

NAM TAI ELECTRONICS INC  
Form 6-K  
August 03, 2010

OMB APPROVAL  
OMB Number: 3235-0116  
Expires: March 31, 2011  
Estimated average burden  
hours per response. 8.7

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
Form 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16 UNDER  
THE SECURITIES EXCHANGE ACT OF 1934**

**For the month of: August, 2010**  
**Commission File Number: 001-31583**  
**NAM TAI ELECTRONICS, INC.**  
(Translation of registrant's name into English)  
**Gushu Industrial Estate, Xixiang**  
**Baoan, Shenzhen**  
**People's Republic of China**  
(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.  
Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T  
Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T  
Rule 101(b)(7):

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby  
furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.  
Yes  No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):  
82-\_\_\_\_\_.

**SECOND QUARTER NEWS RELEASE**

Investor relations contact: Kee Wong  
 E-mail: shareholder@namtai.com  
 Address: Units 5811-12, 58/F, The Center  
 Website: www.namtai.com  
 99 Queen's Road Central, Central, Hong Kong  
 Tel: (852) 2341 0273 Fax: (852) 2263 1223

**NAM TAI ELECTRONICS, INC.****Q2 2010 Sales up 11.9% , Gross profit margin at 11.2%**

SHENZHEN, PRC August 2, 2010 Nam Tai Electronics, Inc. ( Nam Tai or the Company ) (NYSE Symbol: NTE) today announced its unaudited results for the second quarter ended June 30, 2010.

**KEY HIGHLIGHTS**

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

	Quarterly Results			Half year Results		
	Q2 2010	Q2 2009	YoY (%)	1H 2010	1H 2009	YoY (%)
Net sales	\$ 113,912	\$ 101,836	11.9	\$ 193,178	\$ 203,986	(5.3)
Gross profit	\$ 12,706	\$ 10,422	21.9	\$ 19,209	\$ 17,544	9.5
	<i>% of sales</i>	<i>11.2%</i>	<i>10.2%</i>	<i>9.9%</i>	<i>8.6%</i>	
Operating income (loss) <sup>(a)</sup>	\$ 3,796	\$ 1,425	166.4	\$ 3,219	\$ (5,114)	
	<i>% of sales</i>	<i>3.3%</i>	<i>1.4%</i>	<i>1.7%</i>	<i>(2.5%)</i>	
<i>per share (diluted)</i>	\$ 0.08	\$ 0.03	166.7	\$ 0.07	(\$0.11)	
Net income (loss) attributable to Nam Tai shareholders <sup>(a)(b)</sup>	\$ 3,211	\$ 613	423.8	\$ 2,114	\$ (3,268)	
	<i>% of sales</i>	<i>2.8%</i>	<i>0.6%</i>	<i>1.1%</i>	<i>(1.6%)</i>	
Basic earnings (loss) per share	\$ 0.07	\$ 0.01	600.0	\$ 0.05	(\$0.07)	
Diluted earnings (loss) per share	\$ 0.07	\$ 0.01	600.0	\$ 0.05	(\$0.07)	
Weighted average number of shares ( 000)						
<i>Basic</i>	44,804	44,804		44,804	44,804	
<i>Diluted</i>	44,807	44,804		44,809	44,804	

## Notes:

(a) *Operating loss and net loss for the first half of 2009 included \$5.1 million restructuring costs in relation to employee severance benefits in PRC subsidiaries.*

(b) *In November 2009, Nam Tai successfully completed the privatization of Nam Tai Electronic & Electrical Products Limited, or NTEEP, by tendering for and acquiring the 25.12 percent of NTEEP that it did not previously own, i.e., NTEEP's noncontrolling shares, resulting in NTEEP becoming the Company's wholly-owned subsidiary. During the year ended December 31, 2009, including the periods covered by this press release, we reported consolidated net income in accordance with SFAS 160, which required that consolidated net income be reported in amounts that include the amounts attributable to both the parent (Nam Tai) and its noncontrolling interest in NTEEP. Accordingly, Net*

