

Investor Contact : John Farina  
 Unit C, 17/F, Edificio Comercial Rodrigues  
 599 da Avenida da Praia Grande, Macao, China  
 TEL: (853) 2835 6333 FAX: (853) 2835 6262

E-MAIL: shareholder@namtai.com  
 WEB : www.namtai.com

**NAM TAI ELECTRONICS, INC.**

**Q1 2008 Sales down 23.2%, Gross profit margin improves to 13.3% and EPS at 63 cents**

MACAO, PRC – May 5, 2008 -- Nam Tai Electronics, Inc. (“Nam Tai” or the “Company”) (NYSE Symbol: NTE) today announced its unaudited results for the first quarter ended March 31, 2008.

**KEY HIGHLIGHTS**

*(In thousands of US Dollars, except per share data, percentages and as otherwise stated)*

	Quarterly Results (Unaudited)		
	Q1 2008	Q1 2007	YoY(%)
Net sales	\$147,129	\$191,571	(23.2)
Gross profit	\$19,530	\$17,201	13.5
<i>% of sales</i>	13.3%	9.0%	-
Operating income	\$7,812	\$7,217	8.2
<i>% of sales</i>	5.3%	3.8%	-
<i>per share (diluted)</i>	\$0.17	\$0.16	6.3
Net income	\$28,366	\$8,399	237.7
<i>% of sales</i>	19.3%	4.4%	-
Basic earnings per share	\$0.63	\$0.19	231.6
Diluted earnings per share	\$0.63	\$0.19	231.6
Weighted average number of shares ('000')			
<i>Basic</i>	44,804	43,911	-
<i>Diluted</i>	44,804	44,804	-

In addition to disclosing results determined in accordance with accounting principles generally accepted in the United States (“US GAAP”) as set forth in the table above, management utilizes a measure of operating income, net income and earnings per share on a non-GAAP basis that excludes certain income/expenses to better assess operating performance. Those non-GAAP financial measures exclude certain items, such as share-based compensation expenses and infrequent or unusual items such as gain on disposal of shares of a subsidiary. By disclosing the non-GAAP information, management intends to provide investors with additional information to analyze the Company's performance, core results and underlying trends. Non-GAAP information is not determined using US GAAP; therefore, the information is not necessarily comparable to other companies and should not be used to compare the Company's performance over different periods. Non-GAAP information should not be viewed as a substitute for, or superior to, net income or other data prepared in accordance with US GAAP as measures of our operating results or liquidity. Users of this financial information should consider the types of events and transactions for which adjustments have been made. See the table below for a reconciliation of non-GAAP amounts to amounts reported under US GAAP.

## GAAP TO NON-GAAP RECONCILIATION

(In millions of US Dollars, except for per share (diluted) and numbers of shares)

	Three months ended			
	March 31,			
	2008		2007	
	millions	per share (diluted)	millions	per share (diluted)
<b>GAAP Operating Income</b>	<b>\$ 7.8</b>	<b>\$ 0.17</b>	<b>\$ 7.2</b>	<b>\$ 0.16</b>
Add back/(Less):				
– share-based compensation expenses <sup>(a)</sup>	1.0	0.02	0.1	-
<b>Non-GAAP Operating Income</b>	<b>\$ 8.8</b>	<b>\$ 0.19</b>	<b>\$ 7.3</b>	<b>\$ 0.16</b>
<b>GAAP Net Income</b>	<b>\$ 28.4</b>	<b>\$ 0.63</b>	<b>\$ 8.4</b>	<b>\$ 0.19</b>
Add back/(Less):				
– share-based compensation expenses <sup>(a)</sup>	1.0	0.02	0.1	-
– gain on sale of shares of a subsidiary <sup>(b)</sup>	(20.2)	(0.45)	-	-
<b>Non-GAAP Net Income</b>	<b>\$ 9.2</b>	<b>\$ 0.20</b>	<b>\$ 8.5</b>	<b>\$ 0.19</b>
Weighted average number of shares – diluted ('000)	44,804		44,804	

Note:

- (a) The share-based compensation expenses were mainly in relation to options to purchase approximately 20 million share granted by the Company's Hong Kong Stock Exchange listed subsidiary, Nam Tai Electronic & Electrical Products Limited (Stock Code : 2633), to certain of its directors and employees in the first quarter of 2008.
- (b) On March 4, 2008, Nam Tai completed the sale of its entire equity interest in J.I.C. Technology Company Limited ("JIC"), a Hong Kong Stock Exchange listed subsidiary (Stock Code: 00987), to an independent third party. In this transaction, Nam Tai sold 572,594,978 shares of JIC, representing 74.99% of its outstanding share capital for cash of approximately \$51 million, which resulted in a gain on disposal of approximately \$20 million.

