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)

ANNUAL 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.

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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. GEM-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 GEM website http://www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

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.

Contents

2004

Corporate Information

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
(resigned on 30 December 2004)
Mr. Mok Wai Man, Derek
(appointed on 30 December 2004)

SUPERVISORS

Mr. Zhang Xing Jiang
Mr. Chen Qian
Ms. Wang Ying

MEMBERS OF THE AUDIT COMMITTEE

Mr. Ding Gang Yi (Chairman)
Mr. Tang Zhen Ming
Mr. Lam Ming Yung
(resigned on 30 December 2004)
Mr. Mok Wai Man, Derek
(appointed on 30 December 2004)

COMPLIANCE OFFICER

Mr. Wang Ya Qun

QUALIFIED ACCOUNTANT

Mr. Yeung Hung Yuen, CPA

COMPANY SECRETARY

Mr. Yeung Hung Yuen, CPA

AUTHORIZED REPRESENTATIVES

Mr. Liu Xiao Chun
Mr. Yeung Hung Yuen, CPA

COMPLIANCE ADVISER

Guotai Junan Capital Limited

LEGAL ADVISERS TO THE COMPANY

Sidley Austin Brown & Wood
(As to Hong Kong Law)
Jin Mao (As to PRC Law)

AUDITORS

Grant Thornton

REGISTERED OFFICE

No. 65 Siming East Road
Yuyao City
Zhejiang Province
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

COMPANY HOMEPAGE/WEBSITE

www.yidongelec.com

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

Abacus Share Registrars Limited

PRINCIPAL BANKER

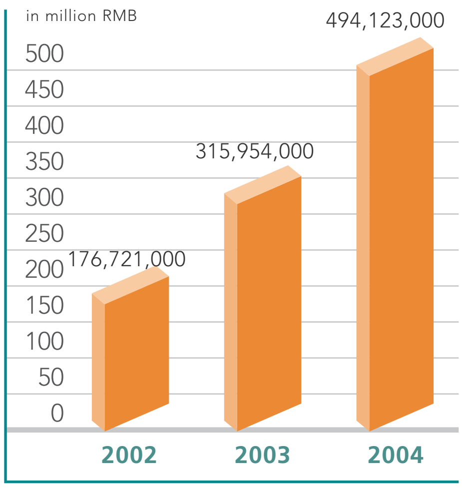
Industrial and Commercial Bank of China

GEM STOCK CODE

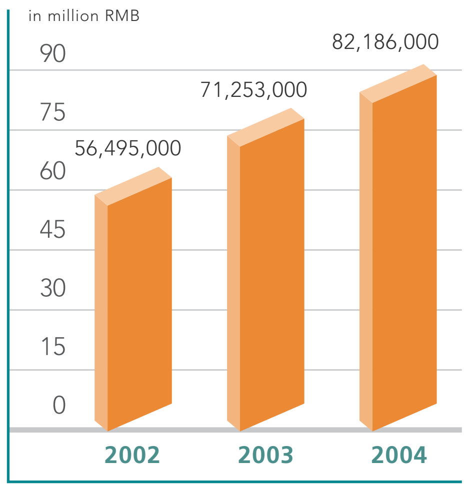
8249

Financial Highlights

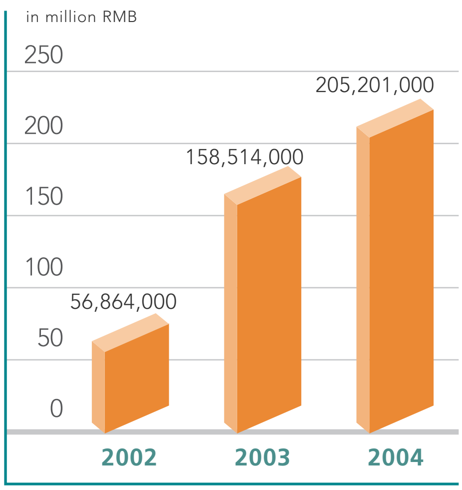
Turnover



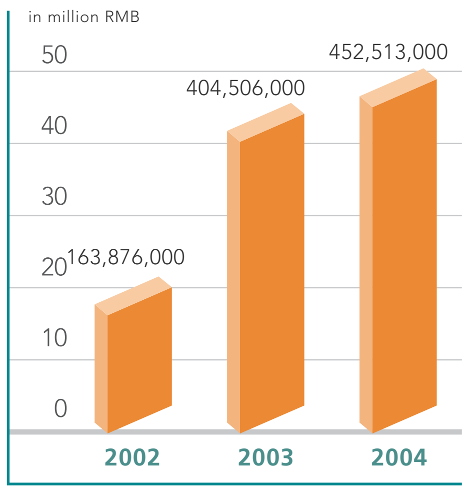
Profit Before Tax



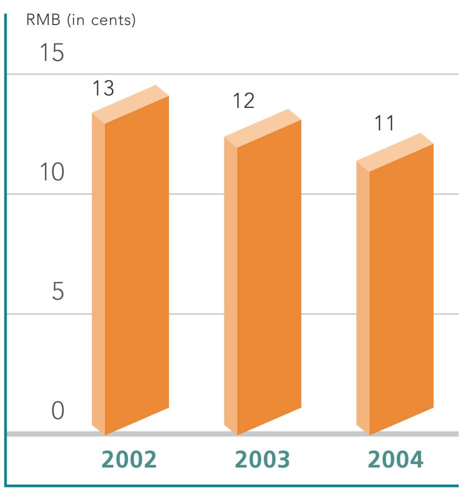
Total Share Capital and Reserves



Total Assets



Earnings Per Share (Basic)



Chairman's Statement

On behalf of the directors (the "Directors") of Ningbo Yidong Electronic Company Limited (the "Company"), I am pleased to present the results of the Company and its subsidiaries (collectively referred to as the "Group") for the year 2004. Since its establishment on 3 August 2000, 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.

In 2004, the macro-control measures carried out by the Chinese government have strengthened the economic development and have created a prosperous climate for the Chinese market. China's Gross Domestic Product shot up by 9.5% in 2004. Within the telecommunication industry, the Chinese government has taken a series of reform measures to develop. With the reform and the growth economy as the driving forces, China's telecommunications industry has expanded steadily and rapidly during the past few years and was one of the fastest growing telecommunication markets in the world. In 2004, China has topped the list of cell phone users in the world, with its subscribers totalling approximately 334.8 million and China produced 240 million handsets and exported about 140 million handsets to become the world's largest mobile phone producer.

Since its establishment, the Group's income mainly relies on the sale of the intelligent controller systems of air-conditioners. In order to diversify the income sources and to seize the opportunity existing in the mobile phone market, during the year, the Group contributed significant resources to expand the business in the manufacture of mobile phone controller systems and assembly of mobile phones. Thanks to the huge demand of mobile phone in Chinese market and the hard work of our sophisticated staff, the mobile phone business accounted for 64.2% of the total turnover and our results achieved a new record both in terms of turnover and net profit. As compared with 2003, the Group's turnover enjoyed considerable growth of 56.4% with net profit after taxation increasing by 19.2%.

For diversifying the market and expanding the customer base, the Group has engaged in export business since 2004 which recorded a turnover of approximately RMB68 million.

As abreast with the rapid development of the Chinese economy, the momentum for high quality and sophisticated consumer electrical and electronic appliances will remain and the Group will continue to allocate more resources in developing more advanced appliance to fulfill that demand. For instance, the Group will develop the advanced mobile phone controller systems with more functions. We will carry on the research and development on the controller systems of TFT-LCD TV and other audio video products.

The Group believes the market potential for the mobile phone business is promising and the growth can be maintained because the penetration rate is still relative low. The mobile subscribers per 100 inhabitants in China were 25.9 in 2004 as compared with 84.1 in United Kingdom and 54.3 in the United States. Besides, the introduction of new mobile phone services and the new handset models will also contribute to the growth of the demand for mobile phone.

Given the Group's satisfactory financial results in 2004, the Board of Directors recommend a final dividend payment of RMB0.012 per share subject to the approval of the shareholders at the annual general meeting.

Based on the support of our business partners and the commitment of our management and staff, the Group achieved remarkable results in 2004. Therefore, I, on behalf of the Company, would like to take this opportunity to express our sincere thanks to our management and staff while also extending my appreciation to our shareholders, business partners, customers and suppliers for their continuing support during the year of 2004.

Wang Ya Qun
Chairman

Ningbo, The People's Republic of China
30 March 2005

FINANCIAL REVIEW

Turnover

For the year ended 31 December 2004, the Group recorded a turnover of approximately RMB494,123,000 (2003: RMB315,954,000), representing an increase of approximately 56.4% over the previous year. This significant increase in the Group's turnover is mainly attributable to the growing demand for the Group's intelligent controllers systems of mobile phones.

The following tables analysed the Group's turnover by business activity and geographic region for each of the three years ended 31 December 2004:

By business activity	Year ended 31 December 2002		Year ended 31 December 2003		**Year ended 31 December 2004**	
	RMB'000	%	RMB'000	%	**RMB'000**	**%**
Air-conditioner controller systems	143,577	81.3	173,567	54.9	**144,862**	**29.3**
Refrigerator controller systems	585	0.3	3,937	1.3	**2,974**	**0.6**
Smoke extractor controller systems	1,350	0.8	3,238	1.0	**2,614**	**0.5**
Fan controller systems	1,031	0.6	–	–	**184**	**0.0**
Television controller systems	16,503	9.3	20,131	6.4	**31**	**0.0**
Manufacture of mobile phone controller systems and assembly of mobile phones	12,204	6.9	88,474	28.0	**317,433**	**64.3**
Other controller systems	1,471	0.8	26,607	8.4	**26,025**	**5.3**
TOTAL	176,721	100.0	315,954	100.0	**494,123**	**100.0**

By geographic region	Year ended 31 December 2002		Year ended 31 December 2003		**Year ended 31 December 2004**	
	RMB'000	%	RMB'000	%	**RMB'000**	**%**
Zhejiang Province	70,244	39.8	132,048	41.8	**113,208**	**22.9**
Shandong Province	36,453	20.6	35,703	11.3	**30,859**	**6.2**
Guangdong Province	34,292	19.4	87,828	27.8	**137,041**	**27.7**
Jiangsu Province	23,699	13.4	47,066	14.9	**67,541**	**13.7**
Shanghai	–	–	9,278	2.9	**74,052**	**15.0**
Hong Kong	–	–	–	–	**68,100**	**13.8**
Others*	12,033	6.8	4,031	1.3	**3,322**	**0.7**
TOTAL	176,721	100.0	315,954	100.0	**494,123**	**100.0**

* *Others include Beijing, Henan Province, Shanxi and Yunnan Province.*

During the year under review, the substantial increase in the turnover of mobile phone business was attributable to: (1) the high demand for the business of the manufacture of mobile phone controller systems and assembly of mobile phones. According to《2004年12月通信行業統計月報》, PRC manufacturers have produced more than 240 million mobile phones accounting for around 50% of the PRC's market share in 2004 and exported about 140 million mobile phone; (2) the Group has developed more advanced models to adapt for the market; and (3) the Group expanded its production facilities by acquiring 3 Surface Mount Technology machines to accommodate for the increase in customer demand, and employed more production staff from 629 as at 31 December 2003 to 722 as at 31 December 2004.

The Group has engaged in export business since 2004 after setting up a sale office in Hong Kong with a view to expand its sales and distribution network. Hong Kong office generated around HK$64 million sales in 2004.

The sale of air-conditioner controller systems reduced by 16.5% as compared with the sale in 2003. The reduction was resulted from the keen competition from controller system manufacturers. During the year, some manufacturers, who specialized in low-tech products, reduced their selling price of controller system to obtain more market share. The Group did not adopt a price-cut strategy because we believe that keeping abreast of new technologies and upholding high quality products are critical to maintaining our competitiveness. Therefore, the profit margin can be kept. The sales of relatively low-tech and low margin products were reduced in 2004.

Cost of sales

For the year ended 31 December 2004, the cost of sales for the Group amounted to approximately RMB389,494,000, representing an increase of approximately 70.0% when compared with the previous year.

The cost of sales of the Group mainly include the cost of inventories sold, labour costs and depreciation charges. The cost of inventories sold increased from approximately RMB213,915,000 for the year ended 31 December 2003 to approximately RMB369,374,000 for the year ended 31 December 2004, representing an increase of 72.7%.

Under the conditions that the profit margin for mobile phone controller systems is lower than that of other controller systems and the contribution from mobile phone controller systems increased as compared to 2003, the disproportionate increase in the cost of sales is understandable when compared with the increase in turnover of approximately 56.4% over the same period.

Gross profit

For the year ended 31 December 2004, the Group achieved an overall gross profit of approximately RMB104,629,000, representing an increase of approximately 20.5% over the previous year. The gross profit margin ratio decreased to approximately 21.2% for the year ended 31 December 2004 from approximately 27.5% for the year ended 31 December 2003. The main reason for this result was that the profit margin for mobile phone controller systems is lower than that of other controller systems. While more sales generated from mobile business, the overall profit margin was affected.

In order to enhance the profit margin, the Group has exercised tighter control on the cost. Therefore, the profit margin for controller systems of consumer electrical and electronic appliances and manufacture of mobile phone controller systems and assembly of mobile phones were improved from 34.7% and 11.9% in 2003 to 36.6% and 13.2% in 2004 respectively.

