

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for shares.



NAM TAI ELECTRONIC & ELECTRICAL PRODUCTS LIMITED

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

ACQUISITION OF NAMTEK SOFTWARE DEVELOPMENT COMPANY LIMITED DISCLOSEABLE AND CONNECTED TRANSACTION

The Board is pleased to announce that on 8 April 2005, the Company entered into the Sale and Purchase Agreement with, among others, NTE Inc. and Asano Company for the acquisition of 80% and 20% interests in Namtek respectively.

Namtek has two wholly-owned subsidiaries, namely Namtek Japan and Namtek Shenzhen. Namtek Group offers a wide range of services on software development, data processing and compression and electronic hardware design and development specializing in digital dictionaries and car navigation system.

The total consideration for the Acquisition, which amounts to US\$26.7 million (approximately HK\$208.3 million), will be satisfied by the issue of the Consideration Shares to the Vendors (65,336,470 Shares to NTE Inc. and 16,334,118 Shares to Asano Company, or as they may direct respectively) at HK\$2.55 each. The Consideration Shares represent approximately 10.2% and 9.3% of the Company's existing and enlarged issued share capital respectively. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

The issue price of the Consideration Shares of HK\$2.55 each is equivalent to the closing price of the Shares on 31 March 2005. The consideration for the Acquisition has been determined with reference to the consolidated net profits of Namtek for the financial year ended 31 December 2004 and the price earnings multiple of the Company based on the closing price of the Shares on 31 March 2005 of approximately 11.3 times.

NTE Inc. is the 71.25% holding company of the Company and hence a connected person of the Company for the purpose of the Listing Rules. Asano Company is beneficially owned as to 49.9999% by Mr. Asano, a director of Namtek and his associate, and as to 50.0001% by Mr. Liu, another director of Namtek. As each of the percentage ratios (other than the profits ratio) is more than 2.5% and the total consideration for the Acquisition is more than HK\$10,000,000, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the approval by the independent Shareholders.

The total consideration for the Acquisition represents more than 5% but less than 25% of the consideration ratio calculated pursuant to Rule 14.07(4) of the Listing Rules. Accordingly, the Acquisition also constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

An independent board committee will be set up to advise the independent Shareholders on the Acquisition. An independent financial adviser will be appointed to advise the independent board committee and the independent Shareholders in this regard. A circular containing information on the Acquisition will be despatched to the Shareholders as soon as practicable.

SALE AND PURCHASE AGREEMENT

Date

8 April 2005

Parties

Purchaser: The Company

Vendors: (1) NTE Inc., the 71.25% holding company of the Company and a connected person of the Company for the purpose of the Listing Rules.
(2) Asano Company, beneficially owned as to 49.9999% by Mr. Asano, a director of Namtek and his associate, and as to 50.0001% by Mr. Liu, another director of Namtek.

Warrantors: The Vendors, Mr. Asano and Mr. Liu

Asset to be acquired

100 Namtek Shares, being the entire issued share capital of Namtek. NTE Inc. and Asano Company hold 80 Namtek Shares and 20 Namtek Shares respectively.

Namtek has two wholly-owned subsidiaries, namely Namtek Japan and Namtek Shenzhen. Namtek Group offers a wide range of services on software development, data processing and compression and electronic hardware design and development specializing in digital dictionaries and car navigation system.

The consolidated total assets of Namtek as at 31 December 2004 were approximately US\$4.218 million (approximately HK\$32.900 million). The consolidated net profit of Namtek both before and after taxation and extraordinary items (a) for the financial year ended 31 December 2004 was approximately US\$2.646 million (approximately

HK\$20.638 million) and approximately US\$2.362 million (approximately HK\$18.424 million) respectively, and (b) for the financial year ended 31 December 2003, approximately US\$1.68 million (approximately HK\$13.102 million) and approximately US\$1.477 million (approximately HK\$11.518 million) respectively.

