

NAM TAI ELECTRONICS INC

Form F-3

July 25, 2003

TABLE OF CONTENTS

PROSPECTUS SUMMARY

SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS

RISK FACTORS

USE OF PROCEEDS

DIVIDEND POLICY

PRICE RANGE OF COMMON SHARES

CAPITALIZATION

RECENT DEVELOPMENTS

SELECTED CONSOLIDATED FINANCIAL DATA

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

BUSINESS

MANAGEMENT

PRINCIPAL AND SELLING SHAREHOLDERS

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

DESCRIPTION OF COMMON SHARES

UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

BRITISH VIRGIN ISLANDS TAX CONSIDERATIONS

UNDERWRITING

LEGAL MATTERS

EXPERTS

WHERE YOU CAN FIND MORE INFORMATION

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

EX-1.1: FORM OF UNDERWRITING AGREEMENT

EX-5.1: OPINION OF MCW, TODMAN & CO.

EX-23.1: CONSENT OF GRANT THORNTON

EX-23.2: CONSENT OF DELOITTE TOUCHE TOHMATSU

CONSENT OF MCW, TODMAN & CO.

EX-23.4: CONSENT OF WILKINSON & GRIST

EX-23.5: CONSENT OF GRANT THORNTON

EX-23.6: CONSENT OF JINGTIAN LAW FIRM

Table of Contents

As Filed with the Securities and Exchange Commission on July 25, 2003

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form F-3

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Nam Tai Electronics, Inc.

(Exact Name of Registrant as Specified in its Charter)

British Virgin Islands

*(State or other jurisdiction of
incorporation or organization)*

None

*(I.R.S. Employer
Identification Number)*

**116 Main Street
Road Town, Tortola
British Virgin Islands
(284) 494-7752**

(Address and telephone number of Registrant's principal executive offices)

**Stephen Seung
2 Mott Street
Suite 601
New York, New York 10013
(212) 732-0030
Fax: (212) 227-5097**

*(Name, address and telephone number of agent for service)
Copies to*

**Kevin Keogh, Esq.
White & Case LLP
1155 Avenue of the Americas
New York, NY 10036
Telephone (212) 819-8200
Facsimile (212) 354-8113**

**Gregory C. Smith, Esq.
Nicole M. Morath, Esq.
Skadden, Arps, Slate, Meagher & Flom LLP
525 University Avenue, Suite 1100
Palo Alto, California 94301
Telephone (650) 470-4500
Facsimile (650) 470-4570**

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If the only securities being registered on this Form are to be offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Edgar Filing: NAM TAI ELECTRONICS INC - Form F-3

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

CALCULATION OF REGISTRATION FEE

Title of Each Class of securities to be registered	Amount to be Registered(1)	Proposed Maximum Offering Price per Share(2)	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee*
Common Shares, \$.01 par value per share	10,350,000 shares	\$16.39	\$169,636,500	\$13,724

- (1) Includes 1,350,000 shares that may be sold pursuant to the underwriters' over-allotment option.
- (2) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(c) based on the average of the high and low prices reported on the New York Stock Exchange on July 23, 2003.

* A registration fee in the amount of \$7,271 was paid previously by the Registrant in connection with Registration No. 333-103547 and \$6,453 has been paid prior to filing this registration statement.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall hereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to such Section 8(a), may determine.

Table of Contents

The information in this prospectus is not complete and may be changed. We may not sell these securities until the Securities and Exchange Commission declares our registration statement effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

(Subject to Completion, dated July 25, 2003)

Prospectus

9,000,000 shares

Common Shares

This is a public offering of 9,000,000 common shares of Nam Tai Electronics, Inc. We are selling 6,000,000 of the common shares offered under this prospectus and certain of our shareholders, referred to in this prospectus as the selling shareholders, are selling the remaining 3,000,000 shares.

Our common shares are listed on the New York Stock Exchange under the symbol NTE. The last reported sale price of our common shares on July 24, 2003, was \$17.52 per share.

See Risk Factors beginning on page 9 to read about certain risks you should consider before buying our common shares.

	Per Share	Total
Public Offering Price	\$	\$
Underwriting Discount	\$	\$
Proceeds, Before expenses to us	\$	\$
Proceeds, Before expenses to the selling shareholders	\$	\$

The selling shareholders have granted the underwriters a 30-day option to purchase up to 1,350,000 additional common shares to cover any over-allotments.

Delivery of shares will be made on or about _____, 2003.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

Bear, Stearns & Co. Inc.

Merrill Lynch & Co.

The date of this Prospectus is _____, 2003

Table of Contents

Our Advanced Manufacturing Facilities and Equipment

Below: Ultra Sonic Cleaning Machines for LCD Panels

[Picture of worker standing in front of Ultra Sonic Cleaning Machines for LCD Panels.]

Below: Testing of Graphic Calculators

[Close-up picture of gloved hands testing of Graphic Calculator.]

Below: Fully Automatic Assembly Machines for STN LCD Panels

[Picture of factory workers in front of Fully Automated Assembly Machines for STN LCD Panels.]

Below: Semi-automated Fine Pitch Heat Seal Machine

[Close-up picture of Semi-automated Fine Pitch Heat Seal Machine.]

Below: Factory Workers in Clean Room Environment

[Picture of a row of factory workers wearing protective suits and masks working in front of factory machines.]

Below: Semi-automated Chip on Glass Machine

[Close-up picture of work being done on Semi-automated Chip on Glass Machine.]

Below: Semi-automated Chip on Board Assembly Line

[Picture of several rows of factory workers sitting in front of Semi-automatic Chip on Board Assembly Line wearing protective suits.]

Below: Tape Automated Bonding with Anisotropic Conductive Film Machine

[Picture of Tape Automated Bonding with Anisotropic Conductive Film Machine.]

Table of Contents

PROSPECTUS SUMMARY

This summary highlights information more fully described elsewhere in this prospectus. This summary is not complete and does not contain all the information you should consider before buying our common shares in this offering. You should read this entire prospectus carefully, including Risk Factors and our consolidated financial statements and the related notes included in this prospectus, before deciding to invest in our common shares. All share and per share data in this prospectus has been adjusted for a 3-for-1 stock split effective on June 30, 2003.

Nam Tai Electronics, Inc.

Our Business

We are an electronics manufacturing and design services provider to a select group of the world's leading original equipment manufacturers, or OEMs, of telecommunications and consumer electronic products. Our largest customers include Epson Precision (HK) Ltd., Sony Ericsson Mobile Communications AB, Texas Instruments Incorporated and Toshiba Matsushita Display Technology Co., Ltd. We were founded in 1975 as an electronic products trading company based in Hong Kong and shifted our focus to manufacturing of electronic products in 1978. We moved our manufacturing facilities to China in 1980 to take advantage of lower overhead costs, lower material costs and competitive labor rates.

Through our electronics manufacturing services, or EMS, operations, we manufacture electronic components and subassemblies, including liquid crystal display, or LCD, panels, LCD modules and radio frequency, or RF, modules. These components are used in numerous electronic products, including cellular phones, laptop computers, digital cameras, copiers, fax machines, electronic toys, handheld video game devices and microwave ovens. We also manufacture finished products, including palm-sized PCs, personal digital assistants, electronic dictionaries, calculators and digital camera accessories for use with cellular phones.

We assist our OEM customers in the design and development of their products and furnish full turnkey manufacturing services that utilize advanced manufacturing processes and production technologies. Our services include hardware and software design, component purchasing, assembly into finished products or electronic subassemblies and post-assembly testing. These services are value-added and assist us in obtaining new business but do not represent a material component of our revenue. We also provide original design manufacturing, or ODM, services, in which we design and develop proprietary products that are sold by our OEM customers using their brand name.

