

**NAM TAI ELECTRONICS, INC.**WEB SITE: <http://www.namtai.com>**SECOND QUARTER NEWS RELEASE**

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**NAM TAI ELECTRONICS, INC.**  
**Q2 Sales Up 11%, Adjusted Cash EPS \$0.33 vs. \$0.43**

VANCOUVER, CANADA July 30, 2001 -- Nam Tai Electronics, Inc. (“Nam Tai” or the “Company”) (NASDAQ/NM Symbol: NTAI and NTAIW; CBOE Symbol: QNA) announced unaudited results for the second quarter ended June 30, 2001.

Summary of June 30, 2001 Financial Results  
Excluding one-time charges and amortisation of goodwill  
(In Thousands of US Dollars except share data)

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>June 30</i>		<i>June 30</i>	
	2001	2000	2001	2000
Net sales	\$ 55,882	\$ 50,540	\$ 107,369	\$ 95,132
Gross profit (1)(2)	7,909	7,541	14,905	14,450
Operating income (1,2,3)	2,428	2,871	3,290	5,482
Net income (1-4)	2,895	3,846	4,456	6,462
EPS diluted	\$ 0.28	\$ 0.42	\$ 0.43	\$ 0.71
Cash net income (1-5)	3,352	3,894	5,370	6,559
Cash EPS diluted	\$ 0.33	\$ 0.43	\$ 0.52	\$ 0.72
EBITDA (1-4)	6,452	5,881	10,935	10,547
EBITDA per share diluted	\$ 0.63	\$ 0.65	\$ 1.06	\$ 1.16

- (1) Excludes \$4.7 million in inventory write-offs and provisions for slow moving raw materials in the second quarter of 2001 and \$5.5 million for the six months ended June 30, 2001. The inventory provisions are made under the conservative assumption that the Company is unable to resolve inventory issues with its customers. To the extent that inventory issues are resolved such provisions would be written back.
- (2) Excludes severance provision of \$0.3 million.
- (3) Excludes stock option compensation expense of \$0.8 million and realignment charges (including additional provisions for severance payments) of \$0.6 million for the second quarter of 2001 and \$0.7 million for the six months ended June 30, 2001.
- (4) Excludes provision for impairment in value of non-core assets of \$0.5 million for the three months and six months ended June 30, 2001, and a \$12.1 million gain on the sale of non-core assets in the first quarter of 2000.
- (5) Excludes amortisation of goodwill of \$0.4 million and \$0.9 million for the three months and six months ended June 30, 2001.

As a result of the economic slowdown in the electronics industry the Company has continued to experience delays, postponements, and cancellation of some customer orders, and lack of customer order visibility. As a result, in the second quarter the company recorded \$6.9 million in one-time charges. The above one-time charges fully resolves all outstanding inventory uncertainties and provides necessary provisions for the Company's realignment plans which aims to reduce expenses and position the Company to achieve its 13<sup>th</sup> consecutive year of profitability in 2001.

The Company continues to maintain a strong financial position, ending the second quarter of 2001 with \$3.08 of cash per share and approximately \$15.46 of net book value per share, based on 10,186,940 shares outstanding as at June 30, 2001. The Company, as at June 30, 2001, had a cash to current liabilities ratio of 0.78, a current ratio of 2.65, a total assets to total liabilities ratio of 4.92 and approximately \$31.4 million of cash.

With the Company's strong financial position, and positive operating cash flow, it will continue with internal expansion plans in anticipation of an economic recovery that it expects by the second quarter of 2002. Internal expansion plans include the construction of a new 138,000 square foot factory in expectation of increased orders for both new and existing products from new and existing customers. The Company is also pursuing merger and acquisition opportunities to help augment its internal growth.

