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NAM TAI ELECTRONICS, INC.
Q2 Sales Up 26.5% to \$147.7 Million EPS up 580% to \$1.92

VANCOUVER, CANADA -- July 30, 2004 -- Nam Tai Electronics, Inc. ("Nam Tai" or the "Company") (NYSE Symbol: NTE; CBOE Symbol: QNA; Frankfurt Stock Exchange Symbol: 884852) today announced its unaudited results for the second quarter ended June 30, 2004.

KEY HIGHLIGHTS
(In thousands of US Dollars, except as otherwise stated)

	Quarterly Results			Half-Year Results		
	2Q2004	2Q2003	YoY(%)	1H2004	1H2003	YoY(%)
Net sales	147,664	116,714	26.5	243,099	204,695	18.8
Income from operations ^(a)	13,415	10,904	23.0	20,346	19,768	2.9
<i>per share(diluted) ^(b)</i>	<i>\$0.31 (\$0.33)^(a)</i>	<i>\$0.27</i>	<i>14.8</i>	<i>\$0.48</i>	<i>\$0.49</i>	<i>-2.0</i>
Net income ^(a)	83,027	11,494	622.4	90,414	21,704	316.6
<i>% of sales</i>	<i>56.2%</i>	<i>9.8%</i>		<i>37.2%</i>	<i>10.6%</i>	
Basic earnings per share ^{(a) & (b)}	\$1.93	\$0.29	565.5	\$2.14	\$0.54	296.3
Diluted earning per share ^{(a) & (b)}	\$1.92	\$0.28	585.7	\$2.14	\$0.54	296.3
Weighted average number of shares ('000)						
Basic ^(b)	43,100	40,074	---	42,165	40,030	---
Diluted ^(b)	43,141	40,597	---	42,217	40,537	---

Note:

(a) Including \$0.8 million or \$0.02 per share of a provision for the severance payment in relation to the Company's restructuring in Hong Kong. If excluding \$0.8 million or \$0.02 per share of a provision of severance payment as above, the diluted income from operations per share will be \$0.33. Basic and diluted earnings per share will be \$1.95 and \$1.94 respectively.

(b) All share and earnings per share data have been adjusted for the 10 for 1 stock dividend effective November 7, 2003.

For the second quarter ended June 30, 2004, Nam Tai's sales increased by 26.5% on a sequential basis with the growth driven primarily from an increase in the sales of several products including CMOS image sensor modules for cellular phones with built in camera function, Bluetooth™ cellular phone headsets, cellular phones in semi-knocked down ("SKD") form, flexible printed circuit sub-assemblies and USB microphones and converter boxes for a PlayStation®2 singing game.

During the second quarter, our net income of \$83.0 million included a one time cash gain of approximately \$71.1 million, or \$1.65 per share, from the recent IPO of Nam Tai Electronic & Electrical Products Limited ("NTEEP"), a subsidiary of the Company, in Hong Kong.

The Company continues to maintain a strong financial position, with approximately \$121.4 million of cash on hand as at June 30, 2004, compared with \$63.3 million of cash on hand as at March 31, 2004.

Mr. Tadao Murakami, Nam Tai's Chairman, said, "I am excited that both net sales and profit have recorded remarkable growth during the period. It proved that our strategic expansion in product mix has been successful. These diversification strategies not only contributed to our favorable performance, but also to maintain our targeted gross profit margin of 15%. We are confident that Nam Tai's sales will achieve double digit growth for the year ended 2004 compared to 2003. We are happy to announce today that our long-term targeted growth rate is 22%. Historically, the Company was able to achieve a compound annual growth rate of 32% on its sales for the period from 1998 to 2003".

"During the period, Nam Tai was able to maintain costs and expenses at a reasonable percentage level relative to sales. Nam Tai has adopted a commission scheme for sales personnel. Nam Tai has also engaged outside sales agents to explore business opportunities and sales commission is payable for the business referred by such sales agents. As a result, our SG&A expense increased in line with the increase in our sales. Our R&D expenses also increased in line with our expansion. To back up and support our long-term growth, we have to increase our SG&A expenses and R&D expenses. The income from operations margin may have been slightly affected, but it is still above the industry average." Mr. Murakami continued.

