



 **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)

Third Quarterly Report **2004**

* For identification purpose only

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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.

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The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the “Directors”) of Ningbo Yidong Electronic Company Limited (the “Company”) 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 the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



HIGHLIGHTS

Unaudited turnover was approximately RMB125,136,000 and RMB399,545,000 for the three and nine months ended 30 September 2004, representing increases of approximately 96% and 154% when compared with the same period in 2003.

Unaudited profit attributable to shareholders was approximately RMB17,277,000 and RMB53,372,000 for the three and nine months ended 30 September 2004 representing increase of approximately 26% and 89% when compared with the same period in 2003.

Unaudited earnings per share was approximately RMB3.46 cents and RMB10.67 cents for the three and nine months ended 30 September 2004.



RESULTS

The board of Directors of the Company (the "Board") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three and nine months ended 30 September 2004 together with the unaudited comparative figures for the corresponding periods in 2003 as follows:

		Unaudited For the three months ended 30 September		Unaudited For the nine months ended 30 September	
	Notes	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
Turnover	(2)	125,136	63,851	399,545	157,111
Cost of sales		(90,990)	(40,927)	(288,461)	(105,342)
Gross profit		34,146	22,924	111,084	51,769
Other revenue		5,274	551	7,618	1,393
Selling expenses		(1,922)	(115)	(4,643)	(409)
Administrative expenses		(8,941)	(2,913)	(26,148)	(8,635)
Profit from operations		28,557	20,447	87,911	44,118
Finance cost		(1,765)	(626)	(3,795)	(1,940)
Profit from ordinary activities before taxation		26,792	19,821	84,116	42,178
Taxation	(3)	(9,920)	(6,336)	(28,396)	(14,465)
Profit after tax		16,872	13,485	55,720	27,713
Minority Interests		405	224	(2,348)	494
Profit attributable to shareholders		17,277	13,709	53,372	28,207
Earnings per share (cents)	(5)	3.46	3.71	10.67	7.62



NOTES TO UNAUDITED CONSOLIDATED THIRD QUARTERLY FINANCIAL STATEMENT

1. BASIS OF PREPARATION

The unaudited consolidated results of the Group have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The unaudited consolidated results have not been audited by the Company’s auditors, but have been reviewed by the Company’s audit committee.

2. TURNOVER, REVENUE

The Group is principally engaged in the design, manufacture and sale of intelligent controller systems for various consumer electrical and electronic appliances and the assembly of mobile phones in the PRC. Turnover is stated net of value added tax.

	Unaudited For the three months ended 30 September		Unaudited For the nine months ended 30 September	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
Turnover				
Sales of controller systems for consumer electrical and electronic appliances	46,927	62,996	148,556	147,499
Manufacture of mobile phone controller systems and assembly of mobile phones	78,209	855	250,989	9,612
	125,136	63,851	399,545	157,111



3. TAXATION

The amount of taxation charged to the unaudited consolidated profit and loss account represents:

	Unaudited Three months ended 30 September		Unaudited nine months ended 30 September	
	2004 RMB'000	2003 <i>RMB'000</i>	2004 RMB'000	2003 <i>RMB'000</i>
Current taxation:				
– PRC income tax	(9,920)	(6,336)	(28,396)	(14,465)
Taxation charges	(9,920)	(6,336)	(28,396)	(14,465)

- (a) No provision for Hong Kong profits tax has been made as the Group has no estimated assessable Hong Kong profits for the period (2003: Nil).
- (b) The Group is subject to an income tax rate of 33% on their taxable profit in accordance with the income tax law in the PRC.

4. DIVIDENDS

The Board does not recommend payment of dividend for the three months ended 30 September 2004 (three months ended 30 September 2003: nil). The Board had declared payment of interim dividend of approximately RMB3,500,000 for the nine months ended 30 September 2004 (nine months ended 30 September 2003: approximately RMB400,000).

5. EARNINGS PER SHARE

Basic earnings per share is calculated based on Group's profit attributable to shareholders for the three and nine months ended 30 September 2004 of approximately RMB17,277,000 and RMB53,372,000 (2003: RMB13,709,000 and RMB28,207,000) and the weighted average number of 500,000,000 (2003: 370,000,000) ordinary shares in issue during the period.

Diluted earnings per share is not presented as the Company has no dilutive potential ordinary shares during the period (2003: Nil).