Other revenues

Other revenues increased from approximately RMB5,781,000 for the year ended 31 December 2003 to approximately RMB11,682,000 for the year ended 31 December 2004. For the year ended 31 December 2004, sale of raw material was approximately RMB6,164,000 and interest income was approximately RMB1,128,000.

Selling expenses

For the year ended 31 December 2004, the Group incurred selling expenses of approximately RMB4,280,000, representing an increase of approximately 179.9% against the previous year. The increase resulted from the increase in the number of sales representatives and set up of a sale point in Hong Kong.

Administrative expenses

For the year ended 31 December 2004, the Group's administrative expenses amounted to approximately RMB25,245,000, representing an increase of approximately 55.7% over the previous year. The Directors attribute the increase mainly to (i) the increase in the number of administrative staff and R&D staff from around 65 and 43 respectively for the year ended 31 December 2003 to around 81 and 52 respectively for the year ended 31 December 2004 to cope with the expansion of the Group's business; and (ii) compliance cost for listing in Hong Kong.

Finance costs

Finance costs of approximately RMB4,567,000 represented the interest expenses incurred on bank loans and finance leases for the year ended 31 December 2004. It reflected the increase on bank borrowing.

Net Profit

For the year ended 31 December 2004, the Group recorded a net profit of approximately RMB56,187,000, representing an increase of approximately 19.2% from the previous year. The net profit margin ratio reduced to approximately 11.4% for the year ended 31 December 2004 from approximately 14.9% for the year ended 31 December 2003 because of the decrease in gross profit margin, the increase in administrative expenses and selling expenses for year end ended 31 December 2004.

Taxation

The Group is subject to an income tax rate of 33% on taxable profit in accordance with the income tax laws of the PRC. The effective tax rate for the Group for each of the two years ended 31 December 2004 and 31 December 2003 were 33.1% and 33.7% respectively.

SIGNIFICANT INVESTMENT HELD

As at 31 December 2004, the Group did not have any significant investment.

CHANGES IN THE COMPOSITION OF THE COMPANY

On 13 February 2004, the Company established an associated company, Ningbo Bolang Electrical Appliance Company Limited ("Bolang Electrical"), a company specializing in the manufacture and sale of advanced controller systems for small electrical appliances. The Company injected RMB1,350,000 into the associated company on 11 February 2004 and held an equity interest of 45%. On 10 June 2004, the Company acquired 15% equity interest of Bolang Electrical for a consideration of RMB450,000.

On 19 May 2004, the Company acquired 97.3% interest of Shanghai E-Source Telecommunication Company Limited ("E-Source"), a company specializing in the research and development of advanced controller systems for telecommunication devices, for a consideration of RMB9,850,000.

LIQUIDITY AND FINANCIAL RESOURCES

Net current assets

As at 31 December 2004, the Group has net current assets of approximately RMB67,228,000. Current assets as at that date mainly comprised of prepayments, deposits and other receivables of approximately RMB64,590,000, inventories of approximately RMB86,658,000, bills receivable of approximately RMB542,000, trade receivables of approximately RMB61,269,000 and cash and cash equivalents of approximately RMB82,118,000. The increase in net current assets from RMB54,618,000 in 2003 to RMB67,228,000 in 2004 was mainly due to the improvement in the Group's financial position and the increase in turnover. Current liabilities mainly comprised of bills payable of approximately RMB19,798,000, trade payables of approximately RMB88,014,000, other payables and accrued charges of approximately RMB21,003,000, current portion of long-term bank loans of approximately RMB1,000,000, receipts in advance of approximately RMB24,648,000 and taxation payable of approximately RMB3,890,000 and short-term bank loans of approximately RMB72,000,000.

Liquidity

As at 31 December 2004, the cash and cash equivalents of the Group amounted to RMB82,118,000. The currencies held are mainly in Renminbi and Hong Kong Dollars. Net cash inflow generated from operation amounted to RMB68,365,000 was the Group's main recurring source of funds for business expansion for the year ended 31 December 2004. Taking into account of the financial resources of the Group, including internally generated fund from operating activities and banking facilities currently available, the Board is confident that the Group's existing financial resources will be sufficient to satisfy its commitments and working capital requirements.

Borrowings and banking facilities

As at 31 December 2004, the Group had short-term borrowings of approximately RMB72,000,000 (2003: RMB25,000,000). Short-term borrowings of RMB50,000,000 were secured by certain fixed assets of the Group (note 23); whilst short-term borrowings of RMB20,000,000 were secured by a guarantee executed by a shareholder (note 23). The remaining balance of the short-term borrowings of RMB2,000,000 (2003: RMB25,000,000) were unsecured.

The short-term loans were interest-bearing and repayable within next twelve months from the balance sheet date.

As at 31 December 2004, long-term bank loans amounted to approximately RMB1,000,000 were unsecured. As at 31 December 2003, the long-term bank loans of RMB12,000,000 were secured by certain fixed assets of the Group. These loans were fully repaid in May 2004. The remaining balance of long-term bank loans of RMB5,500,000 as at 31 December 2003 were unsecured.

Gearing ratio

The Group's gearing ratio as at 31 December 2004 was 16.1% (2003: 10.5%), which is expressed as a percentage of the 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 31 and 30 to the accounts.

Capital structure and financial resources

As at 31 December 2004, the Group had net assets of approximately RMB205,201,000. The Group's operations and investments are financed principally by our internal resources, bank borrowings and shareholders' equity.

Foreign exchange

Since more than 85% of the Company's sales and cost of sales are settled in RMB, the Directors do not consider that the Company is exposed to material foreign currency exchange risk.

RESEARCH AND DEVELOPMENT ("R&D")

The Group's emphasis on R&D is an important key to the Group's success. For the three years ended 31 December 2004, a total of approximately RMB1,409,000, RMB3,167,000 and RMB3,502,000 *(note 1)* were spent on R&D respectively by the Group. This represents approximately 0.8%, 1.0% and 0.7% respectively of the Group's turnover during the respective periods.

Note 1: including salary and staff retirement contribution of R&D staff and other R&D expenses.

The Group believes that the advantage in R&D is crucial to maintain and enhance our competitive strengths. During 2004, the Group has invested substantial resources in R&D through acquiring Shanghai E-Source Telecommunication Company Limited ("E-source"), a research company specializing in the design on controller system of mobile phone, through purchasing new equipment such as intelligent analysis equipment and through employing more R&D staff. Therefore, the quality of our mobile phone product can meet the market requirements.

The Group has successfully applied fuzzy variable frequency technology to our controller systems in the past, and we intend to build on this know-how in the development of controller systems for (1) telecommunication devices; and (2) advanced TFT-LCD devices such as LCD TVs and monitors.

Pursuant to 寧波市經濟委員會及寧波市財政局文件 (2004) No.459 (Ningbo City Finance Bureau and Ningbo City Economic Bureau Document (2004) No.459) issued on 22 December 2004, the Company is entitled to a subsidy based on the prescribed conditions as stated in the document as an encouragement to invest in fixed assets for production of cellular phones. The total amount of the subsidy is RMB643,000.

EMPLOYEES AND REMUNERATION POLICIES

An analysis of employees by their duties as at each of the three years ended 31 December 2004 is set out below:

Functions

	Headcount for the year ended 31 December		
	2002	2003	**2004**
Sales and marketing	19	31	**55**
R&D	32	43	**52**
Production (including quality control)	390	629	**722**
Finance and administration	55	65	**81**
Procurement	5	17	**20**
	501	785	**930**

Total staff costs paid during the year was approximately RMB17,607,000.

STAFF RETIREMENT SCHEME

Under relevant local government regulations, the Group is required to make contributions to a defined contribution retirement scheme for all qualified employees in the PRC. The Company has, in compliance with relevant local government regulations, made payment for such scheme during the year. The Group has no obligation for the payment of other retirement and non-retirement benefits of employees other than the contributions described above.

Details of staff retirement scheme of the Group are set out in note 10 to the accounts.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2004, the Group had 930 employees (2003: 785 employees). Remuneration is determined by reference to market terms and the performance, qualifications, and experience of individual employee. Discretionary bonuses based on individual performance will be paid to employees as recognition of and reward for their contribution. Other benefits include contributions to retirement scheme.

STAFF QUARTERS

Workers and staff of the Group are provided with accommodation within the vicinity of the Group's production facilities premises at No. 65 Siming Road East, Yuyao City. The Directors confirm that, apart from the above accommodation, there is 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's relationship with its employees to be good.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Profiles of Directors, Supervisors and Senior Management are set out on page 19 to page 21.

EMOLUMENTS OF DIRECTORS, SUPERVISORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' and Supervisors' emoluments and of the five highest paid individuals in the Company are set out in note 11 to the accounts.

PROSPECTS

In 2005, the Group expects further increment in the mobile phone market in China under the condition that the Chinese economy maintains a relatively high rate of growth in the same period. The Group recognizes this potential growth and will expand our mobile phone business through continuing to focus on R&D of handset technologies for providing high quality and mutli-functioning handsets.

The State Administration of Radio Film and Television planned to develop digital satellite broadcasting in 2005, trying to increase the Digital Broadcast Television ("DBT") users to over 30 millions. The market for TFT-LCD is promising in the near future. The Directors consider that keeping abreast of the market is critical to the success of the Group and thus, the Group will strengthen its R&D in TFT-LCD and prepare for testing and trial for small batch production of medium-sized TFT-LCD.

The Group has engaged in export business since 2004 after setting up a sale office in Hong Kong with a view to expand its sales and distribution network. The Group will further develop its Hong Kong office and set up more sale offices in China and other locations in order to expand our customer base.

Looking ahead, the Group will continue to leverage on its R&D capabilities, well-established customers base and highly-recognized product to further heighten its position in intelligent electronic controller systems market.

Comparison of Business Objectives with Actual Business Progress

To attain our long-term business goal, the Group has set out implementation plans on pages 83 to 86 of the prospectus of the Company dated 30 October 2003, for the year ended 31 December 2004. The actual progress of these plans over that period is discussed below:

Business objective as set out in the prospectus	Actual business progress in the review period
1. Expansion on production capability and volume	
1 January to 30 June 2004	
Set up one production line with high speed SMT machine	The Company has set up the production line.
Batch production of fuzzy controller systems for car head lamps and automated doors	Batch production has been launched
Small batch production of controller systems for small-sized TFT-LCD devices	Batch production has been commenced
1 July to 31 December 2004	
Set up 2 production lines with high speed SMT machine	The production line was completed for the expansion of production
Batch production of controller systems for medium-sized TFT-LCD devices	Batch production has been launched
Batch production of controller systems for telecommunication devices, such as mobile phones	Batch production has been commenced
Batch production of fuzzy controller systems for car head lamps and automatic doors	Batch production has been launched

Comparison of Business Objectives with Actual Business Progress

Business objective as set out in the prospectus	Actual business progress in the review period

2. Strengthening of R&D capability and development of new products

1 January to 30 June 2004

Continue with R&D on fuzzy frequency conversion controller systems for small scale centralised air conditioning systems and prepare for trial production	R&D department has continued with the research
R&D on controller systems for medium-sized TFT-LCD devices and prepare for trial production	Technology has been developed
R&D on controller systems for small centralised air conditioning system in conjunction with Beijing Institute of Technology	R&D department has continued with the research
R&D on applying fuzzy frequency conversion technology in car controller systems	R&D department has started the research
Continue with R&D on controller systems for telecommunication devices and prepare for trial production	R&D department has continued with the research
Acquire additional equipment such as intelligent analysis equipment	The equipment has been purchased
Increase the number of R&D personnel by approximately 4 staff	4 R&D staff were recruited

Comparison of Business Objectives with Actual Business Progress

Business objective as set out in the prospectus	Actual business progress in the review period
1 July to 31 December 2004	
Continue with R&D on fuzzy frequency conversion controller systems for medium and large scale centralised air conditioning systems	The research project has been developed
R&D on fuzzy frequency conversion controller systems for networking of multiple consumer electrical appliances	The research project has been completed
R&D on controller systems for large-sized TFT-LCD devices	The research project has been completed
Continue with R&D on controller systems for telecommunication devices	R&D department has continued with the research
Acquire additional equipment such as fuzzy frequency equipment and frequency testing system	The equipment has been acquired
Increase the number of R&D personnel by approximately 4 staff	4 R&D staff were recruited

Comparison of Business Objectives with Actual Business Progress

Business objective as set out in the prospectus	Actual business progress in the review period
3. Sales and marketing	
1 January to 30 June 2004	
Set up sales point in Taiwan	The sale and marketing department was conducting feasibility studies of setting up additional sales points outside the PRC
Make regular visits and meet with existing customers	The Company has attended exhibitions in Ningbo
Attend local and international exhibitions and trade shows	Implemented as planned
Advertise in trade magazines and other media	The Company has advertised in major mass media in China such as outdoor advertising in highway
Increase the number of sales personnel by approximately 5 staff	5 sales staff were recruited
1 July to 31 December 2004	
Target potential customers in overseas market such as Germany, Italy, France and US	Hong Kong sale representative office has contacted the foreign customers
Make regular visits and meet with existing customers	The Company has attended exhibitions in Hong Kong
Organise the Group's own trade exhibitions and conferences	Implemented as planned
Continue with assessing the feasibility of setting up additional sale points, liaison centres and warehouses in strategically designated areas	The sales and marketing department was conducting feasibility studies of setting additional sales points within and outsider PRC

Comparison of Business Objectives with Actual Business Progress

Business objective as set out in the prospectus	Actual business progress in the review period
4. Enhancement of management system and training for employees	
1 January to 30 June 2004	
Review and assess the progress of implementing effective internal control and monitoring system	Implemented as planned
Continue with implementing plans on trainings for management and technical staff	The objective has been achieved
1 July to 31 December 2004	
Review and assess the progress of implementing effective internal control and monitoring system	Implemented as planned
Continue with implementing plans on trainings for management and technical staff	The objective has been achieved

Use of Proceeds

During the year ended 31 December 2004, the Company has applied the net proceeds from the listing as follows:

Anticipated use of net proceeds as at 31 December 2004 as set out in the prospectus	**Actual amount used as at 31 December 2004**
Approximately HK$15 million for expansion on production capability and volume	Around HK$15 million has spent on expansion on production capability and volume
Approximately HK$11.1 million for R&D capacity and development of new products	Around HK$11.1 million on R&D has spent on research and development capabilities
Approximately HK$3.5 million for sales and marketing	Around HK$1.9 million has spent on sales and marketing activities *(note 1)*
Approximately HK$0.4 million for enhancement of management system and trainings offered to employees.	Around HK$0.4 million has spent on enhancement of management system and training program

The Directors believe that the proceeds is sufficient for covering all stated objectives in the relevant periods stated in the prospectus dated 30 October 2003.

