

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

If you are in any doubt about this circular or as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in Nam Tai Electronic & Electrical Products Limited ("Company"), you should at once hand this circular and the accompanying form of proxy to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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This circular 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**

#### **CONNECTED AND DISCLOSEABLE TRANSACTION**

**Independent financial adviser to the Independent Board Committee  
and the independent Shareholders of  
Nam Tai Electronic & Electrical Products Limited**



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A letter from the Independent Board Committee is set out on page 15 of this circular.

A letter from DBS Asia Capital Limited containing its advice to the Independent Board Committee and the independent Shareholders is set out on pages 16 to 22 of this circular.

A notice convening an extraordinary general meeting of the Company to be held at 15th Floor, China Merchants Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong on 10 May at 10:00 a.m. is set out on pages 29 to 30 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

22 April 2005

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## DEFINITIONS

*In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:*

“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
“Conditions”	the conditions to Completion as described in the section headed “Sale and Purchase Agreement – Conditions” in this circular
“Completion Date”	the date on which Completion occurs
“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
“DBS Asia”	DBS Asia Capital Limited, the independent financial adviser to the Independent Board Committee and the independent Shareholders in relation to the Acquisition, and a licensed corporation for types 1, 4 and 6 regulated activities under the SFO
“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

## DEFINITIONS

“GPS”	Global Positioning System
“GSM”	Global System for Mobile communications
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	an independent committee appointed by the Board to advise the independent Shareholders in respect of the Acquisition, comprising the independent non-executive directors of the Company, namely, Messrs. Thaddeus Thomas Beczak, Lee Wa Lun, Warren and Chan Tit Hee, Charles
“Latest Practicable Date”	15 April 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Asano”	Kazuhiro Asano (the Chairman and a 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, a 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

## DEFINITIONS

“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 circular
“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 the Acquisition dated 8 April 2005 among the Parties
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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 Company in relation to their service with the Group respectively upon Completion
“US”	United States of America
“US\$”	United States dollars, the lawful currency of the United States of America

## DEFINITIONS

“Vendors” collectively, NTE Inc. and Asano Company

“¥” Yen, the lawful currency of Japan

“%” percentage

*The exchange rate of US\$ to HK\$ quoted in this circular adopts a rate of US\$1 equivalent to HK\$7.8. Such conversion should not be construed as a representation that the amount in question has been, could have been or could be converted at any particular rate or at all.*

LETTER FROM THE BOARD



**NAM TAI ELECTRONIC & ELECTRICAL PRODUCTS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2633)**

*Executive Directors:*

Wong Kuen Ling, Karene  
Guy Bindels

*Non-executive Directors:*

Koo Ming Kown  
Tadao Murakami  
Li Shi Yuen, Joseph

*Independent Non-executive Directors:*

Thaddeus Thomas Beczak  
Lee Wa Lun, Warren  
Chan Tit Hee, Charles

*Registered Office:*

Century Yard  
Cricket Square, Hutchins Drive  
P.O. Box 2681 GT  
George Town, Grand Cayman  
British West Indies

*Hong Kong Office:*

15th Floor  
China Merchants Tower  
Shun Tak Centre  
Nos. 168-200  
Connaught Road Central  
Hong Kong

22 April 2005

*To the Shareholders*

Dear Sir or Madam,

**ACQUISITION OF  
NAMTEK SOFTWARE DEVELOPMENT COMPANY LIMITED**

**CONNECTED AND DISCLOSEABLE TRANSACTION**

**1. INTRODUCTION**

Reference is made to the announcement of the Company dated 8 April 2005 in relation to the Acquisition.

The Board announces 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. The Acquisition constitutes a connected and discloseable transaction of the Company under the Listing Rules and is subject to the approval by the independent Shareholders at the EGM.

The purpose of this circular is to provide you with the particulars of the Acquisition, the letter from the Independent Board Committee and the letter from the independent financial adviser.

## LETTER FROM THE BOARD

### 2. 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, the Chairman and 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. After Completion, Namtek will become a wholly-owned subsidiary of the Company.

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\$13.104 million) and approximately US\$1.477 million (approximately HK\$11.518 million) respectively.



## LETTER FROM THE BOARD

### 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 has been 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 and represents a discount of approximately 1.07 % to the average closing price of HK\$2.5775 per Share over the last ten trading days up to and including 8 April 2005, the date of the Sale and Purchase Agreement. The consideration for the Acquisition was arrived at after arm's length negotiations among the Company 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.