*income  
(loss) attributable  
to Nam Tai  
shareholders in  
2009 represents  
amounts  
attributable to  
Nam Tai, net of its  
non-controlling  
interest in  
NTEEP. In 2010,  
however, Net  
income  
(loss) attributable  
to Nam Tai  
shareholders  
represents  
amounts without  
deduction for any  
non-controlling  
interest.*

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 / (loss), net income / (loss) and earnings (loss) per share on a non-GAAP basis that excludes certain income and expenses to better assess operating performance. Those non-GAAP financial measures exclude certain items, such as share-based compensation expenses and employee severance benefits in PRC subsidiaries. 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/(loss) or other financial 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 Jun 30,				Six months ended Jun 30,			
	2010		2009		2010		2009	
	millions	per share (diluted)	millions	per share (diluted)	millions	per share (diluted)	millions	per share (diluted)
<b>GAAP Operating Income (Loss)</b>	\$ 3.8	\$ 0.08	\$ 1.4	\$ 0.03	\$ 3.2	\$ 0.07	\$ (5.1)	\$ (0.11)
Add back:								
- Share-based compensation expenses <sup>(a)</sup>			0.1				0.1	
- Professional expenses in relation to privatization of NTEEP			0.9	0.02			0.9	0.02
- Employee severance benefits in PRC subsidiaries <sup>(b)</sup>	0.7	0.02			0.7	0.02	5.1	0.11
<b>Non-GAAP Operating Income</b>	\$ 4.5	\$ 0.10	\$ 2.4	\$ 0.05	\$ 3.9	\$ 0.09	\$ 1.0	\$ 0.02
<b>GAAP Net Income (Loss) attributable to Nam Tai shareholders</b>	\$ 3.2	\$ 0.07	\$ 0.6	\$ 0.01	\$ 2.1	\$ 0.05	\$ (3.3)	\$ (0.07)
Add back:								
- Share-based compensation expenses <sup>(a)</sup>			0.1				0.1	
- Professional expenses in relation to privatization of NTEEP			0.9	0.02			0.9	0.02
- Employee severance benefits in PRC subsidiaries (after deducting tax and sharing with	0.5	0.01			0.5	0.01	3.2	0.07

*noncontrolling  
interests*) <sup>(b)</sup>

**Non-GAAP Net  
Income  
attributable to  
Nam Tai  
shareholders**

**\$ 3.7 \$ 0.08 \$ 1.6 \$ 0.03 \$ 2.6 \$ 0.06 \$ 0.9 \$ 0.02**

Weighted average  
number of shares  
diluted ( 000)

44,807 44,804 44,809 44,804

*Notes:*

*(a) The share-based  
compensation  
expenses  
included  
approximately  
\$0.1 million  
attributable to  
options to  
purchase 75,000  
shares granted  
in the second  
quarter of 2009  
to directors in  
accordance with  
the Company's  
practice of  
making annual  
option grants to  
its directors  
upon their  
election for the  
ensuing year.*

*(b) The expense  
represents  
employee  
benefits and  
severance  
arrangements in  
accordance with  
the PRC  
statutory  
severance  
requirements.*

**SUPPLEMENTARY INFORMATION (UNAUDITED) IN THE SECOND QUARTER OF 2010**

## 1. Quarterly Sales Breakdown

*(In thousands of US Dollars, except percentage information)*

Quarter	2010	2009	YoY(%)	YoY(%)
			(Quarterly)	(Quarterly accumulated)
1 <sup>st</sup> Quarter	79,266	102,150	(22.4)	(22.4)
2 <sup>nd</sup> Quarter	113,912	101,836	11.9	(5.3)
3 <sup>rd</sup> Quarter		110,416		
4 <sup>th</sup> Quarter		93,735		
Total	193,178	408,137		

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

Segments	2010		2009	
	Q2 (%)	YTD (%)	Q2 (%)	YTD (%)
Consumer Electronic and Communication Products ( CECP )	27	25	26	31
Telecommunication Component Assembly ( TCA )	55	56	57	54
Liquid Crystal Display Products ( LCDP )	18	19	17	15
	100	100	100	100

