system reflects that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been or will be detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur simply because of error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control.

The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, a control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur or may not be detected.

**There are inherent uncertainties involved in estimates, judgments and assumptions used in the preparation of financial statements in accordance with U.S. GAAP. Any changes in estimates, judgments and assumptions could have a material adverse effect on our business, financial position and results of operations.**

The consolidated financial statements included in the periodic reports we file with the SEC are prepared in accordance with U.S. GAAP. The preparation of financial statements in accordance with U.S. GAAP involves making estimates, judgments and assumptions that affect reported amounts of assets (including intangible assets), liabilities and related reserves, revenues, expenses and income. Estimates, judgments and assumptions are inherently subject to changes in the future, and any such changes could result in corresponding changes to the amounts of assets, liabilities, revenues, expenses and income. Any such changes could have a material adverse effect on our financial position and results of operation.

**It may be difficult to serve us with legal process or enforce judgments against our management or us.**

We are a British Virgin Islands holding corporation with subsidiaries in Hong Kong and China. Substantially, all of our assets are located in the PRC. In addition, most of our directors and executive officers reside within the PRC or Hong Kong, and substantially all of the assets of these persons are located within the PRC or Hong Kong. It may not be possible to affect service of process within the United States or elsewhere outside the PRC or Hong Kong upon our directors, or executive officers, including effecting service of process with respect to matters arising under United States federal securities laws or applicable state securities laws. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States and many other countries. As a result, recognition and enforcement in the PRC of judgments of a court in the United States or many other jurisdictions in relation to any matter, including securities laws, may be difficult or impossible. An original action may be brought against our assets and our subsidiaries, our directors and executive officers in the PRC only if the actions are not required to be arbitrated by PRC law and only if the facts alleged in the complaint give rise to a cause of action under PRC law. In connection with any such original action, a PRC court may award civil liability, including monetary damages.



No treaty exists between Hong Kong or the British Virgin Islands and the United States providing for the reciprocal enforcement of foreign judgments. However, the courts of Hong Kong and the British Virgin Islands are generally prepared to accept a foreign judgment as evidence of a debt due. An action may then be commenced in Hong Kong or the British Virgin Islands for recovery of this debt. A Hong Kong or British Virgin Islands court will only accept a foreign judgment as evidence of a debt due if:

the judgment is for a liquidated amount in a civil matter;

the judgment is final and conclusive;

the judgment is not, directly or indirectly, for the payment of foreign taxes, penalties, fines or charges of a like nature (in this regard, a Hong Kong court is unlikely to accept a judgment for an amount obtained by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damage sustained by the person in whose favor the judgment was given);

the judgment was not obtained by actual or constructive fraud or duress;

the foreign court has taken jurisdiction on grounds that are recognized by the common law rules as to conflict of laws in Hong Kong or the British Virgin Islands;

the proceedings in which the judgment was obtained were not contrary to natural justice (i.e. the concept of fair adjudication);

**Table of Contents**

the proceedings in which the judgment was obtained, the judgment itself and the enforcement of the judgment are not contrary to the public policy of Hong Kong or the British Virgin Islands;

the person against whom the judgment is given is subject to the jurisdiction of a foreign court; and

the judgment is not on a claim for contribution in respect of damages awarded by a judgment, which fall under Section 7 of the Protection of Trading Interests Ordinance, Chapter 7 of the Laws of Hong Kong. Enforcement of a foreign judgment in Hong Kong or the British Virgin Islands may also be limited or affected by applicable bankruptcy, insolvency, liquidation, arrangement and moratorium, or similar laws relating to or affecting creditors' rights generally, and will be subject to a statutory limitation of time within which proceedings may be brought.

**Future issuances of preference shares could materially and adversely affect the holders of our common shares or delay or prevent a change of control.**

Our board of directors may amend our Memorandum and Articles of Association without shareholder approval to create from time to time, and issue, one or more classes of preference shares (which are analogous to preferred stock of corporations organized in the United States). While we have never issued any preference shares and we have none outstanding, we could issue preference shares in the future. Future issuance of preference shares could materially and adversely affect the rights of the holders of our common shares, or delay or prevent a change of control.

**Our status as a foreign private issuer in the United States exempts us from certain of the reporting requirements under the Securities Exchange Act of 1934, and corporate governance standards of the New York Stock Exchange, or NYSE limiting the protections and information afforded to investors.**

We are a foreign private issuer with the meaning of the rules under the Securities Exchange Act of 1934, as such we are exempt from certain provisions applicable to U.S. domestic public company.

Because we qualify as a foreign private issuer under the Securities Exchange Act of 1934, we are exempt from certain provisions of the securities rules and regulations in the United States that are application to U.S. domestic issuers, including :

the rules under the Securities Exchange Act of 1934 requiring the filing with the SEC of quarterly reports on Form 10-Q, current reports on Form 8-K or annual reports on Form 10-K;

the section of the Securities Exchange Act of 1934 regulating the solicitation of proxies, consents or authorizations respect of a security registered under the Exchange Act;

the section of the Securities Exchange Act of 1934 requiring directors, officers and 10% holders to file public reporting of their stock ownership and trading activities and imposing liability on insiders who profit from trades made in a short period of time;

the selective disclosure rules under Regulation FD restricting issuers from selectively disclosing material nonpublic information; and

the sections of the Securities Exchange Act of 1934 requiring insiders to file public reports of their stock ownership and trading activities and establishing insider liability for profits realized from any short-swing trading transaction (i.e. a purchase and sale, or sale and purchase, of the issuer's equity securities within less than six months).

In addition, because the Company is a foreign private issuer, certain corporate governance standards of the NYSE that are applied to domestic companies listed on that exchange may not be applicable to us. For information regarding whether our corporate governance standards differ from those applied to U.S. domestic issuers, see the discussion under NYSE listed Company Manual Disclosure in ITEM 6. Directors and Senior Management of this Report.

Because of these exemptions, investors are not afforded the same protections or information generally available to investors holding shares in public companies organized in the United States or traded on the NYSE. See footnote \* on page 34 of this Report under the heading Compensation on an Individual Basis for information and risks associated with disclosures we have made in this Report or may make in our proxy statements regarding compensation we have paid to our directors and senior managers on an individual basis.

## **Table of Contents**

### **PRC Regulations on Real Estate Development and Management**

The PRC government regulates the real estate industry. This section summarizes the principal PRC regulations relating to our business.

We operate our business in China under a legal regime consisting of the National People's Congress, State Council, which is the highest authority of the executive branch of the PRC central government, and several ministries and agencies under its authority, including the Ministry of Housing and Urban-Rural Development, or the MOHURD, the Ministry of Land and Resources, or the MLR, the Ministry of Commerce, or the MOFCOM, the National Development and Reform Commission, or the NDRC, the State Administration for Industry and Commerce, or the SAIC, and the State Administration of Foreign Exchange, or the SAFE, and their respective authorized local counterparts.

#### *Regulations on Land*

The Law of the PRC on Land Administration, promulgated on June 25, 1986 and amended on August 28, 2004 by the Standing Committee of National People's Congress, distinguishes between the ownership of land and the right to use land. All land in the PRC is either state-owned or collectively-owned, depending on location. Generally, land in urban areas within a city or town is state-owned, and all land in the rural areas of a city or town and all rural land, unless otherwise specified by law, are collectively-owned.

Although all land in the PRC is owned by the governments or by the collectives, private individuals and businesses are permitted to hold, lease and develop land for a specified term without ever owning the land, the duration of which depends on the use purpose of the land. These rights to use land are termed land use rights.

Under the Interim Regulations of the PRC on Grant and Transfer of the Right to Use State-owned Land in Urban Areas, promulgated on and effective as of May 19, 1990 by the State Council, enterprises, companies and other organizations who intend to hold, lease and develop the land, or Land Users, pay a premium to the government as consideration for the grant of the land use rights on terms of use prescribed by the government, and a Land User may transfer, lease and mortgage or otherwise commercially exploit the land use rights within such terms of use. The land administration authority enters into a contract with the Land User for grant of the land use rights. The Land User pays the grant premium as stipulated in the grant contract. After paying the grant premium in full, the Land User registers with the land administration authority and obtains a land use rights certificate. The certificate evidences the acquisition of the land use rights.

The Property Law of the PRC, or the Property Law, promulgated on March 16, 2007 and effective as of October 1, 2007, further clarified land use rights in the PRC with the following rules:

the land use rights for residences will be automatically renewed upon expiry;

the car parks and garages within the building area planned for vehicle parks must be used to meet the needs of the owners who live in the building first;

the construction of buildings must abide by relevant laws and regulations with regard to the construction planning and may not affect the ventilation of or lighting to the neighboring buildings; and

where the land use rights for construction use are transferred, exchanged, used as a capital contribution, donated to others or mortgaged, an application for modification registration must be filed with the registration department.

*Regulations on Development of a Real Estate Project*

*Commencement of a Real Estate Project and the Idle Land*

According to the *Circular on the Implementation of the Catalog for Restricted Land Use Projects* (2012 Edition) and the *Catalogue for Prohibited Land Use Projects* (2012 Edition) promulgated by the MLR and the NDRC in May 2012, the area of a plot of land to be granted for residential use may not exceed (i) seven hectares for small cities and towns, (ii) 14 hectares for medium-sized cities or (iii) 20 hectares for large cities. The plot area ratio for residential land should not be lower than 1.0. However, no land may be granted for villa real estate projects.

Under the Urban Real Estate Law, those who have obtained the land use rights through grant must develop the land in accordance with the terms of use and within the period of commencement prescribed in the contract for the land use rights grant.

## **Table of Contents**

According to the *Measures on Disposing Idle Land* promulgated by the MLR and effective as of April 28, 1999, as amended on May 22, 2012 and effective July 1, 2012, with regards to the land for a real estate project that is obtained by grant and is within the scope of city planning, if the construction work has not been commenced within one year upon the commencement date as set forth in the land use rights grant contract, or the construction and development has been started but the area of land that is under construction and development is less than one third of the total area of land that should have been under construction and development, or the invested amount is less than 25% of the total investment, and the construction and development of which has been suspended for more than one year, a surcharge on idle land equivalent to 20% of the grant premium may be levied; if the construction work has not been commenced within two years, the land can be confiscated without any compensation, unless the delay is caused by force majeure, or the acts of government or acts of other relevant departments under the government, or by indispensable preliminary work.

The *Emergency Notice on Further Tightening the Administration on Real Estate Land Use and Reinforcing the Control Results of Real Estate Market* promulgated on July 19, 2012, requires that the *Measures on Disposing Idle Land* be strictly implemented, and the land authority dispose of, case by case, idle land and publish related information on the website designated by the MLR. With regard to land users who have committed acts such as failing to make payments for land grants, leaving land idle, hoarding land, land speculation, developing land in excess of its actual development capacity, or failing to fulfill the land use contract, they may be prohibited by the land authority from participating in land auctions for a certain period of time.

### *Planning of a Real Estate Project*

The Law of the PRC on Urban and Rural Planning, promulgated by the National People's Congress on October 28, 2007 and effective as of January 1, 2008, replacing the previous City Planning Law of the PRC, provides that a developer who has obtained land use rights by grant must, after obtaining approval for a construction project and signing a land use rights grant contract, apply to the city planning authority for the Permit for Construction Site Planning.

It further provides that a developer who has a proposed construction project within the planning area of a city or town must, after obtaining a Permit for Construction Site Planning, prepare the necessary planning and design work, and submit the detailed planning and design report, together with the land use rights certificate, to the city planning authority or the town government designated by the provincial government, and apply for the Permit for Construction Work Planning.

### *Construction of a Real Estate Project*

On June 25, 2014, the MOHURD promulgated the Measures for the Administration of Construction Permits for Construction Projects, superseding its 1999 version. Under the new measures, after having obtained a Permit for Construction Work Planning, a developer needs to file an application for a Construction Permit with the local construction authority above the county level.

### *Completion of a Real Estate Project*

According to the Development Regulations and the Interim Provisions on the Acceptance Examination Upon the Completion of construction work and Municipal Infrastructure promulgated on June 30, 2000 by the MOHURD and effective as of June 30, 2000, as amended on October 19, 2009, and the Interim Measures for Reporting Details Regarding Acceptance Examination Upon Completion of construction work and Municipal Infrastructure promulgated on April 7, 2000 by the MOHURD and amended on October 19, 2009, a real estate project must comply with the

relevant laws and other regulations, requirements on construction quality, safety standards and technical guidance on survey, design and construction work, as well as provisions of the relevant construction contract.

After the completion of works for a project, the developer must apply for an acceptance examination to the construction authority and must also report details of the acceptance examination to the construction authority. A real estate development project may only be delivered after passing the inspection and acceptance examination.

*Lease*

Under the Urban Real Estate Law and the Measures for Administration of Leases of Commodity Properties promulgated by the MOHURD on December 1, 2010 and effective as of February 1, 2011, the parties to a lease of a building are required to enter into a lease contract in writing. When a lease contract is signed, amended or terminated, the parties must register the details with the real estate administration authority in which the building is situated.

## Table of Contents

### *Regulations on Environmental Protection in Construction Projects*

Under the Regulations on the Administration of Environmental Protection in Construction Project, or Environmental Regulations, promulgated by the State Council on November 29, 1998 and effective as of the same date, each construction project is subject to an environmental impact assessment by the relevant authorities.

According to the Environmental Regulations, a developer is required to submit an environmental impact report, or an environmental impact report form, or an environmental impact registration form (as the case may be) to the relevant environmental protection administration for approval during the project's feasibility analysis stage. In the meantime, if any ancillary environmental protection facilities are necessary in the construction project, such facilities are required to be designed, constructed and used in conjunction with the main project. After completion of the project, the developers are required to apply to the relevant environmental protection administrations for final acceptance examination in respect of any ancillary environmental protection facilities. Construction projects are approved for use after passing the said acceptance examination.

The Environmental Impact Assessment Law, promulgated by the National People's Congress on October 28, 2002 and effective as of September 1, 2003, provides that if the environmental impact assessment documents of a construction project have not been examined by the relevant environmental protection administrations or are not approved after examination, the authority in charge of examination and approval of the project may not approve construction on the project, and the construction work unit may not commence work.

On July 6, 2006, the State Environmental Protection Administration issued its Circular on Strengthening the Environmental Protection Examination and Approval and Strictly Controlling New Construction Project, which provides for stringent examination and approval procedures for various real estate development projects. It also stipulates that no approvals may be issued for new residential projects or extensions in industry development zones, areas impacted by industrial enterprises or areas where such development poses potential harm to residents' health.

### *Regulations on Establishment of a Real Estate Development Enterprise*

Pursuant to the *Law of the PRC on Administration of Urban Real Estate*, or Urban Real Estate Law, promulgated by the Standing Committee of the National People's Congress on July 5, 1994 and amended on August 30, 2007 and on August 27, 2009, a developer is defined as an enterprise that engages in the development and sale of real estate for the purposes of making profits.

Under the *Regulations on Administration of Development and Operation of Urban Real Estate*, or Development Regulation, promulgated by the State Council on July 20, 1998 and amended on January 8, 2011, a real estate development enterprise must satisfy the following requirements:

has a registered capital of not less than RMB1 million; and

has four or more full time professional real estate/construction technicians and two or more full time accounting officers, each of whom must hold the relevant qualifications.

The Development Regulations also allow people's governments of the provinces, autonomous regions and/or municipalities directly under the central government to impose more stringent requirements regarding the registered capital and qualifications of professional personnel of a real estate development enterprise according to the local



circumstances.

To establish a real estate development enterprise, the developer is required to apply for registration with the department of administration of industry and commerce. The developer must also report its establishment to the real estate administration authority in the location of the registration authority within 30 days upon receipt of its business license.

*Regulations on Foreign-Invested Real Estate Enterprise*

*Industrial Restriction*

Under Catalogue 2015, the development of tracts of land, the construction and operation of high-end hotels, office buildings, international conference centers, and real estate intermediary/agency business have been removed from the category under which foreign investment is restricted, with the construction and operation of large-scale scheme parks remaining in the category. The construction and operation of golf courses and villas falls within the category under which foreign investment is prohibited. The development and construction of ordinary residential properties, together with other types of real estate-related business, are not specifically mentioned in the catalogue.

## **Table of Contents**

### *Regulations on Property Ownership Certificates*

Under the *Measures for Administration of Sale of Commodity Properties*, developers must submit the documents relating to the application for property ownership certificates to the local real estate administration authorities within 60 days after the delivery of property to customers. The developers are required to assist customers in applying for amendments in the procedures for land use rights and registration procedures for property ownership.

In accordance with the Pre-completion Sale Measures, the purchasers must apply for property ownership certificates to the local real estate administration authorities within 90 days after the delivery of pre-sale property to purchasers. The developers are required to assist and provide the purchasers with necessary verifying documents. Where the purchasers fail to obtain the property ownership certificates within 90 days thereafter due to the developer's fault, unless otherwise provided between the developers and the purchasers, the developers will be liable for the breach of contract.

### *Regulations on Property Management*

The Property Management Rules, amended by the State Council on August 26, 2007 and effective as of October 1, 2007, provide that property owners have the right to appoint and dismiss property service enterprises. The rules also establish a regulatory system for property service enterprises, which encompasses the following regulations:

the Measures for the Administration of Qualifications of Property Service Enterprises amended by the MOHURD and effective as of November 26, 2007, provide that property service enterprises must apply to the local branch of the MOHURD and undertake a qualification examination to obtain a Property Service Qualification Certificate. A property service enterprise must pass the Property Service Qualification, or PSQ examination, in order to engage in property management. Property service enterprises are classified as Class I, II or III. Different classes of service enterprises have different establishment requirements and may manage different types of premises.

The Provisional Measures on the Administration of Initial Property Management Bid-inviting and Bidding, promulgated on June 26, 2003 by the MOHURD, provide that prior to the selection of the Property Owners Committee, or the POC, the property developer must select a property service enterprise to provide property management services.

the NDRC and the MOHURD jointly promulgated the Rules on Property Management Service Fees on November 13, 2003, which provide that property management fees shall be determined by mutual consent between the POC and the property service enterprise, and set forth in writing in the property management service contract.

### **The Phases of PRC Real Estate Development Projects**

## **Planning and Design**

We outsource our design work to reputable professional architectural design firms to ensure that our designs comply with PRC laws and regulations, and meet our design objectives, and thereafter work on the design of the mixed-use style development for the next stage of this project. Our management team is also actively involved in the process, especially in the master planning and architectural design of the projects and monitors the progress and quality of the design firms to ensure that they meet our requirements. For Phase 1 of Namtai Inno Park located on our Guangming, Shenzhen, premises, we have obtained the Permit for Construction Site Planning, where we are now allowed to start planning for the work at the site. We have appointed an internationally renowned and award winning professional architectural design firm, Ronald Lu and Partners (Hong Kong) Ltd., to work on the design of the mixed-use development for the next stage. To assist us in better managing, monitoring and controlling all external professional agents and firms throughout different stages of the Guangming project development, we have appointed WSP Parsons Brinckerhoff, an international reputable professional firm, as our Project Management Company (PMC). For quantity surveyor (QS), we have appointed Currie & Brown, another international reputable professional firm, to provide the quantity surveying / cost management service for the development of Namtai Inno Park.

## **Table of Contents**

### **Construction**

We have obtained the Permit for Construction Site Planning where we are now allowed to start planning for the work at the site. It is our plan to outsource all of our construction work to independent construction companies that are selected mainly through our invitation to tender bids for the project. We consider the construction companies professional qualifications, reputation, track record, and financial condition and resources when inviting candidates to bid. We plan to closely supervise and manage the entire project construction process.

### **Completion**

Prior to the completion of the construction phase, we would start working with external agents on the leasing of the properties. The properties can only be leased out after passing the acceptance examination. We plan to outsource the property management work to external professional firms for services such as leasing, security, landscaping, building management and management of public facilities, and additional services, such as housekeeping, repair and maintenance.

## **ITEM 4. INFORMATION ON THE COMPANY**

### **Corporate Information**

Nam Tai Property Inc. formerly known as Nam Tai Electronics, Inc., was founded in 1975 and moved its electronics manufacturing facilities to China in 1980 to take advantage of lower overhead costs, lower material costs and competitive labor rates available. We relocated to Shenzhen, China in order to capitalize on the significant opportunities offered in southern China. We were reincorporated as a limited liability International Business Company under the laws of the British Virgin Islands in August 1987 (which was amended in 2004 as The British Virgin Islands Business Companies Act, 2004). Our PRC headquarters and our the location of our former manufacturing and design facilities are currently based in Shenzhen, China, approximately 30 miles from Hong Kong. Certain of our subsidiaries offices are located in Hong Kong, which provide us access to Hong Kong's infrastructure of communication and banking facilities. Our corporate administrative matters are conducted in the British Virgin Islands through our registered agent, McNamara Corporate Services Limited, of McNamara Chambers, 2<sup>nd</sup> Floor, 116 Main Street, P.O. Box 3342, Road Town, Tortola, British Virgin Islands.

In April 2014, we ceased our LCM manufacturing business and turned our focus to re-developing two parcels of land in Gushu and Guangming, Shenzhen, China, by converting these two parcels of land that formally housed our manufacturing facilities into high-end commercial complexes. We believe our principal income in the future will be derived from rental income from our commercial complexes.

### **Major Events during 2015 to Date**

During 2015, the following major events took place:

For our land parcels development in Shenzhen, we plan to develop them under the "Smart Complex" theme where innovative intelligent equipment and facilities along with up-to-date technologies will be deployed for the buildings within the complexes. With these intelligent facilities, and environmentally friendly and advanced technologies in our buildings, we believe we will be able to attract the top-tier international companies to our complexes. As part of this "Smart Complex" theme, we have redesigned our corporate logo and have selected the names of "Namtai Inno Park" and "Namtai Inno City" for our Guangming and Gushu projects, respectively. We are currently seeking a world renowned

external global I.T. conglomerate as our advisor to help in designing, developing and incorporating the innovative infrastructure equipment, facilities and applications under the Smart Complex theme.

For Phase 1 of Namtai Inno Park, located on our Guangming, Shenzhen, premises, we have obtained the Permit for Construction Site Planning, where we are now allowed to start planning for the work. We appointed an internationally renowned and award winning professional architectural design firm, Ronald Lu and Partners (Hong Kong) Ltd., to work on the design of the mixed-use development for the next stage. To assist us in better managing, monitoring and controlling all the external professional agents and firms throughout different stages of the Guangming project development, we have appointed, WSP Parsons Brinckerhoff, an international reputable professional firm, as our Project Management Company (PMC). For quantity surveyor (QS), we have appointed Currie & Brown, another international reputable professional firm, to provide the quantity surveying / cost management service for the development of Namtai Inno Park. We are now revising and updating the master layout plan, which is expected to be finalized in the second quarter of 2016. Based on the current plan and subject to the final approval of the relevant authorities in China, Phase 1 of Namtai Inno Park will consist of a mixed development of office buildings, retail area, and apartment complexes. Phase 2 of Namtai Inno Park will consist of a mixed development of office buildings and retail area and we will commence its development upon the completion of Phase 1.

**Table of Contents**

**Organizational Structure**

The chart below and on the next page shows our organizational structure of our principal subsidiaries at December 31, 2015.

**Table of Contents**

18

## **Table of Contents**

### **Capital Expenditures**

Our capital expenditures were US\$0.3 million, US\$1.3 million and US\$2.1 million in 2013, 2014 and 2015, respectively.

Currently, our Board has already approved capital expenditures of \$20.9 million to develop two parcels of land in Gushu, Shenzhen, and Guangming, Shenzhen, respectively, of which \$19.5 million has been allocated for Namtai Inno Park located in Guangming, Shenzhen, and \$1.4 million has been allocated for Namtai Inno City located in Gushu, Shenzhen for the year of 2016. In relation to these two projects, the construction permit application processes have been proceeding on track. We also believe that we will be able to obtain the necessary permits and approvals to carry out our property development projects in due course. Specifically, we are now revising and updating the master layout plan for Phase 1 of the development of Namtai Inno Park, consisting of a mixed development of office buildings, retail area, and apartment complexes, which is expected to be finalized in the second quarter of 2016. For Phase 2 of the development of Namtai Inno Park, we anticipate it will consist of a mixed development of office buildings and retail area and we will commence its development upon the completion of Phase 1.

Our major capital expenditures in 2015 included:

\$2.0 million for Namtai Inno Park located in Guangming and \$0.1 million for Namtai Inno City located in Gushu.

Our major capital expenditures in 2014 included:

\$1.2 million for Namtai Inno Park and \$0.1 million for Namtai Inno City.

For 2013, our major capital expenditures are included in current assets of discontinued operations which are mainly for our production operations that were ceased in 2014 thereafter no additional capital expenditures were incurred for our LCM production operations.

Our major capital expenditures in 2013 included:

\$0.3 million for machinery and leasehold improvements for a LCD module assembly.

Our plans for capital expenditures are subject to change from time to time and could result from, among other things, our consummation of any significant acquisition or strategic investment opportunities, which we regularly explore, and prevailing economic conditions.

### **Historical Business Overview**

We are a British Virgin Islands holding company and conduct substantially all of our business through our operating subsidiaries in China. Upon the cessation of our original core business of LCM production in April 2014, and changing of our company name from Nam Tai Electronics, Inc. to Nam Tai Property Inc., In April 2014, we ceased our LCM manufacturing business and turned our focus to re-developing two parcels of land in Gushu and Guangming, Shenzhen, China, by converting these two parcels of land that formally housed our manufacturing facilities into high-end commercial complexes. We believe our principal income in the future will be derived from rental income



from our commercial complexes.

For Phase 1 of Namtai Inno Park located on our land in Guangming, Shenzhen, China, we have obtained the Permit for Construction Site Planning, where we are now allowed to start planning for the work at the site. We have appointed an internationally renowned and award winning professional architectural design firm, Ronald Lu and Partners (Hong Kong) Ltd., to work on the design of the mixed-use development for the next stage of this project. To assist us in better managing, monitoring and controlling all external professional agents and firms throughout different stages of the Guangming project development, we have appointed WSP Parsons Brinckerhoff, an international reputable professional firm, as our Project Management Company (PMC). For quantity surveyor (QS), we have appointed Currie & Brown, another internationally reputable professional firm, to provide the quantity surveying / cost management service for the development of Namtai Inno Park. We are now revising and updating the master layout plan for Phase 1 of the development of Namtai Inno Park, which is expected to be finalized in the second quarter of 2016. Based on the current plan and subject to the final approval of the relevant authorities in China, Phase 1 of Namtai Inno Park will consist of mixed development of office buildings, retail area, and apartment complexes. Phase 2 of Namtai Inno Park will consist of a mixed development of office buildings and retail area and we will commence its development upon the completion of Phase 1.

For our land in Gushu, Shenzhen, China, we have obtained the project initiation approval for the development of Phase 1 of Namtai Inno City from the land department of the local government and we will continue to apply for all other necessary permits and approvals in due course. Phase 1 covers approximately half of the Gushu land parcel. We expect that it will take approximately one and half year for us to obtain all permits and approvals for the commencement of the Phase 1 construction of this project. After the completion of Phase 1 construction, which is expected to take approximately three years, we intend to apply for the necessary permits and approvals for the construction of Phase 2 of Namtai Inno City on the other half of our Gushu land parcel; however, this timetable has not been finalized. For the time being, the property at Phase 2, which consists of the buildings of our former production plant, is being rented to a third party lessee for a term of three years. Based on the current timetable, the construction of Phase 1 of Namtai Inno City is expected to commence no earlier than 2017.

**Table of Contents**

As for our Wuxi plant, the factory building continues to be listed for sale and we expect it to be sold by 2017.

We continue to seek potential joint venture partners for the development of the land parcels in Shenzhen. Before a joint venture partner is secured, we will work with other external professional firms in all material property development matters. In the event that no suitable joint venture partners can be found, we will continue with the land development projects mainly by relying on and supported by external professional firms. Based on the current timetable and progress, we do not foresee any immediate difficulties in the permit application process.

**Our Prior Customers**

Prior to the complete cessation of our EMS business around April 2014, we have had substantial recurring sales for discontinued operations from certain existing customers. Approximately 100% of our 2014 net sales for discontinued operations came from customers we provided services to in 2013. While we sought to diversify our customer base, a small number of customers generated a significant portion of our sales. Sales to our largest customer accounted for 72.0% of our net sales and sales to another customer accounted for 28.0% of our net sales during the year ended December 31, 2014. In early 2014, upon losing our remaining largest customer, we decided to formally cease our core business of LCM production by the end of April 2014 and sold all of our machinery and production lines in all our facilities thereafter.

Our OEM customers based on net sales during 2014 were the following (listed alphabetically):

<b>Customer</b>	<b>Products</b>
OEM 1	LCD modules
OEM 2	LCD modules, FPC subassemblies and PCB modules

At any given time, different customers account for a significant portion of our business. Percentages of net sales to customers vary from quarter to quarter and from year to year and fluctuate depending on the timing of production cycles for particular products.

Sales to our OEM customers were based primarily on purchase orders we receive from time to time rather than fixed, long-term purchase commitments from our customers. Although it was our general practice to purchase raw materials only upon receiving a purchase order, for certain customers we occasionally purchased raw materials based on such customers' rolling forecasts. Uncertain economic conditions and our general lack of long-term purchase commitments with our customers made it difficult for us to predict revenue accurately long term. Even in those cases where customers were contractually obligated to purchase products from us or repurchase unused inventory from us, we sometimes elected not to enforce our contractual rights immediately because of the long-term relationships and for other business reasons. Instead we negotiated accommodations with customers regarding particular situations.