## FIRST QUARTER REVIEW

Sales in the first quarter of 2008 decreased 23.2% as compared to the same quarter in 2007 mainly as a consequence of a decline in business from the telecommunication components assembly ("TCA") product segment. Net sales in the TCA segment for the first quarter of 2008 decreased by 50.7% compared to the same quarter of 2007. Our TCA product segment is primarily dependent on the mobile phone market. The Company, together with one of its indirect customers, suffered a substantial drop in sales volume of its devices used in mobile phones, a trend Nam Tai began experiencing in 2007 and which has continued and accelerated as a result of declining demand experienced in the mobile phone market and persistent pressure to lower unit prices. The challenging environment in the TCA segment is expected to continue and may increase in the coming quarters. Although the business environment remains competitive and difficult, from our efforts focusing on sales in other segments, sales of our LCD products ("LCDP") segment grew by 7.2% during the first quarter and sales in our consumer electronics and communication products ("CECP") segment grew by 27.9% during the first quarter, the latter particularly from increased sales of home entertainment products, optical products and educational devices. By continuing to concentrate our efforts to improving manufacturing efficiencies, broadening our product offerings and diversifying our customer base our gross profit margin improved over 4 %, to 13.3% in the first quarter of 2008 from 9.0% in the first quarter of 2007. Gross profit in the first quarter of 2008 improved by over \$2.3 million to \$19.5 million, from \$17.2 million in the first quarter of 2007, a 13.5% increase. Our ability to improve and increase our gross profit margins in a period of declining revenues appears to indicate that certain of these efforts have been successful and have helped us to manage operations in a tough business environment and positions us to maintain profitability or even improve it with resumption of our revenue growth.

Net sales in the first quarter of 2008 were \$147.1 million, a decrease of 23.2% as compared to \$191.6 million in the first quarter of 2007. Operating income in the first quarter of 2008 was \$7.8 million, or \$0.17 per share (diluted), compared to operating income of \$7.2 million, or \$0.16 per share (diluted) in the first quarter of 2007. Net income in the first quarter of 2008 was \$28.4 million (of which approximately \$20.2 million resulted from on a gain on our sale of our equity interest in JIC), compared to net income of \$8.4 million in the first quarter of 2007. Basic and diluted earnings per share in the first quarter of 2008 were \$0.63 per share (of which \$0.45 per share resulted from the gain on our sale of our equity interest in JIC), compared to earnings per share of \$0.19 in the first quarter of 2007.

The Company's financial position remained strong at the end of the first quarter, with \$267.2 million cash and cash equivalents at March 31, 2008. During the first quarter, we made capital expenditures of \$1.9 million, made a prepayment for the purchase of land of \$0.7 million and paid fourth quarter dividends of \$9.3 million to shareholders on January 21, 2008.

## **NON-GAAP FINANCIAL INFORMATION**

Non-GAAP operating income for the first quarter of 2008 was \$8.8 million, or \$0.19 per share (diluted), compared to non-GAAP operating income of \$7.3 million, or \$0.16 per share (diluted), in the first quarter of 2007. Non-GAAP net income for the first quarter of 2008 increased by 8.2% over the first quarter of 2007 to \$9.2 million, or \$0.20 per share (diluted), compared to \$8.5 million, or \$0.19 per share (diluted), in the first quarter of 2007.

