宁波屹东电子股份有限公司
NINGBO YIDONG ELECTRONIC COMPANY LIMITED*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock code: 8249)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the "Directors") of Ningbo Yidong Electronic Company Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to Ningbo Yidong Electronic Company Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this document misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* *for identification purpose only*

The Board of Directors (the "Board") of Ningbo Yidong Electronic Company Limited (the "Company") presents the audited consolidated statement of comprehensive income of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009 and the audited consolidated statement of financial position of the Group as at 31 December 2009, together with the audited comparative figures for the corresponding previous period as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Notes	**2009** *RMB'000*	2008 *RMB'000*
Turnover	4	**25,618**	94,522
Cost of sales		**(66,786)**	(98,951)
Gross loss		**(41,168)**	(4,429)
Other income		**10,309**	58,092
Selling and distribution expenses		**(682)**	(1,024)
Administrative expenses		**(34,257)**	(150,068)
Finance costs		**(10,076)**	(30,957)
Gain on change of status from subsidiaries to available-for-sale investments		—	6,729
Gain (loss) on invalidation of subsidiaries		**8,115**	(7,408)
Gain on disposal of an associate		—	1,080
Provision for claims		**(3,800)**	(8,945)
Loss before taxation		**(71,559)**	(136,930)
Income tax credit (expenses)	6	**430**	(125)
Loss for the year		**(71,129)**	(137,055)
Other comprehensive income (loss)			
Exchange differences on translating foreign operations			
Exchange differences arising during the year		**483**	(1,122)
Total comprehensive loss for the year, net of tax		**(70,646)**	(138,177)
Loss for the year attributable to:			
Owners of the Company		**(70,525)**	(135,447)
Non-controlling interests		**(604)**	(1,608)
		(71,129)	(137,055)
Total comprehensive loss attributable to:			
Owners of the Company		**(70,042)**	(136,569)
Non-controlling interests		**(604)**	(1,608)
		(70,646)	(138,177)
Dividends	7	—	—
Loss per share	8		
Basic *(cents per share)*		**(14.10)**	(27.09)
Diluted *(cents per share)*		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
NON CURRENT ASSETS			
Property, plant and equipment		**244,857**	237,825
Investment properties		**1,325**	—
Prepaid lease payments		**11,714**	11,959
Goodwill		—	—
Interests in associates		—	—
Available-for-sale investments		—	—
Construction deposits		—	662
		257,896	250,446
CURRENT ASSETS			
Inventories		**2,674**	42,500
Trade and bills receivables	9	**1,800**	6,949
Prepayments, deposits and other receivables		**8,068**	6,820
Paid in advances		**4,973**	13,772
Prepaid lease payments		**242**	—
Amount due from a shareholder		—	710
Amounts due from directors		**3,082**	533
Amounts due from related companies		—	536
Pledged bank deposits		**10,270**	6,330
Bank balances and cash		**1,865**	6,923
		32,974	85,073
CURRENT LIABILITIES			
Trade and bills payables	10	**47,046**	83,490
Other payables and accruals		**59,034**	65,422
Receipt in advances		**8,071**	10,896
Amount due to a corporate shareholder		**188,989**	141,413
Amount due to a minority shareholder of a subsidiary		**1,591**	1,591
Amounts due to directors		**7,800**	8,465
Amounts due to related companies		**12,016**	13,186
Dividends payables		**4,440**	4,440
Income tax payables		—	872
Provision for claims		**36,899**	20,515
Bank borrowings		**129,199**	124,670
Deferred revenue		**6,000**	128
		501,085	475,088
NET CURRENT LIABILITIES		**(468,111)**	(390,015)
NET LIABILITIES		**(210,215)**	(139,569)
CAPITAL AND RESERVES			
Share capital	11	**50,000**	50,000
Reserves		**(260,225)**	(190,183)
Equity attributable to owners of the Company		**(210,225)**	(140,183)
Non-controlling interests		**10**	614
		(210,215)	(139,569)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Ningbo Yidong Electronic Company Limited (the "Company") is a joint stock limited liability company established in the People's Republic of China (the "PRC") and its shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The consolidated financial statements are presented in Renminbi ("RMB"). Other than the subsidiary established in Hong Kong which functional currency is Hong Kong Dollars ("HKD"), the functional currency of the Company and it subsidiaries (the "Group") is RMB.