Upon the cessation of our LCM manufacturing business in April 2014, we formally transformed our core business from the EMS industry to property development and management. After April 2014, we had two customers: (i) for land and building lease for our parcel of land in Guangming, Shenzhen; and (ii) lease of the existing buildings in our Gushu, Shenzhen manufacturing facilities. The contract for the land lease in Guangming, Shenzhen was terminated in May 2015. Accordingly, after May 2015, we have only one customer leasing the buildings in our Gushu, Shenzhen manufacturing facilities.

**Our Prior Products**

Prior to the complete cessation of our EMS business around April 2014, we operated and presented three reportable segments, namely: Telecommunication Components Assembly ( TCA ), Flexible Printed Circuit ( FPC ) and Consumer Electronics and Communication Products ( CECP ).

In 2014, we discontinued the TCA segment in the first quarter of 2014. As a result, no segment information is disclosed in 2013, 2014 and 2015 in order to conform to the change in segment information in 2015 in accordance with Financial Accounting Standards Board ( FASB ) ASC 280-10-50-34.

**Table of Contents****Property, Plant and Equipment**

Our registered office in the British Virgin Islands is located at McNamara Chambers, 2<sup>nd</sup> Floor, 116 Main Street, Road Town, Tortola, British Virgin Islands. Corporate administrative matters in the British Virgin Islands are conducted at this office through our registered agent, McNamara Corporate Services Limited.

The table below lists the locations, square footage, principal use and the expiration dates of land use rights on the facilities used in our principal operations as of December 31, 2015:

Location	Approximate	Principal or Presently Contemplated Use	Owned <sup>(1)</sup> or lease
	Square Footage		expiration date
<i>Principal Facilities</i>			
Hong Kong	2,200	Building for administration	Owned
Guangming, Shenzhen, China	1,116,638	Raw land	2057 <sup>(2)</sup>
Gushu, Shenzhen, China	521,212	Building leased to third parties	2049 <sup>(3)</sup>
	562,402	Building for administration	2043 <sup>(3)</sup>
Wuxi, Jiangsu Province, China (Phase I)	470,360	Building for administration	2056 <sup>(4)</sup>

- (1) Only the PRC government and peasant collectives may own land in China. Our principal manufacturing facilities are located on land on which we have entered into a land lease agreements with the PRC government that gives us the right to use the land for 50 years. Similarly, the lands which we have acquired in Wuxi and Guangming Shenzhen are under 50-year land leases. Our understanding of the practice as it exists today; at the expiration of the land lease, we may be given the right to renew the lease.
- (2) Raw land. We plan to develop and convert this parcel of land into high-end commercial complexes as our Namtai Inno Park.
- (3) Our principal manufacturing facilities occupy two parcels of adjacent land of 0.3 million square feet and 0.3 million square feet, respectively, with 50-year land leases that we acquired in 1993 and 1999, respectively. We plan to develop and convert these two parcels of land totaling approximately 0.6 million square feet into high-end commercial complexes as our Namtai Inno City.
- (4) Construction was completed in 2009 and mass production at this factory began in 2010 and operations ceased in June 2013. The Wuxi facility continues to be listed for sale with real estate agents.

**Hong Kong**

In October 2005, Nam Tai restructured its subsidiaries to focus its operations in China. We now only maintain a minimal workforce in Hong Kong.

**Guangming, Shenzhen, China***Raw Land*

In June 2007, we entered into an official land use transfer agreement and a supplemental agreement with Shenzhen Municipal Bureau of State Land and Resources, following our commitment made in the official project investment agreement we signed with the Guangming Hi-Tech Industrial Park in 2006. Consequently, we acquired approximately 1.3 million square feet of land in the Baoan District of Shenzhen. We paid approximately \$9.1 million for the land price, relocation allowance to the local residents and other related costs and were funded by internal resources. We continue to plan to develop the land as our Namtai Inno Park, under the Smart Complex theme where innovative intelligent equipment and facilities along with up-to-date technologies will be deployed for the buildings within the complexes.

**Gushu, Shenzhen, China**

*Principal Manufacturing Facilities*

Our principal manufacturing facilities are located in Gushu, Baoan County, Shenzhen, China. In December 1993, we acquired a 50-year lease for the land on which these facilities are located and initially built a manufacturing facility consisting of approximately 160,000 square feet of manufacturing space, 39,000 square feet of office space, 212,000 square feet of dormitories and 26,000 square feet of full service cafeteria, recreation facilities and a swimming pool. Over the years beginning in November 2000, we made several additions to these facilities, including:

a five-story factory with approximately 138,000 square feet of production facilities, including one floor for assembling, one floor of office space, one floor for warehouse use and two floors of class 5,000 and 10,000 clean room facilities, totaling approximately 626,000 square feet of manufacturing space, when construction was completed in October 2002;

## **Table of Contents**

an additional factory, consisting of approximately 265,000 square feet of space, completing construction in December 2004 on vacant land of approximately 280,000 square feet (approximately 6.5 acres) bordering on our existing facilities that we purchased in July 1999; and

two additional blocks of dormitories, which we completed during 2005.

Currently, within these manufacturing facilities, approximately 521,212 square feet are being rented out to a third party since May 2014 for a three year term. The remaining 562,402 square feet is reserved for use by our internal administration department.

We ceased our core business of LCM production at the end of April 2014. We sold all of our machinery and production lines at our Gushu, Shenzhen, manufacturing facilities and the sales have been finalized in April 2014. We plan to develop and convert the parcel of land of approximately 0.6 million square feet that our Shenzhen office currently occupies, into high-end commercial complexes in the next four to seven years similarly under the smart complex theme as our Namtai Inno City.

### **Wuxi, China**

We began construction of our Wuxi manufacturing facilities in January 2008 on approximately 470,000 square feet of land we acquired in December 2006, on what we called Wuxi Phase I. We completed construction in 2009 and by the end of 2009 we had installed machinery and equipment to manufacture FPC boards and FPC subassemblies, providing approximately 150,700 square feet of space to manufacture FPC Boards and FPC subassemblies. The Wuxi factory was first earmarked to manufacture FPC boards, followed by FPC subassemblies and then other electronic products assemblies such as LCD modules. We began manufacturing operations at this factory in 2010. However, in 2013, after the final evaluation on the viability of our business of FPC and LCM production, we discontinued our production operations of FPC and LCMs for tablets located primarily in our Wuxi manufacturing facilities at the end of March 2013 and June 2013, respectively, due to a lack of customer orders. The production operations at our Wuxi manufacturing facilities has ceased entirely by June 2013. We sold all of our machinery and production lines and sales have been finalized in September 2014. Currently, the factory building is listed for sale.

### **ITEM 4A. UNRESOLVED STAFF COMMENTS**

We do not have any unresolved Staff comments.

### **ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

Except for statements of historical facts, this section contains forward-looking statements involving risks and uncertainties particularly statements found under the heading entitled Trend Information . You can identify these forward-looking statements by words such as aim , anticipate , believe , consider , continue , estimate , expect , going forward , intend , ought to , plan , predict , potential , project , propose , seek , may , might , shall , should , is / are likely to and the negative forms of these words and other similar expressions. Forward-looking statements are not guarantees of our future performance or results and our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those discussed in Regarding Use of Forward Looking Statements under the section of this Report entitled ITEM 3. Key Information Risk Factors. This section should be read in conjunction with our consolidated financial statements included as ITEM 18. Financial Statements in this Report.

*Impact of Foreign Currency Fluctuations*

The value of the Renminbi against the U.S. dollar and other currencies fluctuates and is affected by numerous factors, including among other things, changes in political and economic conditions in China and the U.S. The conversion of RMB into foreign currencies, including U.S. dollars, is based on rates set by the People's Bank of China. Currently, the RMB is permitted to fluctuate within a band managed by the PRC government. The trading band has been widened since early 2014, and the PRC government may adopt a more flexible currency policy in the future, which could result in increased exchange rate volatility and significant appreciation or depreciation of the RMB against the U.S. dollar.

Effective from April 1, 2015, the Company's subsidiaries in China changed their functional currency from the U.S. dollar to the RMB. This change was made upon the progress of the property development projects in China causing the Company's subsidiaries primary operating activities to be in RMB and making the RMB the currency of the economic environment in which the entities primarily generate and expend cash. As of December 31, 2015, we recorded \$4.4 million of net foreign currency translation loss in accumulated other comprehensive loss as a component of shareholders' equity.

**Table of Contents**

For the Company and subsidiaries outside of China, the functional currencies are U.S. dollars and Hong Kong dollars, as expense transactions are generally denominated in U.S. dollars and Hong Kong dollars. The Company had a significant portion of cash and cash equivalent and short term investment denominated in RMB. The fluctuation of foreign exchange primarily relates to our need to convert RMB to U.S. dollars and Hong Kong dollars for our operations, and the depreciation of the RMB against the U.S. dollar and/ or Hong Kong dollar reduces the U.S. dollar amount and Hong Kong dollar amounts we receive from the conversion.

The following table shows the percentage fluctuation in the exchange rate of the RMB to the U.S. dollar during each of the past three years ending December 31:

<b>RMB Exchange Rate to US\$1.00 at December 31<sup>(1)</sup></b>					
<b>2013</b>		<b>2014</b>		<b>2015</b>	
<b>Exchange Rate</b>	<b>Percent</b>	<b>Exchange Rate</b>	<b>Percent</b>	<b>Exchange Rate</b>	<b>Percent</b>
<b>to US\$1.00</b>	<b>change<sup>(2)</sup></b>	<b>to US\$1.00</b>	<b>change<sup>(2)</sup></b>	<b>to US\$1.00</b>	<b>change<sup>(2)</sup></b>
6.06	2.73%	6.20	(2.31%)	6.50	(4.84%)

(1) RMB to U.S. dollar data presented in this table was derived from the published exchange rates from bank in China.

(2) From exchange rate at preceding December 31.

In mid-2008, the PRC government halted the appreciation of the RMB against the U.S. dollar as it did prior to July 21, 2005 because of concerns that a stronger RMB made PRC exports less competitive during a global recession. Accordingly, as shown in the above table, there was virtually no change in the exchange ratio of the RMB to the U.S. dollar during 2009. However, on June 19, 2010 China's central bank announced that it planned to introduce more flexibility in the management of its currency and since then the RMB has again begun to appreciate against the U.S. dollar, increasing approximately 2.73% during 2013, while decreasing approximately 2.31% and 4.84% during 2014 and 2015, respectively. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the U.S. dollar in the future.

*Income Taxes*

Under current BVI law, our income is not subject to taxation. Subsidiaries operating in Hong Kong and China are subject to income taxes as described below.

Under current Cayman Islands law, NTEEP is not subject to any profit tax in the Cayman Islands because it has no business operations in the Cayman Islands. However, it may be subject to Hong Kong income taxes as described below since it is registered in Hong Kong before May 2014. Since May 2014, NTEEP was not registered in Hong Kong and not subject to any profit tax in Hong Kong.

Under current BVI law, NTHL is not subject to any profit tax in the BVI because it has no business operations in the BVI. However, it may be subject to Hong Kong income taxes as described below since it is registered in Hong Kong in November 2012.

Our subsidiaries operating in Hong Kong are subject to an income tax rate of 16.5% for the years ended 2013, 2014 and 2015. We calculate income tax provision by applying the income tax rate to our estimated taxable income earned



in or derived from Hong Kong during the applicable period.

Efforts by the PRC government to increase tax revenues could result in decisions or interpretations of the tax laws by China's tax authorities that are unfavorable to us and which increase our future tax liabilities, or deny us expected refunds. Changes in PRC tax laws or their interpretation or application may subject us to additional PRC taxation in the future. For example, following the implementation of the EIT Law effective January 1, 2008, the State Council announced the transition rules for preferential tax policies (Guofa [2007] No.39) of January 2, 2008, for eligible enterprises previously subject to a 15% tax rate or 24% tax rate. During the transitional period, the new enterprise income tax rates were/are:

<b>Tax Year</b>	<b>Rate under EIT for enterprises previously subject to 15% tax rate</b>	<b>Rate under EIT for enterprises previously subject to 24% tax rate</b>
2011	24%	25%
2012 to 2015	25%	25%

**Table of Contents**

Our effective tax rates were (36%), nil and nil for each of the three years ended December 31, 2013, 2014 and 2015, respectively. The significant factors that caused our effective tax rates to differ from the applicable statutory rates were as follows:

	<b>Year Ended December 31,</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
Applicable statutory tax rates	25%	25%	25%
Effect of difference between Hong Kong and PRC tax rates applied to Hong Kong income	12%	(13)%	(4)%
Change in valuation allowance	17%	(5)%	27%
Reversal of deferred tax liability on withholding tax on undistributed profits of PRC subsidiaries	(36)%		
Effect of loss/income for which no income tax benefit/expense is receivable/payable	(48)%	(9)%	(50)%
Other items	(6)%	2%	2%
Effective tax rates	(36)%		

**Critical Accounting Policies and Estimates**

The preparation of our consolidated financial statements and related disclosures in conformity with accounting principles generally accepted in the United States requires management to make estimates and judgments that affect our reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. On an on-going basis, we evaluate our estimates and assumptions based upon historical experience and various other factors and circumstances. Management believes that our estimates and assumptions are reasonable under the circumstances; however, actual results may vary from these estimates and assumptions under different future circumstances. We have identified the following critical accounting policies that affect the more significant judgments and estimates used in the preparation of our consolidated financial statements.

For more information on our significant accounting policies, refer to Note 2 Summary of Significant Accounting Policies of our consolidated financial statements.

**Provision for bad debts**

Our accounts receivable balance is recorded net of provision for amounts not expected to be collected from customers. Because our accounts receivable are typically unsecured, we periodically evaluate the collectability of accounts based on a combination of factors, including a particular customer's ability to pay as well as the age of the receivables. To evaluate a specific customer's ability to pay, we analyze financial statements, payment history, third-party credit analysis reports and various information or disclosures by the customer or other publicly available information. In cases where the evidence suggests a customer may not be able to satisfy its obligation to us, we create a specific allowance that is determined to be appropriate for the perceived risk. If the financial condition of a customer deteriorates, resulting in an impairment of their ability to make payments, additional allowances may be required.

No allowance was made against our accounts receivable at December 31, 2013, 2014 and 2015, respectively.

**Impairment of Long-lived Assets**

*Long-lived assets.* We review the carrying value of our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

We assess the recoverability of the carrying value of long-lived assets by first grouping its long-lived assets with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities (the asset group). Next, we estimate the undiscounted future cash flows that are directly associated with and expected to arise from the use of and eventual disposition of such asset group. We estimate the undiscounted cash flows over the remaining useful life of the primary asset within the asset group. If the carrying value of the asset group exceeds the estimated undiscounted cash flows, we record an impairment charge to the extent the carrying value of the long-lived asset exceeds its fair value. We determine fair value through quoted market prices in active markets or, if quotations of market prices are unavailable, through the performance of internal analysis using a discounted cash flow methodology or obtaining external appraisals from independent valuation firms. The undiscounted and discounted cash flow analyses are based on a number of estimates and assumptions, including the expected period over which the asset will be utilized, projected future operating results of the asset group, discount rate and long-term growth rate. The discount rate used in determining each project's fair value depends on the stage of development, location and other specific factors that increase or decrease the risk associated with the estimated cash flows. In accordance with our accounting policies, we consider on a quarterly basis whether indicators of impairment of long-lived assets are present.

## **Table of Contents**

In 2013, in view of the cessation of the core business of LCM production in Shenzhen by the end of April 2014, we assessed the impairment of our long-lived assets used in the Shenzhen facilities, by comparing the undiscounted cash flows with the carrying amounts of the assets. The results indicated the carrying amounts of our long-lived assets at December 31, 2013 were less than the undiscounted cash flows. Therefore, no impairment was recognized in respect of our long-lived asset for the year ended December 31, 2013. Due to the reclassification of the long-lived assets at our Wuxi manufacturing facility as assets held for sale following the cessation of our Wuxi manufacturing facilities, a loss of \$35.0 million was recognized to write down the assets held for sale to their fair values in 2013.

Due to the reclassification of the long-lived assets at our Wuxi and Shenzhen manufacturing facility as assets held for sale following the cessation of our Wuxi manufacturing facilities, a loss of \$19.0 million was recognized to write down the assets held for sale to their fair values in 2014.

For the year ended December 31, 2015 we did not recognize any impairment for our active projects, consisting of projects under construction or planning or assets held for sale.

Our assessments of impairment of long-lived assets and our periodic review of the remaining useful lives of our long-lived assets are an integral part of our ongoing strategic review of its business and operations. Therefore, future changes in our strategy and other changes (including the discount rate and expected long-term growth rate) in our operations could impact the projected future operating results that are inherent in our estimates of fair value, resulting in impairments in the future.

## **Accruals and Provisions for Loss Contingencies**

We make provisions for all loss contingencies when information available prior to the issuance of the consolidated financial statements indicates that it is probable that an asset has been impaired or a liability has been incurred at the date of the consolidated financial statements and the amount of loss can be reasonably estimated.

For provisions or accruals related to litigation, we make provisions based on information from legal counsel and management's best estimation. We assess the potential liability for the significant legal proceedings in accordance with FASB ASC 450 Contingencies. FASB ASC 450 requires a liability to be recorded if the contingency loss is probable and the amount of loss can be reasonably estimated. The actual resolution of the contingency may differ from the estimates. If the contingency was settled for an amount greater than the estimate, a future charge to income would result. Likewise, if the contingency was settled for an amount that is less than our estimate, a future credit to income would result.

## **Workforce Reduction**

We ceased production operations in Wuxi entirely in June 2013. In addition, after the final evaluation on the viability of our core operations of LCM production, we have discontinued our core business of LCM production at our Shenzhen manufacturing facilities at the end of April 2014 due to a major customer's repeated and continuous changes in its formal purchasing orders without suitable commitment. Accordingly, we accrued \$14.0 million for discontinued operations in lay-off costs for employee severance benefits in 2013 which was paid in 2014. In 2014, we accrued \$0.1 million in lay-off for employee severance benefits which was paid in January 2015. In 2015, we did not accrue any lay-off cost for employee severance benefits. For a breakdown of these severance expenses and additional information, see Note 19 Employee Severance Benefits of our consolidated financial statements.

## **Summary of Results**

With the cessation of the LCM production in April 2014, we ceased our LCM manufacturing business and turned our focus to re-developing two parcels of land in Gushu and Guangming, Shenzhen, China, by converting these two parcels of land that formally housed our manufacturing facilities into high-end commercial complexes. Subsequently, we believe our principal income in the future will be derived from the rental income from the commercial complexes.

We recorded a year-over-year rental income growth of 1,621% for 2014 when compared with 2013 and 27.2% for 2015 when compared with 2014 as a portion of Shenzhen's factory has been rented out since May 2014.

**Table of Contents**

The following table sets forth key operating results (in thousands, except per share data) for the years ended December 31, 2013, 2014 and 2015:

	Year Ended December 31,			% increase/(decrease)	
	2013	2014	2015	2014 vs 2013	2015 vs 2014
Rental income	\$ 136	\$ 2,341	\$ 2,978	1,621.3%	27.2%
Net rental income	\$ 68	\$ 1,268	\$ 1,029	1,764.7%	(18.8%)
Operating loss	\$ (7,397)	\$ (12,149)	\$ (12,833)	n/a <sup>(1)</sup>	n/a <sup>(1)</sup>
Income (loss) from discontinued operations, net of income tax from continuing operations, net of income tax	\$ 5,259	\$ (5,416)	\$ (12,528)	n/a <sup>(1)</sup>	n/a <sup>(1)</sup>
Loss from discontinued operations, net of income tax	\$ (4,962)	\$ (20,172)	\$ (630)	n/a <sup>(1)</sup>	n/a <sup>(1)</sup>
Consolidated net income (loss)	\$ 297	\$ (25,588)	\$ (13,158)	n/a <sup>(1)</sup>	n/a <sup>(1)</sup>
Basic earnings (loss) per share from continuing operations	\$ 0.12	\$ (0.12)	\$ (0.31)	n/a <sup>(1)</sup>	n/a <sup>(1)</sup>
Basic loss per share from discontinued operations	\$ (0.11)	\$ (0.46)	\$ (0.01)	n/a <sup>(1)</sup>	n/a <sup>(1)</sup>
Basic earnings (loss) per share	\$ 0.01	\$ (0.58)	\$ (0.32)	n/a <sup>(1)</sup>	n/a <sup>(1)</sup>
Diluted earnings (loss) per share from continuing operations	\$ 0.12	\$ (0.12)	\$ (0.31)	n/a <sup>(1)</sup>	n/a <sup>(1)</sup>
Diluted loss per share from discontinued operations	\$ (0.11)	\$ (0.46)	\$ (0.01)	n/a <sup>(1)</sup>	n/a <sup>(1)</sup>
Diluted earnings (loss) per share	\$ 0.01	\$ (0.58)	\$ (0.32)	n/a <sup>(1)</sup>	n/a <sup>(1)</sup>

(1) Percentage change is presented as n/a if either of the two periods contains a loss.

The following table sets forth Other income (expense) (in thousands) for the years ended December 31, 2013, 2014 and 2015:

	Year Ended December 31,			% increase/(decrease)	
	2013	2014	2015	2014 vs 2013	2015 vs 2014
Foreign exchange income (loss), net	\$ 2,528	\$ (3,690)	\$ (8,678)	n/a <sup>(1)</sup>	n/a <sup>(1)</sup>
Interest income from finance lease receivable	\$ 979	\$ 656	\$ 303	(33%)	(54%)
Gain on disposal of idle property, plant and equipment	\$ 1,352	\$ 447	\$ 106	(67%)	(76%)
Others	\$ 1,480	\$ 208	\$ 880	(86%)	323%
	\$ 6,339	\$ (2,379)	\$ (7,389)	n/a <sup>(1)</sup>	n/a <sup>(1)</sup>

(1) Percentage change is presented as n/a if either of the two periods contains a loss.

Foreign exchange income (loss), net is primarily attributable to the depreciation of RMB against U.S. dollar. As of December 31, 2012, the rate was RMB6.23 to US\$1.00. RMB depreciated to RMB6.06 to US\$1.00 as of December 31, 2013, RMB6.20 to US\$1.00 as of December 31, 2014 and RMB6.50 to US\$1.00 as of December 31, 2015.

Interest income from finance lease receivable in 2013, 2014 and 2015 was sourced from lease of property, plant and equipment to a third party with a period from April 1, 2012 to March 31, 2016.

We had a gain on disposal of idle property, plant and equipment in 2013, 2014 and 2015 primarily in relation to the disposal of property and equipment as we started to cease our production operations in 2013.

Other income in 2013, 2014 and 2015 primarily related to the reversal of a legal liability provision of \$1.0 million and compensation awarded to us by the court of \$1.1 million, partly offset by a loss on liquidation of a subsidiary of \$0.2 million in 2013, reversal of a provision of professional fee of \$0.1 million in 2014, reversal of a provision of professional fee of \$0.5 million and government allowance of \$0.2 million received in 2015, respectively.

**Table of Contents****Results of Operations**

The following table presents selected consolidated financial information stated as a percentage of rental income for the years ended December 31, 2013, 2014 and 2015.

	<b>Year Ended December 31,</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
Rental income	100.0%	100.0%	100.0%
Rental expense	(50.0)%	(45.8)%	(65.4)%
Net rental income	50.0%	54.2%	34.6%
General and administrative expenses <sup>(1)</sup>	(5,489.0)%	(573.1)%	(465.5)%
Operating loss	(5,439.0)%	(518.9)%	(430.9)%
Other income (expenses), net	4,661.1%	(101.7)%	(248.1)%
Interest income	3,631.6%	391.8%	270.4%
Interest expense		(2.6)%	(12.1)%
Income (loss) before income tax	2,853.7%	(231.4)%	(420.7)%
Income tax recovery	1,013.2%		
Income (loss) from continuing operations, net of income tax	3,866.9%	(231.4)%	(420.7)%
Loss from discontinued operations, net of income tax	(3,648.5)%	(861.6)%	(21.1)%
Consolidated comprehensive income (loss) attributable to Nam Tai shareholders	218.4%	(1,093.0)%	(441.8)%

(1) General and administrative expenses include employee severance benefits of nil, \$0.1 million and nil for the years ended December 31, 2013, 2014 and 2015, respectively.

*Year Ended December 31, 2015 Compared to Year Ended December 31, 2014*

**Rental Income.** Our rental income increased to \$3.0 million for 2015, up from \$2.3 million in 2014. This increase was mainly related to the portion of our factory located in Gushu, Shenzhen, rented out since May 2014.

**General and Administrative Expenses.** Our general and administrative expenses increased to \$13.9 million in 2015 from \$13.4 million in 2014. The \$0.5 million increase was mainly attributable to increases of \$2.2 million for the partial legal fee of our Directors and Officers Liability Insurer award against us, \$1.1 million for share-based compensation expenses and \$0.6 million for depreciation expenses resulted from function currency transfer from U.S. dollars to RMB in 2015, partly offset by a decrease of \$3.4 million for salaries and benefits comprised of compensation obligation payable to CFO of \$3.0 million and incentive bonus of \$1.1 million in 2014.



*Other Income (Expense), Net.* During 2015, our other expense was \$7.4 million compared to income of \$2.4 million in 2014. The increase was mainly attributable to the loss on currency exchange due to depreciation of RMB against U.S. dollar from 6.20 in Jan 2015 to 6.50 in Dec 2015 while changing from 6.06 in Jan 2014 to 6.20 in Dec 2014.

*Interest Income.* Our interest income was \$8.1 million, which decreased by \$1.1 million from \$9.2 million in 2014. The decrease was primarily the result of lower cash and cash equivalents and short term investments from \$298.1 million in 2014 to \$207.4 million in 2015.

*Income (Loss) from Continuing Operations, Net of Income Tax.* Our net loss from continuing operations of \$12.5 million mainly represented the general and administrative expenses of \$13.9 million, foreign exchange loss of \$8.7 million as a result of the depreciation of RMB against U.S. dollars partly offset by the interest income from time deposits of \$8.1 million in 2015, compared to loss from continuing operations of \$5.4 million which mainly included general and administrative expenses of \$13.4 million partly offset by interest income of \$9.2 million in 2014.

*Loss from Discontinued Operations, Net of Income Tax.* Our net loss from discontinued operations amounted to \$0.6 million which mainly resulted from the general and administrative expenses of \$0.9 million but partly offset by the refund on land use tax of \$0.1 million in 2015, compared to net loss from discontinued operations of \$20.2 million which is mainly attributable to an impairment charge of \$19.0 million on assets held for sale in 2014.

*Year Ended December 31, 2014 Compared to Year Ended December 31, 2013*

*Rental Income.* Our rental income increased to \$2.3 million for 2014, up from \$0.1 million in 2013. This increase was mainly related to the portion of our factory located in Gushu, Shenzhen, rented out since May 2014.

*General and Administrative Expenses.* Our general and administrative expenses increased to \$13.4 million in 2014 from \$7.5 million in 2013. The \$5.9 million increase was mainly attributable to increases of \$4.9 million for salaries and benefits comprised of compensation obligation payable to CFO of \$3.0 million and additional incentive bonus of \$1.1 million based on performance according to approved budget for 2014.

*Other Income (Expense), Net.* During 2014, our other expense was \$2.4 million compared to income of \$6.3 million in 2013. The decrease was mainly attributable to the loss on currency exchange due to the depreciation of the RMB against U.S. dollars in 2014.

## **Table of Contents**

*Interest Income.* Our interest income was \$9.2 million, which increased by \$4.3 million from \$4.9 million in 2013. The increase was primarily the result of more RMB term deposits placed at longer tenure and with higher interest rate in 2014 than in 2013.

*Income Tax (Recovery) Expenses.* Income tax expense was nil, which was mainly due to the loss before income tax resulting from the termination of LCM production in April 2014. Our income tax recovery represented the reversal of deferred tax liabilities of \$1.4 million because management decided to retain the undistributed earnings in our subsidiaries in the PRC for the change of core business in 2013.

*(Loss) Income from Continuing Operations.* Our loss from continuing operations of \$5.4 million mainly included accrual of compensation obligation payable to CFO of \$3.0 million and loss on currency exchange of \$2.3 million, compared to income from continuing operations of \$5.3 million in 2013.

*Loss from Discontinued Operations.* Our net loss from discontinued operations amounted to \$20.2 million (2013: net loss of \$5.0 million). In 2014, after the final evaluation on the viability of our core operations of LCM production, we decided to formally discontinue our core business of LCM production in Shenzhen due to a major customer's repeated and continuous changes in its formal purchasing orders without suitable commitment. The production operations at our Gushu, Shenzhen manufacturing facilities ceased entirely in April 2014. The increase in loss from discontinued operations was mainly attributable to an impairment charge of \$19.0 million on assets held for sale in 2014.

## **Liquidity and Capital Resources**

### *Liquidity*

In 2013 and 2014, we do not have any off-balance sheet financing arrangements, such as securitized receivables or access to assets through special purpose entities, which could act as sources of liquidity. Our primary uses of cash during the past two years have been to fund expansions of and upgrades to our manufacturing facilities.

In 2015, we financed our operations and met our cash flow obligations primarily from internally generated funds and the proceeds from interest income and rental income. We do not have any off-balance sheet financing arrangements, such as securitized receivables or access to assets through special purpose entities, which could act as sources of liquidity. Our primary uses of cash during the past year has been on payments relating to the development of our land parcels in Guangming and Gushu.

We had working capital of \$226.6 million at December 31, 2015 compared to net working capital of \$280.2 million at December 31, 2014. The principal components of our working capital at December 31, 2015 and December 31, 2014 consisted of cash and cash equivalents, short term investments and assets held for sale. The decreases in these components at December 31, 2015 from levels at December 31, 2014, primarily resulted from the decrease by \$55.4 million in cash and cash equivalent and \$35.3 million in short term investments partly offset by repaid \$40.0 million of short term bank borrowing.

