NAM TAI ELECTRONICS, INC. > annual report 2000

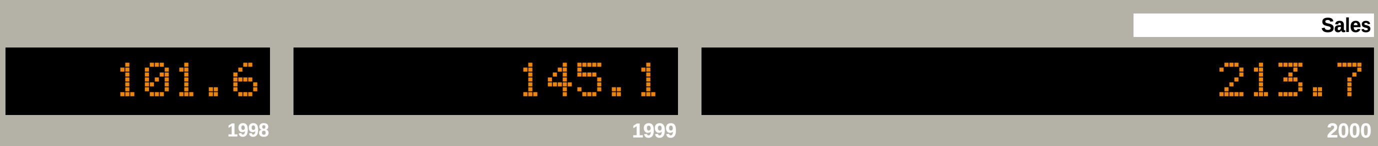
BEYOND

NAM TAI ELECTRONICS, INC. > annual report 2000

Ten year highlights

(In millions) December 31,

	91	92	93	94	95	96	97	98	99	00	CAGR
Sales	38.4	58.0	70.8	96.6	121.2	108.2	132.9	101.6	145.1	213.7	18.9%
Gross profit	8.1	11.0	14.1	17.2	23.1	22.2	34.7	24.7	25.0	31.6	16.3%
Income from operations	1.5	2.7	5.8	7.6	10.8	8.5	17.5	8.3	8.3	10.5	23.2%
Net income	3.0	2.5	5.2	8.1	11.4	9.4	30.8	3.5	11.8	24.0	28.2%



(In millions)

Beyond the present lies a future both simpler and more complex. Converging technology will require electronics manufacturers to produce a new breed of sophisticated consumer communication devices and their critical components. Nam Tai is prepared to make them. Today.

Nam Tai is a leading design and manufacturing supplier to the world's major consumer electronic companies. We produce components for cellular phones, such as LCD modules and rechargeable battery packs, as well as finished goods including telecommunication products, palm-sized PCs, personal digital assistants, calculators and electronic dictionaries. Our intention is to expand our use of innovative technology to increase production of higher technology products, maintain and improve product quality and to further strengthen our successful long term customer relationships. Beyond this our mission is to become supplier of choice to the world's original equipment manufacturers (OEMs).

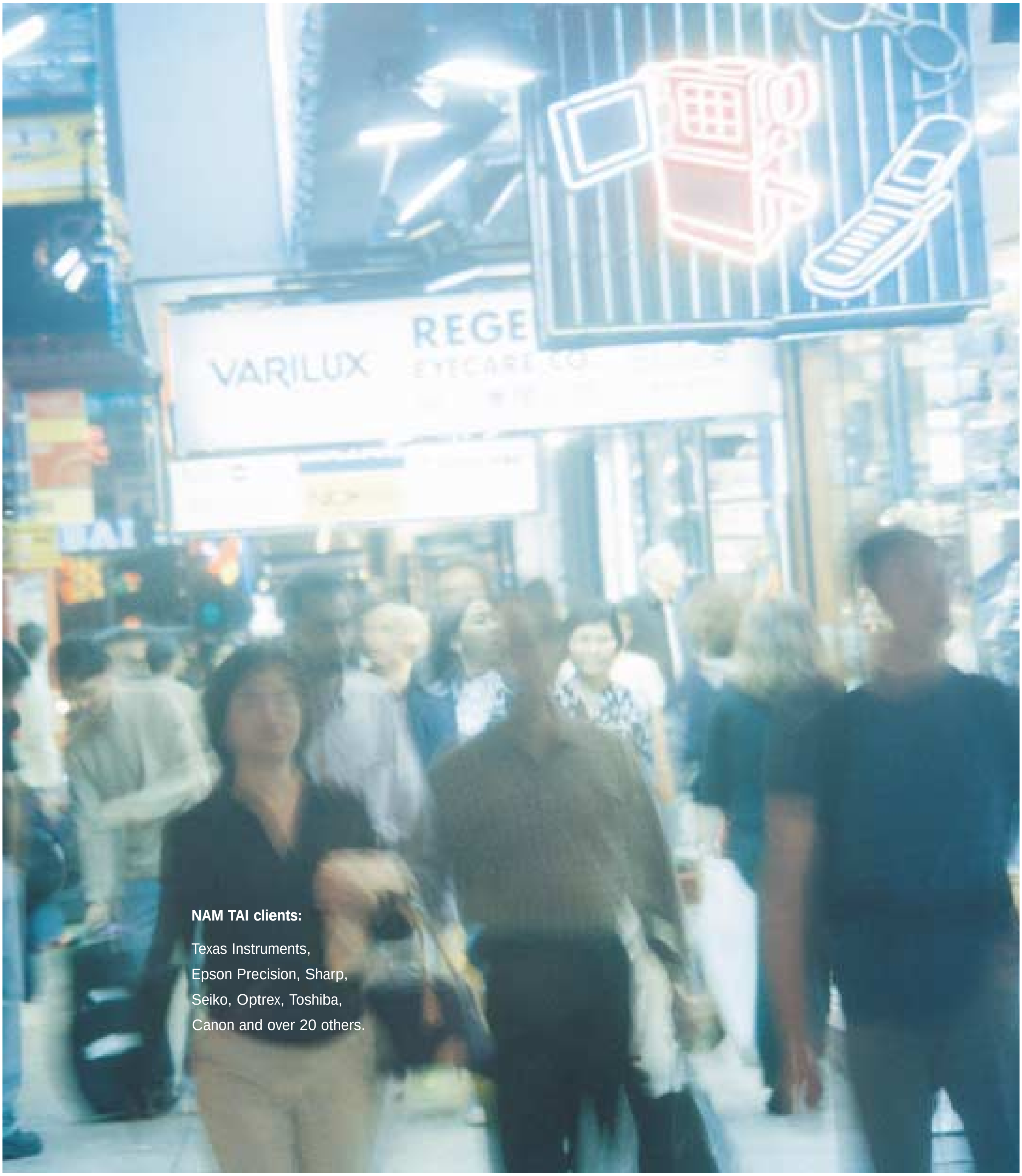
NAM TAI produces:

- Cellular phone LCD modules and rechargeable lithium ion battery packs
- Telecommunication products
- Personal digital assistants and palm-sized PCs
- Electronic dictionaries and calculators
- Transformers and LCD panels

BEYOND the surface

our technology is ready

Thanks to consistent investment in specialized technology, Nam Tai offers the advanced production technologies needed to manufacture high end consumer electronic devices and their critical components. Especially those that are being designed now for third generation communication devices. These processes include chip on board, where integrated circuit chips are connected directly to circuit boards, and chip on glass, where the chips are wirelessly bonded onto liquid crystal display panels. This production technique is crucial in the manufacture of cellular phones and other high end electronic devices, and very few companies offer this capability in house. Other technologies include surface mount technology, outer lead bonding, ball grid array and tape automated bonding. Since its inception in 1975, Nam Tai has been committed to quality. Every single finished piece undergoes the most stringent testing before leaving the factory. We are also ISO 14001 certified, ensuring we adhere to the highest environmental standards in the world.



NAM TAI clients:

Texas Instruments,
Epson Precision, Sharp,
Seiko, Optrex, Toshiba,
Canon and over 20 others.

BEYOND the brand

our niche transcends markets

Nam Tai products have a worldwide market penetration that is increasing steadily every year. Ironically, this growth is achieved without retail activity or consumer awareness of any kind. This is the direct result of a strategic decision made in the mid 1980's to target contract manufacturing as Nam Tai's core business. Rather than spend resources against developing brand awareness in an increasingly competitive global marketplace, the Company focused on supplying manufacturing services to the major consumer electronics companies who were concentrating their efforts on branding, marketing and distribution. Analysts confirm this global trend towards outsourcing electronics manufacturing continues to grow. Estimates place growth for electronics manufacturing services at 27% a year through 2004. Driving this growth are increased outsourcing by Japanese OEMs and increased outsourcing by mobile phone manufacturers. Nam Tai, with its additional production capacity and investment in relevant technologies and processes, is well positioned to satisfy this demand for outsourced production.

NAM TAI growth:

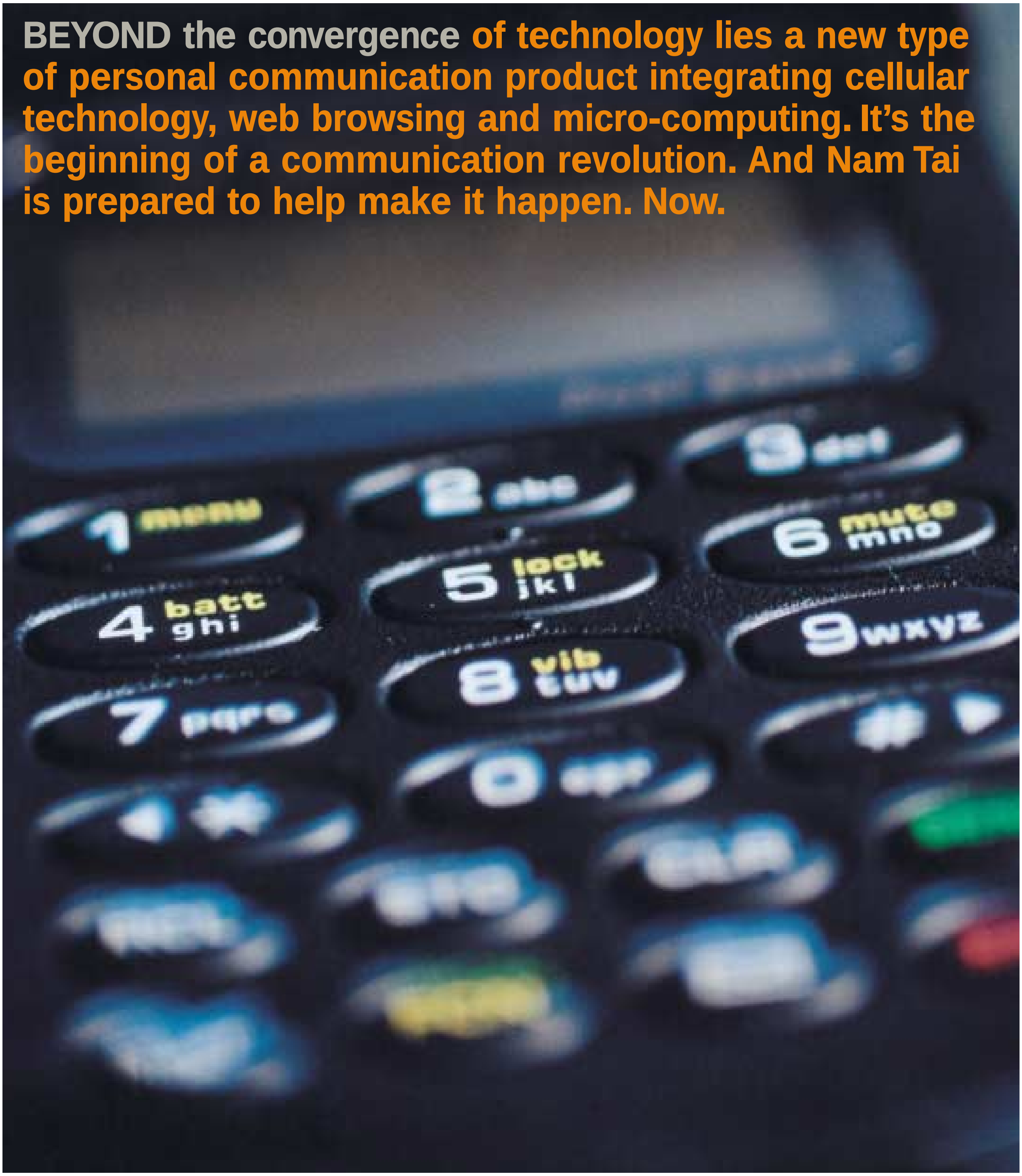
- Corporate: Acquisition of JIC Group
- Employees: 2,800 to 5,000
- Production area: 310,000 to 626,000 sq. ft., including 138,000 sq. ft. under construction
- LCD production capacity: chip on glass lines increase from 5 to 9
- Management: New C.E.O. with 35 years experience at Toshiba

BEYOND the expected

our growth is expanding into new areas

In 2000 Nam Tai experienced dramatic expansion, almost doubling the number of employees. The Company completed the acquisition of the JIC Group, an established manufacturer of LCD panels and transformers. The JIC acquisition facilitates Nam Tai's vertical integration, allowing it to manufacture a key component needed for cellular phones and personal digital assistants — a market targeted to grow from $3.1 billion in revenues in 2000 to $6.7 billion by 2004. The Company is building a new five-story production facility which will add 138,000 square feet of manufacturing space to our existing 488,000 square feet. Due to customer demand, LCD module manufacturing capacity in 2001 will increase 60% as four additional chip on glass production lines are added. Sales have more than doubled since 1998, and growth in 2001 and 2002 is expected to exceed the historic growth rate of 20%.

BEYOND the convergence of technology lies a new type of personal communication product integrating cellular technology, web browsing and micro-computing. It's the beginning of a communication revolution. And Nam Tai is prepared to help make it happen. Now.



New state-of-the-art manufacturing facilities. Technologically sophisticated production processes and rigorous quality control. Vertically integrated manufacturing capabilities. Nam Tai is ready to help advance the future of the personal communications industry and in doing so, maximize shareholder value.

"Nam Tai's style has always been to look beyond today. To the next generation of electronic technology. To where the market opportunities will be. This strategy has been highly successful, allowing us to continue building toward the future. And beyond."

"Our corporate strategy has always been about tomorrow. Seeing beyond markets, brands and technologies. Nam Tai is now at the forefront of the new communication convergence. This is where we intend to stay. To lead. And succeed. Beyond all expectations."

Shigeru Takizawa
Chairman

Beyond 2000

Nam Tai's style has always been to look beyond today. To the next generation of electronic technology. To where the market opportunities will be. This strategy has been highly successful in 2000, allowing us to continue building towards the future. And beyond.

Nam Tai posted record sales accompanied by strong growth in earnings. We embraced change, preparing for growth with acquisitions, joint ventures, facility expansion, investments in high technology and additions to senior management.

Beyond Market Expectations — Growing Sales and Profits

Our record sales and growing profits exceeded the Company's and analysts' expectations. By successfully managing the start-up of new product categories, and acquiring a LCD panel and transformer manufacturer, we achieved record sales of $213.7 million, up 47% from $145.1 million in 1999.

Nam Tai has always prided itself as an expert volume manufacturer of high quality, hand held electronic devices, beginning with its roots in calculators, electronic organizers and linguistic products. In 2000 we continued our planned transformation by increasing our production of telecommunication products, and the critical components for wireless communications and computing, including both LCD modules and lithium ion rechargeable battery packs. With growth in these product segments, calculators accounted for only 29% of sales in 2000, down from 60% in 1998 — proof that Nam Tai has advanced, becoming a telecommunication components and products company.