The principal activities of the Group are the design, manufacture and sale of intelligent controller systems for consumer electrical and electronic appliances and the assembly of mobile phones in the PRC.

2. BASIS OF PREPARATION

As at 31 December 2009, the Group reported net current liabilities of approximately RMB468,111,000. The condition indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liability in the normal course of business. Nevertheless, the directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from 31 December 2009 given that:

(i) the directors of the Company anticipates that the Group will generate positive cash flows from its future operations; and

(ii) if necessary, in order to meet the Group's funding requirements, the directors of the Company will consider to raise funds by way of issuing additional equity and/or debt securities and will negotiate with certain bankers to obtain additional banking facilities.

Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to the consolidated financial statements to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied all the new and revised standards, amendments and interpretations ("INTs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for annual period beginning on or after 1 January 2009. The new and revised standards, amendments and interpretations adopted in the current year are referred to as new and revised ("New HKFRSs").

Except as described below, the adoption of the New HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

i. HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

ii. HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group's reportable segments *(see Note 5)*.

iii. Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements and liquidity risk. The Group has not presented comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs — Amendments	Improvements to HKFRSs 2008[1]
HKFRSs — Amendments	Improvement to HKFRSs 2009[2]
HKAS 24 — Revised	Related Party Disclosures[3]
HKAS 27 — Revised	Consolidated and Separate Financial Statements[4]
HKAS 32 — Amendment	Classification of Rights Issues[5]
HKAS 39 — Amendment	Eligible Hedged Items[4]
HKFRS 1 — Revised	First-time Adoption of Hong Kong Financial Reporting Standards[4]
HKFRS 1 — Amendment	Additional Exemptions for First-time Adopters[6]
HKFRS 2 — Amendment	Group Cash-settled Share-based Payment Transactions[6]
HKFRS 3 — Revised	Business Combinations[4]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) — INT 14 — Amendment	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]
HK(IFRIC) — INT 17	Distributions of Non-cash Assets to Owners[4]
HK(IFRIC) — INT 19	Extinguishing Financial Liabilities with Equity Instruments[8]

1 Amendments to HKFRS5, effective for annual periods beginning on or after 1 July 2009.

2 Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.

3 Effective for annual periods beginning on or after 1 January 2011.

4 Effective for annual periods beginning on or after 1 July 2009.

5 Effective for annual periods beginning on or after 1 February 2010.

6 Effective for annual periods beginning on or after 1 January 2010.

7 Effective for annual periods beginning on or after 1 January 2013.

8 Effective for annual periods beginning on or after 1 July 2010.

4. TURNOVER

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers, net of discounts and sales related taxes.

An analysis of the Group's turnover for the year are as follows:

	2009	2008
	RMB'000	*RMB'000*
Turnover		
Sales of controller systems for consumer electrical and electronic appliances and income from sales of small electrical appliances	**3,506**	19,372
Sales of controller systems for mobile phones and income from sales and assembly of mobile phones	**22,112**	75,150
	25,618	94,522

5. SEGMENT INFORMATION

The Group had adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

Specially, in prior years, segment information reported externally was analysed on the basis of the types of goods supplied and services provided by the Group's operating divisions (i.e. sales of controller systems for consumer electrical and electronic appliances and income from sales of small electrical appliances and sales of controller systems for mobile phones and income from sales and assembly of mobile phones). However, information reported to the Group's Chief Executive Officer (being the chief operating decision maker) is more specifically focused on the category of customer for each type of goods. The principal categories of customers for these goods are wholesalers. The Group's operating and reportable segments under HKFRS 8 are therefore as follows:

1. Sales of controller systems for consumer electrical and electronic appliances and income from sales of small electrical applicances — wholesalers.

