



**NAM TAI ELECTRONICS, INC.**

WEB SITE: <http://www.namtai.com>

**THIRD QUARTER NEWS RELEASE**

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**NAM TAI ELECTRONICS, INC.**

**Q3 Net Income Up 63%, \$6.1 Million (\$0.57 per Share) vs. \$3.7 Million (\$0.36 per Share),  
EBITDA per Share \$0.92 vs. \$0.64**

VANCOUVER, CANADA October 28, 2002 -- Nam Tai Electronics, Inc. (“Nam Tai” or the “Company”) (NASDAQ/NM Symbol: NTAI and NTAIW; CBOE Symbol: QNA) announced unaudited results for the third quarter ended September 30, 2002.

Net sales for the third quarter of 2002 was \$56.9 million, a decrease of 4.5% compared to net sales of \$59.6 million for the third quarter of 2001. Gross profit for the third quarter of 2002 was \$8.2 million, a decrease of 10.1% compared to gross profit of \$9.1 million for the third quarter of 2001. Operating income for the third quarter of 2002 was \$3.3 million (\$0.31 per share) an increase of 2.5% compared to operating income of \$3.2 million (\$0.31 per share) for the third quarter of 2001. Net income for the third quarter of 2002 was \$6.1 million an increase of 63% compared to net income of \$3.7 million in the third quarter of 2001. Basic and diluted earnings per share for the third quarter of 2002 were \$0.58 and \$0.57 compared to earnings per share of \$0.36 and \$0.36 in the third quarter of 2001. EBITDA for the third quarter of 2002 was \$9.7 million (\$0.92 per share) compared to EBITDA of \$6.6 million (\$0.64 per share) for the third quarter of 2001. Gain from investment in Huizhou TCL Mobile Communication Limited was not included in the third quarter of 2002.

Net sales for the nine months ended September 30, 2002 decreased by 3.9% to \$160.4 million from \$166.9 million for the first nine months of 2001. Gross profit for the first nine months of 2002 was \$27.9 million, an increase of 52.9% compared to gross profit of \$18.2 million for the first nine months of 2001. Operating income for the first nine months of 2002 was \$13.4 million (gain of \$1.27 per share) compared to operating loss of \$1.1 million (loss of \$0.11 per share) for the first nine months of 2001. Net income for the first nine months of 2002 was \$15.5 million an increase of 40 times compared to net income of \$0.4 million for the first nine months of 2001. Basic and diluted earnings per share for the first nine months of 2002 were \$1.49 and \$1.47 compared to earnings per share of \$0.04 and \$0.04 for the first nine months of 2001. EBITDA for the nine months ended September 30, 2002 was \$25.2 million (\$2.38 per share) compared to EBITDA of \$9.8 million (\$0.94 per share) for the first nine months of 2001.

Following the decision from the High Court of Justice in the British Virgin Islands awarding the Company general damages of \$34 million, the Company has successfully recovered \$3.5 million which was recorded as other income during the third quarter of 2002. With respect to the balance of the damages, the Company will follow up with relevant legal proceedings, however, the result is uncertain. Should there be any amount recovered, it will be recorded as other income accordingly. Moreover, the gain from the disposal of part of the investment in Huizhou TCL Mobile Communication Limited at a consideration of \$10.45 million will be recorded as other income in the fourth quarter of 2002 conditional upon the completion of the transaction.

“Nam Tai’s mission is to keep a specific focus on communication products and their key components. The Company has been continually upgrading relevant technologies. With the commencement of production of radio frequency (“RF”) modules for mobile phones towards the end of 2002, the Company is one further step ahead in its mission. The strong earnings and continuous growth despite the economic downturn and the challenging market conditions validate the Company’s strategy,” commented Mr. Tadao Murakami, Nam Tai’s Chairman. “Sales for the first nine months of 2002 actually increased slightly by 1.7% after excluding sales from the disposed low margin battery packs business. Looking forward, with a 42% increase in the backlog at the end of third quarter of 2002 as compared to second quarter of 2002, we expect that 2003 will be a prosperous year for Nam Tai.”