Note 1: The establishment of the sales points in Taiwan is still in process and thus the payments for establishing this office has been delayed.

Directors

The Board consists of 8 Directors including 4 executive Directors, 1 non-executive Director and 3 independent non-executive Directors.

Executive Directors

Mr. Wang Ya Qun, aged 43, is a founder of the Group and an executive Director and the chairman of the Board. Mr. Wang obtained a Master degree in engineering from the Beijing Institute of Technology in March 1994. Apart from his technical knowledge and experience, he has over 3 years of experience in manufacturing and management gained in various corporations such as China Changcheng Group Co., Ltd. and Ningbo Handa before founding Yidong Electronic in August 2000. He is responsible for overseeing the overall operation, sales and marketing, and strategic planning of the Group. Mr. Wang is also the compliance officer of the Company.

Mr. Liu Xiao Chun, aged 37, is an executive Director and the vice chairman of the Company. Mr. Liu graduated from the Beijing Chemical Fibre Industrial Institute in July 1987 with a bachelor degree in engineering majoring in automation of manufacturing process. Mr. Liu had worked with Beijing Printing and Dyeing Factory, Dongguang Chuangwei Electronics Co., Ltd., Shenzhen Zhongshanglong Enterprise Development Co., Ltd., and has over 13 years of experience in manufacturing and management and is responsible for sales and marketing of the Company. Currently, he is also a director of China Ruilian. He joined the Group since December 2001.

Mr. Chen Zheng Tu, aged 53, is a founder of the Group and an executive Director. Mr. Chen had worked with Yuyao 2nd Automobile Electrical Equipment Factory and has over 22 years of experience in the manufacturing industry. He is responsible for the strategic planning and corporate promotion of the Company.

Mr. Wang Pei Zhang, aged 51, is an executive Director and the general manager of the Company. He completed a postgraduate course in business administration of the Capital Economics and Trade University in December 1999. Mr. Wang had worked with Tianjin Greatwall Electronics Corp. and Tianjin Great Wall (Group) Corporation and has over 29 years of experience in manufacturing and management, and is responsible for overseeing the general administration and operation of the Group. He joined the Group since December 2001.

Non-executive Director

Mr. Li Ming, aged 42, is a non-executive Director. Mr. Li graduated from Jiangxi Finance Institute majoring in planning statistics in July 1985. He had worked with Dongguang Chuangwei Electronics Co., Ltd. and has worked with CECC since 1992. He has over 11 years of experience in the electronics industry. Currently, he is also the Chairman of China Ruilian. He joined the Group since December 2001.

Independent non-executive Directors

Mr. Tang Zhen Ming, aged 41, is an independent non-executive Director. He graduated from the Beijing Institute of Technology with a doctorate degree in engineering in March 1994. He had worked with Beijing Institute of Technology Industrial Company and is now working with Beijing ChinaSoft FE International Information Technology Ltd. and he has over 8 years of experience in management and administration. He joined the Group as an independent non-executive Director since December 2001.

Mr. Ding Gang Yi, aged 39 is an independent non-executive Director. He graduated from the Beijing Institute of Technology with a doctorate degree in engineering in September 1993. He is currently an associate professor and the Sub-Dean of the School of Software of the Beijing Institute of Technology. He joined the Group as an independent non-executive Director since December 2001.

Mr. Mok Wai Man, Derek, aged 31, is a Certified Practising Accountant and is a member of CPA Australia. Mr. Mok graduated from Monash University of Australia in 1996 with a Bachelor's Degree of Accounting. Mr. Mok has worked with an international audit firm for four years and is currently working as a professional in a reputable asset management company in Hong Kong. Prior to his current appointment, Mr. Mok had worked in the Corporate Planning and Investment Department of Sun Hung Kai Properties Limited for almost four years.

Supervisors

Mr. Zhang Xing Jiang, aged 36, is a Supervisor and does not hold any other position in the Group. He is currently the manager of corporate banking of Industrial and Commerce Bank of China, Yuyao City Branch and has over 8 years of experience in the banking sector.

Mr. Chen Qian, aged 33, is a Supervisor and does not hold any other position in the Group. He has completed a postgraduate course in finance in the Hunan Finance College in February 1999. He is currently also a director of a company in Xian mainly engaged in the R&D and sales of electronic chemicals.

Ms. Wang Ying, aged 45, is a Supervisor and the manager of the R&D department of the Group. Please refer to the section "Senior management" below for details of her qualification and experience.

Senior management

Mr. Peng Tie Jian, aged 33, is the chief financial controller of the Group and the Secretary to the Board of Directors of the Company. He graduated from the Hunan Finance College in July 1994. Mr. Peng had worked with Hunan Cable-wire Group Co., Ltd., Gold Quick (Hong Kong) Industrial Limited, Shenzhen Sansui and Sanbakia Electronics Co., Ltd. and Xibei Bearing Co., Ltd. and has over 8 years of experience in financial works. He is responsible for overseeing the finance aspects of the Group. He joined the Group since January 2002.

Mr. Sun Li Chun, aged 40, is the assistant to the general manager of the Group. He graduated from the Tianjin Business College with a bachelor degree in engineering in July 1989. Mr. Sun had worked with Ningbo Handa and has over 3 years of experience in sales and marketing. He joined the Group since August 2000 and is responsible for overseeing the sales and marketing aspects of the Group.

Ms. Wang Ying, aged 45, is the manager of R&D Department. She graduated from the Tai Yuan Industrial Institute in August 1982 with a bachelor degree in engineering majoring in electronic engineering. She is a senior engineer and had worked with Liujibu Taiyuan Fenxi Machinery Factory and Hangzhou Dongbao Air Conditioner Factory. She has over 17 years of experience in R&D works. Ms. Wang is responsible for overseeing the R&D Department of the Group. She joined the Group since April 2001.

Mr. Zhang Wen Gang, aged 39, is the finance manager of the Group. Mr. Zhang had worked with Yuyao Light Industry Machine Factory, Yuyao Kuangshan Machine Factory, and Yuyao 2nd Light Industry Co., Ltd. and has over 15 years of experience in accounting and financial works. He is involved in the accounting aspects of the Group. He joined the Group since May 2001.

Mr. Hong Hua, aged 31, is the manager of inventory and procurement department. He graduated from Jiangxi Province Coal Industrial College in June 1995 majoring in automobile application and maintenance. Mr. Hong had worked with Ningbo Handa and has over 4 years of experience in purchasing. He is responsible for overseeing the material purchasing aspects of the Group. He joined the Group since August 2000.

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Mr. Yeung Hung Yuen, aged 34, had worked with Nanyang Commercial Bank Ltd., the Dai-Ichi Kangyo Bank Limited and APP (Hong Kong) Limited and has over 10 years of experience in the fields of accounting and banking. Mr. Yeung received a bachelor degree of Arts in Business Studies from the Hong Kong Polytechnic in November 1993. He is currently an associate member of The Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He joined the Group since June 2003.

The Directors submit their report together with the audited accounts for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activities of the Company are the design, manufacture and sale of intelligent controller systems for various consumer electrical and electronic appliances and the assembly of mobile phones. Details of the principal activities of its subsidiaries are set out in note 14 to the accounts.

Analysis of the Group's performance for the year by business and geographic segments is set out in note 3 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2004 are set out in the consolidated profit and loss account on page 31.

The Directors have declared an interim dividend of RMB0.007 per ordinary share, totalling RMB3,500,000, which was paid in December 2004.

The Directors recommend the payment of a final dividend of RMB0.012 per share, totalling RMB6,000,000.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 26 to the accounts.

FIXED ASSETS

Details of movements in fixed assets of the Group and the Company are set out in note 13 to the accounts.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 25 to the accounts.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31 December 2004, calculated under the Company Law of the People's Republic of China (the "PRC"), being the jurisdiction in which the Company was established, amounted to RMB98,852,000.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association of the Company and there was no restriction against such rights under the laws of the PRC, which would oblige the Company to offer new shares on a pro-rate basis to existing shareholders.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years since its incorporation is set out on page 84.

PURCHASE, SALE OF 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 report, 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.

DIRECTORS

The Directors who held office during the year and up to the date of this report are:

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	(resigned on 30 December 2004)
Mr. Mok Wai Man, Derek	(appointed on 30 December 2004)

Supervisors

Mr. Zhang Xing Jiang
Mr. Chen Qian
Ms. Wang Ying

Members of the audit committee

Mr. Ding Gang Yi (Chairman)	
Mr. Tang Zhen Ming	
Mr. Lam Ming Yung	(resigned on 30 December 2004)
Mr. Mok Wai Man, Derek	(appointed on 30 December 2004)

In accordance with Articles 89 and 112 of the Company's Articles of Association, all the Directors and Supervisors shall be elected at the shareholders' general meeting for a term of three years. A director or supervisor may serve consecutive terms if re-elected upon the expiration of the terms.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Brief biographical details of Directors, Supervisors and senior management are set out on page 19 to page 21.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors and Supervisors has entered into a service contract with the Company for a term of three years from his/her date of appointment as a Director or, as the case may be, as a Supervisor and thereafter subject to termination by either party giving not less than one month's written notice to the other party.

Save as disclosed above, no Directors or Supervisors who are proposed for re-election at the forthcoming annual general meeting has entered into any service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

Apart from the Directors' and Supervisors' service contracts disclosed above, no contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director or a Supervisor of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS', CHIEF EXECUTIVES' AND SUPERVISORS' INTERESTS IN THE SHARES OF THE COMPANY

At 31 December 2004, the interests and short positions of each Director, Chief Executive and Supervisor of the Company 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 (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 dealing by directors as referred to in Rules 5.40 to 5.58 of the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules"), were as follows:

DIRECTORS', CHIEF EXECUTIVES' AND SUPERVISORS' INTERESTS IN THE SHARES OF THE COMPANY *(continued)*

Ordinary shares of RMB0.10 each of the Company as at 31 December 2004:

Name of Director/ Chief Executive/ Supervisor	Number of Domestic Shares of RMB0.10 each (the "Domestic Shares") held	Nature of interest	Long/short position	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	Long position	35.0%	25.9%
Mr. Li Ming	129,500,000 Domestic Shares *(note 2)*	Interest of controlled corporation *(note 1)*	Long position	35.0% *(note 1)*	25.9%
Mr. Chen Zheng Tu	92,500,000 Domestic Shares *(note 2)*	Beneficial owner	Long position	25.0%	18.5%

Notes:

(1) Mr. Li Ming is not a registered shareholder of the Company. His indirect shareholding interest in 129,500,000 shares of the Company 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.

Mr. Wang Ya Qun holds non-beneficial interests in A-tech Technology (HK) Limited (Formerly Known as Fine Best Technology Limited), a subsidiary of the Group, on behalf of the Company.

Except as disclosed above, at no time during the year, the Directors, Chief Executives 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).

DIRECTORS', CHIEF EXECUTIVES' AND SUPERVISORS' INTERESTS IN THE SHARES OF THE COMPANY *(continued)*

Apart from the above, at no time during the year was the Company or its subsidiaries a party to any arrangement to enable the Directors, Chief Executives and Supervisors of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporation.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES OF THE COMPANY

The register of substantial shareholders maintained under section 336 of the SFO shows that as at 31 December 2004, the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors, Chief Executives and Supervisors.