A shifting product mix, increased material costs and price competition combined to reduce gross profit margin to 14.8% for 2000 from 17.2 % in 1999. Still, with our 47% sales growth and prudent management of operating costs, we increased operating profits 26% to $10.5 million compared to $8.3 million in 1999. Net profit, including a gain of $10.8 million on the sale of a non-core asset, increased 103% to $24.0 million ($2.56 per share) compared to $11.8 million ($1.25 per share) in 1999. Based on the Company's growth in 2000 and optimism for continued growth in 2001 and 2002, the Board of Directors announced its eighth consecutive annual dividend increase, to $0.40 per share. It also instituted a share repurchase program.

With $58.9 million in cash at year end, and no long term debt, Nam Tai has the strength to internally finance our $25 million capital expenditure plan and act on acquisitions, joint ventures and new technology opportunities.

Beyond Strong Organic Growth

Nam Tai's year 2000 performance includes the accretive results from our October 2000 acquisition of JIC, a manufacturer of liquid crystal display (LCD) panels, a key component for most consumer electronic products. JIC also manufactures transformers, representing 50% of sales, but with lower profit margins. Nam Tai now has 5,000 employees, 488,000 square feet of manufacturing space, total assets of $208 million, total equity of $162 million and proforma annual sales and profits of $239 million and $25.5 million respectively. We have increased our vertical integration as the LCD panel is a critical component in cellular phones, personal digital assistants and for future third generation telecommunication devices. JIC has a similar corporate culture to Nam Tai including both Chinese and Japanese senior executives. Our recent promotion of JIC's Chairman and founder, Mr. Joseph Li, to the position of President of the Nam Tai group reflects the successful integration of JIC.

message to shareholders

Nam Tai is moving beyond its focus on finished products, expanding into faster growth product categories including LCD modules.

Beyond our Recognized Capabilities

Nam Tai is moving beyond its focus on finished products, expanding into faster growth product categories including LCD modules and rechargeable lithium ion battery packs. We are investing a further $10 million in high technology chip on glass (COG) production equipment that allows Nam Tai to connect integrated circuit chips to LCD panels without any wire bonding yielding more advanced, lightweight LCD modules. Four additional COG lines are being installed in our 5,000 level clean room environment, increasing the total number of lines to nine. We are continuing to ramp up our production volumes of rechargeable lithium ion battery packs that we manufacture in a joint venture partnership with Toshiba started in 2000.

We are constructing a $15 million, five-story, 138,000 square foot electronics factory building to provide capacity for our customers' order forecasts. It will house a new clean room for advanced COG and chip on board machinery, space for additional surface mount technology production lines and office space for the R & D department. An additional 6.5 acres of vacant adjacent land is reserved for further expansion.

Beyond the Current Market Environment

Despite moderating demand in some electronic market segments the electronics manufacturing services industry is expected to continue its strong growth. The reasons are simple. OEMs cut costs when times are tough and outsourcing to low cost countries like China is one best way to improve competitiveness. Another trend working in Nam Tai's favor is the increased tendency of cellular phone OEMs to outsource. For example, according to a Reuters report, Nokia intends to double the percentage of mobile phones outsourced to contract manufacturers. This is a clear example showing that mobile phone production is migrating to lower cost regions of the world. Finally, it is expected that the next big wave in outsourcing will be from Japan where it is estimated that the electronics assembly market was worth $124.9 billion in 2000. Today's Japanese OEMs don't have the luxury of multi-year product lifecycles. To keep up with global competitors' speed to market and low manufacturing costs Japanese OEMs are embracing the benefits of outsourcing. Nam Tai, with its high tech, low cost, high quality operations close by in China, and an experienced multinational management team, guided by our newly appointed Chief Executive Officer, Mr. Ogi, is positioned to be the supplier of choice for leading Japanese OEMs.

Beyond 2000 – Expect More Growth 2001 and 2002

Nam Tai is prepared to capitalize on the trends to increased outsourcing. For 2001 and 2002 we expect sales growth to exceed our historic growth rate of 20%. Our corporate strategy has always been about tomorrow. Seeing beyond markets, brands and technologies. Nam Tai is now at the forefront of outsourcing in the age of the new communication convergence. This is where we intend to stay. To lead. And succeed. Beyond all expectations.

On behalf of the Board of Directors,

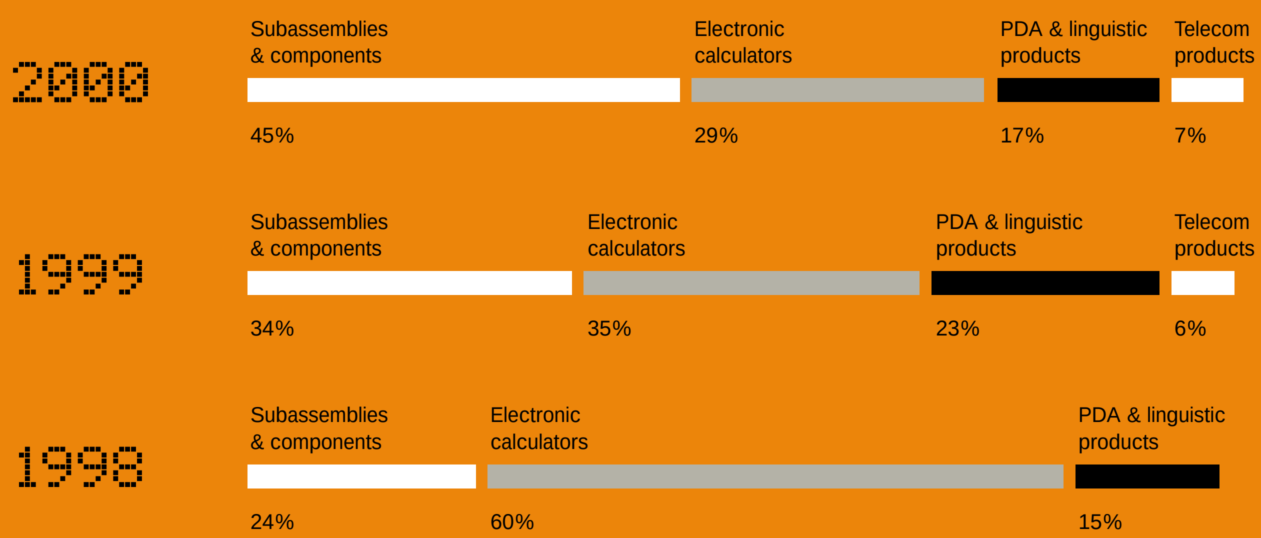
S. Takizawa

Shigeru Takizawa
Chairman
April 1, 2001

LCD Modules

Net sales by product category

Year ended December 31,



business overview

Introduction

Nam Tai is an electronics design and manufacturing service provider to a select group of the world's leading original equipment manufacturers (OEMs) of consumer electronics. Nam Tai manufactures telecommunication products, personal digital assistants, electronic dictionaries, calculators and various components including liquid crystal display (LCD) modules for cellular phones, lithium ion rechargeable battery packs, transformers and LCD panels. The Company is headquartered in Hong Kong and manufactures from its state-of-the-art facilities in Shenzhen, China.

Mission

Founded in 1975 as an electronics trading company, Nam Tai has experienced steady growth, developing into a world-class turnkey manufacturing services provider. Nam Tai provides hardware and software design, plastic molding, component purchasing, assembly into finished products or electronic subassemblies, post-assembly testing and shipping services. Nam Tai also provides OEMs with silk screening services for plastic and metal parts and software development services.

Nam Tai's mission is to be the preferred supplier of electronic manufacturing services (EMS) to leading OEMs worldwide.

History

Over its 25 year history, the Company has developed long term relationships with the world's leading consumer electronics suppliers and customers including Texas Instruments, Epson Precision, Sharp, Seiko, Optrex, Canon, Toshiba and Legend. The Company's intimate working relationships with its customers allows it to jointly design and develop new products and ensure a continuous stream of design and manufacturing business. Its long term relationships with suppliers gives it a preferred position in times of component shortages.

The China Advantage

The Company moved its manufacturing facilities to China in 1980 and later relocated to Shenzhen, China in 1987 to take advantage of lower overhead costs, lower material costs, and competitive labor rates resulting in low cost, high technology and high quality manufacturing. With 20 years of experience and relationships in China we know what works and how to run an extremely cost efficient operation.

The Company's main manufacturing complex is one of southern China's most advanced manufacturing facilities, consisting of manufacturing plants, administrative offices, employee dormitories, recreational areas and cafeteria space. The Company currently operates five factories with over 488,000 square feet of manufacturing space, and is constructing a sixth manufacturing facility which will increase manufacturing space by 138,000 square feet. Nam Tai's facilities are ISO 9001 certified.

The Company will continue focusing on maintaining a low cost structure with continuous emphasis on improving the design and manufacturing process, impeccable product quality, strengthening its local management, deepening its vertical integration and upgrading its technology.

Advanced Production Technology

Since its inception the Company has focused on upgrading its production facilities by investing in leading edge technologies to keep up with the increase in component packaging options, higher density circuit board designs and more complex assembly.

Today, Nam Tai utilizes advanced production techniques such as chip on glass (COG), chip on board, surface mount technology, ball grid array, tape automated bonding and outer lead bonding. The Company uses radio frequency and digitally enhanced cordless telephone technologies in the production of various telecommunications products.

Nam Tai's leading-edge technical capabilities allow it to address a wide range of increasingly complex products and subassemblies. The Company in 2001 will invest $10 million to acquire four additional COG production lines. COG is a technology that enables the connection of integrated circuits to LCD panels without any wire bonding, resulting in lighter, more advanced LCD modules. With COG technology, the Company produces lightweight LCD modules for inclusion in high end electronic products such as mobile phones and other wireless products.

Product Diversification

It is notable that sales of calculators has been superseded in percentage terms by more technologically advanced products. The graph on the preceding page sets forth the percentage of net sales of each of the Company's product lines for the years ended December 31, 2000, 1999 and 1998.

While the Company continues to maintain a leadership position in the calculator business, it recognizes that this is a mature product within the electronics industry. The Company has expanded into new growth sectors such as telecommunication end products, cellular phone subassemblies, rechargeable battery packs and personal organizers which the Company believes will benefit from the convergence of wireless communications, internet access and personal computing into a single integrated personal communications device.

Rechargeable Battery Packs

Nam Tai expects growing demand for cellular phone subassemblies and PDAs, which is being driven by growth and outsourcing in the worldwide cellular phone handset and personal organizer end markets.

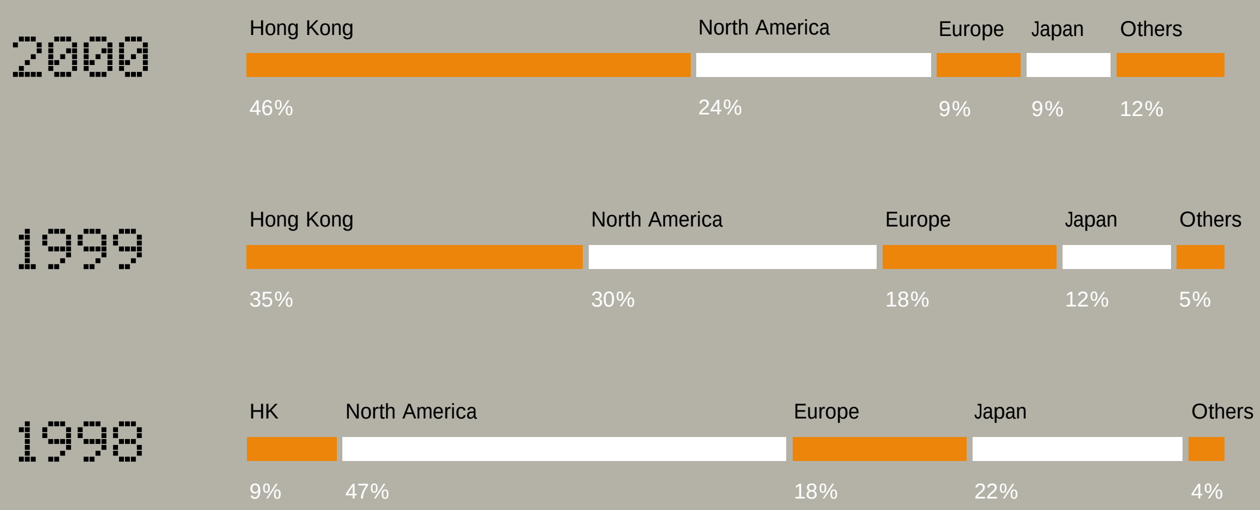
Marketing products to new and existing customers is handled by Nam Tai's Hong Kong based management and sales personnel. Nam Tai's top four customers in 2000 accounted for approximately 72% of sales compared to 78% and 76% in 1999 and 1998. Diversification is achieved by producing over 100 different products for our major customers.

Nam Tai's customer base expanded in 2000 with the commencement of production of lithium ion rechargeable battery packs in a joint venture project with Toshiba Battery Co., Ltd. New customers such as Hitachi, Nanox and Vtech were added with the acquisition of JIC. Our telecom business, established in 1999 attracted four new customers including, Master S.P.A. and Metro MGE Einkauf GmbH for cordless phones, Headline Electronics Co. Ltd. for family radio systems and Kanda Tsushin Kogyo Co., Ltd. for caller ID function telephones.

Strong Customer Relationships

Nam Tai is proud of its long term customer relationships. To maintain these customers, and methodically attract new customers, Nam Tai emphasizes high quality competitive pricing, strong research and development support, quality customer service, advanced assembly processes and high volume manufacturing. To maintain customer service standards, Nam Tai's senior managers work closely with OEM customers in the design and manufacture of new products. Often, Nam Tai's customers maintain representatives at the factory. It is also common for these customers to transfer important manufacturing process technology to our engineers representing a high degree of co-operation and trust. Nam Tai will continue to work closely with its existing customers with a goal of increasing order size and securing business for more sophisticated products.

Net sales to customers by geographic region
(based on location of product delivery)
Year ended December 31,



Acquisitions and Investments

In October 2000, Nam Tai completed its acquisition of a Shenzhen based manufacturer of LCD display panels and transformers. LCD panels are a key component in most of the products that Nam Tai manufactures. The acquisition will help provide a secure supply of LCD panels in the future and enable the expansion of the Company's growing LCD module business. LCD modules are a critical component in high end telecommunication products such as cellular phones and PDAs.

In September 2000, Nam Tai announced a 5% indirect strategic investment in both TCL Mobile Communication (HK) Co., Ltd. and Huizhou TCL Mobile Communication Co., Ltd. (collectively TCL Mobile). TCL Mobile is one of only 10 Chinese companies licensed to manufacture GSM cellular phones in China. Also in September, Nam Tai purchased a 9% stake in Deswell Industries Inc. (NASDAQ: DSWL), a contract manufacturer of plastic molding and components, as well as electronic products, with facilities in Shenzhen, China. Nam Tai will continue to seek out new acquisitions and investments that enhance and complement our existing business.