## 3. Key Highlights of Financial Position

	As at June 30,		As at
	2010	2009	December 31
Cash on hand <sup>(a) (b)</sup>	\$203.0 million	\$232.2 million	\$ 182.7 million
Ratio of cash to current liabilities	2.04	2.54	2.39
Current ratio	3.11	3.58	3.59
Ratio of total assets to total liabilities	4.25	4.96	5.21
Return on Nam Tai shareholders' equity	1.3%	(2.0%)	0.5%
Ratio of total liabilities to total equity	0.31	0.25	0.24
Debtors turnover	74 days	59 days	52 days
Inventory turnover	25 days	16 days	16 days
Average payable period	87 days	62 days	59 days

*Notes:*

*(a) Includes cash equivalents.  
Information for December 31, 2009 extracted from the audited financial statements included in the 2009 Form 20-F of the Company filed with the*

*Securities and  
Exchange  
Commission on  
March 16, 2010.*

*(b) Despite current  
economic  
conditions, Nam  
Tai's financial  
position as at  
June 30, 2010  
remained  
strong. Net cash  
provided by  
operating  
activities in the  
second quarter  
was \$5.9  
million.*

**OPERATIONS REVIEW**

On a year-over-year basis, composite growth for Q2 2010 has reflected improvements which management believes were attributable to the simplification of corporate and organization structures, continued focus on strengthening of management controls and enterprise efficiencies, which has resulted in costs savings. During the first half of 2010, the Company has returned to profitability and growth and shown encouraging signs of recovery. Management plans to remain vigilant in the areas that have improved the Company's operating performance in the first half of 2010 and seek to achieve additional costs savings and improvements in gross and operating margins.

Page 3 of 11

---



Sales in the second quarter of 2010 were \$113.9 million, an increase of 11.9% as compared to sales of \$101.8 million in the same quarter of 2009. Sales during the second quarter of 2010 improved by varying degrees in each of our business segments over results reported for the second quarter of 2009, with our CECP segment increasing by 16.7%, our TCA segment increasing by 6.7% and our LCDP segment increasing by 22%. Nevertheless, the global economy still showed signs of instability, particularly in the demand for our consumer products, principally our headsets containing Bluetooth<sup>®</sup>1 wireless technology, educational products, optical products and home entertainment devices, which adversely affected sales of our end-user products such as mobile phone accessories.

The Company's gross profit margin in the second quarter of 2010 was 11.2% as compared to 10.2% in the second quarter of 2009. Gross profit in the second quarter of 2010 was \$12.7 million, an increase of 21.9%, as compared to \$10.4 million in the second quarter of 2009, primarily resulting from the increase of sales and the effects of costs savings.

Net income in the second quarter of 2010 was \$3.2 million, as compared to net income attributable to Nam Tai shareholders of \$0.6 million in same quarter of 2009. The profit in the second quarter of 2010 primarily resulted from the overall increase of sales. Basic and diluted earnings per share in the second quarter of 2010 were \$0.07, as compared to \$0.01 in the second quarter of 2009.

For the six months ended June 30, 2010, our net sales were \$193.2 million, a decrease of 5.3% as compared to \$204.0 million in the same period of last year. The Company's gross profit margin was 9.9% as compared to 8.6% in the same period of 2009. Gross profit was \$19.2 million, an increase of 9.5%, as compared to \$17.5 million in the same period of last year. We reported an operating income for the first six months of 2010 of \$3.2 million, compared to operating loss of \$5.1 million in the same period of last year. The loss in the first six months of 2009 was attributable to a \$5.1 million restructuring charge for employee severance expenses in Nam Tai's PRC subsidiaries. Our net income for the six months ended June 30, 2010 was \$2.1 million, or \$0.05 per share (diluted), as compared to net loss attributable to Nam Tai shareholders of \$3.3 million, or \$0.07 per share (diluted), in the same period of last year.