The Company continues to maintain a strong financial position, ending the third quarter of 2002, with \$6.3 million positive operating cash flow, \$5.53 of cash per share and approximately \$17.20 of net book value per share, based on 10,396,513 shares outstanding compared with 10,486,940 shares outstanding as at September 30, 2001. The Company as at September 30, 2002, had a cash to current liabilities ratio of 1.35, a current ratio of 2.75, a total assets to total liabilities ratio of 4.15 and \$57.5 million of cash.

### **Supplementary Information for the Third Quarter of 2002**

#### 1. Quarterly Sales Breakdown (In Thousands of US Dollars)

Quarter	2000	2001	2002	YoY (%)	YoY (%)	notes
					<b>(Accumulated)</b>	
1 <sup>st</sup> Quarter	44,592	51,487	51,217	(0.5%)	(0.5%)	
2 <sup>nd</sup> Quarter	50,540	55,882	52,311	(6.4%)	(3.6%)	(a)
3 <sup>rd</sup> Quarter	57,249	59,551	56,872	(4.5%)	(3.9%)	(a)
4 <sup>th</sup> Quarter	61,307	67,086				
Total	213,688	234,006	160,400			

Note (a):

Sales of battery packs for May and June 2001 were US\$1,181K & 1,648K respectively and US\$6,425K in the third quarter of 2001. Upon disposal of BPC on April 30, 2002, revenue from battery packs was no longer included in the total sales for the months of May, June 2002 & third quarter of 2002.

#### 2. Net Sales Breakdown by Product Segment

Segment	2002		2001	
	3rd Quarter (%)	YTD (%)	3rd Quarter (%)	YTD (%)
Assembling:				
- LCD Consumer Products	42%	38%	29%	32%
- Telecom. Components Assembly	37%	45%	53%	50%
Parts & Components :				
- LCD Panels	14%	11%	13%	11%
- Transformers	6%	5%	4%	6%
Software Development Services	1%	1%	1%	1%
	100%	100%	100%	100%

Assembling included finished goods and modules, together with Software Development Services collectively termed as Consumer Electronic Products (“CEP”), while parts and components including LCD panels and transformer termed (“LPT”) for business segment classification.

3. Production Capacity Utilization Rate

The utilization rate for third quarter of 2002 was as follows:

Assembling	56%
Parts & Components	69%
Software Development	100%

4. Average Selling Price (ASP)

ASP for third quarter of 2002 was 6% lower than second quarter of 2002 and 5% higher than third quarter of 2001.

5. Backlog

The Company's definition of backlog is on-hand firm orders from customer as at the closing date of each quarter. The backlog for third quarter of 2002 was 42% higher than second quarter of 2002.

6. Analytical Data

	<u>9/2002</u>	<u>9/2001</u>
<u>Debt Capacity</u>		
Total Debt/Capitalization	9.12%	0.00%
Long-term Debt / Capitalization	7.43%	0.00%
Total Debt/ Equity	9.85%	0.00%
Net Debt / Equity	0.00%	0.00%
Long-term Debt / Equity	8.03%	0.00%
Total Liabilities / Equity	31.96%	26.92%
<u>Coverage</u>		
Net Interest Coverage	2934.52%	6300.00%
Total Debt / EBIT	101.56%	0.00%
Interest Expense / Total Debt	3.36%	0.00%
Short-term Debt Coverage	531.18%	0.00%
<u>Profitability</u>		
ROI	7.52%	0.24%
EBT Margin	10.44%	0.30%
Return on Sales	10.81%	0.30%
EBT / Total Assets	7.07%	0.24%
Return on Capital	15.26%	0.46%
SG&A Expense /Revenue	7.79%	10.22%
<u>Cash Flow</u>		
Funds from Operations / Total Debt	151.21%	0.00%
Funds from Operations / Net Interest	4506.77%	115175.00%
<u>Turnover</u>		
Receivable Turnover	67 days	70 days
Inventory Turnover	35 days	32 days

### **Third Quarter Results Analyst Conference Call**

The Company will hold a **conference call on Monday, October 28, 2002 at 10:00 a.m. Eastern Time** for analysts to discuss the third quarter results with management. Shareholders, investors and other interested individuals are invited to listen to the live conference call over the internet by going to <http://www.namtai.com/news/news.htm> and clicking on the conference call link or over the phone by dialing **(612) 288-0337** just prior to its start time. Callers will be asked to register with the conference call operator.