## LETTER FROM THE BOARD

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, 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 Supplemental Letters Regarding Service, each of Mr. Asano and Mr. Liu will also provide confidentiality, non-competition and non-solicitation undertakings and confirmations regarding ownership of intellectual property rights to the Company.

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.

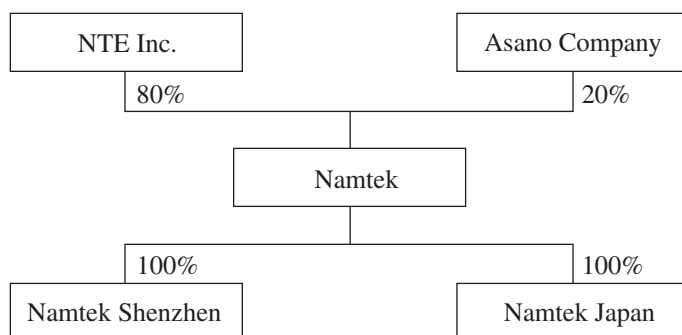
After Completion, Ms. Lei Lai Fong, Patinda will resign as director of Namtek Japan and Mr. Asano will be appointed as an executive director of the Company.

## LETTER FROM THE BOARD

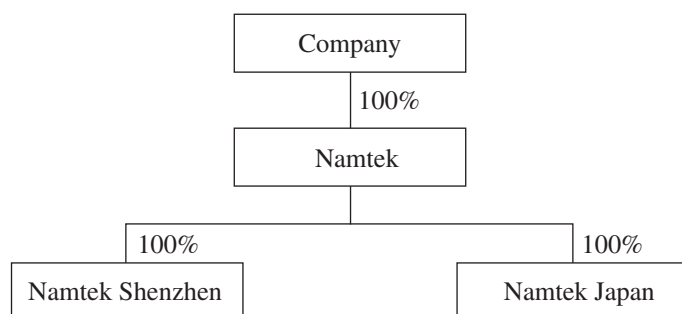
### 3. THE SHAREHOLDING STRUCTURE OF NAMTEK

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

#### *Before Completion*



#### *After Completion*



### 4. THE SHAREHOLDING STRUCTURE OF THE COMPANY

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

	<b>Before Completion</b>		<b>Immediately After Completion</b>	
	<b>As at the Latest Practicable Date</b>		<b>Completion</b>	
	<b>Number of Shares</b>	<b>% (Approx.)</b>	<b>Number of Shares</b>	<b>% (Approx.)</b>
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%
<b>Total</b>	<b><u>800,000,000</u></b>	<b><u>100%</u></b>	<b><u>881,670,588</u></b>	<b><u>100%</u></b>

## LETTER FROM THE BOARD

### 5. 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 (the Chairman and 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.

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

### 6. 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.

## LETTER FROM THE BOARD

### 7. INFORMATION ON THE PARTIES

As at the Latest Practicable Date, 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 (the Chairman and 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.

### 8. FINANCIAL EFFECT OF THE ACQUISITION

The Group's net profit for the financial year ended 31 December 2004 was approximately US\$23.1 million (approximately HK\$180.4 million). Upon Completion, Namtek will become a wholly-owned subsidiary of the Company and the Group will become entitled to 100% of the net profit generated by Namtek Group. The results of Namtek Group will be consolidated into the income statement of the Group for the financial period ending after Completion.

As at 31 December 2004, the audited consolidated net assets of the Group were approximately US\$111.9 million (approximately HK\$873.0 million). The Group's investment in Namtek pursuant to the Acquisition will be consolidated into the financial statements of the Group after the Completion and the net assets value of the Group will be increased by the amount of the Consideration.

### 9. 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.

## LETTER FROM THE BOARD

In respect of augmenting profitability, as Namtek Group's software development for digital dictionaries has high gross and net profit margins of approximately 79.0% and 48.5% respectively for the year ended 31 December 2004, as compared to the gross and net profit margins of approximately 20.50% and 14.14% respectively of the Company for the same period, 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. However, this cross-selling and generation of additional revenue as a result of this cross selling are subject to market conditions and expectations of customers. Upon Completion, while the Namtek Group will become a member of the Group led by the Company, the Namtek Group and the other subsidiaries of the Group will continue to maintain their own sales and marketing team.

