

Nam Tai Electronics, Inc.

Audit Committee Charter

Revised by Internal Audit Department

and

Approved by the Board on February 18, 2011

Executive Summary

Audit Committee Charter

In complying with NYSE's listing rules, the Internal Audit Department is preparing an audit committee charter for the Audit Committee of Nam Tai Electronics, Inc. The last issue of the Audit Committee Charter of Nam Tai Electronics, Inc. was revised in November 2007. In order to incorporate the latest issues relating to the charter, an update on the charter was being made in December 2010.

The charter defines the Audit Committee's role, scope of responsibilities, structure and membership requirements. A copy of the updated charter was attached for the Board of Directors' review, comments and approval.

In the course of updating the charter, reference was made to the following documents:

1. Report and Recommendations of the Blue Ribbon Committee on Improving the Effectiveness of Corporation Audit Committees (the Blue Ribbon Committee), which was issued in 1999; and
2. NYSE's final Corporate Governance Rules; approved by the SEC in November 2003 and almost all of them are last modified on November 25, 2009;
3. Rule 10A-3 under Securities Exchange Act of 1934; and
4. Section 202 under Sarbanes-Oxley Act of 2002

The background of the Blue Ribbon Committee and the NYSE's Final Corporate Governance Rules was summarized in Appendix I and II respectively.

NAM TAI ELECTONICS, INC.
AUDIT COMMITTEE CHARTER

The Audit Committee Charter is a formal written document defining the Audit Committee's (the Committee) scope of responsibilities and how it carries out those responsibilities, including structure, processes and membership requirements. (Section 303A.07)

STRUCTURE AND MEMBERSHIP

1. The Audit Committee is a committee of the Board of Directors (the Board) of the Nam Tai Electronics, Inc. (the Corporation).
2. The Audit Committee must have a minimum of three members (Section 303A.07(a)). Member of the Committee shall be:

2.1 Definition of an "Independent director" (Section 303A.02(a))

2.1.1 No director qualifies as "independent" unless the board of directors affirmatively determines that the director has no material relationship with the Corporation. "Independent director" means a person other than a partner, shareholder, officer or employee of the Corporation or its subsidiaries or any other individual having a relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. (Section 303A.02(a))

2.1.2 Directors with any of the following five relationships will not be considered independent:

2.1.2.1 A director who is an employee, or whose immediate family member is an executive officer, of the Corporation is not independent until three years after the end of such employment relationship (Section 303A.02(b)(i)).

2.1.2.2 A director who receives, or whose immediate family member receives, more than \$120,000 during any twelve-month period within the last three years in direct compensation from the Corporation, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), is not independent until three years after he or she ceases to receive more than \$120,000 during any twelve-month period within the last three years in such compensation (Section 303A.02(b)(ii)).

2.1.2.3 A director who is affiliated with or employed by, or whose immediate family member is affiliated with or employed in a professional capacity by, a present or former internal or external auditor of the Corporation is not "independent" until three years after the end of the affiliation or the employment or auditing relationship (Section 303A.02(b)(iii)).

2.1.2.4 A director who is employed, or whose immediate family member is employed, as an executive officer of another company where any of the listed company's present executives serve on that company's compensation committee is not "independent" until three years after the end of such service or the employment relationship (Section 303A.02(b)(iv)).

2.1.2.5 A director who is an executive officer or an employee, or whose immediate family member is an executive officer, of a company that makes payments to, or receives payments from, the listed company for property or services in an amount which, in any single fiscal year, exceeds the greater of \$1 million, or 2% of such other company's consolidated gross revenues, is not "independent" until three years after falling below such threshold (Section 303A.02(b)(v)).

2.1.3 Each member of the audit committee must be a member of the board of directors of the Corporation, and must otherwise be independent. (Rule 10A-3(b)(1)(i)).

2.2 Financial literacy

2.2.1 Able to read and understand fundamental financial statements and generally accepted accounting principles, including a company's balance sheet, income statement and cash flow statement.