## **COMPANY OUTLOOK**

The trends of continuing and increasing pricing pressure and volatility in demand from the mobile phone industry supply chain are expected to continue into the coming quarters. Recent global adverse economic conditions (which, we believe, have been primarily driven by the sub-prime crisis in US) may aggravate and exacerbate the difficult business environment we currently face and could result in negative effects to our results of operations over the next several quarters. Additionally, we will also have to face issues such as the continuing appreciation of the exchange rate of the Renminbi to the U.S. dollar, the effects of changing tax and labor laws in the People's Republic of China ("PRC"), shortages of electricity supply and increases in overhead expenses resulting from inflation. We plan to respond to these challenges by continuing our focus on realigning our production capacity to optimize operating efficiencies, broadening our product offerings and diversifying our customer base. As the passage of time allows our personnel to adjust to the infrastructure changes resulting from the internal reorganization that we completed at the end of 2007, we expect to realize benefits from a simpler organizational structure, which we believe can foster a more efficient and effective exchange of know-how and technology among our respective group companies, reduced overhead costs and facilitate stronger management controls. Although our revenue decreased in the first quarter of 2008 both sequentially and from the same quarter of 2007, we were still able to improve our gross profit margins. We are still cautiously optimistic about our business levels in 2008. In the second quarter of 2008, in aggregate we are anticipating steady business levels. Longer-term, the Company will strive to improve profitability in our core operations, especially after capacity increases from production in our new factory facilities when they become operational.

During the first quarter of 2008, we paid approximately \$0.7 million of costs related to our land purchase in Shenzhen Guangming Hi-Tech Industrial Park, satisfying in full the land payments and related costs required for that project. In April 2008, we also received the land use right certificate on this land from the PRC Bureau of State Land and Resources. In January 2008, we began construction of a new

manufacturing facility on one of the two sites in Wuxi, Jiangsu Province that we purchased in December 2006 and the tender review process for mechanical and electrical foundation construction on that project is in progress. We hope to be in a position to begin mass production at the new facility in early to mid-2009.

## SUPPLEMENTARY INFORMATION (UNAUDITED) IN THE FIRST QUARTER OF 2008

### 1. Quarterly Sales Breakdown

(In thousands of US Dollars, except percentage information)

Quarter	2008	2007	YoY(%) (Quarterly)	YoY(%) (Quarterly accumulated)
1 <sup>st</sup> Quarter	147,129	191,571	(23.2)	(23.2)
2 <sup>nd</sup> Quarter	-	197,830	-	-
3 <sup>rd</sup> Quarter	-	204,485	-	-
4 <sup>th</sup> Quarter	-	186,936	-	-
Total	147,129	780,822		

### 2. Breakdown of Net Sales by Product Segment (as a percentage of Total Net Sales)

	2008	2007
Segments	Q1 (%)	Q1 (%)
Consumer Electronic and Communication Products ("CECP")	48%	28%
Telecommunication Component Assembly ("TCA")	40%	63%
LCD Products ("LCDP")	12%	9%
	100%	100%

### 3. Key Highlights of Financial Position

	As at March 31,		As at December 31,
	2008	2007	2007
Cash on hand <sup>(a)</sup>	\$267.2 million	\$209.0 million	\$272.5 million
Ratio of cash <sup>(a)</sup> to current liabilities	2.32	1.43	1.87
Current ratio	3.42	2.78	2.83
Ratio of total assets to total liabilities	4.49	3.63	3.70
Return on equity	33.4%	10.4%	21.5%
Ratio of total liabilities to equity	0.33	0.44	0.45
Debtors turnover	56 days	52 days	45 days
Inventory turnover	20 days	16 days	17 days
Average payable period	56 days	56 days	56 days

Note: (a) Includes cash equivalents.

### 4. Settlement of Former Class Action Litigation

On March 17, 2008, the Company settled the remaining individual claims of the plaintiff, Douglas Ward, in litigation that, until class certification was denied by the U.S. District Court in 2007, had been asserted as a class action against Nam Tai and certain of its directors and officers. In the settlement, Nam Tai denied any wrongdoing or liability and paid no penalty or material amount to dispose of the litigation, which has been dismissed by the court with prejudice.

## COMPLIANCE WITH SOX 404 AUDIT OF MAINTAINING EFFECTIVE INTERNAL CONTROL OVER FINANCIAL REPORTING FOR FISCAL YEAR ENDED DECEMBER 31, 2007

In filing its annual report with the US Securities and Exchange Commission (“SEC”) for its fiscal year ended December 31, 2007, Nam Tai succeeded in continuously complying with the Sarbanes-Oxley Act of 2002 mandated by the current rules of the SEC.