The two Hong Kong listed subsidiaries of the Company, NTEEP and J.I.C. Technology Company Limited ("JIC"), have issued their results announcement prior to this news release. Interested investors may go to the website of the Hong Kong Stock Exchange at www.hkse.com to obtain the information. The stock code of NTEEP and JIC in the Hong Kong Stock Exchange are the 2633 and 987 respectively. Investors are reminded to exercise caution when assessing such information and not to deal with the shares of the Company based solely on reliance of such information. The results of NTEEP and JIC only represent a part of the results of the Company and there are GAAP differences in the financial statements of NTEEP and JIC, when compared with the financial statements of the Company. Furthermore, different subsidiaries of the Company may have different peak season during a year.

Company Outlook

Following a yearly seasonal strong second quarter, the Company is pleased to give its projection for the third quarter of 2004 based on market information and current order situation as follows:--

(In millions of US Dollars, except for earnings per share)

	3Q 2004 (Estimated)	3Q 2003 (Actual)	3Q 2004 vs 3Q 2003	2Q 2004 (Actual)	3Q 2004 vs 2Q 2004
Sales	130 to 140	93	40% to 51%	148	(12%) to (5%)
Earnings per Share (a) (Diluted)	\$1.00 to \$1.10	\$0.23	340% to 380%	\$1.92	(47%) to (43%)

Note :

(a) Diluted Earnings per share is including tax expenses based on a tax rate not exceeding 3% and the minority interest of 25% in NTEEP and approximately 12% in JIC.

In making the above projections, the Company has taken into account: --

	Description	Estimated amount
1	An unrealized gain upon the recording of fair market value of the Company's investment in TCL Corporation	\$34 million
2	Dividend from TCL Mobile	\$16 million
3	Possible impairment of the value of our investments in Stepmind and Alpha Star	(\$16 million)
4	Others	No estimation

Note:

- (1) *The Company will consider recording the gain based on the closing price of the shares of TCL Corporation on September 30, 2004 after deducting the minority interest of 25% in NTEEP. The decision and the final amount will be determined subject to the valuation of the shares by an independent advisor. The profit and loss of the Company in each quarter will be affected by the rise and fall of the share price of TCL Corporation.*
- (2) *To prepare for its IPO, TCL Mobile has declared a dividend to its shareholders. The Company's entitlement thereof is approximately \$16.0 million and the Company will use that dividend to subscribe for further shares to increase the capital of TCL Mobile.*
- (3) *Since Stepmind is an R&D company and has not yet recorded any profit from its operation, the Company is concerned and is considering making an impairment on its existing investment for approximately \$6.0 million it has already put into Stepmind. In light of the competitive handset market in PRC, the Company is also considering whether it is prudent to make an impairment on its \$10 million investment in Alpha Star. The Company will look into these two matters seriously and will discuss with its advisers the appropriate treatment for these two investments in its financial statements. The Company will decide if to make any provisions at the end of the third quarter of 2004.*
- (4) *Others may include the gain from the IPO of the Company's investment in TCL Mobile during the second half of 2004, and probably before September 30, 2004.*

Cancellation of 973,210 shares of the Company issued to Top Scale Company Limited ("Top Scale")

The Company has issued 2,389,974 new shares to Top Scale as part of the consideration paid for an additional 5.967% interest in TCL Mobile, which the Company acquired in April 2004. According to the market situation and the adjustment provisions contained in the original agreement, it was agreed that the consideration be adjusted from a PE ratio of 14 times to a PE ratio of 10 times the 2003 audited net profit of TCL Mobile. As a result, 973,210 shares of the Company issued to Top Scale will be cancelled on July 31, 2004. After such cancellation, Top Scale will be holding 1,416,764 shares of the Company and the total number of issued shares of the Company will be reduced to approximately 42.7 million shares. The full impact of such cancellation on the earnings per share of the Company, however, will not be fully reflected in the third quarter results but will be fully reflected in the fourth quarter results.