For 2016, our planned capital expenditures will be \$19.5 million to develop Namtai Inno Park on our Guangming, Shenzhen, premises, which the board of directors has approved on October 30, 2015. We believe that our level of internal resources, which include cash and cash equivalents, short term investments, and available borrowings under our credit facilities, and our working capital requirements are sufficient to maintain our business operations for at least the next twelve months. Should we desire to pursue acquisition opportunities or undertake additional significant expansion activities, our capital needs would increase and could possibly result in our need to increase available borrowings under our revolving credit facilities or access public or private debt and equity markets. We cannot assure

you that we would be successful in raising additional debt or equity on terms that we would consider acceptable or at all.

The following table sets forth, for the years ended December 31, 2013, 2014 and 2015, selected consolidated cash flow information:

	<b>Year Ended December 31,</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<i>(US\$ in thousands)</i>		
Net cash provided by (used in) operating activities	\$ 82,042	\$ (10,360)	\$ (8,782)
Net cash (used in) provided by investing activities	\$ (140,383)	\$ 141,244	\$ 38,011
Net cash (used in) provided by financing activities	\$ (32,877)	\$ 18,947	\$ (75,939)
Net (decrease) increase in cash and cash equivalents	\$ (91,218)	\$ 149,831	\$ (46,710)

**Table of Contents**

Net cash used in operating activities for 2015 was \$8.8 million. This consisted primarily of a \$13.2 million consolidated net loss and a decrease in accrued expenses and other payable of \$4.5 million, which consisted of compensation obligation payment to the CFO of \$3.0 million and incentive bonus of \$1.1 million in 2015. Net cash used in operating activities was partially offset by depreciation and amortization of property, plant and equipment, land use rights and other assets of \$4.2 million, an increase in share-based compensation expense of \$1.7 million, a decrease in prepaid expense and other receivables of \$1.7 million and unrealized foreign exchange loss of \$1.5 million.

Net cash provided by investing activities was \$38.0 million for 2015, consisting primarily of a decrease of \$35.2 million for short term investments.

Net cash used in financing activities was \$75.9 million for 2015, representing \$132.4 million for repayment of short term bank borrowing including the repayment of \$40.0 million borrowed in 2014 and \$92.4 million borrowed in 2015, \$36.7 million for share repurchase program and \$3.2 million for cash dividend paid. Net cash used in financing activities was partially offset by \$92.4 million for proceeds from short term bank borrowings and \$4.0 million for proceeds from option exercise.

Net cash used in operating activities for 2014 was \$10.4 million. This consisted primarily of a \$25.6 million consolidated net loss, a decrease in accounts payable of \$95.3 million and a decrease in accrued expenses and other payables of \$21.8 million. Net cash used in operating activities was partially offset by \$4.6 million of non-cash item depreciation and amortization and \$19.1 million of impairment loss on fixed asset and land use right, a decrease in accounts receivable of \$73.0 million and a decrease in inventories of \$30.5 million.

Net cash provided by investing activities was \$141.2 million for 2014, consisting primarily of \$22.7 million for proceeds from disposal of property, plant and equipment and \$116.3 million for short term investments

Net cash provided by financing activities was \$18.9 million for 2014, representing short term bank borrowing of \$40.0 million. Net cash provided by financing activities was partially offset by \$17.6 million payment for shares repurchase program and \$3.6 million cash dividends paid.

Net cash provided by operating activities for 2013 was \$82.0 million. This consisted primarily of \$0.3 million of consolidated net income, and \$21.4 million of non-cash items depreciation and amortization and \$35.0 million of impairment loss on fixed asset and land use right, a decrease in accounts receivable of \$82.6 million, a decrease in inventories of \$25.7 million, a decrease in prepaid expenses and other receivables of \$21.7 million, and a decrease in net deferred tax asset of \$4.5 million. Net cash provided by operating activities was partially offset by a decrease in accounts payable of \$92.1 million and a decrease in accrued expenses and other payables of \$8.9 million.

Net cash used in investing activities was \$140.4 million for 2013, consisting primarily \$3.7 million in capital expenditures, which were used mainly to expand our manufacturing capacity and purchase equipment and an increase of fixed deposits of \$151.7 million maturing over three months.

Net cash used in financing activities was \$32.9 million for 2013, representing a dividend payment to shareholders of the Company of \$27.1 million, a decrease in bank loans of \$4.8 million and a decrease in trust receipt loans of \$3.6 million. Net cash used in financing activities was partially offset by \$2.6 million proceeds from shares issued pursuant to an exercise of options.

For the years ended December 31, 2013, 2014 and 2015, we had no guaranteed loans. In 2015, NTISZ and Zastron Shenzhen have signed as guarantors of banking facilities of \$90.0 million including default interest and other costs

and expenses.

We had no material transactions, arrangements or relationships with unconsolidated affiliated entities that are reasonably likely to affect our liquidity.

*Capital Resources*

As of December 31, 2015, we had \$157.4 million in cash and cash equivalents and \$50.0 million of short term investments, compared with \$212.8 million in cash and cash equivalents and \$85.3 million of short term investments, as of December 31, 2014.

As of December 31, 2015, we had in place \$90.0 million of general banking facilities with financial institutions. The banking facility at December 31, 2015 will mature or renew in 2016. These banking facilities (which are not considered guaranteed loans) are secured by NTISZ together with Zastron Shenzhen. As of December 31, 2015, we had \$157.4 million in cash and cash equivalents, \$50.0 million of short term investments and available unused credit facilities of \$90.0 million, which are sufficient to meet our business operations needs for the next 12 months.

As of December 31 2015, we had no long-term bank loans.

**Table of Contents**

Our contractual obligations, including purchase obligations as of December 31, 2015 are summarized below. We do not participate in, or secure financing for, any unconsolidated limited purpose entities.

<b>Contractual Obligations</b>	<b>Payments (in thousands) due by period</b>			
	<b>Total</b>	<b>2016</b>	<b>2017 to 2018</b>	<b>After 2019</b>
Capital commitments	4,290	2,236	2,054	
Total	\$ 4,290	\$ 2,236	\$ 2,054	\$

With the exception of a requirement for PRC subsidiaries that about 11% of profits after tax be reserved for future developments and staff welfare, there are no restrictions on the payment of dividends from the PRC once all taxes are paid and assessed and losses, if any, from previous years have been made good.

**Impact of Inflation**

Prior to the complete cessation of our EMS business around April 2014, inflation in China, where virtually all of our assets and employees are located, has had little impact on our business because we have been able to increase the price of our services and products to keep pace with inflation.

Continuing inflation and material increases in the cost of labor could diminish our competitive advantage. Unless we are able to pass on these increased labor costs to our customers by increasing prices for our products and services, our profitability and results of operations could be materially and adversely affected.

In April 2014, we ceased our LCM manufacturing business and turned our focus to re-developing two parcels of land in Gushu and Guangming, Shenzhen, China, by converting these two parcels of land that formally housed our manufacturing facilities into high-end commercial complexes. Inflation has not had a significant effect on our business during the past two years. According to the National Bureau of Statistics of China, China's overall national inflation rate, as represented by the general consumer price index, was approximately 2.6%, 2.0% and 1.4% in 2013, 2014 and 2015, respectively. Deflation could negatively affect our business as it would be a disincentive for prospective property buyers to make a purchase. As of the date of this annual report, we have not been materially affected by any inflation or deflation.

**Recent Changes in Accounting Standards**

In April 2015, the FASB issued ASU 2015-06, *Earnings Per Share* (Topic 260). The amendments in this update specify that for purposes of calculating historical earnings per unit under the two-class method, the earnings (losses) of a transferred business before the date of a dropdown transaction should be allocated entirely to the general partner. The amendments in ASU 2015-06 are effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Earlier application is permitted. The Company is currently evaluating the new pronouncement to determine the impact it may have to its consolidated financial statements.

In November 2015, the FASB issued ASU 2015-17, *Income Taxes* (Topic 740): Balance Sheet Classification of Deferred Taxes. The amendments in this update require that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. For public business entities, the amendments in this Update are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Earlier application is permitted for all entities as of the beginning of an interim or

annual reporting period. The Company is evaluating the new pronouncement to determine the impact it may have to its consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments Overall* (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The amendments in this update supersede the guidance to classify equity securities with readily determinable fair values into different categories (that is trading or available-for-sale) and require equity securities (including other ownership interests, such as partnerships, unincorporated joint ventures, and limited liability companies) to be measured at fair value with changes in the fair value recognized through net income. For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company is evaluating the new pronouncement to determine the impact it may have to its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Lease* (Subtopic 842): This Update to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. For public business entities, this Update is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is evaluating the new pronouncement to determine the impact it may have to its consolidated financial statements.

**Table of Contents****Trend Information**

In 2014, due to a customer's repeated and continuous changes in its formal purchasing orders without a suitable commitment, we evaluated the viability of our core business of LCM production and we decided to formally cease our core business of LCM production at our Gushu, Shenzhen. Manufacturing facilities by the end of April 2014 and sold all of our machinery and production lines in all our facilities thereafter. The sales have been finalized in April 2014.

With the cessation of the LCM business in April 2014, we have been focusing our effort in developing the land parcels in Gushu and Guangming, Shenzhen, respectively, under the "Smart Complex" theme where innovative intelligent equipment and facilities along with up-to-date technologies will be deployed for the buildings within the complexes. With these intelligent facilities, environmental friendly and advanced technologies in our buildings, we believe we will be able to attract the top-tier international companies to our complexes. As part of this "Smart Complex" theme, we have redesigned our corporate logo and have selected the names of "Namtai Inno Park" and "Namtai Inno City" for our Guangming and Gushu projects, respectively. We are currently seeking world renowned external global I.T. conglomerate to help developing and incorporating this innovative infrastructure equipment, facilities and applications under the "Smart Complex" theme. Upon the completion of development of these two parcels of land, we will become the landlord and manager of the commercial complexes.

**Off-balance Sheet Arrangements**

For 2015, we did not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

**ITEM 6. DIRECTORS AND SENIOR MANAGEMENT****Directors and Senior Managers**

Our current directors and senior management, and their ages as of January 31, 2016, are as follows:

<b>Name</b>	<b>Age</b>	<b>Position with Nam Tai or its Subsidiaries</b>
Ming Kown Koo	72	Nam Tai's Executive Chairman
Pi Hao Liu	53	Nam Tai's Chief Executive Officer
Shan-Nen Bong <sup>(1)</sup>	44	Nam Tai's Chief Financial Officer
Peter R. Kellogg	74	Member of the Board of Directors
Dr. Wing Yan (William) Lo	56	Member of the Board of Directors
Charles Chu	60	Member of the Board of Directors
Mark Waslen	56	Member of the Board of Directors
Lorne Waldman <sup>(2)</sup>	50	Member of the Board of Directors

(1) Shan-Nen Bong was appointed as Nam Tai's Chief Financial Officer effective on May 1, 2015.

(2) Mr. Lorne Waldman was appointed as one of the independent directors on March 1, 2015.



**Ming Kown Koo.** (*Year of Birth: 1944*). Mr. Koo, a founder of the Nam Tai Group, currently serves as executive Chairman. He has served in various senior executive and management positions of Nam Tai Group from our inception, including responsibilities for corporate strategy, finance and administration. He is also Chairman & Legal Representative of various PRC subsidiaries of Nam Tai. Mr. Koo received his Bachelor of Laws degree from National Taiwan University in 1970. Mr. Koo also received the Honorary Degree of Doctor of Social Science from the City University of Hong Kong in November 2013.

**Pi Hao Liu.** (*Year of Birth: 1963*). Mr. Liu currently serves as the Chief Executive Officer of Nam Tai. He joined Nam Tai as a Production Assistant General Manager in Operations Department on November 15, 1999. During his 16 years tenure with Nam Tai, he served Nam Tai in various capacities, including Assistant General Manager of R&D, Assistant General Manager of Quality Department, Director & Vice General Manager of the GM Office, and Vice President of the Purchasing Department.

**Shan-Nen Bong.** (*Year of Birth: 1972*). Mr. Shan-Nen Bong ( Mr. Bong ) was appointed as Chief Financial Officer of the Company effective from May 1, 2015. Mr. Bong joined Nam Tai as VP of Finance and Administration since October 2014. Mr. Bong has previously worked in one of the Big-4 accounting firms for 17 years in Singapore, New Zealand, San Jose (USA) and Beijing, and was an audit partner at that firm before agreeing to join the Company. Mr. Bong is a member of Institute of Chartered Accountants in England and Wales, Hong Kong Institute of Certified Public Accountants and Chartered Accountants Australia and New Zealand.

**Table of Contents**

**Peter R. Kellogg.** (Year of Birth: 1942). Mr. Kellogg has served on our Board of Directors since June 2000. Mr. Kellogg was a Senior Managing Director of Spear, Leeds & Kellogg, a registered broker-dealer in the United States and a specialist firm on the NYSE until the firm merged with Goldman Sachs in 2000. Mr. Kellogg serves on our Compensation Committee and Nominating/Corporate Governance Committee. Mr. Kellogg is also a member of the board of the Ziegler Companies MFC Industrial and the U.S. Ski Team.

**Dr. Wing Yan (William) Lo.** (Year of Birth: 1961) Dr. Lo has served on our Board of Directors since July 8, 2003. From 1998 to 1999, Dr. Lo served as the Chief Executive Officer of Citibank's Global Consumer Banking business for Hong Kong. Prior to joining Citibank, Dr. Lo was the founding Managing Director of Hongkong Telecom IMS Ltd. From 2002 to 2006, Dr. Lo served as Executive Director and Vice President of China Unicom Ltd., a telecommunications operator in China that is listed on both the Hong Kong and New York Stock Exchanges. Until mid-2009, Dr. Lo served as Vice Chairman and Managing Director of I.T. Limited, a Hong Kong retailer in the fashion apparel market with stores in the PRC, Taiwan, Macao, Thailand and Middle East, listed on the Main Board of the Hong Kong Stock Exchange. From 2011 to 2014, Dr. Lo is the Vice-Chairman of South China Media Group, the largest publication company in Hong Kong on magazine publication and print media. Dr. Lo is currently the Vice-Chairman of Lovable International Holdings Ltd, a toys and children products group having both manufacturing facilities (Lovable Products) and one of the largest multi-brand distribution networks (Kidsland) in the PRC. Dr. Lo holds an M. Phil. and Ph.D. degrees from Cambridge University, England. He is also a governor of an independent school, the ISF Academy, as well as the Chairman of Junior Achievement Hong Kong. In 1998, Dr. Lo was appointed as a Hong Kong Justice of the Peace. In 2003, he was appointed as a Committee Member of Shantou People's Political Consultative Conference. Dr. Lo currently serves on the Nominating/Corporate Governance Committee acting as the Chairman and also serves on our Audit Committee and Compensation Committee.

**Charles Chu.** (Year of Birth: 1957). Mr. Chu originally served on our Board of Directors from November 1987 to September 1989. He was reappointed in November 1992 and has since served on our Board of Directors. Since July 1988, Mr. Chu has been engaged in the private practice of law in Hong Kong. Mr. Chu serves as Chairman of our Compensation Committee and on our Audit Committee and Nominating/Corporate Governance Committee. Mr. Chu received his Bachelor's of Laws degree and Post-Graduate Certificate of Law from the University of Hong Kong in 1980 and 1981, respectively.

**Mark Waslen.** (Year of Birth: 1960). Mr. Waslen has served on our Board of Directors since July 2003 and serves as Chairman of our Audit Committee and on our Compensation Committee and Nominating/Corporate Governance Committee. From 1990 to 1995 and from June 1998 to October 1999, Mr. Waslen was employed by Nam Tai in various capacities, including Financial Controller, Secretary and Treasurer. Since June 1, 2010, Mr. Waslen is employed as a Partner with MNP LLP, a Canadian Chartered Accountant and business advisory firm. From 2001 to 2010, Mr. Waslen was employed by Berris Mangan Chartered Accountants, an accounting firm located in Vancouver, BC. Prior to joining Berris Mangan, Mr. Waslen has been employed by various other accounting firms, including Peat Marwick Thorne and Deloitte & Touche. Mr. Waslen is a CFA, CA and a CPA and received a Bachelor's of Commerce (Accounting Major) from University of Saskatchewan in 1982.

**Lorne Waldman.** (Year of Birth: 1966). Mr. Waldman is currently the Senior Vice President, of Silvercorp Metals Inc, listed on the Toronto Stock Exchange (symbol: SVM). Silvercorp is the largest primary silver producer in China with mines in Henan and Guangdong Provinces. Prior to that, Mr. Waldman served as in-house legal counsel and corporate secretary within Nam Tai group from 1996 to 2007. Mr. Waldman is a practicing member of the Law Society of British Columbia, earned a Masters of Business Administration and a law degree from the University of British Columbia and a Bachelor of Commerce degree from the University of Calgary, Canada.

No family relationship exists among any of our directors or members of our senior management and no arrangement or understanding exists between any of our major shareholders, customers, suppliers or others, pursuant to which any person referred to above was selected as a director or member of senior management. Directors are elected each year at our annual meeting of shareholders or serve until their respective successors take office or until their death, resignation or removal. Members of senior management serve at the pleasure of the Board of Directors.

### **Compensation of Directors and Management**

#### *Compensation on an Aggregate Basis*

The aggregate compensation, including benefits in kind granted, during the year ended December 31, 2015 that we or any of our subsidiaries paid to all directors and senior management as a group for their services in all capacities to the Company or any subsidiary was approximately \$3.0 million.

## Table of Contents

In fourth quarter of 2015, we granted to a director and management and employee stock options to purchase an aggregate of 726,869 of our common shares with an exercise price of \$8.00 per share, significantly above the closing price of our common stock on the date of the grant. The options expire on the fifth anniversary of their grant date in 2020.

In June 2015, we granted to our directors, under our stock option plan, options to purchase an aggregate of 75,000 of our common shares at an exercise price of \$5.33 per share. The exercise price of the shares covered by the options granted during 2015 was equal to the fair market value of our shares on the date of grant. The closing price of our common stock on the date of grant, June 5, 2015, was \$5.33, as reported on the NYSE. The options granted during 2015 expire on the third anniversary of their grant date in 2018.

In April 2015, we granted to management options to purchase 50,000 of our common shares at an exercise price of \$3.97 per share. The exercise price of the shares is the closing price of our common stock on the date of granted. The options expire on the three anniversary of their grant date in 2018.

During the year ended December 31, 2014, we granted to our directors, under our stock option plan, options to purchase an aggregate of 60,000 of our common shares at an exercise price of \$8.05 per share. The exercise price of the shares covered by the options granted during 2014 was equal to the fair market value of our shares on the date of grant. The closing price of our common stock on the date of grant, June 6, 2014, was \$8.05, as reported on the NYSE. The options granted during 2014 expire on the third anniversary of their grant date in 2017.

During the year ended December 31, 2013, we granted to our directors, under our stock option plan, options to purchase an aggregate of 60,000 of our common shares at an exercise price of \$7.5 per share. The exercise price of the shares covered by the options granted during 2013 was equal to the fair market value of our shares on the date of grant. The closing price of our common stock on the date of grant, May 31, 2013, was \$7.5, as reported on the NYSE. The options granted during 2013 expire on the third anniversary of their grant date in 2016.

Members of our senior management were eligible for annual cash bonuses based on their performance and that of the subsidiaries in which they are assigned for the relevant period. Senior management is entitled to share up to 15% of the operating income, after tax, from the subsidiary in which they are employed for the year. In addition, members of our senior management are eligible to elect to receive stock options from our Stock Option Plans instead of receiving cash incentives. During 2012, our management were granted options to purchase 831,000 shares of the Company and 50% of such options would become exercisable in 2013, 40% became exercisable in 2014. Members of our senior management have elected to receive the options granted to them in January 2013 and June 2014 and forfeited the cash incentives for year 2012 and 2013 respectively. On January 30, 2015, the Board of Directors has approved the extension of options previously granted to management for a period of 2 years from April 26, 2015.

We pay our directors, except for Mr. Koo, \$4,000 per month for their services as directors, and \$1,000 per meeting attended in person and \$700 per meeting attended by telephone. In addition, we reimburse our directors for all reasonable expenses incurred in connection with their services as a director and member of a board committee. Starting in 2016, except for Mr. Koo, the fees payable to directors have been increased to \$5,000 per month for their services as directors, and \$1,200 per meeting attended in person and \$800 per meeting attended by telephone.

According to the local laws and regulations of Shenzhen, China, prior to July 2006, we were required to contribute 8% to 9% of the stipulated salaries of our staff that worked in Shenzhen to retirement benefit schemes to fund retirement benefits for our employees. After July 2006, the applicable percentages were adjusted to 10% to 14%. In Wuxi, we are required to contribute 20% of our staff's salaries to help fund retirement benefits for our employees. Our principal obligation with respect to these retirement benefit schemes is to make the required contributions under the scheme. No

forfeited contributions may be used by us to reduce the existing level of contributions.

Since December 2000, we have enrolled all of our eligible employees located in Hong Kong into the Mandatory Provident Fund, or MPF, scheme, a formal system of retirement protection that is mandated by the government of Hong Kong and provides the framework for the establishment of a system of privately managed, employment-related MPF schemes to accrue financial benefits for members of the Hong Kong workforce when they retire. The MPF is available to all employees aged 18 to 64 and with at least 60 days of service at Nam Tai in Hong Kong. We contribute 5% of the employee's income. The maximum income for contribution purposes per employee is \$3,000 per month. Staff members are entitled to 100% of the Company's contributions, together with accrued returns, irrespective of their length of service with us, but the benefits are required by law to be preserved until the retirement age of 65 for employees in Hong Kong at the end of employment contracts.

The cost of our contributions to the staff retirement plans in Hong Kong and China amounted to approximately \$2.5 million, \$0.4 million and \$0.1 million for the years ended December 31, 2013, 2014 and 2015, respectively.

**Table of Contents****Compensation on an Individual Basis\****Directors Compensation*

The following table presents the total compensation paid to each of our non-management directors during 2015:

Name	Fees Earned or Paid in Cash (\$) <sup>(1)</sup>	Option Awards (\$) <sup>(2)</sup>	All Other Compensation (\$)	Total (\$)
Peter R. Kellogg	50,100	28,200		78,300
Charles Chu	55,700	28,200		83,900
Dr. Wing Yan (William) Lo	55,000	28,200		83,200
Mark Waslen	55,700	28,200		83,900
Lorne Waldman	40,200	28,200		68,400

(1) Consists of the aggregate dollar amount of all fees earned or paid in cash for services as a director, including annual retainer fees and meeting fees.

(2) Consists of the US\$ amount of option grants that Nam Tai recognized for financial statement reporting purposes in accordance with FASB ASC 718.

\* Under the rules of the SEC, foreign private issuers like us are not required to disclose compensation paid to our directors or senior managers on an individual basis unless individual disclosure is required in the foreign private issuer's home country and is not otherwise publicly disclosed by the company. Although we are not required by our home country (the British Virgin Islands, the jurisdiction in which we are organized), we are voluntarily providing disclosure of compensation we paid to our directors and senior managers on an individual basis in this Report and plan to do so in our proxy statement for our 2016 Annual Meeting of Shareholders (even though we are not subject to the sections of the Securities Exchange Act of 1934 regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Securities Exchange Act of 1934 or disclosures required in a proxy statement in accordance with rules therefore promulgated under the Securities Exchange Act of 1934). See ITEM 3. Key Information of this Report under the heading Risk Factors Our status as a foreign private issuer in the United States exempts us from certain of the reporting requirements under the Securities Exchange Act of 1934 and corporate governance standards of the New York Stock Exchange, or NYSE, limiting the protections and information afforded to investors. By providing disclosures of compensation we pay to our directors and senior managers on an individual basis in this Report or in our proxy statement, we are not undertaking any duty, and investors and others reviewing this Report should not expect, that we will continue to make such disclosures in any future Reports or in our proxy statements as long as we are exempt from doing so under the Securities Exchange Act of 1934. *We reserve the right to discontinue doing so at any time without prior notice.* Further, although the disclosures of compensation we paid to our directors and senior managers on an individual basis that we have provided in this Report may, in certain respects, appear comparable to similar disclosures made by companies organized in the U.S. that are required to file Annual Reports on Form 10-K or proxy statements under Regulation 14A under the Securities Exchange Act of 1934, such disclosures that we have made in this Report do not necessarily comply with the applicable requirements therefore under Form 10-K or Regulation 14A and this Report does not contain all disclosures required by ITEM 11 of Form 10-K or ITEM 8 of Schedule 14A of Regulation 14A.

**Options Granted During the Year and Held by Directors, at December 31, 2015**

Our policy is to grant to non-employee directors on an annual basis, upon their election to the Board of Director at the annual shareholders meeting, options to purchase 15,000 shares at an exercise price equal to 100% of the fair market value of the common shares on the date of grant. Accordingly, in June 2015, each of our non-employee directors was granted options to purchase 15,000 shares (a total of 75,000 shares for all of our non-employee directors) at an exercise price of \$5.33 and they are exercisable immediately. These options lapse three years from the date of grant.

*Compensation on an Individual Basis Executive Officers*

The following table sets forth a summary of the compensation which we (including our subsidiaries) paid to Mr. Koo and our highest paid executive officers during 2015 who were serving at December 31, 2015.

**Table of Contents****Summary Compensation Table**

<b>Name and Principal Position</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Ming Kown Koo, <i>Nam Tai's</i> Executive Chairman</b>			
Salary <sup>(1)</sup>	1,666,672 <sup>(3)</sup>	1,656,012 <sup>(3)</sup>	1,279,367 <sup>(3)</sup>
Other compensation and benefits <sup>(2)</sup>	1,135,632 <sup>(4)</sup>	3,754,785 <sup>(4)</sup>	497,286 <sup>(4)</sup>
<b>Total</b>	<b>2,802,304</b>	<b>5,410,797</b>	<b>1,776,653</b>
<b>Pi Hao Liu, <i>Chief Executive Officer of Nam Tai</i></b>			
Salary <sup>(1)</sup>	194,263	213,715	211,200
Other compensation and benefits <sup>(2)</sup>	52,717	68,881	62,641
<b>Total</b>	<b>246,980</b>	<b>282,596</b>	<b>273,841</b>
<b>Shan-Nen Bong<sup>(5)</sup>, <i>Chief Financial Officer of Nam Tai</i></b>			
Salary <sup>(1)</sup>		52,507	325,239
Other compensation and benefits <sup>(2)</sup>		15,453	255,251
<b>Total</b>		<b>67,942</b>	<b>580,490</b>

- (1) Consists of the basic salary earned by the named executive officers during the year indicated. Cash compensation included in the table was paid to Nam Tai's senior executives in HK\$ and RMB, respectively and for purposes of the presentation in the above table have been converted into US\$ at a conversion rate \$1.00:HK\$7.75, \$1.00:RMB6.25 for 2015, \$1.00:HK\$7.75, \$1.00:RMB6.18 for 2014, and \$1.00:HK\$7.75, \$1.00:RMB6.18 for 2013, respectively.
- (2) To the extent applicable to the named individual, consists of amounts paid for housing, golf club membership fees, mandatory provident fund, life, medical, travel, social security, unemployment compensation, welfare and accident insurance premiums, bonus and fees for annual physical examination.
- (3) Mr. Koo was appointed as Nam Tai's Chief Financial Officer effective March 1, 2009 and resign on April 30, 2015. Prior to March 1, 2009, Mr. Koo served on Nam Tai's Board of Directors as Non-executive Chairman of the Board and since March 1, 2009 has served as Executive Chairman of the Board. Mr. Koo's salary for serving as Nam Tai's Chief Financial Officer during 2013, 2014 and 2015 was \$1.00 per month. Effective October 1, 2010, Mr. Koo was appointed as President of NTEEP, his salary for serving as President of NTEEP was approximately \$1.7 million in 2014 and 2013, respectively. In 2015, Mr. Koo's salary for serving as President of NTHL was approximately \$1.3 million.
- (4) Other compensation and benefits for 2015 includes fees for medical insurance, annual physical examination, \$0.5 million share options to purchase an aggregate of 261,869 of our common shares at an exercise price of \$8.00 per share, which vested in October 2015. Other compensation and benefits for 2014 includes fees for medical insurance, \$0.8 million which Nam Tai has accrued as a bonus to Mr. Koo for services in 2014 but was paid to Mr. Koo in May 2015 and \$3.0 million accrual of compensation obligation but was paid to CFO in May 2015. Other compensation and benefits for 2013 includes fees for annual physical examination, \$0.9 million share options to purchase an aggregate of 600,000 of our common shares at an exercise price of \$6.66 per share, which



became vested in April 2013 and \$0.2 million which Nam Tai has accrued as a bonus to Mr. Koo for services in 2013, but was paid to Mr. Koo in January 2014.

- (5) Appointed as the Chief Financial Officer of Nam Tai on May 1, 2015.

**Retirement Benefits**

- (1) Since December 2000, we have enrolled all of our eligible employees located in Hong Kong into the Mandatory Provident Fund. The following table provides amount of contributions that the Company has made for the Mandatory Provident Retirement Funds to the individuals named in the Summary Compensation Table above in accordance with Hong Kong law.

<b>Name</b>	<b>Number of years of credited Service</b>	<b>Value at December 31, 2015 of Accumulated Benefits (\$)</b>	<b>Company Payments During 2015 (\$)</b>
Ming Kown Koo	41.0 <sup>(a)</sup>	N/A	N/A

- (a) Prior to October 2010, Mr. Koo's services as our employee were for Nam Tai Property Inc., the ultimate parent, and as such he is not eligible under Hong Kong's Mandatory Provident Retirement Fund. Accordingly, no contributions have been made for Mr. Koo. Although he was appointed President of our subsidiary, NTEEP, effective October 1, 2010, contributions are not required for Mr. Koo under Hong Kong's Mandatory Provident Retirement Fund because he is over 65 years old.

