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 **Namtai**  
**Nam Tai Electronics, Inc.**  
*(Incorporated in the British Virgin Islands  
with limited liability)*

 **Namtai**  
**Nam Tai Electronic &  
Electrical Products Limited**  
*(Incorporated in the Cayman Islands  
with limited liability)*  
**(Stock code: 2633)**

## **ANNOUNCEMENT**

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

**Financial adviser to Nam Tai Electronics, Inc.**



**Yu Ming Investment Management Limited**

The boards of directors of NTE and NTEEP are pleased to announce that on 18th October, 2005, NTE (which currently holds approximately 69.5% of the issued share capital of NTEEP) informed the NTEEP Board of its intention to make a voluntary conditional general cash offer to (i) acquire all NTEEP Shares other than those owned by NTE and parties acting in concert with it at a price of HK\$1.80 per NTEEP Share (representing a premium of approximately 47.5% over the closing price of HK\$1.22 per NTEEP Share as quoted on the Stock Exchange on 18th October, 2005, the last trading day prior to the suspension of trading in the NTEEP Shares, and a premium of approximately 53.8% to the unaudited consolidated net asset value per NTEEP Share of approximately HK\$1.17 as at 30th June, 2005); and (ii) acquire all the outstanding options of NTEEP at a nominal price of HK\$0.01 per Option. The offer prices for the Affected NTEEP Shares and the Options are final and are not subject to revision.

The Offers are subject to the condition that NTE receives acceptances and/or purchases made after the posting of the initial offer document totalling at least 90% of the NTEEP Shares affected by the Share Offer (meaning all NTEEP Shares other than those owned by NTE and parties acting in concert with it as at the date of posting of the initial offer document). After the Offers become unconditional, NTE intends to exercise any compulsory acquisition rights to which it is entitled under Rule 2.11 of the Takeovers Code and Section 88 of the Companies Law to acquire the remaining Affected NTEEP Shares, and following which, NTE intends to withdraw the listing of NTEEP from the Stock Exchange. The first closing date of the Offers will fall on the 21st day from the date on which the initial offer document is posted.

The Offer Document containing, inter alia, the terms and conditions of the Offers and the form of acceptance and transfer of the Affected NTEEP Shares, information regarding NTE and NTEEP, the advice of the independent financial adviser and the recommendation from the independent board committee will be jointly despatched by NTE and NTEEP to the Disinterested Shareholders as soon as practicable and in compliance with requirements of the Takeovers Code.

Shareholders should note that the quarterly results of NTEEP for the period ended 30th September, 2005 are to be published on 1st November, 2005. NTEEP Shareholders are advised to exercise caution in dealing in the NTEEP Shares in this connection.

Trading in NTEEP Shares was suspended at the request of NTEEP from 9:30 a.m. on 19th October, 2005. Application has been made to the Stock Exchange for the resumption of trading in the NTEEP Shares with effect from 9:30 a.m. on 24th October, 2005.

### Terms and condition of the Share Offer and Option Offer

On 18th October, 2005, NTE informed the NTEEP Board that Yu Ming, on behalf of NTE (which is the controlling shareholder of NTEEP currently holding approximately 69.5% of the issued share capital of NTEEP), will make a voluntary conditional general cash offer for NTEEP Shares other than those owned by NTE and parties acting in concert with it at a price of HK\$1.80 per NTEEP Share. The offer price represents:

- (i) a premium of approximately 47.5% over the closing price of HK\$1.22 per NTEEP Share as quoted on the Stock Exchange on 18th October, 2005 (being the last trading day prior to the suspension of trading in the NTEEP Shares);
- (ii) a premium of approximately 42.9% over the average closing price of HK\$1.26 per NTEEP Share for the 10 trading days up to and including 18th October, 2005;
- (iii) a premium of approximately 35.3% over the average closing price of HK\$1.33 per NTEEP Share for the 30 trading days up to and including 18th October, 2005; and
- (iv) a premium of approximately 53.8% to the unaudited consolidated net asset value per NTEEP Share of approximately HK\$1.17 as at 30th June, 2005.

An Option Offer is also proposed by NTE to acquire all outstanding Options at a nominal price of HK\$0.01 per Option. NTEEP has 17,640,000 Options outstanding (all with an exercise price of HK\$3.88 and expiry date of 27th April, 2014) issued under the NTEEP Pre-IPO Share Option Scheme. Save for such Options, there are no outstanding options, convertibles, warrants and rights to subscribe for NTEEP Shares as at the Announcement Date.