Summary of June 30, 2001 Financial Results  
Including one-time charges and amortisation of goodwill  
(In Thousands of US Dollars except share data)

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Net sales for the second quarter of 2001 was \$55.9 million, an increase of 11% compared to net sales of \$50.5 million for the second quarter of 2000. Operating loss for the second quarter of 2001 was \$4.0 million (loss of \$0.39 per share) compared to operating income of \$2.6 million (\$0.29 per share) for the second quarter of 2000. Net loss for the second quarter of 2001 was \$4.0 million compared to net income of \$3.6 million in the second quarter of 2000. Basic and diluted loss per share for the second quarter of 2001 were \$0.39 compared to earnings per share of \$0.41 and \$0.40 in the second quarter of 2000.

Net sales for the six months ended June 30, 2001 increased by 13% to \$107.4 million from \$95.1 million for the six months of 2000. Operating loss for the first six months of 2001 was \$4.0 million (loss of \$0.39 per share) compared to operating income of \$5.1 million (\$0.56 per share) for the first six months of 2000. Net loss for the first six months in 2001 was \$3.3 million. This compares to net income of \$18.2 million for the first six months of 2000, including a \$12.1 million gain of the sale of a non-core asset. Basic and diluted loss per share for the first six months of 2001 were \$0.33 and \$0.32 compared to earnings per share of \$2.05 and \$2.00 for the first six months of 2000.

## **Second Quarter Results Analyst Conference Call**

The Company will hold a **conference call on Monday, July 30, 2001 at 10:00 a.m. Eastern Time** for analysts to discuss the second quarter results with management. Shareholders, investors and other interested individuals are invited to listen to the live conference call over the internet by clicking <http://www.videonewswire.com/event.asp?id=274> or over the phone by dialing **(612) 332-0932** just prior to its start time. Callers will be asked to register with the conference call operator.

## **Dividends**

On July 21, 2001 the Company paid a quarterly dividend of \$0.10 per share to shareholders of record at the close of business on July 1, 2001. The record date for the third quarter dividend of \$0.10 per share is September 30, 2001 and the payment date is October 21, 2001.

It is the general policy of Nam Tai to determine the actual annual amount of future dividends based upon the Company's profitability during the preceding year. There can be no assurance that any dividend will be declared in 2002 or if declared the amount of such dividend.

## **Telecom Strength Propels Economic Growth in China**

Despite the worldwide economic slowdown, China's domestic economy continues to experience among the world's fastest economic growth rates. China's GDP grew by 7.8% in the first six months of 2001 and industrial production was up by 10.1% in June from a year ago. Real GDP for 2002 is expected to be up 7.7%. The telecommunication sector in China is also expected to see healthy growth with marketing reports estimating demand for cellular phone handsets in China growing from 37 million pieces in 2000 to over 100 million pieces by 2003.

To manufacture cellular phones in China requires licensing that is strictly controlled by Chinese regulatory authorities. One of the most aggressive Chinese companies to obtain this licensing is TCL Mobile Communication (HK) Co., Ltd. and Huizhou TCL Mobile Communication Co., Ltd. (collectively "TCL Mobile"). TCL Mobile, a private company controlled by a People's Republic of China state-owned enterprise, has operation facilities in Hong Kong and Huizhou, China, and is one of only 10 PRC companies licensed to manufacture, distribute and sell GSM cellular phones, and recently CDMA cellular phones in China. It also distributes and trades digital mobile telephones and accessories in China and overseas.

In order to enhance its position in the growing domestic China telecommunications market, and strengthen its relationship with state-owned TCL Holdings, Nam Tai made a strategic investment, acquiring a 5% indirect shareholding in TCL Mobile in September 2000. TCL Mobile is also a customer of Nam Tai, as it currently purchases rechargeable battery packs from BPC (Shenzhen) Co., Ltd – a joint venture company owned by Nam Tai and Toshiba Battery Co., Ltd.

Nam Tai is pleased that TCL Mobile's significant growth and profitability have positively impacted Nam Tai's results. Nam Tai's share of TCL Mobile's income, accounted for under the equity method, is \$321,000 for the second quarter of 2001 and \$304,000 for the six month period ended June 30, 2001. In addition, Nam Tai anticipates that its investment in TCL mobile as a business partner will open up new opportunities in China's rapidly growing domestic telecommunications market.