Our Strategy

We are focused on expanding our position as a China-based provider of electronic manufacturing services to major OEMs. To achieve this objective, we intend to continue to pursue the following strategies.

Maintain low-cost manufacturing in China. Our manufacturing facilities are all in China and have been there since 1980. We believe that our history and experience in China well position us to take advantage of the trend of shifting production of electronic products to China.

Focus on Asian OEMs. We have strong relationships with OEMs throughout Asia, particularly those in Japan and China. These OEMs produce a large portion of the electronic products used worldwide and, we believe, represent a significant opportunity for future outsourcing growth.

Manufacture small form factor consumer products. We focus on providing OEMs with services for small form factor electronic products. These products and their key components and subassemblies are easy to ship globally, thereby negating the need for regional manufacturing and sophisticated logistics support.

Table of Contents

Produce high value-added electronic components and subassemblies. We produce components and subassemblies, like LCD modules and RF modules, which are central to several types of electronic products. As a result, we are able to maintain relatively high gross profit margins in comparison with those of other EMS providers of electronic products.

Apply advanced manufacturing technologies. Our manufacturing and assembly processes apply advanced bonding and other sophisticated technologies, including using a clean room manufacturing environment. We believe that relatively few of our competitors possess our level of clean room manufacturing capability in their China-based facilities.

Develop improved production techniques. We focus on collaborating with our customers to refine and improve the production methods employed for complex, yet proven production technologies. These relationships allow us to focus our research and development efforts on process improvement and help limit our risks associated with new product introductions.

Produce high quality products at low cost. We seek to manufacture the highest-quality products at a low cost to our customers. Our location in China allows us to access one of the lowest cost engineering and production work forces in the world.

Invest strategically in key technology partners. We have made and will continue to make strategic investments in targeted and existing customers and providers of critical component technologies. We believe that such investments foster new or enhance existing customer and supplier relationships.

Our Risks

Our business is subject to risk and uncertainty. We are dependent on a few large customers. The electronics industry in which we participate is highly competitive, and we are subject to continuing pressure on our margins. Our operating results fluctuate and lack predictability. Because our operations are primarily located in China and Hong Kong, we are subject to risks arising from governmental policies, taxation, trade regulation, and currency exchange. As a foreign private issuer, we are not subject to the same regulation that applies to issuers domiciled in the U.S. We also are currently subject to pending litigation that may adversely affect us.

Our Headquarters And Website

We were incorporated as an International Business Company in the British Virgin Islands in 1987. Our principal executive offices are located in the British Virgin Islands at 116 Main Street, Road Town, Tortola, British Virgin Islands and our telephone and fax numbers are (284) 494-7752 and (284) 494-4957, respectively. We maintain the following toll-free telephone number for United States investor relations: (800) 661-8831, and our Internet website address is www.namtai.com. The information found on our website is not part of this prospectus.

References to Dollars

All dollar amounts in this prospectus are expressed in United States dollars, except where we state otherwise. In this prospectus, unless we state otherwise, all references to U.S.\$ or \$ are to U.S. dollars.

References to China

The People's Republic of China resumed sovereignty over Hong Kong effective July 1, 1997 and politically Hong Kong is an integral part of China. However, for the purposes of this prospectus and as a matter of definition only, our references to China or the PRC in this prospectus mean the People's Republic of China and all of its territories excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan.

Table of Contents

The Offering

Common shares offered:

by us 6,000,000 shares

by the selling shareholders 3,000,000 shares

Common shares to be outstanding after this offering 42,525,504 shares

New York Stock Exchange Symbol NTE

Use of Proceeds We are raising funds in this offering primarily to increase our production capacity by using approximately \$40.0 million to construct and equip a new factory adjacent to our principal manufacturing facilities in Shenzhen, China. We intend to use the balance of the net proceeds for working capital and other general corporate purposes, including further expansion of our manufacturing capacity and acquisitions. We will not receive any proceeds from the sale of common shares by the selling shareholders.

Risk Factors Investing in our common shares involves certain risks, which are described under the heading Risk Factors , beginning on page 9 of this prospectus.

The number of shares of our common stock that will be outstanding after this offering is based on our shares outstanding as of June 30, 2003 adjusted for a 3-for-1 stock split effective on that date. The number of shares that will be outstanding after this offering excludes:

982,500 common shares issuable upon exercise of stock options outstanding as of June 30, 2003; and

1,806,699 common shares available as of June 30, 2003 for future issuance under our stock option plans.

Table of Contents**Summary Consolidated Financial Information**

We derived the statements of income data presented below for the years ended December 31, 2000, 2001 and 2002 and the balance sheet data as of December 31, 2001 and 2002 presented below from our audited consolidated financial statements. We derived the statements of income data presented below for the three months ended March 31, 2002 and 2003 and the balance sheet data as of March 31, 2003 presented below from our unaudited consolidated financial statements. You should read this summary consolidated financial information with the

Management's Discussion and Analysis of Financial Condition and Results of Operations, which is included elsewhere in this prospectus. The as adjusted balance sheet data gives effect to the proceeds to be received by us from our sale of 6,000,000 common shares in this offering at an assumed offering price of \$17.52 per share, after payment of estimated underwriting discounts and commissions and other estimated offering expenses payable by us, and the application of such proceeds to our cash and cash equivalents, working capital, total assets and shareholders equity. All share and earnings per share data have been adjusted to give effect to the 3-for-1 stock split of June 30, 2003.

For a summary of operating results for the second quarter of 2003, see Recent Developments.

	Year ended December 31,			Three Months ended March 31,	
	2000	2001	2002	2002	2003
	(in thousands except per share data)			(unaudited)	
Consolidated statements of income data:					
Net sales - third parties	\$ 207,456	\$ 212,934	\$ 228,167	\$ 46,121	\$ 85,050
Net sales - related party	6,232	21,072	7,849	5,096	2,931
Total net sales	213,688	234,006	236,016	51,217	87,981
Cost of sales	182,096	203,974	197,956	43,466	72,835
Gross profit	31,592	30,032	38,060	7,751	15,146
Operating costs and expenses:					
Selling, general and administrative	17,646	21,974	17,983	3,952	5,471
Research and development	3,489	2,954	2,686	665	811
Impairment of goodwill			339		
Income from operations	10,457	5,104	17,052	3,134	8,864
Equity in (loss) income of affiliated companies	(189)	1,867	10,741	1,135	75
Other income (expense) - net	13,853	2,709	(6,043)	358	2,305
Interest expense	(165)	(178)	(790)	(186)	(37)
Income before income taxes and minority interests	23,956	9,502	20,960	4,441	11,207
Income taxes benefit (expense)	33	(227)	(773)	(165)	(384)
Income before minority interests	23,989	9,275	20,187	4,276	10,823
Minority interests	12	(230)	(164)	(101)	(613)
Net income	\$ 24,001	\$ 9,045	\$ 20,023	\$ 4,175	\$ 10,210
Earnings per share:					
Basic	\$ 0.88	\$ 0.29	\$ 0.63	\$ 0.14	\$ 0.28
Diluted	\$ 0.85	\$ 0.29	\$ 0.62	\$ 0.13	\$ 0.28
Weighted average shares:					
Basic	27,343	30,823	31,714	30,918	36,351

Edgar Filing: NAM TAI ELECTRONICS INC - Form F-3

Diluted	28,125	31,180	32,209	31,429	36,797
---------	--------	--------	--------	--------	--------

	At December 31,		At March 31, 2003	
	2001	2002	Actual	As adjusted
(unaudited)				
Consolidated balance sheet data:				
Cash and cash equivalents	\$ 58,676	\$ 82,477	\$ 61,114	\$ 158,914
Property, plant and equipment net	70,414	75,914	75,145	75,145
Total assets	224,573	275,086	288,725	386,525
Total debt	16,547	17,782	5,686	5,686
Shareholders' equity	169,351	202,128	212,565	310,365

Table of Contents

Recent Developments

In June 2003, we sold our transformer operations to a third party for \$2.4 million and realized a gain of \$2.1 million.