The Offers are conditional upon NTE having received acceptances and purchased totalling at least 90% of the Affected NTEEP Shares (meaning all NTEEP Shares other than those owned by NTE and parties acting in concert with it as at the date of posting of the initial offer document). After the Offers becoming unconditional, NTE intends to exercise any compulsory acquisition rights to which it is entitled under Rule 2.11 of the Takeovers Code and Section 88 of the Companies Law to acquire the remaining Affected NTEEP Shares, and following which, NTE intends to withdraw the listing of NTEEP from the Stock Exchange.

The first closing date of the Offers will fall on 21st day from the date on which the initial offer document is posted.

NTE will not revise the offer prices for the Affected NTEEP Shares and the Options, and the above offer prices are final.

### Shareholding Structure

As at the Announcement Date, the shareholding of NTEEP is as follows:–

|   | <b>Number of NTEEP<br/>Shares owned</b> | <b>% of the total<br/>issued share capital</b> |
|---|---|--|
| NTE and parties acting in concert ( <i>Note</i> ) | 629,096,588                             | 71.35  |
| Disinterested Shareholders                        | 252,574,000                             | 28.65  |
| <b>Total</b>                                      | <b>881,670,588</b>                      | <b>100.00</b>                                  |

#### *Note:*

As at the Announcement Date, NTE holds 612,762,470 NTEEP Shares which represent approximately 69.5% of the issued share capital of NTEEP. Asano Company Ltd., a party acting in concert with NTE, holds 16,334,118 NTEEP Shares which represent approximately 1.85% of the issued share capital of NTEEP.

Apart from the 881,670,588 NTEEP Shares in issue and 17,640,000 outstanding Options, NTEEP has no other class of securities in issue as at the Announcement Date.

Save for the dealings set out below, neither NTE nor any party acting in concert it had dealt in NTEEP Shares during the six months prior to the Announcement Date:

| <b>Date</b>       | <b>No. of NTEEP Shares Acquired</b> | <b>Average Issue Price (HK\$)</b> | <b>No. of NTEEP Shares Sold (Note i)</b> | <b>Average Sale Price (HK\$)</b> |
|-------------------|-------------------------------------|-----------------------------------|--|----------------------------------|
| 17th May, 2005    | 81,670,588<br>(Note ii)             | 2.550                             | –  | –                                |
| 8th August, 2005  | –                                   | –                                 | 1,437,000                                | 1.943                            |
| 9th August, 2005  | –                                   | –                                 | 6,024,000                                | 1.858                            |
| 10th August, 2005 | –                                   | –                                 | 14,585,000                               | 1.754                            |
| 11th August, 2005 | –                                   | –                                 | 528,000                                  | 1.625                            |

Notes:

- i. All disposals were transacted by NTE on the market.
- ii. NTE and Asano Company Ltd. (a party acting in concert with NTE and controlled by Mr. Kazuhiro Asano, an executive director of NTEEP) were issued and allotted 65,336,470 NTEEP Shares and 16,334,118 NTEEP Shares respectively in May 2005 as consideration for injection of Namtek Software Development Company Limited into NTEEP. Details of the transaction have been disclosed in NTEEP's circular dated 22nd April, 2005.

### **Consideration**

As the number of Affected NTEEP Shares is 252,574,000 and that of outstanding Options is 17,640,000 (among which 8,200,000 Options were granted to two executive directors of NTEEP and 9,440,000 Options were granted to employees of NTEEP) as at the Announcement Date, the total consideration of the Offers amounts to an aggregate of approximately HK\$454.8 million.

Of the 17,640,000 outstanding Options, 5,292,000 Options are exercisable on the Announcement Date, 5,292,000 Options and 7,056,000 Options can only exercised from 28th April, 2006 and 28th April, 2007 respectively pursuant to the terms and conditions under the NTEEP Pre-IPO Share Option Scheme. If the 5,292,000 Options that are exercisable on the Announcement Date are exercised and the 5,292,000 new NTEEP Shares to be issued upon exercise are tendered under the Share Offer, the total consideration of the Offers will amount to approximately HK\$464.3 million.

Yu Ming is satisfied that NTE has sufficient financial resources to implement the Offers in full.

### **Information on NTE**

As the controlling shareholder of NTEEP, NTE is an electronics manufacturing and design services provider with a worldwide coverage of customers. Listed on the New York Stock Exchange, NTE had a market capitalization of approximately US\$1,038.5 million (equivalent to approximately HK\$8,048.4 million) as at 20th October, 2005. Net profit of NTE for the financial years ended 31st December, 2004 and 31st December, 2003 were approximately US\$66.9 million (equivalent to approximately HK\$518.4 million) and approximately US\$43.8 million (equivalent to approximately HK\$339.5 million) respectively. The unaudited net asset value of NTE was approximately US\$290.9 million (equivalent to approximately HK\$2,254.5 million) as at 30th June, 2005 (all figures prepared in accordance with generally accepted accounting principles in the United States).