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

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of sales and purchases for the year attributable to the Group's major customers and suppliers are as follows:

Sales	
– the largest customer	18.2%
– five largest customers combined	51.8%
Purchases	
– the largest supplier	22.3%
– five largest suppliers combined	47.3%

BOARD PRACTICES AND PROCEDURES

Throughout the year, the Company was in compliance with the Board Practices and Procedures as set out in rules 5.34 to 5.45 of the GEM Listing Rules, which applied before the amendment of the GEM Listing Rules relating to the Code on Corporate Governance Practices and Rules on Corporate Governance Report on 1 January 2005. The Company will prepare a Corporate Governance Report in accordance with Rule 18.44 of the GEM Listing Rules for the financial year ending 31 December 2005.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all of the independent non-executive directors are independent.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company.

CONNECTED TRANSACTION

In November 2004, the Company advanced a total sum of RMB20 million to Xian Ruilian Modern Electronic Chemicals Co., Ltd. ("Xian Ruilian") which is an associated company of China Ruilian Holding Corp., a shareholder of the Company. The amount due from Xian Ruilian was unsecured, interest free and had no fixed terms of repayment. The entire amount of RMB20 million was subsequently settled on 24 December 2004.

COMPETING INTERESTS

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

COMPLIANCE ADVISER'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 compliance adviser 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 31 December 2004.

AUDIT COMMITTEE

Rule 5.28 of the GEM Listing Rules requires that the Company must establish an audit committee comprising non-executive directors only. The audit committee must comprise a minimum of 3 members, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise. The Company was in compliance with the requirements except for the appointment of independent non-executive director and member of audit committee having appropriate professional qualifications or accounting or related financial management expertise. To achieve full compliance, the Company appointed Mr. Mok Wai Man, Derek, who has appropriate professional qualifications to act as an independent non-executive director and audit committee member on 30 December 2004.

The Company has established an audit committee since 1 June 2003. The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group audit. It also reviews the effectiveness of both the external and internal audit and of internal controls and risk evaluation.

The Audit Committee comprises three independent non-executive Directors of the Company, namely Mr. Ding Gang Yi, who is the Chairman of such committee, Mr. Tang Zhen Ming and Mr. Mok Wai Man, Derek.

Four meetings were held during the year.

SUBSEQUENT EVENTS

On 18 February 2005, the Group established a subsidiary, Shenzhen Haiyi Communications Technology Co., Ltd in the PRC. The Group holds an equity interest of 65%.

AUDITORS

PricewaterhouseCoopers were auditors of the Company for the year ended 31 December 2003 and they resigned as auditors on 26 November 2004. Grant Thornton was appointed to fill the casual vacancy on 18 March 2005.

Grant Thornton retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Wang Ya Qun
Chairman

Ningbo, The PRC, 30 March 2005

To the members of Ningbo Yidong Electronic Company Limited

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

We have audited the accounts on pages 31 to 83 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The directors of the Company are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2004 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton

Certified Public Accountants

Hong Kong, 30 March 2005

Consolidated Profit And Loss Account

For the year ended 31 December 2004

	Notes	2004 RMB'000	2003 RMB'000
Turnover	3	**494,123**	315,954
Cost of sales		**(389,494)**	(229,158)
Gross profit		**104,629**	86,796
Other revenues	3	**11,682**	5,781
Selling expenses		**(4,280)**	(1,529)
Administrative expenses		**(25,245)**	(16,210)
Operating profit	4	**86,786**	74,838
Finance costs	5	**(4,567)**	(3,585)
Share of losses of associates		**(33)**	–
Profit before taxation		**82,186**	71,253
Taxation	6	**(27,176)**	(24,032)
Profit after taxation		**55,010**	47,221
Minority interests		**1,177**	(104)
Profit attributable to shareholders	7	**56,187**	47,117
Dividends	8	**9,500**	6,400
Basic earnings per share	9	**RMB0.11**	RMB0.12
Diluted earnings per share	9	**N/A**	N/A

Consolidated Balance Sheet

As at 31 December 2004

	Notes	2004 RMB'000	2003 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Goodwill	12	**3,177**	373
Interest in associates	15	**1,026**	–
Fixed assets	13	**148,152**	120,848
Deferred tax assets	27	**553**	3,057
		152,908	124,278
Current assets			
Inventories	16	**86,658**	61,457
Bills receivable	17	**542**	6,531
Trade receivables	17	**61,269**	88,837
Other receivables, deposits and prepayments		**64,590**	34,872
Amounts due from directors and a shareholder	18	**5**	4,787
Amounts due from related companies	20	**–**	2,205
Bank balances and cash		**82,118**	77,869
Pledged bank deposits	21	**4,423**	3,670
		299,605	280,228
Current liabilities			
Bills payable	22	**19,798**	3,730
Trade payables	22	**88,014**	141,095
Other payables and accrued charges		**21,003**	11,853
Amounts due to directors and a shareholder	19	**1,307**	–
Receipts in advance		**24,648**	19,786
Taxation payable		**3,890**	11,739
Dividend payable		**20**	20
Short-term bank loans	23	**72,000**	25,000
Current portion of deferred revenue	28	**697**	2,728
Current portion of long-term liabilities	24	**1,000**	9,659
		232,377	225,610
Net current assets		**67,228**	54,618
Total assets less current liabilities		**220,136**	178,896

Consolidated Balance Sheet

As at 31 December 2004

	Notes	2004 RMB'000	2003 RMB'000
Non-current liabilities			
Deferred revenue	*28*	**6,682**	6,536
Long-term liabilities	*24*	**–**	8,107
		6,682	14,643
Minority interests		**8,253**	5,739
Net assets		**205,201**	158,514
CAPITAL AND RESERVES			
Share capital	*25*	**50,000**	50,000
Other reserves	*26*	**62,044**	53,060
Retained earnings			
Proposed final dividend	*26*	**6,000**	6,000
Others	*26*	**87,157**	49,454
Shareholders' funds		**205,201**	158,514

Wang Ya Qun
Director

Liu Xiao Chun
Director

Balance Sheet

As at 31 December 2004

	Notes	2004 RMB'000	2003 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Goodwill	12	–	373
Fixed assets	13	102,866	80,991
Interest in subsidiaries	14	56,010	32,526
Interest in an associate	15	853	–
Deferred tax assets	27	553	3,057
		160,282	116,947
Current assets			
Inventories	16	82,718	61,454
Bills receivable	17	100	6,531
Trade receivables	17	53,795	88,837
Other receivables, deposits and prepayments		59,118	33,767
Amounts due from directors and a shareholder	18	5	4,787
Amounts due from related companies	20	–	2,205
Bank balances and cash		80,120	77,672
Pledged bank deposits	21	3,623	3,670
		279,479	278,923
Current liabilities			
Bills payable	22	18,114	3,730
Trade payables	22	83,840	141,095
Other payables and accrued charges		17,642	9,330
Amounts due to directors and a shareholder	19	9,011	–
Receipts in advance		18,037	19,786
Taxation payable		3,890	11,739
Dividend payable		20	20
Short-term bank loans	23	70,000	25,000
Current portion of deferred revenue	28	697	2,728
Current portion of long-term liabilities	24	1,000	9,500
		222,251	222,928
Net current assets		57,228	55,995
Total assets less current liabilities		217,510	172,942

Balance Sheet

As at 31 December 2004

	Notes	**2004** **RMB'000**	2003 RMB'000
Non-current liabilities			
Deferred revenue	*28*	**6,682**	6,536
Long-term liabilities	*24*	**–**	8,000
		6,682	14,536
Net assets		**210,828**	158,406
CAPITAL AND RESERVES			
Share capital	*25*	**50,000**	50,000
Other reserves	*26*	**61,976**	52,997
Retained earnings			
Proposed final dividend	*26*	**6,000**	6,000
Others	*26*	**92,852**	49,409
Shareholders' funds		**210,828**	158,406

Wang Ya Qun
Director

Liu Xiao Chun
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2004

	Notes	2004 RMB'000	2003 RMB'000
Total equity as at 1 January		**158,514**	56,864
Profit for the year		**56,187**	47,117
Issue of shares	*25(b) & 26*	**–**	69,550
Share issuance costs	*26*	**–**	(14,617)
Dividends	*8 & 26*	**(9,500)**	(400)
Total equity as at 31 December		**205,201**	158,514

Consolidated Cash Flow Statement

For the year ended 31 December 2004

	Notes	2004 RMB'000	2003 RMB'000
Operating activities			
Net cash inflow generated from operations	29(a)	**68,365**	71,123
Interest on bank loans paid		**(4,549)**	(3,569)
PRC income tax paid		**(32,521)**	(21,441)
Net cash inflow from operating activities		**31,295**	46,113
Investing activities			
Interest received		**1,128**	310
Purchases of fixed assets		**(40,248)**	(42,356)
Proceeds for disposal of fixed assets		**1,596**	–
Acquisition of subsidiaries	29(b)	**(10,170)**	–
Acquisition of associates		**(426)**	–
Advance to an associate		**(639)**	–
Net cash outflow from investing activities		**(48,759)**	(42,046)
Net cash (outflow)/inflow before financing		**(17,464)**	4,067
Financing activities	29(c)		
Increase in pledged bank deposits		**(753)**	(2,670)
Issue of H shares		**–**	69,550
Share issuance costs		**–**	(14,617)
Capital contribution by minority shareholders		**2,450**	3,185
New bank loans raised		**72,000**	65,000
Repayment of bank loans		**(42,200)**	(77,500)
Capital element of finance leases payments		**(266)**	(151)
Interest element of finance leases payments		**(18)**	(16)
Dividends paid		**(9,500)**	(494)
Net cash inflow from financing activities		**21,713**	42,287
Increase in cash and cash equivalents		**4,249**	46,354
Cash and cash equivalents at 1 January		**77,869**	31,515
Cash and cash equivalents at 31 December		**82,118**	77,869
Analysis of balances of cash and cash equivalents:			
Bank balances and cash (note(a) below)		**82,118**	77,869

Note:

(a) The above bank balances and cash of approximately RMB80,641,000 (2003: RMB53,240,000) were denominated in Renminbi ("RMB") and RMB625,000 (2003: RMB24,629,000) were denominated in Hong Kong Dollars ("HKD") and RMB852,000 (2003: Nil) were denominated in United States Dollars ("USD").

In addition, pledged bank deposits of approximately RMB4,423,000 (2003: RMB3,670,000) were denominated in RMB, as shown in the balance sheet of the Group.

Included in bank balances and cash of the Group is RMB1,326,000 (2003: Nil) of bank balances denominated in HKD and USD placed with a bank in Hong Kong. All other bank balances and cash were deposited with banks in the People's Republic of China (the "PRC").

The conversion of the RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the government of the PRC.

1. BACKGROUND INFORMATION

Ningbo Yidong Electronic Company Limited (the "Company") was established in the PRC on 3 August 2000 as a limited liability company with an initial registered capital of RMB5,000,000.

Pursuant to the capital injection of RMB10,000,000 on 23 May 2002 from the existing or the then existing shareholders of the Company and the capitalisation of reserves of RMB22,000,000 of the Company on 18 September 2002, the registered capital of the Company was increased from RMB5,000,000 to RMB37,000,000.

On 18 September 2002, the Company was transformed into a joint stock company with limited liability.

The registered capital of the Company was RMB37,000,000 after the conversion as mentioned above, being represented by 37,000,000 shares at a par value of RMB1.00 each, all of which were issued and fully paid. Pursuant to an approval dated 4 June 2003 issued by the China Securities Regulatory Commission, each share of the Company with a par value of RMB1.00 each was sub-divided into ten shares with a par value of RMB0.10 each.

On 14 November 2003, the Company commenced the trading of the newly issued 130,000,000 ordinary shares ("H shares") of RMB0.10 each on the Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), including 117,000,000 H shares to institutional investors by way of placement and 13,000,000 H shares for subscription by members of the public in Hong Kong under the Public Offer at the Offer Price.

The Company and its subsidiaries (the "Group") are 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. The reporting currency of the Group is RMB.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The accounts 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"). They have been prepared under the historical cost convention.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 December each year. The consolidated accounts also include the Group's share of post-acquisition results and reserves of its associates.

Subsidiaries are those enterprises controlled by the Company.

Control exists when the Company has the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

An associate is an enterprise in which the Group has significant influence and which is neither a subsidiary nor a joint venture of the Group.

The results of the associates are accounted for by the Group using the equity method of accounting. The Group's investments in associates are stated at its share of net assets of the associates.

The Company's investments in associates are stated at cost less impairment losses. The results of associates are accounted for by the Company on the basis of dividends received and receivable.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(b) Consolidation *(continued)*

An assessment of investment in associates is performed when there is an indication that the asset has been impaired or the impairment losses recognised in prior years no longer exist.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates except where unrealised losses provide evidence of an impairment of the asset transferred.

(c) Goodwill

Goodwill arising on acquisition represents the excess of the cost of acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired. In respect of subsidiaries, goodwill is amortised to the consolidated profit and loss account on a straight line basis over its estimated useful life. Goodwill is stated in the consolidated balance sheet at cost less accumulated amortisation and impairment losses.

In respect of acquisition of associates, goodwill is amortised to the consolidated profit and loss account on a straight line basis over its estimated useful life. The cost of goodwill less accumulated amortisation and impairment is included in the carrying amount of the interest in associates.

Goodwill arising on major strategic acquisitions of the business to expand its product or geographical market coverage is amortised over a period of 5 years.

