



# 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)

Stock code : 8249

**THIRD QUARTERLY REPORT 2008**

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

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*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 ("GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## HIGHLIGHTS

Unaudited consolidated turnover was approximately RMB19,293,000 and RMB69,131,000 for the three and nine months ended 30 September 2008, representing a decrease of approximately 78% and 80% when compared with the corresponding period (2007: RMB87,222,000 and RMB349,166,000).

Unaudited profit/(loss) attributable to shareholders was approximately RMB1,439,000 (profit) and RMB25,632,000 (loss) for the three and nine months ended 30 September 2008, representing approximately 165% increase and 1,906% decrease when compared with the corresponding period (2007: loss RMB2,227,000 and profit RMB1,419,000).

Unaudited earnings/(loss) per share was approximately RMB0.29 (earnings per share) cents and RMB5.13 (loss per share) cents for the three and nine months ended 30 September 2008 (2007: loss per share 0.45 cents and earning per share 0.28 cents).

## RESULTS

The board of Directors of the Company (the "Board") is pleased to announce that the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three and nine months ended 30 September 2008 together with the unaudited comparative figures for the corresponding periods in 2007 as follows:

	Notes	Unaudited For the three months ended 30 September 2008		Unaudited For the nine months ended 30 September 2008	
		RMB'000	RMB'000	RMB'000	RMB'000
Revenue	(2)	19,293	87,222	69,131	349,166
Cost of sales		(16,217)	(78,161)	(62,830)	(304,760)
Gross profit		3,076	9,061	6,301	44,406
Other revenue		565	(108)	2,370	1,453
Selling and distribution costs		(260)	(1,832)	(933)	(4,458)
Administrative cost		1,280	(4,894)	(21,207)	(26,159)
Profit/(Loss) from operations		4,661	2,227	(13,469)	15,242
Finance cost		(4,285)	(4,626)	(13,448)	(13,693)
Profit/(Loss) before taxation		376	(2,399)	(26,917)	1,549
Income tax expenses	(3)	-	(9)	-	(289)
Profit/(Loss) for the period		<u>376</u>	<u>(2,408)</u>	<u>(26,917)</u>	<u>1,260</u>
Attributable to:					
Equity holder of the company		1,439	(2,227)	(25,632)	1,419
Minority interest		(1,063)	(181)	(1,285)	(159)
		<u>376</u>	<u>(2,408)</u>	<u>(26,917)</u>	<u>1,260</u>
Earnings/(Loss) per share (cents) – Basic	(4)	<u>0.29</u>	<u>(0.45)</u>	<u>(5.13)</u>	<u>0.28</u>

## NOTES:

## 1. Basis of preparation

The unaudited consolidated results of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") (collectively "HKFRSs"), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

The accounting policies adopted in preparing the unaudited consolidated results for the nine months ended 30 September 2008 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007.

The condensed consolidated results for the nine months ended 30 September 2008 are unaudited and have been reviewed by the audit committee of the Company.

## 2. Revenue

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

	Unaudited		Unaudited	
	For the three months ended 30 September		For the nine months ended 30 September	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Turnover				
Sale of controller systems for consumer electrical and electronic appliances	4,525	-	16,184	17,977
Manufacture of mobile phone controller systems and assembly of mobile phones	14,768	87,222	52,947	331,189
	<u>19,293</u>	<u>87,222</u>	<u>69,131</u>	<u>349,166</u>

## 3. Income tax expenses

The taxation charges represent:

	Unaudited		Unaudited	
	For the three months ended 30 September		For the nine months ended 30 September	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
PRC income tax	-	9	-	289

The Group is subject to an income tax rate of 25% on its taxable profit in accordance with the income tax law in the PRC.

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable Hong Kong profits for the period.