## **Consolidation of Administration and Marketing Offices**

On August 18, 2001 Nam Tai will consolidate three of its administrative and marketing offices, now at different locations, when it moves onto a single floor of prime office space at the Shun Tak Centre in the Central district of Hong Kong. The new centralised 23,000 square feet office location will help strengthen management communication and control, reduce rental charges, and provide room for future expansion as Nam Tai's Far-East headquarters. The office is conveniently located above the ferry terminal and beside the highway, permitting easy transportation, by sea or by land, between the manufacturing facilities in Shenzhen.

The new office address is:

15<sup>th</sup> Floor, China Merchants Tower, Shun Tak Centre  
Nos. 168-200 Connaught Road  
Central, Hong Kong  
Tel: 011-852-2341-0273  
Fax: 011-852-2341-4164  
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Nam Tai Electronics, Inc. is an electronics design and manufacturing service provider to some of the world's leading original equipment manufacturers. Nam Tai manufactures telecommunication products, palm-sized PCs, personal digital assistants, linguistic products, calculators and various components including LCD modules for cellular phones, lithium ion rechargeable battery packs, transformers and LCD panels. The Company utilises advanced production technologies such as chip on board (COB), chip on glass (COG), surface mount technology (SMT), ball grid array (BGA), tape automated bonding (TAB), and outer lead bonding (OLB) technologies. Further information is available on Nam Tai's website at [www.namtai.com](http://www.namtai.com)

Except for the historical information contained herein, matters discussed in this press release are forward-looking statements. For example, the Company's forward guidance for 2001 profitability and new customer and product orders are forward-looking statements the results of which are uncertain and dependant upon many factors including the level of overall growth in the electronics manufacturing services (EMS) industry, end-user demand, competitive pressures, changes in general economic conditions, and currency fluctuations. Other factors that might cause differences in these and the other forward looking statements, include, but are not limited to, those discussed in the Company's reports filed with the Securities and Exchange Commission from time to time, such as the factors set forth in Item 3 "Key Information – Risk Factors" in the Company's Annual Report on Form 20-F for the year ended December 31, 2000.

NAM TAI ELECTRONICS, INC.  
CONSOLIDATED STATEMENTS OF INCOME (Unaudited)  
FOR THE PERIODS ENDED JUNE 30, 2001 AND 2000  
(In Thousands of US Dollars except share data)

	Unaudited Three months ended June 30		Unaudited Six months ended June 30	
	2001	2000	2001	2000
Net sales	\$ 55,882	\$ 50,540	\$ 107,369	\$ 95,132
Cost of sales	52,951	43,024	98,247	80,743
Gross profit	2,931	7,516	9,122	14,389
Costs and expenses				
Selling, general and administrative expenses	6,096	3,928	11,550	7,587
Research and development expenses	811	949	1,572	1,723
	6,907	4,877	13,122	9,310
(Loss) Income from operations	(3,976)	2,639	(4,000)	5,079
(Loss) gain on disposal of land	-	(27)	18	313
Interest income	221	1,082	723	1,702
Other (loss) income – net	(598)	165	(281)	11,436
Equity in income (loss) of affiliated companies	321	(31)	304	(31)
(Loss) income before income taxes and minority interest	(4,032)	3,828	(3,236)	18,499
Income taxes benefit (expense)	17	(227)	(115)	(324)
(Loss) income before minority interest	(4,015)	3,601	(3,351)	18,175
Minority interest	6	13	17	13
Net (loss) income	\$ (4,009)	\$ 3,614	\$ (3,334)	\$ 18,188
Net (loss) income per share				
Basic	\$ (0.39)	\$ 0.41	\$ (0.33)	\$ 2.05
Diluted	\$ (0.39)	\$ 0.40	\$ (0.32)	\$ 2.00
Weighted average number of shares ('000')				
Basic	10,189	8,848	10,214	8,854
Diluted	10,270	9,108	10,343	9,106