#### **Non-GAAP Financial Information**

Non-GAAP operating income for the second quarter of 2010 was \$4.5 million, or \$0.10 per share (diluted), compared to non-GAAP operating income of \$2.4 million, or \$0.05 per share (diluted), in the second quarter of 2009.

Non-GAAP net income for the second quarter of 2010 increased to \$3.7 million or \$0.08 per share (diluted), compared to \$1.6 million, or \$0.03 per share (diluted), in the second quarter of 2009.

#### **EXPANSION PROJECTS**

The Company is still awaiting the release of the land in Guangming by the PRC government of its raw land in Guangming Shenzhen, consisting of approximately 118,000 square meters which will be reserved for future expansion of business after 3 to 5 years. The Company is also considering further expansion in Wuxi, subject to improvements and growth in our business.

- (1) The Bluetooth<sup>®</sup> word mark and logo are owned by the Bluetooth SIG, Inc. and any use of such mark by Nam Tai is under license.

## COMPANY OUTLOOK

Following a soft start in the first quarter, the Company's business has picked up in the second quarter. We expect demand for LCD modules and telecommunication subassemblies to increase during the remainder of 2010. We anticipate that orders for optical and educational products in our CECP segment, which have dropped considerably from previous years, to remain weak in 2010, but stable to levels in 2009. Based on the signs indicated from the first half of 2010, we now believe that the overall business of the Company will improve over 2009, and begin to show growth and become profitable. However, the prevailing economic environment and the prospects for a continuing economic recovery remain uncertain and we cannot predict with reasonable accuracy future levels of demand for our customers' electronics products and therefore cannot predict with reasonable accuracy the future level of demand for our manufacturing services. The volume and timing of orders received during a quarter have been, even in normal economic climates, difficult to forecast and fluctuate as a consequence of variation in demand for our customers' products; our customers' attempts to manage their inventory; electronic design changes; changes in our customers' manufacturing strategies; and acquisitions of or consolidations among our customers. Accordingly, our operating results in the first half of 2010, or in any other period, should not be considered indicative of results to be expected in any future period.

For the first half of 2010, our newly operating FPC manufacturing plant in Wuxi has been engrossed in qualifying samples and manufacturing processes with customers. Sales of products emanating from this factory have been slow and the plant is still consuming cash rather than generating it. Yet, available indicators cause us to believe business from this facility will begin in earnest after the third quarter of 2010. Our confidence in the potential for this facility has not diminished and is evidenced by our continuing investment in technology and infrastructure to maximize capacity for this facility, as well as our plan to recruit quality management, aiming at a goal of achieving breakeven performance at this facility in the third quarter of 2011.

Following the integration of management of our TCA and LCDP segments, synergies in our LCD modules segment have proven effective in allowing consolidation and conservation of costs. This integration and synergies have allowed the Company to become more competitive in these segments, fostered their return to growth and provided opportunities for our overall return to growth. In an effort to seek the same efficiencies for our CECP segment, and mindful of the substantial decreases in sales from this segment over the past several years, we plan to integrate management of our CECP segment with our TCA and LCDP management teams and expect to complete this integration at the end of the current third quarter.

We anticipate that the improvements in operations that we have achieved, and hope to achieve, to be mitigated somewhat by the appreciation of the exchange rate between Chinese renminbi against other world currencies, especially the U.S. dollar, which appears to have started again since mid-June 2010 when China's central bank announced that it planned to introduce more flexibility in the management of the renminbi. Inflation too in China, which has increased beginning in the second half of 2009, and adds to the existing pressures to raise compensation levels of workers in China, could also adversely affect our gross and operating margins.

