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Nam Tai Electronic & Electrical Products Limited

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

CONTINUING CONNECTED TRANSACTION

The Company is an investment holding company. It's wholly owned subsidiary, NTSZ, has entered into the Lease Agreement with Zastron on 24 March 2006 for the continuous lease of factory complex and the provision of the use of ancillary facilities by NTSZ to Zastron upon the expiry of the existing lease agreement between the parties on 1 April 2007.

Zastron is an indirect wholly owned subsidiary of NTE Inc., the controlling shareholder of the Company currently holding 69.50% of the ordinary shares of the Company, and hence a connected person of the Company for the purpose of the Listing Rules. The entering into the Lease Agreement constitutes a continuing connected transaction.

The asset and consideration ratios (as calculated in accordance with Rule 14.07 of the Listing Rules) are more than 0.1% but less than 2.5%. Accordingly, the Lease

Agreement is subject to the reporting, announcement and annual review requirements but is exempt from independent shareholders' approval under the Listing Rules.

However, as the term of the Lease Agreement exceeds 3 years, the Company has engaged AMS Corporate Finance Limited ("AMS"), an independent financial adviser, in accordance with the requirements under the Listing Rules to explain why a period longer than 3 years for the Lease Agreement is required and to confirm that it is normal business practice for contracts of this type to be of such duration.

LEASE AGREEMENT

Date

24 March 2006

Parties

Landlord: Namtai Electronic (Shenzhen) Co., Ltd. ("NTSZ") whose principal business is the manufacturing and marketing of consumer electronics and communications products.

Tenant: Zastron Electronic (Shenzhen) Co. Ltd. ("Zastron") whose principal business is the manufacturing and marketing of key components for use in compact digital consumer electronics and mobile communication devices.

Leased Premises

The leased premises comprise office and factory space with a floor area of approximately 31,049 square meters and staff quarters of approximately 18,775 square meters (the "Properties"). NTSZ shall also permit the use by Zastron certain ancillary facilities including canteen, the facilities building and other facilities (the "Ancillary Facilities").

Term of Lease Agreement

The Lease Agreement will commence upon expiry of the lease agreement (the “Previous Agreement”) dated 8 April 2004 between NTSZ and Zastron. The term of the Lease Agreement is for a period of 5 years from 1 April 2007 to 31 March 2012 (both days inclusive). All terms of the Lease Agreement are identical to the Previous Agreement save and except for the leased area as disclosed in the announcement of Nam Tai Electronic & Electrical Products Limited (the “Company”) dated 13 February 2006 and the lease term (the term of the Previous Agreement is 3 years whereas the term of the Lease Agreement is 5 years).

Rental

The monthly rental payable by Zastron in connection with the lease of the Properties and the Ancillary Facilities will be HK\$830,000.

The monthly rent payable by Zastron is based on the comparable market rental per square metre of the staff quarter, manufacturing and office space being leased. The facility service fee is based on the actual cost incurred by NTSZ in providing Zastron with the use of the ancillary facilities.

LCH (Asia-Pacific) Surveyors Limited, an independent property valuer, has confirmed that the pricing basis under the Lease Agreement is comparable to the current market.

MAXIMUM AGGREGATE ANNUAL VALUE

The annual rental fee payable by Zastron to NTSZ for 2007 and 2012 will be HK\$7,470,000 and HK\$2,490,000 respectively whilst for years 2008, 2009, 2010 and 2011 the annual rental payable by Zastron to NTSZ will be HK\$9,960,000 for each of the said years.

CONNECTION BETWEEN THE PARTIES

Nam Tai Electronics, Inc. (“NTE Inc.”) is an investment holding company and is the controlling shareholder of the Company currently holding 69.50% of the ordinary shares of the Company and Zastron is an indirect wholly owned subsidiary of NTE Inc.

and hence a connected person of the Company for the purpose of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Listing Rules”).

The entering into the Lease Agreement constitutes a continuing connected transaction under the Listing Rules. As the asset and consideration ratios (as calculated in accordance with Rule 14.07 of the Listing Rules) are more than 0.1% but less than 2.5%, the Lease Agreement is subject to the reporting, announcement and annual review requirements but is exempt from independent shareholders’ approval under the Listing Rules.

REASONS FOR THE TRANSACTION

The rental income of the Company for the twelve months ended 31 December 2005 represents 5.1% of the Operating Income of the Company. As a tenant for the Properties under the Lease Agreement for a period of 5 years is not readily available, the entering into the Lease Agreement will enable the Company to avoid any disruption to the Operating Income of the Company.

Pursuant to the Listing Rules, as the term of the Lease Agreement exceeds 3 years, the Company has engaged AMS, an independent financial adviser, in accordance with the requirements under the Listing Rules to explain why a period longer than 3 years for the Lease Agreement is required and to confirm that it is normal business practice for contracts of this type to be of such duration.

In view of the fact that the Company and its subsidiaries (the “Group”) will not require the use of any of the Properties in the near future and the disruption to the revenue stream of the Group in the event that the Properties become vacant, AMS considers that it is advantageous to the Group to conclude with Zastron a 5-year term for the leasing arrangement so as to secure a stable and continuous revenue stream for the Group. The 5-year term will effectively eliminate the uncertainty of discontinuation of the leasing of the Properties arising from the possibility that Zastron chooses not to extend the lease agreement and the Group fails to secure a replacement tenant for the period up to 31 March

2012. Furthermore, although the terms of property leasing agreements vary from case to case, based on AMS's review of property leasing arrangements involving those companies listed since 1 January 2006, it is not uncommon for leasing agreement to have a duration of 5 years or even longer. This is particularly the case for industrial or factory premises where tenants usually prefer medium to long-term leases which provide the stability they need for their industrial or manufacturing operations and avoid costly disruption arising from the possible need to move upon expiry of the short-term lease. In view of the particular nature of the Properties and the Ancillary Facilities, AMS considers that it is normal business practice for contracts similar to the Agreement to be of a duration in excess of 3 years.

AMS is of the opinion that it is reasonable for and in the interests of the Group to enter into the Lease Agreement of a duration of 5 years and it is normal business practice for contracts similar to the Lease Agreement to be of such duration.

GENERAL

As Zastron is an indirect wholly owned subsidiary of NTE Inc., the controlling shareholder of the Company, and hence a connected person of the Company for the purpose of the Listing Rules.

Since the total rental payable by Zastron to NTSZ under the Lease Agreement is less than 2.5% of the applicable percentage ratios of the Company (as calculated in accordance with Rule 14.07 of the Listing Rules), the Lease Agreement is exempt from the independent shareholders' approval pursuant to Rule 14A.34 of the Listing Rules but is subject to the annual review and reporting requirements under Chapter 14A of the Listing Rules. The directors ("Directors") of the Company including the independent non-executive Directors consider the terms and conditions of the Lease Agreement are fair and reasonable, and in the interests of the Company and its shareholders.

Details of the Lease Agreement will be included in the subsequent published annual reports and accounts of the Company in accordance with Rule 14A.46 of the Listing Rules for the financial years during which the Company undertakes the transactions under the Lease Agreement.

As at the date of this announcement, the members of the board (the “Board”) of Directors are as follows:

<i>Executive Directors:</i>	<i>Non-Executive Directors:</i>	<i>Independent</i>
Wong Kuen Ling, Karene	Koo Ming Kown	<i>Non-Executive Directors:</i>
Guy Bindels	Lee Wa Lun, Warren	Chan Tit Hee, Charles
Kazuhiro Asano		Thaddeus Thomas Beczak
		Roger Simon Pyrke

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

Hong Kong, 24 March 2006

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