2. Sales of controller systems for mobile phones and income from sales and assembly of mobile phones — wholesalers.

Information regarding the above segments is reported below: Amounts reported for the prior year have been restated to conform to the requirements of HKFRS 8.

The following is an analysis of the Group's assets and liabilities by reportable segment:

Segment assets and liabilities
For the year ended 31 December

	Wholesalers Sales of controller systems for consumer electrical and electronic appliances and income from sales of small electrical appliances		Wholesalers Sales of controller systems for mobile phones and income from sales and assembly of mobile phones		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment assets	**39,980**	91,943	**250,428**	154,708	**290,408**	246,651
Unallocated corporate assets					**462**	88,868
Total assets					**290,870**	335,519
Segment liabilities	**62,855**	164,476	**401,258**	277,152	**464,113**	441,628
Provision for claims					**36,899**	20,515
Unallocated corporate liabilities					**73**	12,945
Total liabilities					**501,085**	475,088

For the purpose of monitoring segment performances and allocating resources between segments:

— all assets are allocated to reportable segments other than interests in associates, available-for-sale investments. Goodwill is allocated to reportable segments. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and

— all liabilities are allocated to reportable segments. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

Segment revenues and results

The following is an analysis of the Group's turnover and results by reportable segment:

For the year ended 31 December

	Wholesalers Sales of controller systems for consumer electrical and electronic appliances and income from sales of small electrical appliances		**Wholesalers Sales of controller systems for mobile phones and income from sales and assembly of mobile phones**		**Elimination**	**Consolidated**	
	2009	2008	**2009**	2008		**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	*RMB'000*	***RMB'000***	*RMB'000*
Turnover	**3,506**	19,372	**22,112**	75,150	—	**25,618**	94,522
External sales	**3,506**	19,372	**22,112**	75,150	—	**25,618**	94,522
Inter segment sales	**—**	—	**1,613**	—	(1,613)	**—**	—
Segment results	**(23,450)**	(49,584)	**(43,490)**	(57,305)	—	**(66,940)**	(106,889)
Interest income						**632**	2,993
Unallocated revenue						**1,139**	6,584
Unallocated expenses						**(629)**	(117)
Finance costs						**(10,076)**	(30,957)
Gain on disposal of an associate						**—**	1,080
Gain (loss) on invalidation of subsidiaries						**8,115**	(7,408)
Gain on change of status from subsidiaries to available-for-sale investments						**—**	6,729
Provision for claims						**(3,800)**	(8,945)
Loss before taxation						**(71,559)**	(136,930)
Income tax credit (expense)						**430**	(125)
Loss for the year						**(71,129)**	(137,055)

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment results represents in the results earned by each segment without allocation of central administration costs including interest income, sundry income, finance costs, gain on disposal of an associate, gain (loss) on invalidation of subsidiaries, gain on change of status from subsidiaries to available-for-sale investments and provision for claims. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Inter segment sales are charged at prevailing market rates.