#### 4. Earnings per share

Earnings/(Loss) per share is calculated based on the Group's profit/(loss) attributable to shareholders for the three and the nine months ended 30 September 2008 of approximately RMB1,439,000 (profit) and RMB25,632,000 (loss) (2007: loss RMB2,227,000 and profit RMB1,419,000) and 500,000,000 (2007: 500,000,000) shares in issue during the periods respectively.

Diluted earnings per share has not been presented as the Company has no dilutive potential ordinary shares during the periods.

### MOVEMENT IN RESERVES

Except as disclosed below, there was no movement in reserves of the Group for the nine months ended 30 September 2008 and 30 September 2007.

	Retained earnings RMB'000
At 1 January 2007	67,004
Profit for the period	<u>1,419</u>
At 30 September 2007	<u><u>68,423</u></u>
At 1 January 2008	(123,698)
Loss attributable to Shareholders	<u>(25,632)</u>
At 30 September 2008	<u><u>(149,330)</u></u>

### DIVIDEND

The Board does not recommend payment of interim dividend for the nine months ended 30 September 2008 (nine months ended 30 September 2007: nil).



## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review

The Group's principal activities are the design, manufacture and sales of intelligent controller systems for consumer electrical and electronic appliances and mobile phones, and the manufacture of TV sets and the assembly of mobile phones, and sales for the third quarter were still low. General economical climate is not good, especially after the outburst of financial turmoil originating from the United States. The Group further reduced the costs for maintaining the necessary production capacity and marketing network in the third quarter pending economic upsurges, and possibly harvesting boosting of the massive economic stimulus package launched by the mainland government.

### Financial review

#### Results

Turnover for the nine months ended 30 September 2008 was approximately RMB69,131,000, representing a decrease of approximately 80% (2007: RMB349,166,000), and loss attributable to shareholders was approximately RMB25,632,00, representing a decrease of approximately 1906% (2007: profit RMB1,419,000). The main reasons for a decrease in turnover were due to economic slump. The Group was quite confident about its development in both controllers and mobile phones, and expected about promising performance in the coming year.

#### Gross profit

For the nine months ended 30 September 2008, the Group achieved an overall gross profit of approximately RMB6,301,000, representing a decrease of approximately 85.8% over the corresponding period in previous year (2007: RMB44,406,000). The gross profit margin ratio also decreased from 12.7% to 9.1%, and the decrease in gross profit margin was due to high competition during the third quarter. The Group managed to achieve a small profit primarily due to both operation costs being under controls and written back of doubtful debt provision. The Group starts to be financially independent and can be supported by own operations subject to current shareholders' loans and bank loans being maintained. It was an acceptable result in view of current economic climate, and the Group hopes that reasonable profits will be achieved once the sales increased next year.

### Prospect

In accordance with the operation plan, the Group should commence production in the new plant in December 2008, and will be ready to expand the production whenever opportunities emerged. Despite of the depressed economy, accumulating demand in the market are gathering forces with outbreak that may be happened at any time. Besides, the Group understands that our own competitive capability in product innovation and quality are important to future growth in sales and operation. Production processes are continuously improved and research and development operation are maintained during the difficult time and out of the tight budgets. The Group are moving forwards with realistic measures and work and in accordance with feasible plans.

## RIGHTS OF DIRECTORS, CHIEF EXECUTIVE AND SUPERVISORS TO ACQUIRE SHARES

During the nine months ended 30 September 2008, none of the Directors, chief executive (if any) (the "Chief Executive") or supervisors of the Company (the "Supervisors") or their spouse or children under the age of 18 was granted any right to acquire shares of the Company or any of its associated corporation (as referred below), or had exercised any such right.