### FIRST QUARTER RESULTS ANALYST CONFERENCE CALL

The Company will hold a **conference call on Monday, May 5, 2008 at 8:00 a.m. Eastern Time** for analysts to discuss the first quarter results with Nam Tai’s management. Shareholders, media, and interested investors are invited to listen to the live conference over the internet by going to [www.namtai.com](http://www.namtai.com) and clicking on the conference call link (under events) or over the phone by dialing (612) 332-0107 just prior to its start time.

### DIVIDENDS

The first quarter dividend of \$0.22 per share was paid on or about April 21, 2008. The record date for the second quarter dividend of \$0.22 per share is June 30, 2008 and the payment date is on or before July 21, 2008. The payment dates for the third and fourth quarters are scheduled to be on or before the October 21, 2008 and January 21, 2009, respectively.

Schedule for quarterly dividends for fiscal year 2008 are as follows:

Quarterly Payment	Record Date	Scheduled Payment Date	Dividend (per share)
Q1/08	March 31, 2008	Paid on or before April 21, 2008	\$0.22
Q2/08	June 30, 2008	On or before July 21, 2008	\$0.22
Q3/08	September 30, 2008	On or before October 21, 2008	\$0.22
Q4/08	December 31, 2008	On or before January 21, 2009	\$0.22
Full Year 2008			\$0.88

### ANNUAL MEETING OF SHAREHOLDERS

The Company will hold its Annual Meeting of Shareholders at 11:30 a.m. (New York time) on Friday, June 6, 2008 at The Peninsula New York, Tribeca Room, 3rd Fl, 700 Fifth Avenue at 55th St, New York, NY. The record date for voting is April 23, 2008.

### FORWARD-LOOKING STATEMENTS AND FACTORS THAT COULD CAUSE OUR SHARE PRICE TO DECLINE

*Statements in the Company Outlook portion of this press release, such as management’s assessment of Nam Tai’s business levels in the second quarter of 2008 and over the longer term, the effects of management’s efforts to improve Nam Tai’s profitability, benefits expected from the recently completed internal reorganization and management’s estimates of when construction of the new manufacturing in Wuxi, Jiangsu Province, PRC will be available for production, among other statements in this press release, are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements may be identified by the use of words like “believes,” “intends,” “expects,” “plans” or “planned,” “may,” “will,” “should” or “anticipates,” or the negative equivalents of those words or comparable*

*terminology, and involve risks and uncertainties. Such statements are based on current expectations and assumptions and reflect management's views with respect to future events and may not actually occur during the periods indicated or at all and are not a guarantee of Nam Tai's future performance. 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 in this press release.*