MOVEMENT IN RESERVE

	Capital reserve	Statutory surplus reserve	Statutory public welfare reserve	Share issuance costs	Retained earnings	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2003	-	3,080	1,386	(1,484)	16,882	19,864
Profit attributable to shareholders	-	-	-	-	47,117	47,117
Transfer to reserve funds	-	5,617	2,528	-	(8,145)	-
Issue of H shares upon placing and public offer	56,550	-	-	-	-	56,550
Share issuance costs	-	-	-	(14,617)	-	(14,617)
Transfer to capital reserve	(16,101)	-	-	16,101	-	-
Declared dividend	-	-	-	-	(400)	(400)
At 31 December 2003	40,449	8,697	3,914	-	55,454	108,514
At 1 January 2004	40,449	8,697	3,914	-	55,454	108,514
Profit attributable to Shareholders	-	-	-	-	53,372	53,372
2003 final dividend	-	-	-	-	(6,000)	(6,000)
2004 interim dividend	-	-	-	-	(3,500)	(3,500)
At 30 September 2004	40,449	8,697	3,914	-	99,326	152,386

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review for the nine months ended 30 September 2004

For the nine months ended 30 September 2004, the Group's turnover amounted to approximately RMB399,545,000, representing an increase of approximately 154%. Profit attributable to shareholders was approximately RMB53,372,000, representing an increase of approximately 89%, as compared to the corresponding period in 2003.

The improvement in financial results can be attributed mainly to higher sales of controller system for consumer electrical and electronic appliances, stepping up manufacture of mobile phone controller systems, and increased assembly of mobile phones and to the strengthened marketing activities adopted by the Group.



Business review

The Group is principally engaged in the design, manufacture and sale of intelligent controller systems, which can be used for various consumer electrical and electronic appliances, such as air-conditioners, refrigerators, smoke extractors, mobile phones and televisions.

For the nine months ended 30 September 2004, the demand for the Group's products remained strong because (i) increase in demand for mobile telecommunication market and (ii) high demand for more advanced and sophisticated consumer electrical and electronic appliances. As a result, a substantial growth in turnover and profit were maintained during the nine months ended 30 September 2004.

Prospect

The Group's business objective is to further strengthen the Group's position in the design and manufacture of good quality intelligent controller systems for various consumer electrical and electronic appliances in the PRC.

In order to fulfil such objective, the Group will strengthen its R&D capability and development of new products, and in particular:

- continue with the research on fuzzy frequency conversion technology for controller systems in air-conditioners and refrigerators; and
- R&D on controller systems for telecommunication devices and TFT-LCD devices.

The Group will continue to develop new products, such as the controller system for bar-code reader and portable DVD, and explore more products with good prospects to further expand and diversify the Group's product bases.

RIGHTS OF DIRECTORS, CHIEF EXECUTIVE AND SUPERVISORS TO ACQUIRE SHARES

During the nine months ended 30 September 2004, none of the Directors, chief executive (if any) (the "Chief Executive") or supervisors of the Company (the "Supervisors") or their spouse or children under the age of 18 was granted any right to acquire shares of the Company or any of its associated corporation (as referred below), or had exercised any such right.

DISCLOSURE OF INTERESTS AND SHORT POSITIONS

So far as known to the Directors, at 30 September 2004, the interests and short positions of each Directors, Chief Executive and Supervisors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealings by directors of listed issue as referred to in Rule 5.46 of



the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules"), were as follows:

(a) Long positions in shares

Name of Director/ Chief Executive/ Supervisor	Number of Domestic Shares of RMB0.10 each (the "Domestic Shares") held	Nature of interest	Approximate percentage of shareholding in same class of securities	Approximate percentage of shareholding in the registered capital
Mr. Wang Ya Qun	129,500,000 Domestic Shares (note 2)	Beneficial owner	35.0%	25.9%
Mr. Li Ming	129,500,000 Domestic Shares (note 2)	Interest of controlled corporation (note 1)	35.0% (note 1)	25.9%
Mr. Chen Zheng Tu	92,500,000 Domestic Shares (note 2)	Beneficial owner	25.0%	18.5%

Notes:

- (1) Mr. Li Ming is not registered as a shareholder of the Company. His indirect shareholding interest in 129,500,000 Domestic Shares is held through Shenzhen Ruilian Investment Co., Ltd. ("Shenzhen Ruilian"), which holds a 90.0% direct interest in China Ruilian Holding Corp. ("China Ruilian"), a registered shareholder of the Company.