**Table of Contents**

- (2) Regulations in the PRC require the Group to contribute to a defined contribution retirement plan for all permanent employees. Pursuant to the mandatory requirement from the local authority in the PRC, the retirement pension insurance was established for the employees during the term they are employed.

Name	Number of years of credited Service	Value at December 31, 2015 of Accumulated Benefits (\$)	Company Payments During 2015 (\$)
Pi Hao Liu	16.1	18,422	4,220
Shan-Nen Bong	1.2	7,869	4,220

**Options Held by Executive Officers at January 31, 2016***Stock Options of Directors and Management*

The following table provides information concerning the options owned by our current management and directors as of January 31, 2016.

Name	Number of common shares subject to option	Exercise price (\$)	Expiration Date
Ming Kown Koo	261,869	8.00	October 29, 2020
Pi Hao Liu <sup>(1)</sup>	40,000	5.63	April 24, 2017
Shan-Nen Bong	50,000	3.97	April 13, 2018
Shan-Nen Bong	50,000	8.00	October 29, 2020

- (1) On January 30, 2015, our Board of Directors approved the extension of options previously granted to management for a period of two years from April 26, 2015.

**Board Practices**

All directors hold office until our next annual meeting of shareholders, which generally is in the summer of each calendar year, or until their respective successors are duly elected and qualified or their positions are earlier vacated by resignation or otherwise. The full board committee appoints members and the chairman of the board committees, who serve at the pleasure of the Board. Nam Tai does not have any director service contracts providing for benefits upon termination of service as a director or employee (if employed).

**Corporate Governance Guidelines**

We have adopted a set of corporate governance guidelines which are available on our website at [http://www.namtai.com/investors#investors/corporate\\_governance](http://www.namtai.com/investors#investors/corporate_governance). The contents of this website address, other than the corporate governance guidelines, the code of ethics and committee charters, are not a part of this Form 20-F. Stockholders also may request a free copy of our corporate governance guidelines in print form by making a request to:

Mr. Kevin McGrath, Managing Partner of Cameron Associates

Telephone: 212.245.4577

e-mail: kevin@cameronassoc.com

### **NYSE Listed Company Manual Disclosure**

As a foreign private issuer with shares listed on the NYSE, we are required by Section 303A.11 of the Listed Company Manual of the NYSE to disclose any significant ways in which its corporate governance practices differ from those followed by U.S. domestic companies under NYSE listing standards. Management believes that there are no significant ways in which our corporate governance standards differ from those followed by U.S. domestic companies under NYSE listing standards.

### **Committee Charters and Independence**

The charters for our Audit Committee, Compensation Committee and Nominating/Corporate Governance Committee are available on our website at <http://www.namtai.com/investors#investors/committee>. The contents of this website address, other than the corporate governance guidelines, the code of ethics and committee charters, are not a part of this Report. Stockholders may request a copy of each of these charters from the address and phone number set forth above under Corporate Governance Guideline .

**Table of Contents**

Each of the members of our Board of Directors serving on our Audit Committee, Compensation Committee and Nominating/Corporate Governance Committee are independent as that term is defined in Corporate Governance Rules of the NYSE.

We have adopted the directors' independence criteria as established by NYSE Corporate Governance Rules Section 303A.02.

An Independent Non-Executive Director ( INED ) is an individual:

who has no material relationship with the Company as affirmatively determined by the Board;

who is not nor has been within the last three years immediately prior to the date of his appointment as an INED an employee of the Company, provided, however, employment as an interim Chairman of the Board or Chief Executive Officer or other executive officer of the Company shall not disqualify a director from being considered independent following that employment;

whose immediate family members<sup>(1)</sup> are not, nor have been within the last three years immediately prior to the date of his appointment as an INED, an executive officer of the Company;

who, or whose immediate family members<sup>(1)</sup>, have not received greater than \$0.1 million in direct compensation from the Company, other than directors' and committees' fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continuous service), during any twelve-month period within the last three years immediately prior to the date of his appointment as an INED;

who is neither a partner nor an employee of the internal or external audit firm of the Company and within the last three years immediately prior to the date of his appointment as an INED was neither a partner nor an employee of such firm and personally worked on the Company's audit during that time;

none of whose immediate family members<sup>(1)</sup> is (a) a current partner of the internal or external audit firm of the Company or (b) a current employee of the internal or external audit firm of the Company and personally works on the Company's audit;

none of whose immediate family members<sup>(1)</sup> have been, within the last three years immediately prior to the date of his appointment as an INED, partners or employees of the internal or external audit firm and personally worked on the Company's audit during that time; and

who, or whose immediate family members<sup>(1)</sup>, are not, nor within the last three years immediately prior to the date of his appointment as an INED, employed as an executive officer of another company in which any of

the Company's present executives at the same time serves or served on that company's compensation committee; and

who is not an employee of, or whose immediate family members<sup>(1)</sup> are not executive officers of, a company that has made payments to, or received payments from, the Company for property or services in an amount which in any of the three fiscal years prior to his appointment as an INED, exceeds the greater of \$1 million or 2% of such other company's consolidated gross revenues.

- (1) An immediate family member includes a person's spouse, parents, children, siblings, mothers- and father-in-law, sons-and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares such person's home.

#### *Audit Committee*

The primary duties of our Audit Committee are reviewing, acting on and reporting to the Board of Directors with respect to various auditing and accounting matters, including the selection of independent registered public accounting firm, the scope of annual audits, the fees to be paid to the independent registered public accounting firm and the performance of the independent registered public accounting firm and accounting practices.

Our Audit Committee consists of four independent non-executive directors, Messrs. Waslen, Chu, Dr. Lo and Waldman. Mr. Waslen serves as the Chairman of the Audit Committee as a financial expert.

#### *Compensation Committee*

The primary duties of our Compensation Committee are to recommend (1) the compensation of the our Board of Directors; (2) compensation of any directors who are executives of the Company and the chief executive officer with reference to achievement of corporate goals and objectives established in the previous year; (3) compensation of other senior management if required by the Board; and (4) equity-based and incentive compensation programs of the Company.

---

## **Table of Contents**

Our Compensation Committee consisted of five independent non-executive directors in 2015: Messrs. Chu, Waslen, Kellogg, Dr. Lo and Waldman. Mr. Waldman serves as the Chairman of the Compensation Committee.

### *Nominating/Corporate Governance Committee*

The primary duties of our Nominating/Corporate Governance Committee consist of (1) assisting the Board by actively identifying individuals qualified to become Board members consistent with criteria approved by the Board; (2) recommending to the Board the director nominees for election at the next annual meeting of stockholders, the member nominees for the Audit Committee, Compensation Committee and the Nominating/Corporate Governance Committee on an annual basis; (3) reviewing and recommending to the Board whether it is appropriate for such director to continue to be a member of the Board in the event that there is a significant change in the circumstance of any director that would be considered detrimental to the Company's business or his/her ability to serve as a director or his/her independence; (4) reviewing the composition of the Board on an annual basis; (5) recommending to the Board a succession plan for the chief executive officer and directors, if necessary; (6) monitoring significant developments in the law and practice of corporate governance and of the duties and responsibilities of directors of public companies; (7) establishing criteria to be used in connection with the annual self-evaluation of the Nominating/Corporate Governance Committee; and (8) developing and recommending to the Board and administering the corporate governance guidelines of the Company.

Our Nominating/Corporate Governance Committee consists of five independent non-executive directors: Messrs. Chu, Waslen, Kellogg, Dr. Lo and Lorne Waldman. On January 29, 2016, Mr. Lorne Waldman was appointed as one of the Nominating/Corporate Governance Committee members. Dr. Lo serves as the Chairman of the Nominating/Corporate Governance Committee.

### **Stock Options of Directors and Management**

During 2015, our non-employee directors were each granted options to purchase 15,000 shares of the Company. These options (a total of 75,000 options) plus an aggregate of remaining balance of 120,000 options granted in 2013 and 2014 but not yet exercised by our directors (a total of 195,000) were outstanding and held by our directors as of January 31, 2016. With the exception of Mr. Koo's options, the options granted in 2015 are exercisable at \$5.33 per share and will lapse on June 4, 2018, the options granted in 2014 are exercisable at \$8.05 per share, and will lapse on June 5, 2017, and the options granted in 2013 are exercisable at \$7.50 per share and will lapse on May 31, 2016.

During 2015, a director (Mr. Koo), a manager and our management were granted options to purchase 261,869, 50,000 and 465,000 shares of the Company, respectively. These options granted are exercisable at \$8.00, \$3.97 and \$8.00 per share, respectively, and will lapse on October 29, 2020, April 13, 2018 and October 29, 2020, respectively.

### **Share Ownership of Directors and Management**

For information regarding the numbers and percentage ownership of our shares, see ITEM 7. Major Shareholders and Related Party Transactions - Shares and Options Ownership of Directors, Management and Principal Shareholders.

### **Employee Stock Option Plans**

We have two stock option plans, our amended 2001 stock option plan and our 2006 stock option plan. The 2006 stock option plan was approved by the Board on February 10, 2006 and approved by shareholders at our 2006 Annual Meeting of Shareholders.

Under either the amended 2001 stock option plan or the 2006 stock option plan, the terms and conditions of individual grants may vary subject to the following: (1) the exercise price of incentive stock options may not normally be less than market value on the date of grant; (2) the term of incentive stock options may not exceed ten years from the date of grant; (3) the exercise price of an option cannot be altered once granted unless such action is approved by shareholders in a general meeting or results from adjustments to our share capital and necessary to preserve the intrinsic value of the granted options; and (4) every non-employee director automatically receives on an annual basis upon their election to the Board of Directors at the annual shareholders meeting, options to purchase 15,000 common shares at an exercise price equal to 100% of the fair market value of the common shares on the date of grant.

At January 31, 2016, we had options outstanding to purchase 195,000 shares and 935,869 shares held by four non-employee directors and one director and management and staffs, respectively. Under our existing stock option plans, options to purchase 190,000 shares were available for future grant. The full text of our amended 2001 stock option plan, amended on July 30, 2004, was filed with the SEC as Exhibit 4.18 to our Annual Report on Form 20-F for the year ended December 31, 2004. The full text of our 2006 stock option plan was included as Exhibit 99.1 to our Form 6-K furnished to the SEC on June 12, 2006. Amendments to our stock options were included with our form 6-K furnished to the SEC on November 13, 2006.

**Table of Contents****Employees**

The following table provides information concerning the number of Nam Tai's employees, their geographic location and their main category of activity during the years ended December 31, 2013, 2014 and 2015.

<b>Geographic Location</b>	<b>Main Activity</b>	<b>At December 31,</b>		
		<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Shenzhen, PRC</b>				
	Manufacturing	2,662		
	Project development		6	11
	Supervision & checking committee member			3
	Research and development	8		
	Quality control	250		
	Engineering	109		
	Administration	119	47	43
	Marketing	6		
	Support <sup>(1)</sup>	121		
	<b>Total Shenzhen</b>	<b>3,275</b>	<b>53</b>	<b>57</b>
<b>Wuxi, PRC</b>				
	Engineering	3		
	Administration	21	5	4
	<b>Total Wuxi</b>	<b>24</b>	<b>5</b>	<b>4</b>
<b>Hong Kong</b>				
	Administration	6	6	9
	<b>Total Hong Kong</b>	<b>6</b>	<b>6</b>	<b>9</b>
<b>Total Employees</b>		<b>3,305</b>	<b>64</b>	<b>70</b>

(1) Employees categorized in support include personnel engaged in procurement, customs, shipping and warehouse services.

**ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS****Shares and Options Ownership of Directors, Senior Management and Principal Shareholders (outstanding)**

The following table sets forth certain information known to us regarding the beneficial ownership of our common shares as of January 31, 2016, by each person (or group within the meaning of Section 13(d) (3) of the Exchange Act) known by us to own beneficially 5% or more of our common shares; and each of our current directors and senior management:



Name	Shares beneficially owned <sup>(1)</sup>	
	Number	Percent
Peter R. Kellogg	6,916,000 <sup>(2)</sup>	18.8%
Ming Kown Koo	6,184,355 <sup>(3)</sup>	16.7%
I.A.T. Reinsurance Syndicate Ltd.	5,774,800 <sup>(2)</sup>	15.7%
Charles Chu	47,500 <sup>(4)</sup>	*
Wing Yan (William) Lo	45,000 <sup>(5)</sup>	*
Mark Waslen	55,000 <sup>(6)</sup>	*
Lorne Waldman	15,000 <sup>(7)</sup>	*
Pi Hao Liu	40,000 <sup>(8)</sup>	*
Shan-Nen Bong	100,000 <sup>(9)</sup>	*

\* Less than 1%.

(1) Percentage of ownership is based on 36,699,572 common shares outstanding as of January 31, 2016. In accordance with Rule 13d-3(d) (1) under the Exchange Act, options which are exercisable within 60 days of January 31, 2016 have been considered outstanding for the purpose of computing the percentage of Nam Tai s outstanding shares owned by the listed person holding such options, but are not considered outstanding for the purpose of computing the percentage of shares owned by any of the other listed persons.

**Table of Contents**

- (2) Mr. Kellogg beneficially holds 6,871,000 common shares, including 5,774,800 common shares held indirectly through I.A.T. Reinsurance Syndicate Ltd. I.A.T. Reinsurance Syndicate Ltd. is a Bermuda corporation of which Mr. Kellogg is the sole holder of its voting stock. Mr. Kellogg disclaims beneficial ownership of the shares held by I.A.T. Reinsurance Syndicate Ltd. Mr. Kellogg also holds options to purchase 45,000 shares, which he has received as of January 31, 2016, as a director of Nam Tai.
- (3) Mr. Koo beneficially owned 5,922,486 common shares jointly with Ms. Cho Sui Sin, Mr. Koo's wife. Mr. Koo also holds options to purchase 261,869 shares, which he has received as of January 31, 2016, as a director of Nam Tai.
- (4) Includes 2,500 common shares and options to purchase 45,000 shares, which he has received as of January 31, 2016, as a director of Nam Tai.
- (5) Represents options to purchase 45,000 shares, which he has received as of January 31, 2016, as a director of Nam Tai.
- (6) Includes 10,000 common shares and options to purchase 45,000 shares, which he has received as of January 31, 2016, as a director of Nam Tai.
- (7) Includes options to purchase 15,000 shares, which he has received as of January 31, 2016, as a director of Nam Tai.
- (8) Represents options to purchase 40,000 shares, which he has received as of January 31, 2016, as CEO of Nam Tai.
- (9) Represents options to purchase 100,000 shares, which he has received as of January 31, 2016, as CFO of Nam Tai.

To our knowledge, the Company is not directly or indirectly owned or controlled by another corporation or corporations, by any foreign government or by any other natural or legal person severally or jointly through January 31, 2016.

All of the holders of our common shares have equal voting rights with respect to the number of common shares held. As of January 31, 2016, there were approximately 502 holders of record of our common shares. According to information provided to us by our transfer agent, 488 holders of record with addresses in the United States held 36,699,572 of our common shares at January 31, 2016.

The following table reflects the percentage ownership of our common shares during the last three years ended January 31, 2014, March 1, 2015 and January 31, 2016 by shareholders who beneficially owned 5% or more of our common shares during that period:

	Percentage Ownership <sup>(1)</sup>		
	2014	2015	2016
Peter R. Kellogg <sup>(2)</sup>	14.3%	16.2%	18.8%
I.A.T. Reinsurance Syndicate Ltd. <sup>(3)</sup>	12.8%	13.6%	15.7%
Ming Kown Koo <sup>(4)</sup>	12.7%	13.7%	16.7%
Kahn Brothers LLC <sup>(5)</sup>	6.1%	6.9%	9.9%

- (1) Based on 45,272,735, 42,618,322 and 36,699,572 common shares outstanding on January 31, 2014, March 1, 2015 and January 31, 2016, respectively. In accordance with Rule 13d-3(d)(1) under the Exchange Act, options which are exercisable within 60 days as of January 31, 2014, March 1, 2015 and January 31, 2016 have been considered outstanding for the purpose of computing the percentage of our outstanding shares owned by the listed person holding such options, but are not considered outstanding for the purpose of computing the percentage of shares owned by any of the other listed persons.

- (2) Mr. Kellogg beneficially owned 6,450,000, 6,871,000 and 6,871,000 common shares, as of January 31, 2014, March 1, 2015 and January 31, 2016, including shares registered in the name of I.A.T. Reinsurance Syndicate Ltd., of which Mr. Kellogg is the sole holder of its voting stock but does not admit to its beneficial ownership and, as compensation granted to him for being a director of Nam Tai, options to purchase 45,000, 45,000 and 45,000 common shares, on each of the respective date.
- (3) Based on Schedule 13G/A filed with the SEC by IAI Reinsurance Company Ltd. on February 14, 2013 of 5,774,800 common shares and on February 17, 2015 of 5,774,800 common shares.
- (4) Mr. Koo, jointly with Ms. Cho Sui Sin, Mr. Koo's wife, beneficially owned 5,242,786, 5,322,486 and 5,922,486 common shares as of January 31, 2014, March 1, 2015 and January 31, 2016, including, as compensation granted to him for being CFO of Nam Tai, options to purchase 600,000, 600,000 and 261,869 common shares, on each of the respective dates.
- (5) Based on a Schedule 13G/A filed with the SEC by Kahn Brothers LLC on February 11, 2013 of 2,881,121 common shares, on February 2, 2015 of 2,943,022 common shares and on February 10, 2016 of 3,645,209 common shares.

The Company is not aware of any arrangements that may, at a subsequent date, result in a change of control of the Company.

---

**Table of Contents**

**Certain Relationships and Related Party Transactions**

During 2015, Mr. Koo was granted options to purchase 261,869 shares of the Company at an exercise price of \$8.00 per share. According to the option certificates, the options granted to Mr. Koo during 2015 will expire on October 29, 2020. Mr. Koo exercised 600,000 stock options at the exercise price of \$6.60 on September 15, 2015.

During the year ended December 31, 2013, we paid tax of \$2.3 million on behalf of a director of the Company and a former director of a subsidiary. The amount was recorded as other receivables. For more information, please refer to ITEM 8. Financial Information Legal Proceedings Notices of Alleged Personal Liability for Additional Taxes Against Former Directors and Officers for Signing NTTC's Tax Returns .

**ITEM 8. FINANCIAL INFORMATION**

**Financial Statements**

Our consolidated financial statements are included this Form 20-F in the F pages following page 58.

**Legal Proceedings**

On May 17, 2013, a class action lawsuit was filed in the United States District Court for the Southern District of New York by several shareholders of Nam Tai against Nam Tai and two of its executives. The class action lawsuit, however, was voluntarily dismissed by the plaintiffs, with prejudice in January 2014. No payment or consideration of any kind was made by either Nam Tai or any of its directors in connection with the dismissal. We are not currently a party to any material legal proceedings other than routine litigation incidental to our business and we believe that there are no material legal proceedings pending that involve our property.

**Tax Disputes with Hong Kong Inland Revenue Department:** Since the fourth quarter of 2007, several of our inactive subsidiaries have been involved in tax disputes relating to tax years 1996 and later years with the Inland Revenue Department of Hong Kong, (the HKIRD ), the income tax authority of the Hong Kong Government. These disputes are discussed sequentially below.

*NTTC*

(a) In October 2007, the HKIRD issued an assessment Determination against Nam Tai Trading Company Limited ( NTTC ), a limited liability company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company. This assessment relates to four tax years from 1996/1997 to 1999/2000. The taxes assessed in this proceeding amount to approximately \$2.9 million.

(b) In addition to the assessment Determination of October 2007, in May 2008, the HKIRD issued a writ against NTTC claiming taxes in the amount of approximately \$3.0 million for the taxable years from 1997/1998 to 2000/2001, partially overlapping the taxes against NTTC assessed by HKIRD in its assessment Determination of October 2007. Nam Tai's defense was struck out by the District Court in Hong Kong. According to advice from Senior Counsel in Hong Kong, the Court of Appeal, or CA, was unlikely to disturb the findings of the District Court. Therefore, NTTC decided not to pursue an appeal against the decision of the District Court.

(c) Furthermore, from May to November 2010, the HKIRD issued three separate writs against NTTC claiming taxes and interests on unpaid taxes, in the amount of approximately \$0.9 million, \$1.1 million and \$0.1 million for the

taxable years from 1996/1997 to 2003/2004, from 1996/1997, 1998/1999 and 1999/2000, and from 1996/1997 to 1999/2000, respectively. NTTC did not contest these proceedings, judgments were thus entered against NTTC.

(d) As a result of the proceedings stated in paragraphs (b) (c) above, the HKIRD petitioned to the High Court of Hong Kong for a winding-up order against NTTC for the overdue judgment sums on June 10, 2011. The petition was heard in the High Court of Hong Kong on March 13, 2012 before Deputy High Court Judge Tam, S.C. The Court handed down the Judgment and made a winding-up order on June 4, 2012 against NTTC.

(e) NTTC is in liquidation and the Joint and Several Liquidators confirmed that all assets of NTTC have been taken over by the Joint and Several Receivers in January 2013. As the Company did not have a controlling financial interest on NTTC after it was taken over by the Joint and Several Receivers, so the financial statements of NTTC have not been included in the consolidated financial statements of the Company subsequent to the 2012 Form-20F, in accordance with the procedures set out in ASC 810-10-15-10.

**Table of Contents**

*NTGM*

(a) The HKIRD has also made estimated assessments against Nam Tai Group Management Limited ( NTGM ), another wholly-owned subsidiary of Nam Tai, which has been inactive since 2005. This assessment, which relates to the tax years of 2001 and 2002, is in the amount of approximately \$0.2 million, including interest allegedly due thereon. On December 17, 2008, the Hong Kong tax authorities issued a Writ of Summons through the District Court in Hong Kong claiming against NTGM the amount of \$0.2 million as taxes allegedly due and payable, together with interest, to the Hong Kong tax authorities for the fiscal years 2001 to 2002. NTGM filed its defense on January 29, 2009, but on February 17, 2009, HKIRD filed papers seeking to strike out NTGM s defense. As NTGM s defense was similar to the defense of NTTC and Senior Counsel had advised that NTTC s defense was not arguable before the Court, NTGM accordingly agreed with HKIRD to allow Judgment to be entered against NTGM by consent.

(b) (i) On February 8, 2011, HKIRD issued a writ against NTGM claiming taxes in the amount of approximately \$0.9 million for the taxable years 2001/2002 to 2003/2004. NTGM filed a Defense to this action. The hearing of the action took place on September 6, 2011. The judgment was handed down on September 29, 2011 with the Defense being struck out and judgment was thus entered against NTGM.

(ii) The taxation process is completed. The total taxed costs as certified by the Registrar are approximately \$5,008 plus post-judgment interest.

(c) NTGM has received demand letters from the HKIRD demanding payments of the judgment debts mentioned in paragraphs 2(a) and (b) above.

(d) On December 30, 2015, HKIRD issued a latest demand letter to NTGM demanding total payment of \$1.1 million. NTGM is a limited liability company incorporated in Hong Kong. NTGM had a net deficit position as of December 31, 2015 and the Company has no funding obligation towards NTGM. As a result, the liability from the HKIRD demand letter has no impact on the Company. Therefore, the amount claimed by HKIRD was not recorded as a liability in the consolidated financial statements of the Company.

*NTT*

(a) On September 14, 2009, the HKIRD issued a writ against Nam Tai Telecom (Hong Kong) Company Limited ( NTT ), a dormant company of the Company, claiming taxes in the amount of approximately \$0.3 million for the taxable year 2002/2003. Judgment has been entered against NTT.

(b) (i) On February 17, 2011, HKIRD issued a writ against NTT claiming taxes in the amount of approximately \$0.03 million for the taxable year 2002/2003. NTT filed a Defense to this action. The hearing of this action was heard together with the case of NTGM as discussed in paragraph (2) (b) above on September 6, 2011. Similarly, the judgment was handed down on September 29, 2011 with the Defense being struck out and judgment was thus entered against NTT.

(ii) The taxation process is completed. The total taxed costs as certified by the Registrar are approximately \$4,859 plus post-judgment interest.

(c) NTT has received demand letters from the HKIRD demanding payments of judgment debts mentioned in paragraphs 3(a) and (b) above.

(d) On October 15, 2015, HKIRD issued a demand letter to NTT demanding total payment of \$0.4 million. NTT is a limited liability company incorporated in Hong Kong. NTT had a net deficit position as of December 31, 2015 and the Company has no funding obligation towards NTT. As a result, the liability from the HKIRD demand letter has no impact on the Company. Therefore, the amount claimed by HKIRD was not recorded as a liability in the consolidated financial statements of the Company.

*Expected Dispositions of Tax Disputes with Inactive or Dormant Subsidiaries*

HKIRD has not accepted the explanations that it was necessary for these subsidiaries to perform their individual functions for the whole Nam Tai group and therefore the management fees paid by the Company by contract to support and finance all the necessary overhead expenses of these subsidiaries (not located in Hong Kong) to contribute to the operations representing the administration and finance departmental functions from Vancouver, Canada and the BVI for the whole group under the corporate structure at that time were not regarded as necessary expenses by HKIRD.

Since it is believed that it will be difficult for these subsidiaries to continue cooperating with HKIRD in the future, if the Company discontinues financing these subsidiaries, they will be forced to liquidate in due course. As these subsidiaries do not conduct any operations and have been inactive or dormant for some time, and have either assets of limited book-value or no assets, Nam Tai believes that there should be no material impact from these proceeding on the Company's financial condition, liquidity or results of operations. Accordingly, no provision has been made regarding these assessments in Nam Tai's consolidated financial statements.

---

**Table of Contents**

*Notices of Alleged Personal Liability for Additional Taxes Against Former Directors and Officers for Signing NTTC's Tax Returns*

In addition to the legal cases against the inactive or dormant subsidiaries of the Company discussed above, in January 2011, the HKIRD issued two Notices of intention to assess additional taxes separately and personally against two former directors and officers of NTTC in the amounts of approximately \$1.5 million for the taxable years 1996/1997 and 1999/2000 and \$0.7 million for the taxable year 1997/1998 (the Notices). The taxable years involved in the controversy date over 18 years ago and initial advice received from the Company's tax advisor is that it is very rare for tax authorities to seek to attach personal liability on directors in this situation.

The two former directors and officers to whom the Notices have been directed signed the tax returns for and on behalf of NTTC and the HKIRD has by its Notices sought to hold them personally liable for additional taxes (by way of penalty) purportedly on the basis that the relevant tax returns of NTTC were incorrect and contained omissions and understatements in violation of the Inland Revenue Ordinance, the governing tax law of Hong Kong.

The Company and former Directors denied that any of NTTC's tax return filings were incorrect or contained omissions and understatements in violation of the Inland Revenue Ordinance and believe that no incorrect tax return was ever filed.

On April 26, 2013, the Commissioner issued three Notices of Assessment and Demand for Additional Tax against the two former directors in the total amount of approximately \$2.3 million (the Assessment Notices), assessing one of them to additional tax by way of penalty in the sum of approximately \$1.6 million (approximately \$0.8 million in respect of the year 1996/1997 and approximately \$0.8 million in respect of the year 1999/2000) and assessing the other former director to additional tax by way of penalty in the sum of approximately \$0.7 million in respect of the year 1997/1998.

The two former directors lodged an appeal to the Board of Review of the HKIRD against the Assessment Notices (the BOR Appeal) on May 24, 2013.

On May 27, 2013, according to Company Indemnity Policy, the Company paid on behalf of the two former directors the additional tax as required under the Assessment Notices.

On January 30, 2015, according to BOD meeting for fourth quarter of 2014, if we lose the case in the Board of Review, we should consider to apply the Court of Appeal hearing. Since the Closing of the hearing of the Board of Review held on March 6, 2015, there have been no further developments.

At this time, Nam Tai is unable to assess the potential impact of these proceedings on the Company. However, the Company may be required to indemnify and defend this matter for the former directors and officers. If forced to defend, the Company plans to do so vigorously.

*Directors and Officers Liability Insurance*

Nam Tai maintains a Directors and Officers Liability Insurance for certain claims or liabilities that may arise by reason of the status or service of its directors and officers (the Policy). Nam Tai has informed the insurance carriers of the Policy about the HKIRD's Notices against NTTC's two former directors. So far, the insurance carriers have raised no objection to the Notices constituting a claim under the terms of the Policy and have reimbursed Nam Tai for the legal costs and other expenses incurred by Nam Tai for defending the Notices. After the Additional Assessment Notices had been issued, the Insurers were informed of the same. The Insurers refused to reimburse for the additional



tax under the Additional Assessment Notices and the associated legal costs and expenses incurred in both the BOR Appeal and an appeal to the Court of Appeal of the HKIRD against the Assessment Notices (the CA Appeal ). Therefore, The Company and the two former directors have commenced arbitration against the Insurers under the Policy on October 18, 2013 by issuing a Notice of Arbitration to claim for reimbursement of the additional tax and the legal costs and expenses of both the BOR Appeal and the CA Appeal. The insurers filed their Response to Notice of Arbitration on December 24, 2013. All arbitrators have been appointed and the Arbitration hearing was heard from July 20 to July 24, 2015. On December 28 2015, the Company has been updated by its external legal counsel that the Partial Final Award on Costs & Final Award on Interest have been granted. Furthermore, the Tribunal in the Partial award on cost held that Nam Tai has to pay for the respondents costs for the period from February 11, 2014 up to the date of the award. It is estimated the total costs of \$1.0 million has been accrued for the year of 2015. Nam Tai renewed a new Directors and Officers Liability Insurance Policy with its current insurer for the year 2015 and 2016.