Where an indication of impairment exists, the carrying amount of any intangible asset, including goodwill previously written off against reserves, is assessed and written down immediately to its recoverable amount.

(d) Fixed assets

(i) Depreciation and amortisation

Fixed assets are depreciated at rates sufficient to write off their costs less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Land and buildings	3.33% – 5%
Plant and machinery	10% – 20%
Computer and office equipment	20%
Motor vehicles	20%

Leasehold land is amortised over the remaining unexpired lease period.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(d) Fixed assets *(continued)*

(i) Depreciation and amortisation (continued)

Assets held under finance leases are depreciated over their estimated useful lives or where shorter the term of the lease using the same method as owned assets in the same category.

Construction in progress is stated at cost less accumulated impairment losses. Cost comprises development and construction expenditure incurred and interest and other direct costs attributable to the development less any accumulated impairment losses. Capitalisation of the cost ceases and the asset concerned is transferred to the appropriate category of fixed assets when substantially all the activities necessary to prepare the asset for its intended use are completed.

Improvements are capitalised and depreciated over their expected useful lives to the Group.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(ii) Measurement bases

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use.

Subsequent expenditure relating to fixed assets is added to the carrying amount of the assets if it can be demonstrated that such expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets.

When assets are sold or retired, any gain or loss resulting from their disposal, being the difference between the net disposal proceeds and the carrying amount of the assets, is included in the profit and loss account .

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(e) Assets under leases

(i) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in liabilities. The finance charges implicit in the lease payments are charged to the profit and loss account over the lease periods so as to produce a constant periodic rate of interest on the remaining balance of the obligations for each accounting period.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

(f) Income tax

Income tax for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(f) Income tax *(continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Deferred tax assets and liabilities are not discounted. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(g) Inventories

Inventories comprise raw materials, work in progress and finished goods and are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure that have been incurred in bringing the inventories to their present location and condition. Net realisable value is determined on the basis of anticipated sales proceeds less all further costs of completion and estimated selling expenses.

(h) Accounts receivable

Provision is made against accounts receivable to the extent which they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(i) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(j) Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(l) Retirement benefits costs

The Group contributes to a defined contribution retirement scheme which is available to eligible employees, the assets of which are held in separate trustee administered funds. The Group's contributions to the defined contribution retirement scheme in accordance with local rules and regulations are expensed as incurred and there are no provisions under these schemes whereby forfeited contributions may be used to reduce future contributions.

(m) Deferred revenue and government grant

Deferred revenue represents the portion of income relating to the unexpired period of government grants. A government grant is initially recognised as deferred revenue, when there is a reasonable assurance that the Group will comply with the conditions attaching with it and that the grant will be received.

Grants relating to income are deferred and recognised in the profit and loss account on a systematic basis to match with the related costs which they are intended to compensate.

Government grants relating to the purchase of fixed assets are included in non-current liabilities as deferred revenue and are credited to the profit and loss account on a straight-line basis over the expected lives of the related assets.

(n) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(o) Translation of foreign currencies

Transactions in foreign currencies are translated into RMB at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheets of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date and their profit and loss accounts are translated at the average rates for the year. Gains and losses arising on exchange are dealt with as movements in reserve.

(p) Revenue recognition

Revenue from the sales of goods and scrap materials is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title has passed.

Contract assembly services income is recognised when the services are rendered.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(q) Borrowing costs

Costs incurred on borrowings that are directly attributable to the construction of assets are capitalised as part of the cost of assets up to the completion of their construction. Any other borrowing costs are charged to the profit and loss account in the period in which they are incurred.

(r) Research and development costs

Research costs are expensed as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognised as an intangible asset where the technical feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so, costs are identifiable and there is an ability to sell or use the asset that will generate probable future economic benefits. Such development costs are recognised as an asset and amortised on a straight-line basis over the estimated commercial lives of the underlying products of not more than 5 years, commencing from the date when the products are put into commercial production, to reflect the pattern in which the related economic benefits are recognised. Development costs that do not meet the above criteria are expensed as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

During the year, all research and development costs incurred have been expensed to the profit and loss account as no such costs satisfied the criteria for capitalisation as an asset.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(s) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(t) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of fixed assets, inventories, receivables and deposits and prepayments, and mainly exclude interest in associates, goodwill, deferred tax assets, amounts due from directors, a shareholder and related companies, bank balances and cash and pledged bank deposits. Segment liabilities comprise operating liabilities and exclude items such as taxation, dividend payable, deferred revenue, amounts due to directors and a shareholder and certain corporate borrowings. Capital expenditure comprises additions to fixed assets including additions resulting from acquisitions through purchases of subsidiaries.

In respect of geographical segment reporting, sales are based on the country in which the customer is located and total assets and capital expenditure are where the assets are located.

(u) Recently issued accounting standards

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005.

The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

3. TURNOVER, REVENUE AND SEGMENT INFORMATION

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. Revenues recognised during the year are as follows:

	Group	
	2004	2003
	RMB'000	RMB'000
Turnover		
Sales of controller systems for consumer electrical and electronic appliances	**176,690**	227,480
Manufacture of mobile phone controller systems and assembly of mobile phones	**317,433**	88,474
	494,123	315,954
Other revenues		
Income on government grants	**2,728**	4,592
Bank interest income	**1,128**	310
Interest income on an advance to a related company (note 20(b))	**–**	10
Sales of scrap materials	**6,164**	686
Gain on disposal of fixed assets	**335**	–
Others	**1,327**	183
	11,682	5,781
Total revenues	**505,805**	321,735

3. TURNOVER, REVENUE AND SEGMENT INFORMATION *(continued)*

Primary reporting format – business segments

	Controller systems for consumer electrical and electronic appliances 2004 RMB'000	Manufacture of mobile phone controller systems and assembly of mobile phones 2004 RMB'000	Group 2004 RMB'000
Turnover	176,690	317,433	494,123
Segment results	64,615	42,027	106,642
Unallocated revenues			11,682
Unallocated costs			(31,538)
Operating profit			86,786
Finance costs			(4,567)
Share of losses of associates			(33)
Profit before taxation			82,186
Taxation			(27,176)
Profit after taxation			55,010
Minority interests			1,177
Profit attributable to shareholders			56,187
Segment assets	67,039	236,816	303,855
Unallocated assets			148,658
Total assets			452,513
Segment liabilities	58,701	83,202	141,903
Unallocated liabilities			97,156
Total liabilities			239,059
Capital expenditure	3,847	11,760	15,607
Unallocated capital expenditure			24,641
			40,248
Depreciation	1,750	7,860	9,610
Unallocated depreciation			3,009
			12,619
Amortisation charge			657
Impairment loss on goodwill			138
Other non-cash expenses			1,909

3. TURNOVER, REVENUE AND SEGMENT INFORMATION *(continued)*

Primary reporting format – business segments *(continued)*

	Controller systems for consumer electrical and electronic appliances 2003 RMB'000	Manufacture of mobile phone controller systems and assembly of mobile phones 2003 RMB'000	Group 2003 RMB'000
Turnover	227,480	88,474	315,954
Segment results	78,863	10,539	89,402
Unallocated revenues			5,781
Unallocated costs			(20,345)
Operating profit			74,838
Finance costs			(3,585)
Profit before taxation			71,253
Taxation			(24,032)
Profit after taxation			47,221
Minority interests			(104)
Profit attributable to shareholders			47,117
Segment assets	105,674	171,830	277,504
Unallocated assets			127,002
Total assets			404,506
Segment liabilities	10,151	150,634	160,785
Unallocated liabilities			79,468
Total liabilities			240,253
Capital expenditure	27,112	2,197	29,309
Unallocated capital expenditure			8,449
			37,758
Depreciation	5,116	2,708	7,824
Unallocated depreciation			1,067
			8,891
Amortisation charge			235
Other non-cash expenses			4,262

3. TURNOVER, REVENUE AND SEGMENT INFORMATION *(continued)*

Secondary reporting format – geographical segments

		2004		
	Turnover RMB'000	Segment results RMB'000	Total assets RMB'000	Capital expenditure RMB'000
Mainland China	426,023	105,744	294,964	40,240
Hong Kong	68,100	898	8,891	8
	494,123	106,642	303,855	40,248
Unallocated revenues		11,682		
Unallocated costs		(31,538)		
Operating profit		86,786		
Unallocated assets			147,632	
Interests in associates			1,026	
			452,513	

		2003		
	Turnover RMB'000	Segment results RMB'000	Total assets RMB'000	Capital expenditure RMB'000
Mainland China	315,954	89,402	277,504	37,758
Unallocated revenues		5,781		
Unallocated costs		(20,345)		
Operating profit		74,838		
Unallocated assets			127,002	
Interests in associates			–	
			404,506	

4. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Group	
	2004	2003
	RMB'000	RMB'000
Crediting		
Income on government grants recognised in respect of:		
Subsidy for purchases of fixed assets	**528**	192
Subsidy for a research project	**2,200**	4,400
Gain on disposal of fixed assets	**335**	–
Charging		
Auditors' remuneration	**853**	856
Amortisation of goodwill	**651**	235
Impairment loss on goodwill	**138**	–
Amortisation of goodwill of associates	**6**	–
Cost of inventories sold	**369,374**	213,915
Depreciation of owned fixed assets	**12,619**	8,782
Depreciation of leased fixed assets	**–**	109
Operating lease rentals in respect of land and buildings	**494**	47
Provision for doubtful debts	**1,853**	4,211
Provision for slow-moving and obsolete inventories	**56**	51
Research and development costs	**1,051**	1,479
Staff costs (including directors' emoluments) (note 10)	**17,607**	8,545

5. FINANCE COSTS

	Group	
	2004	2003
	RMB'000	RMB'000
Interest on bank loans repayable within five years	**4,549**	3,569
Interest on finance leases	**18**	16
Total borrowing costs	**4,567**	3,585

6. TAXATION

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

	Group	
	2004	2003
	RMB'000	RMB'000
Current taxation:		
– PRC income tax	**30,567**	27,496
– Over provision in prior year	**(5,895)**	(3,699)
Deferred taxation (note 27)	**2,504**	235
Taxation charges	**27,176**	24,032

(a) No provision for Hong Kong profits tax has been made as the Group has no estimated assessable Hong Kong profits for the year (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.

(c) The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	Group	
	2004	2003
	RMB'000	RMB'000
Profit before taxation	**82,186**	71,253
Calculated at a taxation rate of 33% (2003: 33%)	**27,121**	23,513
Loss/(Income) not subject to taxation	**2,021**	(208)
Expenses not deductible for taxation purposes	**4,109**	4,191
Over provision in prior year	**(5,895)**	(3,699)
Recognition of previously unrecognised temporary differences	**(553)**	235
Tax losses not recognised	**373**	–
Taxation charges	**27,176**	24,032

The Group has unrecognised tax losses arising from subsidiaries of RMB1,131,000 (2003: Nil) to carry forward against future taxable income. These tax losses have no expiry date. No deferred tax assets has been recognised due to the uncertainty over these subsidiaries' future profitability.

7. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of approximately RMB61,922,000 for the year ended 31 December 2004 (2003: RMB47,009,000).

8. DIVIDENDS

(a) Dividends attributable to the year

	Group	
	2004	2003
	RMB'000	RMB'000
Interim, declared, of approximately RMB0.007 (2003: RMB0.011) per ordinary share	**3,500**	400
Final, proposed, of approximately RMB0.012 (2003: RMB0.012) per ordinary share	**6,000**	6,000
	9,500	6,400

At a meeting held on 30 March 2005, the directors proposed a final dividend of RMB0.012 per ordinary share. This proposed dividend is not reflected as dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ended 31 December 2004 (note 26).

(b) Dividends attributable to the previous financial year, approved and paid during the year

	2004	2003
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, of RMB0.012 per share	**6,000**	–

9. EARNINGS PER SHARE

Basic earnings per share for the year ended 31 December 2004 is calculated based on Group's profit attributable to shareholders for the year of approximately RMB56,187,000 (2003: RMB47,117,000) and the 500,000,000 (2003: weighted average number of 386,739,726) ordinary shares in issue during the year.

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

10. STAFF COSTS

The staff costs, including directors' emoluments of the Group for the year are as follows:

	Group	
	2004	2003
	RMB'000	RMB'000
Wages and salaries	**16,013**	7,981
Pension costs - defined contribution retirement scheme (note (a))	**1,594**	564
	17,607	8,545

(a) In accordance with the PRC regulations, the Group is required to make monthly contributions to the defined contribution retirement scheme calculated at 20% of the basic salaries of the employees, and employees are required to contribute 8% (2003: 7%) of their basic salaries to the retirement scheme. The Group has no obligations for further pension payments or any post-retirement benefits beyond these contributions. The retirement benefits are paid directly from the scheme assets to the retired employees and are calculated by reference to their monthly basic salaries at the date of retirement and length of periods of services rendered.