Consideration

The total consideration for the Acquisition, which amounts to US\$26.7 million (approximately HK\$208.3 million), will be satisfied by the issue of the Consideration Shares to the Vendors (65,336,470 Shares to NTE Inc. and 16,334,118 Shares to Asano Company, or as they may direct respectively) at HK\$2.55 each. The Consideration Shares:

- (a) when issued, will rank *pari passu* in all respects with the existing Shares;
- (b) represent approximately 10.2% and 9.3% of the Company's existing and enlarged issued share capital respectively; and
- (c) will be allotted and issued by the Directors subject to the passing of the resolution by the independent Shareholders at the EGM to approve the issue of the Consideration Shares.

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

The issue price of the Consideration Shares of HK\$2.55 each is equivalent to the closing price of the Shares on 31 March 2005. The consideration for the Acquisition was arrived at after arm's length negotiations among the Purchaser and the Vendors and has been determined with reference to the consolidated net profits of Namtek for the financial year ended 31 December 2004 and the price earnings multiple of the Company based on the closing price of the Shares on 31 March 2005 of approximately 11.3 times which the Directors believe is reasonable, and after taking into account the dividend to be declared before Completion by Namtek to its shareholders of not exceeding US\$2,362,014 (approximately HK\$18,423,709).

Non-disposal Undertakings

Asano Company has undertaken to the Company that:

- (a) it shall not distribute or dispose of or enter into any agreement to dispose of any of its interests in the Consideration Shares it received on Completion (together with any other shares or other securities of the Company derived therefrom as a result of any capitalisation issue, scrip dividend or otherwise) (the "Relevant Shares") during the two-year period commencing on the Completion Date (the "Lock-up Period"); and
- (b) in recognition of the contribution of the Namtek Staff, Asano Company shall distribute or transfer the Relevant Shares to and among the Namtek Staff (i.e. those persons being the beneficial owners of the shares of Asano Company and employees identified in the Sale and Purchase Agreement and who remains an employee of the Namtek Group on the second anniversary of the Completion Date) or as they may direct according to their entitlements as set out in the Sale and Purchase Agreement as soon as practicable after the second anniversary of the Completion Date.

Any Relevant Shares not distributed or transferred to the Namtek Staff in accordance with (b) above may be dealt with by Asano Company at its discretion after the Lock-up Period.

The Consideration Shares allotted and issued to NTE Inc. are not subject to any restrictions on disposal.

Conditions

Completion of the Sale and Purchase Agreement is conditional upon, inter alia:

1. the passing of all requisite resolutions by the independent Shareholders at the EGM (whereby NTE Inc. and its associates shall abstain from voting) to approve the Acquisition as contemplated in the Sale and Purchase Agreement and the issue of the Consideration Shares;
2. the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Consideration Shares; and
3. the entering into by Mr. Asano and Mr. Liu of the Supplemental Letters Regarding Service.

Pursuant to the Supplemental Letters Regarding Service, each of Mr. Asano and Mr. Liu will undertake to the Company, among others, that if he terminates his employment with the Group or serves notice to terminate his employment (“Termination Event”) at any time before the third anniversary of the Completion Date, he shall pay to the Company as compensation a sum equal to his income under such employment for the period from the date of the Termination Event to the third anniversary of the Completion Date.

In the event that the Conditions are not fulfilled (or, in relation to condition 3 above, waived by the Company) on or before 31 December 2005 (or such later date as the Parties may agree), the Sale and Purchase Agreement shall terminate.

Completion

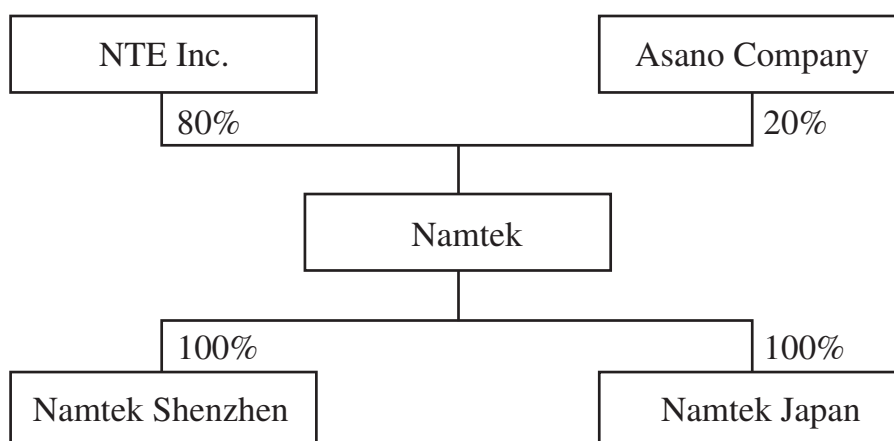
Completion shall take place on the second Business Day after all the Conditions have been fulfilled, which is expected to be on or before 20 May 2005, or such other date as the Parties may agree on.