At the same time, the Company has been invited and agreed to invest the dividend received from TCL Mobile to increase the capital of TCL Mobile on a pro-rata basis with other shareholders of TCL Mobile.

Resumption of the issuance of stock options to employees

In light of various corporate scandals in relation to employees' stock options in the US stock market in 2002, the Company ceased issuing stock options to its employees since January 1, 2003. Instead, the Company implemented a cash bonus scheme as an incentive to its employees. However, it is a usual standard of companies in the EMS industry to issue stock options to employees as part of their remuneration package. In order to retain and recruit quality employees, in particular, to maintain the competitiveness of the Company's remuneration package amongst its competitors, the Company has decided to resume issuing stock options to employees. The Company will give both cash bonuses and stock options to its employees as incentives. The Company believes the stock options will help recruit quality management personnel to assist in the expansion of the Company.

Restructuring of the Company's operations in Hong Kong

The Company has four profit centres. All operations and activities are located in Shenzhen, PRC and the same become minimal in Hong Kong. The Company is, therefore, restructuring the workforce of its offices in Hong Kong, and severance payments and related costs of approximately \$0.8 million will be incurred. The Company has therefore made a provision of \$0.8 million as SG&A expenses in this quarter.

Appointment of new senior management members

The Company has appointed the following members to the senior management: --

Senior Management	Nationality	Title
Mr. Chris Chen	Taiwanese	Chief Operating Officer
Mr. S.K. Cheung	Chinese (Hong Kong)	Treasurer
Mr. Guy Jean Francois Bindels	French	CEO of the Hong Kong listed subsidiary, NTEEP
Mr. Joseph Hsu	British	CFO of the Hong Kong listed subsidiary, NTEEP
Mr. Bobby Hirasawa	Japanese	CFO of a subsidiary, Nam Tai Telecom (Cayman) Company Limited (“NTT”)

Mr. Chris Chen – is the Chief Operating Officer of the Company. Mr. Chen joined the Company as General Manager, Purchasing in June 2003. He is graduated from the Taipei Technology University Taiwan, and has an MBA from the University of Tulane University, New Orleans, USA. Mr. Chen has 16 years of experience in supply chain management in leading global electronic hi-tech companies. Prior to joining the Company, Mr. Chen was the Senior Purchasing Director of Cellon Inc., the world’s largest independent design house for wireless terminals and modules design. He worked for 2 years at Philips Electronic Components Mobile Display Systems (Shanghai) Co Ltd as a Purchasing Manager and 12 years as Purchasing/Logistics/Supervisor/Buyer of General Instrument Semiconductor Division. Mr. Chen has not only hands-on extensive global exposure but also has more than 9 years’ working experiences in China since 1995.

Mr. S.K. Cheung – is the Treasurer of the Company. Mr. Cheung joined the Company as the in-house financial adviser in September 2003. Prior to joining the Company, Mr. Cheung worked for the Hongkong and Shanghai Banking Corporation Limited for 37 years and he retired in 2003 as a Senior Executive in the Corporate and Institutional Banking division. Mr. Cheung graduated with a BA degree in Economics from the University of Hong Kong in 1966.

Mr. Guy Jean Francois Bindels – is the Chief Executive Officer of NTEEP. Mr. Bindels joined the Company as a research and development director in March 2003. Mr. Bindels became a Director of NTEEP in March 2004 and his main responsibility is for research and development. Before joining the Company, he worked with Alcatel France and in 1987 he came to Hong Kong and was in charge of the transfer of residential phone development activity to Asia. After 2000, he was the product development manager of Atlinks Hong Kong, a subsidiary of an Alcatel/Thomson multimedia joint venture company, in charge of worldwide telecommunication product development (except US and Canada). Prior to that, Mr. Bindels held various positions of management in Alcatel France in the technical and program management field. Mr. Bindels, a native of France, graduated from “Ecole Nationale d’Ingenieur de Brest” (Engineering School Located in Brest) in France in 1983.