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

### **10. 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 by poll.

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.

### **11. EXTRAORDINARY GENERAL MEETING**

A notice of the EGM to be held at 15th Floor, China Merchants Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong at 10:00 a.m. on 10 May 2005 is set out on page 29 of this circular. At the EGM, ordinary resolutions will be proposed to approve the Acquisition as contemplated in the Sale and Purchase Agreement and the issue of the Consideration Shares.

## LETTER FROM THE BOARD

A form of proxy for use at the EGM is enclosed. Whether or not Shareholders intend to be present at the EGM, they are requested to complete the form of proxy and return it to the Registrar, Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon not later than 48 hours before the time of the EGM. The completion and return of the form of proxy will not preclude Shareholders from attending and voting in person should they so wish.

NTE Inc. (i.e. the 71.25% holding company of the Company as at the Latest Practicable Date) and its associates will abstain from voting on the ordinary resolutions to be proposed at the EGM.

In accordance with Article 66 of the Articles of Association of the Company, at any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands, unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll), a poll is demanded:

- (a) by the chairman of the meeting; or
- (b) by at least three members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (c) by a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or
- (d) by a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding Shares conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Pursuant to Article 66(a) of the Articles of Association of the Company and as required under the Listing Rules, the Chairman will demand a poll on all the resolutions to be proposed at the EGM. The results of the poll will be published in the local newspapers and on the Stock Exchange's website on the business day following the EGM.

The Directors consider that the Acquisition is in the interest of the Company and the terms are fair and reasonable as far as the independent Shareholders are concerned and recommend the independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM.

## LETTER FROM THE BOARD

### 12. ADDITIONAL INFORMATION

The Independent Board Committee has been appointed to advise the independent Shareholders, and DBS Asia has been appointed as independent financial adviser to advise the Independent Board Committee and independent Shareholders, on whether the Acquisition is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Your attention is drawn to the letter from the Independent Board Committee set out on page 15 of this circular and the letter of advice received from DBS Asia on pages 16 to 22 of this circular.

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully,  
For and on behalf of  
**Nam Tai Electronic & Electrical Products Limited**  
**Wong Kuen Ling, Karene**  
*Chairman*





**NAM TAI ELECTRONIC & ELECTRICAL PRODUCTS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2633)**

22 April 2005

*To the independent Shareholders*

Dear Sir or Madam,

**ACQUISITION OF  
NAMTEK SOFTWARE DEVELOPMENT COMPANY LIMITED**

**CONNECTED AND DISCLOSEABLE TRANSACTION**

We refer to the circular dated 22 April 2005 of the Company ("Circular") of which this letter forms part. Terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to consider the terms of the Acquisition and to advise the independent Shareholders whether, in our opinion, the terms of the Acquisition are fair and reasonable so far as the independent Shareholders are concerned. DBS Asia has been appointed to advise the Independent Board Committee and the independent Shareholders in respect of the terms of the Acquisition.

We wish to draw your attention to the letter from the Board set out on pages 5 to 14 of the circular which contains, inter alia, information about the Acquisition, and the letter of advice from DBS Asia set out on pages 16 to 22 of the circular which contains its advice in respect of the terms of the Acquisition.

Having taken into account the advice of DBS Asia, we consider the terms of the Acquisition to be fair and reasonable so far as the Shareholders are concerned and in the interest of the Company and the Shareholders as a whole and recommend that the independent Shareholders vote in favour of the ordinary resolutions as set out in the notice of the EGM to be held on 10 May 2005.

Yours faithfully,  
For and on behalf of  
**Independent Board Committee**

**Thaddeus Thomas**  
**Beczak**  
*Independent*  
*Non-executive Director*

**Lee Wa Lun,**  
**Warren**  
*Independent*  
*Non-executive Director*

**Chan Tit Hee,**  
**Charles**  
*Independent*  
*Non-executive Director*

## LETTER FROM DBS ASIA

*The following is the text of the letter of advice dated 22 April 2005 from DBS Asia to the Independent Board Committee and independent Shareholders in respect of the terms of the Acquisition prepared for incorporation into this circular:*



22 April 2005

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

Dear Sirs,

### **ACQUISITION OF NAMTEK SOFTWARE DEVELOPMENT COMPANY LIMITED DISCLOSEABLE AND CONNECTED TRANSACTION**

We refer to our engagement as the independent financial adviser to the Independent Board Committee and independent Shareholders in relation to the Acquisition, details of which are contained in a circular (the "Circular") to the shareholders of the Company dated 22 April 2005, of which this letter forms part. Expressions used in this letter shall have the same meanings as defined in the Circular.