NAM TAI ELECTRONICS, INC.  
CONSOLIDATED BALANCE SHEETS

AS AT JUNE 30, 2001 AND DECEMBER 31, 2000

(In Thousands of US Dollars)

	Unaudited <i>June 30</i> 2001	Audited <i>December 31</i> 2000
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 31,426	\$ 58,896
Marketable securities	7,700	7,937
Accounts receivable, net	42,369	37,550
Inventories	17,283	27,172
Prepaid expenses and deposits	6,678	1,755
Income taxes recoverable	1,123	2,042
Total current assets	<u>106,579</u>	<u>135,352</u>
Investments in affiliated companies	2,358	2,054
Property, plant and equipment, at cost	94,493	71,624
Less: accumulated depreciation and amortization	<u>(30,994)</u>	<u>(27,025)</u>
	63,499	44,599
Intangible assets – net	24,076	24,996
Other assets	1,369	1,369
Total assets	<u>\$ 197,881</u>	<u>\$ 208,370</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Notes payable	\$ 5	\$ 1,499
Short term debt	-	24
Accounts payable and accrued expenses	36,308	40,224
Amount due to a related party	2,644	2,691
Dividend payable	1,002	904
Income taxes payable	203	442
Total current liabilities	<u>40,162</u>	<u>45,784</u>
Deferred income taxes	34	34
Total liabilities	<u>40,196</u>	<u>45,818</u>
Minority interest	174	188
Shareholders' equity:		
Common shares	102	102
Additional paid-in capital	108,164	105,963
Retained earnings	49,033	56,304
Accumulated other comprehensive income (Note 1)	212	(5)
Total shareholders' equity	<u>157,511</u>	<u>162,364</u>
Total liabilities and shareholders' equity	<u>\$ 197,881</u>	<u>\$ 208,370</u>

NAM TAI ELECTRONICS, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE PERIODS ENDED JUNE 30, 2001 AND 2000  
(In Thousands of US Dollars)

	Unaudited Three months ended June 30		Unaudited Six months ended June 30	
	2001	2000	2001	2000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net (loss) income	\$ (4,009)	\$ 3,614	\$ (3,334)	\$ 18,188
<i>Adjustments to reconcile net income to net cash provided by ( used in) operating activities:</i>				
Depreciation and amortization	3,573	1,808	6,356	3,615
Loss (gain) on disposal of property, plant and equipment	86	28	66	(312)
Unrealised (gain) loss on marketable securities	(375)	-	437	-
Gain on disposal of marketable securities	-	-	-	(10,783)
Gain on disposal of investment in an affiliated company	-	-	-	(1,346)
Equity in (income) loss of affiliated companies less dividend received and amortisation of goodwill	(321)	31	(304)	31
Fair value of shares issued as compensation	-	-	-	135
Minority interest	(6)	(13)	(17)	(13)
Changes in current assets and liabilities, net of effects of acquisitions and disposals:				
Increase in accounts receivable	(9,484)	(3,223)	(4,779)	(11,860)
Decrease (increase) in inventories	8,167	(6,623)	9,911	(7,361)
Decrease (increase) in prepaid expenses and deposits	494	(275)	(4,921)	298
(Increase) decrease in income taxes recoverable	(63)	195	919	154
Decrease in notes payable	(208)	(42)	(1,494)	(6,949)
Increase (decrease) in accounts payable and accrued expenses	2,455	6,730	(3,913)	13,016
Repayment of capital leases	-	-	(65)	-
Increase (decrease) in amount due to a related party	1,534	-	(87)	-
(Decrease) increase in income taxes payable	(47)	108	(239)	205
Total adjustments	5,805	(1,276)	1,870	(21,170)
Net cash provided by (used in) operating activities	\$ 1,796	\$ 2,338	\$ (1,464)	\$ (2,982)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment	\$ (18,626)	\$ (915)	\$ (23,601)	\$ (1,296)
Decrease in other assets	-	159	-	159
Increase in investment of subsidiaries	-	-	(85)	-
Proceeds from disposal of investment in an affiliated company	-	-	-	3,875
Purchase of interest in affiliated companies	-	-	-	(207)
Proceeds from disposal of property, plant and equipment	35	-	279	376
Proceeds from disposal of marketable securities	-	-	-	22,588
Net cash (used in) provided by investing activities	\$ (18,591)	\$ (756)	\$ (23,407)	\$ 25,495