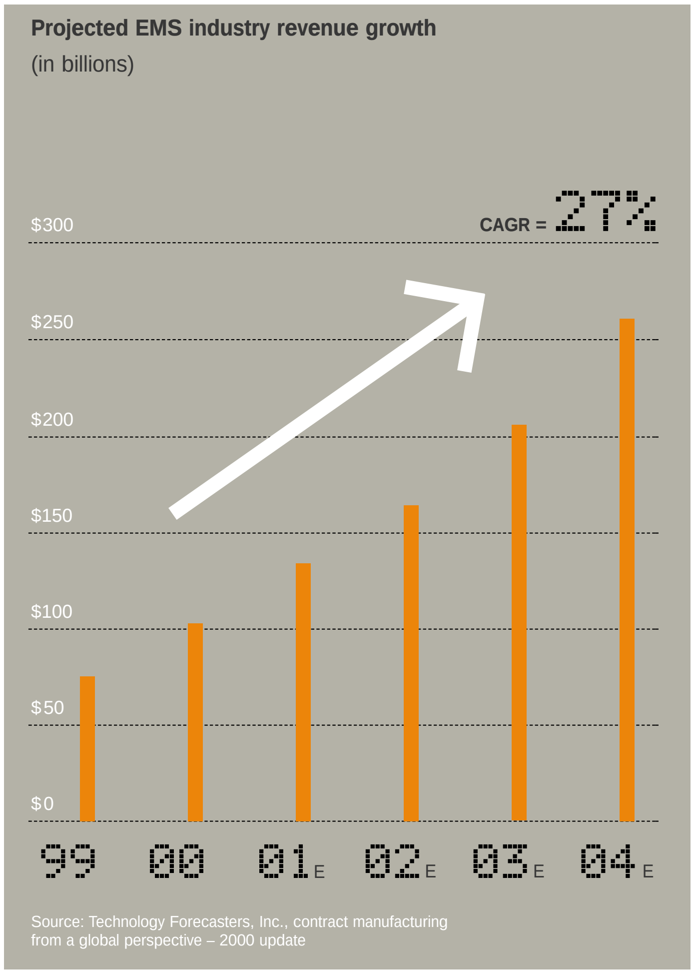
Industry Trends

During the 1970s and 1980s, global electronics OEMs used outsourcing companies to provide low value-added electronic component assembly. Since then, EMS companies like Nam Tai have grown into turnkey providers with a full spectrum of offerings including design and engineering support, supply chain management and end order fulfillment. According to Technology Forecasters, the global electronics manufacturing and related services industry is expected to grow at a compounded annual growth rate of 27%, from $78 billion in revenues in 1999, to $260 billion in 2004 and the consumer sector is expected to be one of the fastest growing segments.

Nam Tai has targeted its products towards the high growth cellular phone handset and personal organizer end markets. The worldwide cellular phone handset market is expected to grow from 330 million units in 2000 to 600 million units in 2004, The worldwide handheld personal organizer market is forecasted to grow from 7.1 million units in 2000 to 19.1 million units in 2004. Growth in handheld personal organizers and cellular phone handsets will be driven by the integration of various applications such as telephony, voice and e-mail messaging, internet browsers and personal information managers into handheld devices.

China continues to be recognized as a preferred location for OEMs to outsource their production, particularly for large Japanese OEMs. Nam Tai, with its modern high technology facilities is one of a limited number of companies able to meet high volume, high quality, low cost needs of OEM customers. Nam Tai's factory is only 30 miles from Hong Kong where its executive and marketing offices are located, providing the Company with easy worldwide transportation of its finished products.

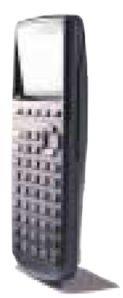
Nam Tai is ready for growth and success beyond. Our manufacturing facilities in China combine a low cost highly motivated work force leading edge technologies and an experienced multinational management team. We have strong long term relationships with respected customers, suppliers and important government officials in China. To support customer order forecasts we are planning to invest $25 million in capital expenditures, which will be financed from operating cash flows and our $59 million of cash on hand. Most importantly we have the long term vision and plans that will place us at the forefront of outsourcing in the age of the new communication convergence.



Projected EMS industry revenue growth
(in billions)

Source: Technology Forecasters, Inc., contract manufacturing from a global perspective – 2000 update

> Calculators



This section, as well as other sections of this report contains forward looking statements involving risks and uncertainties. You can identify these statements by forward looking words including "expect", "anticipate", "believe", "seek", "estimate". Forward looking statements are not guarantees of Nam Tai's future performance or results and the Company's actual results could differ materially as a result of certain factors, including those set forth in the Company's 2000 Annual Report on Form 20-F. This section should be read in conjunction with the Company's Consolidated Financial Statements.

Year Ended December 31, 2000
Compared to Year Ended December 31, 1999

Nam Tai's sales increased by 47% to $213,688,000 for the year ended December 31, 2000 compared to $145,054,000 for the year ended December 31, 1999. Sales increases were experienced in all product categories with the largest increases arising from increased sales of LCD modules for cellular phones. Management attributes this growth in sales to its focus on telecommunication products and components, increased production capabilities resulting from its investment in additional high technology equipment, expansion into the battery pack business, strong sales of graphic calculators, and the acquisition of the JIC Group of companies which contributed $10.3 million to fourth quarter 2000 sales.

The Company's gross profit increased 26% to $31,592,000 for the year ended December 31, 2000 from $24,980,000 for the year ended December 31, 1999. Nam Tai's gross profit failed to increase correspondingly with sales because of the decrease in the gross profit margin to 14.8% in 2000 from 17.2% in 1999. A number of reasons combined to lower gross profit margins including (1) a changing product mix towards more capital intensive subassemblies and components with a reduction in sales of higher margin finished goods such as electronic data banks and desktop calculators; (2) lowering unit prices caused by the increasingly competitive environment; (3) startup learning costs associated with entry into the telecommunication business and battery pack business; and (4) increased material costs resulting from the component shortages.

Selling, general and administrative expenses for the year ended December 31, 2000 increased to $17,646,000 or 8.3% of sales from $14,913,000 or 10.3% of sales in the year ended December 31, 1999. The increase in absolute dollars reflects increased direct selling expenses incurred as a result of the increase in sales, increased amortization charges related to the acquisition of JIC, the addition of JIC's expenses in the fourth quarter, increased salary and benefits as the Company increased its marketing, finance and administration staff in Hong Kong, and compensation expenses related to the extension of warrants and the granting of options to non-employees. The decrease in such expenses as a percent of sales was the result of the Company maintaining tight control over general and administrative expenses during a time of increasing sales.

Research and development expenses for the year ended December 31, 2000 increased to $3,489,000 or 1.6% of sales from $2,624,000 or 1.8% of sales in the year ended December 31, 1999. The increase is related to (1) the Company's customers requesting the Company to bear increased responsibility for development charges; (2) the establishment of telecommunication research and development in the Shenzhen factory; and (3) research and development expenses for the newly established battery pack business.

Gain on disposal of land was $355,000 for the year ended December 31, 2000 as compared to $302,000 for the year ended December 31, 1999. The gains in both 2000 and 1999 were realized on the sale of a portion of the Company's land holdings in Hong Kong. Loss on disposals of property, plant and equipment was $111,000 for the year ended December 31, 2000 as compared to $143,000 for the year ended December 31, 1999.

Other income increased to $13,498,000 for the year ended December 31, 2000 compared to $2,192,000 for the year ended December 31, 1999. Other income in 2000 consisted of a gain on the sale of Group Sense (International) Limited of $10,781,000, $3,300,000 of interest income, unrealized gain on marketable securities of $433,000, and $51,000 foreign exchange gain. Such gains were offset by miscellaneous expenses of $435,000, bank charges of $328,000, and the $304,000 write-off of a currency option premium.

Interest expense decreased to $165,000 for the year ended December 31, 2000 as compared to $192,000 for the year ended December 31, 1999.

Equity in (loss) income of affiliated companies, including amortization of goodwill, was $(189,000) for the year ended December 31, 2000 with such amount relating to the Company's investment in Mate Fair, and Shanghai Q&T Tech. Co. Ltd.

Equity in (loss) income of affiliated companies, including amortization of goodwill, was $1,146,000 for the year ended December 31, 1999 with such amount relating to the Company's interest in Group Sense (International) Limited.

The income tax benefit of $33,000 for the year ended December 31, 2000 compares to a benefit of $60,000 for the prior year. Under current British Virgin Islands law, Nam Tai is not subject to tax on its income.

operating and financial review

Most of the Company's operating profits accrue in China, where its effective tax rate is 15%, and in Hong Kong, where the corporate tax rate on assessable profits was 16% in 2000. The Company receives tax credits in China related to its reinvestment of profits on China operations into share capital and tax benefits for being a "High and New Technology Enterprise". This reduces the overall tax payable by the Company. (See Note 8 of Notes to Consolidated Financial Statements.)

The income tax expense relates to income taxes on the Hong Kong and China operations. (See note 8 of the Notes to the Consolidated Financial Statements.) In the past, the Company received 100% tax credits in China related to its reinvestment of profits into additional share capital of the China subsidiaries. This reduced the overall tax payable by the Company in China. For the years 1993 through 1995, the Company received a full refund of China taxes paid as a result of reinvesting its profits into share capital. As a result of its expectations that it would receive a full refund of income taxes attributable to China operations as it had in the past, the Company recorded tax payments in 1996 and 1997 as income tax recoverable. In early 1999, the Company learned that for the 1996 and 1997 tax years it would not receive a 100% tax refund on taxes already paid, and was required to reduce the income tax recoverable by the amount of the refund that was not obtained. For 1996, the Company received tax refunds of $506,000 on taxes paid of $953,000. For 1997, the Company received a refund of $1,322,000 on taxes paid of $1,891,000. A full refund was denied for 1997 and 1996 because the large intercompany receivable between the China subsidiary and the Hong Kong subsidiary was not considered by the China Tax Authorities to be a reinvestment of profits. For years 2000, 1999 and 1998, the Company paid taxes of $504,000, $640,000 and $1,394,000, respectively. The Company has received a refund of $463,000 for the taxes paid in 1998, and has been advised that $97,000 of the taxes paid is not refundable. The Company's application for a refund of the balance of the taxes paid in 1998 is still in progress. To date, the Company has not received a refund for the taxes paid for the years 1999 or 2000 as its application for reinvestment of profits is still in progress.

Net income increased by $12,203,000 or 103% to $24,001,000 (11.2% of sales) for the year ended December 31, 2000 compared to $11,798,000 (or 8.1% of sales) for the year ended December 31, 1999. This resulted in diluted earnings per share for the year ended December 31, 2000 of $2.56 ($2.63 basic) compared to diluted earnings per share of $1.25 ($1.26 basic) for the year ended December 31, 1999. The increase in net income and earnings per share is the result of: (i) an increase in gross profit; (ii) lower operating expenses as a percentage of sales; and (iii) a gain of $10,781,000 from the sale of Nam Tai interest in Group Sense (International) Limited. The increase in net income was partially offset by loss of affiliated companies and the recovery of a portion of the 1998 non-recurring customs assessment in 1999 of $848,000.

The diluted weighted average number of common shares outstanding decreased to 9,375,000 (basic 9,114,000) for the year ended December 31, 2000 from 9,417,000 (basic 9,328,000) for the year ended December 31, 1999 reflecting the repurchase of 5,600 and 879,700 common shares pursuant to the Company's repurchase program in 2000 and 1999. During 2000, the Company issued 10,000 shares as compensation, 149,500 shares on the exercise of options, 58,030 shares on the exercise of advisors' warrants, and 1,161,087 shares for the acquisition of JIC.

Liquidity and Capital Resources

Current assets increased to $135,352,000 for the year ended December 31, 2000 compared to $94,436,000 for the year ended December 31, 1999. Cash and cash equivalents, consisting of cash and short-term

Return on shareholders' equity

Year ended December 31,	1998	1999	2000
Sales per share	$ 9.82	$ 15.40	$ 22.79
Income from operations per share	0.80	0.88	1.12
Earnings per share	0.34	1.25	2.56
Total assets (in millions)	$ 147.2	$ 158.7	$ 208.4
Shareholders' equity (in millions)	127.7	125.6	162.4
Net book value per share	12.34	13.33	17.32
Return on average shareholders' equity	**2.6%**	**9.30%**	**16.7%**

Palm Sized PC

term deposits, increased to $58,896,000 for the year ended December 31, 2000 versus $54,215,000 for the year ended December 31, 1999. The principal reasons for the increase in cash and cash equivalents were: (i) $28.1 million in proceeds from the disposal of holdings in Group Sense (International) Ltd.; and (ii) proceeds of $2,753,000 from the issuance of shares on exercise of options and warrants. Major uses of cash in 2000 were (i) $1,135,000 used in operating activities; (ii) $7,872,000 used for the acquisition of JIC; (iii) $3,579,000 invested in property, plant and equipment; (iv) $2,243,000 invested in Mate Fair and Shanghai Q&T; and, (v) $11,973,000 used for the payment of dividends.

Marketable Securities increased to $7,937,000 for the year ended December 31, 2000 compared to nil for the year ended December 31, 1999 consisting of 500,000 common shares of Deswell Industries Inc.

Accounts receivable at December 31, 2000 increased to $37,550,000 from $24,283,000 at December 31, 1999 reflecting the 60% increase in sales in the last quarter of 2000 compared to the fourth quarter of 1999. The acquisition of JIC contributed $8,204,000 to the increase. Inventories at December 31, 2000 increased to $27,172,000 from $10,901,000 up 149% from levels at December 31, 1999, reflecting an inventory turnover period of 54 days in 2000 versus 33 days in 1999. The increase is attributed to customer order commitments, the addition of JIC's inventory ($3.2 million), an inventory build-up in preparation of two week Chinese new year holiday in January and the continuing effects of component shortages which have increased lead times, raw material costs, and our inventory of safety stock.

Investments in Affiliated Companies at December 31, 2000 decreased to $2,054,000 from $17,308,000 at December 31, 1999 primarily as a result of the disposal of Group Sense and the investment in Mate Fair. Starting from February 2000, Nam Tai disposed of its 20% shareholding in Group Sense for cash of $28.1 million realizing a gain on the sale $10.8 million. It also acquired a 25% interest in Mate Fair Group Ltd. for $2,036,000.

Property, plant and equipment — net of $44,599,000 as at December 31, 2000 is down from $44,717,000 as at December 31, 1999. Depreciation on fixed assets for 2000 was $6,965,000 while additions to plant and equipment during 2000 were $3,579,000 including $2,189,000 of machinery and equipment, $1,131,000 of leasehold improvements, $133,000 for construction in progress, and other additions of $126,000.

At December 31, 2000, 65.8% and 34.2% of the Company's identifiable assets were located in Hong Kong and China, respectively, as compared to 64.7% and 35.3% respectively, at December 31, 1999.

Since 1998, the Company's working capital requirements have been financed from internally generated funds, and short-term borrowing was $24,000 and nil at December 31, 2000 and 1999 respectively. The Company had working capital of $89,568,000 and $61,265,000 as of December 31, 2000 and 1999 respectively. In the opinion of the Company the working capital is sufficient for the Company's present requirements.