NTE Inc., which currently owns 80% equity interest in Namtek (being the subject of the Acquisition), is the holding company of the Company and hence a connected person of the Company for the purpose of the Listing Rules. Asano Company, being a current 20% shareholder of Namtek, is beneficially owned as to 49.9999% by Mr. Asano (the Chairman and 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. The Acquisition constitutes a connected and discloseable transaction of the Company under the Listing Rules.

Our scope of work under this engagement is to assess the fairness and reasonableness of the terms of the Acquisition insofar as the independent Shareholders are concerned and whether from this perspective the Acquisition is in the interest of the Company and its shareholders as a whole. It is not within our scope of work to opine on any other aspect of the Acquisition.

In arriving at our opinion, we have relied on the information, opinions and facts supplied, and representations made to us, by the Directors, and advisers and representatives of the Company (including those contained or referred to in the Circular). We have also assumed that the information and representations contained or referred to in the Circular were true and accurate in all material respects at the time they were made and continue to be so at the date of the dispatch of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors.

## LETTER FROM DBS ASIA

We have also relied on certain information available to the public and have assumed such information to be accurate and reliable, and we have not independently verified the accuracy of such information. We have been advised by the Directors and believe that no material facts have been omitted from the Circular.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have not, however, conducted independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company or any of its respective subsidiaries or associates.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED:**

In arriving at our opinion with regard to the terms of the Acquisition, we have considered the principal factors and reasons set out below.

#### **1. BUSINESS AND FINANCIAL PERFORMANCE OF NAMTEK**

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.

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. According to the Company, Namtek's 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. The Directors consider that Namtek Shenzhen also has the technology to control and combine GPS module and GSM module with SMS for opening vast business opportunities.

The unaudited consolidated net profit of Namtek after taxation and extraordinary items for the financial year ended 31 December 2004 was approximately US\$2,362,000.

#### **2. REASONS FOR THE ACQUISITION**

As discussed in the letter from the Board, 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.

## LETTER FROM DBS ASIA

In respect of augmenting profitability, as Namtek Group's software development for digital dictionaries has high gross and net profit margins of approximately 79.00% and 48.50% respectively for the year ended 31 December 2004, as compared to the gross and net profit margins of approximately 20.50% and 14.14% respectively for the Company for the same period, the Directors believe that 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. However, this cross-selling and generation of additional revenue as a result of this cross selling are subject to market conditions and expectations of customers. According to the Directors, prior to the Acquisition, such cross-selling efforts have not been explored between the respective companies. Upon Completion, while the Namtek Group will become a member of the Group, the Namtek Group and the other subsidiaries of the Group will continue to maintain their own sales and marketing team.

The Directors confirmed that the Sale and Purchase Agreement was negotiated on an arm's length basis among the Parties.

Having considered the above factors, we consider the reasons for the Acquisition to be reasonable.

### 3. BASIS OF CONSIDERATION

The 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.

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 and is at approximately 1.07% discount to the 10-day average closing price for the period up to and including the date of the announcement of HK\$2.5775. The consideration for the Acquisition was arrived at after arm's length negotiations among the Company and the Vendors and has been determined with reference to the consolidated net profits of Namtek for the financial year ended 31 December 2004

## LETTER FROM DBS ASIA

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 not exceeding US\$2,362,014 (approximately HK\$18,423,709).

We have reviewed valuation benchmarks for 9 listed companies in Hong Kong which are engaged in the business of software development and the provision of information technology services. We acknowledge that the list of the companies is by no means an exhaustive list of all the listed software development companies, but is sufficient as a reference. We considered two key comparable multiples, namely price to earnings ratio ("PER") and price to net tangible assets ratio ("P/NTA"):-

### 3.1 Price to earnings ratio

Using the information of the companies in Table 1, we found the overall mean and median PER to be approximately 22.58 times and 19.98 times respectively as of market close on 20 April 2005. As of market close on 20 April 2005, the Main Board of the Stock Exchange ("Main Board")-listed companies in Table 1 had mean and median PER of approximately 26.76 times and 24.80 times respectively, while the Growth Enterprise Market of the Stock Exchange ("GEM Board")-listed companies in Table 1 had mean and median PER of approximately 18.41 times and 15.16 times respectively.