*Whether management's assessment of Nam Tai's business levels in the second quarter of 2008 and over the longer term will prove accurate, whether the effects of management's efforts to improve Nam Tai's profitability will actually result in improved profitability or overcome the ongoing weakness in the mobile phone supply chain, the potential adverse effects of perceived adverse global economic conditions, increasing taxes and labor costs from new tax and labor legislation in the PRC, whether the benefits expected from the recently completed internal reorganization will actually be realized, whether management's estimates of when construction of Nam Tai's new manufacturing facility in Wuxi, Jiangsu Province, PRC will be available for production will prove true, and whether Nam Tai capital expenditures to achieve expanded capacity in Shenzhen and Wuxi will result in material increases in revenues or result in increased or any profit, will depend upon future sales orders and on Nam Tai's actual ability to contain manufacturing costs and the actual level of capital expenditures required for each of the planned expansion projects.. Nam Tai's growth, operating income, available cash, cash flows and levels of capital expenditures may be adversely affected by numerous factors including Nam Tai's dependence on a few large customers; intense competition in the electronics industry in which the Company participates, particularly in the mobile phone market that places constant pressure on the Company to reduce unit prices; continuing competitive pressures that adversely affect its profit margins; its operating results fluctuating and lacking predictability; risks relating to its doing business in the PRC such as arising from changes in governmental policies, trade regulation, currency exchange rates, particularly from the constant appreciation of the Renminbi to the U.S. dollars, inflation in the PRC; the timing and amount of significant orders from customers; delays in product development and related product release schedules; obsolete inventory or product returns; warranty and other claims on products; technological shifts; the availability of competitive products of comparable quality at prices below Nam Tai's prices; maturing product life cycles of the products manufactured by Nam Tai; concessions Nam Tai may make on product sale terms and conditions; implementation of operating cost structures that align with revenue growth, if any; the financial condition of Nam Tai's customers and vendors; the availability and increasing costs of materials and other components needed to manufacture its products; potential shortages of materials or skilled labor needed for its planned expansion projects or for its existing facilities; unforeseen engineering problems, work stoppages, weather interference, flood, earthquake or other acts of God, delays in obtaining or failure to obtain necessary permits from regulatory authorities needed for completion of its expansion projects or continue existing operations, other unexpected project delays or unanticipated costs increases; risks of expanding into new areas of the PRC where Nam Tai's has not yet conducted business, diversion of management's attention to expansion and its management to new locations and to other business concerns; the impact of legislative actions, higher insurance costs and potential new accounting pronouncements; a worsening of relations between the PRC and the United States or Taiwan; the effects of terrorist activity and armed conflict such as disruptions in general economic activity and changes in Nam Tai's operations and security arrangements; the effects of travel restrictions and quarantines associated with major health problems, such as the Severe Acute Respiratory Syndrome or Bird Flu, on general economic activity; or other changes in general economic conditions that affect demand for Nam Tai's products. In addition, factors, among others, that could cause the market price of our shares to decline in the future could include further decreases in our revenues from those we reported in earlier periods, the operating results or those of our competitors or customers to meet the expectations of public market analysts and investors who follow the electronics manufacturing services, or EMS, industry, the sale or availability for sale our*

*shares that we previously redeemed from Tele-Art Inc. on behalf Tele-Art's liquidator to satisfy the claims of Tele-Art's creditors or one or more of the factors discussed in Item 3. Key Information — Risk Factors in our Annual Report on Form 20-F for the year ended December 31, 2007 as filed on March 17, 2008 with the Securities and Exchange Commission ("SEC").*

*For further information regarding risks and uncertainties associated with Nam Tai's business, please refer to the "Management's Discussion and Analysis of Results of Operations and Financial Condition" and "Risk Factors" sections of Nam Tai's SEC filings, including, but not limited to, its annual reports on Form 20-F, copies of which may be obtained by contacting Nam Tai using the contact information provided above, or from Nam Tai's website at <http://www.namtai.com>.*

*All information in this press release is as of May 2, 2008 in Macao, Special Administrative Region of the People's Republic of China. Nam Tai undertakes no duty to update any forward-looking statement to conform the statement to actual results or changes in Nam Tai's expectations.*

## **ABOUT NAM TAI ELECTRONICS, INC.**

We are an electronics manufacturing and design services provider to a select group of the world's leading OEMs of telecommunications and consumer electronic products. Through our electronics manufacturing services operations, we manufacture electronic components and subassemblies, including LCD panels, LCD modules, RF modules, DAB modules, FPC subassemblies and image sensors modules and PCBAs for headsets containing Bluetooth wireless technology. These components are used in numerous electronic products, including mobile phones, laptop computers, digital cameras, electronic toys, handheld video game devices, and entertainment devices. We also manufacture finished products, including mobile phone accessories, home entertainment products and educational products. 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.

Nam Tai's operations are conducted by its subsidiary, Nam Tai Electronic & Electrical Products Limited ("NTEEP"), a Hong Kong Stock Exchange-listed company, in which Nam Tai owns approximately 73.18% of the outstanding share capital. In addition to reports that Nam Tai files with the U.S. Securities and Exchange Commission, which may be accessed through the SEC's EDGAR database at [www.sec.gov](http://www.sec.gov), interested investors may review the website of The Stock Exchange of Hong Kong at [www.hkex.com.hk](http://www.hkex.com.hk) to obtain information that NTEEP is required to file under applicable rules of the Hong Kong Stock Exchange. The stock code of NTEEP on The Stock Exchange of Hong Kong is 2633. Investors are reminded to exercise caution when assessing information from the Hong Kong Stock Exchange and not to deal with the shares of Nam Tai based solely upon reliance on such information.