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments payable to the directors of the Company during the year are as follows:

	2004	2003
	RMB'000	RMB'000
Fee	**–**	–
Other emoluments:		
Basic salaries and allowances and other benefits in kind	**1,140**	88
Pension costs – defined contribution retirement scheme (note 10(a))	**–**	7
	1,140	95

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(a) Directors' emoluments *(continued)*

	Number of directors	
	2004	2003
HKD equivalent		
Nil to 1,000,000	**9**	8

The three executive directors of the Company received individual emoluments for the year of RMB300,000 (2003: RMB40,200), RMB742,500 (2003: RMB29,400) and RMB97,800 (2003: RMB25,080) respectively; whilst the remaining one executive director (2003: one), one non-executive director (2003: one) and four independent non-executive directors (2003: three) did not receive any emoluments.

(b) Supervisors' emoluments

The aggregate amounts of emoluments payable to the supervisors of the Company during the year are as follows:

	2004 **RMB'000**	2003 RMB'000
Fee	**–**	–
Other emoluments:		
Basic salaries and allowances and other benefits in kind	**32**	23
Pension costs – defined contribution retirement scheme (note 10(a))	**–**	–
	32	23

	Number of supervisors	
	2004	2003
HKD equivalent		
Nil to 1,000,000	**3**	3

A supervisor of the Company received individual emoluments for the year of RMB32,400 (2003: RMB22,800), whilst the remaining two supervisors (2003: two) did not receive any emoluments.

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group are as follows:

	Number of individuals	
	2004	2003
Directors	**2**	–
Non-directors	**3**	5
	5	5

The aggregate emoluments payable to the two (2003: Nil) directors have been included in (note a) above. The emoluments of the three (2003: five) non-directors of the Group during the year are as follows:

	2004 **RMB'000**	2003 RMB'000
Fee	**–**	–
Other emoluments:		
Basic salaries and allowances and other benefits in kind	**785**	339
Pension costs – defined contribution retirement scheme (note 10(a))	**18**	9
	803	348

The emoluments of the three non-directors fell within the following band:

	Number of individuals	
	2004	2003
HKD equivalent		
Nil to 1,000,000	**3**	5

During the year, none of the directors, supervisors or the five highest paid individuals of the Group waived any emoluments and no emoluments were paid by the Group to them as an inducement to join the Group or as compensation for loss of office (2003: Nil).

12. GOODWILL

	Group 2004 RMB'000	Group 2003 RMB'000
Cost		
At 1 January	**1,177**	1,177
Additions (note 29(b))	**3,593**	–
At 31 December	**4,770**	1,177
Accumulated amortisation and impairment losses		
At 1 January	**(804)**	(569)
Charge for the year (note a)	**(651)**	(235)
Impairment charge (note a)	**(138)**	–
At 31 December	**(1,593)**	(804)
Net book value	**3,177**	373

	Company 2004 RMB'000	Company 2003 RMB'000
Cost		
At 1 January	**1,177**	1,177
At 31 December	**1,177**	1,177
Accumulated amortisation and impairment losses		
At 1 January	**(804)**	(569)
Charge for the year (note a)	**(235)**	(235)
Impairment charge (note a)	**(138)**	–
At 31 December	**(1,177)**	(804)
Net book value	**–**	373

(a) The amortisation charge for the year and the impairment charge on goodwill are included in "administrative expenses".

13. FIXED ASSETS

	Group					
	Medium-term leasehold land and buildings outside Hong Kong	Plant and machinery	Computer and office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost						
At 1 January 2004	36,023	91,282	2,553	3,197	53	133,108
Acquisition of subsidiaries	–	615	321	–	–	936
Additions	27	15,140	1,229	2,141	21,711	40,248
Disposals	–	(572)	(136)	(904)	–	(1,612)
At 31 December 2004	**36,050**	**106,465**	**3,967**	**4,434**	**21,764**	**172,680**
Accumulated depreciation						
At 1 January 2004	2,305	8,467	567	921	–	12,260
Charge for the year	1,281	10,175	605	558	–	12,619
Disposals	–	(26)	(35)	(290)	–	(351)
At 31 December 2004	**3,586**	**18,616**	**1,137**	**1,189**	**–**	**24,528**
Net book value						
At 31 December 2004	**32,464**	**87,849**	**2,830**	**3,245**	**21,764**	**148,152**
At 31 December 2003	33,718	82,815	1,986	2,276	53	120,848

13. FIXED ASSETS *(continued)*

	Company					
	Medium-term leasehold land and buildings outside Hong Kong	Plant and machinery	Computer and office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost						
At 1 January 2004	36,023	49,433	2,375	2,504	53	90,388
Additions	27	4,762	1,147	2,141	21,708	29,785
Disposals	–	(12)	(122)	(211)	–	(345)
At 31 December 2004	**36,050**	**54,183**	**3,400**	**4,434**	**21,761**	**119,828**
Accumulated depreciation						
At 1 January 2004	2,305	5,726	554	812	–	9,397
Charge for the year	1,281	5,434	502	543	–	7,760
Disposals	–	–	(30)	(165)	–	(195)
At 31 December 2004	**3,586**	**11,160**	**1,026**	**1,190**	**–**	**16,962**
Net book value						
At 31 December 2004	**32,464**	**43,023**	**2,374**	**3,244**	**21,761**	**102,866**
At 31 December 2003	33,718	43,707	1,821	1,692	53	80,991

All the medium-term leasehold land and buildings outside Hong Kong were held by the Group and the Company on leases of between 10 to 50 years.

At 31 December 2004, the net book value of fixed assets pledged as securities for the Group's and the Company's short-term bank loans amounted to approximately RMB32,946,000 (2003: RMB30,949,000).

At 31 December 2004, no motor vehicles held by the Group and the Company were under finance lease; whilst at 31 December 2003, the net book value of motor vehicles held by the Group and the Company under finance leases amounted to approximately RMB584,000.

14. INTEREST IN SUBSIDIARIES

	Company 2004 RMB'000	2003 RMB'000
Investment at cost:		
Unlisted shares	**37,065**	5,865
Amounts due from subsidiaries (note (a))	**47,202**	27,661
Amount due to subsidiaries (note (b))	**(27,492)**	(1,000)
	56,775	32,526
Less: Provision for impairment	**(765)**	–
	56,010	32,526

The following is a list of the subsidiaries at 31 December 2004:

Name	Kind of legal entity, place and date of establishment	Registered capital	Issued and fully paid up capital	Attributable equity interest held by the Company: Directly	Indirectly	Principal activities
Ningbo Yitai Electronic Company Limited ("Yitai Electronic")*	Limited liability company The PRC 15 October 2002	RMB15,000,000	RMB15,000,000	51%	–	Research and development and production of advanced controller systems for display devices
Ningbo Hi-Tech Park Yitian Technology Company Limited ("Yitian Technology")*	Limited liability company The PRC 19 July 2002	RMB10,000,000	RMB1,500,000	51%	–	Inactive
Ningbo Bolang Electrical Appliance Company Limited ("Bolang Electrical")*	Limited liability company The PRC 13 February 2004	RMB3,000,000	RMB3,000,000	60%	–	Manufacture and sale of advanced controller systems for small electrical appliances

14. INTEREST IN SUBSIDIARIES *(continued)*

Name	Kind of legal entity, place and date of establishment	Registered capital	Issued and fully paid up capital	Attributable equity interest held by the company Directly	Indirectly	Principal activities
Shanghai E-Source Telecommunication Company Limited ("E-Source")*	Limited liability company The PRC 19 May 2003	RMB10,000,000	RMB10,000,000	97.3%	–	Research and development of advanced controller systems for telecommunication devices
A-Tech Technology (HK) Limited ("A-Tech") (Formerly known as Fine Best Technology Limited)	Limited liability company Hong Kong 18 July 2003	HKD10,000	HKD2	100%	–	Sale of advanced controller systems for various consumer electrical and electronic appliances in Hong Kong
Ningbo Million Bank Electronic Technical Company Limited ("Million Electronic")*	Limited liability company The PRC 25 May 2004	USD10,000,000	USD4,204,008	51%	49%	Inactive

* *The statutory accounts of the above subsidiaries were not audited by Grant Thornton, Hong Kong.*

(a) The amounts due from subsidiaries were unsecured, interest-free and had no fixed terms of repayment.

(b) The amounts due to subsidiaries were unsecured, interest-free and had no fixed terms of repayment.

15. INTEREST IN ASSOCIATES

	2004 RMB'000	2003 RMB'000
Group		
Share of net assets	128	–
Goodwill	259	–
	387	–
Advance to an associate	639	–
	1,026	–
Goodwill		
Carrying amount		
At 1 January	–	–
Addition	265	–
Amortisation charge for the year	(6)	–
At 31 December	259	–

	2004 RMB'000	2003 RMB'000
Company		
Investments at cost		
Unlisted shares	214	–
Advance to an associate	639	–
	853	–

15. INTEREST IN ASSOCIATES *(continued)*

Particulars of the associates at 31 December 2004 are as follows:

Name of enterprise	Place of operations	Place of incorporation	Nature of business	Percentage of interest held by the Group
Shenzhen Ossay Technology Company Limited	The PRC	The PRC	Research and development of advanced controller systems for audio and video products	30%
Yidong-Sola Technology Limited	Hong Kong	Hong Kong	Inactive	50%

16. INVENTORIES

	Group 2004 RMB'000	Group 2003 RMB'000
Raw materials	**11,050**	57,475
Work in progress	**38,973**	446
Finished goods	**36,978**	3,823
	87,001	61,744
Less: Provision for slow-moving and obsolete inventories	**(343)**	(287)
	86,658	61,457

	Company 2004 RMB'000	Company 2003 RMB'000
Raw materials	**10,223**	57,472
Work in progress	**38,953**	446
Finished goods	**33,885**	3,823
	83,061	61,741
Less: Provision for slow-moving and obsolete inventories	**(343)**	(287)
	82,718	61,454

There were no inventories, of the Group and the Company, that were carried at net realisable value as at 31 December 2004 (2003: Nil).

17. BILLS AND TRADE RECEIVABLES

At 31 December 2004, the ageing analysis of the bills and trade receivables is as follows:

	Group			
	Bills receivable		Trade receivables	
	2004	2003	**2004**	2003
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current to 30 days	**542**	–	**36,854**	48,521
31 to 90 days	**–**	6,531	**13,435**	42,603
91 to 180 days	**–**	–	**4,888**	2,092
181 to 365 days	**–**	–	**11,285**	563
Over 365 days	**–**	–	**1,439**	354
	542	6,531	**67,901**	94,133
Less: Provision for doubtful debts	**–**	–	**(6,632)**	(5,296)
	542	6,531	**61,269**	88,837

	Company			
	Bills receivable		Trade receivables	
	2004	2003	**2004**	2003
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current to 30 days	**100**	–	**34,028**	48,521
31 to 90 days	**–**	6,531	**12,341**	42,603
91 to 180 days	**–**	–	**1,359**	2,092
181 to 365 days	**–**	–	**11,260**	563
Over 365 days	**–**	–	**1,439**	354
	100	6,531	**60,427**	94,133
Less: Provision for doubtful debts	**–**	–	**(6,632)**	(5,296)
	100	6,531	**53,795**	88,837

The normal credit terms granted to customers are of 60-90 days.

18. AMOUNTS DUE FROM DIRECTORS AND A SHAREHOLDER

The information in relation to the amounts due from directors and a shareholder disclosed pursuant to section 161B of the Hong Kong Companies Ordinance is as follows:

	Group and Company	
	2004	2003
	RMB'000	RMB'000
Wang Ya Qun – Director	**–**	–
Wang Pei Zhang – Director	**5**	–
China Ruilian Holding Corp. ("China Ruilian") – Shareholder	**–**	4,787
	5	4,787

No provision was made against the above balance at 31 December 2004 (2003: Nil).

Maximum balances due from directors and a shareholder during the year are as follows:

	Group and Company	
	2004	2003
	RMB'000	RMB'000
Wang Ya Qun – Director (note (a))	**360**	1,554
Wang Pei Zhang – Director (note (b))	**5**	–
China Ruilian – Shareholder (note (c))	**34,801**	4,787

(a) The amount due from the director was unsecured, interest-free and fully settled as at 31 December 2004.

The balance mainly represented the advance to the director for the expenses incurred for the Group's business purposes.

(b) The amount due from the director was unsecured, interest-free and had no fixed terms of repayment.

The balance mainly represented the advance to the director for the expenses incurred for the Group's business purposes.

(c) The amount due from the shareholder was unsecured, interest-free and had no fixed terms of repayment.

The balance mainly represented the advance to the shareholder for its business operations purpose. The entire amount was repaid by the shareholder to the Company on 28 December 2004.

19. AMOUNTS DUE TO DIRECTORS AND A SHAREHOLDER

The amounts due to directors and a shareholder were unsecured, interest-free and had no fixed terms of repayment.

20. AMOUNTS DUE FROM RELATED COMPANIES

The information in relation to the amounts due from related companies disclosed pursuant to section 161B of the Hong Kong Companies Ordinance is as follows:

	Group and Company	
	2004	2003
	RMB'000	RMB'000
Shenzhen Ruilian Investment Co., Ltd. ("Shenzhen Ruilian")	**–**	195
Xian Ruilian Modern Electronic Chemicals Co., Ltd." ("Xian Ruilian")	**–**	2,010
	–	2,205

No provision was made against the above balance as at 31 December 2004 (2003: Nil).