Other segment information

For the year ended 31 December

	Wholesalers Sales of controller systems for consumer electrical and electronic appliances and income from sales of small electrical appliances		Wholesalers Sales of controller systems for mobile phones and income from sales and assembly of mobile phones		Unallocated		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Amounts included in the measure of segment profit or loss or segment assets:								
Capital expenditure	**2,179**	—	**12,693**	23,270	**190**	—	**15,062**	23,270
Depreciation of property, plant and equipment	**658**	5,263	**5,610**	8,160	**—**	—	**6,268**	13,423
Amortization of prepaid lease payments	**—**	220	**—**	259	**3**	—	**3**	479
Depreciation of investment properties	**—**	—	**—**	—	**1**	—	**1**	—
Impairment loss of prepaid lease payments	**—**	418	**—**	2,557	**—**	823	**—**	3,798
Impairment loss recognised in respect of inventories	**4,843**	1,225	**30,545**	1,442	**—**	—	**35,388**	2,667
Impairment loss recognised in respect of trade receivables	**174**	—	**2,397**	—	**—**	—	**2,571**	—
Impairment loss recognised in respect of other receivables	**1,311**	4,549	**8,342**	5,355	**—**	21,973	**9,653**	31,877
Impairment loss recognised in respect of amounts due from related companies	**—**	—	**—**	—	**3,746**	51,342	**3,746**	51,342
Impairment loss recognised in respect of amount due from a shareholder	**—**	—	**—**	—	**931**	—	**931**	—
Write-off of other receivables	**22**	259	**183**	305	**—**	—	**205**	564
Provision for claims	**—**	—	**—**	—	**3,800**	8,945	**3,800**	8,945
Reversal of impairment loss recognised in respect of trade receivables	**(162)**	—	**(1,020)**	—	**—**	—	**(1,182)**	—
Reversal of impairment loss recognised in respect of other receivables	**(414)**	—	**(2,609)**	—	**—**	—	**(3,023)**	—
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss								
Interest revenue	**(87)**	(609)	**(545)**	(2,384)	**—**	—	**(632)**	(2,993)
Interest expense	**1,361**	6,740	**8,715**	24,217	**—**	—	**10,076**	30,957

Revenue from major products

The following is the analysis of the Group's turnover from its major products:

	Year ended 2009 *RMB'000*	2008 *RMB'000*
Sales of controller systems for consumer electrical and electronic appliances and income from sales of small electrical appliances	**3,506**	19,372
Sales of controller systems for mobile phones and income from sales and assembly of mobile phones	**22,112**	75,150
	25,618	94,522

Information about major customers

During the year ended 31 December 2009, turnover of mobile phones and bluetooths from a customer amounted to approximately RMB12,827,000 (2008: Nil), contributing over 10% of the Group's total turnover.

Geographical information

The Group's operations are located in two principal geographical areas: the PRC (excluding Hong Kong) and Hong Kong.

The Group's turnover from external customers is detailed below:

	2009 *RMB'000*	2008 *RMB'000*
The PRC, excluding Hong Kong	**20,133**	24,859
Hong Kong	**5,485**	51,694
Others	**—**	17,969
	25,618	94,522

An analysis of the carrying amount of segment assets, and additions to property, plant and equipment, by geographical area in which the assets are located has not been presented as they are substantially located in the PRC.

6. INCOME TAX (CREDIT) EXPENSES

	2009 *RMB'000*	2008 *RMB'000*
Current tax		
— Hong Kong profits tax	**(368)**	145
— PRC Enterprise Income Tax	**(62)**	(20)
	(430)	125

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

No Hong Kong profits tax has been provided for the year ended 31 December 2009 as the Group did not generate any assessable profit arising in Hong Kong for the year ended 31 December 2009.

A subsidiary operating in the PRC is entitled to a tax exemption for two years commencing from its first profit-making year followed by a 50% reduction in the PRC income tax for three years. The PRC income tax for this subsidiary was 50% exempted in both years.

One of the subsidiaries established in the PRC is recognised by the PRC Government as high technology enterprises. In accordance with the applicable enterprise income tax of the PRC, it is subject to the PRC enterprise income tax ("EIT") at a rate of 15%.

7. DIVIDENDS

No dividend was paid or proposed during 2009, nor has any dividend been proposed since the end of the reporting period (2008: Nil).

8. LOSS PER SHARE

The calculation of the basic loss per share for the year ended 31 December 2009 is based on the consolidated loss attributable to owners of the Company of approximately RMB70,525,000 (2008: consolidated loss attributable to owners of the Company of approximately RMB135,447,000) and the weighted average number of 500,000,000 shares (2008: 500,000,000 shares) in issue during the year.

No diluted loss per share have been presented for the two years ended 31 December 2009 and 2008 as there was no diluted potential ordinary share outstanding for both years.