### **Dividends**

On October 21, 2002 the Company paid a quarterly dividend of \$0.12 per share to shareholders of record at the close of business on September 30, 2002. The record date for the fourth quarter dividend of \$0.12 per share is December 31, 2002 and the payment date is January 21, 2003.

### **Special Dividends**

It is the Company's usual practice to reward our shareholders by declaring special dividends in respect of extraordinary income other than income from normal operations. As a result of the gain from the legal case and the gain from the investment in Huizhou TCL Mobile Communication Limited, the Company is considering to declare special dividends subject to the approval by the Board of Directors and the Extraordinary General Meeting of TCL International Holdings Limited to be held on October 31, 2002. Details of the special dividends will be announced by November 4, 2002.

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 and RF modules both for mobile phones, transformers and LCD panels. The Company utilizes advanced production technologies such as chip on board (COB), chip on glass (COG), chip on film (COF), 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 web site 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 2003 profitability is dependant upon many factors including the level of overall growth of the mobile phone market, end-user demand, competitive pressures, changes in general economic conditions, and currency fluctuations. Other factors that might cause differences in this 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, 2001.

**NAM TAI ELECTRONICS, INC.**

**CONSOLIDATED STATEMENTS OF INCOME (Unaudited)**

FOR THE PERIODS ENDED SEPTEMBER 30, 2002 AND 2001

(In Thousands of US Dollars except share data)

	Unaudited Three months ended September 30		Unaudited Nine months ended September 30	
	2002	2001	2002	2001
Net sales	\$ 56,872	\$ 59,551	\$ 160,400	\$ 166,920
Cost of sales	48,673	50,433	132,514	148,680
Gross profit	8,199	9,118	27,886	18,240
Costs and expenses				
Selling, general and administrative expenses	4,277	5,200	12,502	17,067
Research and development expenses	617	694	1,945	2,266
	4,894	5,894	14,447	19,333
Income (loss) from operations	3,305	3,224	13,439	(1,093)
Gain on disposal of land	-	-	-	18
Interest income	222	259	558	982
Other income (loss) – net	3,160	(191)	844	(155)
Equity in income of affiliated companies	-	464	2,104	768
Income before income taxes and minority interest	6,687	3,756	16,945	520
Income taxes expenses	(598)	(1)	(1,215)	(116)
Income before minority interest	6,089	3,755	15,730	404
Minority interest	(35)	(41)	(193)	(24)
Net income	\$ 6,054	\$ 3,714	\$ 15,537	\$ 380
Net income per share				
Basic	\$ 0.58	\$ 0.36	\$ 1.49	\$ 0.04
Diluted	\$ 0.57	\$ 0.36	\$ 1.47	\$ 0.04
Weighted average number of shares ('000')				
Basic	10,474	10,197	10,407	10,208
Diluted	10,549	10,314	10,577	10,333

**NAM TAI ELECTRONICS, INC.**  
**CONSOLIDATED BALANCE SHEETS**

AS AT SEPTEMBER 30, 2002 AND DECEMBER 31, 2001

(In Thousands of US Dollars)