**Table 1: PER of certain software and/or information technology companies in Hong Kong**

Company	Venue of Listing in Hong Kong	Market capitalisation <sup>1</sup> (HK\$ millions)	PER <sup>1</sup> (Times)
Automated Systems Holdings Ltd	Main Board	452	24.80
Computer & Technologies Holdings Ltd	Main Board	217	50.32
Start Technology Co Ltd	Main Board	190	NA <sup>2</sup>
Zhongtian International Ltd	Main Board	328	5.16
Excel Technology International Holdings Ltd	GEM Board	74	NA <sup>2</sup>
Qianlong Technology International Holdings Ltd	GEM Board	74	14.74
Sino Stride Technology Holdings Ltd	GEM Board	326	15.16
Superdata Software Holdings Ltd	GEM Board	778	25.32
Timeless Software Ltd	GEM Board	114	NA <sup>2</sup>
Overall mean		284	22.58
Overall median		217	19.98
Main Board mean		297	26.76
Main Board median		273	24.80
GEM Board mean		273	18.41
GEM Board median		114	15.16

<sup>1</sup>Based on closing stock price as of 20 April 2005 and audited earnings in the latest complete financial year

<sup>2</sup>N/A refer to not applicable as the companies were loss making in the latest complete financial year

Source: Bloomberg

## LETTER FROM DBS ASIA

The consideration for the Acquisition of US\$26.7 million (approximately HK\$208.3 million) and Namtek's unaudited net profit for the year ended 31 December 2004 of approximately US\$2,362,000 (approximately HK\$18.424 million) implies a historical PER of approximately 11.3 times, which is lower than the overall mean and median PER of the companies in Table 1 of approximately 22.58 times and 19.98 times respectively.

We note that the market liquidity of most of the companies listed in Table 1 is thin and as such, there is limitation for the PER of the companies as a reference. We also note that the implied historical PER of approximately 11.3 times based on the consideration for the Acquisition is lower than that of most of the companies in Table 1 and is referenced to the implied historical PER of the Company based on the closing price of the Shares on 31 March 2005.

Based on the above, we consider that the basis of the consideration for the Acquisition to be reasonable.

### **3.2 Net tangible asset value**

Based on the latest unaudited consolidated financial information of Namtek, the unaudited net tangible assets of Namtek amounted to approximately US\$3,998,000 (approximately HK\$31.187 million) as at 31 December 2004. The P/NTA implied by the consideration of the Acquisition of US\$26.7 million (approximately HK\$208.3 million) is approximately 6.68 times, without taking into account the dividend to be declared before Completion by Namtek to its shareholders of not exceeding US\$2.362 million (approximately HK\$18.424 million). Assuming a 100% payout of net profit of US\$2,362,000 (approximately HK\$18.424 million) in dividend before Completion, the unaudited net tangible assets of Namtek after dividend payment will be approximately US\$1,636,000 (approximately HK\$12.763 million), implying a P/NTA after dividend payout of approximately 16.3 times. The estimated P/NTA after dividend payout is different from that for the mean and median P/NTA stated in Table 2 and such figures are not directly comparable as similar adjustments are not taken into account.

Using the financial information of the companies in Table 2, we found the overall mean and median P/NTA to be approximately 2.56 times and 1.02 times respectively as of market close on 20 April 2005. The P/NTA multiples range from 0.53 times to 12.13 times. As of market close on 20 April 2005, the Main Board-listed companies had mean and median P/NTA of approximately 1.51 times and 0.90 times respectively, while the GEM Board-listed companies had mean and median P/NTA of approximately 3.40 times and 1.28 times respectively.

