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NAM TAI ELECTRONIC & ELECTRICAL PRODUCTS LIMITED

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

**3Q: Sales down 3.6% ; Net Profit up 19.0%
Core Business Net Profit down 10.0%**

The board of directors (the “Board”) of Nam Tai Electronic & Electrical Products Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company for the third quarter of 2005 and 9 months ended 30 September 2005 together with comparative figures for the corresponding periods of last year as follows. You are advised to read the key highlights below in conjunction with the notes thereto. In particular, please note that the core business of the Company and its subsidiaries (the “Group”) would have reported a decrease in net profit of 10.0% if the contribution of the newly acquired software business and the exchange gain on RMB reserve had been excluded:

KEY HIGHLIGHTS

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

	Quarterly Results			9 months Results		
	3Q 2005	3Q 2004	YoY (%)	9M 2005	9M 2004	YoY (%)
Sales (Turnover)	44,912	46,601	(3.6)	126,608	121,395	4.3
Gross Profit	10,150	9,202	10.3	27,296	24,988	9.2
% of sales	22.6	19.7		21.6	20.6	
Profit from Operations						
(Notes 1)	7,244	6,428	12.7	18,065	16,966	6.5
% of sales	16.1	13.8		14.3	14.0	
Per share (US cent(s))	0.82	0.80	2.5	2.15	2.12	1.4
Net Profit (Notes 1)	7,239	6,083	19.0	18,683	17,283	8.1
% of sales	16.1	13.1		14.8	14.2	
Basic earnings per share						
(US cent(s))	0.82	0.76	7.9	2.22	2.16	2.8
Diluted earnings per						
share (US cent(s))	0.82	0.76	7.9	2.22	2.16	2.8
Weighted average number						
of shares ('000)						
Basic (Notes 2 & 3)	881,671	800,000		840,985	800,000	
Diluted (Notes 2 & 3)	881,671	800,000		840,985	800,000	

Note:

- (1) The increase in gross profit, profit from operations and net profit of the Group for the third quarter of 2005 was mainly attributable to the contribution from Namtek Software Development Company Limited and its subsidiaries ("Namtek Group") since 17 May 2005 and/or the exchange gain recorded on the RMB reserve of the Group as a result of the appreciation of RMB in August this year. If there had not been the acquisition of Namtek Group and the exchange gain, the net profits for the third quarter of 2005 would have been a drop of US\$610K (10.0%) as shown below:

US\$'000	Quarterly Results					9 months Results				
	3Q 2005		3Q 2004			9M 2005		9M 2004		
	The Group	Namtek Group	The Group (excluding Namtek Group)	The Group	YoY (%)	The Group	Namtek Group	The Group (excluding Namtek Group)	The Group	YoY (%)
Sales										
(Turnover)	44,912	1,515	43,397	46,601	(6.9)	126,608	2,373	124,235	121,395	2.3
Gross Profit	10,150	1,313	8,837	9,202	(4.0)	27,296	2,059	25,237	24,988	1.0
Profit from										
Operations	7,244	1,002	6,242	6,428	(2.9)	18,065	1,586	16,479	16,966	(2.9)
Net Profit	7,239	974	6,265	6,083	3.0	18,683	1,501	17,182	17,283	(0.6)
Exchange gain on RMB reserve			792	-	N/A			750	-	N/A
Proforma net profit			5,473	6,083	(10.0)			16,432	17,283	(4.9)

- (2) Assuming that the Group Re-organisation and the Capitalisation Issue (details of which are disclosed in Appendix V to the prospectus of the Company dated 16 April 2004) had become effective on 1 January 2004.
- (3) The Company issued 81,670,588 shares for the acquisition of Namtek Group on 17 May 2005 and its profit was included as from that day.

MANAGEMENT DISCUSSION & ANALYSIS

Business Review

The sales in the third quarter of 2005 dropped 3.6% as compared to the same period last year despite clearance of the deferred shipment brought forward from second quarter of 2005. This was mainly due to the decline in sales of CMOS camera module as the Company could not achieve the technical specification requirement of a major customer on time and thus was not successful in obtaining orders for new mega pixel CMOS camera modules from such customer. Sales in educational products also dropped as compared to the same period last year. However, the decrease in sales was substantially compensated by the significant increase in sales of home entertainment devices and contribution from its newly acquired software business specializing in digital dictionaries and car navigation systems.

Net profit from the core business of the Group declined by approximately 10.0% if the contribution of the newly acquired software business and exchange gain on RMB cash reserve because of appreciation of RMB in August this year had been excluded. Viewing the Group as a whole, gross profit, profit from operations and net profit for the third quarter of 2005 increased 10.3%, 12.7% and 19.0% respectively as compared to the same period last year.

Outlook

It is anticipated that the competitive market condition faced by the Group in the third quarter of 2005 will continue in the fourth quarter of 2005 and that there will be a shift in sales to lower margin box built products. As a result both gross profit and gross profit margin of the Group will likely be affected. However, the management will make its best endeavour to improve the Group's sales and to maintain as far as possible the Group's margins by trying to capture more business opportunities in the electronic manufacturing services segment. In this respect, the Company has already secured new orders on hand from its existing and new clients for its home entertainment devices and mobile phone accessories. In addition, the Group has also substantially improved its technical capability in the manufacturing of mega pixel CMOS camera module and is now in a position to capture more business in this area. The software development segment should also be able to continuously generate good return to the Group based on the steady growth of its digital dictionaries and development of its new car navigation system.