On July 25, 2003, we announced our results of operations for the period ended June 30, 2003. Net sales of \$116.7 million for the second quarter of 2003 were up 123.1% as compared to net sales of \$52.3 million for the second quarter of 2002. Income from operations for the second quarter of 2003 was \$10.9 million, or \$0.30 per share, compared to income from operations of \$7.0 million, or \$0.22 per share, in the second quarter of 2002. Net income for the second quarter of 2003 was \$11.5 million, an increase of 200.5% compared to net income of \$3.8 million in the second quarter of 2002. Basic and diluted earnings per share for the second quarter of 2003 were \$0.32 and \$0.31, respectively, compared to \$0.12 and \$0.12, respectively, in the second quarter of 2002.

As of June 30, 2003, we had cash and cash equivalents of \$70 million, total assets of \$298 million and total shareholders' equity of \$223 million.

Table of Contents

SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS

This prospectus and the documents and information incorporated by reference in this prospectus, such as from Management's Discussion and Analysis of Financial Condition and Results of Operations and Business in this prospectus and Item 4 Information on the Company and Item 5 Operating and Financial Review and Prospects in Amendment No. 1 to our Annual Report on Form 20-F for the year ended December 31, 2002, include forward-looking statements within the meaning of section 27A of the Securities Act of 1933, as amended and section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include the information concerning our possible or assumed future operating results, business strategies, financing plans, competitive position, industry environment, the anticipated impact on our business and financial results of recent and future acquisitions, the effects of competition, our ability to produce new products in a cost-effective manner and projections relating to our and our industry's market share. Forward-looking statements may be identified by the use of words like believes, considers, intends, expects, may, will, should, forecast, or anticipates, or the negative equivalents of those words, or comparable terminology, and by discussions of strategies that involve risks and uncertainties.

Actual results may differ materially from those expressed or implied by forward-looking statements for a number of reasons, including those appearing elsewhere in this prospectus under the heading Risk Factors. In addition, we base forward-looking statements on assumptions about future events, which may not prove to be accurate. In light of these risks, uncertainties and assumptions, you should be aware that the forward-looking events described in this prospectus and the documents incorporated by reference in this prospectus may not occur.

Table of Contents

RISK FACTORS

An investment in our common shares involves a substantial risk of loss. You should carefully consider the risks described below and the other information in this prospectus, including our financial statements and the related notes, before you purchase any of our common shares. If any such risks actually occur, our business and operating results could be materially and adversely affected. In such case, the trading price of our common shares could decline and you may lose all or part of your investment.

Risks Related to Our Business

We are dependent on a few large customers, the loss of any of which could substantially harm our business and operating results.

Historically, a substantial percentage of our sales have been to a small number of customers. During the years ended December 31, 2000, 2001 and 2002 and the three months ended March 31, 2003, sales to our customers accounting for 10% or more of our net sales aggregated approximately 72.4%, 44.1%, 60.2% and 56.6%, respectively, of our net sales. The loss of Epson Precision (HK) Ltd., Sony Ericsson Mobile Communications AB, Texas Instruments Incorporated or Toshiba Matsushita Display Technology Co., Ltd., each of which accounted for more than 10% of our net sales during 2002 or for the three months ended March 31, 2003, or a substantial reduction in orders from any of them would materially and adversely impact our business and operating results.

Our quarterly and annual operating results are subject to significant fluctuations from a wide variety of factors.

Our quarterly and annual operating results are affected by a wide variety of factors that could materially and adversely affect our business and operating results during any period. This could result from any one or a combination of factors, such as:

the timing, cancellation or postponement of orders,

the type of product and related margins,

our customers' announcement and introduction of new products or new generations of products,

the life cycles of our customers' products,

our timing of expenditures in anticipation of future orders,

our effectiveness in managing manufacturing processes, including, interruptions or slowdowns in production and changes in cost and availability of components, and

the mix of orders filled.

The volume and timing of orders received during a quarter are difficult to forecast. From time to time, our customers encounter uncertain and changing demand for their products. Customers generally order based on their forecasts. If demand falls below such forecasts or if customers do not control inventories effectively, they may reduce, cancel or postpone shipments of orders.

As a consequence of any of the above factors, results of operations in any period should not be considered indicative of results to be expected in any future period, and fluctuations in operating results may also result in fluctuations in the market price of our common shares. Our results of operations in future periods may fall below the expectations of public market analysts and investors. Our results of operations for the second quarter of 2003 may not be indicative of results in future quarters. This failure to meet expectations could cause the trading price of our common shares to decline substantially.

Table of Contents

Cancellations or delays in orders could materially and adversely affect our gross margins and operating income.

Sales to our OEM customers are primarily based on purchase orders we receive from time to time rather than firm, long-term purchase commitments. Although it is our general practice to purchase raw materials only upon receiving a purchase order, for certain customers we will occasionally purchase raw materials based on such customers' rolling forecasts. Further, during times of potential component shortages we have purchased, and may continue to purchase, raw materials and component parts in the expectation of receiving purchase orders for products that use these components. In the event actual purchase orders are delayed, are not received or are cancelled, we would experience increased inventory levels or possible write-downs of raw material inventory that could materially and adversely affect our business and operating results. In 2001, we made an inventory provision of \$3.8 million for slow-moving raw materials relating to cancelled, reduced or delayed orders. Subsequently, we were able to use some of these raw materials in production or we received compensation for the unused raw materials from certain of our customers, resulting in a partial reversal of \$2.0 million of the provision in 2002. The remaining \$1.8 million of slow-moving inventory was scrapped.

If we are unable to produce our new products in a high quality and cost-effective manner, our gross margins and business and operating results could be materially and adversely affected.

We have experienced increased costs associated with developing advanced manufacturing techniques to produce our complex products on a mass scale and at a low cost. This has negatively impacted our gross margins. For example, our initial production runs of liquid crystal display, or LCD, modules experienced low production yields and other inefficiencies. We have currently commenced production of radio frequency, or RF, modules, thin film transistor, or TFT, modules and color LCD modules, in relation to which we have limited manufacturing experience. We expect that a substantial portion of our growth will come from our manufacture of these products. While we expect and plan for such increased costs in our new product manufacturing cycle, we cannot precisely predict the time and expense required to overcome initial problems and to ensure reliability and high quality at an acceptable cost. The increased costs and other difficulties associated with manufacturing RF modules, TFT modules and color LCD modules and other new products could have a negative impact on our future gross margins. In addition, even if we develop capabilities to manufacture new products, there can be no guarantee that a market will exist for such products or that such products will adequately respond to market trends. If we invest resources to develop capabilities to manufacture new products, like the investment in our new factory, for which a market does not develop, our business and operating results would be seriously harmed. Even if the market for our services grows, it may not grow at an adequate pace.

Our inability to utilize capacity at our new factory could materially and adversely affect our business and operating results.

In order to expand production capacity, we intend to use approximately \$40 million of our net proceeds to construct and equip a new factory consisting of approximately 250,000 square feet on land adjacent to our principal manufacturing facilities in Shenzhen, China. Once our new factory is complete, we will have committed substantial expenditures and resources to constructing and equipping this factory, but cannot guarantee that we will fully utilize such additional capacity. Our factory utilization is dependent on our success in providing manufacturing services for new or other products that we intend to produce at that factory, including RF modules, TFT and color LCD modules, and handset assemblies for cellular phones, at a price and volume sufficient to absorb our increased overhead expenses. Demand for contract manufacturing of these products may not be as high as we expect, and we may fail to realize the expected benefit from our investment in our new factory.