9. TRADE AND BILLS RECEIVABLES

	2009	2008
	RMB'000	*RMB'000*
Trade receivables	**34,157**	37,810
Less: Accumulated impairment losses	**(32,357)**	(30,974)
	1,800	6,836
Bills receivables	**—**	113
Total trade and bills receivables	**1,800**	6,949

The Group allows an average credit period of 90 days to its trade customers. The aged analysis of trade receivables presented based on the invoice date at the reporting date, net of impairment losses recognised was as follows:

	2009	2008
	RMB'000	*RMB'000*
0–90 days	**135**	5,079
91–180 days	**182**	462
181–365 days	**677**	1,287
Over 365 days	**806**	8
	1,800	6,836

10. TRADE AND BILLS PAYABLES

	2009	2008
	RMB'000	*RMB'000*
Trade payables	**46,776**	54,107
Bills payables	**270**	29,383
	47,046	83,490

The following is an aged analysis of trade payable presented based on the invoice date at the end of the reporting period.

	2009	2008
	RMB'000	*RMB'000*
0–90 days	**610**	5,618
91–180 days	**774**	1,669
181–365 days	**1,129**	1,097
Over 365 days	**44,263**	45,723
	46,776	54,107

11. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company							
	Share capital	Capital reserve	Statutory surplus reserve	Translation reserve	Accumulated losses	Sub-total	Non-controlling interests	Total
	RMB'000	*RMB'000* (*Note a*)	*RMB'000* (*Note b*)	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2008	50,000	40,449	24,998	4,637	(123,698)	(3,614)	2,243	(1,371)
Total comprehensive loss for the year	—	—	—	(1,122)	(135,447)	(136,569)	(1,608)	(138,177)
Release gain on change of status from subsidiaries to available-for-sale investments	—	—	—	—	—	—	(721)	(721)
Capital injection from non-controlling interests	—	—	—	—	—	—	700	700
At 31 December 2008 and 1 January 2009	50,000	40,449	24,998	3,515	(259,145)	(140,183)	614	(139,569)
Total comprehensive loss for the year	—	—	—	483	(70,525)	(70,042)	(604)	(70,646)
At 31 December 2009	50,000	40,449	24,998	3,998	(329,670)	(210,225)	10	(210,215)

Notes:

(a) Capital reserve

Capital reserve includes the share premium arising from the issuance of H shares after deduction of the respective share issuance costs of the Company.

(b) Statutory surplus reserve

The Articles of Association of the Company and its subsidiaries established in the People's Republic of China (the "PRC") require the appropriation of 10% of their profit after income tax determined under the PRC accounting standards each year to the statutory surplus reserve until the balance reaches 50% of the registered share capital. According to the provision of the Company's Articles of Association, under normal circumstances, the statutory surplus reserve shall only be used for making up losses, capitalisation into share capital and expansion of the Company's production and operation. For the capitalisation of statutory surplus reserve into share capital, the remaining amount of such reserve shall not be less than 25% of the registered share capital.

INDEPENDENT AUDITOR'S REPORT

The following paragraphs extracted from the Independent Auditor's Report on the Group's consolidated financial statements for the year ended 31 December 2009:

Basis for Disclaimer of Opinion

Bills payables

Included in trade and bills payables as at 31 December 2009 was bills payables of approximately RMB270,000. Due to the lack of adequate documentary evidence for certain bills transactions, we were unable to carry out relevant procedures necessary to satisfy ourselves as to the accuracy of the disclosure in respect of the bills transactions. In addition, we were unable to carry out relevant procedures necessary to satisfy ourselves that the corresponding disclosure in Note 32 to the consolidated financial statements is complete. As a consequence, we were also unable to carry out necessary procedures to satisfy ourselves as to whether the cash flows in connection with bills transactions as presented in the Group's consolidated cash flow statement were fairly stated.

Material fundamental uncertainty relating to the going concern basis

As explained in Note 2 to the consolidated financial statements, which indicates that the Group incurred a consolidated loss attributable to owners of the Company of approximately RMB70,525,000 for the year ended 31 December 2009 and had a consolidated net current liabilities of approximately RMB468,111,000 as at 31 December 2009, The consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the positive cash flows expected to be generated from the Group's future operations, successful obtain new working capital in order for the Group to meet its financial obligation as they fall due and to finance its future working capital and financial requirements.