Mr. Joseph Hsu – is the Chief Financial Officer of NTEEP. He joined NTEEP in February 2004 and has nearly 11 years of investment banking experience. Mr. Hsu worked in the corporate finance division of Hongkong and Shanghai Banking Corporation Limited from 1992 to 2003, where his last position was Corporate Finance Director. Mr. Hsu is a qualified accountant and is an Associate Member of the Hong Kong Society of Accountants and an Associate Member of the Institute of Chartered Accountants in England and Wales. Mr. Hsu graduated with a BA degree in Economics and Accounting from Leeds University, UK and an MSc degree in Management Science from the Imperial College of Science and Technology, University of London, UK.

Mr. Bobby Hirasawa – is the Chief Financial Officer of NTT. He joined the Company in July 2004 and has more than 15 years of experience in the financial industry. He has previously worked at Nomura International (HK) Limited, Jardine Fleming Securities, SG Securities and Kokusai Securities. He has worked in Tokyo, Shanghai and Hong Kong. He graduated from Meiji Gakuin University in Japan and speaks Japanese, English and Mandarin

Supplementary Information (Unaudited) for the Second Quarter of 2004

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

Quarter	2004	2003	YoY(%) (Quarterly)	YoY(%) (Quarterly accumulated)
1 st Quarter	95,435	87,981	8.5%	8.5%
2 nd Quarter	147,664	116,714	26.5%	18.8%
3 rd Quarter		93,157		
4 th Quarter		108,454		
Total	243,099	406,306		

2. Net Sales Breakdown by Product Segment

Segment	2004		2003	
	2nd Quarter (%)	YTD (%)	2nd Quarter (%)	YTD (%)
Consumer Electronics and Communication Products (a) (f)	32%	31%	29%	34%
Telecom. Components Assembly: (b) (f)				
- Telecom. Components Assembly	59%	58%	61%	55%
- Software Development Services (c)	1%	1%	1%	1%
Parts & Components:				
- LCD Panels (d)	8%	10%	7%	7%
- Transformers (e)	0%	0%	2%	3%
	100%	100%	100%	100%

Note:

(a) Represents the sales of NTEEP

(b) Represents the sales of NTT

(c) Represents the sales of Namtek Software Development Company Limited

(d) Represents the sales of JIC

(e) In June 2003, we sold our transformers operation to a third party.

(f) The Company has reclassified the sales of CMOS sensor modules from the Telecom Components Assembly segment to the Consumer Electronics and Communication Products segment with effect from this quarter.

3. Key Highlight of Financial Position

	(unaudited) As at June 30		(audited) As at December 31
	2004	2003	2003
Cash on Hand	121.4 million	\$69.6 million	\$61.8 million
Cash/Current Liabilities	1.05	1.00	0.83
Current Ratio	2.44	2.38	2.25
Total Assets/Total Liabilities	4.18	4.14	3.88
Debtors Turnover	86 days	60 days	58 days
Inventory Turnover	11 times	16 times	13 times

The increased sales in the second quarter have accordingly increased the accounts receivables and inventory. The Company believes the debtors' turnover and inventory turnover shall return to usual level in the long-run.

Second Quarter Results Analyst Conference Call

The Company will hold a **conference call on Monday, August 2, 2004 at 10:00 a.m. Eastern Time** for analysts to discuss the second quarter results with management. Shareholders, media, and interested investors are invited to listen to the live conference over the internet by going to www.namtai.com/news/news.htm and clicking on the conference call link or over the phone by dialing (651) 291-0900 just prior to its start time. Callers will be asked to register with the conference call operator.

Dividends

The record date for the third quarter dividend of \$0.12 per share is September 30, 2004 and the payment date is October 21, 2004.

About Nam Tai Electronics, Inc.

We are an electronics manufacturing and design services provider to original equipment manufacturers of telecommunications and consumer electronic products. Through our electronics manufacturing services operations, we manufacture electronic components and subassemblies, including LCD panels, LCD modules, radio frequency modules, flexible printed circuit sub-assemblies and image sensors. 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 cellular phones, palm-sized PCs, personal digital assistants, electronic dictionaries, calculators and digital camera accessories for use with cellular phones.