### **Information on NTEEP**

Listed on the Stock Exchange, NTEEP is engaged in the manufacture and marketing of consumer electronics and communications products and software development specializing in digital dictionaries and car navigation systems.

### **Effect of accepting the Share Offer**

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

### **Impact on the holders of the Options**

Holders of the Options shall note that they are able to exercise their rights (to the extent exercisable pursuant to the terms and conditions under the NTEEP Pre-IPO Share Option Scheme) to subscribe for new NTEEP Shares during the Share Offer and accept the Share Offer in respect of such NTEEP Shares.

All outstanding Options, if unexercised or not tendered under the Option Offer, will lapse after the close of the Offer.

### **Payment**

Payment in cash in respect of the acceptances of both Offers will be made within 10 days of the later of the date the Offers become unconditional and NTE receives a duly completed form of acceptance.

### **Stamp Duty**

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

### **Intention of NTE**

The directors of NTE intend to withdraw the listing status of the NTEEP Shares on the Stock Exchange subsequent to the Offers becoming unconditional and NTE exercising any compulsory acquisition rights to which it is entitled under Rule 2.11 of the Takeovers Code and Section 88 of the Companies Law to acquire the remaining Affected NTEEP Shares, but have no intention to change the current business or management of NTEEP.

According to Rule 15.6 of the Takeovers Code, to exercise the power of compulsory acquisition to acquire those Affected NTEEP Shares not tendered under the Share Offer, the Offers may not remain open for acceptance for more than four months from the posting of the Offer Document, unless NTE has by that time become entitled to exercise the powers of compulsory acquisition available to it under the Companies Law.

### **Reasons for NTE to privatize NTEEP**

As far as the financial benefits for NTE are concerned, given the disparity in the price-earnings ratio of NTE (currently at a prospective 26.2x, based on the closing price of the shares of NTE on 20th October, 2005 and the annualized unaudited net profit of NTE for the six months ended 30th June, 2005) and NTEEP (currently at a prospective 6.1x and 8.9x, based on the closing price of the NTEEP Shares on 18th October, 2005 and the offer price of HK\$1.80 respectively, and the annualized unaudited net profit of NTEEP for the six months ended 30th June, 2005), the privatization of NTEEP would increase earnings per share of NTE and potentially mitigate any negative impact on the value of the shares of NTE. In this respect, though NTE is confident about the future prospect of NTEEP, it is regretful that NTEEP is not able to generate good return on investment to some of its shareholders which defeats its main purpose of maintaining NTEEP as a listed company to contribute profit return to its shareholders.

Generally, the Hong Kong financial market is not very receptive to disposals of shares by a controlling shareholder on the market and views such move very negatively. This would undermine NTE's ability to deal in NTEEP Shares on the market.

### **Benefits of the Offers for the Disinterested Shareholders**

The Share Offer gives the NTEEP Shareholders an opportunity to realize their investments in NTEEP at a price above the current market price, which regrettably may still be lower than the investment costs of some of the NTEEP Shareholders. The Option Offer enables the holders of Options to exchange the out-of-the-money Options for cash.

The average daily trading volume of the NTEEP Shares are approximately 1.7 million and approximately 3.7 million (representing approximately 0.20% and 0.42% of the issued share capital of NTEEP as at the Announcement Date respectively) for the 30-day period and 180-day period (all up to 18th October, 2005) respectively. Furthermore, the average daily trading value of the NTEEP Shares are approximately HK\$2.3 million and approximately HK\$8.0 million for the corresponding periods respectively. The decline in both trading volume and trading value exhibits a trend of declining liquidity. In this regard, the Offers provide liquidity for the NTEEP Shareholders and the holders of Options who wish to dispose of their NTEEP Shares and Options respectively.

### **General**

NTEEP has established an independent board committee comprising all independent non-executive directors of NTEEP (excluding Mr. Lee Wa Lun, Warren who is a director of Yu Ming, the financial adviser to NTE in respect of the Offer) to advise the Disinterested Shareholders, and an independent financial adviser will be appointed to advise the independent board committee in respect of the Offers. The Offer Document containing, inter alia, the terms and conditions of the Offers and the form of acceptance and transfer of the Affected NTEEP Shares, information regarding NTE and NTEEP, the advice of the independent financial adviser and the recommendation from the independent board committee will be jointly despatched by NTE and NTEEP to the Disinterested Shareholders as soon as practicable and in compliance with requirements of the Takeovers Code.