## LETTER FROM DBS ASIA

**Table 2: P/NTA of certain software and/or information technology companies in Hong Kong**

Company	Venue of Listing in Hong Kong	P/NTA <sup>1</sup> (Times)
Automated Systems Holdings Ltd	Main Board	1.02
Computer & Technologies Holdings Ltd	Main Board	0.78
Start Technology Co Ltd	Main Board	0.53
Zhongtian International Ltd	Main Board	3.70
Excel Technology International Holdings Ltd	GEM Board	0.63
Qianlong Technology International Holdings Ltd	GEM Board	1.28
Sino Stride Technology Holdings Ltd	GEM Board	2.42
Superdata Software Holdings Ltd	GEM Board	12.13
Timeless Software Ltd	GEM Board	0.54
Overall mean		2.56
Overall median		1.02
Main Board mean		1.51
Main Board median		0.90
GEM Board mean		3.40
GEM Board median		1.28

<sup>1</sup> Based on closing share price as of 20 April 2005 and audited earnings in the latest complete financial year  
Source: Bloomberg

The implied P/NTA multiple based on the consideration of the Acquisition is higher than the overall mean and median P/NTA multiple for the companies in Table 2. However, we are of the opinion that PER analysis is a more relevant valuation methodology for the software industry, as it is a human capital intensive industry, rather than for the property sector where P/NTA may be a more important basis.

#### 4. ISSUE OF CONSIDERATION SHARES

On the basis of the closing price of the Company of HK\$2.65 per Share as quoted on the Stock Exchange on 8 April 2005 (being the date of the Sale and Purchase Agreement), the market value of the Consideration Shares is approximately HK\$216.4 million. The Consideration Shares represent approximately 10.2% and approximately 9.3% of the Company's existing and enlarged issued share capital respectively. We consider that the dilution effect to the independent Shareholders as a result of the issuance of the Consideration Shares is not substantial given the earnings potential of Namtek and are of the view that the issue of the Consideration Shares is not prejudicial to the interest of the independent Shareholders.

The issue price of HK\$2.55 per Share is equivalent to the closing price per Share on 31 March 2005 and (i) represents a discount of approximately 3.8% to the closing price of the Shares of HK\$2.65 per Share as quoted on the Stock Exchange on 8 April 2005, being the

## LETTER FROM DBS ASIA

date of the Sale and Purchase Agreement; and (ii) represents a discount of approximately 3.0% to the average closing price of the Shares of HK\$2.63 per Share for the last 30 trading days up to and including 8 April 2005, being the date of the Sale and Purchase Agreement.

Based on our comparison of the issue price to the last transacted price, 180-day high, 180-day low, and 30-day, 60-day, 90-day, and 180-day average prices as below, we are of the view that the issue price for the Consideration Shares is reasonable given that the issue price is reasonably close to the average prices as shown in Table 3.

**Table 3: Premium/(Discount) of the issue price to market price**

Closing market prices	Price (HK\$)	Premium/ (Discount) (%)
Last transacted price prior to the date of the Announcement on 8 April 2005 being the last trading day	2.65	(3.8%)
Highest price (11 Mar 2005) in the last 180 days prior to the date of the Announcement	2.775	(8.1%)
Lowest price (10 January 2005) in the last 180 days prior to the date of the Announcement	1.88	35.6%
30-day average price for the period prior to the date of the Announcement*	2.63	(3.0%)
60-day average price for the period prior to the date of the Announcement*	2.55	0.0%
90-day average price for the period prior to the date of the Announcement*	2.39	6.7%
180-day average price for the period prior to the date of the Announcement*	2.30	10.9%

Source: Bloomberg

\* Based on the daily average last transacted prices of the Shares during the last 30, 60, 90, and 180 days immediately prior to the date of the announcement, as the case may be.

### OPINION

Having considered the principal factors and reasons discussed above, in particular (1) the reasons for the Acquisition including the perceived synergies between the Group and Namtek Group, and (2) the basis of consideration and the issue of the Consideration Shares for which we consider to be reasonable, we are of the opinion that the terms of the Acquisition are fair and reasonable so far as the independent Shareholders are concerned and the Acquisition is in the interests of the Company and the Shareholders as a whole. We therefore recommend the independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Acquisition.

Yours faithfully,  
For and on behalf of  
**DBS ASIA CAPITAL LIMITED**  
**Kelvin S.K. Lau**  
Managing Director



**1. RESPONSIBILITY STATEMENT**

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular with regard to the Company and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

**2. SHARE CAPITAL**

<i>Authorised:</i>	<i>HK\$</i>
2,000,000,000 ordinary shares of HK\$0.01 each	<u>20,000,000.00</u>
 <i>In issue or to be issued:</i>	
Issued and fully paid up (as at the Latest Practicable Date):	
800,000,000 ordinary shares of HK\$0.01 each	8,000,000.00
Shares to be issued as consideration for the Acquisition:	
81,670,588 ordinary shares of HK\$0.01 each	<u>816,705.88</u>
	<u>8,816,705.88</u>