We face increasing competition, which has had an adverse effect on our margins.

Competition in the EMS industry is intense and is characterized by price erosion, rapid technological change, and competition from major international companies. This intense competition has resulted in

Table of Contents

pricing pressures, lower sales and reduced margins. Over the last several years our margins have declined substantially, from 24.3% in 1998 to approximately 15.3% in 2002, as adjusted to take into account a \$2.0 million partial reversal of a provision we made in 2001. Continuing competitive pressures could materially and adversely affect our business and operating results.

We may not be able to compete successfully with our competitors, many of which have substantially greater resources than we do.

The electronics manufacturing services we provide are available from many independent sources as well as from our current and potential customers with in-house manufacturing capabilities. Our EMS competitors include Celestica, Inc., Flextronics International Ltd., Hon Hai Precision Industry Co., Ltd., Jabil Circuit, Inc., Sanmina-SCI Corporation and Solectron Corporation. Our principal competitors in the manufacture of our traditional product lines of calculators, personal organizers and linguistic products include Kinpo Electronics, Inc. and Inventec Co. Ltd. We have numerous competitors in the telecommunication, subassemblies and components product lines, including Philips, Samsung and Varitronix. Many of our competitors have greater financial, technical, marketing, manufacturing, regional shipping capabilities and logistics support and personnel resources than we do. As a result, we may be unable to compete successfully with these organizations in the future.

We must spend substantial amounts to maintain and develop advanced manufacturing processes and engage additional engineering personnel in order to attract new customers and business.

We operate in rapidly changing industries. Technological advances, the introduction of new products, and new manufacturing and design techniques could materially and adversely affect our business unless we are able to adapt to those changing conditions. As a result, we are continually required to commit substantial funds for, and significant resources to, engage additional engineering and other technical personnel and to purchase advanced design, production and test equipment.

Our future operating results will depend to a significant extent on our ability to continue to provide new manufacturing solutions that compare favorably on the basis of time to introduction, cost, and performance with the manufacturing capabilities of OEMs and competitive third-party suppliers. Our success in attracting new customers and developing new business depends on various factors, including:

utilization of advances in technology;

development of new or improved manufacturing processes for our customer's products;

delivery of efficient and cost-effective services; and

timely completion of the manufacture of new products.

We generally have no written agreements with suppliers to obtain components and our margins and operating results could suffer from increases in component prices.

We are typically responsible for purchasing components used in manufacturing products for our customers. We generally do not have written agreements with our suppliers of components. This typically results in our bearing the risk of component price increases because we may be unable to procure the required materials at a price level necessary to generate anticipated margins from the orders of our customers. Accordingly, increases in component prices could materially and adversely affect our gross margins and operating results.

Our business and operating results would be materially and adversely affected if our suppliers of needed components fail to meet our needs.

At various times, we have and continue to experience shortages of some of the electronic components that we use, and suppliers of some components lack sufficient capacity to meet the demand for these components. In some cases, supply shortages and delays in deliveries of particular components have

Table of Contents

resulted in curtailed production, or delays in production, of assemblies using that component, which contributed to an increase in our inventory levels and reduction in our gross margins. We expect that shortages and delays in deliveries of some components will continue. If we are unable to obtain sufficient components on a timely basis, we may experience manufacturing delays, which could harm our relationships with current or prospective customers and reduce our sales. We also depend on a small number of suppliers for certain of the components that we use in our business. For example, we purchase most of our integrated circuits from Toshiba Corporation and Sharp Corporation and certain of their affiliates. If we were unable to continue to purchase components from these limited source suppliers, our business and operating results would be materially and adversely affected.

Factors affecting the electronics industry in general and our customers in particular could harm our operations.

Most of our sales are to customers in the electronics industry, which is subject to rapid technological change, product obsolescence and short product life cycles and has suffered from an industry-wide slowdown since 2000. The factors affecting the electronics industry in general, or any of our major customers or competitors in particular, could have a material adverse effect on our business and operating results. Our success will depend to a significant extent on the success achieved by our customers in developing and marketing their products, including their products that use RF modules and color STN modules and TFT modules, some of which may be new and untested. If our customers' products become obsolete, fail to gain widespread commercial acceptance or become the subject of intellectual property disputes, this could harm our business and operating results.

Future acquisitions or strategic investments may not be successful and may harm our operating results.

An important element of our strategy is to review prospects for acquisition or strategic investments that would complement our existing companies and products, augment our market coverage and distribution ability or enhance our technological capabilities.

Future acquisitions or strategic investments could have a material adverse effect on our business and operating results because of:

- possible charges to operating results for purchased technology, restructuring or impairment charges related to goodwill or amortization expenses associated with intangible assets,
 - potential increase in our expenses and working capital requirements and the incurrence of debt and contingent liabilities,
 - difficulties in successfully integrating any acquired operations, technologies, customers products and businesses with our operations,
 - diversion of our capital and management's attention to other business concerns,
 - risks of entering markets or geographic areas in which we have limited prior experience, or
 - potential loss of key employees of acquired organizations or inability to hire key employees necessary for expansion.
- For example, in 1998, we made a provision for, and subsequently wrote-off, our entire \$10.0 million investment in Albatronics.

Our customers are dependent on shipping companies for delivery of our products and interruptions to shipping could materially and adversely affect our business and operating results.

Typically, we sell our products F.O.B. Hong Kong and our customers are responsible for the transportation of products from Hong Kong to their final destinations. Our customers rely on a variety of carriers for product transportation through various world ports. A work stoppage, strike or shutdown of one or more major ports or airports could result in shipping delays materially and adversely affecting our

Table of Contents

customers, which in turn could have a material adverse effect on our business and operating results. Similarly, an increase in freight surcharges due to rising fuel costs or general price increases could materially and adversely affect our business and operating results.

Because our operations are international, we are subject to significant worldwide political, economic, legal and other uncertainties.

We are incorporated in the British Virgin Islands and have subsidiaries incorporated in the British Virgin Islands, the Cayman Islands, Hong Kong and China. Our administrative offices are located in Hong Kong. We manufacture all of our products in China. As of March 31, 2003, approximately 75% of the net book value of our total fixed assets is located in China. We sell our products to customers in Hong Kong, North America, Europe, Japan, China and Southeast Asia. Our international operations may be subject to significant political and economic risks and legal uncertainties, including:

changes in economic and political conditions and in governmental policies,

changes in international and domestic customs regulations,

wars, civil unrest, acts of terrorism and other conflicts,

changes in tariffs, trade restrictions, trade agreements and taxation,

difficulties in managing or overseeing foreign operations, and

limitations on the repatriation of funds because of foreign exchange controls.

The occurrence or consequences of any of these factors may restrict our ability to operate in the affected region and decrease the profitability of our operations in that region.

Our operating results could be negatively impacted by seasonality.

Historically, our sales and operating results have been affected by seasonality. Sales of calculators, personal organizers and linguistic products are typically higher during the second and third quarters in anticipation of the start of the school year and the Christmas buying season. Similarly, our consumer services for electronics products have historically been lower in the first quarter from both the closing of our factories in China for the Chinese New Year holidays and the general reduction in sales following the holiday season. These sales patterns may not be indicative of future sales performance.

Our results could be harmed if we have to comply with new environmental regulations.

Our operations create some environmentally sensitive waste that may increase in the future depending on the nature of our manufacturing operations. The general issue of the disposal of hazardous waste has received increasing attention from the PRC national and local governments and foreign governments and agencies and has been subject to increasing regulation. Our business and operating results could be materially and adversely affected if we were to increase expenditures to comply with environmental regulations affecting our operations.