	Unaudited September 30 2002	Audited December 31 2001
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 57,522	\$ 58,676
Marketable securities	-	9,505
Accounts receivable, net	39,436	41,968
Inventories	16,899	11,892
Prepaid expenses and deposits	1,825	2,377
Income taxes recoverable	1,585	1,353
Total current assets	<u>117,267</u>	<u>125,771</u>
Investments in affiliated companies	5,524	3,921
Long term investment	11,968	-
Property, plant and equipment, at cost	120,205	105,536
Less: accumulated depreciation and amortization	<u>(41,744)</u>	<u>(35,122)</u>
	78,461	70,414
Intangible assets – net	22,325	23,060
Other assets	1,407	1,407
Total assets	<u>\$ 236,952</u>	<u>\$ 224,573</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Notes payable	\$ 318	\$ 1,547
Long term bank loan – current portion	3,265	2,140
Accounts payable and accrued expenses	37,080	34,258
Amount due to a related party	-	2,733
Dividend payable	1,247	1,023
Income taxes payable	740	88
Total current liabilities	<u>42,650</u>	<u>41,789</u>
Long-term bank loan – non-current portion	14,349	12,860
Deferred income taxes	151	151
Total liabilities	<u>57,150</u>	<u>54,800</u>
Minority interest	1,012	422
Shareholders' equity:		
Common shares	104	104
Additional paid-in capital	115,685	111,368
Retained earnings	63,003	57,864
Accumulated other comprehensive (loss) income (Note 1)	(2)	15
Total shareholders' equity	<u>178,790</u>	<u>169,351</u>
Total liabilities and shareholders' equity	<u>\$ 236,952</u>	<u>\$ 224,573</u>

**NAM TAI ELECTRONICS, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

FOR THE PERIODS ENDED SEPTEMBER 30, 2002 AND 2001

(In Thousands of US Dollars)

	Unaudited Three months ended September 30		Unaudited Nine months ended September 30	
	2002	2001	2002	2001
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income	\$ 6,054	\$ 3,714	\$ 15,537	\$ 380
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>				
Depreciation and amortization	2,818	2,904	7,882	9,260
Loss on disposal of property, plant and equipment	90	67	205	133
Dividend withheld	(394)	-	(394)	-
Share redemption	(3,125)	-	(3,125)	-
Gain on disposal of intangible assets	-	-	(60)	-
Unrealised loss on marketable securities	-	-	-	437
Gain on disposal of a subsidiary	-	-	(17)	-
Loss on partial disposal of subsidiaries	-	-	1,172	-
Equity in income of affiliated company less dividend received and amortisation of goodwill	-	(464)	(2,072)	(768)
Loss on partial disposal of investment in affiliated company	-	-	469	-
Minority interest	35	41	193	24
Changes in current assets and liabilities, net of effects of acquisitions and disposals:				
Decrease in marketable securities	-	-	9,505	-
Decrease (increase) in accounts receivable	3,234	(269)	2,977	(5,048)
(Increase) decrease in inventories	(3,165)	(17)	(5,324)	9,894
Decrease (increase) in prepaid expenses and deposits	371	1,077	538	(3,844)
Decrease (increase) in income taxes recoverable	414	(41)	(232)	878
Increase (decrease) in notes payable	34	17	(1,229)	(1,477)
(Decrease) increase in accounts payable and accrued expenses	(276)	2,269	2,724	(1,644)
Repayment of capital leases	-	-	-	(65)
Increase (decrease) in amount due to a related party	-	1,400	(2,766)	1,313
Increase (decrease) in income taxes payable	158	(20)	652	(259)
Total adjustments	194	6,964	11,098	8,834
Net cash provided by operating activities	\$ 6,248	\$ 10,678	\$ 26,635	\$ 9,214
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisition of long term investment	\$ -	\$ -	\$ (11,968)	\$ -
Purchase of property, plant and equipment	(3,605)	(4,074)	(17,035)	(27,675)
Increase in investment of subsidiaries	(437)	-	(437)	(85)
Cash inflow on disposal of a subsidiary	2,131	-	854	-
Proceeds from disposal of intangible assets	-	-	800	-
Proceeds from disposal of property, plant and equipment	153	4	168	283
Net cash used in investing activities	\$ (1,758)	\$ (4,070)	\$ (27,618)	\$ (27,477)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Share buy-back program	\$ -	\$ -	\$ (3,528)	\$ (1,892)
Dividends paid	(1,306)	(1,002)	(3,542)	(2,915)
Repayment of bank loan	(816)	-	(1,886)	-
Repayment of short term debt	-	-	-	(24)
Proceeds from shares issued on exercise of options and warrants	-	3,075	4,311	4,306
Proceeds from bank loan	-	-	4,500	-
Net cash (used in) provided by financing activities	<u>\$ (2,122)</u>	<u>\$ 2,073</u>	<u>\$ (145)</u>	<u>\$ (525)</u>
Foreign currency translation adjustments	-	1	(26)	-
Net increase (decrease) in cash and cash equivalents	<u>2,368</u>	<u>8,682</u>	<u>(1,154)</u>	<u>(18,788)</u>
Cash and cash equivalents at beginning of period	<u>55,154</u>	<u>31,426</u>	<u>58,676</u>	<u>58,896</u>
Cash and cash equivalents at end of period	<u>\$ 57,522</u>	<u>\$ 40,108</u>	<u>\$ 57,522</u>	<u>\$ 40,108</u>