### 3. DISCLOSURE OF INTERESTS

#### (A) Interests of Directors and Chief Executive

- (i) As at the Latest Practicable Date, the interests and short positions of the Directors and the Company's chief executive in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Companies and which were required to be entered in the register required to be kept under section 352 of the SFO were as follows:

#### Long position in shares of the Company and associated companies

##### (I) Share Options under the Pre-IPO Scheme of the Company

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of options held</b>	<b>Number of underlying shares</b>
Ms. WONG Kuen Ling, Karene	Beneficial Owner	7,000,000	7,000,000
Mr. Guy BINDELS	Beneficial Owner	1,200,000	1,200,000

(II) Common shares of US\$0.01 each in NTE Inc.

Name of Director	Type of Interest	Capacity	Number of shares held	Percentage of the issued share capital of the associated corporation
Ms. WONG Kuen Ling, Karene	Personal	Beneficial Owner	39,100	0.092%
Mr. Guy BINDELS	Personal	Beneficial Owner	1,000	0.0023%
Mr. KOO Ming Kown	Personal (Note 1)	Beneficial Owner	6,445,786	15.09%
Mr. LI Shi Yuen, Joseph	Personal and Corporate (Note 2)	Beneficial Owner	3,013,957	7.05%
Mr. Tadao MURAKAMI	Personal	Beneficial Owner	1,849,225	4.33%

(III) Share options granted by NTE Inc.

Name of Director	Capacity	Number of options held	Number of underlying shares
Mr. KOO Ming Kown	Beneficial Owner	530,000	530,000
Mr. LI Shi Yuen, Joseph	Beneficial Owner	80,000	80,000
Mr. Tadao MURAKAMI	Beneficial Owner	530,000	530,000

Note:

- (1) Includes 5,445,786 common shares registered in the names of Mr. KOO Ming Kown and his wife, Ms. CHO Sui Sin.
- (2) Includes 2,935,087 common shares held by Li & Chui Holdings (B.V.I.) Limited in which Mr. LI Shi Yuen, Joseph has 50% interest.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the Company's chief executive, had, under Divisions 7 and 8 of Part XV of the SFO, nor were they taken to or deemed to have under such provisions of the SFO, any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) or any interests which are required to be entered into the register kept by the Company pursuant to section 352 of the SFO or any interests which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

- (ii) as at the Latest Practicable Date, none of the Directors has any direct or indirect interest in any assets which have been, since 31 December 2004 (being the date to which the latest published audited consolidated financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group; and
- (iii) as at the Latest Practicable Date, save as disclosed in this circular, none of the Directors are materially interested in any contract or arrangement which was significant in relation to the business of the Group taken as a whole.

#### **(B) Substantial Shareholdings**

<b>Name of substantial shareholder</b>	<b>Number of ordinary shares beneficially held</b>
Nam Tai Electronics, Inc.	570,000,000 ( <i>Note</i> )

*Note:* As at the Latest Practicable Date, the number of shares held by NTE Inc. represents 71.25% of the share capital of the Company.

Save as disclosed herein, the Directors are not aware of any person who was, directly or indirectly, interested or had short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, was directly or indirectly, interested in 10% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company or any options in respect of such capital as at the Latest Practicable Date.

#### **4. COMPETING INTEREST**

As at the Latest Practicable Date, in so far as the Directors are aware, none of the Directors or their respective associates have any interest in a business which competes or is likely to compete with the business of the Group.

## 5. LITIGATION

As at the Latest Practical Date, the Directors were not aware of any litigation or claims of material importance pending or threatened against any member of the Group.

## 6. EXPERT AND CONSENT

- (a) The following is the qualification of the expert which has given its opinion or advice contained in this circular:

Name	Qualifications
DBS Asia Capital Limited	Licensed corporation to carry out types 1, 4 and 6 regulated activities under the SFO

- (b) DBS Asia does not have any shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) DBS Asia has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they are included.
- (d) DBS Asia does not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2004, the date to which the latest published audited financial statements of the Company were made up.
- (e) The letter given by DBS Asia is given as of the date of this circular for incorporation herein.

## 7. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2004, being the date to which the latest published audited accounts of the Company were made up.