At December 31, 2000, Nam Tai had in place general banking facilities with four financial institutions aggregating $75,442,000. For the three years ended December 31, 2000, banking facilities bore Nam Tai's corporate guarantee and there was an undertaking not to pledge any assets to any other banks without the prior consent of the Company's bankers. Such facilities, which are subject to annual review, permit the Company to obtain overdrafts, lines of credit for forward exchange contracts, letters of credit, import facilities, trust receipt financing, shipping guarantees and working capital, as well as fixed loans. As at December 31, 2000, the Company had utilized approximately $5,399,000 under such general credit facilities and had available unused credit facilities of $70,043,000. Interest on notes payable averaged 8.3% per annum during the year ended December 31, 2000. During the year ended December 31, 2000, the Company paid a total of $165,000 in interest on indebtedness.

Accounts payable increased by 57.7% to $40,224,000 for the year ended December 31, 2000 from $25,504,000 for the year ended December 31, 1999, principally as a result of increased purchases from suppliers to support the increase sales and $7,406,000 increase due to the acquisition of JIC.

The Company had no long-term debt during either 2000 or 1999.

Cash flow from operations for 2000 was ($1,135,000), a decrease from $8,953,000 for 1999. Cash used in operations for 2000 included net income of $24,001,000, depreciation of $6,965,000 and non-working capital adjustments of ($10,099,000), and changes in working capital (excluding cash and bank borrowings) of ($22,002,000).

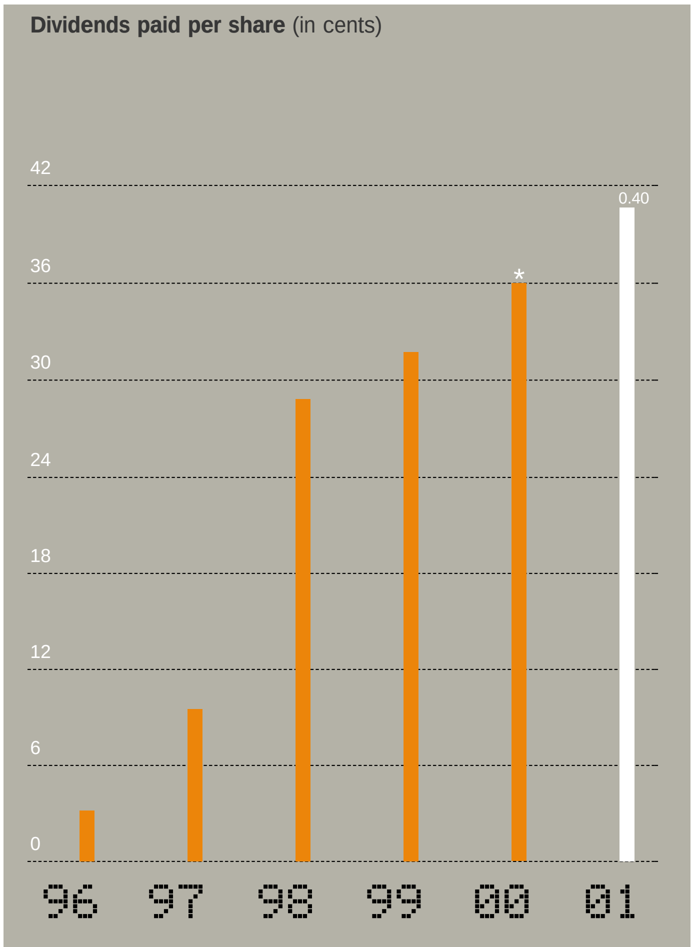
During 2000, the Company's net investment activities generated $14,906,000 including proceeds from the disposal of Group Sense $28,089,000 and proceeds from the disposal of property, plant and equipment of $388,000; less (i) $3,579,000 for the purchase of property, plant and equipment; (ii) $7,872,000 for the acquisition of JIC; and (iii) $2,243,000 for the purchase of interests in affiliated companies.

Net cash used by financing activities was approximately $9,094,000 in 2000 including the payment of dividend and special dividends of $11,973,000 and share repurchases of $73,000. The Company received

operating and financial review

$2,753,000 from the issuance of shares upon the exercise of options and warrants, and $200,000 being the contribution from the minority interest holder in the battery pack business.

The Company believes there are no material restrictions (including foreign exchange controls) on the ability of Nam Tai's non-China subsidiaries to transfer funds to the Company in the form of cash dividends, loans, advances or product/material purchases. With respect to the Company's China subsidiaries, there are restrictions on the payment of dividends and the removal of dividends from China due to the Company's reinvestment program for tax purposes and the 10% reserve fund. (See note 15 of the Notes to the Consolidated Financial Statements.) In the event that dividends are paid by the Company's China subsidiaries, they would reduce the amount available for the reinvestment program and accordingly taxes would be payable on the profits not reinvested. The Company believes such restrictions will not have a material effect on the Company's liquidity or cash flows.



*plus $1.00 special dividend

Cordless phones

In 1994, the Company resumed declaring annual dividends and have increased dividend for the last eight consecutive years. The Company declared shareholders aggregate dividends of $2,942,000, or $0.32 per share, in 1999 and $12,190,000, or $1.36 per share (including a $1.00 special dividend) in 2000. On February 13, 2001 the Company announced that it was increasing the annual dividend to $0.40 per share to be paid on a quarterly basis commencing with the first quarter 2001 dividend of $0.10 per share. It is the general policy of Nam Tai to determine the actual annual amount of future dividends based upon the Company's growth during the preceding year. Future dividends will be in the form of cash or stock or a combination of both. There can be no assurance that any dividend on the Common Shares will be declared, or if declared, what the amounts of dividends will be or whether such dividends, once declared, will continue for any future period.

Impact of Inflation

Inflation/(deflation) in China and Hong Kong in 2000, estimated at 1.5% and -3.7% respectively, has not had a material effect on Nam Tai's past business. During times of inflation, the Company has generally been able to increase the price of its products in order to keep pace with inflation. Furthermore, increases in labor costs, which represent the most significant component of the Company's production costs (other than material costs), would not materially affect its business because of the Company's utilization of less expensive labor through its operations in China. Labor and overhead expenses related to Nam Tai's Chinese factory amounted to 11.2% of the Company's total expenses before operating income during the year ended December 31, 2000 and 12.7% during the year ended December 31, 1999.

Exchange Rates

The Company sells a majority of its products in U.S. dollars and pays for its material components in Japanese yen, U.S. dollars, Hong Kong dollars, and Chinese renminbi, the currency of China (the basic unit of which is the yuan). It pays labor costs and overhead expenses in renminbi, Hong Kong dollars, Japanese yen, and Korean won. The exchange rate of the Hong Kong dollar to the U.S. dollar has been fixed by the Hong Kong government since 1983 at approximately HK$7.80 to US$1.00 through the currency issuing banks in Hong Kong and accordingly has not in the past presented a currency exchange risk.

While the governments of Hong Kong and China have indicated they will support their currencies, and have supported their currencies to date, possible devaluations may occur. While the Company expects that it may initially benefit from such devaluations through their effect of reducing expenses when translated into U.S. dollars, such benefits could be outweighed if it causes a destabilizing downturn in China's economy, creates serious domestic problems in China or creates other problems adversely affecting the Company's business.

Combined expenses in Canadian dollars and Korean won represented less than 1% of the total expenses respectively for the year ended December 31, 2000.

Management believes the Company's most significant foreign exchange risk results from material purchases made in Japanese yen. Approximately 14%, 15%, and 18% of Nam Tai's material costs have been in Japanese yen during the years ended December 31, 2000, 1999, and 1998. Sales made in yen account for less than 4% of sales for the years ended December 31, 2000, 1999 and 1998. The net currency exposure has decreased as a result a lower percentage of material being purchased in yen. The Company believes its customers will accept an increase in the selling price of manufactured products if the exchange rate of the yen appreciates beyond a range of 5% to 10%, although such customers may also request a decrease in selling price in the event of a depreciation of the Japanese yen. There may also be a delay between the time of the exchange rate fluctuation and the eventual adjustment in selling prices. The Company's belief is based on oral agreements with its principal customers which management believes are customary between OEMs and their suppliers. However, there can be no assurance that such agreements will be honored, and the refusal to honor such an agreement in the event of a severe fluctuation of the yen at a time when sales made in yen are insufficient to cover material purchases in yen would materially and adversely affect the Company's operations.

Effective January 1, 1994, China adopted a floating currency system whereby the official exchange rate equaled the market rate. Since the market and official renminbi rates were unified, the value of the renminbi against the dollar has been stable. The Company believes that because its Chinese operations are presently confined to manufacturing products for export, any devaluation of the renminbi would benefit Nam Tai by reducing its costs in China, provided that devaluation or other economic pressures do not lead to fundamental changes in the present economic climate in China.

Foreign exchange transactions involving the renminbi take place through the Bank of China or other institutions authorized to buy and sell foreign exchange or at an approved foreign exchange adjustment center (known as a "swap center"). In the past, when exchanging Hong Kong dollars for Chinese renminbi, the Company used a swap center to obtain the best possible rate. When translating the Chinese company account into U.S. dollars, the Company uses the same exchange rate as quoted by the People's Bank of China. Since January 1, 1994, when China adopted a floating currency system (whereby the official rate is equal to the market rate), swap centers and banks in China offer essentially the same market rates, facilitating the exchange of Hong Kong dollars for renminbi. The adoption of a floating currency system has had no material impact on the Company.

Beginning on November 30, 1996, the Chinese renminbi became fully convertible under the current accounts. There are no restrictions on trade-related foreign exchange receipts and disbursements in China. Capital account foreign exchange receipts and disbursements are subject to control, and organizations in China are restricted in foreign currency transactions which must take place through designated banks.

The Company may elect to hedge its currency exchange risk when it judges such action may be required. In an attempt to lower the costs of expenditures in foreign currencies, management will periodically enter into forward contracts or option contracts to buy or sell foreign currency(ies) against the U.S. dollar through one of its banks. As a result, the Company may suffer losses resulting from the fluctuation between the buy forward exchange rate and the sell forward exchange rate, or from the price of the option premium.

In 2000, Nam Tai recorded a $304,000 loss on the sale of an option that was purchased as a hedge against the appreciation of the Japanese yen. At December 31, 2000 the Company held no option or future contracts. The Company is continuing to review its hedging strategy and there can be no assurance that Nam Tai will not suffer losses in the future as a result of currency hedging.

Recent Changes in Accounting Standards

In March 2000, the Financial Accounting Standards Board ("FASB") has issued an interpretation ("FIN") No. 44 "Accounting for Certain Transactions involving Stock Compensation, an interpretation of APB Opinion No. 25". FIN No. 44 is effective on July 1, 2000 and there was no significant impact on the consolidated financial statements of the Company on adoption of FIN No. 44.

In June 1998, the FASB has issued a new standard SFAS No.133 "Derivative Instruments and Hedging Activities". SFAS No. 133 is effective for fiscal years beginning after June 15, 2000. Management has completed the analysis of the impact and concluded that there was no significant effect on the consolidated financial statements of the Company on adoption of SFAS No.133 on January 1, 2001.

Financials

Key financial ratios

Valuations/Year ended December 31,	2000	1999	1998	1997	1996
Average Quarterly Closing Price	$ 17.27	$ 12.50	$ 13.44	$ 15.92	$ 10.14
Price to EPS -– Diluted	6.74	10.00	39.53	4.33	8.74
Price to EBITDA	5.02	6.68	15.81	3.76	6.67
Price to Cash Flow	5.03	6.76	17.92	3.80	6.85
Price to Book Value	1.00	0.94	1.09	0.90	1.23
Price to Sales	0.76	0.81	1.37	1.01	0.76
Per Share Data					
EPS - Basic	$ 2.63	$ 1.26	$ 0.34	$ 3.70	$ 1.17
EPS - Diluted	2.56	1.25	0.34	3.68	1.16
EBITDA / Share (Note 1)	3.44	1.87	0.85	4.23	1.52
Cash Flow / Share (Note 1)	3.43	1.85	0.75	4.19	1.48
Net Book Value / Share (Note 1)	17.32	13.33	12.34	17.67	8.23
Sales Per Share (Note 1)	22.79	15.40	9.82	15.83	13.29
Cash Per Share (Note 1)	6.28	5.76	6.88	12.20	2.18
Liquidity / Debt Ratios					
Current Ratio	2.96	2.85	4.98	6.80	2.18
Quick Ratio	2.28	2.37	4.51	6.11	1.60
Long-term Debt / Capital	N/A	N/A	N/A	N/A	N/A
Total Debt / Capital	28.2%	26.4%	15.3%	13.2%	31.9%
Asset Management Ratios					
Inventory Turnover	6.70	11.01	17.67	9.97	8.19
Profitability Ratios					
Return on Average Total Assets	13.1%	7.7%	2.2%	24.1%	11.2%
Return on Average Shareholders' Equity	16.7%	9.3%	2.6%	28.7%	14.8%
% of Sales Ratios					
Gross Profit Margin	14.8%	17.2%	24.3%	26.1%	20.5%
Operations Profit Margin	4.9%	5.7%	8.2%	13.1%	7.9%
Net Profit Margin	11.2%	8.1%	3.5%	23.2%	8.7%
SG&A Expenses	8.3%	10.3%	13.0%	11.6%	11.7%

Note 1: Based on weighted average common shares outstanding at December 31.

	2000	1999	1998	1997	1996
Weighted average common shares outstanding	9,375,116	9,416,780	10,351,100	8,391,290	8,142,131
Common shares outstanding at December 31	10,213,840	8,840,823	9,812,523	11,220,023	7,837,227

Five-year financial summary

(in thousands of US dollars, except as noted)

Year ended December 31,	2000	1999	1998	1997	1996
Income Statement Data					
Net sales	$ 213,688	$ 145,054	$ 101,649	$ 132,854	$ 108,234
Gross profit	31,592	24,980	24,710	34,724	22,185
Income from operations	10,457	8,291	8,328	17,467	8,533
Net income	24,001	11,798	3,529	30,839	9,416
Diluted earnings per share	$ 2.56	$ 1.25	$ 0.34	$ 3.68	$ 1.16
Dividend paid per share	1.36	0.32	0.28	0.10	0.03
Balance Sheet Data					
Cash and cash equivalents	$ 58,896	$ 54,215	$ 71,215	$ 102,411	$ 17,741
Current assets	135,352	94,436	97,015	133,022	46,609
Property, plant and equipment - net	44,599	44,717	32,445	32,442	36,487
Total assets	208,370	158,747	147,228	167,788	88,391
Current liabilities	45,784	33,171	19,476	19,552	21,401
Shareholders’ equity	162,364	125,568	127,696	148,236	66,992
Weighted average common shares outstanding (in thousands)	9,375	9,417	10,351	8,391	8,142

Responsibility of management

The management of Nam Tai is responsible for the preparation of the accompanying consolidated financial statements and all related financial data contained in this annual report.

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States and necessarily include amounts which represent the best estimates and judgments of management.

The Company has developed and maintains a system of internal accounting control designed to provide reasonable assurance that assets are safeguarded and that transactions are executed in accordance with management's authorization.

The consolidated financial statements have been examined by the Company's auditors, Deloitte Touche Tohmatsu who were appointed by the shareholders. Their auditors' report is contained herein. It outlines the scope of their examination and their opinion on the consolidated financial statements.