**Table of Contents****Dividends**

Under our dividend policy, our Board of Directors determines and declares the amount of Nam Tai's dividend payable based on our operating income, current and estimated future cash, cash flow and capital expenditure requirements at the time of the yearly declaration and such other factors as Nam Tai's Board believes reasonable and appropriate to consider in the determination and plans to announce the declared amount of that dividend.

As announced on November 1, 2010, the Company set payment of quarterly dividends for 2011 of \$0.05 per quarter. All quarterly dividends scheduled for payment in 2011 were paid as scheduled.

As announced on October 31, 2011, the Company set payment of quarterly dividends for 2012 of \$0.07 per quarter. All quarterly dividends scheduled for payment in 2012 were paid as scheduled.

As announced on November 5, 2012, the Company set payment of quarterly dividends for 2013 of \$0.15 per quarter. All quarterly dividends scheduled for payment in 2013 were paid as scheduled.

As announced on November 4, 2013, the Company set payment of quarterly dividends for 2014 of \$0.02 per quarter. All quarterly dividends scheduled for payment in 2014 were paid as scheduled.

As announced on November 3, 2014, the Company set payment of quarterly dividends for 2015 of \$0.02 per quarter. All quarterly dividends scheduled for payment in 2015 were paid as scheduled.

On October 30, 2015, following its review of our financial results for the first nine months of 2015, our Board of Directors assessed our operating income, current and estimated future cash, cash flow and capital expenditure requirements, and decided to pay quarterly dividends in 2016 according to the Schedule set forth below:

**Dividends declared for 2016**

<b>Quarterly Payment</b>	<b>Record Date</b>	<b>Period Scheduled</b>	<b>Dividend per share</b>
Q1 2016	December 31, 2015	before January 31, 2016 <sup>(1)</sup>	\$ 0.02
Q2 2016	March 31, 2016	before April 30, 2016	0.02
Q3 2016	June 30, 2016	before July 31, 2016	0.02
Q4 2016	September 30, 2016	before October 31, 2016	0.02
<b>Total for full year 2016</b>			<b>\$ 0.08</b>

(1) Dividends for Q1 2016 were paid on January 15, 2016.

Although the Company has resumed paying dividends, it does not necessarily mean that dividend payments will continue thereafter. Whether future dividends will be declared will depend upon Nam Tai's future growth and earnings, of which there can be no assurance, and the Company's cash flow needs for future expansion, which growth, earning or cash flow needs may be adversely affected by one or more of the factors discussed in ITEM 3. Key Information Risk Factors in this Report. There can be no assurance that future cash dividends will be declared, what the amounts of such dividends will be or whether such dividends, once declared for a specific period, will continue for any future period, or at all.

The following table sets forth the total cash dividends and dividends per share we have declared during each of the five years ended December 31:

	<b>Year ended December 31,</b>				
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Total dividends declared (in thousands)	\$ 12,545	\$ 26,882	\$ 3,622	\$ 3,409	\$ 2,936
Regular dividends per share	\$ 0.28	\$ 0.60	\$ 0.08	\$ 0.08	\$ 0.08
Total dividends per share	\$ 0.28	\$ 0.60	\$ 0.08	\$ 0.08	\$ 0.08

**Table of Contents****ITEM 9. THE LISTING**

Our shares are traded in the United States and have been listed on the New York Stock Exchange since January 2003 under the ticker symbol NTE until April 22, 2014 when the ticker symbol changed to NTP.

The following table sets forth the highest and lowest closing sales prices for our shares for each of the quarters in the year period ended December 31:

	2013			2014			2015		
	High	Low	Average Daily Trading Volume <sup>(1)</sup>	High	Low	Average Daily Trading Volume <sup>(1)</sup>	High	Low	Average Daily Trading Volume <sup>(1)</sup>
1 <sup>st</sup> Quarter	\$ 16.01	\$ 11.06	678,237	\$ 7.78	\$ 5.30	367,690	\$ 5.16	\$ 3.51	154,839
2 <sup>nd</sup> Quarter	13.76	5.55	704,297	8.11	5.91	241,313	5.40	3.86	179,730
3 <sup>rd</sup> Quarter	8.79	5.57	640,439	7.67	5.85	134,093	6.59	4.20	140,952
4 <sup>th</sup> Quarter	8.69	6.79	484,561	6.10	4.12	164,898	6.63	4.70	60,853

(1) Determined by dividing the sum of the reported daily volume for the quarter by the number of trading days in the quarter.

The following table sets forth the highest and lowest closing sale prices of our shares for the five years ended December 31:

Year ended December 31,	High	Low	Average Daily Trading Volume <sup>(1)</sup>
2011	\$ 8.08	\$ 4.50	92,445
2012	16.37	4.75	388,504
2013	16.01	5.55	626,068
2014	8.11	4.12	225,267
2015	6.63	3.51	133,665

(1) Determined by dividing the sum of the reported daily volume for the year by the number of trading days in the year.

The following table sets forth the highest and lowest closing sale prices of our shares during each of the most recent six months in the period ending February 29, 2016:

Month ended	High	Low	Average Daily Trading Volume <sup>(1)</sup>
September 30, 2015	\$ 6.59	\$ 5.36	102,343
October 31, 2015	6.63	5.82	49,877
November 30, 2015	6.35	5.15	67,215

December 31, 2015	5.88	4.70	66,045
January 31, 2016	6.07	4.80	74,968
February 29, 2016	5.77	4.85	65,790

- (1) Determined by dividing the sum of the reported daily volume for the month by the number of trading days in the month.

## ITEM 10. ADDITIONAL INFORMATION

### Share Capital

Our authorized capital consists of 200,000,000 common shares, \$0.01 par value per share. As of January 31, 2016, we had 36,699,572 common shares outstanding.

**Table of Contents**

**Memorandum and Articles of Association**

On December 5, 2007, we filed with the Registrar of Corporate Affairs of the British Virgin Islands, our jurisdiction of organization, an amended Memorandum and Articles of Associations (collectively our Charter), the instruments governing a company organized under the law of the British Virgin Islands, which are comparable in purpose and effect to certificates or articles of incorporation and bylaws of corporations organized in a state of the United States. Our Charter, which became effective on December 5, 2007, amended and restated our Memorandum and Articles of Association. The purpose of amending our Charter was to:

1. Make our shares eligible for a direct registration system operated by a securities depository in accordance with Section 501.00 (B) of the rules of the New York Stock Exchange that became effective on January 1, 2008 as to companies, like us, having equity securities listed on the New York Stock Exchange prior to January 1, 2007;
2. Make various consequential amendments to our Memorandum and Articles of Association so as to make them consistent with the BVI Business Company's Act, 2004, as amended (the Act), which we became subject to on January 1, 2007;
3. Eliminate our authority to issue bearer shares that would otherwise be permitted under BVI law, which our directors believed to be inappropriate for a company with shares publicly traded in the United States;
4. Authorize our Chief Executive Officer, Chief Financial Officer and our other officers designated by the Chairman of the Board of Directors (or the directors in the absence of designation by the Chairman of the Board of Directors), to serve as the Chairman of all meetings of shareholders in the absence of the Chairman of the Board of Directors; and
5. Make certain other changes as are indicated in our Memorandum and Articles of Association.

Under our Charter, holders of our shares:

are entitled to one vote for each whole share a holder owns on all matters to be voted upon by shareholders, including the election of directors;

do not have cumulative voting rights in the election of directors;

are entitled to receive dividends if and when declared by our Board of Directors out of funds legally available under British Virgin Islands law; and

do not have preemptive rights to purchase any additional, unissued common shares.

Under our Charter or applicable BVI law:

all of common shares are equal to each other with respect to voting and dividend rights; and

in the event of our liquidation, all assets available for distribution to the holders of our common shares are distributable among them according to their respective holdings.

Pursuant to our Charter and pursuant to the laws of the British Virgin Islands, our Board of Directors without shareholder approval, may amend our Memorandum and Articles of Association except:

to restrict the rights or powers of our shareholders to amend the Memorandum or the Articles;

to change the percentage of shareholders required to pass a resolution of shareholders to amend our Charter;

in circumstances where our Charter cannot be amended by the Shareholders;

to authorize the Company to issue, or authorize the issuance of, bearer shares of capital stock; or

The power of our Board of Directors to amend our Memorandum and Articles of Association continues to include amendments to increase or reduce our authorized capital stock. Our ability to amend our Memorandum and Articles of Association without shareholder approval in this fashion could have the effect of delaying, deterring or preventing our change in control, including one involving a tender offer to purchase our common shares or to engage in a business combination at a premium over the then current market price of our shares.

We have never had any class of stock outstanding other than our common shares nor have we ever changed the voting rights with respect to our common shares.

Our registered office is at P.O. Box 3342, Road Town, Tortola, British Virgin Islands and we have been assigned company number 3805.

As set forth in Clause 4 of our Memorandum of Association included in our Charter, our object or purpose is to engage in any act or activity that is not prohibited under British Virgin Islands law.

**Table of Contents**

The following summarizes certain of the Regulations from our Articles of Association, included in our Charter:

Regulation 53 provides that a director may be counted as part of the quorum with respect to any contract or arrangement in which the director is materially interested or makes with the Company;

Regulation 46 allows the directors to vote on their compensation for their service as directors;

Regulation 62 provides that the directors may by resolution exercise all of the Company's powers to borrow money and to mortgage or charge our undertakings and property or any part thereof, to issue debentures, debenture stock and other securities whenever we borrow money or as security for any of our debts, liabilities or obligations or those of any third party. These borrowing powers can be altered by an amendment to the Articles;

Regulation 78 allows us to deduct from any shareholder's dividends amounts owed to us by that shareholder;

Regulation 8(b) provides that we can redeem shares at fair market value from any shareholder against whom we have a judgment debt;

Regulation 5(a) provides that the Company's registered shares may be certificated or uncertificated and shall be entered in the register of members of the Company and registered as they are issued;

Regulation 7 provides that without prejudice to any special rights previously conferred on the holders of any existing shares, any of our shares may be issued with such preferred, deferred or other special rights or such restrictions, with respect to dividends, voting, return of capital or otherwise as the directors may from time to time determine;

Regulation 9 provides that if at any time our capital stock is divided into different classes or series of shares, the rights attached to any class or series may be varied with the consent in writing of the holders of not less than three-fourths of the issued shares of any other class or series of shares which may be affected by such variation;

Regulations 22 through 26 and under applicable BVI law provide that directors may convene meetings of our shareholders at such times and in such manner and places as the directors consider necessary or desirable, and they shall convene such a meeting upon the written request of shareholders holding more than 30% of the votes of our outstanding voting shares. Other than providing, if requested, reasonable proof of a holder's status as a holder of our shares as of the applicable record date, there is no condition to the admission of a shareholder or his or her proxy holder to our meetings of shareholders.

There is no provision in our Charter for the mandatory retirement of directors. Directors are not required to own our shares in order to serve as directors.



British Virgin Islands law and our Charter impose no limitations on the right of nonresident or foreign owners to hold or vote our securities.

There are no provisions in our Charter governing the ownership threshold above which shareholder ownership must be disclosed.

We filed our Charter with the SEC as Exhibit 1.1 to Amendment No. 1 to Form 8-A on December 13, 2007 and the provisions of our Charter may be reviewed by examining that filing.

### **Transfer Agent**

Computershare, 480 Washington Blvd. Jersey City, NJ 07310, U.S.A., serves as transfer agent and registrar for our shares in the United States.

### **Material Contracts**

We have not entered into any material contracts other than in the ordinary course of business or elsewhere in this annual report on Form 20-F.

### **Exchange Controls**

There are no exchange control restrictions on payments of dividends, interest, or other payments to nonresident holders of Nam Tai's securities or on the conduct of our operations in Hong Kong, Cayman Islands or the British Virgin Islands, where Nam Tai is incorporated. Other jurisdictions in which we conduct operations may have various exchange controls. With respect to our subsidiaries in China, with the exception of a requirement that 11% of profits be reserved for future developments and staff welfare, there are no restrictions on the payment of dividends and the removal of dividends from China once all taxes are paid and assessed and losses, if any, from previous years have been made good. We believe such restrictions will not have a material effect on our liquidity or cash flows.

## **Table of Contents**

### **Taxation**

#### **United States Federal Income Tax Consequences**

The discussion below is for general information only and is not, and should not be interpreted to be, tax advice to any holder of our common shares. Each holder or a prospective holder of our common shares is urged to consult his, her or its own tax advisor.

##### *General*

This section is a general summary of the material United States federal income tax consequences to U.S. Holders, as defined below, of the ownership and disposition of our common shares as of the date of this report. This summary is based on the provisions of the Internal Revenue Code of 1986, as amended, or the Code, Treasury regulations promulgated and proposed thereunder, judicial decisions and current administrative rulings and practice, all of which are subject to change, possibly on a retroactive basis. The summary applies to you only if you hold our common shares as a capital asset within the meaning of Section 1221 of the Code. In addition, this summary generally addresses certain U.S. federal income tax consequences to U.S. Holders if we were to be classified as a PFIC. The United States Internal Revenue Service, or the IRS, may challenge the tax consequences described below, and we have not requested, nor will we request, a ruling from the IRS or an opinion of counsel with respect to the United States federal income tax consequences of acquiring, holding or disposing of our common shares. This summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to the ownership of our common shares. In particular, the discussion below does not cover tax consequences that depend upon your particular tax circumstances nor does it cover any state, local or foreign law, or the possible application of the United States federal estate or gift tax. You are urged to consult your own tax advisors regarding the application of the United States federal income tax laws to your particular situation as well as any state, local, foreign and United States federal estate and gift tax consequences of the ownership and disposition of our common shares. In addition, this summary does not take into account any special United States federal income tax rules that apply to a particular U.S. or Non-U.S. holder of our common shares, including, without limitation, the following:

a dealer in securities or currencies;

a trader in securities that elects to use a mark-to-market method of accounting for its securities holdings;

a financial institution or a bank;

an insurance company;

a tax-exempt organization;

a person that holds our common shares in a hedging transaction or as part of a straddle or conversion transaction;

a person whose functional currency for United States federal income tax purposes is not the U.S. dollar;

a person liable for alternative minimum tax;

a person that owns, or is treated as owning, 10% or more, by voting power or value, of our common shares;

certain former U.S. citizens and residents who have expatriated;

persons holding shares through partnerships or other tax transparent entities; or

a person who receives our shares pursuant to the exercise of employee stock options or otherwise as compensation.

Investors should consult their tax advisors regarding the application of the U.S. federal tax rules to their particular circumstances as well as the state, local, non-U.S. and other tax consequences to them of the purchase, ownership and disposition of our common shares.

#### *U.S. Holders*

For purposes of the discussion below, you are a U.S. Holder if you are a beneficial owner of our common shares who or which is:

an individual United States citizen or resident alien of the United States (as defined for United States federal income tax purposes);

a corporation, or other entity treated as a corporation for United States federal income tax purposes, created or organized in or under the laws of the United States, any State or the District of Columbia;

an estate whose income is subject to United States federal income tax regardless of its source; or

## **Table of Contents**

a trust (x) if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust or (y) if it was in existence on August 20, 1996, was treated as a United States person prior to that date and has a valid election in effect under applicable Treasury regulations to be treated as a United States person.

The United States federal income tax treatment of a partner in a partnership (or other entity treated as a partnership for United States federal income tax purposes) that holds our common shares will generally depend on the status of the partner and the activities of the partnership. Partners in a partnership investing in our common shares should consult their tax advisors regarding the specific United States federal income tax consequences to them of the acquisition, ownership and disposition of our common shares.

## **Distributions on Our Common Shares**

If you are a U.S. Holder of our common shares in a taxable year in which we are a PFIC (and any subsequent taxable years), then this section generally may not apply to you instead, see [PFIC Considerations](#) below. Otherwise, generally, the gross amount of any cash distribution or the fair market value of any property distributed that you receive with respect to our common shares will be subject to tax as ordinary income to the extent such distribution does not exceed our current and accumulated earnings and profits, or E&P, as calculated for United States federal income tax purposes. Such income will be included in your gross income on the date of receipt. Subject to certain limitations, dividends paid to non-corporate U.S. Holders, including individuals, may be eligible for a reduced rate of taxation if we are a qualified foreign corporation for U.S. federal income tax purposes. A qualified foreign corporation includes (i) a foreign corporation that is eligible for the benefits of a comprehensive income tax treaty with the United States that includes an exchange of information program, and (ii) a foreign corporation if its stock with respect to which a dividend is paid is readily tradable on an established securities market within the United States. We anticipate that requirement (ii) will be met here. A qualified foreign corporation for purposes of the reduced rate does not, however, include a PFIC. Thus, U.S. Holders should consult their tax advisors regarding the availability of the reduced rate of taxation applicable to any dividends the Company pays with respect to the shares. To the extent any distribution exceeds our current and accumulated E&P, such distribution will first be treated as a tax-free return of capital to the extent of your adjusted tax basis in our common shares and will be applied against and reduce such basis on a dollar-for-dollar basis (thereby increasing the amount of gain and decreasing the amount of loss recognized on a subsequent disposition of such shares). To the extent that such distribution exceeds your adjusted tax basis in our common shares, the distribution will be treated as capital gain. Because we are not a United States corporation, a dividends-received deduction generally will not be allowed to corporations with respect to dividends paid by us.

We believe we were a PFIC for 2015 and, based on our current operations, assets and market conditions for our shares, we may be a PFIC for 2016 see [PFIC Considerations](#) below and the discussion of certain PFIC issues in [Risk Factors](#) above. Therefore, the reduced rate of taxation available to U.S. Holders of a qualified foreign corporation may not be available for 2016.

For United States foreign tax credit limitation purposes, dividends received on our common shares will be treated as foreign source income and will generally be passive category income, or in the case of certain holders, general category income. You may be eligible, subject to a number of complex limitations, to claim a foreign tax credit in respect of foreign withholding taxes, if any, imposed on dividends paid on our common shares. The rules governing United States foreign tax credits are complex, and we recommend that you consult your tax advisor regarding the applicability of such rules to you.

## **Sale, Exchange or Other Disposition of Our Common Shares**

If you are a U.S. Holder of our common shares in a taxable year in which we are a PFIC (and any subsequent taxable years), then this section will not apply to you instead, see PFIC Considerations below. Otherwise, generally, in connection with the sale, exchange or other taxable disposition of our common shares:

you will recognize capital gain or loss equal to the difference (if any) between:

the amount realized on such sale, exchange or other taxable disposition and your tax basis in such common shares (your tax basis in the shares you hold generally will equal your U.S. dollar cost of such shares);

such gain or loss will be long-term capital gain or loss if your holding period for our common shares is more than one year at the time of such sale or other disposition;

such gain or loss will generally be treated as United States source for United States foreign tax credit purposes; and

your ability to deduct capital losses is subject to limitations.

---

## **Table of Contents**

Certain U.S. Holders that are individuals, estates or trusts are required to pay an additional 3.8% tax on, among other things, dividends on and capital gains from the sale or other disposition of stock U.S. Holders that are individuals, estates or trusts should consult their tax advisors regarding the effect, if any, of this tax on their ownership and disposition of the Company's shares.

## **PFIC Considerations**

The determination of whether a corporation is a PFIC in any taxable year is made on an annual basis after the close of that year and depends on the composition of its income and the nature and value of its assets including goodwill. Specifically, a corporation will be classified as a PFIC if, after applying relevant look-through rules with respect to the income and assets of subsidiaries, either (i) 75% or more of its gross income for such taxable year is passive income (the PFIC income test), or (ii) 50% or more of the value of its assets (based on an average of the quarterly values of the assets during such year) is attributable to assets that either produce passive income or are held for the production of passive income (the PFIC asset test). For this purpose, passive income generally includes dividends, interest, royalties, rents (other than rents and royalties derived in the active conduct of a trade or business), annuities and gains from assets that produce passive income.

We believe that we were a PFIC for 2015 under the PFIC income test. In addition, on the assumption that (i) cash and cash equivalents are passive assets and (ii) our market capitalization plus total liabilities may be considered a proxy for our total assets, a calculation based on a comparison of the average quarter-end book values of our cash and cash equivalents to our market capitalization plus total book liabilities indicates that we were also a PFIC for 2015 under the PFIC asset test. As a result, we believe we were a PFIC for U.S. federal income tax purposes for 2015. However, the PFIC asset test requires a determination of the fair market value of each asset and a determination of whether such asset produces or is held for the production of passive income and involves complex legal issues. We have not made a determination of the fair market value of our assets for 2015 or currently in 2016, and we do not intend to make such a determination as we believe that our management and financial resources can be better deployed in other aspects of our business. We may be a PFIC in 2016 under either the PFIC income test or the PFIC asset test, or both.

If we are classified a PFIC, a special tax regime would apply to both (a) any excess distribution by us (generally, the U.S. Holder's ratable share of distributions in any year that are greater than 125% of the average annual distributions received by such U.S. Holder in the three preceding years or its holding period, if shorter) and (b) any gain recognized on the sale or other disposition of your common shares. Under the PFIC regime, any excess distribution and recognized gain would be treated as ordinary income. The U.S. federal income tax on such ordinary income is determined under the following steps: (i) the amount of the excess distribution or gain is allocated ratably over the U.S. Holder's holding period for our common shares; (ii) tax is determined for amounts allocated to the first year in the holding period in which we were classified as a PFIC and all subsequent years (except the year in which the excess distribution was received or the sale occurred) by applying the highest applicable tax rate in effect in the year to which the income was allocated; (iii) an interest charge is added to this tax calculated by applying the underpayment interest rate to the tax for each year determined under the preceding sentence from the due date of the income tax return for such year to the due date of the return for the year in which the excess distribution or sale occurs; and (iv) amounts allocated to a year prior to the first year in the U.S. Holder's holding period in which we were classified as a PFIC or the year in which the excess distribution or the disposition occurred are taxed as ordinary income and no interest charge applies.

If we were treated as a PFIC, a U.S. Holder of our shares would generally be subject to the PFIC rules described above with respect to distributions by, and dispositions by us of the stock of, any direct or indirect subsidiaries of ours that are classified as PFICs under either the PFIC asset test or the PFIC income test, as if such holder received directly its pro-rata share of either the distribution or proceeds from such disposition.

A U.S. Holder may generally avoid the PFIC regime by making a qualified electing fund election which generally provides that, in lieu of the foregoing treatment, our earnings, on a pro rata basis, would be currently included in the holder's gross income. However, we may be unable or unwilling to provide information to our U.S. Holders that would enable them to make a qualified electing fund election; thus, such election may not be available with respect to our common shares.

In addition, U.S. Holders may generally avoid the PFIC regime by making the mark-to-market election with respect to our common shares. Although a U.S. Holder may be eligible to make a mark-to-market election with respect to our shares, no such election may be made with respect to the stock of any of our subsidiaries that a U.S. Holder is treated as owning, if such stock is not marketable. Hence, the mark-to-market election generally would not be effective to eliminate the interest charge described above with respect to deemed dispositions of a subsidiary PFIC stock or distributions from a subsidiary PFIC. Marking-to-market, in this context, means including in ordinary income each taxable year the excess, if any, of the fair market value of our common shares over your tax basis in such common shares as of the end of each year. This mark-to-market election generally enables U.S. Holders to avoid the deferred interest charge that would otherwise be imposed on them if we were to be classified as a PFIC.

## **Table of Contents**

An actual determination of PFIC status is factual in nature. Given the complexity of the issues regarding our classification as a PFIC, U.S. Holders are urged to consult their own tax advisors for guidance as to our PFIC status.

If during any taxable year of a U.S. Holder ending on or after December 31, 2015 such U.S. Holder owns our common shares and we are a PFIC in such year, the U.S. Holder generally will be required to file an IRS Form 8621 (Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund) with respect to the Company (generally with the U.S. Holder's federal income tax return for that year), unless a *de minimis* exception applies. U.S. Holders are urged to consult their tax advisors regarding their annual filing requirements.

### *Non-U.S. Holders*

If you are not a U.S. Holder and are not a partnership (or other entity treated as a partnership for United States federal income tax purposes), you are a Non-U.S. Holder.

### **Distributions on Our Common Shares**

You generally will not be subject to United States federal income tax, including withholding tax, on distributions made on our common shares unless:

you conduct a trade or business in the United States and the distributions are effectively connected with the conduct of that trade or business (and, if an applicable income tax treaty so requires as a condition for you to be subject to United States federal income tax on a net income basis in respect of income from our common shares, such distributions are attributable to a permanent establishment that you maintain in the United States).

If you meet the two tests above, you generally will be subject to tax in respect of such dividends in the same manner as a U.S. Holder, as described above. In addition, any effectively connected dividends received by a non-U.S. corporation may also, under certain circumstances, be subject to an additional branch profits tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

### **Sale, Exchange or Other Disposition of Our Common Shares**

Generally, you will not be subject to United States federal income tax, including withholding tax, in respect of gain recognized on a sale or other taxable disposition of our common shares unless:

your gain is effectively connected with a trade or business that you conduct in the United States (and, if an applicable income tax treaty so requires as a condition for you to be subject to United States federal income tax on a net income basis in respect of gain from the sale or other disposition of our common shares, such gain is attributable to a permanent establishment maintained by you in the United States); or

you are an individual Non-U.S. Holder and are present in the United States for at least 183 days in the taxable year of the sale or other disposition, and certain other conditions exist.



You will be subject to tax in respect of any gain effectively connected with your conduct of a trade or business in the United States generally in the same manner as a U.S. Holder, as described above. Effectively connected gains realized by a non-U.S. corporation may also, under certain circumstances, be subject to an additional branch profits tax at a rate of 30% or such lower rate as may be specified by an applicable income tax treaty.

### **Backup Withholding and Information Reporting**

Payments, including dividends and proceeds of sales, in respect of our common shares that are made in the United States or by a United States related financial intermediary will be subject to United States information reporting rules. In addition, such payments may be subject to United States federal backup withholding tax. You will not be subject to backup withholding provided that:

you are a corporation or other exempt recipient; or

you provide your correct United States federal taxpayer identification number and certify, under penalties of perjury, that you are not subject to backup withholding.

Amounts withheld under the backup withholding rules may be credited against your United States federal income tax, and you may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the IRS in a timely manner.

## **Table of Contents**

Generally, a U.S. shareholder in a PFIC must file IRS Form 8621 for each tax year in which that shareholder owns shares in the PFIC, including such information as is required concerning (1) recognition of gain on a direct or indirect disposition of a PFIC stock; (2) receipt of certain distributions from a PFIC; or (3) the making of reportable elections with regard to the PFIC. In addition, in connection with the 3.8% tax previously discussed, shareholders of a PFIC may be required to file information with the IRS with regard to their ownership of shares in the PFIC even in the absence of any of the above described gains, distributions, or elections.

A shareholder that owns 10% or more (taking certain attribution rules into account) of the shares of a non-U.S. corporation may be required to file an information return, Form 5471, containing certain disclosure with regard to itself, other shareholders and the corporation.

In addition, certain U.S. Holders who are individuals that hold certain foreign financial assets as defined in the Code (which may include shares) are required to report information relating to such assets, subject to certain exceptions. U.S. Holders are urged to consult their tax advisors regarding these and any other reporting requirements that may apply with respect to their ownership of our common shares.

The discussion above is a general summary. It does not cover all tax matters that may be important to you. Investors should consult their tax advisors regarding the application of the United States federal tax rules to their particular circumstances as well as the state, local, non-U.S. and other tax consequences to them of the purchase, ownership and disposition of our common shares.

## **Documents on Display**

We are subject to the information requirements of the Exchange Act, and, in accordance with the Exchange Act, we file annual reports on Form 20-F within four months of our fiscal year end, and submits other reports and information under cover of Form 6-K with the SEC. You may read and copy this information at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Recent filings and reports are also available free of charge through the EDGAR electronic filing system at [www.sec.gov](http://www.sec.gov). You can also request copies of the documents, upon payment of a duplicating fee, by writing to the public reference section of the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference room or accessing documents through EDGAR. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of proxy statements to shareholders.

## **ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

### **Currency Fluctuations and Foreign Exchange Risk**

Beginning on December 1, 1996, the RMB became fully convertible under the current accounts. There are no restrictions on trade-related foreign exchange receipts and disbursements in China. However, capital account foreign exchange receipts and disbursements are subject to control, and organizations in China are required to use designated banks for foreign currency transactions.

#### *Chinese Renminbi*

Effective from April 1, 2015, the Company's subsidiaries in China changed their functional currency from the U.S. dollar to the RMB. This change was made upon the progress of the property development projects in China causing the Company's subsidiaries primary operating activities to be in RMB and making the RMB the currency of the

economic environment in which the entities primarily generate and expend cash. We do not hedge against currency risk for subsidiaries in China.

For the Company and subsidiaries outside of China, the function currencies are U.S. dollars and Hong Kong dollars, as expense transactions are generally denominated in U.S. dollars and Hong Kong dollars. Our exposure to foreign exchange risk primarily relates to a significant portion of the Company's cash and cash equivalent and short term investment denominated in RMB. We need to convert RMB to U.S. dollars and Hong Kong dollars for our operations, depreciation of the RMB against the U.S. dollar would reduce the U.S. dollar amount and Hong Kong dollars amount we receive from the conversion.

As of December 31, 2015, the Company and subsidiaries outside of China had RMB-denominated cash and cash equivalents and short term investments of RMB488.4 million (equal to \$75.1 million). If the RMB had depreciated by 10% against the U.S. dollar and assuming we converted RMB488.4 million into U.S. dollars, our U.S. dollar cash balance for the RMB488.4 million would have been \$68.3 million.

**Table of Contents***Hong Kong Dollar*

The exchange rate of Hong Kong dollars to U.S. dollars has been fixed by the Hong Kong government since 1983 at approximately HK\$7.80 to US\$1.00, through the currency-issuing banks in Hong Kong and, accordingly, has not in the past presented a currency exchange risk. This could change in the future.