## 8. SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had entered into any service contracts with the Company or any member of the Group, other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

## 9. CORPORATE INFORMATION

Registered office	Century Yard Cricket Square, Hutchins Drive P.O. Box 2681 GT George Town, Grand Cayman British West Indies
Hong Kong office	15th Floor, China Merchants Tower Shun Tak Centre Nos. 168-200 Connaught Road Central Hong Kong
Company secretary	Chuang Sze Tseng Donna ( <i>solicitor</i> )
Qualified accountants	Hsu Kar Hing, Joseph <i>HKICPA, ACA</i> Sit Fung Ying <i>HKICPA, ACCA</i>
Principal share registrar and transfer office	Bank of Butterfield International (Cayman) Ltd. Butterfield House 68 Fort Street P.O. Box 705 George Town Grand Cayman British West Indies
Hong Kong branch share registrar and transfer office	Computershare Hong Kong Investor Services Limited 46th Floor, Hopewell Centre 183 Queen's Road East Hong Kong

## 10. LANGUAGE

In the event of inconsistency, the English text of this circular will prevail over the Chinese text.

## 11. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Sale and Purchase Agreement is available for inspection at the Hong Kong office of the Company in Hong Kong at 15th Floor, China Merchants Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong during normal business hours on any weekday (public holidays, Saturdays and Sundays excepted) up to and including 10 May 2005.

## NOTICE OF EXTRAORDINARY GENERAL MEETING



### NAM TAI ELECTRONIC & ELECTRICAL PRODUCTS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2633)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of the shareholders of Nam Tai Electronic & Electrical Products Limited (the "Company") will be held at 15th Floor, China Merchants Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong on 10 May 2005 at 10:00 a.m. for the purpose of considering and, if it thought fit, passing, the following resolutions as an ordinary resolutions:-

#### **ORDINARY RESOLUTIONS**

1. **"THAT** the Sale and Purchase Agreement (as defined and described in the circular to the shareholders of Nam Tai Electronic & Electrical Products Limited dated 22 April 2005, a copy of which has been produced to the meeting marked "A" and signed by the Chairman hereof for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed and any one of the directors of Nam Tai Electronic & Electrical Products Limited be and is hereby authorised to sign, execute and deliver all such documents and take all such actions as he may consider necessary or desirable for the purpose of or in connection with the Sale and Purchase Agreement."
2. **"THAT** subject to the passing of the ordinary resolution numbered 1 set out in the notice convening this meeting of which this resolution forms part and further subject to The Stock Exchange of Hong Kong Limited approving the listing of and granting the permission to deal in such shares, the directors of Nam Tai Electronic & Electrical Products Limited ("the Company") be and are hereby authorised to allot and issue 65,336,470 and 16,334,118 new shares of HK\$0.01 each in the share capital of the Company ("Shares") as consideration shares to Nam Tai Electronics, Inc. and Asano Company Ltd. respectively pursuant to the terms of the Sale and Purchase Agreement, or as each of Nam Tai Electronics, Inc. and Asano Company Ltd. may direct respectively, such new Shares shall not be deemed to be allotted and issued pursuant to the unconditional general mandate granted to the directors of the Company for the allotment, issuance and otherwise dealing with additional Shares and other securities of the Company on 15 April 2005, and shall rank pari passu in all respects with the existing Shares in the capital of the Company."

By Order of the Board  
**Wong Kuen Ling, Karene**  
*Chairman*

Dated 22 April 2005

## NOTICE OF EXTRAORDINARY GENERAL MEETING

*Registered office:*

Century Yard  
Cricket Square, Hutchins Drive  
P.O. Box 2681 GT  
George Town, Grand Cayman

*Hong Kong Office:*

15th Floor, China Merchants Tower  
Shun Tak Centre  
Nos. 168-200 Connaught Road Central  
Hong Kong

*Notes:*

1. A member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the above meeting of the Company. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.
2. Where there are joint holders of any share, any one of such joint holder may vote, either in person or by proxy in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
3. A form of proxy is enclosed herewith.
4. To be valid, a form of proxy, together with any power of attorney or other authority (if any) under which it is signed, or a certified copy of such power of authority, shall be delivered to the offices of the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible, and in any event not less than 48 hours before the time appointed for holding the meeting or adjourned meeting and in default the instrument appointing a proxy shall be treated as valid. Delivery of any instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. The ordinary resolutions will be voted upon by way of a poll in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.