Both Shenzhen Ruilian and China Ruilian are established and based in the PRC. Mr. Li Ming holds a direct interest of 42.0% in Shenzhen Ruilian.

- (2) Domestic Shares of a nominal value of RMB0.10 each, in the registered share capital of the Company, which are subscribed for or credited as paid up in Renminbi.

Except as disclosed above, at no time during the nine months ended 30 September 2004, the Directors, Chief Executive and Supervisors (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares of the Company or its associated corporations (within the meaning of SFO) which were required to notify the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required pursuant to section 352 of the SFO to be entered in the registrar maintained by the Company, or which were required to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules relating to securities transactions by Directors.

Apart from the above, at no time during the nine months ended 30 September 2004 was the Company and its subsidiaries a party to any arrangement to enable the Directors, Chief Executive and Supervisors to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations.

**SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES OF THE COMPANY****Long positions in shares**

So far as known to the Directors, the register of substantial shareholders maintained under section 336 of the SFO shows that as at 30 September 2004, the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of SFO. These interests are in addition to those disclosed above in respect of the Directors, Chief Executive and Supervisors.

Name of Shareholder	Number of shares held	Nature of interest	Approximate percentage of shareholding in same class of securities	Approximate percentage of shareholding in the registered capital
China Ruilian	129,500,000 Domestic Shares	Beneficial owner	35%	25.9%
Shenzhen Ruilian	129,500,000 Domestic Shares	Interest of controlled corporation	35%	25.9%
Martin Currie China Hedge Fund Limited	21,345,000 H Shares (note 1)	Investment manager	16.4%	4.3%
Martin Currie Investment Management Limited	21,345,000 H Shares (note 1)	Investment manager	16.4%	4.3%
UBS AG	21,345,000 H Shares (note 1)	Person having a security interest in shares	16.4%	4.3%
Dai Huan	8,200,000 H Shares (note 1)	Beneficial owner	6.3%	1.6%

Note:

- (1) "H Share(s)" overseas listed foreign invested share(s) of a nominal value of RMB0.10 each in the registered share capital of the Company, which are listed on the GEM and subscribed for and traded in Hong Kong dollars.



Save as disclosed above, as at 30 September 2004, the Directors are not aware of any person, not being a Director, Chief Executive or Supervisor, have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO and are required to be entered in the register maintained by the Company pursuant to section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES

During the period under review, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

COMPETING INTERESTS

None of the Directors, Supervisors and 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.

SPONSOR'S INTERESTS

Pursuant to the sponsorship agreement dated 31 October 2003 between the Company and Guotai Junan Capital Limited ("Guotai Junan"), Guotai Junan has been appointed as the retained sponsor of the Company as required under the GEM Listing Rules at a fee from 14 November 2003 to 31 December 2005.

To the best knowledge of Guotai Junan, neither Guotai Junan nor its Directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interest in the securities of the Company or any other member of the Group or any rights to subscribe for or to nominate persons to subscribe for the securities of the Company or any other member of the Group as at 30 September 2004.

OPTIONS TO SUBSCRIBE FOR SHARES IN THE COMPANY

As at the date of this report, no option has been granted or agreed to be granted to any executive Directors or full-time employees of the Company or its subsidiary or any of their respective associates.

BOARD PRACTICES AND PROCEDURES

During the nine months ended 30 September 2004, the Company has complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.



AUDIT COMMITTEE

The Company has established an audit committee since 1 June 2003 with written terms of reference based on the guidelines recommended by the Hong Kong Society of Accountants and the requirements as set out in Rules 5.28 and 5.30 of the GEM Listing Rule. The audit committee comprises three independent non-executive Directors of the Company, namely Mr. Ding Gang Yi (丁剛毅先生), who is the Chairman of such committee, Mr. Tang Zhen Ming (唐振明先生) and Mr. Lam Ming Yung (林明勇先生).

The Audit Committee has reviewed with the senior management of the Company the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of this quarterly financial statement for the nine months ended 30 September 2004.

By order of the board
Ningbo Yidong Electronic Company Limited
Wang Ya Qun
Chairman

Ningbo, The PRC, 12 November 2004.

As at the date of this report, the Board comprises the following directors:

Executive Directors

Mr. Wang Ya Qun
Mr. Liu Xiao Chun
Mr. Chen Zheng Tu
Mr. Wang Pei Zhang

Non-executive Director

Mr. Li Ming

Independent non-executive Directors

Mr. Tang Zhen Ming
Mr. Ding Gang Yi
Mr. Lam Ming Yung