NAM TAI ELECTRONICS, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
FOR THE PERIODS ENDED MARCH 31, 2008 AND 2007  
(In Thousands of US Dollars except share and per share data)

	Unaudited	
	Three months ended March 31	
	2008	2007
Net sales	147,129	191,571
Cost of sales	127,599	174,370
Gross profit	19,530	17,201
Costs and expenses		
Selling, general and administrative expenses	9,351	7,807
Research and development expenses	2,367	2,177
	11,718	9,984
Operating income	7,812	7,217
Other income (expenses) - net	1,386	(466)
Gain on sale of shares of a subsidiary	20,206	-
Interest income	1,715	2,171
Interest expense	(74)	(101)
Income before income tax and minority interests	31,045	8,821
Income tax (expenses) credit	(259)	1,588
Income before minority interests	30,786	10,409
Minority interests	(2,420)	(2,010)
Net income	\$ 28,366	\$ 8,399
Earnings per share		
Basic	\$ 0.63	\$ 0.19
Diluted	\$ 0.63	\$ 0.19
Weighted average number of shares ('000')		
Basic	44,804	43,911
Diluted	44,804	44,804

NAM TAI ELECTRONICS, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS  
AS AT MARCH 31, 2008 AND DECEMBER 31, 2007  
(In Thousands of US Dollars)

	Unaudited March 31 2008	Audited December 31 2007 (Note)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 267,212	\$ 272,459
Accounts receivable, net	89,812	95,802
Inventories	28,487	32,356
Prepaid expenses and other receivables	4,262	5,803
Income tax recoverable	3,567	5,483
Deferred tax assets – current	395	54
Total current assets	<u>393,735</u>	<u>411,957</u>
Property, plant and equipment, net	90,751	94,669
Land use right	3,906	3,930
Deposits for property, plant and equipment	227	536
Prepayment for land use right	9,682	9,019
Goodwill	20,296	20,296
Deferred tax assets	3,499	3,192
Other assets	1,219	1,219
Total assets	<u>\$ 523,315</u>	<u>\$ 544,818</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Notes payable	\$ 3,859	\$ 4,580
Long-term bank loans – current portion	890	1,990
Accounts payable	78,334	107,326
Accrued expenses and other payables	21,197	21,690
Dividend payable	10,057	9,509
Income tax payable	795	556
Total current liabilities	<u>115,132</u>	<u>145,651</u>
Long-term bank loans – non-current portion	1,335	1,558
Deferred tax liabilities	153	-
Total liabilities	<u>116,620</u>	<u>147,209</u>
Minority interests	57,251	67,428
Shareholders' equity:		
Common shares	448	448
Additional paid-in capital	282,649	281,895
Retained earnings	66,355	47,846
Accumulated other comprehensive income (Note 1)	(8)	(8)
Total shareholders' equity	<u>349,444</u>	<u>330,181</u>
Total liabilities and shareholders' equity	<u>\$ 523,315</u>	<u>\$ 544,818</u>

Note: Information extracted from the audited financial statements included in the 2007 Form 20-F of the Company with the Securities and Exchange Commission filed on March 17, 2008.

NAM TAI ELECTRONICS, INC.  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE PERIODS ENDED MARCH 31, 2008 AND 2007**  
*(In Thousands of US Dollars)*