2.2.2 Each committee member must be financially literate; as such qualification is interpreted by the company's board in its business judgment, or must become a financially literate within a reasonable period of time after his or her appointment to the Committee.

2.2.3 On top of the above, at least one member of the Committee must have accounting of related financial management expertise and be having past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication.

3. Member of the Committee shall be elected by the Board at the annual organizational meeting of the Board.

The Board should have mechanisms that encourage selection and retention of diligent and knowledgeable members who are dedicated to and interested in the job and willing to devote a substantial commitment of time and energy to the responsibilities of the audit committee in addition to board responsibilities.

4. Unless a Chair is elected by the full Board, members of the Committee may designate a Chair by majority vote of the full Committee membership.

5. The members of the Audit Committee are composed by independent directors of the Nam Tai Electronics, Inc. (the Corporation) and the names of members have been set-out at page 11.

ROLE

The Committee shall assist the Board in fulfilling its "oversight and monitoring" (source: Blue Ribbon Committee) (Section 303A.07(b)(i)) responsibilities by:

1. Review of the financial reports and other financial information provided by the Corporation to any governmental body or the public (Section 303A.07(b)(i)(A)(1)).
2. Review of the Corporation's system of internal controls regarding financial, accounting, legal compliance and ethics that management and the Board have established (Section 303A.07(b)(i)(A)(2)).
3. Review of the Corporation's auditing, accounting and financial reporting processes generally.
4. Review and approval of all related-party transactions on an on-going basis for the review of potential conflict of interest situations where appropriate.
5. Review the independence, qualification & performance of external auditors and internal audit function (Section 303A.07(b)(i)(A)(3) & (4)).
6. Prepare an audit committee report as required by the SEC to be included in the company's annual proxy statement (Section 303A.07(b)(i)(B)).
7. Prepare an annual performance evaluation of the Committee (Section 303A.07(b)(ii)).
8. Ensure the Corporation must have an internal audit function (Section 303A.07(c)).

SCOPE OF RESPONSIBILITIES

The Committee shall be an independent and objective party engaged in carrying out the following activities:

1. Monitoring the other component parts of the audit process

- 1.1 The Committee is neither intended nor equipped to guarantee with certainty to the Board and shareholders the accuracy and quality of a company's financial statements and accounting practices.
- 1.2 Proper financial reporting, accounting and audit functions are collaborative efforts conducted by management, internal auditor and external auditors.
- 1.3 The Committee should encourage procedures that promote accountability among management, internal auditor and external auditors, ensuring that:
 - 1.3.1 management properly develops and adheres to a sound system of internal control;

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- 1.3.2 the internal auditor objectively assesses management's accounting practices and internal controls; and
- 1.3.3 the external auditors, through their own review, assess management and the internal auditors' practices.
- 1.4 The Committee should seek to affirm the existence of these nexuses of accountability by learning the roles and responsibilities of each of the above participants.
- 1.5 The Committee oversees the work of the management, internal auditor and external auditors in the financial reporting process and internal control process to endorse the processes and safeguards employed by each.
- 1.5.1 Financial reporting process
- 1.5.1.1 Confirm and assure the objectivity of the internal auditors and independence of the external auditors.
- 1.5.1.2 Review with the chief internal auditor and external auditors the coordination of audit effort to assure:
- the adequacy of audit scope and audit plan ;
 - the completeness of audit coverage; and
 - the effective use of audit resources.
- 1.5.1.3 Consider and review with management, chief internal auditor and external auditors (Section 303.7(b)(iii)(F)):
- Any difficulties encountered in the course of their audits, including any restrictions on the scope of their work or access to required information.
 - Any changes required in the planned scope of their audit plan.
 - Significant findings during the year and management's responses thereto.
- 1.5.2 Internal control process
- The Committee should monitor the internal control process through internal and external auditing. The followings should be covered:
- 1.5.2.1 Review the adequacy and effectiveness of the Corporation's accounting, financial and operational controls and determine their adherence to those controls.
- 1.5.2.2 Review the programs and policies of the Corporation designed to ensure compliance with applicable laws and regulations and monitoring the results of these compliance efforts.
- 1.5.2.3 Review the procedures established by the Corporation for monitoring the compliance with its loan and indenture covenants and restrictions.