After Completion, Ms. Lei Lai Fong Patinda will resign as director of Namtek Japan and Mr. Asano will be appointed as an executive director of the Company.

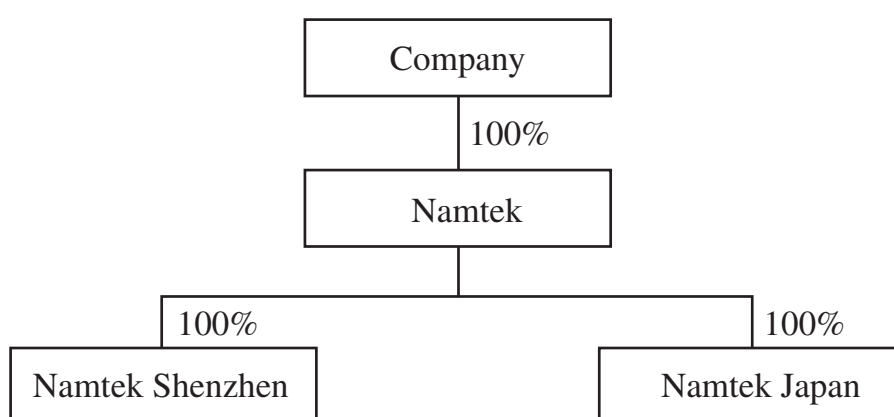
THE SHAREHOLDING STRUCTURE OF NAMTEK

The shareholding structure of Namtek, both before and after Completion, are as follows:

Before Completion



After Completion



THE SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company, both before and after Completion, are as follows:

	Before Completion		Immediately After Completion	
	Number of Shares	% (Approx.)	Number of Shares	% (Approx.)
NTE Inc.	570,000,000	71.25%	635,336,470	72.06%
Asano Company	—	—	16,334,118	1.85%
Public shareholders	230,000,000	28.75%	230,000,000	26.09%
Total	800,000,000	100%	881,670,588	100%

CONNECTION AMONG THE PARTIES

NTE Inc. is the holding company of the Company and hence a connected person of the Company for the purpose of the Listing Rules. Upon Completion, the shareholding interest of NTE Inc. in the Company will increase from 71.25% to 72.06%.

Asano Company is beneficially owned as to 49.9999% by Mr. Asano (a director of Namtek and Asano Company) and his associate, and as to 50.0001% by Mr. Liu, another director of Namtek.

The Acquisition constitutes a connected transaction and a discloseable transaction of the Company under Chapters 14A and 14 of the Listing Rules respectively.

INFORMATION ON NAMTEK GROUP

Namtek Group is a total solution provider offering a wide range of services on software development, data processing and compression and electronic hardware design and development specializing in digital dictionaries and car navigation system.

Namtek, established in May 2002 by NTE Inc. at a total investment cost of US\$800,000, is an investment holding company which wholly-owns Namtek Shenzhen and Namtek Japan. Asano Company acquired 20% interest in Namtek from NTE Inc. in January 2003 at a consideration of US\$160,000.

Namtek Shenzhen was established in Shenzhen, the PRC in December 1995. Namtek acquired the entire interests in Namtek Shenzhen at US\$1,160,000 in August 2002. Namtek Shenzhen has a total investment and registered capital of US\$1,000,000 and US\$800,000 respectively.