Forward-Looking Statements

Certain statements in this press release are "forward-looking statements" within the meaning of U.S. federal securities laws. Nam Tai intends that these statements be covered by the safe harbors created under these laws. These forward-looking statements are, by their nature, subject to risks, uncertainties and other factors that could cause the actual results to differ materially from future results expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to the Company's projected sales and (diluted) earnings per share for the third quarter of 2004, and the ability of the Company to finance investments and business expansions through internal resources in the foreseeable future. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of our future performance. There are important factors that could cause the actual results to differ materially from the information set forth in these forward-looking statements. Given these uncertainties, readers are cautioned not to place undue reliance on the forward-looking statements which only speak as of the date of this press release. Because of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this news release might not occur the way we expect, or at all. Nam Tai does not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date of this press release or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws. These factors include, without limitation, lower than expected sales in the third quarter of 2004, unexpected changes to the Company's cash position, general economic, market and business conditions and other factors beyond the Company's control.

NAM TAI ELECTRONICS, INC.
CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

FOR THE PERIODS ENDED JUNE 30, 2004 AND 2003

(In Thousands of US Dollars except share data)

	Note	Unaudited Three months ended June 30		Unaudited Six months ended June 30	
		2004	2003	2004	2003
Net sales – related parties		\$ 11,594	\$ 8,834	\$ 19,329	\$ 11,765
Net sales – third parties		136,070	107,880	223,770	192,930
Total net sales		147,664	116,714	243,099	204,695
Cost of sales		125,389	98,393	206,528	171,228
Gross profit		22,275	18,321	36,571	33,467
Costs and expenses					
Selling, general and administrative expenses		7,603	6,490	13,926	11,961
Research and development expenses		1,257	927	2,299	1,738
		8,860	7,417	16,225	13,699
Income from operations		13,415	10,904	20,346	19,768
Interest income		173	191	248	392
Other income (loss) – net		71,820	(1,218)	72,963	849
Equity in income of an affiliated company		34	137	126	212
Income before income taxes and minority interests		85,442	10,014	93,683	21,221
Income tax expense		(311)	(475)	(589)	(859)
Income before minority interests		85,131	9,539	93,094	20,362
Minority interests		(2,104)	(24)	(2,680)	(637)
Income after minority interests		83,027	9,515	90,414	19,725
Discontinued operation		-	1,979	-	1,979
Net income		\$ 83,027	\$ 11,494	\$ 90,414	\$ 21,704
Net income per share					
Basic	(1)	\$ 1.93	\$ 0.29	\$ 2.14	\$ 0.54
Diluted	(1)	\$ 1.92	\$ 0.28	\$ 2.14	\$ 0.54
Weighted average number of shares ('000')					
Basic	(1)	43,100	40,074	42,165	40,030
Diluted	(1)	43,141	40,597	42,217	40,537

Note:

(1) All share and earnings per share data have been adjusted to give effect to the 10 for 1 stock dividend effective November 7, 2003.

NAM TAI ELECTRONICS, INC.
CONSOLIDATED BALANCE SHEETS

AS AT JUNE 30, 2004 AND DECEMBER 31, 2003

(In Thousands of US Dollars)