*Currency Hedging*

We may elect to hedge our currency exchange risk when we judge that such action is required. In an attempt to lower the costs of expenditures in foreign currencies, we may enter into forward contracts or option contracts to buy or sell foreign currency (ies) against the U.S. dollar through one of our banks. As a result, we may suffer losses resulting from the fluctuation between the buy forward exchange rate and the sell forward exchange rate, or from the price of the option premium.

During 2013, we entered into foreign currency forward contracts to partially offset the foreign currency exchange gains and losses for transactions denominated in non-functional currencies. The gain (loss) recognized in other income and expense for foreign currency forward contracts not designated as hedging instruments was not significant during 2013. No foreign currency forward contracts were entered into in 2014 and in 2015. See also ITEM 11. Quantitative and Qualitative Disclosures About Market Risk – Currency Fluctuations and Foreign Exchange Risks in this Report.

*Currencies included in Cash and Cash Equivalents and Short term investments*

The following table provides the U.S. dollar equivalent of amounts of currencies included in cash and cash equivalents and short term investments on our balance sheets at December 31, 2014 and 2015:

<b>Currencies included in cash and cash equivalents and short term investments</b>	<b>As of December 31</b>	
	<b>2014</b>	<b>2015</b>
	<b>(In thousands)</b>	
United States dollars	\$ 276	\$ 5,050
Chinese renminbi	297,141	201,093
Hong Kong dollars	638	1,211
<b>Total US\$ equivalent</b>	<b>\$ 298,055</b>	<b>\$ 207,354</b>

**Interest Rate Risk**

Our interest expenses and income are sensitive to changes in interest rates. All of our cash reserves and short term investment are subject to interest rate changes. Cash on hand of \$205.8 million as of December 31, 2015 was invested in term deposits. As such, interest income will fluctuate with changes in interest rates. During 2015, we had \$8.1 million in interest income.

As of December 31, 2014 and 2015, we had utilized approximately \$40.0 million and nil of our credit facilities, including \$40.0 million and nil in short-term bank borrowing resulting in minimal interest rate risk.

As of December 31, 2015, we had no long-term bank loan.

**ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

Not applicable to Nam Tai.

**PART II**

**ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES**

Not applicable to Nam Tai.

**ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF  
PROCEEDS**

Not applicable to Nam Tai.

**Table of Contents**

**ITEM 15. CONTROLS AND PROCEDURES**

**Disclosure Controls and Procedures**

As of the end of the period covered by this report, our management, with the participation of its Chief Executive Officer and Chief Financial Officer, conducted an evaluation pursuant to Rule 13a-15 promulgated under the Exchange Act, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of the end of the period covered by this report such disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by the Company in reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and included controls and procedures designed to ensure that information required to be disclosed by the Company in such reports is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

**Report of Management on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, a control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Our management, including its Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2015. In making this assessment, our management used the criteria set forth in the Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ( COSO ). Based on the assessment, our management, including its Chief Executive Officer and Chief Financial Officer, concluded that, as of December 31, 2015, our internal control over financial reporting was effective based on these criteria.

**Attestation Report of Independent Registered Public Accounting Firm**

The effectiveness of our internal control over financial reporting as of December 31, 2015 has been audited by Moore Stephens CPA Limited, an independent registered public accounting firm. The related report to our shareholders and the Board of Directors appears on the next page of this Report.

**Table of Contents**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and the Shareholders of Nam Tai Property Inc.:

We have audited the internal control over financial reporting of Nam Tai Property Inc. and its subsidiaries (the Company ) as of December 31, 2015, based on criteria established in *Internal Control Integrated Framework*) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of the inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015 based on the criteria established in *Internal Control Integrated Framework* issued by the COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company s consolidated balance sheet as of December 31, 2015 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and the financial statement schedules listed in Schedule 1, and our report dated March 14, 2016 expressed an unqualified opinion thereon.

/s/ Moore Stephens CPA Limited

Certified Public Accountants

Hong Kong

March 14, 2016



**Table of Contents**

**Changes in Internal Control Over Financial Reporting**

There were no changes in our internal controls over financial reporting during the year ended December 31, 2015, the period covered by this Report on Form 20-F, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

**ITEM 16 A. AUDIT COMMITTEE FINANCIAL EXPERT**

Our Board of Directors has determined that one member of the Audit Committee, Mark Waslen, qualifies as an audit committee financial expert as defined by Item 407(d) (5) (ii) of Regulation S-K, adopted pursuant to the Exchange Act. For information concerning Mr. Waslen's education and experience by which he acquired the attributes qualifying him as an audit committee financial expert, please see the description of Mr. Waslen's background in ITEM 6. Directors and Senior Management Directors and Senior Managers of this Report.

Mr. Waslen is independent as that term is defined in the Listed Company Manual of the NYSE.

**ITEM 16 B. CODE OF ETHICS**

We have adopted a Code of Ethics for the Chief Executive Officer and Chief Financial Officer, which also applies to our principal executive officers and to its principal financial and accounting officers. The Code of Ethics has been revised to apply to all employees as well. A copy of the revised Code of Ethics is attached as Exhibit 11.1 to this Report on Form 20-F. This code has been posted on our website, which is located at [http://www.namtai.com/investors#investors/corporate\\_governance](http://www.namtai.com/investors#investors/corporate_governance). The contents of this website address, other than the corporate governance guidelines, the code of ethics and committee charters, are not a part of this Form 20-F. Stockholders may request a free copy in print form from:

Mr. Kevin McGrath, Managing Partner of Cameron Associates

Telephone: 212.245.4577

e-mail: [kevin@cameronassoc.com](mailto:kevin@cameronassoc.com)

**ITEM 16 C. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

Moore Stephens has served as our independent registered public accounting firm for the years ended December 31, 2014 and 2015, for which audited consolidated financial statements appeared in this Report on Form 20-F. Each year our Audit Committee of the Board of Directors selects our independent registered public accounting firm and our Board of Directors annually directs us to submit the selection of our independent registered public accounting firm for ratification by shareholders at our annual meeting of shareholders. It is currently expected that the Audit Committee will select Moore Stephens as our independent registered public accounting firm for 2016 and that our Board of Directors will propose at the Annual Meeting of Shareholders to be held in 2016 that Moore Stephens be ratified as our independent registered public accounting firm for 2016.

The following table presents the aggregate fees for professional services and other services rendered by Moore Stephens to us in 2014 and 2015, respectively (U.S. dollars in thousands).

	<b>Year ended December 31</b>	
	<b>2014</b>	<b>2015</b>
Audit Fees <sup>(1)</sup>	\$ 219	\$ 129
Tax Fees <sup>(2)</sup>	2	3
Others <sup>(3)</sup>		7
Total	\$ 221	\$ 139

- (1) Audit Fees consist of fees billed for the annual audit of our consolidated financial statements and the statutory financial statements of our subsidiaries. They also include fees billed for other audit services, which are those services that only the independent registered public accounting firm reasonably can provide, and include the provision of attestation services relating to the review of documents filed with the SEC.
- (2) Tax Fees include fees billed for tax compliance services, including the preparation of original and amended tax returns.
- (3) Others mainly include fees billed for preparing tax advice from both Hong Kong and China tax perspective.

**Table of Contents****Audit Committee Pre-approval Policies and Procedures**

The Audit Committee of our Board of Directors is responsible, among other matters, for the oversight of the independent registered public accounting firm subject to the relevant regulations of the SEC and NYSE. The Audit Committee has adopted a policy, or the Policy, regarding pre-approval of audit and permissible non-audit services provided by our independent registered public accounting firm.

Under the Policy, the Chairman of the Audit Committee is delegated with the authority to grant pre-approvals in respect of all auditing services including non-audit service, but excluding those services stipulated in Section 201 Service Outside the Scope of Practice of Auditors . Moreover, if the Audit Committee approves an audit service within the scope of the engagement of the audit service, such audit service shall be deemed to have been pre-approved. The decisions of the Chairman of the Audit Committee made under delegated authority to pre-approve an activity shall be presented to the Audit Committee at each of its scheduled meetings.

Requests or applications to provide services that require specific approval by the Audit Committee are submitted to the Audit Committee by both the independent registered public accounting firm and the Chief Financial Officer.

During 2014 and 2015, 100% and 100%, respectively, of the total audit fees, audit-related fees, tax fees and all other fees were approved by the Audit Committee pursuant to the pre-approval requirement provided by paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

**ITEM 16 D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES**

Not applicable to Nam Tai.

**ITEM 16 E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

Our board of directors approved a stock repurchase program to buy back up to \$40 million of its common stocks in open market at prevailing market prices which was announced on May 7, 2014. The stock repurchase program was closed on November 28, 2014.

3,000,000 common shares had been bought back from the open market at a purchase price of \$5.50 under our cash tender offer announced on April 28, 2015 and expiring on May 29, 2015.

3,518,750 common shares had been bought back from the open market at a purchase price of \$5.50 under our cash tender offer announced on August 3, 2015 and expiring on September 4, 2015.

The following table provides a summary of our stock repurchases program for the year ended December 31, 2014 and our two cash tender offers for the year ended December 31, 2015.

<b>Period</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans</b>	<b>Approximate Dollar Value of Shares that May Yet Be Purchased</b>
---------------	---	----------------------	---	---

			<b>or Programs</b>	<b>Under the Plans or Programs</b>
May 2014	178,816	\$ 7.39	178,816	\$ 38,678,468
June 2014	348,363	7.82	348,363	35,957,421
July 2014	384,986	7.43	384,986	33,095,654
August 2014	376,835	7.16	376,835	30,396,327
September 2014	315,200	6.68	315,200	28,290,757
October 2014	594,800	5.63	594,800	24,943,222
November 2014	470,413	5.19	470,413	22,499,810
Total	2,669,413	\$ 6.56	2,669,413	\$

<b>Period</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price</b>	<b>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs</b>	
			<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b>
May 2015	3,000,000	\$ 5.55	3,000,000	\$
September 2015	3,518,750	5.55	3,518,750	
Total	6,518,750	\$ 5.55	6,518,750	\$

**Table of Contents**

**ITEM 16 F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT**

Not applicable to Nam Tai.

**ITEM 16 G. CORPORATE GOVERNANCE**

For information regarding whether our corporate governance standards differ from those applied to U.S. domestic issuers, see the discussion under "NYSE listed Company Manual Disclosure" in ITEM 6. Directors and Senior Management of this Report.

**ITEM 16 H. MINE SAFETY DISCLOSURE**

Not applicable to Nam Tai.

**PART III**

**ITEM 17. FINANCIAL STATEMENTS**

Not Applicable to Nam Tai.

**ITEM 18. FINANCIAL STATEMENTS**

**Index to Consolidated Financial Statements**

<u>Report of Independent Registered Public Accounting Firm</u>	F-1
<u>Consolidated Statements of Comprehensive Income for the years ended December 31, 2013, 2014 and 2015</u>	F-2
<u>Consolidated Balance Sheets as of December 31, 2014 and 2015</u>	F-3
<u>Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2013, 2014 and 2015</u>	F-4
<u>Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2014 and 2015</u>	F-5 to F-6
<u>Notes to Consolidated Financial Statements</u>	F-7 to F-29

**Table of Contents**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and the Shareholders of Nam Tai Property Inc.:

We have audited the accompanying consolidated balance sheets of Nam Tai Property Inc. and subsidiaries (the Company ) as of December 31, 2014 and 2015, and the related consolidated statements of comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2015. Our audits also included the financial statement schedules listed in Schedule 1. These consolidated financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2014 and 2015, and the results of its operations and its cash flows for each of three years in the period ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the financial statement schedules listed in Schedule 1, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2015, based on the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 14, 2016 expressed an unqualified opinion thereon.

/s/ Moore Stephens CPA Limited

Certified Public Accountants  
Hong Kong  
March 14, 2016

**Table of Contents****NAM TAI PROPERTY INC.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(In thousands of U.S. dollars, except per share data)**

		<b>Year Ended December 31,</b>		
	<b>Notes</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Rental income		\$ 136	\$ 2,341	\$ 2,978
Rental expense		(68)	(1,073)	(1,949)
Net rental income		68	1,268	1,029
Costs and expenses				
General and administrative expenses		(7,465)	(13,417)	(13,862)
		(7,465)	(13,417)	(13,862)
Operating loss		(7,397)	(12,149)	(12,833)
Other income (expenses), net	14	6,339	(2,379)	(7,389)
Interest income		4,939	9,173	8,054
Interest expenses			(61)	(360)
Income (loss) before income tax		3,881	(5,416)	(12,528)
Income tax recovery	15	1,378		
Income (loss) from continuing operations, net of income tax		5,259	(5,416)	(12,528)
Loss from discontinued operations, net of income tax	10	(4,962)	(20,172)	(630)
Consolidated net income (loss) attributable to Nam Tai Property Inc. shareholders		297	(25,588)	(13,158)
Other comprehensive income				
Consolidated comprehensive income (loss) attributable to Nam Tai Property Inc. shareholders		\$ 297	\$ (25,588)	\$ (13,158)
Basic earnings (loss) per share:				
Basic earnings (loss) per share from continuing operations	12	\$ 0.12	\$ (0.12)	\$ (0.31)
Basic loss per share from discontinued operations	12	\$ (0.11)	\$ (0.46)	\$ (0.01)
Basic earnings (loss) per share	12	\$ 0.01	\$ (0.58)	\$ (0.32)
Diluted earnings (loss) per share:				
Diluted earnings (loss) per share from continuing operations	12	\$ 0.12	\$ (0.12)	\$ (0.31)
Diluted loss per share from discontinued operations	12	\$ (0.11)	\$ (0.46)	\$ (0.01)

Diluted earnings (loss) per share	12	\$ 0.01	\$ (0.58)	\$ (0.32)
-----------------------------------	----	---------	-----------	-----------

See accompanying notes to consolidated financial statements.

F-2



**Table of Contents****NAM TAI PROPERTY INC.****CONSOLIDATED BALANCE SHEETS****(In thousands of U.S. dollars, except share data)**

	Notes	December 31,	
		2014	2015
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	2(b)	\$ 212,760	\$ 157,371
Short term investments	2(c)	85,295	49,983
Prepaid expenses and other receivables		5,100	3,366
Finance lease receivable current	3	4,294	1,403
Assets held for sale	4	22,881	20,254
Current assets of discontinued operations	10	630	106
<b>Total current assets</b>		<b>330,960</b>	<b>232,483</b>
Property, plant and equipment, net	5	25,945	26,830
Finance lease receivable non current	3	1,048	
Land use rights		9,645	11,562
Other assets		155	605
<b>Total assets</b>		<b>\$ 367,753</b>	<b>\$ 271,480</b>
<b>LIABILITIES AND EQUITY</b>			
Current liabilities:			
Short term bank borrowing	9	40,000	
Accrued expenses and other payables	8	7,219	2,819
Dividend payable		3,409	2,936
Current liabilities of discontinued operations	10	173	160
<b>Total current liabilities</b>		<b>50,801</b>	<b>5,915</b>
Commitments and contingencies (Note 16)			
Equity:			
Common shares (\$0.01 par value authorized 200,000,000 shares, issued and outstanding 42,618,322 and 36,699,572 shares as at December 31, 2014 and 2015, respectively)	11	426	367
Additional paid-in capital		274,276	243,280
Retained earnings		42,258	26,343
Accumulated other comprehensive loss		(8)	(4,425)
<b>Total shareholders equity</b>		<b>316,952</b>	<b>265,565</b>

Total liabilities and equity	\$ 367,753	\$ 271,480
------------------------------	------------	------------

See accompanying notes to consolidated financial statements.

F-3

**Table of Contents****NAM TAI PROPERTY INC.****CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY**

(In thousands of U.S. dollars, except share and per share data)

	Common Shares Outstanding	Common Shares Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders Equity
Balance at January 1, 2013	44,803,735	\$ 448	\$ 287,602	\$ 74,750	\$ (8)	\$ 362,792
Shares issued on exercise of options	469,000	5	2,593			2,598
Stock-based compensation expenses			1,536			1,536
Consolidated net income				297		297
Cash dividends declared (\$0.08 per share)				(3,622)		(3,622)
Cash dividend paid				(211)		(211)
Balance at December 31, 2013	45,272,735	\$ 453	\$ 291,731	\$ 71,214	\$ (8)	\$ 363,390
Shares issued on exercise of options	15,000		89			89
Cancellation of shares	(2,669,413)	(27)	(17,853)			(17,880)
Stock-based compensation expenses			309			309
Consolidated net loss				(25,588)		(25,588)
Cash dividends declared (\$0.08 per share)				(3,409)		(3,409)
Cash dividend reversal				41		41
Balance at December 31, 2014	42,618,322	\$ 426	\$ 274,276	\$ 42,258	\$ (8)	\$ 316,952
Shares issued on exercise of options	600,000	6	3,990			3,996
Cancellation of shares	(6,518,750)	(65)	(36,671)			(36,736)
Stock-based compensation expenses			1,685			1,685
Consolidated net loss				(13,158)		(13,158)
Cash dividends declared (\$0.08 per share)				(2,936)		(2,936)
Cash dividend reversal				179		179
Accumulated other comprehensive loss					(4,417)	(4,417)
Balance at December 31, 2015	36,699,572	\$ 367	\$ 243,280	\$ 26,343	\$ (4,425)	\$ 265,565

See accompanying notes to consolidated financial statements.

F-4

**Table of Contents****NAM TAI PROPERTY INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS****(In thousands of U.S. dollars)**

	<b>Year ended December 31,</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Cash flows from operating activities:</b>			
Consolidated net income (loss)	\$ 297	\$ (25,588)	\$ (13,158)
<b>Adjustments to reconcile consolidated net income (loss) to net cash provided by operating activities:</b>			
Depreciation and amortization	21,355	4,596	4,173
Reversal of inventories	(526)		
Reversal of goods return	(402)		
Provision for (reversal of) bad debts	2,158	(2,152)	
(Gain) loss on disposal of property, plant and equipment	(3,096)	1,506	(33)
Gain on disposal of idle property, plant and equipment	(1,352)	(447)	(106)
Loss on disposal of other assets	366		
Impairment loss on fixed assets and land use rights	34,955	19,136	
Gain on derivative financial instruments	(580)		
Share-based compensation expenses	1,536	309	1,685
Loss on liquidation of a subsidiary	235		
Unrealized exchange (gain) loss	(2,087)	5,778	1,470
Decrease in deferred income taxes	4,498		
<b>Changes in current assets and liabilities:</b>			
Decrease in accounts receivable	82,633	73,031	
Decrease in inventories	25,671	30,493	
Decrease in prepaid expenses and other receivables	21,656	3,072	1,723
Decrease in income tax recoverable	169		
Decrease in notes payable	(4,273)		
Decrease in accounts payable	(92,137)	(95,303)	
Decrease in accrued expenses and other payables	(8,891)	(21,781)	(4,536)
Decrease in income tax payable	(143)	(3,010)	
<b>Total adjustments</b>	<b>81,745</b>	<b>15,228</b>	<b>4,376</b>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 82,042</b>	<b>\$ (10,360)</b>	<b>\$ (8,782)</b>

**Table of Contents****NAM TAI PROPERTY INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS****(In thousands of U.S. dollars)**

	<b>Year ended December 31,</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Cash flows from investing activities:</b>			
Purchase of property, plant and equipment and land use rights	\$ (3,653)	\$ (1,663)	\$ (2,349)
Increase in deposits for purchase of property, plant and equipment		(48)	(469)
Cash received from derivative financial instruments	679		
Proceeds from disposal of property, plant and equipment and other assets	9,752	22,672	1,716
Proceeds from disposal of idle property, plant and equipment	1,352	447	106
Cash received from finance lease receivable	3,228	3,566	3,840
(Increase) decrease in short term investments	(151,741)	116,270	35,167
<b>Net cash (used in) provided by investing activities</b>	<b>\$ (140,383)</b>	<b>\$ 141,244</b>	<b>\$ 38,011</b>
<b>Cash flows from financing activities:</b>			
Cash dividends paid	\$ (27,093)	\$ (3,581)	\$ (3,230)
Proceeds from shares issued on exercise of options	2,598	89	3,996
Share repurchase program		(17,561)	(36,704)
Repayment of trust receipt loans	(3,558)		
Proceeds from short term bank borrowing		40,000	92,432
Repayment of short term bank borrowing	(4,824)		(132,432)
<b>Net cash (used in) provided by financing activities</b>	<b>\$ (32,877)</b>	<b>\$ 18,947</b>	<b>\$ (75,938)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>\$ (91,218)</b>	<b>\$ 149,831</b>	<b>\$ (46,709)</b>
Cash and cash equivalents at beginning of year	157,838	68,707	212,760
Effect of exchange rate changes on cash and cash equivalents	2,087	(5,778)	(8,680)
<b>Cash and cash equivalents at end of year</b>	<b>\$ 68,707</b>	<b>\$ 212,760</b>	<b>\$ 157,371</b>
<b>Supplemental schedule of cash flow information:</b>			
Interest paid	\$ 97	\$ 8	\$ 413
Income taxes paid	\$ 10,232	\$ 143	\$
<b>Non-cash investing activities:</b>			
Decrease in construction in progress funded through accrued expenses and other payables	\$ (3,342)	\$ (241)	\$ (173)
See accompanying notes to consolidated financial statements			

**Table of Contents**

**NAM TAI PROPERTY INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(In thousands of U.S. dollars, except share and per share data)**

**1. Company Information**

Prior to complete cessation of our electronic manufacturing and design services business in April 2014, Nam Tai Property Inc. and subsidiaries (the Company or Nam Tai ) was an electronics manufacturing and design services provider to a selected group of the world's leading original equipment manufacturers, or OEMs, of telecommunication and consumer electronic products. Through its electronics manufacturing services operations, the Company manufactured electronic components and sub-assemblies, including Flexible Printed Circuit Board ( FPCB ), FPCB subassemblies, Thin Film Transistor display (TFT-LCD) modules, image sensors modules and printed circuit board assemblies. These components, modules and subassemblies were used in numerous electronic products including mobile phones, digital cameras, electronic toys, and automobile. The Company also manufactured finished products, including mobile phone accessories and home entertainment products.

The Company was founded in 1975 and moved its manufacturing facilities to the People's Republic of China ( PRC ) in 1980 to take advantage of lower overhead costs, lower material costs and competitive labor rates available and subsequently relocated to Shenzhen, PRC in order to capitalize on opportunities offered in Southern PRC. The Company was reincorporated as a limited liability International Business Company under the laws of the British Virgin Islands ( BVI ) in August 1987 (which was amended in 2004 as The British Virgin Islands Business Companies Act, 2004). The Company's principal manufacturing and design operations were based in Shenzhen, approximately 30 miles from Hong Kong. Its PRC headquarters were located in Shenzhen. Some of the subsidiaries' offices were located in Hong Kong, which provide them access to Hong Kong's infrastructure of communication and banking facilities. The Company's principal manufacturing operations were conducted in the PRC. The PRC resumed sovereignty over Hong Kong effective July 1, 1997, and, politically, Hong Kong was an integral part of the PRC. However, for simplicity and as a matter of definition only, our references to PRC in these consolidated financial statements mean the PRC and all of its territories excluding Hong Kong.

In 2011, the Company operated in two reportable segments Telecommunication Components Assembly ( TCA ) and Consumer Electronics and Communication Products ( CECP ).

In 2012, the CECP segment fell below the threshold and it was combined with the TCA segment. The Company's business was then separated into TCA and Flexible Printed Circuit ( FPC ) segments. Since the first quarter of 2013, the FPC segment has been discontinued and only one TCA segment still existed.

In 2014, TCA segment has been discontinued in the first quarter of 2014.

Since April 2014, we ceased our liquid crystal display modules ( LCM ) manufacturing business and turned our focus to re-developing two parcels of land in Gushu and Guangming, Shenzhen, China, by converting these two parcels of land that formally housed our manufacturing facilities into high-end commercial complexes. We believe our principal income in the future will be derived from rental income from our commercial complexes.

## **2. Summary of Significant Accounting Policies**

### **(a) Principles of consolidation**

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries. The Company consolidates companies in which it has controlling interest of over 50%. All significant intercompany accounts, transactions and cash flows have been eliminated on consolidation.

### **(b) Cash and cash equivalents**

Cash and cash equivalents include all cash balances and certificates of deposit having a maturity date of three months or less upon acquisition.

### **(c) Short-term investments**

Short-term investments as of December 31, 2015 consisted of time deposits of more than three months and not exceeding twelve months duration held in commercial banks of \$49,983 (2014: \$85,295).

### **(d) Finance lease receivable**

Finance lease receivable is derived from sales of property, plant and equipment and is comprised of the minimum lease payments due on the direct financial lease. From April 1, 2012, monthly interest income has been recognized in other income (expenses), net in the consolidated statement of comprehensive income based on principal balance of \$14,000 at an annual interest rate of 10%.



**Table of Contents**

**(e) Assets held for sale**

Long-lived assets or asset groups that are part of a disposal group that meets the criteria to be classified as held for sale are not assessed for impairment but rather if fair value, less cost to sell, of the disposal group is less than its carrying value a loss is recorded against the disposal group.

A loss of \$19,035 was recognized to write down assets held for sale to their fair values in 2014.

No provision was recognized to write down assets held for sale to their fair values in 2015.

**(f) Provision for bad debts**

Accounts receivable balance is recorded net of provision for amounts not expected to be collected from customers. Because the accounts receivable are typically unsecured, the Company periodically evaluates the collectability of accounts based on a combination of factors, including a particular customer's ability to pay as well as the age of the receivables. To evaluate a specific customer's ability to pay, the Company analyzes financial statements, payment history, third-party credit analysis reports and various information or disclosures by the customer or other publicly available information. In cases where the evidence suggests a customer may not be able to satisfy its obligation to the Company, a specific provision would be set up for the perceived risk. If the financial condition of customers deteriorates, resulting in an impairment of their ability to make payments, additional allowances may be required.

No provision for bad debt was made in the year ended December 31, 2015, and during the year ended December 31, 2014, we have written back provision for accounts receivable of \$2,152 due to the recovery of accounts receivable previously written off, compared to provision of \$2,148 in the year ended December 31, 2013.

**(g) Property, plant and equipment and land use rights**

Property, plant and equipment and land use rights are recorded at cost and include interest on funds borrowed to finance construction, if applicable. The cost of major improvements and betterments is capitalized whereas the cost of maintenance and repairs is expensed in the year incurred. Assets under construction are not depreciated until construction is completed and the assets are ready for their intended use. Gains and losses from the disposal of property, plant and equipment and land use rights are included in the consolidated statement of comprehensive income.

The majority of the land in Hong Kong is owned by the government of Hong Kong which leases the land at public auction to non-governmental entities. All of the Company's leasehold lands in Hong Kong have leases of not more than 50 years from the respective balance sheet dates. The cost of such leasehold land is amortized on a straight-line basis over the respective terms of the leases.

All land in other regions of the PRC is owned by the PRC government. The government in the PRC, according to PRC law, may sell the right to use the land for a specified period of time. Thus, all of the Company's land purchases in the PRC are considered to be leasehold land and are classified as land use rights in the consolidated balance sheet. They are amortized on a straight-line basis over the respective term of the right to use the land.

The Company computed depreciation expenses using the straight-line method over the following estimated useful lives:

Classification	Years
Land use rights	Lease term or up to 50 years
Buildings	20 years
Machinery and equipment	4 years
Leasehold improvements	shorter of lease term or 4 years
Furniture and fixtures	4 years
Motor vehicle	4 years

**(h) Impairment or disposal of long-lived assets**

Long-lived assets other than goodwill are included in impairment evaluations when events and circumstances exist that indicate the carrying value of these assets may not be recoverable. In accordance with FASB ASC 360 *Property, Plant and Equipment*, the Company assesses the recoverability of the carrying value of long-lived assets by first grouping its long-lived assets with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities (the asset group) and, secondly, estimating the undiscounted future cash flows that are directly associated with and expected to arise from the use of and eventual disposition of such asset group. The Company estimates the undiscounted cash flows over the remaining useful life of the primary asset within the asset group. If the carrying value of the asset group exceeds the estimated undiscounted cash flows, the Company recognizes an impairment loss to the extent the carrying value of the long-lived asset exceeds its fair value. The Company determines fair value through quoted market prices in active markets or, if quotations of market prices are unavailable, through the performance of internal analysis using a discounted cash flow methodology or obtains external appraisals from independent valuation firms. The undiscounted and discounted cash flow analyses based on a number of estimates and assumptions, including the expected period over which the asset will be utilized, projected future operating results of the asset group, discount rate and long-term growth rate.

## **Table of Contents**

Long-lived assets to be disposed of are stated at the lower of fair value and carrying value. Expected future operating losses from discontinued operations are recorded in the periods in which the losses are incurred.

In 2013, management assessed and determined that there were no events or changes in circumstances to indicate that the carrying amount of long-lived assets used in Shenzhen facilities were not recoverable and there were no impairment tests conducted with respect to those assets.

In 2014, the Company assessed the impairment of its long-lived assets used in Shenzhen, by comparing the undiscounted cash flows with the carrying amounts of the assets. The results indicated the carrying amounts of the Company's long-lived assets at December 31, 2014 were less than the undiscounted cash flows.

In 2015, the Company assessed the impairment of its long-lived assets used in Shenzhen, by comparing external appraisals obtained from independent valuation firms with the carrying amounts of the assets. The results indicated the carrying amounts of the Company's long-lived assets at December 31, 2015 were less than external appraisals obtained from independent valuation firms.

A loss of \$34,955 and \$19,035 was recognized to write down the long-lived assets to their fair values upon reclassification to assets held for sale in 2013 and 2014, respectively.

In 2015, no additional impairment loss was recognized to write down the long-lived assets to their fair values upon reclassification to assets held for sale.