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

*Express or implied statements in this press release, such as the statements included in Company Outlook, particularly management's expectations regarding increases in the demand for LCD modules and telecommunication subassemblies during the remainder of 2010, the stability of sales in our CEPC business to 2009 levels, the improvement of our overall business in 2010 compared to 2009 and its growth and continued profitability, continued costs savings in future periods expected from the merger of management in Nam Tai's TCA and LCDP segments or additional costs savings in future periods expected from the integration of management in Nam Tai's CEPC segment into its TCA and LCDP segments; management's assessment concerning the timing of when significant business will begin from Nam Tai's newly operational Wuxi facility or reach the breakeven point; and management's assessment of the strength of Nam Tai's financial condition and cash position, 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. Actual results could differ materially from those projected in these forward-looking statements as a result of a number of factors, including continued deterioration of the market for the Company's customers' products and the global economy as a whole, which could negatively impact the Company's revenue and the ability of the Company's customers to pay for the Company's products; customer bankruptcy filings; the sufficiency of the Company's cash position and other sources of liquidity to operate its business; competition negatively impacting the Company's revenues and margins; and one or more of the factors discussed in Item 3. Key Information Risk Factors in the Company's Annual Report on Form 20-F for the year ended December 31, 2009 as filed on March 16, 2010 with the Securities and Exchange Commission.*

*For further information regarding risks and uncertainties associated with Nam Tai's business, operating results or financial condition, please refer to the Operating and Financial Review and Prospects, 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 and Reports on Form 6-K containing releases of Nam Tai's quarterly financial results, copies of which may be obtained from Nam Tai's website at <http://www.namtai.com> or from the SEC's EDGAR website at <http://www.sec.gov>.*

*All information in this press release is as of July 30, 2010 in Shenzhen of the People's Republic of China. Nam Tai does not undertake any duty, and should not be expected, to update any forward-looking statement to conform the statement to actual results or changes in Nam Tai's expectations, unless so required by law.*

**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-sensor 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 ELECTRONICS, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
 FOR THE PERIODS ENDED JUNE 30, 2010 AND 2009  
*(In Thousands of US Dollars except share and per share data)*

	Unaudited Three months ended June 30		Unaudited Six months ended June 30	
	2010	2009	2010	2009
Net sales	\$ 113,912	\$ 101,836	\$ 193,178	\$ 203,986
Cost of sales	101,206	91,414	173,969	186,442
Gross profit	12,706	10,422	19,209	17,544
Costs and expenses				
General and administrative expenses <sup>(1)(2)</sup>	6,042	6,396	10,568	16,464
Selling expenses <sup>(1)</sup>	1,422	1,290	2,493	2,703
Research and development expenses	1,446	1,311	2,929	3,491
	8,910	8,997	15,990	22,658
Operating income (loss)	3,796	1,425	3,219	(5,114)
Other income (expenses) , net	784	(108)	614	(106)
Interest income	325	200	604	606
Interest expense		(114)		(220)
Income (loss) before income tax	4,905	1,403	4,437	(4,834)
Income tax expenses	(1,694)	(875)	(2,323)	(638)
Net income (loss)	3,211	528	2,114	(5,472)
Less: Net loss attributable to the noncontrolling interests		85		2,204
Net income (loss) attributable to Nam Tai shareholders	\$ 3,211	\$ 613	\$ 2,114	\$ (3,268)
Income (loss) per share (attributable to Nam Tai shareholders)				
Basic	\$ 0.07	\$ 0.01	\$ 0.05	\$ (0.07)
Diluted	\$ 0.07	\$ 0.01	\$ 0.05	\$ (0.07)

Weighted average number of shares ( 000)

Basic	<b>44,804</b>	44,804	<b>44,804</b>	44,804
Diluted	<b>44,807</b>	44,804	<b>44,809</b>	44,804

- (1) The 2010 presentation shows general and administrative expenses and selling expenses as separate line items, whereas the Company's consolidated statements of operations for 2009, as originally published, combined general and administrative expenses and selling expenses as a single line item labeled Selling, general and administrative expenses. General and administrative expenses and selling expenses for 2009 have been presented separately to conform to the 2010 presentation.
- (2) General and administrative expenses for the period ended June 30, 2009 include employee severance benefits of

\$5,058,000  
which was  
disclosed  
separately in  
2009 second  
quarter news  
release.