We consider that appropriate disclosures have been made in such consolidated financial statements concerning the relevant material uncertainty, but the inherent uncertainties surrounding the circumstances, under which the Group might successfully continue to adopt the going concern basis are so extreme, we have disclaimed our opinion on material uncertainty relating to the going concern basis.

The consolidated financial statements of the Group do not include any adjustment that would be necessary if the Group failed to operate as a going concern. Had the going concern basis not been used, adjustments would have to be made to reduce the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively.

Disclaimer of Opinion: Disclaimer of view given by Consolidated Financial Statements

Because of the significance of the matters described in the basis for disclaimer of opinion paragraph, we do not express an opinion on the consolidated financials statements as to whether they give a true and fair view of the state of affairs of the Group at 31 December 2009 and of the loss and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 23 May 2010 to 23 June 2010 (both days inclusive), during the period no transfer of shares will be registered. The holders of Domestic shares and H shares whose names appear on the register of members of the Company at 4:00 p.m. on 20 May 2010 are entitled to attend and vote at the annual general meeting to be held at 3:00 p.m. on 23 June 2010. In order to qualify for attendance at the annual general meeting, instruments of transfer accompanied by share certificates and other appropriate documents must be lodged with the Company's H share registrar, Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:00 p.m. on 20 May 2010.

BUSINESS AND OPERATIONS REVIEW

Turnover

For the year ended 31 December 2009, the Group recorded revenue of approximately RMB25,618,000 (2008: RMB94,522,000), representing a decrease of approximately 72.9% over the previous year. The decrease in the Group's revenue is due to decrease in sales of both mobile phones and controller systems during the year.

The Group's activities are divided into 2 business segments — namely sales of controller systems for consumer electrical and electronic appliances and income from sales of small electrical appliances, and sales of controller systems for mobile phones and income from sales and assembly of mobile phones. Accordingly, analysis by business segments is provided in note 5.

The Group's activities are also divided into 3 geographical segments — namely the PRC, excluding Hong Kong, Hong Kong and others. Accordingly, analysis by geographical segments is provided in note 5.

Gross (loss) profit margin was (160.7%) (2008: (4.7%)) and there is a decrease in the profit margin due to keen competition, lower sales volume and increase in impairment in inventories this year. The Group continues to procure cost control to mitigate the impact of price competition caused by intense competition in the mobile phone industry.

Other revenues mainly include gain on disposal of fixed assets and reversal of impairment loss recognised in respect of trade receivables/other receivables. Selling expenses recorded a decrease by 33.4%, while administrative expenses recorded a decrease of 77.2% over the previous year. For the year ended 31 December 2009, finance costs amounted to RMB10,076,000 (2008: RMB30,957,000), which represented a decrease of 67.5% over the previous year.

For the year ended 31 December 2009, loss attributable to shareholders of the Group amounted to RMB70,525,000 (2008: RMB135,447,000). Emergence of loss attributable to shareholders was principally due to the administrative expenses, (which comprising mainly impairment loss on receivables), and finance costs incurred during the year.

SIGNIFICANT INVESTMENT HELD AND ACQUISITION

As at 31 December 2009, save as disclosed in this announcement, the Group did not have any significant investment and acquisition.

FINANCIAL REVIEW

Current assets and liabilities

As at 31 December 2009, the Group had current assets of RMB32,974,000 (2008: RMB85,073,000), representing a decrease of 61.2% compared with last year. The decrease was mainly attributable to the reduced inventories during the year. As at 31 December 2009, the Group had current liabilities of RMB501,085,000 (2008: RMB475,088,000), which represented a mild increase of 5.5%. As at 31 December 2009, the unutilised bank loan facilities and cash flow generated in the ordinary course of business were sufficient for the capital requirement of daily operations and the new facilities despite its net current liability status.