1.6 The Committee of the Corporation, in its capacity as a committee of the board of directors, must be directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm engaged (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation, and each such registered public accounting firm must report directly to the audit committee (Rule 10A-3(b)(2)).

2. Independent communication and information flow between the Committee and the Internal Auditor

2.1 Review and reassess:

2.1.1 qualification of internal audit department;

2.1.2 the adequacy of the Internal Audit Charter, which should detail the mission, scope, organization structure, responsibilities and authority of the Internal Audit Department; and

2.1.3 the proposed audit plans for the coming year.

2.2 Establish formal mechanism to facilitate confidential exchanges between the internal auditor and the Committee.

2.2.1 Request the Internal Audit Department to provide an internal audit report, whenever an audit assignment was completed, and monthly activity reports to the Committee.

2.2.2 The Committee shall meet the internal auditor at least once per year or more frequently as circumstances require, independent of management:

2.2.2.1 receive, prior to each meeting, a summary of findings from completed internal audits; and

2.2.2.2 a progress report on the proposed internal audit plan, with explanation for any deviation from the original plan.

2.2.3 Regular confidential memos or reports circulated only to the Committee.

2.3 The Committee must establish and support:

2.3.1 a culture that promotes open disclosure on the part of the internal auditor; and

2.3.2 a recognition that if the internal auditor identifies a problem and cannot obtain the support of management, that he or she has a duty to the audit committee, the full board, and shareholders to disclose the relevant information to the Committee.

3. Independent communication and information flow between the Committee and the External Auditors

- 3.1 The Committee shall position itself to utilize the knowledge of the external auditors in assessing the internal controls, management, internal auditors, and the impact of each on the quality and reliability of the financial statements.
- 3.2 The Committee shall meet to review and discuss the Corporation's annual audited financial statements and quarterly financial statements with management and the external auditors, including reviewing the Corporation's specific disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" (Section 303A.07(b)(iii)(B)).
- 3.3 The Committee shall meet the external auditors at least once per year or more frequently as circumstances require, independent of management.
- 3.4 The Committee should promote a culture that values objective and critical analysis of management and the external auditors.
 - 3.4.1 The Committee is responsible for ensuring at least annually, obtain and review a report by the external auditors describing: the Corporation's internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps take to deal with any such issues; and (to assess the auditor's independence) all relationships between the external auditors and the Corporation (Section 303A.07(b)(iii)(A)).
 - 3.4.2 The Committee is responsible for actively engaging in a dialogue with the external auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the external auditors and for taking, or recommending that the full board take appropriate action to oversee the independence of the external auditors.
 - 3.4.3 The external auditor's ultimate accountability to the Board and the Committee, as representatives of shareholders, and these shareholder representatives' ultimate authority and responsibility to select, evaluate and, where appropriate, replace the external auditor.
- 3.5 The Committee should ensure that the external auditors have provided the committee with the information that would be required to be disclosed by GAAS, including the topics covered by SAS 54, 99, 114 and 115.

4. Candid discussion with management, internal auditor and external auditors regarding issues implication judgment and impacting quality

- 4.1 The Committee should ask the management for the followings:

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- 4.1.1 timely, periodic reviews of the financial statements (including interim financial statements, external auditors' report, audited financial statements and management letter) and related disclosure documents prior to filing with the SEC;
 - 4.1.2 presentations concerning:
 - 4.1.2.1 any changes in accounting principles or financial reporting policies from a prior year;
 - 4.1.2.2 the accounting treatment accorded significant transactions; and
 - 4.1.2.3 any significant variation between budgeted and actual numbers in a particular account.
 - 4.1.3 information regarding any "second" opinions sought by management from an external auditor with respect to the accounting treatment of a particular event or transaction; and
 - 4.1.4 management's response to the assessments provided by the internal and external auditors.
 - 4.2 The Committee should look to the internal auditor and the external auditors to verify management's compliance with process and procedures and seek additional input on any significant judgement made.
 - 4.3 The Committee shall engage the internal auditor and the external auditors in a dialogue and set up other mechanisms to ensure that the committee has received all the necessary and pertinent information.
 - 4.4 Additional mechanism to support the Committee may include a checklist of questions to review with management, internal auditor and the external auditors. Such questions may cover:
 - 4.4.1 the accounting implications of new, significant transactions;
 - 4.4.2 changes in, or the continued propriety of, elective accounting principles; and
 - 4.4.3 the methods of application of such principles and their significant estimates and judgements used in the preparation of the financial statements.
 - 4.5 The Committee shall be cautioned against using such a checklist of recommended questions as a substitute for conducting their own investigation and analysis.
 - 4.6 The Committee shall meet separately and periodically with management (Section 303A.07(b)(iii)(E)).

5. Complaints

5.1 The Committee must establish procedures for (Rule 10A-3(b)(3)):

5.1.1 the receipt, retention, and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters (Rule 10A-3(b)(3)(i)); and

5.1.2 the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters (Rule 10A-3(b)(3)(ii)).

6. Authority to engage advisers

6.1 The Committee must have the authority to engage independent counsel and other advisers, as it determines necessary to carry out its duties (Rule 10A-3(b)(4)).

7. Funding

7.1 The Corporation must provide for appropriate funding, as determined by the Committee, in its capacity as a committee of the board of directors, for payment of (Rule 10A-3 (b)(5)):

7.1.1 compensation to any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the listed issuer (Rule 10A-3 (b)(5)(i));

7.1.2 compensation to any advisers employed by the audit committee under above paragraph 6.1 of this charter (Rule 10A-3 (b)(5)(ii)); and

7.1.3 ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties (Rule 10A-3 (b)(5)(iii)).

8. Pre-approval Policy under Section 202 of Sarbanes-Oxley Act of 2002

8.1 All auditing services, which may entail providing comfort letters in connection with securities underwritings or statutory audits requires for the Corporation & subsidiary for purposes of relevant law and non-audit services (including tax services but excluding those services (details as per Appendix III) stipulated in Section 201 Services Outsider the Scope of Practice of Auditors), provided to the Corporation by the external auditors shall be pre-approved by the Committee. (SOX Section 202 (i)(1)(A))

8.2 The pre-approval requirement is waived with respect of non-audit services for the Corporation (SOX Section 202(i)(1)(B)); if;-

- 8.2.1 the aggregate amount of all such non-audit services provided to the Corporation constitutes not more than 5% of the total amount of revenues paid by the Corporation to the external auditors during the fiscal year in which the non-audit services are provided (SOX Section 202(i)(1)(B)(i));
- 8.2.2 such services were not recognized by the Corporation at the time of the engagement to the non-audit service (SOX Section 202(i)(1)(B)(ii)); and
- 8.2.3 such services are promptly brought to the attention of the Committee of the Corporation and approval prior to the completion of the audit by the Committee (SOX Section 202(i)(1)(B)(iii)).
- 8.3 Approval by the Committee of the non-audit service to be performed by the external auditors of the Corporation shall be disclosed to investors in periodic reports required by Section 13(a) of the Securities Exchange Act of 1934 (SOX Section 202(i)(2)).
- 8.4 The Committee may delegate to one or more designated members of the Committee who are independent directors of the board of directors, the authority to grant pre-approvals required by SOX Section 202(i)(3).
- 8.5 Pre-approval procedures:
- 8.5.1 Pursuant to SOX Section 202(i)(3), the Chairman of the Committee is delegated the authority to grant pre-approvals in respect of all auditing services including non-audit service required by this subsection.
- 8.5.2 If the Committee approves an audit service within the scope of the engagement of the audit service shall be deemed to have been pre-approved (SOX Section 202(i)(4)).
- 8.5.3 The decisions of the Chairman of the Committee made under delegation authority (per paragraph 8.4 above) to pre-approve an activity under Section 202(i) shall be presented to the Full Board of the Committee at each of its scheduled meetings.