The Board of Directors has appointed an Audit Committee comprised of three directors, all of whom are neither officers nor employees of the Company. The Audit Committee meets from time to time to review the financial statements and matters relating to the audit and has full access to management and the Company's auditors in this regard. The Company's auditors have full and free access to the Audit Committee.

Independent auditors' report

To the Shareholders and the Board of Directors of Nam Tai Electronics, Inc.:

We have audited the accompanying consolidated balance sheets of Nam Tai Electronics, Inc. and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Nam Tai Electronics, Inc. and subsidiaries at December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Hong Kong
March 15, 2001

Consolidated statements of income

(In thousands of US dollars, except per share data)

Year ended December 31,	2000	1999	1998
Net sales	$ 213,688	$ 145,054	$ 101,649
Cost of sales	182,096	120,074	76,939
Gross profit	31,592	24,980	24,710
Selling, general and administrative expenses	17,646	14,913	13,246
Research and development expenses	3,489	2,624	1,691
Non-recurring (income) expense (Note 4)	–	(848)	1,445
Total operating expenses	21,135	16,689	16,382
Income from operations	10,457	8,291	8,328
Gain on disposal of land	355	302	795
Other income - net (Note 5)	13,498	2,192	4,892
Interest expense	(165)	(192)	(1)
Write off / Provision for impairment of investment in an unconsolidated subsidiary (Note 1d)	–	(1)	(8,271)
Equity in loss of an unconsolidated subsidiary (Note 1d)	–	–	(1,708)
Equity in (loss) income of affiliated companies, including amortization of goodwill	(189)	1,146	534
Income before income taxes and minority interest	23,956	11,738	4,569
Income taxes benefit (expense) (Note 8)	33	60	(1,040)
Income before minority interest	23,989	11,798	3,529
Minority interest	12	–	–
Net income	$ 24,001	$ 11,798	$ 3,529
Basic earnings per share (Note 9)	$ 2.63	$ 1.26	$ 0.34
Diluted earnings per share (Note 9)	$ 2.56	$ 1.25	$ 0.34

See accompanying notes to consolidated financial statements.

Consolidated balance sheets

(In thousands of US dollars, except share data)

December 31,	2000	1999
Assets		
Current assets:		
Cash and cash equivalents	$ 58,896	$ 54,215
Marketable securities (Note 10)	7,937	–
Accounts receivable, net	37,550	24,283
Inventories (Note 11)	27,172	10,901
Prepaid expenses and deposits	1,755	2,967
Income taxes recoverable (Note 8)	2,042	2,070
Total current assets	135,352	94,436
Investments in affiliated companies (Note 12)	2,054	17,308
Property, plant and equipment – net (Note 13)	44,599	44,717
Intangible assets - net (Note 14)	24,996	839
Other assets	1,369	1,447
Total assets	$ 208,370	$ 158,747
Liabilities and Shareholders' Equity		
Current liabilities:		
Notes payable (Note 16)	$ 1,499	$ 6,949
Short term debt (Note 16)	24	–
Accounts payable and accrued expenses	40,224	25,504
Amount due to a related party (Note 17)	2,691	–
Dividend payable	904	718
Income taxes payable	442	–
Total current liabilities	45,784	33,171
Deferred income taxes (Note 8)	34	8
Total liabilities	45,818	33,179
Minority interest	188	–
Commitments and contingencies (Note 18)		
Shareholders' equity:		
Common shares ($0.01 par value - authorized 20,000,000 shares; shares issued and outstanding at December 31, 2000 - 10,213,840, December 31, 1999 - 8,840,823)	102	88
Additional paid-in capital	105,963	80,870
Retained earnings	56,304	44,566
Accumulated other comprehensive income	(5)	44
Total shareholders' equity	162,364	125,568
Total liabilities and shareholders' equity	$ 208,370	$ 158,747

See accompanying notes to consolidated financial statements.

Consolidated statements of shareholders' equity

(In thousands of US dollars, except share data)

	Common Shares Outstanding	Common Shares Amount	Additional Paid-in Capital	Stock Options Granted	Retained Earnings	Accumulated Other Comprehensive Income	Total Share-holders' Equity
Balance at January 1, 1998	11,220,023	$ 112	$ 80,044	$ –	$ 68,050	$ 30	$ 148,236
Share buy-back program	(1,407,500)	(14)	–	–	(21,241)	–	(21,255)
Issue of options	–	–	–	75	–	–	75
Options cancelled	–	–	–	(75)	–	–	(75)
Comprehensive income:							
Net income	–	–	–	–	3,529	–	3,529
Foreign currency translation	–	–	–	–	–	15	15
Dividends ($0.28 per share)	–	–	–	–	(2,829)	–	(2,829)
Balance at December 31, 1998	9,812,523	98	80,044	–	47,509	45	127,696
Share buy-back program	(879,700)	(9)	–	–	(10,251)	–	(10,260)
Share redemption (Note 18c)	(138,500)	(1)	–	–	(1,548)	–	(1,549)
Shares issued as compensation	10,000	–	103	–	–	–	103
Shares issued on exercise of options	36,500	–	394	–	–	–	394
Advisors' warrants	–	–	329	–	–	–	329
Comprehensive income:							
Net income	–	–	–	–	11,798	–	11,798
Foreign currency translation	–	–	–	–	–	(1)	(1)
Dividends ($0.32 per share)	–	–	–	–	(2,942)	–	(2,942)
Balance at December 31, 1999	8,840,823	$ 88	$ 80,870	$ –	$ 44,566	$ 44	$ 125,568
Share buy-back program	(5,600)	–	–	–	(73)	–	(73)
Shares issued as compensation	10,000	–	136	–	–	–	136
Shares issued on exercise of advisors' warrants	58,030	1	1,183	–	–	–	1,184
Shares issued on exercise of options	149,500	1	1,568	–	–	–	1,569
Shares issued for acquisition of subsidiaries (Note 1a)	1,161,087	12	21,783	–	–	–	21,795
Advisors' warrants	–	–	306	–	–	–	306
Advisors' options	–	–	117	–	–	–	117
Comprehensive income:							
Net income	–	–	–	–	24,001	–	24,001
Foreign currency translation	–	–	–	–	–	(49)	(49)
Dividends ($1.36 per share, including special dividend of $1 per share)	–	–	–	–	(12,190)	–	(12,190)
Balance at December 31, 2000	10,213,840	$ 102	$ 105,963	$ –	$ 56,304	$ (5)	$ 162,364

See accompanying notes to consolidated financial statements.

Consolidated statements of cash flows

(In thousands of US dollars)

Year ended December 31,	2000	1999	1998
Cash flows from operating activities:			
Net income	$ 24,001	$ 11,798	$ 3,529
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	6,965	5,288	4,258
Amortization of intangible assets	733	52	–
Amortization of advisors' warrants and options	423	329	–
Gain on disposal of property, plant and equipment	(244)	(159)	(766)
Gain on disposal of investment	(9,435)	–	–
Gain on disposal of investment in an affiliated company	(1,346)	–	–
Gain on disposal of long-term investments	–	–	(1,299)
Loss on disposal of a subsidiary	–	290	–
Unrealized (gain) loss on marketable securities	(433)	–	468
Equity in loss (income) of affiliated companies less dividend received and amortization of goodwill	189	(859)	(404)
Equity in loss of an unconsolidated subsidiary	–	–	1,708
Write off/provision for impairment of investment in an unconsolidated subsidiary	–	1	8,271
Fair value of shares issued as compensation	136	103	–
Deferred income taxes	(110)	(48)	56
Minority interest	(12)	–	–
Changes in current assets and liabilities (net of effects of acquisitions and disposals):			
(Increase) decrease in marketable securities	(7,504)	287	(981)
(Increase) decrease in accounts receivable	(5,137)	(8,147)	824
(Increase) decrease in inventories	(13,245)	(6,546)	5,483
Decrease (increase) in prepaid expenses and deposits	407	(896)	(832)
Decrease (increase) in income taxes recoverable	28	670	(174)
Decrease in notes payable	(6,331)	(329)	(1,485)
Increase in accounts payable and accrued expenses	7,203	7,224	826
Decrease in income taxes payable	(114)	(105)	(82)
Increase in amount due to a related party	2,691	–	–
Total adjustments	(25,136)	(2,845)	15,871
Net cash (used in) provided by operating activities	(1,135)	8,953	19,400
Cash flows from investing activities:			
Acquisition of subsidiaries, net of cash acquired (Note 1a)	(7,872)	–	–
Purchase of property, plant and equipment	(3,579)	(17,888)	(4,699)
Purchase of interest in affiliated companies (Note 1f,g,h)	(2,243)	–	(15,819)
Proceeds from disposal of investment	24,214	–	–
Proceeds from disposal of investment in an affiliated company	3,875	–	–
Proceeds from disposal of property, plant and equipment	388	322	1,197
Decrease (increase) in other assets	123	(53)	(53)
Acquisition of business (Note 1c)	–	(951)	–
Cash outflow on disposal of a subsidiary (Note 1e)	–	(19)	–
Purchase of interest in unconsolidated subsidiary (Note 1d)	–	–	(9,980)
Proceeds from disposal of long-term investments	–	–	2,132
Net cash provided by (used in) investing activities	14,906	(18,589)	(27,222)

(In thousands of US dollars)

Year ended December 31,	2000	1999	1998
Cash flows from financing activities:			
Dividends paid	(11,973)	(2,889)	(2,141)
Share buy-back program	(73)	(10,260)	(21,255)
Repayment of short term debt	(1)	–	–
Proceeds from shares issued on exercise of options and warrants	2,753	394	–
Contribution by minority interest	200	–	–
Share redemption	–	(1,549)	–
Notes payable	–	6,949	–
Net cash used in financing activities	(9,094)	(7,355)	(23,396)
Effect of foreign currencies on cash flows	4	(9)	22
Net increase (decrease) in cash and cash equivalents	4,681	(17,000)	(31,196)
Cash and cash equivalents at beginning of period	54,215	71,215	102,411
Cash and cash equivalents at end of period	$ 58,896	$ 54,215	$ 71,215
Supplemental schedule of cash flow information:			
Interest paid	$ 165	$ 192	$ 1
Income taxes paid	$ 129	$ –	$ 161
Non cash investing transactions:			
Acquisition of subsidiaries by issue of shares (Note 1a)	$ 21,795	$ –	$ –

See accompanying notes to consolidated financial statements.

(In thousands of US dollars. except share and per share data)

1. Acquisitions and Dispositions

Subsidiaries:

a In October 2000, Nam Tai Electronics, Inc. (the "Company") acquired all of the outstanding shares of J.I.C. Group (B.V.I.) Limited ("JIC"), a company incorporated in the British Virgin Islands. The purchase price was the initial consideration of $32,776, less an "earnings adjustment". The initial consideration was satisfied by a cash consideration of $10,981 and the issuance of 1,161,087 shares in the Company at $18.77 each, being the average market closing price as reported on The Nasdaq Stock Market ("Nasdaq") for each day during the period from September 26, 2000 to October 24, 2000 (inclusive) on which Nasdaq is open for trading and on which at least 10,000 shares were traded.

One third of the amount of the earning adjustment, if any, shall be settled in cash and the remaining balance shall be satisfied by the immediate cancellation of those shares which were issued as part of the initial consideration. The earnings adjustment is the amount of shortfall, if any, between the net income of JIC and its subsidiaries for the financial year ending March 31, 2001 and the guaranteed profit amount of $3,846, multiplied by 8.5. This adjustment, if any, will be recorded as an adjustment to the purchase price and goodwill.

The acquisition was accounted for as a purchase and the results of JIC and its subsidiaries have been included in the accompanying consolidated financial statements since the date of acquisition. The excess of the purchase consideration over the fair value of the net assets acquired of $10,002 was $22,774 and has been recorded as goodwill which is being amortized on a straight-line basis over 15 years.

The following unaudited pro forma consolidated results of operations give effect to the acquisition of JIC as if it occurred as of the beginning of the period:

Year ended December 31,		2000		1999
Net sales	$	239,327	$	167,834
Net income	$	25,492	$	13,070
Basic earnings per share	$	2.53	$	1.25
Diluted earnings per share	$	2.47	$	1.24

JIC and its subsidiaries are principally engaged in the manufacture and trading of liquid crystal display panels and transformers. Their production base is located at Shenzhen and Bao An, which are used by three subsidiaries of JIC namely, Jieda Electronics (Shenzhen) Co. Ltd. ("Jieda"), Jetup Electronic (Shenzhen) Co., Ltd. ("Jetup") and Jieyao Electronics (Shenzhen) Co., Ltd. ("Jieyao"), being wholly foreign owned enterprises in the People's Republic of China (the "PRC").

b In March 2000, Nam Tai Electronic & Electrical Products Limited ("NTEE"), a wholly-owned subsidiary of the Company, together with Toshiba Battery Co., Ltd. ("TBCL"), established BPC (Shenzhen) Co., Ltd. ("BPC"), a wholly foreign owned enterprise in Shenzhen, PRC. NTEE has a 86.67% interest in BPC and the investment cost of $1,300 was contributed in cash. BPC is located within the Company's existing manufacturing complex where it produces and sells high-end, environmentally friendly, rechargeable lithium ion battery packs.

c On May 28, 1999, the Company acquired from Micro Business Systems Industries Company Limited a telecommunication business including the design, research and development, and marketing of telecommunication products for a consideration of $951 including acquisition costs. The acquisition was accounted for as a purchase and the results of operations of the acquired business have been included in the accompanying consolidated financial statements since the date of acquisition. The excess of the purchase consideration over the fair value of the assets acquired of $175 was $776 and has been recorded as goodwill which is being amortized on a straight-line basis over 4 years. The results of operations of the business acquired were not material in relation to the consolidated results of operations of the Company.

d On December 2, 1998, the Company acquired 50.00025% of the outstanding shares of Albatronics (Far East) Company Limited ("Albatronics"), a Hong Kong public listed company, for cash of $9,980 including transaction fees. Albatronics and its subsidiaries were engaged in the trading of electronic components and manufacturing of consumer electronics products.

On the completion of the Albatronics acquisition on December 2, 1998, the Company indicated that it would take steps to support Albatronics depending on the results of a comprehensive study investigating opportunities for corporate restructuring and streamlining of overhead expenses in Albatronics. Despite the Company's cash investment, Albatronics' financial position weakened dramatically since the agreement to invest in Albatronics was signed in September 1998. As Albatronics became unable to pay its liabilities as they came due, management of the Company and Albatronics undertook negotiations with Albatronics' major trade creditors for forbearance on demands for repayment and concessions as to amounts payable.

Due to the troubled financial condition of Albatronics at December 31, 1998, it was probable that the Company would never be in a position to exercise control over Albatronics as such control would rest with the creditors of Albatronics. Accordingly, the Company did not consolidate Albatronics' financial statements at December 31, 1998, for the year then ended or for any subsequent period. Instead, the Company recorded as separate line items on its consolidated statements of income Albatronics' loss for the month of December 1998 of $1,708 as "equity in loss of an unconsolidated subsidiary" and a "provision for impairment of investment in an unconsolidated subsidiary" of $8,271 against the remaining carrying value of this investment. As a result, the carrying value of the Company's investment in Albatronics was recorded on the consolidated balance sheet at December 31, 1998 as "investment in an unconsolidated subsidiary" at a nominal value of $1.