**CASH FLOWS FROM FINANCING ACTIVITIES**

Share buy-back program	\$ (600)	\$ -	\$ (1,892)	\$ (73)
Dividends paid	(1,009)	(9,664)	(1,913)	(10,381)
Repayment of short term debt	-	(121)	(24)	-
Proceeds from shares issued on exercise of options and warrants	-	190	1,231	295
Contribution by minority interest	-	-	-	200
Net cash used in financing activities	<u>\$ (1,609)</u>	<u>\$ (9,595)</u>	<u>\$ (2,598)</u>	<u>\$ (9,959)</u>
Foreign currency translation adjustments	(1)	(1)	(1)	1
Net (decrease) increase in cash and cash equivalents	<u>(18,405)</u>	<u>(8,014)</u>	<u>(27,470)</u>	<u>12,555</u>
Cash and cash equivalents at beginning of period	<u>49,831</u>	<u>74,784</u>	<u>58,896</u>	<u>54,215</u>
Cash and cash equivalents at end of period	<u>\$ 31,426</u>	<u>\$ 66,770</u>	<u>\$ 31,426</u>	<u>\$ 66,770</u>



NAM TAI ELECTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

FOR THE PERIODS ENDED JUNE 30, 2001 AND 2000

(In Thousands of US Dollars)

1. Accumulated other comprehensive income represents foreign currency translation adjustments and unrealised gain on marketable securities. The comprehensive (loss) income of the Company was (\$3,117) and \$19,022 for the six months ended June 30, 2001 and June 30, 2000, respectively.
2. Business segment information – The Company operates principally in the consumer electronic product segment of the electronics manufacturing services (EMS) industry. A summary of the net sales, income from operations and identifiable assets by geographic areas is as follows:

	Unaudited <i>Three months ended June 30</i>		Unaudited <i>Six months ended June 30</i>	
	2001	2000	2001	2000
<b>NET SALES FROM OPERATIONS WITHIN:</b>				
- Hong Kong:				
Unaffiliated customers	\$ 51,239	\$ 49,557	\$ 98,565	\$ 93,114
- PRC, excluding Hong Kong:				
Unaffiliated customers	4,643	983	8,804	2,018
Intersegment sales	39,619	48,233	76,240	90,217
- Intersegment eliminations	(39,619)	(48,233)	(76,240)	(90,217)
Total net sales	<u>\$ 55,882</u>	<u>\$ 50,540</u>	<u>\$ 107,369</u>	<u>\$ 95,132</u>
<b>INCOME (LOSS) FROM OPERATIONS WITHIN:</b>				
- PRC, excluding Hong Kong	\$ (2,644)	\$ 1,588	\$ (2,909)	\$ 3,605
- Hong Kong	(1,365)	2,026	(425)	14,583
Total net income	<u>\$ (4,009)</u>	<u>\$ 3,614</u>	<u>\$ (3,334)</u>	<u>\$ 18,188</u>
	Unaudited	Audited		
	<i>June 30,</i>	<i>Dec. 31,</i>		
	2001	2000		
<b>IDENTIFIABLE ASSETS BY GEOGRAPHIC AREA:</b>				
- PRC, excluding Hong Kong	\$ 64,121	\$ 71,242		
- Hong Kong	133,760	137,128		
Total assets	<u>\$ 197,881</u>	<u>\$ 208,370</u>		