With almost 10 years' experience in software development, data processing and compression and hardware (electronic) design and development, Namtek Shenzhen has become a leading total solution provider for digital dictionary software development in the Japanese electronics industry with an extensive customer network in Japan. Its major customers include Japanese based digital dictionaries manufacturers such as Seiko Instruments Inc., Canon Electronic Business Machines (H.K.) Co. Ltd. and Sony Engineering Corporation.

Namtek Shenzhen is in the course of jointly developing a car navigation system with Datawest Inc. ("Datawest") which has been in car navigation map business for over 15 years. Pursuant to an agreement entered into in September 2004, Datawest and Namtek Shenzhen have agreed to jointly develop a car navigation system which will provide a total solution for the car navigation system for South Asia, PRC, Europe and US markets. Namtek Shenzhen also has the technology to control and combine GPS module and GSM module with SMS for opening vast business opportunities.

Namtek Japan was established by Namtek in Japan in June 2003 with an authorised capital of ¥50,000,000 and an issued capital of ¥10,000,000 respectively. Namtek Japan is a representative office of Namtek in Japan.

INFORMATION ON THE PARTIES

NTE Inc. is the 71.25% holding company of the Company whose shares are listed on the New York Stock Exchange. NTE Inc. is an investment holding company with subsidiaries principally engaged in the business of electronics manufacturing and providing design services to original equipment manufacturers of telecommunications and consumer electronic products. NTE Inc. is an 80% shareholder of Namtek.

Asano Company is a private investment holding company incorporated in the British Virgin Islands. Asano Company is beneficially owned as to 49.9999% by Mr. Asano (a director of Namtek and the sole director of Asano Company) and his associate, and as to 50.0001% by Mr. Liu, another director of Namtek. Asano Company is a 20% shareholder of Namtek.

The Group is a well-established vertically integrated manufacturing solutions provider for reputable brand owners of consumer electronics and communications products. The Group focuses on four segments of the consumer electronics and communications sectors including optical devices, home entertainment devices, mobile phone accessories and educational products.

REASONS FOR THE ACQUISITION

As a well-established vertically integrated manufacturing solutions provider of consumer electronics and communications products, the Company is continuously striving to capture business opportunities in the outsourcing trend of the consumer electronics, communications and automotive electronics sectors, augment profitability and maximize shareholders' value. The Acquisition offers the Company an opportunity to acquire the entire issued share capital of Namtek, which wholly-owns Namtek Shenzhen and Namtek Japan.

In respect of augmenting profitability, as Namtek Group's software development for digital dictionaries has high gross and net profit margins of 79.0% and 48.5% respectively for the year ended 31 December 2004, the Acquisition will enable the Company to enhance its profit margin and profit return via this new product segment.

Insofar as capturing emerging industry trends is concerned, through the Acquisition, the Company can embark upon the automotive electronics sector more swiftly by eliminating unnecessary time and costs in research and development of this business area. By acquiring the Namtek Group, the Company will be able to provide innovative and one stop solution for the car navigation system from map formatting, software and hardware development to PCB assembly and hence provide vast business opportunities for the Company.

Further, the Company will be able to leverage on the experience and knowledge of the staff of Namtek Group to integrate their relevant know-how to the Group's new and existing products. Upon the Acquisition, the Company and Namtek Group can also cross-sell their products and services to their existing customers and contacts.

The Directors confirmed that the Sale and Purchase Agreement was negotiated on an arm's length basis among the Parties. The Directors consider that the terms of the Acquisition and the Sale and Purchase Agreement are normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GENERAL

As each of the percentage ratios (other than the profits ratio) is more than 2.5% and the total consideration for the Acquisition is more than HK\$10,000,000, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the approval by the independent Shareholders.

The total consideration for the Acquisition represents more than 5% but less than 25% of the consideration ratio calculated pursuant to Rule 14.07(4) of the Listing Rules. Accordingly, the Acquisition also constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

An independent board committee will be set up to advise the independent Shareholders on the Acquisition. An independent financial adviser will be appointed to advise the independent board committee and the independent Shareholders in this regard.