At the extraordinary general meeting held on August 20, 1999, a special resolution for the voluntary winding up of Albatronics was approved by the shareholders of Albatronics. As a result, the remaining nominal investment value was written off in 1999. On February 1, 2000, the Company received an invitation soliciting offers for the rescue or restructuring of Albatronics from Albatronics' liquidator. According to the invitation, such offers will likely be subject to the consent and approval of the creditors, the Stock Exchange of Hong Kong Limited and shareholders of Albatronics. The success of any rescue or restructuring proposal is dependent upon acceptance from the Company which is the majority shareholder of Albatronics. The Company will carefully consider the terms of the solicitation and any proposals, coordinating with other creditors and the liquidator, with the objective of maximizing its return.

During 1999, the Company commenced legal proceedings against Albatronics seeking compensation to recover its investment and seeking damages for breach of representations, warranties and undertakings.

e In June 1999, the Company sold its subsidiary, Nam Tai Electronics (Canada) Ltd. ("NT Canada"), to its management at a nominal value which the board of directors believed represented the fair market value and realized a loss on disposition of $290. NT Canada provided investor relations, regulatory compliance and other services to the Company. NT Canada, now no longer a subsidiary of the Company, was renamed Pan Pacific I.R. Ltd. by its new owners and continues to provide similar services to the Company.

Affiliated companies:

f In September 2000, the Company acquired a 5% indirect shareholding in both TCL Mobile Communication (HK) Co., Ltd. and Huizhou TCL Mobile Communication Co., Ltd. (collectively "TCL Mobile") through the acquisition of 25% outstanding shares of Mate Fair Group Limited ("Mate Fair"), an investment holding company incorporated in the British Virgin Islands with a 20% shareholding interest in TCL Mobile. The acquisition was satisfied by a cash consideration of $2,036.

TCL Mobile is engaged in manufacturing, distributing and trading of digital mobile phones and accessories in the PRC as well as overseas markets.

Mate Fair has been accounted for as an affiliated company and the results of Mate Fair has been equity accounted for in the consolidated financial statements from the date of acquisition.

g In March 2000, Nam Tai Electronic (Shenzhen) Co., Ltd. ("NTES"), a wholly-owned subsidiary of the Company, acquired 42.5% of the equity interest in Shanghai Q&T Tech. Co., Ltd. ("Shanghai Q&T") (formerly known as Red Net Technology Co., Ltd.), a company registered in the PRC for $207. Shanghai Q&T has been accounted for as an affiliated company and the results of Shanghai Q&T has been equity accounted for in the consolidated financial statements from the date of acquisition.

h On May 27, 1998, the Company acquired 20% of the outstanding shares of Group Sense (International) Limited ("Group Sense"), a Hong Kong public listed company, for cash of $16,279 which was reduced by a pre-acquisition dividend of $460. Group Sense and its subsidiaries manufacture consumer electronics products. Starting from February 2000, the Company began to dispose of its shareholding in Group Sense and up to November 2000, the Company had disposed of its entire interest in Group Sense for cash of $28,089 in total.

Group Sense had been accounted for as an affiliated company in 1999 and the results of Group Sense had been included in the consolidated financial statements from the date of acquisition to September 30, 1999 (interim announcement date of Group Sense, the date of latest available results in that year) as permitted by Accounting Principles Board ("APB") Opinion No. 18 "The equity method of accounting for investments in common stock". Upon the reduction of shareholding in Group Sense below the 20% level in 2000, the equity method was discontinued and the carrying amount at the date of discontinuance became the cost of investment, which was subsequently included in the calculation of the gain on disposal of investment in 2000 upon sale of the Company's remaining ownership interest.

2. Summary of Significant Accounting Policies

a Principles of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries, excluding Albatronics. In 1998, the Company equity accounted for its share of the loss of Albatronics. As all investment in Albatronics has been written off and the Company has ceased to provide additional financial support, in 1999 the Company ceased to account for any additional losses of Albatronics. Intercompany accounts and transactions have been eliminated on consolidation. The details of the Company's subsidiaries are described in Note 15.

The Company's investment in Group Sense, Mate Fair and Shanghai Q&T are accounted for by the equity method. Accordingly, the Company's share of the earnings of these companies are included in consolidated net income. In February 2000, the Company began to dispose of its shareholding in Group Sense. Upon the reduction of shareholding in Group Sense below the 20% level, the equity method was then discontinued.

b Goodwill and license

The excess of the purchase price over the fair value of net assets acquired is recorded on the consolidated balance sheet as goodwill. Goodwill is amortized to expense on a straight-line basis over various periods not exceeding 40 years. Costs incurred in the acquisition of licenses are capitalized and amortized to expense on a straight-line basis over the shorter of license period or 5 to 7 years.

(In thousands of US dollars. except share and per share data)

c Use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

d Cash and cash equivalents

Cash and cash equivalents include all cash balances and certificates of deposit having a maturity date of three months or less upon acquisition.

e Inventories

Inventories are stated at the lower of cost or market value. Cost is determined on the first-in, first-out basis.

f Marketable securities

All marketable securities are classified as trading securities and are stated at fair market value. Market value is determined by the most recently traded price of the security at the balance sheet date. Net realized and unrealized gains and losses on trading securities are included in other income. The cost of securities sold is based on the average cost method and income earned is included in other income.

g Property, plant and equipment

Property, plant and equipment are recorded at cost and include interest on funds borrowed to finance construction. No interest was capitalized for the years ended December 31, 2000, 1999 and 1998. The cost of major improvements and betterments is capitalized whereas the cost of maintenance and repairs is expensed in the year incurred. Gains and losses from the disposal of property, plant and equipment are included in income from operations, and gains and losses from the disposal of unused land are separately reported in the consolidated statements of income.

The majority of the land in the Hong Kong Special Administration Region ("Hong Kong") of the PRC is owned by the government of Hong Kong which leases the land at public auction to nongovernmental entities. With the exception of those leases which expire after June 30, 1997 and before June 30, 2047 with no right of renewal, the Sino-British Joint Declaration extends the terms of all currently existing land leases for another 50 years beyond June 30, 1997. Thus, all of the Company's leasehold land in Hong Kong are considered to be medium-term assets. The cost of such leasehold land is amortized on the straight-line basis over the respective terms of the leases.

All land in other regions in the PRC is owned by the PRC government. The government in the PRC, according to PRC law, may sell the right to use the land for a specified period of time. Thus all of the Company's land purchases in the PRC are considered to be leasehold land and are amortized on the straight-line basis over the respective term of the right to use the land.

Depreciation rates computed using the straight-line method are as follows:

Classification	Years
Buildings	20 to 50 years
Machinery and equipment	4 to 12 years
Leasehold improvements	3 to 7 years
Automobiles	4 to 6 years
Furniture and fixtures	4 to 7 years
Tools and molds	4 to 6 years

Assets under construction are not depreciated until construction is completed and the assets are ready for their intended use.

h Impairment

The Company reviews its long-lived assets, including goodwill and license costs, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may no longer be recoverable. An impairment loss, measured based on the fair value of the assets, is recognized if expected future non-discounted cash flows are less than the carrying amount of the assets.

i Revenue recognition

Revenue from sales of products is generally recognized when the title is passed to customers upon shipment and when collectibility is reasonably assured. Provision for discounts and rebates to customers, and returns and other adjustments are provided for in the same period the related sales are recorded.

j Research and development costs

Research and development costs relating to the development of new products and processes, including significant improvements and refinements to existing products, are expensed as incurred.

k Staff retirement plan costs

The Company's costs related to the staff retirement plans (Note 6) are charged to the consolidated statement of income as incurred.

l Income taxes

The Company provides for all taxes based on income whether due at year end or estimated to become due in future periods but based on profits earned to date. However, under the current tax legislation in the PRC, the Company has reasonable grounds to believe that income taxes paid by NTES, Zastron Plastic & Metal Products (Shenzhen) Ltd. ("Zastron") and Shenzhen Namtek Co., Ltd. ("Namtek") in respect of any year would be refunded after the profits earned in that year are reinvested in the business by way of subscription for new shares. Accordingly, any PRC tax paid by these subsidiaries during the year is recorded as an amount receivable at year end when an application for reinvestment of profits has been filed and a refund is expected unless there is an indication from the PRC tax authority that the refund will be refused. Deferred income taxes are provided to recognize the effect of the difference between the financial statement and income tax bases of measuring assets and liabilities.

m Foreign currency transactions and translations

All transactions in currencies other than functional currencies during the year are translated at the exchange rates prevailing on the respective transaction dates. Related accounts payable or receivable existing at the balance sheet date denominated in currencies other than functional currencies are translated at the exchange rates existing on that date. Exchange differences are recorded in the consolidated statement of income.

The Company's subsidiaries adopt the U.S. dollar, Hong Kong dollar or the Renminbi as their functional currencies. The financial statements of all subsidiaries with functional currencies other than the U.S. dollar are translated in accordance with Statement of Financial Accounting Standard ("SFAS") No. 52, "Foreign Currency Translation". All assets and liabilities are translated at the rates of exchange ruling at the balance sheet date and all income and expense items are translated at the average rates of exchange over the year. All exchange differences arising from the translation of subsidiaries' financial statements are recorded as a component of comprehensive income.

The exchange rate between the Hong Kong dollar and the U.S. dollar has been pegged (HK$7.80 to US$1.00) since October 1983.

n Earnings per share

Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding during the period.

Diluted earnings per share gives effect to all dilutive potential common shares outstanding during the period. The weighted average number of common shares outstanding is adjusted to include the number of additional common shares that would have been outstanding if the dilutive potential common shares had been issued.

o Currency contracts

The Company enters into forward currency contracts in its management of foreign currency exposures. Firmly committed transactions are hedged with forward exchange contracts. Anticipated, but not yet firmly committed transactions are hedged through the use of purchased options. Gains and losses related to hedges of firmly committed transactions are deferred and are recognized in income or as adjustments of carrying amounts when the hedged transaction occurs. Other foreign exchange contracts are marked to market with the net realized or unrealized gains or losses recognized in other income - net (Note 5). Premiums paid on purchased options are included in prepaid expenses and deposits and are recognized in income over the life of the options.

p Stock options

SFAS No. 123 "Accounting for Stock-Based Compensation" allows companies which have stock-based compensation arrangements with employees to adopt a new fair value basis of accounting for stock options and other equity instruments or to continue to apply the existing accounting rules under APB Opinion No. 25, "Accounting for Stock Issued to Employees," but with additional financial statement disclosure. The Company continues to account for stock-based compensation arrangements under APB Opinion No. 25 and provides additional disclosures required by SFAS No. 123 in Note 19a.

q Comprehensive income

The Company reports comprehensive income in accordance with SFAS No. 130, "Reporting Comprehensive Income". Accumulated other comprehensive income represents foreign currency translation adjustments and is included in the shareholders' equity section of the balance sheet. The comprehensive income of the Company was $23,952, $11,797 and $3,544 for the years ended December 31, 2000, 1999 and 1998, respectively.

r Recent changes in accounting standards

In March 2000, the Financial Accounting Standards Board ("FASB") has issued an interpretation ("FIN") No. 44 "Accounting for Certain Transactions involving Stock Compensation, an interpretation of APB Opinion No. 25". FIN No. 44 is effective on July 1, 2000 and there was no significant impact on the consolidated financial statements of the Company on adoption of FIN No. 44.

In June 1998, the FASB has issued a new standard SFAS No.133 "Derivative Instruments and Hedging Activities". SFAS No. 133 is effective for fiscal years beginning after June 15, 2000. Management has completed the analysis of the impact and concluded that there was no significant effect on the consolidated financial statements of the Company on adoption of SFAS No.133 on January 1, 2001.

s Reclassification

Certain prior year amounts in the accompanying consolidated financial statements have been reclassified to conform to the current years' presentation. These reclassifications had no effect on the net income or financial position for any year presented.

(In thousands of US dollars, except share and per share data)

3. Financial Instruments

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of its cash equivalents and trade receivables.

The Company's cash and cash equivalents are high-quality deposits placed with banking institutions with high credit ratings. This investment policy limits the Company's exposure to concentrations of credit risk.

The trade receivable balances largely represent amounts due from the Company's principal customers who are generally international organizations with high credit ratings. Letters of credit are the principal security obtained to support lines of credit or negotiated contracts from a customer. As a consequence, concentrations of credit risk are limited. During the years ended December 31 2000, 1999 and 1998 the Company has not incurred any bad debt expense and does not maintain any allowances for doubtful accounts.

All of the Company's significant financial instruments at December 31, 2000 and 1999 are reported in current assets or current liabilities in the consolidated balance sheet at carrying amounts which approximate their fair value due to the short maturity of these instruments.

From time to time, the Company hedges its currency exchange risk, which primarily arises from materials purchased in currencies other than U.S. dollars, through the purchase and sale of currency forward contracts and options. Such contracts typically allow the Company to buy or sell currencies at a fixed price with maturities that do not exceed one year. The Company's forward contracts do not subject the Company to risk from exchange rate movements because gains and losses from such contracts offset losses and gains, respectively, of the assets or liabilities being hedged. At December 31, 2000, there were no open currency forward contracts and options. As at December 31, 1999, the Company had outstanding forward contracts and options to purchase Japanese Yen of approximately $1,755 and $20,000, respectively with maturities that did not exceed six months.

There was no carrying value for foreign currency forward contracts at December 31, 1999. The estimated fair values represents the amount required to enter into offsetting contracts with similar remaining maturities based on quoted market prices. At December 31, 1999, the difference between the contract amounts and fair values was immaterial.

The carrying value and fair value of foreign currency options were $554 and $1,058, respectively, as of December 31, 1999. Fair value relating to foreign currency options at December 31, 1999 was based on the amount the Company would receive or pay to terminate the contracts based on quoted market prices as at December 31, 1999.

4. Non-recurring (Income) Expense

The amount in 1999 represented the write-back of the remaining balance of the provision on the settlement of a non-recurring customs assessment in the PRC which was recorded as non-recurring expense in 1998.

5. Other Income - Net

Other income - net consists of:

Year ended December 31,	2000	1999	1998
Interest income	$ 3,300	$ 3,330	$ 5,047
Miscellaneous (expense) income	(435)	8	(196)
Gain on disposal of investment in an affiliated company	1,346	–	–
Realized gain on disposal of investments, net	9,435	144	1,207
Currency option premium written off	(304)	(566)	(840)
Foreign exchange gain (loss)	51	(413)	394
Bank charges	(328)	(311)	(252)
Unrealized gain (loss) on marketable securities	433	–	(468)
	$ 13,498	$ 2,192	$ 4,892

In February 2000, the Company sold a portion of its shareholding in Group Sense, resulting in a gain on disposal of investment in an affiliated company of $1,346 and the reduction of shareholding in Group Sense below the 20% level. The Company then continued to dispose of all of its remaining shareholding in Group Sense, resulting in a gain of $9,435 in 2000. Total gain on disposal of the entire shareholdings in Group Sense during 2000 amounted to $10,781.