If there is an adverse outcome in class action litigation that has been filed against us, our business could be seriously harmed.

On March 11, 2003, we were served with a complaint in an action captioned Michael Rocco v. Nam Tai, et al., 03 Civ. 1148 (S.D.N.Y.) (the Rocco Action). Plaintiff in the Rocco Action purports to represent a putative class of persons who purchased the common stock of Nam Tai from July 29, 2002 through February 18, 2003. In addition to Nam Tai, certain directors are named as defendants. On or about April 9, 2003, a second complaint was filed in an action captioned A.J. & Celine Steigler v. Nam Tai, et al., 03 Civ. 2462 (S.D.N.Y.) (the Steigler Action) (together with the Rocco Action, the Actions). The Actions have since been consolidated. Plaintiffs in the Actions assert claims under Section 10(b) of the Securities Exchange Act of 1934 and allege that misrepresentations and/or omissions

Table of Contents

were made during the alleged class periods concerning the partial reversal of an inventory provision and a charge to goodwill related to Nam Tai's JIC unit. The Actions are in their preliminary stages. Nam Tai believes it has meritorious defenses and it intends to defend vigorously.

We are dependent on certain members of our senior management.

We are substantially dependent upon the services of Mr. Tadao Murakami, our Chairman of the Board of Directors, Mr. Joseph Li, our Chief Executive Officer, and, Mr. M. K. Koo, our Chief Financial Officer. We have employment agreements with each of Mr. Murakami and Mr. Koo. Mr. Murakami's employment may be terminated immediately and, pursuant to Mr. Koo's agreement, his employment may be terminated upon short notice. We also have entered into a Services Agreement with Mr. Li, which expires in October 2003. Mr. Li's Services Agreement provides that he may not compete with our business nor solicit customers or employees for a period of 36 months following termination for any reason under the Services Agreement. Neither Mr. Koo's nor Mr. Murakami's agreement has comparable provisions, and once Mr. Li's Service Agreement expires, and, if not renewed, Mr. Li will not be subject to the non-competition and non-solicitation provisions. Accordingly, each officer may engage in a business that is in competition with us after his termination, which may have a material adverse effect on our business and operating results. We maintain no key person insurance on these individuals. The loss of the services of any of these officers could have a material adverse effect on our business and operating results.

We may be unable to succeed in recovering on our judgment debts against Tele-Art.

We have two judgments in our favor against Tele-Art, Inc. awarded by The High Court of Justice in the British Virgin Islands for approximately \$35.0 million plus interest and costs. Because Tele-Art, Inc. is in liquidation, we may not realize the entire amount of our judgments, and the actual amount of the recovery, if any, is uncertain and dependent on a number of factors. We may incur substantial additional costs in pursuing our recovery, and such costs may not be recoverable.

We could become involved in intellectual property disputes.

We do not have any patents, licenses, or trademarks material to our business. Instead, we rely on trade secrets, industry expertise and our customers sharing of intellectual property with us. We may be notified that we are infringing patents, copyrights or other intellectual property rights owned by other parties. In the event of an infringement claim, we may be required to spend a significant amount of money to develop a non-infringing alternative or to obtain licenses. We may not be successful in developing such an alternative or obtaining a license on reasonable terms, if at all. Any litigation, even without merit, could result in substantial costs and diversion of resources and could materially and adversely affect our business and operating results.

We may not pay dividends in the future.

Although we have declared dividends during each of the last nine years, we may not be able to declare them or may decide not to declare them in the future. Our China subsidiaries are required to reserve 10% of profits for future development, which may affect our ability to declare dividends. We will determine the amounts of the dividends when they are declared and even if dividends are declared in the future, we may not continue them in any future period.

Risks Related to Our Operations in China and Hong Kong

Our manufacturing facilities are located in China and our principal subsidiaries and several of our customers and suppliers are located in Hong Kong and China. As a result, our operations and assets are subject to significant political, economic, legal and other uncertainties associated with doing business in China and Hong Kong, which are discussed in more detail below.

Table of Contents

The Chinese government could change its policies toward, or even nationalize, private enterprise, which could harm our business and operating results.

Over the past several years, the Chinese government has pursued economic reform policies including the encouragement of private economic activities and decentralization of economic deregulation. The Chinese government may not continue to pursue these policies or may significantly alter them to our detriment from time to time without notice. Changes in policies by the Chinese government resulting in changes in laws, regulations, or their interpretation, or the imposition of confiscatory taxation, restrictions on currency conversion or imports and sources of supply could materially and adversely affect our business and operating results. The nationalization or other expropriation of private enterprises by the Chinese government could result in the total loss of our investment in China.

The Chinese legal system has inherent uncertainties that could materially and adversely impact our ability to enforce the agreements governing our factories and to do business.

We do not own the land on which our factories in China are located. We occupy our principal manufacturing facilities under land use agreements with agencies of the Chinese government and we occupy other facilities under lease agreements with peasant collectives or other companies. The performance of these agreements and the operations of our factories are dependent on our relationship with the local government. Our operations and prospects would be materially and adversely affected by the failure of the local government to honor these agreements or an adverse change in the law governing them. In the event of a dispute, enforcement of these agreements could be difficult in China. Unlike the United States, China has a civil law system based on written statutes in which judicial decisions have limited precedential value. The Chinese government has enacted laws and regulations dealing with economic matters such as corporate organization and governance, foreign investment, commerce, taxation and trade. However, its experience in implementing, interpreting and enforcing these laws and regulations is limited, and our ability to enforce commercial claims or to resolve commercial disputes in China is unpredictable. These matters may be subject to the exercise of considerable discretion by agencies of the Chinese government, and forces and factors unrelated to the legal merits of a particular matter or dispute may influence their determination.

Fire, severe weather, flood or earthquake could cause significant damage to our facilities in China and disrupt our business operations.

Our products are manufactured exclusively at our factories located in China. Fire fighting and disaster relief or assistance in China is not well developed. Material damage to, or the loss of, our factories due to fire, severe weather, flood, earthquake or other acts of God or cause may not be adequately covered by proceeds of our insurance coverage and could materially and adversely affect our business and operating results. In addition, any interruptions to our business caused by such disasters could harm our business and operating results.

Controversies affecting China's trade with the United States could harm our results of operations or depress our stock price.

While China has been granted permanent most favored nation trade status in the United States through its entry into the World Trade Organization, controversies between the United States and China may arise that threaten the status quo involving trade between the United States and China. These controversies could materially and adversely affect our business by, among other things, causing our products in the United States to become more expensive resulting in a reduction in the demand for our products by customers in the United States. Political or trade friction between the United States and China, whether or not actually affecting our business, could also materially and adversely affect the prevailing market price of our common shares.

Table of Contents

Changes to Chinese tax laws and heightened efforts by the Chinese tax authorities to increase revenues could subject us to greater taxes.

Under applicable Chinese law, we have been afforded a number of tax concessions by, and tax refunds from, the Chinese tax authorities on a substantial portion of our operations in China by reinvesting all or part of the profits attributable to our Chinese manufacturing operations. However, the Chinese tax system is subject to substantial uncertainties with respect to its interpretation and enforcement. Following the Chinese government's program of privatizing many state owned enterprises, the Chinese government has attempted to augment its revenues through heightened tax collection efforts. Continued efforts by the Chinese government to increase tax revenues could result in decisions or interpretations of the tax laws by the Chinese tax authorities that would increase our future tax liabilities or deny us expected concessions or refunds.

Our results have been affected by changes in currency exchange rates. Changes in currency rates involving the Japanese yen, Hong Kong dollar or Chinese renminbi could increase our expenses.