NAM TAI ELECTRONICS, INC.  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 AS AT JUNE 30, 2010 AND DECEMBER 31, 2009  
 (In Thousands of US Dollars)

	Unaudited <i>June 30</i> 2010	Audited <i>December</i> 31 2009
		(Note)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	<b>\$ 203,026</b>	\$ 182,722
Fixed deposits maturing over three months		12,903
Accounts receivable, net	<b>77,946</b>	57,911
Inventories	<b>23,425</b>	16,054
Prepaid expenses and other receivables	<b>4,698</b>	3,079
Deferred tax assets - current	<b>1,035</b>	1,460
 Total current assets	 <b>310,130</b>	 274,129
 Property, plant and equipment, net	 <b>97,107</b>	 108,110
Land use right	<b>13,148</b>	13,296
Deposits for property, plant and equipment	<b>459</b>	32
Goodwill	<b>2,951</b>	2,951
Deferred tax assets-non current	<b>5,092</b>	4,486
Other assets	<b>649</b>	920
 Total assets	 <b>\$ 429,536</b>	 \$ 403,924
 <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Notes payable	<b>\$</b>	\$ 691
Accounts payable	<b>82,731</b>	58,667
Accrued expenses and other payables	<b>15,113</b>	16,397
Income tax payable	<b>1,872</b>	656
 Total current liabilities	 <b>99,716</b>	 76,411
 Deferred tax liabilities	 <b>1,296</b>	 1,103
 Total liabilities	 <b>101,012</b>	 77,514
 <b>EQUITY</b>		
Nam Tai shareholders' equity:		
Common shares	<b>448</b>	448
Additional paid-in capital	<b>285,264</b>	285,264

Edgar Filing: NAM TAI ELECTRONICS INC - Form 6-K

Retained earnings	<b>42,820</b>	40,706
Accumulated other comprehensive loss (Note 1)	<b>(8)</b>	(8)
Total shareholders' equity	<b>328,524</b>	326,410
Total liabilities and shareholders' equity	<b>\$ 429,536</b>	\$ 403,924

*Note:*

Information extracted from the audited financial statements included in the 2009 Form 20-F of the Company filed with the Securities and Exchange Commission on March 16, 2010.



NAM TAI ELECTRONICS, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009

	Unaudited <i>Three months ended</i> <i>June 30</i>		Unaudited <i>Six months ended</i> <i>June 30</i>	
	2010	2009	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income (loss)	\$ 3,211	\$ 528	\$ 2,114	\$ (5,472)
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>				
Depreciation and amortization	6,505	5,068	12,942	10,483
Gain on disposal of property, plant and equipment	(412)	(8)	(434)	(263)
Share-based compensation expenses		67		67
Deferred income taxes	(231)	297	12	(60)
Unrealized exchange (gain) loss	(505)	(34)	(505)	39
<i>Changes in current assets and liabilities:</i>				
(Increase) decrease in accounts receivable	(27,011)	(7,085)	(20,035)	38,526
(Increase) decrease in inventories	(8,938)	387	(7,371)	11,076
(Increase) decrease in prepaid expenses and other receivables	(860)	1,410	(1,619)	1,770
Decrease in notes payable			(691)	
Increase (decrease) in accounts payable	33,628	8,247	24,064	(34,878)
(Decrease) increase in accrued expenses and other payables	(966)	(4,368)	585	(2,864)
Increase (decrease) in income tax payable	1,475	376	1,216	(320)
Total adjustments	2,685	4,357	8,164	23,576
Net cash provided by operating activities	\$ 5,896	\$ 4,885	\$ 10,278	\$ 18,104
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment	(377)	(3,382)	(3,457)	(14,533)
(Increase) decrease in deposits for purchase of property, plant and equipment	(257)	855	(427)	135
Proceeds from disposal of property, plant and equipment	441	9	502	705
Decrease in fixed deposits maturing over three months			12,903	
Net cash (used in) provided by investing activities	\$ (193)	\$ (2,518)	\$ 9,521	\$ (13,693)