NAM TAI ELECTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

FOR THE PERIODS ENDED SEPTEMBER 30, 2002 AND 2001

(In Thousands of US Dollars)

1. Accumulated other comprehensive income represents foreign currency translation adjustments. The comprehensive income of the Company was \$15,520 and \$398 for the nine months ended September 30, 2002 and September 30, 2001, respectively.
2. Business segment information – The Company operates primarily in two segments, the consumer electronic product (“CEP”) segment and the LCD panels and transformers (“LPT”) segment.

	Unaudited <i>Three months ended September 30</i>		Unaudited <i>Nine months ended September 30</i>	
	2002	2001	2002	2001
<b>NET SALES:</b>				
- CEP	\$ 45,513	\$ 49,723	\$ 134,715	\$ 139,729
- LPT	11,359	9,828	25,685	27,191
Total net sales	<u>\$ 56,872</u>	<u>\$ 59,551</u>	<u>\$ 160,400</u>	<u>\$ 166,920</u>
<b>NET INCOME (LOSS) FROM OPERATIONS:</b>				
- CEP	\$ 5,539	3,171	\$ 13,745	\$ (1,741)
- LPT	515	543	1,792	2,121
Total net income	<u>\$ 6,054</u>	<u>\$ 3,714</u>	<u>\$ 15,537</u>	<u>\$ 380</u>
<b>IDENTIFIABLE ASSETS BY SEGMENT:</b>				
- CEP			Unaudited <i>Sept. 30,</i> 2002	Audited <i>Dec. 31,</i> 2001
- CEP			\$ 185,910	\$ 188,262
- LPT			51,042	36,311
Total assets			<u>\$ 236,952</u>	<u>\$ 224,573</u>

3. A summary of the net sales, income from operations and identifiable assets by geographic areas is as follows:

	Unaudited <i>Three months ended September 30</i>		Unaudited <i>Nine months ended September 30</i>	
	2002	2001	2002	2001
<b>NET SALES FROM OPERATIONS WITHIN:</b>				
- Hong Kong:				
Unaffiliated customers	55,623	50,754	149,039	149,319
Intersegment sales	2	-	926	-
- PRC, excluding Hong Kong:				
Affiliated customers	-	6,425	7,849	13,153
Unaffiliated customers	1,249	2,372	3,512	4,448
Intersegment sales	41,163	38,472	116,430	114,712
- Intersegment eliminations	(41,165)	(38,472)	(117,356)	(114,712)
Total net sales	<u>\$ 56,872</u>	<u>\$ 59,551</u>	<u>\$ 160,400</u>	<u>\$ 166,920</u>
<b>NET INCOME (LOSS) FROM OPERATIONS WITHIN:</b>				
- PRC, excluding Hong Kong	\$ 1,845	\$ 2,740	\$ 11,266	\$ (169)
- Hong Kong	4,209	974	4,271	549
Total net income	<u>\$ 6,054</u>	<u>\$ 3,714</u>	<u>\$ 15,537</u>	<u>\$ 380</u>
<b>IDENTIFIABLE ASSETS BY GEOGRAPHIC AREA:</b>				
- PRC, excluding Hong Kong			\$ 87,875	\$ 60,866
- Hong Kong			149,077	163,707
Total assets			<u>\$ 236,952</u>	<u>\$ 224,573</u>