INVESTMENT IN TCL CORPORATION (“TCL Corp.”)

Based on the recommendation of an independent financial adviser, the fair value of the Company's investment in TCL Corp. was US\$11.70 million as at 30 June 2005 as compared to the cost of investment of US\$12.00 million. According to the latest published financial information of TCL Corp. available immediately prior to the date of this announcement, losses of TCL Corp. in the third quarter of 2005 continued to aggravate resulting in a significant increase of approximately 470.0% and 1,400.0% in operating loss and net loss respectively as compared to the same period last year. In this respect, the Company will seek the advice of an independent financial adviser to consider if the impairment on its investment in TCL Corp. has to be made in the fourth quarter of 2005.

SUPPLEMENTARY INFORMATION

1. Quarterly Sales Breakdown

(In thousands of US Dollars, except percentages)

Quarter	2005	2004	YoY (%) (Quarterly)	YoY (%) (Quarterly accumulated)
1st Quarter	42,028	27,478	53.0	53.0
2nd Quarter	39,668	47,316	(16.2)	9.2
3rd Quarter	44,912	46,601	(3.6)	4.3
4th Quarter	–	42,189	–	–
Total	<u>126,608</u>	<u>163,584</u>	<u>–</u>	<u>–</u>

2. Sales Breakdown by Product Segment

Segment	2005		2004	
	3rd Quarter (%)	YTD (%)	3rd Quarter (%)	YTD (%)
Optical Devices	22%	31%	47%	35%
Educational Products	8%	15%	21%	25%
Home Entertainment Devices	51%	36%	15%	21%
Mobile Phone Accessories	16%	16%	17%	19%
Software Development	3%	2%	–	–
	100%	100%	100%	100%
	100%	100%	100%	100%

3. Key Highlights of Financial Position

(In thousands of US Dollars, except ratio and percentages)

	As at 30 September		As at
	2005	2004	31 December 2004
Cash on Hand	30,327	15,753	22,079
Cash/Current Liabilities	0.98	0.82	0.94
Current Ratio	2.89	4.66	3.66
Total Assets/Total Liabilities	5.45	6.92	5.79
Return on Equity (%)	20	23	23
Total Liabilities/Equity	0.22	0.17	0.21
Debtors Turnover Day	61	65	66
Inventory Turnover Day	34	33	25
Creditors Turnover Day	63	42	52

DIVIDEND

Depending on the financial positions and requirements of the Company at the relevant time, the Directors intend to distribute dividends on a semi-annual basis, and therefore no dividends will be declared for the third quarter of 2005.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)*For the three months and nine months ended 30 September 2005**(In Thousands of US Dollars, except as otherwise stated)*

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2005	2004	2005	2004
Turnover	44,912	46,601	126,608	121,395
Cost of sales	(34,762)	(37,399)	(99,312)	(96,407)
Gross profit	10,150	9,202	27,296	24,988
Other operating income	1,147	251	1,625	566
Selling and distribution costs	(567)	(675)	(1,578)	(2,094)
Administrative expenses	(2,534)	(1,783)	(6,938)	(4,891)
Research and development expenses	(952)	(567)	(2,340)	(1,603)
Profit from operations	7,244	6,428	18,065	16,966
Dividend income from available- for-sale financial assets	–	–	579	926
Bank interest income	132	39	330	75
Loss from discontinued operation	–	–	–	(253)
Profit before taxation	7,376	6,467	18,974	17,714
Taxation	(137)	(384)	(291)	(431)
Net profit for the period attributable to equity holders of the Company	7,239	6,083	18,683	17,283
Interim Dividends	–	–	3,391	3,846
Final Dividends (2004)	–	–	8,000	–
Earnings per share				
Basic (US cent(s))	0.82	0.76	2.22	2.16
Diluted (US cent(s))	0.82	0.76	2.22	2.16

Note:

- (1) Comparative figures in other operating income have been reclassified to conform to the current period's presentation. These reclassifications had no effect on the net income or financial position for any period presented.

- (2) The adoption of HKFRS2 has resulted in an increase in administrative expenses of approximately US\$124K and US\$330K for the three months and nine months ended 30 September 2005 respectively (approximately US\$140K and US\$233K for the three months and nine months ended 30 September 2004 respectively) and the profit of the relevant periods had been decreased accordingly.

As at the date of this announcement, the board of directors comprises:

Executive Directors:

Ms. WONG Kuen Ling, Karene
Mr. Guy BINDELS
Mr. Kazuhiro ASANO

Non-executive Directors:

Mr. KOO Ming Kown
Mr. LI Shi Yuen, Joseph

Independent Non-executive Directors:

Mr. Thaddeus Thomas BECZAK
Mr. CHAN Tit Hee, Charles
Mr. LEE Wa Lun, Warren

By Order of the Board
Nam Tai Electronic & Electrical Products Limited
WONG Kuen Ling, Karene
Chairman

Hong Kong, 31 October 2005

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