Maximum balances due from related companies during the year are as follows:

	Group and Company	
	2004	2003
	RMB'000	RMB'000
Shenzhen Ruilian (note (a))	**195**	195
Xian Ruilian (note (b))	**20,000**	12,010

(a) Shenzhen Ruilian is a major shareholder of China Ruilian, a shareholder of the Company.

The amount due from Shenzhen Ruilian was unsecured, interest-free and had no fixed terms of repayment. The entire balance as at 31 December 2003 was subsequently settled on 13 February 2004.

(b) Xian Ruihan is an associated company of China Ruilian, a shareholder of the Company.

The amount due from Xian Ruilian was unsecured, interest free (2003: interest bearing at 5.4% per annum) and had no fixed terms of repayment.

In November 2004, the Company advanced a total sum of RMB20 million (2003: RMB12 million) to Xian Ruilian. The entire balance was subsequently settled on 24 December 2004. Prior to year end of 2003 , Xian Ruilian repaid a sum of RMB10 million to the Company. The remaining RMB2 million and the interest payable of approximately RMB10,000 (note 3) as at 31 December 2003 were subsequently settled on 16 February 2004 and 25 March 2004 respectively.

21. PLEDGED BANK DEPOSITS – GROUP AND COMPANY

The balance has been pledged as security for the Group's or Company's banking facilities (note 32).

22. BILLS AND TRADE PAYABLES

At 31 December 2004, the ageing analysis of the bills and trade payables is as follows:

	Group			
	Bills payable		**Trade payables**	
	2004	2003	**2004**	2003
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current to 30 days	**7,294**	120	**85,202**	137,118
31 to 90 days	**10,799**	3,610	**1,058**	1,445
91 to 180 days	**1,705**	–	**112**	916
181 to 365 days	**–**	–	**1,605**	735
Over 365 days	**–**	–	**37**	881
	19,798	3,730	**88,014**	141,095

	Company			
	Bills payable		**Trade payables**	
	2004	2003	**2004**	2003
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current to 30 days	**6,410**	120	**81,300**	137,118
31 to 90 days	**10,799**	3,610	**827**	1,445
91 to 180 days	**905**	–	**112**	916
181 to 365 days	**–**	–	**1,564**	735
Over 365 days	**–**	–	**37**	881
	18,114	3,730	**83,840**	141,095

23. SHORT-TERM BANK LOANS

		Group	
		2004	2003
		RMB'000	RMB'000
Bank loans	– secured (note (a))	**50,000**	–
	– guaranteed (note (b))	**20,000**	–
	– unsecured (note (c))	**2,000**	25,000
		72,000	25,000

		Company	
		2004	2003
		RMB'000	RMB'000
Bank loans	– secured (note (a))	**50,000**	–
	– guaranteed (note (b))	**20,000**	–
	– unsecured (note (c))	**–**	25,000
		70,000	25,000

(a) As at 31 December 2004, the short-term bank loans of RMB50,000,000 were secured by certain fixed assets with net book value RMB32,946,000. The short-term loans were interest-bearing and repayable within next twelve months from the balance sheet date.

(b) As at 31 December 2004, the short-term bank loans of RMB20,000,000 were guaranteed by China Ruilian. The short-term loans were interest-bearing and repayable within next twelve months from the balance sheet date.

(c) As at 31 December 2004, the Group's short-term bank loans of RMB2,000,000 were unsecured, interest-bearing and repayable within next twelve months from balance sheet date. As at 31 December 2003, the Group's and the Company's short-term bank loans of RMB25,000,000 were unsecured, interest-bearing and repayable within next twelve months from the balance sheet date.

24. LONG-TERM LIABILITIES

As at 31 December 2004, the Group's and the Company's bank loans and finance lease liabilities are repayable as follows:

	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank loans repayable (note (b)):				
Within one year	**1,000**	9,500	**1,000**	9,500
In the second year	**–**	8,000	**–**	8,000
Total bank loans	**1,000**	17,500	**1,000**	17,500
Obligations under finance leases repayable (note (a)):				
Within one year	**–**	175	**–**	–
In the second year	**–**	117	**–**	–
	–	292	**–**	–
Less: future finance charges on finance leases	**–**	(26)	**–**	–
Present value of obligations under finance leases	**–**	266	**–**	–
Total long-term liabilities	**1,000**	17,766	**1,000**	17,500
Current portion of long-term liabilities	**(1,000)**	(9,659)	**(1,000)**	(9,500)
	–	8,107	**–**	8,000

(a) The present value of obligations under finance leases is as follows:

	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**–**	159	**–**	–
In the second year	**–**	107	**–**	–
	–	266	**–**	–

24. LONG-TERM LIABILITIES *(continued)*

(b) At 31 December 2004, the long-term bank loans of RMB1,000,000 were unsecured. At 31 December 2003, the long-term bank loans of RMB12,000,000 were secured by certain fixed assets of the Group (note 13). The loans were fully repaid in May 2004. The remaining balance of long-term bank loans of RMB5,500,000 as at 31 December 2003 were unsecured.

25. SHARE CAPITAL

	Number of shares (in thousand)	Share capital RMB'000
Registered, issued and fully paid:		
At 1 January 2003	37,000	37,000
Sub-division (note (a))	333,000	–
	370,000	37,000
Issuance of ordinary shares – H shares (note (b))	130,000	13,000
At 31 December 2003 and at 1 January 2004	500,000	50,000
At 31 December 2004	500,000	50,000

(a) Pursuant to an approval dated 4 June 2003 issued by the China Securities Regulatory Commission, all the shares of the Company, which were issued and fully paid, being 37,000,000 ordinary shares with a par value of RMB1.00 each, were sub-divided into 370,000,000 ordinary shares with a par value of RMB0.10 each.

(b) On 14 November 2003, the Company commenced the trading of the newly issued 130,000,000 H shares of RMB0.10 each on the GEM of the Stock Exchange, including 117,000,000 H shares to institutional investors by way of placement and 13,000,000 H shares for subscription by members of the public in Hong Kong under the Public Offer at the Offer Price of HKD0.50 (equivalent to approximately RMB0.535) per share, for a total cash consideration of HKD65,000,000 (equivalent to approximately RMB69,550,000). Following the issue, the share capital and capital reserve of the Company would have been increased by approximately HKD12,150,000 (equivalent to approximately RMB13,000,000) and HKD52,850,000 (equivalent to approximately RMB56,550,000) respectively.

26. RESERVES

	Capital reserve RMB'000 (note (a))	Statutory surplus reserve RMB'000 (note (b))	Group Statutory public welfare reserve RMB'000 (note (c))	Share issuance costs RMB'000 (note (a))	Retained earnings RMB'000	Total RMB'000
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	–	–	–	–	56,187	56,187
Transfer to reserve funds	–	6,196	2,788	–	(8,984)	–
Declared dividend	–	–	–	–	(9,500)	(9,500)
At 31 December 2004	40,449	14,893	6,702	–	93,157	155,201
Representing:						
2004 final dividend proposed (note 8)					6,000	
Others					87,157	
Retained earnings at 31 December 2004					93,157	

26. RESERVES *(continued)*

	Capital reserve RMB'000 (note (a))	Statutory surplus reserve RMB'000 (note (b))	Company Statutory public welfare reserve RMB'000 (note (c))	Share issuance costs RMB'000 (note (a))	Retained earnings RMB'000	Total RMB'000
At 1 January 2003	–	3,080	1,386	(1,484)	16,882	19,864
Profit attributable to shareholders	–	–	–	–	47,009	47,009
Transfer to reserve funds	–	5,574	2,508	–	(8,082)	–
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	8,654	3,894	–	55,409	108,406
At 1 January 2004	40,449	8,654	3,894	–	55,409	108,406
Profit attributable to shareholders	–	–	–	–	61,922	61,922
Transfer to reserve funds	–	6,192	2,787	–	(8,979)	–
Declared dividend	–	–	–	–	(9,500)	(9,500)
At 31 December 2004	40,449	14,846	6,681	–	98,852	160,828
Representing:						
2004 final dividend proposed (note 8)					6,000	
Others					92,852	
Retained earnings at 31 December 2004					98,852	

26. RESERVES *(continued)*

(a) Capital reserve

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

(b) Statutory surplus reserve

The Company and its subsidiaries in the PRC are required to set aside 10% of their profit after taxation (after making good previous years' losses) prepared in accordance with the PRC accounting regulations to the statutory surplus reserve until the balance reaches 50% of their respective paid up capital or registered capital, where further appropriation will be at the directors' discretion. Such reserve can be used to reduce any losses incurred or to increase share capital.

(c) Statutory public welfare reserve

The Company and its subsidiaries in the PRC are required to transfer 5% of their profit after taxation (after making good previous years' losses) and the appropriation to statutory surplus reserve prepared in accordance with the PRC accounting regulations to the statutory public welfare reserve. The use of this reserve is restricted to capital expenditure for staff collective welfare facilities which are owned by the Company. The statutory public welfare reserve is not available for distribution to the shareholders (except upon liquidation of the Company). The reserve will be reduced in the period in which the capital expenditure on staff welfare facilities is made for the equivalent amount.

27. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a principle taxation rate of 33% (2003: 33%).

The movement on the deferred tax assets account is as follows:

	Group and Company	
	2004	2003
	RMB'000	RMB'000
At 1 January	**3,057**	3,292
Deferred taxation charged to profit and loss account (note 6)	**(2,504)**	(235)
At 31 December	**553**	3,057

27. DEFERRED TAXATION *(continued)*

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) in detail during the year is as follows:

Deferred tax liabilities

	Group and Company			
	Others		Total	
	2004 RMB'000	2003 RMB'000	**2004 RMB'000**	2003 RMB'000
At 1 January	**1,673**	–	**1,673**	–
(Credited)/Charged to profit and loss account	**(1,673)**	1,673	**(1,673)**	1,673
At 31 December	**–**	1,673	**–**	1,673

Deferred tax assets

	Group and Company							
	Deferred revenue		Provisions		Others		Total	
	2004 RMB'000	2003 RMB'000	**2004 RMB'000**	2003 RMB'000	**2004 RMB'000**	2003 RMB'000	**2004 RMB'000**	2003 RMB'000
At 1 January	**(1,280)**	(3,292)	**(262)**	–	**(3,188)**	–	**(4,730)**	(3,292)
Charged/(Credited) to profit and loss account	**1,280**	2,012	**(291)**	(262)	**3,188**	(3,188)	**4,177**	(1,438)
At 31 December	**–**	(1,280)	**(553)**	(262)	**–**	(3,188)	**(553)**	(4,730)

Deferred tax assets and liabilities are offset when there is legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	Group and Company	
	2004 RMB'000	2003 RMB'000
Deferred tax assets	**(553)**	(4,730)
Deferred tax liabilities	**–**	1,673
	(553)	(3,057)

28. DEFERRED REVENUE – GOVERNMENT GRANTS

	Group and Company	
	2004	2003
	RMB'000	RMB'000
At 1 January (notes (a) to (c) below)	**9,264**	9,976
Additions (notes (d) and (e) below)	**843**	3,880
Transfer to profit and loss account (note 3)	**(2,728)**	(4,592)
At 31 December	**7,379**	9,264
Current portion of deferred revenue	**(697)**	(2,728)
	6,682	6,536

Details of government grants received by the Group and the Company are set out as follows:

(a) Subsidy for purchase of the existing plant by the Company of RMB5,600,000

Pursuant to 余姚市財政局文件 (2002) No.51 (Yuyao City Financial Bureau Document (2002) No.51) issued on 15 November 2002, the Company is entitled to a subsidy for supporting the purchase of the existing premises. The total amount of the subsidy is RMB5,600,000. The Company received RMB5,600,000 in 2002 and there is no assurance that the Company can enjoy such subsidy in the future. It was deferred and will be recognised as income on a straight-line basis over the expected lives of the related assets.

(b) Subsidy for the research project on portable scanners of RMB2,200,000

Pursuant to 余姚市科學技術局及余姚市財政局文件 (2003) No.36 (Yuyao City Finance Bureau and Yuyao City Science and Technology Bureau Document (2003) No.36) issued on 8 December 2003, the Company is entitled to a subsidy based on the prescribed conditions as stated in the document for supporting the development of portable scanners. The total amount of the subsidy is RMB2,200,000. The Company received RMB2,200,000 in 2003 and there is no assurance that the Company can enjoy such subsidy in the future. The research project on portable scanners was completed by the end of 2004.

28. DEFERRED REVENUE – GOVERNMENT GRANTS *(continued)*

(c) Subsidy for the purchase of fixed assets for the production project of cellular phones of RMB1,680,000

Pursuant to 寧波市經濟委員會及寧波市財政局文件 (2003) No.534 and No.752 (Ningbo City Finance Bureau and Ningbo City Economic Bureau Document (2003) No.534 and No.752) issued on 18 December 2003, the Company is entitled to a subsidy based on the prescribed conditions as stated in the document as an encouragement to invest in fixed assets for production of cellular phones. The total amount of the subsidy is RMB1,680,000. The Company received RMB1,008,000 in 2003 and there is no assurance that the Company can enjoy such subsidy in the future. It was deferred and will be recognised as income on a straight-line basis over the expected lives of the related assets.