Finance and banking facilities

As at 31 December 2009, the Group had cash and bank balances of RMB12,135,000 (2008: RMB13,253,000), short-term bank borrowings of RMB129,199,000 (2008: RMB124,670,000), and net borrowings of RMB117,064,000 (2008: RMB111,417,000) respectively. The borrowings were secured by certain property, plant and equipments and bank deposits of the Group. The Group will seek to replace the existing short-term bank facilities by long-term bank loans and secure bank loans with lower costs of borrowings, so as to improve the Group's financial position and reduce financial costs.

Gearing ratio

The Group's gearing ratio as at 31 December 2009 was 44.5% (2008: 45.9%), which is expressed as a percentage of the bills payables plus total bank borrowings over the total assets.

Contingent liabilities and commitments

Contingent liabilities and commitments of the Group during the year are set out in notes 42 and 44 to the consolidated financial statements.

Capital structure and financial resources

As at 31 December 2009, the Group had net liabilities of approximately RMB210,215,000 (2008: net liabilities RMB139,569,000). The Group's operations and investments are financed principally by its internal resources, bank borrowings and shareholders' equity.

Foreign exchange risk

The Group's income and expenses were denominated in RMB while certain procurement transactions were settled in US dollars. The Group regulated its outstanding foreign exchange balance by conducting sales settled in US dollars to reduce its foreign exchange exposure.

Since the existing bank loans are repayable in RMB, there was no material foreign exchange risk. The Group will review and monitor foreign exchange risk from time to time and may enter into forward swap contracts to hedge such risks where appropriate.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2009, the Group had 248 employees (2008: 301 employees). Remuneration is determined by reference to market terms and the performance, qualifications and experience of individual employee. Bonuses based on individual performance will be paid to employees in recognition and reward of their contribution. Other benefits include contributions to retirement scheme.

STAFF QUARTERS

Workers and staff of the Group are provided with accommodation at Yuyao City. The Directors confirm that, apart from the above accommodation, there was no other housing benefit provided by the Group to its staff.

RELATIONSHIP WITH EMPLOYEES

The Group has not experienced any significant labour disputes or strikes which have led to the disruption of its normal business operations. The Directors consider that the Group maintains good relationship with its employees.

PROSPECTS

The Group has, in 2009, evolved the Company's business direction from the previous mode of foundry-only with law adding value to the mode of self-research and development, production and sale with high adding value. By doing so, the future potential profitability growth of the enterprise was substantially enhanced.

CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2009, the Company had complied with the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules (the "Code") in all material aspects except that no remuneration committee had been set up as required by rule B1.1 of the Code.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association of the Company and no restriction against such rights under the laws of the People's Republic of China (the "PRC"), which will oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

COMPETING INTERESTS

None of the Directors, the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had any interest in any business that directly or indirectly competes with the business of the Group or has any other conflicts of interest.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

SHARE OPTIONS

As at the date of this announcement, no option has been granted or agreed to be granted by the Company to any of its Directors, Supervisors or employees of the Company or its subsidiaries.

AUDIT COMMITTEE

The principal duties of the Audit Committee are to oversee the financial reporting and internal control system of the Group. The Audit Committee comprises three independent non-executive directors, Mr. Pang Jun (Chairman of the committee), Mr. Law Hon Hing Henry and Professor Fang Min. Mr. Law is a committee member with professional accounting qualification. The audit committee held 4 meetings during the year ended 31 December 2009. The annual results of the Company for the year ended 31 December 2009 have been reviewed by the audit committee of the Company.

By Order of the Board
Ningbo Yidong Electronic Company Limited
Liu Xiao Chun
Chairman

Ningbo, the PRC, 23 March 2010

As of the date hereof, the executive directors are Mr. Liu Xiao Chun, Mr. Gong Zheng Jun and Mr. Chen Zheng Tu, while the non-executive directors are Mr. Zheng Yi Song, Mr. Liu Feng and Mr. Wang Wei Shi. The independent non-executive directors are Mr. Pang Jun, Professor Fang Min and Mr. Law Hon Hing Henry.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the website of the Company at http://www.yidongelec.com.