	Unaudited June 30, 2004	Audited December 31, 2003
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 121,382	\$ 61,827
Accounts receivable, net	107,396	62,090
Amount due from a related party	1,685	2,707
Inventories	38,611	27,032
Prepaid expenses and other receivables	5,785	9,799
Income taxes recoverable	6,244	4,922
Total current assets	<u>281,103</u>	<u>168,377</u>
Investment in an affiliated company	9,981	9,855
Investments, at cost ^(**)	102,549	16,366
Property, plant and equipment, at cost	136,876	127,930
Less: accumulated depreciation and amortization	<u>(56,031)</u>	<u>(50,283)</u>
	80,845	77,647
Deposit for fixed assets	6,889	3,327
Intangible assets	19,854	20,688
Other assets	1,435	1,435
Total assets	<u>\$ 502,656</u>	<u>\$ 297,695</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Notes payable	\$ 7,170	\$ 1,879
Long term bank loan – current portion	2,425	1,125
Accounts payable	83,779	55,674
Accrued expenses and other payables	15,658	13,633
Dividend payable	5,236	2,062
Income taxes payable	819	530
Total current liabilities	<u>115,087</u>	<u>74,903</u>
Long-term bank loan – non-current portion	5,025	1,688
Deferred income taxes	78	78
Total liabilities	<u>120,190</u>	<u>76,669</u>
Minority interests	26,252	3,908
Shareholders' equity:		
Common shares	436	412
Additional paid-in capital	265,687	206,845
Retained earnings	90,093	9,863
Accumulated other comprehensive loss (Note 1)	(2)	(2)
Total shareholders' equity	<u>356,214</u>	<u>217,118</u>
Total liabilities and shareholders' equity	<u>\$ 502,656</u>	<u>\$ 297,695</u>

Note: (**) The closing price for our 3.69% equity interest or 95.52 million promoter's shares in TCL Corporation on July 30, 2004 was \$0.67 (RMB5.56) per share. The market value is estimated to be approximately \$64.0 million.

NAM TAI ELECTRONICS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED JUNE 30, 2004 AND 2003

(In Thousands of US Dollars)

	Unaudited Three months ended June 30		Unaudited Six months ended June 30	
	2004	2003	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	\$ 83,027	\$ 11,494	\$ 90,414	\$ 21,704
<i>Adjustments to reconcile net income to net cash (used in) provided by operating activities:</i>				
Depreciation and amortization of property, plant and equipment	3,425	3,011	6,705	5,880
Amortization of intangible assets	24	-	47	-
Net (gain) loss on disposal of property, plant and equipment	(79)	50	(48)	(159)
Gain on disposal of a subsidiary net of minority interests	-	(1,979)	-	(1,979)
(Gain) loss on partial disposal of subsidiaries	(71,071)	151	(71,071)	151
Compensation cost on partial disposal of a subsidiary	-	-	-	509
Equity in income of an affiliated company	(34)	(137)	(126)	(212)
Minority interests	2,104	24	2,680	637
Deferred income taxes	-	(25)	-	(25)
Changes in current assets and liabilities, net of effects of acquisition and disposal:				
Increase in accounts receivable	(52,599)	(4,316)	(45,306)	(10,540)
Decrease/(increase) in amount due from a related party	1,477	(4,577)	1,022	(5,383)
(Increase)/decrease in inventories	(5,575)	10,102	(11,579)	(2,811)
(Increase)/decrease in prepaid expenses and other receivables	(209)	1,232	1,380	(3,015)
Increase in income taxes recoverable	(1,152)	(2,339)	(1,322)	(2,436)
Increase/(decrease) in notes payable	6,323	(729)	5,291	316
Increase/(decrease) in accounts payable	27,336	(1,579)	28,105	13,778
Increase in accrued expenses and other payables	4,627	2,197	1,764	378
Increase in income taxes payable	74	464	289	828
Total adjustments	(85,329)	1,550	(82,169)	(4,083)
Net cash (used in) provided by operating activities	\$ (2,302)	\$ 13,044	\$ 8,245	\$ 17,621
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of long term investment	\$ (25,073)	\$ -	\$ (25,084)	\$ (384)
Purchase of property, plant and equipment	(7,258)	(5,839)	(12,865)	(10,057)
Deposit for purchase of property, plant & equipment	(2,863)	244	(3,562)	(781)
Proceeds from disposal of property, plant and equipment	2,989	251	3,010	2,578
Proceeds from disposal of a subsidiary	-	2,386	-	2,386
Proceeds from partial disposal of subsidiaries	92,767	293	92,767	453
Acquisition of an affiliated company	-	-	-	(10,000)
Net cash provided by (used in) investing activities	\$ 60,562	\$ (2,665)	\$ 54,266	\$ (15,805)
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash dividends paid	\$ (5,199)	\$ (2,380)	\$ (7,665)	\$ (3,822)
Repayment of bank loans	(281)	(281)	(563)	(13,422)
Proceeds from bank loans	5,200	-	5,200	-
Proceeds from shares issued on exercise of options and warrants	72	801	72	2,584
Net cash used in financing activities	\$ (208)	\$ (1,860)	\$ (2,956)	\$ (14,660)
Net increase (decrease) in cash and cash equivalents	58,052	8,519	59,555	(12,844)
Cash and cash equivalents at beginning of period	63,330	61,114	61,827	82,477
Cash and cash equivalents at end of period	\$ 121,382	\$ 69,633	\$ 121,382	\$ 69,633