### **(i) Accruals and provisions for loss contingencies**

The Company makes provisions for all loss contingencies when information available prior to the issuance of the consolidated financial statements indicates that it is probable that an asset has been impaired or a liability has been incurred at the date of the consolidated financial statements and the amount of loss can be reasonably estimated.

For provisions or accruals related to litigation, the Company makes provisions based on information from legal counsels and the best estimation of management. The Company assesses the potential liability for the significant legal proceedings in accordance with FASB ASC 450 *Contingencies*. FASB ASC 450 requires a liability to be recorded if the contingency loss is probable and the amount of loss can be reasonably estimated. The actual resolution of the contingency may differ from the Company's estimates. If the contingency is settled for an amount greater than the estimate, a future charge to income would result. Likewise, if the contingency is settled for an amount that is less than our estimate, a future credit to income would result.

### **(j) Revenue recognition**

The Company generates revenue from fixed income real-estate derived from its buildings held through its subsidiaries in Shenzhen.

Rental income includes minimum rents which are recognized on an accrual basis over the terms of the related leases on a straight-line basis. Lease revenue recognition commences when the lessee is given possession of the leased space and there are no contingencies offsetting the lessee's obligation to pay rent.

The Company recognizes revenue from sales of products when all of the following conditions are met:

Persuasive evidence of an arrangement exists;

Delivery has occurred or services have been rendered;

Price to the customer is fixed or determinable; and

Collectability is reasonably assured.

Revenue from sales of products is recognized when the title is passed to customers upon shipment and when collectability is reasonably assured. The Company does not provide its customers with the right of return (except for quality), price protection, rebates or discounts. There are no customer acceptance provisions associated with the Company's products, except for quality. All sales are based on firm customer orders with fixed terms and conditions, which generally cannot be modified.

F-9

---

**Table of Contents****(k) Staff retirement plan costs**

The Company's costs related to the staff retirement plans (see Note 13) are charged to the consolidated statement of comprehensive income as incurred.

**(l) Income taxes**

Deferred income taxes are provided using the asset and liability method in accordance with FASB ASC 740 *Income Taxes*. Under this method, deferred income taxes are recognized for all significant temporary differences at enacted rates and classified as current or non-current based upon the classification of the related asset or liability in the consolidated financial statements or the expected date of reversal of the temporary differences. A valuation allowance is provided to reduce the amount of deferred tax assets if it is considered more likely than not that some portion of, or all, the deferred tax asset will not be realized.

FASB ASC 740 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements, and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides accounting guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Interest and penalties from tax assessments, if any, are included in income taxes in the consolidated statement of comprehensive income.

**(m) Foreign currency transactions and translations**

All transactions in currencies other than functional currencies during the year are translated at the exchange rates prevailing on the respective transaction dates. Monetary assets and liabilities existing at the balance sheet date denominated in currencies other than functional currencies are remeasured at the exchange rates existing on that date. Exchange differences are recorded in the consolidated statement of comprehensive income.

The functional currencies of the Company and its subsidiaries include the Renminbi, U.S. dollar and the Hong Kong dollar. Effective from April 1, 2015, the Company's subsidiaries in China changed their functional currency from U.S. dollar to Renminbi. This change was made upon the progress of the property development projects in China causing the Company's subsidiaries primary operating activities to be in Renminbi and making the Renminbi the currency of the economic environment in which the entities primarily generate and expend cash.

The financial statements of all subsidiaries are translated in accordance with FASB ASC 830 *Foreign Currency Matters*.

Our financial statements and other financial data included in this annual report are presented in U.S. dollars. Our business and operations are primarily conducted in China through our PRC subsidiaries. The functional currency of our PRC subsidiaries is Renminbi. The financial statements of our PRC subsidiaries are translated into U.S. dollars, using published exchange rates from banks in China, based on (i) year-end exchange rates or the rates of exchange ruling at the balance sheet date for assets and liabilities and (ii) average yearly exchange rates for income and expense items. Capital accounts are translated at historical exchange rates when the transactions occurred. The effects of foreign currency translation adjustments are included as a component of accumulated other comprehensive income (loss) in our shareholders' equity. We make no representation that any Renminbi or U.S. dollar amounts could have been, or could be, converted into U.S. dollar or Renminbi, as the case may be, at any particular rate or at all.

**(n) Earnings per share**

Basic earnings per share is computed by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding during the year.

Diluted earnings per share gives effect to all dilutive potential common shares outstanding during the year. The weighted average number of common shares outstanding is adjusted to include the number of additional common shares that would have been outstanding if the dilutive potential common shares had been issued.

**(o) Stock options**

The Company has two stock-based employee compensation plans, as more fully described in Note 11(b). The Company measures the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. That cost is recognized over the period during which an employee is required to provide service, the requisite service period (usually the vesting period), in exchange for the award. The grant-date fair value of employee share options and similar instruments are estimated using option-pricing models. If the award is modified after the grant date, incremental compensation cost is recognized in an amount equal to the excess of the fair value of the modified award over the fair value of the original award immediately before the modification.

**Table of Contents**

**(p) Use of estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include provision for bad debts, deferred income tax assets, share-based compensation, useful lives of property, plant and equipment and intangible assets, and recovery of the carrying amounts of long-lived assets, assets held for sale and intangible assets.

**(q) Comprehensive loss**

Accumulated other comprehensive loss represents principally foreign currency translation adjustments and is included in the consolidated statement of changes in equity.

**(r) Fair value**

The Company follows FASB ASC 820 *Fair Value Measurements and Disclosures* to measure its assets and liabilities.

Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and based the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

*Level 1* Quoted prices in active markets for identical assets or liabilities.

*Level 2* Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

*Level 3* Inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

The carrying amounts of cash and cash equivalents, short term investment, other receivables, assets held for sale, accrued expenses and other payables, short term bank borrowing, and dividend payable approximate their fair values due to the short term nature of these instruments.

The fair value of the Company's assets held for sale is detailed in Note 4.

As of December 31, 2014 and 2015, the Company did not have any non financial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements, at least annually, on a recurring basis.

**(s) Leases**

Leases have been classified as either capital or operating leases. Leases that transfer substantially all the benefits and risks incidental to the ownership of assets are accounted for as if there was an acquisition of an asset and incurrence of an obligation at the inception of the lease. All other leases are accounted for as operating leases wherein rental

payments are expensed as incurred.

When the Company is the lessor, minimum contractual rental from leases are recognized on a straight-line basis over the noncancelable term of the lease. With respect to a particular lease, actual amounts billed in accordance with the lease during any given period may be higher or lower than the amount of rental revenue recognized for the period. Straight-line rental revenue commences when the customer assumes control of the leased premises. Accrued straight-line rents receivable represents the amount by which straight-line rental revenue exceeds rents currently billed in accordance with lease agreements. Contingent rental revenue is accrued when the contingency is removed.

**(t) Concentration of risk**

The Company's potential significant concentration of credit risk primarily consist of cash and cash equivalents and short term investments which are held by financial institutions in the PRC and international financial institutions outside of the PRC. As of December 31, 2015, the Company has \$207,354 in cash and cash equivalents, short term investments which are held by financial institutions in the PRC and international financial institutions outside of the PRC, respectively. PRC state-owned banks are subject to a series of risk control regulatory standards, and PRC bank regulatory authorities are empowered to take over the operation and management when any of those faces a material credit crisis. The Company does not foresee substantial credit risk with respect to cash and cash equivalents and short term investments held at the PRC state-owned banks. Meanwhile, China does not have an official deposit insurance program, nor does it have an agency similar to the Federal Deposit Insurance Corporation in the United States. There is uninsured for cash, cash equivalents and short term investments as at December 31, 2015. In the event of bankruptcy of one of the financial institutions in which the Company has deposits or investments, it may be unlikely to recover its deposits or investments back in full.



---

**Table of Contents**

Overall, the real estate market in China has shown signs of continuous slow down. The Company's results of operations are affected by a wide variety of factors, including changing economic, political, industry, business and financial conditions; lack of experience handling the real estate development projects; the process of applying for the redevelopment of Gushu land with the Government bodies, the demand for our real estate properties, and operating mainly in the PRC. Accordingly, the Company's business, financial condition and results of operations are primarily influenced by the political, economic, legal environments and foreign currency exchange in the PRC and by the general state of the PRC economy and may be adversely affected by changes in the political and social conditions in the PRC, and by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation. As a result, the Company may experience significant fluctuations in future operating results due to the factors mentioned above. These fluctuations may result in volatility in our share price.

All the Company's land development related applications are subject to government policies and regulations in the real estate market. However, the Company cannot assure that it will obtain all the necessary approvals in accordance with its timetable. Furthermore, as this is the Company's first venture into land development projects after the cessation of the LCM business, the Company may encounter industry-specific difficulties that result in losses as it is in the progress with development projects in Shenzhen.

The Company currently derives a majority of its income from rental and interest income. Any future reductions in the official cash deposit interest rates in China and Hong Kong could adversely impact its income and the total cash on hand will gradually reduce as more funds are being used for land development related expenditures for the land in Gushu and Guangming, Shenzhen.

Certain transactions of the Company are denominated in Renminbi, which is not freely convertible into foreign currencies. All foreign exchange transactions take place either through the Peoples Bank of China ( PBOC ) or other banks authorized to buy and sell foreign currencies at the exchange rates quoted by the PBOC. Approval of foreign currency payments by the PBOC or other institutions requires submitting a payment application form together with suppliers' invoices, shipping documents and signed contracts.

**(u) Recent changes in accounting standards**

In April 2015, the FASB issued ASU 2015-06, *Earnings Per Share* (Topic 260). The amendments in this update specify that for purposes of calculating historical earnings per unit under the two-class method, the earnings (losses) of a transferred business before the date of a dropdown transaction should be allocated entirely to the general partner. The amendments in ASU 2015-06 are effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Earlier application is permitted. The Company is currently evaluating the new pronouncement to determine the impact it may have to its consolidated financial statements.

In November 2015, the FASB issued ASU 2015-17, *Income Taxes* (Topic 740): Balance Sheet Classification of Deferred Taxes. The amendments in this update require that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. For public business entities, the amendments in this Update are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Earlier application is permitted for all entities as of the beginning of an interim or annual reporting period. The Company is evaluating the new pronouncement to determine the impact it may have to its consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments - Overall* (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The amendments in this update supersede the guidance to classify equity securities with readily determinable fair values into different categories (that is trading or available-for-sale) and require equity securities (including other ownership interests, such as partnerships, unincorporated joint ventures, and limited liability companies) to be measured at fair value with changes in the fair value recognized through net income. For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company is evaluating the new pronouncement to determine the impact it may have to its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Lease* (Subtopic 842): This Update to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. For public business entities, this Update is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is evaluating the new pronouncement to determine the impact it may have to its consolidated financial statements.

**Table of Contents****3. Finance Lease Receivable**

Contractual maturities on finance lease receivable are \$1,403 which will be received up to April 2016.

**4. Assets Held for Sale**

The Company fully discontinued its production in Wuxi by the end of June 2013 due to sustained losses generated from FPC production and a lack of customers for LCM for tablets. The Company is seeking potential buyer for all its long-lived assets related to FPC production since June 2013, hence these assets were classified as assets held for sale in 2013. During 2014, \$16,316 of long-lived assets was reclassified to assets held for sale, \$19,035 additional impairment loss has been made on the production machineries because management assessed that the market value was lower than the net book value. No additional impairment loss was made on the asset held for sale in 2015.

\$19,823 of assets held for sale was disposed with the consideration of \$19,725 and a loss of \$98 included in loss from discontinued operations in the year of 2014. \$1,670 of assets held for sale was disposed with the consideration of \$1,703 and a gain of \$33 which is included in loss from discontinued operations in the year of 2015. Assets held for sale are comprised of the following:

<b>At December 31,</b>	<b>2014</b>	<b>2015</b>
At net book value:		
Land	\$ 2,053	\$ 364
Buildings	18,434	17,613
Machinery and equipment	25	24
Leasehold improvements	2,343	2,239
Others	26	14
<b>Total</b>	<b>\$ 22,881</b>	<b>\$ 20,254</b>

**5. Property, Plant and Equipment, net**

Property, plant and equipment, net consist of the following:

<b>At December 31,</b>	<b>2014</b>	<b>2015</b>
At cost:		
Buildings	\$ 54,618	\$ 66,582
Machinery and equipment	50	397
Leasehold improvements	335	1,802
Furniture and fixtures		23
Motor vehicles	80	227
<b>Total</b>	<b>55,083</b>	<b>69,031</b>
Less: accumulated depreciation	(30,481)	(45,602)

Edgar Filing: NAM TAI PROPERTY INC. - Form 20-F

	24,602	23,429
Construction in progress	1,343	3,401
Net book value	\$ 25,945	\$ 26,830

Depreciation expenses were \$351, \$1,609 and \$2,129 for the years ended December 31, 2013, 2014 and 2015, respectively.

The Company has entered into an operating lease contract with a third party with respect to certain buildings with the carrying amount as shown below:

<b>At December 31,</b>	<b>2014</b>	<b>2015</b>
Buildings at cost	\$ 25,155	\$ 31,843
Less: accumulated depreciation	(12,231)	(16,682)
Buildings, net	\$ 12,924	\$ 15,161

F-13

**Table of Contents**

At December 31, 2015, scheduled minimum rental payments to be received for buildings leased to others were:

<b>Years ending December 31,</b>	<b>Minimum rental received</b>	
2016	\$	2,644
2017		881
<b>Total</b>	<b>\$</b>	<b>3,525</b>

**6. Investments in Subsidiaries**

<b>Subsidiaries</b>	Place of Incorporation	Principal activity	Percentage of Ownership as at December 31,	
			2014	2015
<b>Consolidated principal subsidiaries:</b>				
Nam Tai Electronic & Electrical Products Limited ( NTEEP )	Cayman Islands	Investment holding	100%	100%
Nam Tai Holdings Limited ( NTHL )	BVI	Investment holding	100%	100%
Nam Tai Group Management Limited ( NTGM )	Hong Kong	Inactive	100%	100%
Nam Tai Telecom (Hong Kong) Company Limited ( NTT )	Hong Kong	Inactive	100%	100%
Nam Tai Trading Company Limited ( NTTTC <sup>(1)</sup> )	Hong Kong	In liquidation		
J.I.C. Enterprises (HK) Ltd. ( JICE <sup>(2)</sup> )	Hong Kong	Dissolved	100%	
Namtai Investment (Shenzhen) Co., Ltd. ( NTISZ )	PRC	Investment holding	100%	100%
Zastron Electronic (Shenzhen) Co., Ltd. ( Zastron Shenzhen )	PRC	Property development and management	100%	100%
Wuxi Zastron Precision-Flex Co., Ltd. ( Wuxi Zastron-Flex )	PRC	Inactive	100%	100%

(1) NTTTC is in liquidation and the Joint and Several Liquidators confirmed that all assets of NTTTC have been taken over by the Joint and Several Receivers in January 2013.

(2) JICE was dissolved on April 2, 2015.

**7. Retained Earnings and Reserves**

The Company's retained earnings are not restricted as to the payment of dividends except to the extent dictated by prudent business practices. The Company believes that there are no material restrictions, including foreign exchange controls, on the ability of its non-PRC subsidiaries to transfer surplus funds to the Company in the form of cash dividends, loans, advances or purchases. With respect to the Company's PRC subsidiaries, there are restrictions on the

payment of dividends and the distribution of dividends from the PRC. On March 16, 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. Please refer to Note 15 for further details of the New Law. The New Law became effective from January 1, 2008. Prior to the enactment of the New Law, when dividends were paid by the Company's PRC subsidiaries, such dividends would reduce the amount of reinvested profits and accordingly, the refund of taxes paid might be reduced to the extent of tax applicable to profits not reinvested. Subsequent to the enactment of the New Law, due to the removal of tax benefit related to reinvestment of capital in PRC subsidiaries, the Company may not reinvest the profits made by the PRC subsidiaries. Payment of dividends by PRC subsidiaries to foreign investors on profits earned subsequent to January 1, 2008 will also be subject to withholding tax under the New Law.

In addition, pursuant to the relevant PRC regulations, a certain portion of the profits made by these subsidiaries must be set aside for future capital investment and are not distributable, and the registered capital of the Company's PRC subsidiaries are also restricted. These reserves and registered capital of the PRC subsidiaries amounted to \$343,719 and \$347,977 as of December 31, 2014 and 2015, respectively. However, the Company believes that such restrictions will not have a material effect on the Company's liquidity or cash flows.

**Table of Contents****8. Accrued Expenses and Other Payables**

Accrued expenses and other payables consisted of the following:

<b>At December 31,</b>	<b>2014</b>	<b>2015</b>
Accrued salaries and benefits	\$ 4,723	\$ 487
Accrued professional fees	1,162	1,515
Construction payable and others	169	185
Advance received from customers	793	632
Interest payable	372	
	\$ 7,219	\$ 2,819

**9. Bank Loans and Banking Facilities**

The Company has credit facilities with various banks representing notes payable, trade acceptances, import facilities, revolving loans and overdrafts. At December 31, 2014 and 2015, these facilities totaled \$40,645 and \$90,000, of which \$645 and \$90,000 were unused at December 31, 2014 and 2015, respectively. The banking facility with limited guarantee from the subsidiaries of NTISZ and Zastron Shenzhen at December 31, 2015 will mature, with an option for renewal, in 2016. Bank loan of \$40,000 with the annual interest rate of 1.5354% and a term of one year borrowed from the Hongkong and Shanghai Banking Corporation Limited ( HSBC ) was fully repaid on May 28, 2015. On June 26, 2015, the Company borrowed \$55,000 with the annual interest rate of 1.23425% from the HSBC and it was fully repaid on August 26, 2015. On July 8, 2015, the Company borrowed \$35,000 with the annual interest rate of 1.2311% from the HSBC and it was fully repaid on September 8, 2015. Interest rates are generally based on the banks usual lending rates in Hong Kong or the PRC and the credit lines are normally subject to annual review.

**10. Discontinued Operations**

In 2013, the Company decided to exit its FPC operation by the end of March 2013 as it had been generating losses since initial production, and production operation of LCM for tablets ended at the end of June 2013 due to a lack of customer orders. These productions were located primarily in Wuxi.

In 2014, after the final evaluation on the viability of its core operations of LCM production, the Company decided to formally discontinue its core business of LCM production in Shenzhen by the end of April 2014 due to a major customer's repeated and continuous changes in its formal purchasing orders without suitable commitment. Upon the cessation of our LCM manufacturing business in April 2014, we have formally transformed our core business from the engineering manufacturing services (EMS) industry to property development and management. As a result, \$16,316 long-lived assets related to EMS production were reclassified to assets held for sale in 2014.

No additional long-lived asset was reclassified to assets held for sale in 2015. Assets of \$22,881 and \$20,254 have been included in assets held for sale (Note 4) as at December 31, 2014 and 2015, respectively, which are expected to be sold by 2017.

Summarized financial information for our discontinued operations is as follows:

	<b>2013</b>	<b>2014</b>	<b>2015</b>
Net sales	902,933	53,236	
Income (loss) before income tax	11,219	(20,029)	(630)
Income tax expense	(16,181)	(143)	
Loss from discontinued operations, net of income tax	(4,962)	(20,172)	(630)
Prepaid expense and other receivables		138	106
Property, plant and equipment, net		492	
Total assets		630	106
Accrued expenses and other payables		173	160
Total liabilities		173	160
Net assets (liabilities) of discontinued operations		457	(54)



**Table of Contents****11. Equity**

(a) The Company has only one class of common shares authorized, issued and outstanding.

**(b) Stock Options**

In May 2001 (and amended in July 2004 and in November 2006), the Board of Directors approved a stock option plan which allows for the grant of 15,000 options to each non-employee director of the Company elected at each annual general meeting of shareholders, and might grant options to key employees, consultants or advisors of the Company or any of its subsidiaries to subscribe for its shares in accordance with the terms of this stock option plan based on past performance and/or expected contributions to the Company. The maximum number of shares to be issued pursuant to the exercise of options granted was 3,300,000 shares. The options granted under this plan generally have a term of two to three years, subject to the discretion of the Board of Directors, but cannot exceed ten years.

In February 2006, the Board of Directors approved another stock option plan, which was subsequently approved by the shareholders at the 2006 annual general meeting of shareholders, with the same terms and conditions. However, the maximum number of shares to be issued pursuant to exercise of options granted was 2,000,000 shares.

In April 2012, the Board of Directors approved the grant of stock options to employees of the Company. The number of stock options to be granted will range from 277,000 to 831,000, which is determined by achievement of a 6% to 10% return on total shareholders' equity as at December 31, 2011 in the 9 month period from April 1, 2012 to December 31, 2012. 415,500 and 328,500 of share options were granted and immediately vested in January 2013 and June 2014 respectively. The share based compensation expenses of \$502 and \$156 were booked in 2013 and 2014 respectively.

In April 2013, 600,000 of share options were granted to a director and were immediately vested upon granting. The share based compensation expense of \$921 was booked in 2013 accordingly.

In January 2015, the Board of Directors approved the extension of exercisable period of 159,000 stock options out of 831,000 stock options included in the stock option grant which had been approved in April 2012. The exercisable period of stock options was extended by two years from April 26, 2015 to April 24, 2017. The share based compensation expense of \$170 was booked in 2015 accordingly.

In June 2015, 75,000 of share options were granted to directors and were immediately vested upon granting. The share based compensation expense of \$141 was booked in 2015 accordingly.

In April, October, November and December 2015, 776,869 share options were granted to a director and employees of the Company. The share based compensation costs of \$1,374 was booked in 2015 accordingly.

A summary of stock option activity during the three years ended December 31, 2015 is as follows:

<b>Number of options</b>	<b>Weighted average exercise price</b>	<b>Weighted average fair value per option</b>
------------------------------	--	---

Edgar Filing: NAM TAI PROPERTY INC. - Form 20-F

Outstanding and exercisable at January 1, 2013	1,623,000	\$ 5.97	\$ 1.29
Granted	60,000	\$ 7.50	\$ 1.88
Exercised	(469,000)	\$ 5.54	\$ 1.13
Expired	(30,000)	\$ 4.45	\$ 1.58
Outstanding and exercisable at December 31, 2013	1,184,000	\$ 6.26	\$ 1.62
Granted	60,000	\$ 8.05	\$ 2.55
Exercised	(15,000)	\$ 5.92	\$ 1.87
Expired	(53,500)	\$ 5.93	\$ 1.68
Outstanding and exercisable at December 31, 2014	1,175,500	\$ 6.37	\$ 1.66
Granted	851,869	\$ 7.53	\$ 1.78
Exercised	(600,000)	\$ 6.66	\$ 1.98
Expired	(296,500)	\$ 5.60	\$ 1.09
Outstanding and exercisable at December 31, 2015	1,130,869	\$ 7.29	\$ 1.68

Aggregate intrinsic value represents the value of the Company's closing stock price on the last trading day of the fiscal period in excess of the weighted-average exercise price multiplied by the number of options outstanding or exercisable.

**Table of Contents**

Details of the options outstanding and exercisable at December 31, 2015 are as follows:

Number of options granted	Vesting period	Exercise price	Exercisable period	Weighted remaining contractual life in months
<b>In 2012</b>				
159,000	vested in 2014	\$ 5.63	June 1, 2014 to April 24, 2017*	15.8
<b>In 2013</b>				
60,000	100% vested at date of grant	\$ 7.50	May 31, 2013 to May 31, 2016	5.0
<b>In 2014</b>				
60,000	100% vested at date of grant	\$ 8.05	June 6, 2014 to June 5, 2017	17.2
<b>In 2015</b>				
50,000	100% vested at date of grant	\$ 3.97	April 14, 2015 to April 13, 2018	27.4
75,000	100% vested at date of grant	\$ 5.33	June 5, 2015 to June 4, 2018	29.1
631,869	100% vested at date of grant	\$ 8.00	October 30, 2015 to October 29, 2020	58.0
30,000	100% vested at date of grant	\$ 8.00	November 2, 2015 to October 29, 2020	58.0
15,000	100% vested at date of grant	\$ 8.00	December 1, 2015 to October 29, 2020	58.0
50,000	100% vested at date of grant	\$ 8.00	December 17, 2015 to October 29, 2020	58.0

\* Exercisable period modified in 2015

There was approximately \$201, \$10 and nil, respectively, of unrecognized compensation expense related to non-vested stock options granted under the Company's option plan at December 31, 2013, 2014 and 2015. The total amount of recognized compensation costs in 2013, 2014 and 2015 was \$1,536, \$309 and \$1,685, respectively.

The above summarizes information about stock options outstanding at December 31, 2015. 1,130,869 stock options are exercisable as of December 31, 2015.

The total fair value of shares vested during fiscal years ended December 31, 2013, 2014 and 2015 was \$1,765, \$153 and \$1,515, respectively.

The weighted average remaining contractual life of the stock options outstanding at December 31, 2013, 2014 and 2015 was approximately 22, 12 and 44 months, respectively. The weighted average fair value of options granted during 2013, 2014 and 2015 was \$1.88, \$2.55 and \$1.78, respectively, using the Black-Scholes option-pricing model based on the following assumptions:

Year ended December 31,	2013	2014	2015
Risk-free interest rate	0.52%	0.86%	0.85% to 1.73%
Expected life	3 years	3 years	3 years to 5 years

Expected volatility	52.36%	58.86%	49.50% to 55.94%
Expected dividend yield	5.87%	4.22%	1.35% to 2.02%

**(c) Share Buy-back**

As of December 31, 2014, 2,669,413 common shares had been bought back from the open market at the prevailing market price under our stock repurchase program announced on May 7, 2014 and cancelled in November 28, 2014. The average repurchase price was \$6.56 for share repurchase program in 2014.

As of December 31, 2015, 3,000,000 common shares had been bought back from the open market at a purchase price of \$5.50 under our cash tender offer announced on April 28, 2015 and expiring on May 29, 2015 and 3,518,750 common shares had been bought back from the open market at a purchase price of \$5.50 under our cash tender offer announced on August 3, 2015 and expiring on September 4, 2015.

The share repurchase program was conducted in accordance with Rule 10b-18 of the Securities and Exchange Act of 1934.

**Table of Contents****12. Earnings (Loss) Per Share**

The calculations of basic earnings (loss) per share and diluted earnings (loss) per share are computed as follows:

	Income (loss)	Weighted average number of shares	Per share amount
<b>Year ended December 31, 2013</b>			
Basic earnings per share from continuing operations	\$ 5,259	45,222,532	\$ 0.12
Basic loss per share from discontinued operations	\$ (4,962)	45,222,532	\$ (0.11)
Basic earnings per share	\$ 297	45,222,532	\$ 0.01
Effect of dilutive securities		470,318	
Diluted earnings per share from continuing operations	\$ 5,259	45,692,850	\$ 0.12
Diluted loss per share from discontinued operations	\$ (4,962)	45,692,850	\$ (0.11)
Diluted earnings per share	\$ 297	45,692,850	\$ 0.01
<b>Year ended December 31, 2014</b>			
Basic loss per share from continuing operations	\$ (5,416)	44,409,526	\$ (0.12)
Basic loss per share from discontinued operations	\$ (20,172)	44,409,526	\$ (0.46)
Basic loss per share	\$ (25,588)	44,409,526	\$ (0.58)
Effect of dilutive securities			
Diluted loss per share from continuing operations	\$ (5,416)	44,409,526	\$ (0.12)
Diluted loss per share from discontinued operations	\$ (20,172)	44,409,526	\$ (0.46)
Diluted loss per share	\$ (25,588)	44,409,526	\$ (0.58)
<b>Year ended December 31, 2015</b>			
Basic loss per share from continuing operations	\$ (12,528)	40,548,784	\$ (0.31)

Edgar Filing: NAM TAI PROPERTY INC. - Form 20-F

Basic loss per share from discontinued operations	\$ (630)	40,548,784	\$ (0.01)
Basic loss per share	\$ (13,158)	40,548,784	\$ (0.32)
Effect of dilutive securities    Stock options			
Diluted loss per share from continuing operations	\$ (12,528)	40,548,784	\$ (0.31)
Diluted loss per share from discontinued operations	\$ (630)	40,548,784	\$ (0.01)
Diluted loss per share	\$ (13,158)	40,548,784	\$ (0.32)

### 13. Staff Retirement Plans

The Company operates a Mandatory Provident Fund ( MPF ) scheme for all qualifying employees in Hong Kong. The MPF is defined contribution scheme and the assets of the scheme are managed by trustees independent of the Company.

The MPF is available to all employees aged 18 to 64 and with at least 60 days of service under the employment of the Company in Hong Kong. Contributions are made by the Company at 5% based on the staff 's relevant income. The maximum relevant income for contribution purposes per employee is \$4 per month. Eligible staff members are entitled to 100% of the Company 's contributions together with accrued returns irrespective of their length of service with the Company, but the benefits are required by law to be preserved until the retirement age of 65 for employees in Hong Kong.

According to the applicable laws and regulations in the PRC, the Company is required to contribute 13%-14% and 20% of the stipulated salary set by the local governments of Shenzhen and Wuxi, respectively. The principal obligation of the Company with respect to these retirement benefit schemes is to make the required contributions under the scheme. No forfeited contributions may be used by the employer to reduce the existing level of contributions.

The cost of the Company 's contribution to the staff retirement plans in Hong Kong and the PRC amounted to \$2,545, \$402 and \$149 for the years ended December 31, 2013, 2014 and 2015, respectively.