(d) Subsidy for the purchase of fixed assets for the production project of cellular phones of RMB200,000

Pursuant to 寧波市經濟委員會,寧波市科學技術局及寧波市財政局文件 (2004) No.433 and No.712 (Ningbo City Finance Bureau, Ningbo City Science and Technology Bureau and Ningbo City Economic Bureau Document (2004) No.433 and No.712) issued on 25 November 2004, the Company is entitled to a subsidy based on the prescribed conditions as stated in the document as an encouragement to invest in fixed assets for production of cellular phones. The total amount of the subsidy is RMB200,000. The Company received RMB200,000 in 2004 and there is no assurance that the Company can enjoy such subsidy in the future. It was deferred and will be recognised as income on a straight-line basis over the expected lives of the related assets.

(e) Subsidy for the purchase of fixed assets for the production project of cellular phones of RMB643,000

Pursuant to 寧波市經濟委員會及寧波市財政局文件 (2004) No.459 (Ningbo City Finance Bureau and Ningbo City Economic Bureau Document (2004) No.459) issued on 22 December 2004, the Company is entitled to a subsidiary based on the prescribed conditions as stated in the document as an encouragement to invest in fixed assets for production of cellular phones. The total amount of the subsidy is RMB643,000. The Company received RMB643,000 in 2004 and there is no assurance that the Company can enjoy such subsidy in the future. It was deferred and will be recognised as income on a straight-line basis over the expected lives of the related assets.

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before taxation to net cash inflow generated from operations

	Group	
	2004	2003
	RMB'000	RMB'000
Profit before taxation	**82,186**	71,253
Share of losses of associates	**33**	–
Interest expenses	**4,567**	3,585
Bank interest income	**(1,128)**	(310)
Amortisation of goodwill	**651**	235
Impairment loss on goodwill	**138**	–
Amortisation of goodwill of associates	**6**	–
Depreciation of fixed assets	**12,619**	8,891
Income on government grants	**(2,728)**	(4,592)
Provision for doubtful debts	**1,853**	4,211
Provision for slow-moving and obsolete inventories	**56**	51
Gain on disposal of fixed assets	**(335)**	–
Operating profit before working capital changes	**97,918**	83,324
Increase in inventories	**(17,880)**	(54,263)
Decrease/(Increase) in bills receivable, trade receivables, other receivables, deposits and prepayments	**27,915**	(105,739)
Decrease/(Increase) in amounts due from directors and a shareholder	**4,782**	(4,787)
Decrease/(Increase) in amounts due from related companies	**2,205**	(2,010)
(Decrease)/Increase in bills payable, trade payables, other payables, accrued charges and receipts in advance	**(48,725)**	151,390
Increase in amounts due to directors and a shareholder	**1,307**	–
Receipts of government grants	**843**	3,208
Net cash inflow generated from operations	**68,365**	71,123

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(b) Purchase of subsidiaries

During the year, the Group acquired 60% interest in Bolang Electrical and 97.3% interest in E-source. The net assets acquired are as follows:

	2004 RMB'000
Net assets acquired	
Fixed assets	936
Inventories	7,377
Trade and other receivables, deposits and prepayments	25,929
Bank balances and cash	1,480
Trade and other payables and accrued charges	(2,884)
Receipts in advance	(22,840)
Short-term bank loans	(700)
Minority shareholders' interests	(1,241)
	8,057
Goodwill (note 12)	3,593
	11,650
Satisfied by	
Cash	11,650

Analysis of the net outflow of cash and cash equivalents in respect of the purchase of subsidiaries:

	2004 RMB'000
Cash consideration	11,650
Cash at bank and in hand acquired	(1,480)
Net outflow of cash and cash equivalents in respect of the purchase of subsidiaries	10,170

Since acquisitions, the subsidiaries contributed RMB35,089,000 to the Group's turnover and reduced the Group's profit after tax and before minority interests by RMB4,391,000 for the year ended 31 December 2004.

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(b) Purchase of subsidiaries *(continued)*

The subsidiaries acquired during the year contributed approximately RMB1,242,000 to the Group's net operating cash outflow, RMB272,000 to the net cash outflow investing activities and RMB1,300,000 to the net cash inflow from financing activities.

(c) Analysis of changes in financing during the year:

	Share capital and capital reserve		Minority interests		Bank loans		Obligations under finance leases		Dividend payable	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
At 1 January	**90,449**	35,516	**5,739**	2,450	**42,500**	55,000	**266**	–	**20**	114
Acquisition of subsidiaries	**–**	–	**1,241**	–	**700**	–	**–**	–	**–**	–
Minority interests' share of profits/(losses)	**–**	–	**(1,177)**	104	**–**	–	**–**	–	**–**	–
Dividends	**–**	–	**–**	–	**–**	–	**–**	–	**9,500**	400
Inception of finance leases	**–**	–	**–**	–	**–**	–	**–**	417	**–**	–
Cash inflow/(outflow) from financing, net	**–**	54,933	**2,450**	3,185	**29,800**	(12,500)	**(266)**	(151)	**(9,500)**	(494)
At 31 December	**90,449**	90,449	**8,253**	5,739	**73,000**	42,500	**–**	266	**20**	20

30. COMMITMENTS

(a) Capital commitments for property, plant and equipment

	Group and Company	
	2004	2003
	RMB'000	RMB'000
Contracted but not provided for	**–**	227
Authorised but not contracted for	**75,180**	–

30. COMMITMENTS *(continued)*

(b) Capital commitments for investments in subsidiaries

	Group	
	2004	2003
	RMB'000	RMB'000
Authorised and contracted for	**52,359**	6,885
Authorised but not contracted for	**3,250**	–
	55,609	6,885

	Company	
	2004	2003
	RMB'000	RMB'000
Authorised and contracted for	**28,827**	6,885
Authorised but not contracted for	**3,250**	–
	32,077	6,885

(c) Commitments under operating leases

At 31 December 2004, the aggregate future minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:

	Group and Company	
	2004	2003
	RMB'000	RMB'000
Not later than one year	**183**	260
Later than one year and not later than five years	**–**	260
	183	520

31. CONTINGENT LIABILITIES

At 31 December 2004, the Group and the Company had given guarantee to a banker to secure banking facilities of RMB2,000,000 granted to a subsidiary. The banking facilities of RMB2,000,000 were fully utilised by the subsidiary at 31 December 2004.

32. BANKING FACILITIES

At 31 December 2004, the Group had banking facilities of approximately RMB122,798,000 (2003: RMB65,670,000) of which approximately RMB92,798,000 (2003: RMB46,170,000) were utilised by the Group.

At 31 December 2004, the Company had banking facilities of approximately RMB119,114,000 (2003: RMB65,670,000) of which approximately RMB89,114,000 (2003: RMB46,170,000) were utilised by the Company.

The Group's and the Company's banking facilities were secured as follows:

(a) The Group and the Company had short term bank loans of RMB50,000,000 at 31 December 2004 (2003: Nil) which were secured by fixed charges on certain medium-term leasehold land and buildings and plant of the Group and the Company with a net book value amounting to RMB32,946,000 (2003: Nil) (note 13);

(b) The Group and the Company had long term bank loans of nil at 31 December 2004 (2003: RMB12,000,000). The long term bank loans of RMB12,000,000 at 31 December 2003 were secured by fixed charges on certain medium-term leasehold land and buildings of the Group and the Company with a net book value amounting to RMB30,949,000; and

(c) The Group had pledged bank deposits of RMB4,423,000 at 31 December 2004 (2003: RMB3,670,000) whilst the Company had pledged bank deposits of RMB3,623,000 at 31 December 2004 (2003: RMB3,670,000) (note 21).

33. RELATED PARTY TRANSACTIONS

Save as disclosed in other notes to the accounts, the Group has entered into the following significant related party transactions in its ordinary course of business and on terms mutually agreed between the relevant parties:

		Group	
		2004	2003
	Notes	**RMB'000**	RMB'000
Advance to a related party	*(a)*	**20,000**	12,000

(a) In 2004, the Group advanced a total sum of RMB20 million (2003: RMB12 million) to Xian Ruilian Modern Electronic Chemicals Co., Ltd, which is an associated company of China Ruilian Holding Corp., a shareholder of the Company. The advance was interest free, unsecured and did not have any fixed repayment terms. The advance of RMB20 million was subsequently settled on 24 December 2004.

34. SUBSEQUENT EVENTS

On 18 February 2005, the Company has established a subsidiary, Shenzhen Haiyi Communications Technology Co., Ltd. ("Shenzhen Haiyi"), in the PRC. The Company holds an equity interest of 65% in Shenzhen Haiyi. The registered capital of Shenzhen Haiyi is RMB5,000,000 and the Company contributed RMB3,250,000 to Shenzhen Haiyi's capital on 18 February 2005. Such amount is included in the capital commitment as at 31 December 2004 (note 30(b)).

Save as disclosed above, no other significant events took place subsequent to 31 December 2004 and up to the date of this report.

35. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 30 March 2005.

Summary of Financial Information

For the year ended 31 December 2004

The following is a summary of the results and of the assets and liabilities of the Group for the last five years ended 31 December 2004 since its incorporation.

	Unaudited Period from 3 August 2000 (date of incorporation) to 31 December 2000	Audited Year ended 31 December			
		2001	2002	2003	**2004**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Turnover	145	49,882	176,721	315,954	**494,123**
Profit/(loss) before taxation	(578)	13,595	56,495	71,253	**82,186**
Taxation	–	(4,474)	(19,632)	(24,032)	**(27,176)**
Profit/(loss) after taxation	(578)	9,121	36,863	47,221	**55,010**
Minority interests	–	–	–	(104)	**1,177**
Profit/(loss) attributable to shareholders	(578)	9,121	36,863	47,117	**56,187**

	Unaudited	Audited Year ended 31 December			
	2000	2001	2002	2003	**2004**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Non-current assets	4,662	40,861	95,881	124,278	**152,908**
Current assets	10,787	18,204	67,995	280,228	**299,605**
Total assets	15,449	59,065	163,876	404,506	**452,513**
Non-current liabilities	–	(25,000)	(40,324)	(14,643)	**(6,682)**
Current liabilities	(11,027)	(22,466)	(64,238)	(225,610)	**(232,377)**
Total liabilities	(11,027)	(47,466)	(104,562)	(240,253)	**(239,059)**
Minority interests	–	–	(2,450)	(5,739)	**(8,253)**
Net assets	4,422	11,599	56,864	158,514	**205,201**

Notes:

The results for the two years ended 31 December 2001 and 2002, and the assets and liabilities as at 31 December 2001 and 2002 have been extracted from the Company's prospectus dated 30 October 2003.

The assets and liabilities as at 31 December 2001, 2002, 2003 and 2004, and the results for the years ended 31 December 2001, 2002, 2003 and 2004 have been prepared on a consolidated basis.

No audited HK GAAP accounts were prepared for the period from 3 August 2000 to 31 December 2000 and the summary of the results and of the assets and liabilities of the Company for the period ended 31 December 2000.

NOTICE IS HEREBY GIVEN that an Annual General Meeting of Ningbo Yidong Electronic Company Limited (the "Company") will be held at Shek O Room, Lower Level 1, Kowloon Shangri-la Hotel, 64 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Tuesday, 17 May 2005 at 3:00 p.m. for the following purposes:

1. To consider and approve the report of the board of directors of the Company (the "Board") for the year 2004;

2. To consider and approve the audited financial statements for the year ended 31 December 2004;

3. To consider and approve the dividend distribution proposal for the year 2004;

4. To re-appoint auditors and to authorise the Board of Directors to fix their remuneration.

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

Ningbo, The People's Republic of China, 30 March 2005

Principal place of business in Hong Kong:
Rooms 1001-02, 10/F.
Asia Orient Tower
Town Place
33 Lockhart Road
Wanchai
Hong Kong

Notes:

1. The register of members of the Company will be closed from 16 April 2005 to 17 May 2005 (both days inclusive), during which no transfer of shares can be registered.

2. Holders of domestic shares and H shares whose names appear on the register of members of the Company before 4:00 p.m. 15 April 2005 are entitled to attend and vote at the meeting convened by the above notice and may appoint one or more proxies to attend and, in the event of a poll, vote on their behalves. A proxy need not be a member of the Company.

3. A proxy form for the meeting is hereinwith enclosed. In order to be valid, the proxy form must be deposited by hand or post, for holders of H Shares of the Company, to the Company's liaison office in Hong Kong, Rooms 1001-02, 10/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong and, for holders of domestic shares of the Company, to the registered address of the Company not less than 24 hours before the time for holding the meeting or not less than 24 hours before the time appointed for taking the poll. If the proxy form is signed by a person under a power of attorney or other authority, a notarially certified copy of that power of attorney or authority shall be deposited at the same time as mentioned in the proxy form.

4. Shareholders or their proxies shall produce their identity documents when attending the meeting.

5. Shareholders who intend to attend the meeting should complete and return the enclosed reply slip and return it by hand, post or by fax to the Company's liaison office in Hong Kong, Rooms 1001-02, 10/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong (fax no.: (852) 2529 2048) on or before 26 April 2005.

6. The meeting is expected to take half a day. Shareholders attending the meeting shall be responsible for their own travel and accommodation expenses.

7. The registered office address of the Company and the details of the secretarial office of the Board are as follows:

   No. 65 Siming East Road
   Yuyao City
   Zhejiang Province
   China