Our financial results have been affected by currency fluctuations, resulting in total foreign exchange losses of \$26,000 and \$345,000 during the three months ended March 31, 2003 and year ended December 31, 2002 and total foreign exchange gains of \$530,000 and \$51,000 during the years ended December 31, 2001 and 2000, respectively. We sell most of our products in United States dollars and pay our expenses in United States dollars, Japanese yen, Hong Kong dollars, and Chinese renminbi. While we face a variety of risks associated with changes among the relative value of these currencies, we believe the most significant exchange risk presently results from material purchases we make in Japanese yen. Approximately 17%, 14%, 16% and 8% of our material costs have been in yen during the three months ended March 31, 2003 and the years ended December 31, 2000, 2001 and 2002, respectively, but sales made in yen accounted for less than 16% of sales for the three months ended March 31, 2003 and each of the last three years. An appreciation of the yen against the U.S. dollar would increase our expenses when translated into U.S. dollars and would materially and adversely affect our margins unless we made sufficient sales in yen to offset against material purchases made in yen.

Approximately 0% and 8% of our revenues and 16% and 13% of our expenses were in Chinese renminbi and Hong Kong dollars, respectively, during the three months ended March 31, 2003. Approximately 4% and 10% of our revenues and 18% and 15% of our expenses were in Chinese renminbi and Hong Kong dollars, respectively, during the year ended December 31, 2002. In 2001, approximately 5% and 11% of our revenues and 15% and 19% of our expenses were in Chinese renminbi and Hong Kong dollars, respectively. An appreciation of the renminbi or Hong Kong dollar against the U.S. dollar would increase our expenses when translated into U.S. dollars and could materially and adversely affect our margins. In addition, a significant devaluation in the renminbi or Hong Kong dollar could harm our business if it destabilizes the economy of China or Hong Kong, creates serious domestic problems or increases our borrowing costs.

The Hong Kong dollar has remained relatively stable due to the U.S. dollar peg system that has been in effect in Hong Kong since 1983. In recent years, Hong Kong has suffered deflation and the Hong Kong dollar has been subject to currency speculation. There can be no assurance that the Hong Kong economy will not worsen or that the historical currency peg of the Hong Kong dollars to the U.S. dollars will be maintained.

We have suffered losses from hedging against our currency exchange risk.

From time to time, we have attempted to hedge our currency exchange risk. We recorded charges of \$304,000 in 2000 and \$566,000 in 1999 on the write-off of option premiums purchased as a hedge against the appreciation of the Japanese yen and the decline of the Hong Kong dollar, respectively. We did not engage in currency hedging transactions for fiscal year 2002 or the six months ended June 30, 2003. We have experienced in the past and may experience in the future losses as a result of currency hedging.

Table of Contents

Political and economic instability in Hong Kong could harm our operations.

Some of our principal subsidiaries' offices and several of our customers and suppliers are located in Hong Kong, formerly a British Crown Colony. Sovereignty over Hong Kong was resumed by China effective July 1, 1997. Since then, Hong Kong has become a Special Administrative Region of China, enjoying a high degree of autonomy except for foreign and defense affairs. Moreover, China's political system and policies are not practiced in Hong Kong. Under the principle of "one country, two systems," Hong Kong maintains a legal system that is based on the common law and is different from that of China. It is generally acknowledged as an open question whether Hong Kong's future prosperity in its role as a hub and gateway to China after China's recent accession to the World Trade Organization (introducing a market liberalization in China) will be diminished. The continued stability of political, economic or commercial conditions in Hong Kong remains uncertain, and any instability could materially and adversely impact our business and operating results. In addition, the tax authority of the Hong Kong Government is currently engaged in aggressive and frequent field audits and close and critical scrutiny of commercial transactions which may add to the uncertainty of the conditions of doing business from Hong Kong.

Any future outbreak of severe acute respiratory syndrome may have a negative impact on our business and operating results.

In March 2003, several economies in Asia, including Hong Kong and southern China, where our operations are located, were affected by the outbreak of severe acute respiratory syndrome, or SARS. If there is a recurrence of an outbreak of SARS, it may adversely affect our business and operating results. For example, a future SARS outbreak could result in quarantines or closures to some of our factories if our employees are infected with SARS and ongoing concerns regarding SARS, particularly its effect on travel, could negatively impact our China-based customers and suppliers and our business and operating results.

Risks Related to Our Industry

We are exposed to general economic conditions. The current slowdown in the technology products industry has affected and we expect it to continue to affect our business and operating results adversely.

As a result of recent unfavorable economic conditions and reduced capital spending, sales to OEMs in the electronics industry declined during 2002 and 2001. Lower consumer demand and high customer inventory levels have resulted in the delay and cancellation of orders for nearly all types of electronic products. As a result of order cancellations in 2001 we were required to make a provision for slow-moving inventory, which materially and adversely impacted our net income in 2001. If the economic conditions in the United States or Asia worsen generally or in the electronics and contract manufacturing businesses particularly, or if a wider or global economic slowdown occurs, this could materially and adversely impact our business and operating results.

The current economic downturn in the electronics manufacturing services industry could continue to have a material adverse effect on our business and operating results.

The EMS industry is currently in an economic slowdown with an uncertain outlook. Some of the major contract manufacturers and OEMs worldwide have announced job reductions and plant closures aimed at reducing costs. Industry analysts have reduced their projections of the future growth of the EMS segment. Furthermore, Wall Street analysts have reduced earnings and revenue estimates across the entire EMS sector and have reported that the EMS industry has excess capacity. For example, the EMS industry in which we operate experienced a decrease in demand in 2001 and 2002. Softening demand for our products and services caused by the ongoing economic downturn was responsible in part for a decline in our operating income in 2001, as well as our provision for slow-moving inventory.

The global economy may remain weak and market conditions continue to be challenging in the EMS industry. As a result, individuals and companies may continue delaying or reducing expenditures, including

Table of Contents

those for electronic products. Further delays or reductions in spending in our industry in particular, and economic weakness generally, could materially and adversely affect our business and operating results.

Risks Related to the Offering

The market price of our shares will likely be subject to substantial price and volume fluctuations.

The markets for equity securities have been volatile and the price of our common shares has been and could continue to be subject to wide fluctuations in response to variations in operating results, news announcements, trading volume, sales of common shares by our officers, directors and our principal shareholders, customers, suppliers or other publicly traded companies, general market trends both domestically and internationally, currency movements and interest rate fluctuations. Certain events, such as the issuance of common shares upon the exercise of our outstanding stock options could also materially and adversely affect the prevailing market price of our common shares.

Further, the stock markets have recently experienced extreme price and volume fluctuations that have affected the market prices of equity securities of many companies and that have been unrelated or disproportionate to the operating performance of such companies. These fluctuations may materially and adversely affect the market price of our common shares and your ability to resell your shares at or above the price you paid, or at any price.

The concentration of share ownership in our senior management allows them to control or substantially influence the outcome of matters requiring shareholder approval.

At June 30, 2003, members of our management and board of directors as a group beneficially owned approximately 46% of our common shares and will beneficially own approximately 33% immediately upon completion of this offering (assuming the underwriters' over-allotment option is not exercised). As a result, acting together they may be able to control and substantially influence the outcome of all matters requiring approval by our shareholders, including the election of directors and approval of significant corporate transactions. This ability may have the effect of delaying or preventing a change in control of Nam Tai, or causing a change in control of Nam Tai that may not be favored by our other shareholders. We have agreed, subject to limited exceptions, not to sell or offer to sell or otherwise dispose of any common shares or securities convertible into or exercisable or exchangeable for our common shares, for a period of 90 days after the date of this prospectus, without the prior written consent of Bear, Stearns & Co. Inc., on behalf of the underwriters. Our executive officers, directors and selling shareholders have entered into similar agreements. Bear, Stearns & Co. Inc. may release some or all of these shares, or us, from these agreements at any time without public notice.