6. Staff Retirement Plans

The Company maintains staff contributory retirement plans (defined contribution pension plans) which cover certain of its employees. The cost of the Company's contributions amounted to $174, $138 and $79 for the years ended December 31, 2000, 1999 and 1998, respectively.

7. Deferred Compensation Arrangement

In August 1990, the Company agreed to provide compensation in the event of loss of office, for whatever reason, for two officers. The amount of compensation to be ultimately provided is $500 for Mr. M. K. Koo, the Senior Executive Officer of the Company and $300 for Mr. T. Murakami, the Chairman of the Company and was fully expensed by December 31, 1995. At December 31, 2000, the amounts payable to Mr. M. K. Koo and Mr. T. Murakami are still included in accounts payable and accrued expenses.

8. Income Taxes Benefit (Expense)

The components of income before income taxes and minority interest are as follows:

Year ended December 31,	2000	1999	1998
PRC, excluding Hong Kong	$ 6,384	$ 7,355	$ 8,207
Hong Kong	17,572	4,387	(4,017)
Other	–	(4)	379
	$ 23,956	$ 11,738	$ 4,569

Under the current British Virgin Islands law, the Company's income is not subject to taxation. Subsidiaries, primarily operating in Hong Kong and the PRC, are subject to income taxes as described below.

The provision for current income taxes of the subsidiaries operating in Hong Kong has been calculated by applying the current rate of taxation of 16% to the estimated taxable income earned in or derived from Hong Kong during the period.

Deferred tax, where applicable, is provided under the liability method at the rate of 16%, being the effective Hong Kong statutory income tax rate applicable to the ensuing financial year, on the difference between the financial statement and income tax bases of measuring assets and liabilities.

The basic corporate tax rate for Foreign Investment Enterprises ("FIEs") in the PRC, such as NTES, Zastron, Namtek, BPC, Jieda, Jetup, and Jieyao (the "PRC Subsidiaries") is currently 33% (30% state tax and 3% local tax). However, because all the PRC subsidiaries are located in the designated Special Economic Zone ("SEZ") of Shenzhen and are involved in production operations, they qualify for a special reduced state tax rate of 15%. In addition, the local tax authorities in the Shenzhen SEZ are not currently assessing any local tax.

Since, the PRC subsidiaries have agreed to operate for a minimum of 10 years in the PRC, a two-year tax holiday from the first profit making year is available, following which in the third through fifth years there is a 50% reduction to 7.5%. In any event, for FIEs such as NTES, Zastron and Namtek which export 70% or more of the production value of their products, a reduction in the tax rate is available; in all cases apart from the years in which a tax holiday is available, there is an overall minimum tax rate of 10%. For the years ended December 31, 1990 and 1991, NTES qualified for a tax holiday; tax was payable at the rate of 7.5% on the assessable profits of NTES for the years ended December 31, 1992, 1993 and 1994, and 10% in 1995, 1996, 1997 and 1998. On January 8, 1999, NTES received the recognition of "High and New Technology Enterprise" which entitles it to various tax benefits including a lower income tax rate of 7.5% until January 7, 2004. For the years ended December 31, 1992 and 1993, Zastron qualified for a tax holiday; tax was payable at the rate of 7.5% on the assessable profits of Zastron for the years ended December 31, 1994, 1995 and 1996 and 10% for the years ended December 31, 1997, 1998, 1999 and 2000. In 1996 and 1997, Jieda and Namtek qualified for a tax holiday. For the years ended December 31, 1998, 1999 and 2000, tax was payable at the rate of 7.5% on the assessable profit. Jetup enjoyed its tax holiday since 1997 and tax was payable at the rate of 7.5% on its assessable profit for the years ended December 31, 1999 and 2000. For the years ended December 31, 1999 and 2000, Jieyao qualified for a tax holiday. For BPC, the tax holiday has not yet commenced due to continuous loss accumulated since the date of establishment.

Notwithstanding the foregoing, an FIE whose foreign investor directly reinvests by way of subscription for new shares its share of profits obtained from that FIE or another FIE owned by the same foreign investor in establishing or expanding an export-oriented or technologically advanced enterprise in the PRC for a minimum period of five years may obtain a refund of the taxes already paid on those profits.

NTES, Zastron and Namtek qualified for such refunds of taxes as a result of reinvesting their profit earned in previous years. As a result, the Company recorded tax expense net of the benefit related to the refunds. At December 31, 2000 and 1999, taxes recoverable under such refund arrangements were $2,042 and $2,028, respectively, which are included in income taxes recoverable.

(In thousands of US dollars, except share and per share data)

The current and deferred components of the income tax benefit (expense) appearing in the consolidated statements of income are as follows:

Year ended December 31,	2000	1999	1998
Current tax	$ (77)	$ 12	$ (984)
Deferred tax	110	48	(56)
	$ 33	$ 60	$ (1,040)

The components of deferred tax assets and liabilities are as follows:

Year ended December 31,	2000	1999	1998
Deferred tax asset:			
Net operating loss carryforwards	$ 17	$ 83	$ –
Deferred tax liability:			
Excess of tax allowances over depreciation	(51)	(91)	(56)
Net deferred tax liability	$ (34)	$ (8)	$ (56)

At December 31, 2000 and 1999, a subsidiary of the Company had tax losses carryforward for Hong Kong tax purposes, subject to the agreement of the Hong Kong Inland Revenue Department, amounting to approximately $104 and $521 respectively which have no expiration date.

A reconciliation of the income tax benefit (expense) to the amount computed by applying the current tax rate to the income before income taxes in the consolidated statements of income is as follows:

Year ended December 31,	2000	1999	1998
Income before income taxes and minority interest	$ 23,956	$ 11,738	$ 4,569
PRC tax rate	15%	15%	15%
Income tax expense at PRC tax rate on income before income tax	$ (3,593)	$ (1,761)	$ (685)
Effect of difference between Hong Kong and PRC tax rates applied to Hong Kong income	(7)	(37)	(54)
Effect of income for which no income tax expense is payable	2,527	675	586
Tax holidays and tax incentives	491	543	412
Effect of PRC tax concessions, giving rise to no PRC tax liability	508	538	714
Tax benefit (expense) arising from items which are not assessable (deductible) for tax purposes:			
Gain on disposal of unused land in Hong Kong	53	47	125
Offshore interest income	76	143	–
Non-deductible items	(252)	(122)	–
Provision for impairment of investment in an unconsolidated subsidiary	–	–	(1,241)
Other	230	34	(897)
	$ 33	$ 60	$ (1,040)

No income tax arose in the United States of America in any of the periods presented.

Tax that would otherwise have been payable without tax holidays and tax concessions amounts to approximately $999, $1,081 and $1,126 in the years ended December 31, 2000, 1999 and 1998, respectively (representing a decrease in the basic earnings per share of $0.11, $0.11 and $0.11, and a decrease in the diluted earnings per share of $0.11, $0.11 and $0.11 in the years ended December 31, 2000, 1999 and 1998, respectively).

9. Earnings Per Share

The calculations of basic earnings per share and diluted earnings per share are computed as follows:

Year ended December 31, 2000	Income	Shares	Per Share Amount
Basic earnings per share	$ 24,001	9,114,175	$ 2.63
Effect of dilutive securities			
- Stock options	–	140,676	
- Warrants	–	120,265	
Diluted earnings per share	$ 24,001	9,375,116	$ 2.56

Warrants to purchase 3,055,159 shares of common shares at $20.40 were outstanding at December 31, 2000 but were not included in the computation of diluted earnings per share because the exercise price of the warrants was greater than the average market price of the common shares during the relevant period.

Year ended December 31, 1999		Income	Shares		Per Share Amount
Basic earnings per share	$	11,798	9,328,213	$	1.26
Effect of dilutive securities					
- Stock options		–	40,997		
- Warrants		–	47,570		
Diluted earnings per share	$	11,798	9,416,780	$	1.25

Stock options to purchase 1,500 shares of common shares at $15.75 and warrants to purchase 2,997,129 shares of common shares at $20.40 and 130,000 shares of common shares plus 130,000 warrants at $20.40 were outstanding at December 31, 1999 but were not included in the computation of diluted earnings per share because the exercise price of the share options and warrants was greater than the average market price of the common shares during the relevant period.

Year ended December 31, 1998		Income	Shares		Per Share Amount
Basic earnings per share	$	3,529	10,316,510	$	0.34
Effect of dilutive securities					
- Stock options		–	23,162		
- Warrants		–	11,428		
Diluted earnings per share	$	3,529	10,351,100	$	0.34

Stock options to purchase 3,500 common shares at $15.75 and warrants to purchase 2,997,129 common shares at $20.40 and 130,000 common shares plus 130,000 warrants at $20.40 were outstanding at December 31, 1998 but were not included in the computation of diluted earnings per share because the exercise price of the share options and warrants was greater than the average market price of the common shares during the relevant period.

10. Marketable Securities

During 2000, the Company acquired equity securities listed in the Nasdaq and all of them were classified as trading securities and included in current assets at December 31, 2000.

At December 31,		2000		1999
Cost	$	7,504		–
Unrealized gain on marketable securities		433		–
Market value	$	7,937	$	–

11. Inventories

Inventories consist of:

At December 31,		2000		1999
Raw materials	$	21,232	$	7,416
Work-in-progress		3,126		1,380
Finished goods		2,814		2,105
	$	27,172	$	10,901

12. Investments in Affiliated Companies

As of December 31, 1999, investments in affiliated companies represented the Company's investment in Group Sense which included the unamortized excess of the Company's investment over its equity in Group Sense's assets. The excess was approximately $2,090 at December 31, 1999, and was being amortized on a straight-line basis over the estimated economic useful life of 10 years. The amortization charge for the year ended December 31, 1999 and 1998 was $241 and $80, respectively. At December 31, 1999, the aggregate market value of the Company's investment in Group Sense as quoted on The Stock Exchange of Hong Kong Limited was $16,902 and in 1999, the Company received dividend payments from Group Sense of $263. During 2000, the Company disposed of its entire interest in Group Sense for cash of $28,089.

As of December 31, 2000, investments in affiliated companies of $2,054 represent the Company's interest in Mate Fair. The Company's investment in Mate Fair includes the unamortized excess of the Company's investment over its equity in Mate Fair's assets. The excess was approximately $1,525 and is being amortized on a straight-line basis over the estimated economic useful life of 10 years. The amortization charge for the year ended December 31, 2000 was $51.

(In thousands of US dollars, except share and per share data)

The Company's interest in Shanghai Q&T was reduced to zero as Shanghai Q&T incurred losses during the year ended December 31, 2000. The Company does not have any further financial commitment in Shanghai Q&T.

The Company's retained earnings included the (accumulated losses) undistributed earning of affiliates, including related amortization of goodwill, of $(189) and $1,680 as of December 31, 2000 and December 31, 1999, respectively.

13. Property, Plant and Equipment

Property, plant and equipment consist of the following:

At December 31,	2000	1999
At cost		
Land use right, land and buildings	$ 25,485	$ 24,893
Machinery and equipment	32,876	29,478
Leasehold improvements	9,872	8,234
Automobiles	1,652	1,259
Furniture and fixtures	1,519	1,134
Tools and molds	87	78
Total	71,491	65,076
Less: accumulated depreciation and amortization	(27,025)	(20,359)
Construction in progress	133	–
Net book value	$ 44,599	$ 44,717

14. Intangible assets

Intangible assets consist of the following:

At December 31,	2000	1999
Goodwill	$ 24,478	$ 776
License	1,321	115
Total	25,799	891
Less: accumulated amortization	(803)	(52)
	$ 24,996	$ 839

Amortization expense charged to income from operations for the year ended December 31, 2000, 1999 and 1998 was $733, $52 and nil, respectively.

15. Investment in subsidiaries

	Place of incorporation	Principal activity	Percentage of ownership as at December 31, 2000	1999
Consolidated principal subsidiaries:				
BPC (Shenzhen) Co., Ltd.	PRC	Manufacturing	86.67%	–
J.I.C. Electronics Company Limited	Hong Kong	Manufacturing and trading	100%	–
J.I.C. Enterprises (Hong Kong) Limited	Hong Kong	Trading	100%	–
J.I.C. Group (B.V.I.) Limited	British Virgin Islands	Investment holding	100%	–
Jetup Electronic (Shenzhen) Co., Limited	PRC	Manufacturing	100%	–
Jieda Electronics (Shenzhen) Co., Ltd.	PRC	Manufacturing	100%	–
Jieyao Electronics (Shenzhen) Co., Ltd.	PRC	Manufacturing	100%	–
Nam Tai Electronic & Electrical Products Limited	Hong Kong	Trading	100%	100%
Nam Tai Telecom (Hong Kong) Company Limited	Hong Kong	Trading	100%	100%
Namtai Electronic (Shenzhen) Co., Ltd.	PRC	Manufacturing	100%	100%
Shenzhen Namtek Co., Ltd.	PRC	Software development	100%	100%
Zastron Plastic & Metal Products (Shenzhen) Ltd.	PRC	Manufacturing	100%	100%
Unconsolidated subsidiary:				
Albatronics (Far East) Company Limited (in liquidation)	Hong Kong	Ceased business in August 1999	50.00025%	50.00025%

Retained earnings are not restricted as to the payment of dividends except to the extent dictated by prudent business practices. The Company believes that there are no material restrictions, including foreign exchange controls, on the ability of its non-PRC subsidiaries to transfer surplus funds to the Company in the form of cash dividends, loans, advances or purchases. With respect to the Company's PRC subsidiaries, there are restrictions on the purchase of materials by these companies, the payment of dividends and the removal of dividends from the PRC. In the event that dividends are paid by the Company's PRC subsidiaries, such dividends will reduce the amount of reinvested profits (Note 8) and accordingly, the refund of taxes paid will be reduced to the extent of tax applicable to profits not reinvested. However, the Company believes that such restrictions will not have a material effect on the Company's liquidity or cash flows.

16. Short term debt and banking facilities

The Company has credit facilities with various banks representing trade acceptances and overdrafts. At December 31, 2000 and 1999, these facilities totaled $75,442 and $38,020, of which $5,399 and $10,711 were utilized at December 31, 2000 and 1999, respectively. The maturity of these facilities is generally up to 90 days. Interest rates are generally based on the banks' usual lending rates in Hong Kong and the credit lines are normally subject to annual review. The banking facilities restrict the pledge of assets to any other banks without the prior consent of the Company's bankers. At December 31, 2000, credit lines with certain banks were secured by post dated cheques of $105 and land and buildings with net book values of $230.

The notes payable, which include trust receipts and shipping guarantees, may not agree to utilized banking facilities due to a timing difference between the Company receiving the goods and the bank issuing the trust receipt to cover financing of the purchase. The Company recognizes the outstanding letter of credit as a note payable when the goods are received, even though the bank may not have issued the trust receipt. However, this will not affect the total bank facility utilization, as an addition to trust receipts will be offset by a reduction in the same amount of outstanding letters of credit.