**CASH FLOWS FROM FINANCING  
ACTIVITIES**

Cash dividends paid	\$	\$	\$	\$ (9,857)
Proceeds from bank loans		788		1,826
Repayment of bank loans		(1,198)		(1,198)
Net cash used in financing activities	\$	\$ (410)	\$	\$ (9,229)
Net increase (decrease) in cash and cash equivalents	<b>5,703</b>	1,957	<b>19,799</b>	(4,818)
Cash and cash equivalents at beginning of period	<b>196,818</b>	230,169	<b>182,722</b>	237,017
Effect of exchange rate changes on cash and cash equivalents	<b>505</b>	34	<b>505</b>	(39)
Cash and cash equivalents at end of period	<b>\$ 203,026</b>	\$ 232,160	<b>\$ 203,026</b>	\$ 232,160

## NAM TAI ELECTRONICS, INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

## FOR THE PERIODS ENDED JUNE 30, 2010 AND 2009

*(In Thousands of US Dollars)*

1. Accumulated other comprehensive loss represents foreign currency translation adjustments. The comprehensive income (loss) attributable to Nam Tai shareholders of the Company were \$2,114 and (\$3,268) for the six months ended June 30, 2010 and June 30, 2009, 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		Unaudited	
	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>June 30</i>		<i>June 30</i>	
	2010	2009	2010	2009
<b>NET SALES :</b>				
- CECP	\$ 31,040	\$ 26,606	\$ 48,227	\$ 62,573
- TCA	62,201	58,279	107,919	110,967
- LCDP	20,671	16,951	37,032	30,446
Total net sales	\$ 113,912	\$ 101,836	\$ 193,178	\$ 203,986
<b>NET INCOME :</b>				
- CECP	\$ 3,244	\$ 2,042	\$ 4,114	\$ 1,997
- TCA	214	234	(1,271)	(1,649)
- LCDP	1,003	249	1,506	(1,408)
- Corporate	(1,250)	(1,912)	(2,235)	(2,208)
Total net income (loss) attributable to Nam Tai shareholders	\$ 3,211	\$ 613	\$ 2,114	\$ (3,268)

	Unaudited	Audited
	<i>Jun. 30,</i>	<i>Dec. 31,2009</i>
	2010	
<b>IDENTIFIABLE ASSETS BY SEGMENT:</b>		
- CECP	\$ 120,351	\$ 112,058
- TCA	169,624	141,734
- LCDP	32,004	42,153
- Corporate	107,557	107,979
Total assets	\$ 429,536	\$ 403,924

NAM TAI ELECTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

FOR THE PERIODS ENDED JUNE 30, 2010 AND 2009

*(In Thousands of US Dollars)*

3. A summary of the net sales, net loss 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>	
	2010	2009	2010	2009
<b>NET SALES FROM OPERATIONS WITHIN:</b>				
- PRC, excluding Hong Kong and Macao:				
Unaffiliated customers	\$ 113,912	\$ 101,836	\$ 193,178	\$ 203,986
Intercompany sales	301	7	436	15
- Intercompany eliminations	(301)	(7)	(436)	(15)
Total net sales	\$ 113,912	\$ 101,836	\$ 193,178	\$ 203,986
<b>NET INCOME (LOSS) FROM OPERATIONS WITHIN:</b>				
- PRC, excluding Hong Kong and Macao	\$ 4,461	\$ 2,314	\$ 4,349	\$ (1,209)
- Hong Kong & Macao	(1,250)	(1,701)	(2,235)	(2,059)
Total net income (loss) attributable to Nam Tai shareholders	\$ 3,211	\$ 613	\$ 2,114	\$ (3,268)
			Unaudited <i>June. 30,</i> 2010	Audited <i>Dec. 31,2009</i>
<b>LONG-LIVED ASSETS WITHIN:</b>				
- PRC, excluding Hong Kong and Macao			\$ 110,034	\$ 121,286
- Hong Kong and Macao			221	120
Total long-lived assets			\$ 110,255	\$ 121,406

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**NAM TAI ELECTRONICS, INC.**

Date August 3, 2010

By: /s/ M. K. Koo

Name: M. K. Koo

Title: Executive Chairman and Chief Financial Officer