Risks Related to Our Foreign Private Issuer Status

It may be difficult to serve us with legal process or enforce judgments against our management or us.

We are a British Virgin Islands holding corporation having our principal subsidiaries in Hong Kong. We have appointed Stephen Seung, 2 Mott St., Suite 601, New York, New York 10013 as our agent upon whom process may be served in any action brought against us under the securities laws of the United States. However, outside the United States, it may be difficult for investors to enforce judgments against us obtained in the United States in any of these actions, including actions based upon civil liability provisions of the Federal securities laws. In addition, all of our officers and most of our directors reside outside the United States and all of our assets, and the assets of those persons who reside outside of the United States, are located outside of the United States. As a result, it may not be possible for investors to effect service of process within the United States upon those persons, or to enforce against those persons or us judgments obtained in United States courts grounded upon the liability provisions of the United States securities laws. There is substantial doubt as to the enforceability against us or any of our directors and officers located outside of the United States in original actions or in actions for enforcement of

Table of Contents

judgments of United States courts of liabilities based solely on the civil liability provisions of the securities laws of the United States.

No treaty exists between Hong Kong or the British Virgin Islands and the United States providing for the reciprocal enforcement of foreign judgments. However, the courts of Hong Kong and the British Virgin Islands are generally prepared to accept a foreign judgment as evidence of a debt due. An action may then be commenced in Hong Kong or the British Virgin Islands for recovery of this debt. A Hong Kong or British Virgin Islands court will only accept a foreign judgment as evidence of a debt due if:

the judgment is for a liquidated amount in a civil matter;

the judgment is final and conclusive and has not been stayed or satisfied in full;

the judgment is not, directly or indirectly, for the payment of foreign taxes, penalties, fines or charges of a like nature (in this regard, a Hong Kong or British Virgin Islands court is unlikely to accept a judgment for an amount obtained by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damage sustained by the person in whose favor the judgment was given);

the judgment was not obtained by actual or constructive fraud or duress;

the foreign court has taken jurisdiction on grounds that are recognized by the common law rules as to conflict of laws in Hong Kong or the British Virgin Islands;

the proceedings in which the judgment was obtained were not contrary to natural justice (i.e., the concept of fair adjudication);

the proceedings in which the judgment was obtained, the judgment itself and the enforcement of the judgment are not contrary to the public policy of Hong Kong or the British Virgin Islands;

the person against whom the judgment is given is subject to the jurisdiction of the Hong Kong or the British Virgin Islands court; and

the judgment is not on a claim for contribution in respect of damages awarded by a judgment, which does not satisfy the criteria stated previously.

Enforcement of a foreign judgment in Hong Kong or the British Virgin Islands may also be limited or affected by applicable bankruptcy, insolvency, liquidation, arrangement, and moratorium or similar laws relating to or affecting creditors' rights generally, and will be subject to a statutory limitation of time within which proceedings may be brought.

Future issuances of preference shares could materially and adversely affect the holders of our common shares or delay or prevent a change of control.

Our board of directors may amend our Memorandum and Articles of Association without shareholder approval to create and issue from time to time one or more classes of preference shares (which are analogous to preferred stock of corporations organized in the United States). While currently no preference shares are issued or outstanding, we may issue preference shares in the future. Future issuance of preference shares could materially and adversely affect the rights of the holders of our common shares or delay or prevent a change of control.

Our status as a foreign private issuer exempts us from certain of the reporting requirements under the Exchange Act and corporate governance standards of the New York Stock Exchange, limiting the protections and information afforded to investors.

Table of Contents

We are a foreign private issuer within the meaning of rules promulgated under the Securities Exchange Act of 1934. As such, we are exempt from certain provisions applicable to United States public companies including:

the rules under the Exchange Act requiring the filing with the Commission of quarterly reports on Form 10-Q, current reports on Form 8-K or annual reports on Form 10-K;

the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act;

the provisions of Regulation FD aimed at preventing issuers from making selective disclosures of material information; and

the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and establishing insider liability for profits realized from any short-swing trading transaction (i.e., a purchase and sale, or sale and purchase, of the issuer's equity securities within less than six months).

In addition, because the Company is a foreign private issuer, certain of the corporate governance standards of the New York Stock Exchange that are applied to domestic companies listed on that exchange may not be applied to us.

Because of these exemptions, investors are not afforded the same protections or information generally available to investors holding shares in public companies organized in the United States or traded on the New York Stock Exchange.

Table of Contents**USE OF PROCEEDS**

We estimate that net proceeds from our sale of 6,000,000 common shares will be approximately \$97.8 million, based on an assumed public offering price of \$17.52 and after payment of estimated underwriting discounts and commissions and other estimated offering expenses payable by us. We will not receive any of the proceeds from the sale of common shares by the selling shareholders.

We intend to use approximately \$40.0 million of the net proceeds to construct and equip a new factory of approximately 250,000 square feet and associated offices and facilities adjacent to our principal manufacturing facilities in Shenzhen, China. We currently expect to use this new facility, among other things, to manufacture RF modules, TFT and color LCD modules and handset assemblies for cellular phones. We intend to use the balance of the net proceeds for working capital and other general corporate purposes, which may include expanding our manufacturing capacity, making additional capital expenditures and possible acquisitions of, or strategic investments in, businesses, products or technologies that are complementary to our business. From time to time, we evaluate potential acquisitions of, or strategic investments in, such businesses, products or technologies; however, we have no current understandings, agreements or commitments with respect to any such transaction. Pending such uses, we intend to invest the net proceeds in short-term interest bearing obligations.

DIVIDEND POLICY

We have paid an annual dividend for the last nine consecutive years. On February 14, 2003, we announced that we were increasing our regular annual dividend to \$0.20 per share to be declared and paid quarterly commencing with the first quarter 2003 dividend of \$0.05 per share. On July 21, 2003, we paid our second quarter dividend of \$0.05 to shareholders of record as of June 30, 2003. The following table sets forth the total cash dividends and dividends per share we have declared for each of the five years in the period ended December 31, 2002: All share and earnings per share data have been adjusted to give effect to the 3-for-1 stock split of June 30, 2003.

	Year ended December 31,				
	1998	1999	2000	2001	2002
Total dividends declared (in thousands)	\$ 2,829	\$ 2,942	\$ 12,190	\$ 4,134	\$ 17,056
Regular dividends per share	\$ 0.09	\$ 0.11	\$ 0.12	\$ 0.13	\$ 0.16
Special dividends			0.33		0.33
Total dividends per share	\$ 0.09	\$ 0.11	\$ 0.45	\$ 0.13	\$ 0.49

It is our general policy to determine the actual annual amount of future dividends, if any, based upon our growth during the preceding year. Future dividends, if any, will be in the form of cash or stock or a combination of both. We may not be able to pay dividends in the future or may decide not to declare them in any event. We will determine the amounts of the dividends when they are declared and even if dividends are declared in the future we may not continue them in any future period.

We declared special dividends in 2000 and 2002 for the reasons described below:

In 2000, as a result of a realized gain we made from our sale of our investment in Group Sense (International) Ltd.; and

In 2002, primarily as a result of a realized gain we made from our sale of approximately one-third of our indirect investment in Huizhou TCL Mobile Communication Company Ltd.

We do no business in the United States that subjects us to United States income taxes on our income and we do not expect to receive dividends from any United States company or any foreign company that has income effectively connected with a United States trade or business. Accordingly, we expect that any cash dividends we pay to our shareholders who are subject to United States income tax will remain taxable notwithstanding recently enacted United States tax legislation.