At December 31,	2000	1999
Outstanding letters of credit	$ 3,900	$ 2,718
Trust receipts	389	6,949
Usance bills pending maturity	1,110	–
Total banking facilities utilized	5,399	9,667
Less: Outstanding letters of credit	(3,900)	(2,718)
Notes payable per balance sheets	$ 1,499	$ 6,949

In addition, the Company has bank borrowings of $24, which is bearing interest at 5.445% per annum and is secured by an automobile with a net book value of $37 as of December 31, 2000.

17. Related party balance and transactions

As of December 31, 2000, the balance due to a related party represents the balance due to TBCL, a minority shareholder of BPC.

Since the establishment of BPC in 2000, the Company recognized net sales of $6,232, purchased raw materials of $22,370, acquired property, plant and equipment of $814 from TBCL and its related companies. The Company also acquired a license for $1,000 from TBCL.

18. Commitments and Contingencies

a As at December 31, 2000, the Company has entered into commitments for capital expenditures of approximately $19,078 for property, plant and equipment which are expected to be disbursed during the year ending December 31, 2001.

b **Lease commitments**

The Company leases premises under various operating leases which do not contain any escalation clauses. Rental expense under operating leases was $812 in 2000, $528 in 1999 and $337 in 1998.

At December 31, 2000, the Company was obligated under operating leases, which relate to land and buildings, requiring minimum rentals as follows:

Year Ending December 31,	
- 2001	$ 1,452
- 2002	1,195
- 2003	1,188
- 2004	1,188
- 2005	1,188
- 2006 and thereafter	1,880
	$ 8,091

(In thousands of US dollars, except share and per share data)

c Significant legal proceedings

In June 1997, the Company filed a petition in the British Virgin Islands for the winding up of Tele-Art Inc. on account of an unpaid judgement debt owing to the Company. The High Court of Justice granted an order to wind up Tele-Art Inc. and the Caribbean Court of Appeal upheld the decision on January 25, 1999. On January 22, 1999, pursuant to its Articles of Association, the Company redeemed and cancelled 138,500 shares of the Company registered in the name of Tele-Art, Inc. at a price of $11.19 per share to offset substantially all of the judgement debt, interest and legal costs of $667 totaling $1,600. On February 12, 1999, the liquidator of Tele-Art Inc. filed a summons in the British Virgin Islands on its behalf seeking, among other things, a declaration setting aside the redemption. The Courts of the British Virgin Islands have delayed the fixing of a specific date for the hearing of the substantive application, pending the outcome of an application by the Company to remove the liquidator on the grounds of conflict of interest and bias. In the interim, the Company is prevented from redeeming the remaining 169,727 shares to satisfy the current unpaid judgement debt until a determination of the liquidator's February 12, 1999 application, which up to December 31, 2000, has not yet been finalized.

Management believes that the claim mentioned above is without merit and will vigorously defend it and believes that the outcome of the case will not have a significant effect on the Company's financial position, results of operation or cash flows.

d Acquisition of JIC

As indicated in Note 1a, the purchase price of JIC was the initial consideration of $32,776, less an "earnings adjustment". The earnings adjustment is the amount of shortfall, if any, between the net income of JIC and its subsidiaries for the financial year ending March 31, 2001 and the guaranteed profit amount of $3,846, multiplied by 8.5. The management estimated that the guaranteed profit amount can be met by JIC and its subsidiaries. Accordingly, no adjustment has been made to the purchase price and the related goodwill amount as of December 31, 2000.

19. Common Shares

a Stock options

In August 1993, the Board of Directors approved a stock option plan which authorized the issuance of 300,000 vested options to key employees of the Company. In December 1993, January 1996 and April 1999, the option plan was amended and the maximum number of shares to be issued pursuant to the exercise of options granted was increased to 650,000 and 1,000,000 and 1,425,000, respectively. A summary of stock option activity during the three years ended December 31, 2000 is as follows:

	Number of options	Option price per share with the weighted average option price in parenthesis
Outstanding at January 1, 1998	53,333	$ 10.50
Granted	596,500	$ 10.50 & $15.75 ($13.14)
Cancelled	(296,500)	$ 15.75
Outstanding at December 31, 1998	353,333	$ 10.50 & $15.75 ($10.55)
Exercised	(36,500)	$ 10.50 & $15.75 ($10.79)
Cancelled	(53,333)	$ 10.50
Outstanding at December 31, 1999	263,500	$ 10.50 & $15.75 ($10.53)
Granted	350,220	$ 13.875, $14.81, $16.125 & $16.375 ($14.18)
Exercised	(149,500)	$ 10.50
Cancelled	(28,220)	$ 16.125
Outstanding at December 31, 2000	436,000	$ 10.50, $13.875, $14.81, $15.75 & $16.375 ($13.11)

Of the 350,220 options granted by the Company in 2000, 5,000 and 10,000 options with exercise price of $13.875, expiring on January 31, 2003, and exercisable from January 1, 2001 and May 31, 2001, respectively, were granted to its advisors. The compensation expense for these advisors' options, using the Black-Scholes option-pricing model, was $117 and has been charged to the consolidated statement of income in 2000.

Had compensation cost for the Company's stock option plan, other than the 15,000 options mentioned above, been determined based on the fair value at the grant dates for awards under those plans consistent with the method of SFAS No. 123, the Company's net income and diluted earnings per share would have been reduced to the pro forma amounts indicated below:

Year ended December 31,		2000	1999	1998
Net income	As reported	$ 24,001	$ 11,798	$ 3,529
	Pro forma	21,785	11,582	3,273
Diluted earnings per share	As reported	$ 2.56	$ 1.25	$ 0.34
	Pro forma	2.32	1.23	0.32

There were no stock options granted during the year ended December 31, 1999. In 1998, the Company granted 300,000 and 296,500 options with exercise price of $15.75 and $10.50, respectively, exercisable from August 27, 1999 and expiring on March 15, 2001. The details of the options granted by the Company in 2000 are as follows:

Number of options granted	Exercise price	Exercisable period
172,000	$ 13.875	January 1, 2001 to January 31, 2003
130,000	$ 13.875	May 31, 2001 to January 31, 2003
5,000	$ 14.81	January 1, 2001 to July 31, 2003
28,220	$ 16.125	January 1, 2001 to April 5, 2003
15,000	$ 16.375	June 9, 2001 to June 8, 2003

The weighted average fair value of options granted during 2000 and 1998 was $5.67 and $3.24 respectively, using the Black-Scholes option-pricing model based on the following assumptions:

	2000				1998	
	$16.375 Options	$16.125 Options	$14.81 Options	$13.875 Options	$15.75 Options	$10.50 Options
Risk-free interest rate	6.41%	6.23%	6.13%	6.67%	5.5%	5.0%
Expected life	6/8/03	4/5/03	7/31/03	1/31/03	3/15/01	3/15/01
Expected volatility	54.1%	51.2%	47.3%	65.0%	61.1%	60.9%
Expected dividends per quarter	$ .090	$ .090	$ .090	$ .090	$ .070	$ .070

The weighted average remaining contractual life of the stock options outstanding at December 31, 2000 and 1999 was 19 months and 15 months, respectively.

b Share buy-back program

The Company repurchased shares under its buy-back program as follows:

Year	Shares repurchased	Average purchase price
2000	5,600	$ 12.94
1999	879,700	11.86
1998	1,407,500	15.10

In April 2000, the Company terminated its share buy-back program.

c Advisors' warrants

On December 2, 1997, the Company issued 130,000 units to its advisors. The holder of each unit is entitled to purchase from the Company at the purchase price of $20.40 per unit one common share and one warrant exercisable to purchase one common share at $20.40 per share for the period from November 30, 1998 to November 24, 2000. In 2000, 58,030 advisors' warrants were exercised, 61,970 advisors' warrants were expired and the expiry date of exercisable period for the remaining 10,000 advisors' warrants was extended to November 24, 2002. As a result, 58,030 common shares and 58,030 warrants were issued during the year ended December 31, 2000. The compensation expense for the extension of the expiry date of the 10,000 advisors' warrants, using the Black-Scholes option-pricing model, was $43 and has been charged to the consolidated statement of income in 2000.

On October 5, 1998, the Company issued 300,000 warrants to an advisor as consideration of advisory services under a service contract for a period of 3 years. The holder of each warrant is entitled to purchase from the Company one common share at $10.25 per share for the period from October 5, 1998 to October 4, 2001. These warrants have been accounted for using variable accounting and the related compensation expense of $263, using the Black-Scholes option-pricing model, has been charged to the consolidated statement of income in 2000.

The fair values of the advisors' warrants were calculated using the Black-Scholes option-pricing model based on the following assumptions:

	$20.4 advisors' warrants	$10.25 advisors' warrants
Risk-free interest rate	6.50%	6.50%
Expected life	11/24/02	10/4/01
Expected volatility	50%	50%
Expected dividend per quarter	$0.090	$0.090

(In thousands of US dollars, except share and per share data)

d Other warrants

On October 10, 1997, the Company distributed to each holder of its common shares nontransferable rights (the “Rights”) to subscribe for one unit for every three common shares owned at that date (referred to as the “Rights Offering”). The subscription price was $17.00 per unit. Each unit consisted of one common share and one redeemable common share purchase warrant. Each warrant is exercisable to purchase one common share at a price of $20.40 per share at any time from the date of their issuance until November 24, 2000. The common shares and the warrants included in the units will be separately transferable immediately on issuance of the common shares. The warrants are redeemable by the Company at any time at $0.05 per warrant if the average closing sale price of the common shares for 20 consecutive trading days within the 30-day period preceding the date the notice is given equals or exceeds $25.50 per share. The terms of the Rights Offering include an over subscription privilege available to shareholders subject to certain conditions and a Standby Purchase Commitment made by the Standby Underwriters to the Rights Offering, subject to the terms and conditions of a Standby Underwriting Agreement made between the Company and the Standby Underwriters, and which includes purchase by the Standby Underwriters of units not subscribed for by shareholders of the Company. Pursuant to the Rights Offering, 3,000,000 units were offered, with a subscription expiry date of November 24, 1997.

During the period of the Rights Offering, shareholders of the Company exercised Rights to purchase a total of 2,267,917 units at $17.00 per unit and the Standby Underwriters purchased a total of 729,212 units at a price of $16.75, being the lower of the subscription price per unit and the closing bid price per common share as reported on the Nasdaq on the subscription expiry date, as provided for under the Standby Underwriting Agreement. The gross proceeds raised amounted to $50,769 and the net proceeds raised after deduction of expenses associated with the Rights Offering amounted to $47,700.

On April 1, 2000, the Company amended the terms of the warrant by extending the expiry date of the warrants from November 24, 2000 to November 24, 2002. The extending of the expiry date of the warrants created a new measurement date for the warrants, however, the resulting amount was deemed immaterial.

The 58,030 warrants issued pursuant to the exercise of advisors’ warrants mentioned in note 19c above bear the same rights as other warrants.

20. Business Segment Information

The Company operates principally in the consumer electronic product segment of the electronics manufacturing services industry. A summary of net sales, income (loss) from operations and identifiable assets by geographic areas and net sales to major customers is as follows:

Year ended December 31,	2000	1999	1998
Net sales from operations within:			
- Hong Kong:			
Unaffiliated customers	$ 202,364	$ 142,347	$ 100,081
- PRC, excluding Hong Kong:			
Unaffiliated customers	11,324	2,707	1,568
Intersegment sales	180,065	136,648	93,556
	191,389	139,355	95,124
- Intersegment eliminations	(180,065)	(136,648)	(93,556)
Total net sales	$ 213,688	$ 145,054	$ 101,649
Net income within:			
- PRC, excluding Hong Kong	$ 6,549	$ 7,341	$ 7,272
- Hong Kong	17,452	4,462	(4,122)
- Canada	–	(5)	379
	$ 24,001	$ 11,798	$ 3,529

As at December 31,	2000	1999	1998
Identifiable assets by geographic area:			
- PRC, excluding Hong Kong	$ 71,242	$ 55,962	$ 42,690
- Hong Kong	137,128	102,785	85,419
- Canada	–	–	19,119
Total assets	$ 208,370	$ 158,747	$ 147,228

Intersegment sales arise from the transfer of finished goods between subsidiaries operating in different areas. These sales are generally at estimated market price.

At December 31, 2000, 1999 and 1998, the identifiable assets in Hong Kong included the investment in affiliated companies of $2,054, $17,308 and $16,223, respectively.

Year ended December 31,	2000	1999	1998
Net sales to customers by geographic area:			
- Hong Kong	$ 97,685	$ 51,856	$ 8,731
- North America	52,244	43,181	48,204
- Europe	20,032	25,520	18,770
- Japan	19,388	17,597	21,839
- Other	24,339	6,900	4,105
Total net sales	$ 213,688	$ 145,054	$ 101,649

The Company's sales to the customers which accounted for 10% or more of its sales are as follows:

Customer			
A	$ 51,124	$ 38,071	$ 44,975
B	50,767	31,176	–
C	31,442	43,737	32,478
D	21,448	–	–
	$ 154,781	$ 112,984	$ 77,453

21. Subsequent Event

On February 13, 2001 and March 2, 2001, NTEE, a wholly-owned subsidiary of the Company, entered into provisional agreement to acquire two properties at a total consideration of $2,205.

Directors

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Chairman

Tadao Murakami
Chief Marketing Officer

M. K. K00
Senior Executive Officer
Corporate Strategy, Finance & Administration

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Hong Kong

Stephen Seung*
New York

Peter R. Kellogg*
New York

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Consultants

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C. S. Chuang
Taipei, Taiwan

Management

Toshiaki Ogi
Chief Executive Officer

Joseph Li
President

Y. C. Chang
Chief Operating Officer

Karene K. L. Wong
Managing Director
Nam Tai Electronic & Electrical Products Limited

Hidekazu Amishima
Managing Director
Nam Tai Telecom (Hong Kong) Company Limited

L. P. Wang
Managing Director
BPC (Shenzhen) Co. Ltd.

Kazuhiro Asano
Managing Director
Shenzhen Namtek Co. Ltd.

Joseph Ling
Managing Director
Zastron Plastic & Metal Products (Shenzhen) Ltd.

Chui Kam Wai
Managing Director
J.I.C. Enterprises (Hong Kong) Limited

Taizo Fujimoto
Managing Director
Jieyao Electronics (Shenzhen) Co. Ltd.

Seitaro Furukawa
Managing Director
Jetup Electroinc (Shenzhen) Co. Ltd.

Lorne Waldman
Corporate Secretary

directors and management

Shareholders' meeting
The Annual Meeting of Shareholders will be held at 11:30 a.m. (PST) on Friday, June 22, 2001 at The Mandarin Oriental, San Francisco, 222 Sansome Street, San Francisco, California, USA.

Stock listing
The shares of Nam Tai Electronics, Inc. are traded on the NASDAQ National Market System under the stock symbol "NTAI" and the warrants of Nam Tai Electronics, Inc. are traded under the symbol "NTAIW". Chicago Board Options Exchange trades options on Nam Tai Electronics, Inc. under the symbol "QNA".

Transfer agent & registrar
Communications regarding change of address, transfer of common shares, or lost certificates should be directed to:

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1745 Gardena Avenue, Glendale
California 91204-2991, USA
Telephone: (818) 502-1404
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