9. Diligent and Knowledgeable Audit Committee Membership

- 9.1 The Committee should consider training and education programs to ensure that its membership has the proper background and knowledge base and stays current as to relevant developments in accounting and finance.
- 9.2 Member of the Committee should analyze his / her own weakness and may ask management, the internal auditor and the external auditors their view on member's gaps in knowledge or "know-how".

10. Others

- 10.1 Discuss the Corporation's earnings press release, as well as financial information and earnings guidance provided to analysts and rating agencies (Section 303A.07(b)(iii)(C)).
- 10.2 Discuss policies with respect to risk assessment and risk management (Section 303A.07(b)(iii)(D)).
- 10.3 Set clear hiring policies for employees of the external auditors (Section 303A.07(b)(iii)(G)).
- 10.4 Report regularly to the board of directors (Section 303A.07(b)(iii)(H)).
- 10.5 Review and reassess the adequacy of the Audit Committee Charter on an annual basis.
- 10.6 Authorize investigations into any matters within the Committee's scope of responsibilities.
- 10.7 Perform such other functions as assigned by law or the Board.

Approved by Full Board comprising the following Directors on February 18, 2011:

Director

M. K. Koo

Peter R. Kellogg

Mark Waslen*#

Charles Chu*

William Lo*

*: *Member of Audit Committee*

#: *Chairman of Audit Committee*

Appendix I**Blue Ribbon Committee**

The Blue Ribbon Committee was sponsored by the New York Stock Exchange (NYSE) and the National Association of Securities Dealers (NASD), holding company of the Nasdaq Stock Market, Inc., for making recommendations on strengthening the role of audit committees in overseeing the corporate financial reporting process.

Appendix II**NYSE's Final Corporate Governance Rules**

Companies listed on the Exchange must comply with certain standards regarding corporate governance as codified in Section 303A of the Listed Company Manual of NYSE. Consistent with the NYSE's traditional approach, as well as the requirements of the Sarbanes-Oxley Act of 2002, certain provisions of Section 303A are applicable to Nam Tai Electronics, Inc. The NYSE's final corporate governance rules has been approved by the SEC on November 4, 2003 and almost all of them are last modified on November 25, 2009. These final rules of Section 303A.07 have resulted additional requirements to the responsibilities and requirement for audit committee.

The final rules cover the following areas which are required to comply:

- 303A.01 Independent Directors
- 303A.02 Independence Tests
- 303A.06 Audit Committee
- 303A.07 Audit Committee Additional Requirements
- 303A.09 Corporate Governance Guidelines
- 303A.10 Code of Business Conduct and Ethics

Appendix III**SARBANES-OXLEY ACT OF 2002****TITLE II—AUDITOR INDEPENDENCE****SEC. 201. SERVICES OUTSIDE THE SCOPE OF PRACTICE OF AUDITORS.**

(a) PROHIBITED ACTIVITIES.—Section 10A of the Securities Exchange Act of 1934 (15 U.S.C. 78j–1) is amended by adding at the end the following:

“(g) PROHIBITED ACTIVITIES.—Except as provided in subsection (h), it shall be unlawful for a registered public accounting firm (and any associated person of that firm, to the extent determined appropriate by the Commission) that performs for any issuer any audit required by this title or the rules of the Commission under this title or, beginning 180 days after the date of commencement of the operations of the Public Company Accounting Oversight Board established under section 101 of the Sarbanes-Oxley Act of 2002 (in this section referred to as the ‘Board’), the rules of the Board, to provide to that issuer, contemporaneously with the audit, any non-audit service, including—

- “(1) bookkeeping or other services related to the accounting records or financial statements of the audit client;
- “(2) financial information systems design and implementation;
- “(3) appraisal or valuation services, fairness opinions, or contribution-in-kind reports;
- “(4) actuarial services;
- “(5) internal audit outsourcing services;
- “(6) management functions or human resources;
- “(7) broker or dealer, investment adviser, or investment banking services;
- “(8) legal services and expert services unrelated to the audit; and
- “(9) any other service that the Board determines, by regulation, is impermissible.