**Table of Contents****14. Other income (expenses), net**

<b>Year ended December 31,</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Foreign exchange income (loss), net	\$ 2,528	\$ (3,690)	\$ (8,678)
Interest income from finance lease receivable	979	656	303
Gain on disposal of idle property, plant and equipment	1,352	447	106
Others	1,480	208	880
	\$ 6,339	\$ (2,379)	\$ (7,389)

**15. Income Taxes**

The components of income before income tax are as follows:

<b>Year ended December 31,</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
PRC, excluding Hong Kong	\$ 5,078	\$ 812	\$ 53
Hong Kong and other jurisdictions	(1,197)	(6,228)	(12,581)
	\$ 3,881	\$ (5,416)	\$ (12,528)

The Company's income is not subject to taxation in BVI under the current BVI law. Subsidiaries operating in Hong Kong and the PRC are subject to income taxes as described below. Under the current BVI law, NTHL is not subject to profit tax in the BVI. However, it may be subject to Hong Kong income taxes as described below if it has income earned in or derived from Hong Kong.

The provision for current income taxes of the subsidiaries operating in Hong Kong has been calculated by applying the rate of taxation of 16.5% for the years ended December 31, 2013, 2014 and 2015 to the estimated income earned in or derived from Hong Kong during the respective years, if applicable.

The provision for current income taxes of the subsidiaries operating in PRC has been calculated by applying the rate of taxation of 25% for the years ended December 31, 2013, 2014 and 2015.

Our subsidiary in Wuxi, China, is granted a 5-year tax benefit. According to the PRC tax regulation, Guo Shui Fa (2007) No. 39 issued in 2007, Wuxi Zastron-Flex is entitled to full exemption for the first two years starting 2008 and 50% exemption for the following three years. Accordingly, from January 2013, Wuxi Zastron-Flex has one uniform tax rate of 25%.

The Company, which has subsidiaries that are tax resident in the PRC, will be subject to the PRC dividend withholding tax of 5%, commencing on January 1, 2008, when and if undistributed earnings are declared to be paid as dividends commencing on January 1, 2008 to the extent those dividends are paid out of profits that arose on or after January 1, 2008. For the years ended December 31, 2013, 2014 and 2015, there was no income tax expense for the 5% dividend withholding tax on the balance of distributable earnings that arose on or after January 1, 2008 within its PRC subsidiaries. In line with management's decision to change the core business, management decided to retain the undistributed earnings in the PRC. As such, the deferred tax liabilities of \$1,378 made in previous years have been

reversed in 2013.

Uncertainties exist with respect to how the PRC's current income tax law applies to the Company's overall operations, and more specifically, with regard to tax residency status. The New Law includes a provision specifying that legal entities organized outside of the PRC will be considered residents for PRC income tax purposes if their place of effective management or control is within PRC. The Implementation Rules to the New Law provide that non-resident legal entities will be considered PRC residents if substantial and overall management and control over the manufacturing and operations, personnel, accounting, properties, etc. occurs within the PRC. Additional guidance is expected to be released by the PRC government in the near future that may clarify how to apply this standard to taxpayers. Despite the present uncertainties resulting from the limited PRC tax guidance on the issue, the Company does not believe that its legal entities organized outside of the PRC should be treated as residents for the New Law's purposes. If one or more of the Company's legal entities organized outside of the PRC were characterized as PRC tax residents, the impact would adversely affect the Company's results of operation.

The Company has made its assessment of each tax position (including the potential application of interest and penalties) based on the technical merits, and has measured the unrecognized tax benefits associated with the tax positions. Based on the evaluation by the Company, it is concluded that there are no significant uncertain tax positions requiring recognition in the consolidated financial statements. The Company classifies interest and/or penalties related to unrecognized tax benefits as a component of income tax provisions; however, during the years ended December 31, 2013, 2014 and 2015, there were no interest and penalties related to uncertain tax positions, and the Company had no material unrecognized tax benefit which would favorably affect the effective income tax rate in future periods. The Company does not anticipate any significant increases or decreases to its liability for unrecognized tax benefit within the next twelve months. Other than the audit by the Hong Kong tax authorities as described below, the tax positions for the years 2011 to 2015 may be subject to examination by the PRC and Hong Kong tax authorities.



---

**Table of Contents**

***Tax Disputes with Hong Kong Inland Revenue Department***

Since the fourth quarter of 2007, several of our inactive subsidiaries have been involved in tax disputes relating to tax years 1996 and later years with the Inland Revenue Department of Hong Kong, or HKIRD, the income tax authority of the Hong Kong Government. These disputes are discussed sequentially below.

(1) NTTC

(a) In October 2007, the HKIRD issued an assessment Determination against Nam Tai Trading Company Limited ( NTTC ), a limited liability company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company. This assessment relates to four tax years from 1996/1997 to 1999/2000. The taxes assessed in this proceeding amount to approximately \$2,900.

(b) In addition to the assessment Determination of October 2007, in May 2008, the HKIRD issued a writ against NTTC claiming taxes in the amount of approximately \$3,000 for the taxable years from 1997/1998 to 2000/2001, partially overlapping the taxes against NTTC assessed by HKIRD in its assessment Determination of October 2007. Nam Tai's defense was struck out by the District Court in Hong Kong. According to advice from Senior Counsel in Hong Kong, the Court of Appeal was unlikely to disturb the findings of the District Court. Therefore, NTTC decided not to pursue an appeal against the decision of the District Court.

(c) Furthermore, from May to November 2010, the HKIRD issued three separate writs against NTTC claiming taxes and interests on unpaid taxes, in the amount of approximately \$900, \$1,100 and \$120 for the taxable years from 1996/1997 to 2003/2004, from 1996/1997, 1998/1999 and 1999/2000, and from 1996/1997 to 1999/2000, respectively. NTTC did not contest these proceedings, judgments were thus entered against NTTC.

(d) As a result of the proceedings stated in paragraphs (b) (c) above, the HKIRD petitioned to the High Court of Hong Kong for a winding-up order against NTTC for the overdue judgment sums on June 10, 2011. The petition was heard in the High Court of Hong Kong on March 13, 2012 before Deputy High Court Judge Tam, S.C. The Court handed down the Judgment and made a winding-up order on June 4, 2012 against NTTC.

(e) NTTC is in liquidation and the Joint and Several Liquidators confirmed that all assets of NTTC have been taken over by the Joint and Several Receivers in January 2013. As the Company did not have a controlling financial interest on NTTC after it was taken over by the Joint and Several Receivers, so the financial statements of NTTC have not been included in the consolidated financial statements of the Company subsequent to the 2012 Form-20F, in accordance with the procedures set out in ASC 810-10-15-10.

(2) NTGM

(a) The HKIRD has also made estimated assessments against Nam Tai Group Management Limited ( NTGM ), another wholly-owned subsidiary of Nam Tai, which has been inactive since 2005. This assessment, which relates to the tax years of 2001 and 2002, is in the amount of approximately \$172, including interest allegedly due thereon. On December 17, 2008, the Hong Kong tax authorities issued a Writ of Summons through the District Court in Hong Kong claiming against NTGM the amount of \$172 as taxes allegedly due and payable, together with interest, to the Hong Kong tax authorities for the fiscal years 2001 to 2002. NTGM filed its defense on January 29, 2009, but on February 17, 2009, HKIRD filed papers seeking to strike out NTGM's defense. As NTGM's defense was similar to the defense of NTTC and Senior Counsel had advised that NTTC's defense was not arguable before the Court, NTGM

accordingly agreed with HKIRD to allow Judgment to be entered against NTGM by consent.

(b) (i) On February 8, 2011, HKIRD issued a writ against NTGM claiming taxes in the amount of approximately \$855 for the taxable years 2001/2002 to 2003/2004. NTGM filed a Defense to this action. The hearing of the action took place on September 6, 2011. The judgment was handed down on September 29, 2011 with the Defense being struck out and judgment was thus entered against NTGM.

(ii) The taxation process is completed. The total taxed costs as certified by the Registrar are approximately \$5 plus post-judgment interest.

(c) NTGM has received demand letters from the HKIRD demanding payments of the judgment debts mentioned in paragraphs 2(a) and (b) above.

**Table of Contents**

(d) On December 30, 2015, HKIRD issued a latest demand letter to NTGM demanding total payment of \$1,098. NTGM is a limited liability company incorporated in Hong Kong. NTGM had a net deficit position as of December 31, 2015 and the Company has no funding obligation towards NTGM. As a result, the liability from the HKIRD demand letter has no impact on the Company. Therefore, the amount claimed by HKIRD was not recorded as a liability in the consolidated financial statements of the Company.

(3) NTT

(a) On September 14, 2009, the HKIRD issued a writ against Nam Tai Telecom (Hong Kong) Company Limited ( NTT ), a dormant subsidiary of the Company, claiming taxes in the amount of approximately \$337 for the taxable year 2002/2003. Judgment has been entered against NTT.

(b) (i) On February 17, 2011, HKIRD issued a writ against NTT claiming taxes in the amount of approximately \$34 for the taxable year 2002/2003. NTT filed a Defense to this action. The hearing of this action was heard together with the case of NTGM as discussed in paragraph (2) (b) above on September 6, 2011. Similarly, the judgment was handed down on September 29, 2011 with the Defense being struck out and judgment was thus entered against NTT.

(ii) The taxation process is completed. The total taxed costs as certified by the Registrar are approximately \$5 plus post-judgment interest.

(c) NTT has received demand letters from the HKIRD demanding payments of judgment debts mentioned in paragraphs 3(a) and (b) above.

(d) On October 15, 2015, HKIRD issued a demand letter to NTT demanding total payment of \$392. NTT is a limited liability company incorporated in Hong Kong. NTT had a net deficit position as of December 31, 2015 and the Company has no funding obligation towards NTT. As a result, the liability from the HKIRD demand letter has no impact on the Company. Therefore, the amount claimed by HKIRD was not recorded as a liability in the consolidated financial statements of the Company.

(4) Expected Dispositions of Tax Disputes with Inactive or Dormant Subsidiaries

HKIRD has not accepted the explanations that it was necessary for these subsidiaries to perform their individual functions for the whole Nam Tai group and therefore the management fees paid by the Company by contract to support and finance all the necessary overhead expenses of these subsidiaries (not located in Hong Kong) to contribute to the operations representing the administration and finance departmental functions from Vancouver, Canada for the whole group under the corporate structure at that time were not regarded as necessary expenses by HKIRD.

Since it is believed that it will be difficult for these subsidiaries to continue cooperating with HKIRD in the future, if the Company discontinues financing these subsidiaries, they will be forced to liquidate in due course. As these subsidiaries do not conduct any operations and have been inactive or dormant for some time, and have either assets of limited book-value or no assets, Nam Tai believes that there should be no material impact from these proceeding on the Company's financial condition, liquidity or results of operations. Accordingly, no provision has been made regarding these assessments in Nam Tai's consolidated financial statements.

(5) Notices of Alleged Personal Liability for Additional Taxes Against Former Directors and Officers for Signing NTTC's Tax Returns

In addition to the legal cases against the inactive or dormant subsidiaries of the Company discussed above, in January 2011, the HKIRD issued two Notices of intention to assess additional taxes separately and personally against two former directors and officers of NTTC in the amounts of approximately \$1,540 for the taxable years 1996/1997 and 1999/2000 and \$667 for the taxable year 1997/1998 ( the Notices ). The taxable years involved in the controversy date from 18 years ago and initial advice received from the Company's tax advisor is that it is very rare for tax authorities to seek to attach personal liability on directors in this situation. The two former directors and officers to whom the Notices have been directed signed the tax returns for and on behalf of NTTC and the HKIRD has by its Notices sought to hold them personally liable for additional taxes (by way of penalty) purportedly on the basis that the relevant tax returns of NTTC were incorrect and contained omissions and understatements in violation of the Inland Revenue Ordinance, the governing tax law of Hong Kong.

The Company and former directors deny that any of NTTC's tax return filings were incorrect or contained omissions and understatements in violation of the Inland Revenue Ordinance and believe that no incorrect tax return was ever filed. On April 26, 2013, the Commissioner issued three Notices of Assessment and Demand for Additional Tax against the two former directors in the total amount of approximately \$2,323 (the Assessment Notices ), assessing one of them to additional tax by way of penalty in the sum of approximately \$1,626 (approximately \$826 in respect of the year 1996/1997 and approximately \$800 in respect of the year 1999/2000) and assessing the other former director to additional tax by way of penalty in the sum of approximately \$697 in respect of the year 1997/1998.

**Table of Contents**

The two former directors lodged an appeal to the Board of Review of the HKIRD against the Assessment Notices (the BOR Appeal ) on May 24, 2013.

On May 27, 2013, according to Company Indemnity Policy, the Company paid on behalf of the two former directors the additional tax as required under the Assessment Notices.

Since the Closing of the hearing of the Board of Review held on 6 March 2015, there have been no further developments.

Nam Tai maintains a Directors and Officers Liability Insurance for certain claims or liabilities that may arise by reason of the status or service of its directors and officers ( the Policy ). Nam Tai has informed the insurance carriers of the Policy about the HKIRD s Notices against NTTC s two former directors. So far, the insurance carriers have raised no objection to the Notices constituting a claim under the terms of the Policy and have reimbursed Nam Tai for the legal costs and other expenses incurred by Nam Tai for defending the Notices. After the Additional Assessment Notices had been issued, the Insurers were informed of the same. The Insurers refused to reimburse for the additional tax under the Additional Assessment Notices and the associated legal costs and expenses incurred in both the BOR Appeal and an appeal to the Court of Appeal of the HKIRD against the Assessment Notices (the CA Appeal ). Therefore, NTP and the two former directors have commenced arbitration against the Insurers under the Policy on October 18, 2013 by issuing a Notice of Arbitration to claim for reimbursement of the additional tax and the legal costs and expenses of both the BOR Appeal and the CA Appeal. The insurers filed their Response to Notice of Arbitration on December 24, 2013. All arbitrators have been appointed and the Arbitration hearing was heard from July 20 to July 24, 2015. On December 28 2015, the Company has been updated by our external legal counsel that the Partial Final Award on Costs & Final Award on Interest have been granted. Furthermore, the Tribunal in the Partial award on cost held that Nam Tai has to pay for the respondents costs for the period from February 11, 2014 up to the date of the award. It is estimated the total costs of \$1,032 has been accrued for the year of 2015. Nam Tai renewed a new Directors and Officers Liability Insurance Policy with its current insurer for the year 2015 and 2016.

Accordingly, no provision has been made regarding these assessments in Nam Tai s consolidated financial statements.

The current and deferred components of the income tax expense appearing in the consolidated statements of income are as follows:

<b>Year ended December 31,</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Current tax	\$	\$	\$
Deferred tax	1,378		
	\$ 1,378	\$	\$

The Company s deferred tax assets and liabilities as of December 31, 2014 and 2015 are attributable to the following:

<b>December 31,</b>	<b>2014</b>	<b>2015</b>
Net operating losses	\$ 10,125	\$ 6,609
Property, plant and equipment		123

Edgar Filing: NAM TAI PROPERTY INC. - Form 20-F

Total deferred tax assets	10,125	6,732
Less: valuation allowance	(10,125)	(6,732)

Deferred tax assets

Net deferred tax assets	\$	\$
-------------------------	----	----

Movement of valuation allowance:

<b>December 31,</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
At beginning of the year	\$ 5,316	\$ 5,960	\$ 10,125
Current year addition (deduction)	644	4,165	(3,393)
At end of the year	\$ 5,960	\$ 10,125	\$ 6,732

The valuation allowance as of December 31, 2013, 2014 and 2015 was related to deferred tax assets generated by net operating losses carried forward that, in the judgment of management, more likely than not will not be realized. In assessing the reliability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets depends on the generation of future taxable income in which those temporary differences become deductible. During the year ended December 31, 2014, the movement of valuation allowance was \$4,165 which included \$307 from continuing operations and \$3,858 from discontinued operations. During the year ended December 31, 2015, the movement of valuation allowance was \$3,393 derived from the taxable profit of continuing operations.

**Table of Contents**

As of December 31, 2013, 2014 and 2015 the Company had net operating losses of \$23,285, \$23,289 and \$29,057, respectively, which may be carried forward indefinitely. As of December 31, 2015, the Company had net operating losses from continuing operations of \$4,011, \$3,813, \$12,820 and \$694, which will expire in the years ending December 31, 2016, 2017, 2019 and 2020, respectively.

A reconciliation of the income tax expense to the amount computed by applying the current tax rate to the income (loss) before income taxes in the consolidated statements of comprehensive income is as follows:

<b>Year ended December 31,</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Income (loss) before income taxes	\$ 3,881	\$ (5,416)	\$ (12,528)
PRC tax rate	25%	25%	25%
Tax loss (income tax expense) at PRC tax rate on income before income tax	\$ (970)	\$ 1,354	\$ 3,132
Effect of difference between Hong Kong and PRC tax rates applied to Hong Kong income	(487)	(694)	(478)
Change in valuation allowance	(644)	(307)	3,393
Reversal of deferred tax liability on withholding tax on undistributed profits of PRC subsidiaries	1,378		
Tax benefit (expense) arising from items which are not assessable (deductible) for tax purposes:			
Non-deductible and non-taxable items	1,850	(471)	(6,335)
Others	251	118	288
Income tax (expense) credit	\$ 1,378	\$	\$

No income tax arose in the United States of America in any of the periods presented.

**16. Commitments and Contingencies****(a) Commitments**

Our contractual obligations, including purchase commitments under non-cancelable arrangements as of December 31, 2015, are summarized below. We do not participate in, or secure financing for, any unconsolidated limited purpose entities.

	Total	Payments due by period		
		2016	2017	2018
<b>Contractual Obligations</b>				
Capital commitments	4,290	2,236	1,393	661
<b>Total</b>	<b>\$ 4,290</b>	<b>\$ 2,236</b>	<b>\$ 1,393</b>	<b>\$ 661</b>

**(b) Significant legal proceedings**

Other than as disclosed in Note 15, there is no other significant legal proceeding as of December 31, 2015.

**17. Operating leases as lessor**

On March 25, 2014, the Company entered into an operating lease agreement to lease out certain of its buildings located in Shenzhen. The lease term is 3 years from May 1, 2014 to April 30, 2017. The minimum lease payments to be received in the next two years are detailed in Note 5.

F-23



**Table of Contents****18. Segment Information**

The Chief Operating Decision Makers are identified as the Chief Executive Officer and Chief Financial Officer. They review these segment results when making decisions about allocating resources and assessing the performance of the Company.

In 2012, the CECP segment fell below the threshold and it was combined with the TCA segment. The Company's business was then separated into TCA and FPC segments. Since the first quarter of 2013, the FPC segment was discontinued and only one TCA segment still existed.

In 2014, the TCA segment was discontinued in the first quarter of 2014, accordingly there was no segment information to be disclosed for the years of 2013, 2014 and 2015 in accordance with FASB ASC 280-10-50-34.

A summary of net income (loss) attributable to Nam Tai shareholders and long-lived assets by geographical areas is as follows:

<b>Year ended December 31,</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Rental income from property within:			
- PRC, excluding Hong Kong:	\$ 136	\$ 2,341	\$ 2,978
Net income (loss) from continuing operations, net of income tax within:			
- PRC, excluding Hong Kong	\$ 6,456	\$ 812	\$ 53
- Hong Kong	(1,197)	(6,228)	(12,581)
Total net income (loss) from continuing operations, net of income tax	\$ 5,259	\$ (5,416)	\$ (12,528)

<b>As of December 31,</b>	<b>2014</b>	<b>2015</b>
Long-lived assets by geographical area:		
- PRC, excluding Hong Kong	\$ 31,897	\$ 34,935
- Hong Kong	3,693	3,457
Total long-lived assets	\$ 35,590	\$ 38,392

**19. Employee Severance Benefits**

After the final evaluation on the viability of its core business of LCM production, the Company decided to discontinue its core business of LCM production in Shenzhen by the end of April 2014 due to a major customer's repeated and continuous changes in its formal purchasing orders without suitable commitment. The employee severance benefits in 2014 amounted to \$103, which were recorded as general and administrative expenses and \$92 were recorded in loss from discontinued operations. The balance of the employee severance benefits was paid in 2015. The employee severance benefits were as follows:

	<b>2014</b>	<b>2015</b>
<b>Provision for employee severance benefits:</b>		
Balance at January 1	\$ 11,003	\$ 104
Provision for the year	195	
Payments during the year	(11,094)	(104)
<b>Balance at December 31</b>	<b>\$ 104</b>	<b>\$</b>

F-24

**Table of Contents****SCHEDULE 1****NAM TAI PROPERTY INC.****STATEMENTS OF COMPREHENSIVE INCOME****(In thousands of U.S. dollars)**

	<b>Year ended December 31,</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
General and administrative expenses*	\$ (2,073)	\$ (715)	\$ (6,579)
Other income (expense), net	12,215	(135,374)	(8,204)
Interest income on loan to a subsidiary	5,005		
Interest income	2,626	4,732	3,856
Interest expense		(61)	(360)
Income (loss) before income tax	17,773	(131,418)	(11,287)
Income tax expenses			
Income (loss) before share of net profits of subsidiaries, net of income tax	17,773	(131,418)	(11,287)
Share of net (losses) profits subsidiaries, net of income tax	(17,476)	105,830	(1,871)
Net income (loss) attributable to Nam Tai shareholders	\$ 297	\$ (25,588)	\$ (13,158)
Other comprehensive income			
Comprehensive income (loss) attributable to Nam Tai shareholders	\$ 297	\$ (25,588)	\$ (13,158)
* Amount of share-based compensation expense included in general and administrative expenses	\$ 1,536	\$ 309	\$ 1,685

**Table of Contents****SCHEDULE 1****NAM TAI PROPERTY INC.****BALANCE SHEETS****(In thousands of U.S. dollars)**

	<b>December 31,</b>	
	<b>2014</b>	<b>2015</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 56,099	\$ 31,387
Short term investments	73,505	48,752
Prepaid expenses and other receivables	4,026	2,566
Amounts due from subsidiaries	10,037	153,463
Total current assets	143,667	236,168
Property, plant and equipment, net	3,693	3,457
Investments in subsidiaries	234,545	228,257
Total assets	\$ 381,905	\$ 467,882
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
Current liabilities:		
Accrued expenses and other payables	\$ 881	\$ 1,409
Dividend payable	3,409	2,936
Bank loan	40,000	
Amounts due to subsidiaries	20,663	157,347
Total current liabilities	64,953	161,692
Long term loan		40,625
Total liabilities	\$ 64,953	\$ 202,317
Shareholders equity:		
Common shares (\$0.01 par value authorized 200,000,000 shares, issued and outstanding 42,618,322 and 36,699,572 shares as at December 31, 2014 and 2015, respectively)	426	367
Additional paid-in capital	274,276	243,280
Retained earnings	42,258	26,343
Accumulated other comprehensive loss	(8)	(4,425)
Total shareholders equity	316,952	265,565
Total liabilities and shareholders equity	\$ 381,905	\$ 467,882



**Table of Contents****SCHEDULE 1****NAM TAI PROPERTY INC.****STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY**

(In thousands of U.S. dollars, except share and per share data)

	Common Shares Outstanding	Common Shares Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders Equity
Balance at January 1, 2013	44,803,735	\$ 448	\$ 287,602	\$ 74,750	\$ (8)	\$ 362,792
Shares issued on exercise of options	469,000	5	2,593			2,598
Stock-based compensation expenses			1,536			1,536
Net income				297		297
Cash dividends declared (\$0.08 per share)				(3,622)		(3,622)
Cash dividends paid				(211)		(211)
Balance at December 31, 2013	45,272,735	\$ 453	\$ 291,731	\$ 71,214	\$ (8)	\$ 363,390
Shares issued on exercise of options	15,000		89			89
Cancellation of shares	(2,669,413)	(27)	(17,853)			(17,880)
Stock-based compensation expenses			309			309
Net loss				(25,588)		(25,588)
Cash dividends declared (\$0.08 per share)				(3,409)		(3,409)
Cash dividends reversal				41		41
Balance at December 31, 2014	42,618,322	\$ 426	\$ 274,276	\$ 42,258	\$ (8)	\$ 316,952
Shares issued on exercise of options	600,000	6	3,990			3,996
Cancellation of shares	(6,518,750)	(65)	(36,671)			(36,736)
Stock-based compensation expenses			1,685			1,685
Net loss				(13,158)		(13,158)
Cash dividends declared (\$0.08 per share)				(2,936)		(2,936)
Cash dividends reversal				179		179
Accumulated other comprehensive loss					(4,417)	(4,417)

Edgar Filing: NAM TAI PROPERTY INC. - Form 20-F

Balance at December 31, 2015	36,699,572	\$	367	\$	243,280	\$	26,343	\$	(4,425)	\$	265,565
------------------------------	------------	----	-----	----	---------	----	--------	----	---------	----	---------

F-27

**Table of Contents****SCHEDULE 1****NAM TAI PROPERTY INC.****STATEMENTS OF CASH FLOWS****(In thousands of U.S. dollars)**

	<b>Year ended December 31,</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Cash flows from operating activities:</b>			
Net income (loss) attributable to Nam Tai shareholders	\$ 297	\$ (25,588)	\$ (13,158)
Adjustments to reconcile net income attributable to Nam Tai shareholders to net cash provided by operating activities:			
Share of net losses (profits) of subsidiaries, net of taxes	17,476	(105,830)	1,871
Depreciation	111		237
Share-based compensation expenses	1,536	309	1,685
Cancellation of loan and interest owing by subsidiary		133,354	
Changes in current assets and liabilities:			
(Increase) decrease in prepaid expenses and other receivables	(2,553)	(1,197)	1,460
(Decrease) increase in accrued expenses and other payables	(929)	53	496
<b>Net cash provided by operating activities</b>	<b>\$ 15,938</b>	<b>\$ 1,101</b>	<b>\$ (7,409)</b>
<b>Cash flows from investing activities:</b>			
Purchase of property, plant and equipment			(1)
(Increase) decrease in short term investment	(15,793)	(8,530)	24,753
(Increase) decrease in amounts due from subsidiaries	(3,683)	4,046	(6,742)
<b>Net cash used in investing activities</b>	<b>\$ (19,476)</b>	<b>\$ (4,484)</b>	<b>\$ 18,010</b>
<b>Cash flows from financing activities:</b>			
Proceeds from a long term loan of a subsidiary			40,625
Proceeds from short term bank borrowing		40,000	92,432
Repayment of short term bank borrowing			(132,432)
Share repurchase program		(17,561)	(36,704)
Dividend paid	(27,093)	(3,581)	(3,230)
Proceeds from options exercise	2,598	89	3,996
<b>Net cash (used in) provided by financing activities</b>	<b>\$ (24,495)</b>	<b>\$ 18,947</b>	<b>\$ (35,313)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(28,033)</b>	<b>15,564</b>	<b>(24,712)</b>
Cash and cash equivalents at beginning of year	68,568	40,535	56,099
<b>Cash and cash equivalents at end of year</b>	<b>\$ 40,535</b>	<b>\$ 56,099</b>	<b>\$ 31,387</b>



F-28

**Table of Contents**

**SCHEDULE 1**

**NAM TAI PROPERTY INC.**

**NOTE TO SCHEDULE 1**

**(in thousands of U.S. dollars)**

Schedule 1 has been provided pursuant to the requirements of Rule 12-04(a) and 4-08(e)(3) of Regulation S-X, which require condensed financial information as to financial position, changes in financial position and results and operations of a parent company as of the same dates and for the same periods for which audited consolidated financial statements have been presented when the restricted net assets of the consolidated and unconsolidated subsidiaries together exceed 25% of consolidated net assets as of the end of the most recently completed fiscal year. As of December 31, 2015, \$347,977 of the restricted capital and reserves are not available for distribution, and as such, the condensed financial information of the Company has been presented for the years ended December 31, 2013, 2014 and 2015.

During the years ended December 31, 2013, 2014 and 2015, no cash dividend was declared and paid by subsidiaries to the Company.

**Table of Contents****ITEM 19. EXHIBITS**

The following exhibits are filed as part of this Report:

**Exhibit**

<b>No.</b>	<b>Exhibit</b>
1.1	Memorandum and Articles of Association, as amended and restated effective on December 5, 2007 (incorporated by reference to Exhibit 1.1 to the Company's Form 8-A/A filed with the SEC on December 13, 2007).
4.1	2006 Stock Option Plan of Nam Tai Property Inc., adopted February 10, 2006 and approved on June 9, 2006 (incorporated by reference to Exhibit A attached to Exhibit 99.1 of the Form 6-K furnished to the SEC on May 15, 2006).
4.2	Amendment to 2006 Stock Option Plan of Nam Tai Property Inc. (incorporated by reference to Exhibit 4.1.1 to the Company's Registration Statement on Form S-8 File No. 333-136653 included with the Company Form 6-K furnished to the SEC on November 13, 2006).
4.3	Amended 2001 Option Plan of Nam Tai Property Inc. dated July 30, 2004 (incorporated by reference to Exhibit 4.18 to the Company's Form 20-F for the year ended December 31, 2004 filed with the SEC on March 15, 2005).
4.4	Amendment to 2001 Stock Option Plan of Nam Tai Property Inc. (incorporated by reference to Exhibit 4.1.1 to the Company's Registration Statement on Form S-8 File No. 333-76940 included with Company's Form 6-K furnished to the SEC on November 13, 2006).
8.1	Diagram of Company's subsidiaries at December 31, 2015. See the diagram following page 14 of this Report.
11.1	Code of Ethics (incorporated by reference to Exhibit 14.1 to the Company's Form 20-F for the year ended December 31, 2004 filed with the SEC on March 15, 2005).
12.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
12.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
13.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
13.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
15.1	Consent of Independent Registered Public Accounting Firm Moore Stephens CPA Limited.
101	Financial information of the registrant for the year ended December 31, 2015 formatted in eXtensible Business Reporting Language (XBRL)

**Table of Contents**

**SIGNATURE**

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and has duly caused and authorized the undersigned to sign this annual report on its behalf.

Date: March 14, 2016

NAM TAI PROPERTY INC.

By: /s/ Shan-Nen Bong  
Name: Shan-Nen Bong  
Title: Chief Financial Officer