NAM TAI ELECTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

FOR THE PERIODS ENDED JUNE 30, 2004 AND 2003

(In Thousands of US Dollars)

1. Accumulated other comprehensive income represents foreign currency translation adjustments. The comprehensive income of the Company was \$90,414 and \$21,704 for the six months ended June 30, 2004 and June 30, 2003, respectively.
2. Business segment information – The Company operates primarily in three segments, the Consumer Electronics and Communication Products (“CECP”) segment, Telecom. Components Assembly (“TCA”) segment, and the LCD Panels and Transformers (“LCDP”) segment.

	Unaudited		Unaudited	
	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>June 30</i>		<i>June 30</i>	
	2004	2003	2004	2003
NET SALES:				
- CECP	\$ 47,316	\$ 33,903	\$ 74,794	\$ 70,029
- TCA	87,722	71,575	144,593	113,030
- LCDP	12,626	11,236	23,712	21,636
Total net sales	\$ 147,664	\$ 116,714	\$ 243,099	\$ 204,695
NET INCOME:				
- CECP	\$ 6,392	\$ 4,996	\$ 9,631	\$ 11,866
- TCA	75,985	4,966	79,448	8,128
- LCDP	650	1,532	1,335	1,710
Total net income	\$ 83,027	\$ 11,494	\$ 90,414	\$ 21,704

	Unaudited	Audited
	<i>June 30,</i>	<i>Dec. 31,</i>
	2004	2003
IDENTIFIABLE ASSETS BY SEGMENT:		
- CECP	\$ 118,197	\$ 85,799
- TCA	328,612	162,366
- LCDP	55,847	49,530
Total assets	\$ 502,656	\$ 297,695

3. A summary of the net sales, net income and long-lived assets by geographic areas is as follows:

	Unaudited <i>Three months ended</i> <i>June 30</i>		Unaudited <i>Six months ended</i> <i>June 30</i>	
	2004	2003	2004	2003
NET SALES FROM OPERATIONS WITHIN:				
- Hong Kong:				
Unaffiliated customers	\$ 12,626	\$ 106,842	\$ 23,712	\$ 191,228
Related party	-	8,834	-	11,765
Inter-companies sales	140	234	246	389
- PRC, excluding Hong Kong:				
Unaffiliated customers	123,444	1,038	200,058	1,702
Related party	11,594	-	19,329	-
Inter-companies sales	1,711	101,272	4,393	175,227
- Inter-companies eliminations	(1,851)	(101,506)	(4,639)	(175,616)
Total net sales	<u>\$ 147,664</u>	<u>\$ 116,714</u>	<u>\$ 243,099</u>	<u>\$ 204,695</u>
NET INCOME FROM OPERATIONS WITHIN:				
- PRC, excluding Hong Kong and Macao	\$ 10,010	\$ 9,496	\$ 16,398	\$ 18,043
- Macao	5,429	-	5,687	-
- Hong Kong	67,588	1,998	68,329	3,661
Total net income	<u>\$ 83,027</u>	<u>\$ 11,494</u>	<u>\$ 90,414</u>	<u>\$ 21,704</u>
LONG-LIVED ASSETS WITHIN:				
- PRC, excluding Hong Kong and Macao			\$ 65,917	\$ 59,399
- Macao			158	180
- Hong Kong			14,770	18,068
Total long-lived assets			<u>\$ 80,845</u>	<u>\$ 77,647</u>