Shareholders should note that the quarterly results of NTEEP for the period ended 30th September, 2005 will be published on 1st November, 2005. NTEEP Shareholders are advised to exercise caution in dealing in the NTEEP Shares in this connection.

Trading in NTEEP Shares was suspended at the request of NTEEP from 9:30 a.m. on 19th October, 2005. Application has been made to the Stock Exchange for the resumption of trading in the NTEEP Shares with effect from 9:30 a.m. on 24th October, 2005.

## DEFINITION

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

|                                     |  |
|-------------------------------------|--|
| “acting in concert”                 | shall have the meaning set out in the Takeovers Code   |
| “Affected NTEEP Shares”             | NTEEP Shares other than those owned by NTE or parties acting in concert with it as at the date of posting of the initial offer document  |
| “Announcement Date”                 | 23rd October, 2005, being the date of this announcement  |
| “Companies Law”                     | the Companies Law (2004 Revision) of the Cayman Islands  |
| “Disinterested Shareholders”        | NTEEP Shareholders other than NTE and parties acting in concert with it  |
| “Hong Kong”                         | the Hong Kong Special Administrative Region of the People’s Republic of China  |
| “Listing Rules”                     | the Rules Governing the Listing of Securities on the Stock Exchange  |
| “NTE”                               | Nam Tai Electronics, Inc, a company incorporated in the British Virgin Islands with limited liabilities and the shares of which are listed on the main board of the New York Stock Exchange  |
| “NTEEP”                             | Nam Tai Electronic & Electrical Products Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange with a designated stock code of 2633  |
| “NTEEP Board”                       | board of directors of NTEEP  |
| “NTEEP Shares”                      | existing ordinary share(s) of HK\$0.01 each in the issued share capital of NTEEP   |
| “NTEEP Shareholders”                | holders of NTEEP Shares  |
| “NTEEP Pre-IPO Share Option Scheme” | the pre-IPO option scheme adopted on 22nd March, 2004 by NTEEP   |
| “Offers”                            | the Share Offer and the Option Offer   |
| “Offer Document”                    | the composite offer document to be issued by or on behalf of NTE and NTEEP to all Disinterested Shareholders in accordance with the Takeovers Code containing, among other things, the terms and conditions of the Offers and the forms of acceptance and transfer             |
| “Option”                            | an option to subscribe for NTEEP Shares pursuant to the NTEEP Pre-IPO Share Option Scheme  |
| “Option Offer”                      | the voluntary conditional general cash offer for all Options made by Yu Ming on behalf of NTE at HK\$0.01 per Option   |
| “Share Offer”                       | the voluntary conditional general cash offer for all the issued NTEEP Shares other than those owned by NTE and parties acting in concert with it as at the date of posting of the initial offer document made by Yu Ming on behalf of NTE at HK\$1.80 per Affected NTEEP Share |
| “Stock Exchange”                    | The Stock Exchange of Hong Kong Limited  |
| “Takeovers Code”                    | the Codes on Takeovers and Mergers and Share Repurchases   |
| “Yu Ming”                           | Yu Ming Investment Management Limited, a deemed licensed corporation under the Securities and Futures Ordinance  |
| “HK\$”                              | Hong Kong dollars, the lawful currency of Hong Kong  |
| “US\$”                              | United States dollars, the lawful currency of the United States  |

*As at the date of this announcement, the non-executive directors of NTE are Mr. Koo Ming Kown, Mr. Stephen Seung and Mr. Peter R. Kellogg and the independent non-executive directors of NTE are Mr. Charles Chu, Dr. Wing Yan (William) Lo and Mr. Mark Waslen.*

*As at the date of this announcement, the executive directors of NTEEP are Ms. Wong Kuen Ling, Karene, Mr. Guy Bindels and Mr. Kazuhiro Asano, the non-executive directors of NTEEP are Mr. Koo Ming Kown, Mr. Li Shi Yuen, Joseph and the independent non-executive directors of NTEEP are Mr. Thaddeus Thomas Beczak, Mr. Chan Tit Hee, Charles and Mr. Lee Wa Lun, Warren.*

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

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

Exchange rate: US\$1.00 = HK\$7.75

By order of the board of  
**Nam Tai Electronics, Inc.**

**Li Shi Yuen, Joseph**  
*Chief Executive Officer & President*  
*Chief Financial Officer*

By order of the board of  
**Nam Tai Electronic & Electrical Products Limited**  
**Wong Kuen Ling, Karene**  
*Chairman*

Hong Kong, 23rd October, 2005

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