Table of Contents**PRICE RANGE OF COMMON SHARES**

Our common shares are traded exclusively in the United States. On January 23, 2003, our common shares were listed on the New York Stock Exchange under the symbol NTE. Prior to that, our common shares were quoted on the Nasdaq National Market under the symbol NTAI.

The following table sets forth the high and low closing sale prices for our common shares for the quarters indicated through June 30, 2003, adjusted to give effect to a 3-for-1 stock split effective on that date:

	2001			2002			2003		
	High	Low	Average Daily Trading Volume(1)	High	Low	Average Daily Trading Volume(1)	High	Low	Average Daily Trading Volume(1)
First Quarter	\$6.38	\$4.04	133,887	\$6.35	\$5.15	153,210	\$11.30	\$7.92	363,270
Second Quarter	\$5.00	\$4.08	74,195	\$7.73	\$6.10	143,827	\$14.13	\$6.94	288,459
Third Quarter	\$5.10	\$3.77	63,992	\$6.86	\$5.33	54,983			
Fourth Quarter	\$5.97	\$4.17	54,684	\$9.07	\$6.17	303,351			

(1) Determined by dividing the sum of the reported daily volume for the quarter by the number of trading days in the quarter.

The following table sets forth the high and low closing sale prices for each of the last five years ended December 31, adjusted to give effect to a 3-for-1 stock split effective on that date:

Year ended	High	Low	Daily Trading Volume(1)
December 31, 2002	\$9.07	\$5.15	164,011
December 31, 2001	\$6.38	\$3.77	81,656
December 31, 2000	\$6.88	\$4.31	113,644
December 31, 1999	\$6.33	\$2.67	171,761
December 31, 1998	\$5.88	\$3.13	221,717

(1) Determined by dividing the sum of the reported daily volume for the year by the number of trading days in the year.

The following table sets forth the high and low closing sale prices during each of the most recent six months through June 30, 2003, adjusted to give effect to a 3-for-1 stock split effective on that date:

Month ended	High	Low	Daily Trading Volume(1)
June 30, 2003	\$14.13	\$10.63	336,800
May 31, 2003	\$10.77	\$9.20	267,614
April 30, 2003	\$9.03	\$6.94	258,014
March 31, 2003	\$8.42	\$7.92	131,940
February 28, 2003	\$11.30	\$8.06	457,074
January 31, 2003	\$11.23	\$8.50	509,851

Edgar Filing: NAM TAI ELECTRONICS INC - Form F-3

(1) Determined by dividing the sum of the reported daily volume for the month by the number of trading days in the month.

On July 24, 2003, the last reported sale price of our common shares on the New York Stock Exchange was \$17.52 per share. As of June 30, 2003, there were 839 holders of record of our common shares.

Table of Contents**CAPITALIZATION**

The following table sets forth our cash and cash equivalents, short-term indebtedness and capitalization:

as of June 30, 2003 on an actual basis; and

as adjusted to reflect the sale of 6,000,000 common shares offered by us at an assumed public offering price of \$17.52 per share, less estimated underwriting discounts and estimated offering expenses and the application of such proceeds to our cash and cash equivalents, shareholders' equity and total capitalization.

You should read this table in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and the accompanying notes included elsewhere in this prospectus.

	At June 30, 2003	
	Actual	As adjusted
	(in thousands)	
Cash and cash equivalents	\$ 69,633	\$ 167,433
Notes payable	\$ 1,301	\$ 1,301
Current portion of long-term debt	1,125	1,125
Total short-term debt	\$ 2,426	\$ 2,426
Long-term debt, excluding current portion	\$ 2,250	\$ 2,250
Minority Interests	2,932	2,932
Shareholders' equity:		
Common shares, \$0.01 par value (200,000,000 shares authorized, 36,525,504 shares issued and outstanding actual and 42,525,504 shares issued and outstanding as adjusted)	365	425
Additional paid-in capital	150,597	248,337
Retained earnings	72,074	72,074
Accumulated other comprehensive loss	(2)	(2)
Total shareholders' equity	223,034	320,834
Total capitalization	\$ 228,216	\$ 326,016

The preceding table does not give effect to the issuance of:

982,500 common shares issuable upon exercise of stock options outstanding as of June 30, 2003; and

1,806,699 common shares available as of June 30, 2003 for future issuance under our stock option plans.

Our debt at June 30, 2003, including the current portion of \$1.1 million and notes payable of \$1.3 million, was not secured. None of our debt at June 30, 2003 was guaranteed by a third party.

Table of Contents

RECENT DEVELOPMENTS

In June 2003, we sold our transformer operations to a third party for \$2.4 million and realized a gain of \$2.1 million.

On July 25, 2003, we announced our results of operations for the period ended June 30, 2003. Net sales of \$116.7 million for the second quarter of 2003 were up 123.1% as compared to net sales of \$52.3 million for the second quarter of 2002. Income from operations for the second quarter of 2003 was \$10.9 million, or \$0.30 per share, compared to income from operations of \$7.0 million, or \$0.22 per share, in the second quarter of 2002. Net income for the second quarter of 2003 was \$11.5 million, an increase of 200.5% compared to net income of \$3.8 million in the second quarter of 2002. Basic and diluted earnings per share for the second quarter of 2003 were \$0.32 and \$0.31, respectively, compared to \$0.12 and \$0.12, respectively, in the second quarter of 2002.

As of June 30, 2003, we had cash and cash equivalents of \$70 million, total assets of \$298 million and total shareholders' equity of \$223 million.

Table of Contents**SELECTED CONSOLIDATED FINANCIAL DATA**

Our historical consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States and are presented in U.S. dollars. The following selected statements of income data for each of the three years in the period ended December 31, 2002 and the balance sheet data as of December 31, 2001 and 2002 are derived from our consolidated financial statements and notes thereto included later in this prospectus. The following selected statements of income data for the three months ended March 31, 2002 and 2003 and the balance sheet data as of March 31, 2003 are derived from our unaudited consolidated financial statements and notes. The selected statements of income data for each of the two years in the period ended December 31, 1999 and the balance sheet data as of December 31, 1998, 1999 and 2000 were derived from our audited financial statements, which are not included in this prospectus. For a discussion of operating results for the second quarter of 2003, see Management's Discussion and Analysis of Financial Condition and Results of Operations - Recent Operating Results. The following data should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements including the related footnotes. All share and per share data has been adjusted to give effect to the 3-for-1 stock split of June 30, 2003.

	Year ended December 31,					Three Months ended March 31,	
	1998	1999	2000	2001	2002	2002	2003
	(in thousands except per share data)					(unaudited)	
Consolidated statements of income data:							
Net sales - third parties	\$ 101,649	\$ 145,054	\$ 207,456	\$ 212,934	\$ 228,167	\$ 46,121	\$ 85,050
Net sales - related party			6,232	21,072	7,849	5,096	2,931
Total net sales	101,649	145,054	213,688	234,006	236,016	51,217	87,981
Cost of sales	76,939	120,074	182,096	203,974	197,956	43,466	72,835
Gross profit	24,710	24,980	31,592	30,032	38,060	7,751	15,146
Operating costs and expenses:							
Selling, general and administrative	13,246	14,913	17,646	21,974	17,983	3,952	5,471
Research and development	1,691	2,624	3,489	2,954	2,686	665	811
Impairment of goodwill					339		
Non-recurring expense (income)	1,445	(848)					
Total operating expenses	16,382	16,689	21,135	24,928	21,008	4,617	6,282
Income from operations	8,328	8,291	10,457	5,104	17,052	3,134	8,864
Equity in income (loss) of affiliated companies	534	1,146	(189)	1,867			