	Unaudited Three months ended March 31	
	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 28,366	\$ 8,399
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>		
Depreciation and amortization of property, plant and equipment and land use right	5,695	5,024
Net loss on disposal of property, plant and equipment	4	7
Gain on sale of shares of a subsidiary	(20,206)	-
Share-based compensation expenses	1,000	87
Minority interests	2,420	2,010
Deferred income tax credit	(495)	(1,983)
Unrealised exchange gain	(2,570)	(124)
<i>Changes in current assets and liabilities:</i>		
Decrease in accounts receivable	5,839	9,207
Decrease (increase) in inventories	3,869	(190)
Decrease (increase) in prepaid expenses and other receivables	1,460	(258)
Decrease (increase) in income tax recoverable	1,872	(198)
(Decrease) increase in notes payable	(721)	906
Decrease in accounts payable	(28,992)	(18,016)
(Decrease) increase in accrued expenses and other payables	(560)	1,873
Increase in income tax payable	393	-
Total adjustments	<u>(30,992)</u>	<u>(1,655)</u>
Net cash (used in) provided by operating activities	<u>\$ (2,626)</u>	<u>\$ 6,744</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(1,888)	(2,048)
Decrease in deposits for purchase of property, plant and equipment	309	157
Increase in prepayment for land use right	(663)	(5)
Proceeds from disposal of property, plant and equipment	8	-
Net cash inflow from disposal of subsidiaries	6,775	-
Net cash provided by (used in) investing activities	<u>\$ 4,541</u>	<u>\$ (1,896)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash dividends paid	\$ (9,309)	\$ (16,639)
Repayment of bank loans	(423)	(438)
Cash used in financing activities	<u>\$ (9,732)</u>	<u>\$ (17,077)</u>
Net decrease in cash and cash equivalents	(7,817)	(12,229)
Cash and cash equivalents at beginning of period	272,459	221,084
Effect of exchange rate changes on cash and cash equivalents	2,570	124
Cash and cash equivalents at end of period	<u>\$ 267,212</u>	<u>\$ 208,979</u>

NAM TAI ELECTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

FOR THE PERIODS ENDED MARCH 31, 2008 AND 2007

(In Thousands of US Dollars)

1. Accumulated other comprehensive income represents foreign currency translation adjustments and unrealized gain on marketable securities. The comprehensive income of the Company was \$28,366 and \$21,685 for the three months ended March 31, 2008 and March 31, 2007, respectively.
2. Business segment information – The Company operates primarily in three segments, the Consumer Electronic and Communication Products (“CECP”) segment, Telecommunication Component Assembly (“TCA”) segment, and the LCD Products (“LCDP”) segment.

	Unaudited Three months ended March 31	
	2008	2007
<hr/>		
<b>NET SALES :</b>		
- CECP	\$ 69,787	\$ 54,559
- TCA	59,282	120,162
- LCDP	18,060	16,850
	<hr/>	
Total net sales	\$ 147,129	\$ 191,571
	<hr/>	
<b>NET INCOME :</b>		
- CECP	\$ 7,658	\$ 4,583
- TCA	2,113	4,021
- LCDP	37	195
- Corporate	18,558	(400)
	<hr/>	
Total net income	\$ 28,366	\$ 8,399
	<hr/>	
	Unaudited	Audited
	<i>Mar. 31,</i>	<i>Dec. 31,</i>
	2008	2007
<hr/>		
<b>IDENTIFIABLE ASSETS BY SEGMENT:</b>		
- CECP	\$ 229,877	\$ 212,098
- TCA	116,870	150,963
- LCDP	62,196	64,628
- Corporate	114,372	117,129
	<hr/>	
Total assets	\$ 523,315	\$ 544,818
	<hr/>	

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

	Unaudited <i>Three months ended March 31</i>	
	2008	2007
<b>NET SALES FROM OPERATIONS WITHIN:</b>		
- PRC, excluding Hong Kong and Macao:		
Unaffiliated customers	147,129	191,571
Intercompany sales	80	107
- Intercompany eliminations	<u>(80)</u>	<u>(107)</u>
Total net sales	<u>\$ 147,129</u>	<u>\$ 191,571</u>
<b>NET INCOME WITHIN:</b>		
- PRC, excluding Hong Kong and Macao	\$ 4,876	\$ 4,000
- Hong Kong and Macao	<u>23,490</u>	<u>4,399</u>
Total net income	<u>\$ 28,366</u>	<u>\$ 8,399</u>
	Unaudited	Audited
	<i>Mar. 31,</i>	<i>Dec. 31,</i>
	2008	2007
<b>LONG-LIVED ASSETS WITHIN:</b>		
- PRC, excluding Hong Kong and Macao	\$ 94,524	\$ 98,441
- Hong Kong and Macao	<u>133</u>	<u>158</u>
Total long-lived assets	<u>\$ 94,657</u>	<u>\$ 98,599</u>