A circular containing information on the Acquisition and a notice convening the EGM will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

“Acquisition”	the acquisition by the Company of the entire issued share capital of Namtek from NTE Inc. (80% interest) and Asano Company (20% interest) pursuant to the Sale and Purchase Agreement
“Asano Company”	Asano Company Ltd., a company incorporated in the British Virgin Islands and beneficially owned as to 49.9999% by Mr. Asano and his associate, and as to 50.0001% by Mr. Liu
“Board”	the board of directors of the Company
“Business Day”	a day that is not a Saturday, Sunday or public holiday in Hong Kong
“Company”	Nam Tai Electronic & Electrical Products Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition pursuant to the terms and conditions of the Sale and Purchase Agreement
“Completion Date”	the date on which Completion occurs
“Conditions”	the conditions to Completion as described in the section headed “Sale and Purchase Agreement – Conditions” in this announcement
“Consideration Shares”	81,670,588 new Shares to be issued by the Company to the Vendors (or as they may direct) as consideration for the Acquisition
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held to approve the Acquisition and the mandate to be granted to the Directors to issue the Consideration Shares
“GPS”	Global Positioning System
“GSM”	Global System for Mobile communications
“Group”	the Company and the Subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Asano”	Kazuhiro Asano (the Managing Director of Namtek and the sole director of Asano Company) who together with his associate is beneficially interested in 49.9999% of Namtek
“Mr. Liu”	Liu Xue Qing, an executive director of Namtek who is beneficially interested in 50.0001% of Namtek
“Namtek”	Namtek Software Development Company Limited, a company incorporated in the Cayman Islands and

	beneficially owned as to 80% by NTE Inc. and 20% by Asano Company
“Namtek Group”	collectively, Namtek, Namtek Japan and Namtek Shenzhen
“Namtek Japan”	Namtek Japan Company Limited, a company incorporated in Japan and a wholly owned subsidiary of Namtek
“Namtek Shares”	shares of HK\$0.01 each in the issued share capital of Namtek
“Namtek Shenzhen”	Shenzhen Namtek Co., Ltd., a company incorporated in the PRC and a wholly owned subsidiary of Namtek
“Namtek Staff”	those persons and employees of the Namtek Group as identified in the Sale and Purchase Agreement and who remains an employee of the Namtek Group on the second anniversary of the Completion Date
“Non-disposal Undertakings”	the undertakings given by Asano Company under the Sale and Purchase Agreement as described in the section headed “Non-disposal Undertakings” in this announcement
“NTE Inc.”	Nam Tai Electronics, Inc., a company incorporated in the British Virgin Islands whose shares are listed on the New York Stock Exchange, and the 71.25% holding company of the Company
“Parties”	collectively, the Company, the Vendors, Mr. Asano and Mr. Liu, being parties to the Acquisition, and “Party” means any one of them
“PCB”	Printed Circuit Board
“PRC”	People’s Republic of China
“Sale and Purchase Agreement”	the sale and purchase agreement relating to Namtek dated 8 April 2005 among the Parties
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholders”	the holders of the Shares from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Letters Regarding Service”	the supplemental letter agreements to be entered into by each of Mr. Asano and Mr. Liu with the Purchaser in relation to their service with the Group respectively
“US”	United States of America
“US\$”	United States dollars, the lawful currency of the United States of America
“Vendors”	collectively, NTE Inc. and Asano Company
“¥”	Yen, the lawful currency of Japan
“%”	percentage

As at the date of this announcement, the members of the Board are as follows:

<i>Executive Directors:</i>	<i>Non-Executive Directors:</i>	<i>Independent Non-Executive Directors:</i>
Wong Kuen Ling, Karene	Koo Ming Kown	Thaddeus Thomas Beczak
Guy Bindels	Tadao Murakami	Lee Wa Lun, Warren
	Li Shi Yuen, Joseph	Chan Tit Hee, Charles

By Order of the Board

Nam Tai Electronic & Electrical Products Limited

Wong Kuen Ling, Karene

Chairman

Hong Kong, 8 April 2005

The exchange rate of US\$ to HK\$ quoted in this announcement adopts a rate of US\$1 equivalent to HK\$7.8.

“Please also refer to the published version of this announcement in South China Morning Post.”