## DISCLOSURE OF INTERESTS AND SHORT POSITIONS

So far as known to the Directors, as at 30 September 2008, the interests and short positions of each Directors, Chief Executive and Supervisors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealings by directors of listed issue as referred to in Rule 5.46 of the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules"), were as follows:

### (a) Long positions in shares

Name of Director/ Chief Executive/ Supervisor	Number of Domestic Shares of RMB0.10 each (the "Domestic Shares") held	Nature of interest	Approximate percentage of shareholding in same class of securities	Approximate percentage of shareholding in the registered capital
Mr. Zheng Yi Song	129,500,000 Domestic Shares (note 2)	Interest of controlled corporation (note 1)	35%	25.90%
Mr. Gong Zheng Jun	91,650,000 Domestic Shares (note 2)	Beneficial owner	24.77%	18.33%
Mr. Chen Zheng Tu	63,100,000 Domestic Shares (note 2)	Beneficial owner	17.05%	12.62%
Mr. Yang Li	41,500,000 Domestic Shares (note 2)	Beneficial owner	11.22%	8.30%

#### Notes:

- (1) Mr. Zheng Yi Song is not registered as a shareholder of the Company. His indirect shareholding interest in 129,500,000 Domestic Shares is held through Shenzhen Ruilian Investment Co., Ltd. ("Shenzhen Ruilian"), which holds a 100% 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. Zheng Yi Song and Mr. Liu Xiao Chun hold a direct interest of 32% and 26% in Shenzhen Ruilian respectively.

- (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.



Save as disclosed above, at no time during the nine months ended 30 September 2008, the Directors, Chief Executive and Supervisors (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares of the Company or its associated corporations (within the meaning of SFO).

Apart from the above, at no time during the nine months ended 30 September 2008 was the Company and its subsidiaries a party to any arrangement to enable the Directors, Chief Executive and Supervisors to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES OF THE COMPANY

### Long positions in shares

According to the register of substantial shareholders maintained under section 336 of the SFO, as at 30 September 2008, the Company had been notified of the following substantial shareholders' interests, being interested in 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 Executive and Supervisors.

Name of Shareholder	Number of shares held	Nature of interest	Approximate percentage of shareholding in same class of securities	Approximate percentage of shareholding in the registered capital
China Ruilian	129,500,000 Domestic Shares (notes 1 and 2 above)	Beneficial owner	35.0%	25.9%
Shenzhen Ruilian	129,500,000 Domestic Shares (notes 1 and 2 above)	Interest of controlled corporation	35.0%	25.9%
Wang Ya Qun	37,850,000 Domestic Shares (note 2 above)	Beneficial owner	10.23%	7.57%
Martin Currie China Hedge Fund Limited	14,245,000 H Shares (note 1)	Investment manager	10.96%	2.85%
Martin Currie Investment Management Ltd	14,245,000 H Shares (note 1)	Investment manager	10.96%	2.85%
Martin Currie (Holdings) Ltd	11,110,000 H Shares (note 1)	Beneficial owner	8.55%	2.22%
UBS AG	11,110,000 H Shares (note 1)	Person having a security interest in shares	8.55%	2.22%
Dai Huan	8,200,000 H Shares (note 1)	Beneficial owner	6.31%	1.64%

Note:

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

Save as disclosed above, as at 30 September 2008, the Directors are not aware of any person, not being a Director, Chief Executive or Supervisor, have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO and are required to be entered in the register maintained by the Company pursuant to section 336 of the SFO.

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

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

## COMPETING INTERESTS

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

## CORPORATE GOVERNANCE

For the nine months ended 30 September 2008, except for remuneration committee not yet setting up, the Company complied with the code provisions set out in Appendix 15 of the Code on Corporate Governance Practices of the GEM Listing Rules.

## AUDIT COMMITTEE

The Company has established an audit committee since 1 June 2003 with written terms of reference based on the guidelines recommended by the Hong Kong Institute of Certified Public Accountants and the requirements as set out in Rules 5.28 and 5.29 of the GEM Listing Rule. The audit committee comprises three independent non-executive Directors of the Company, namely Mr. Pang Jun, who is the Chairman of such committee, Mr. Tang Zhen Ming and Mr. Law Hon Hing Henry.

The Audit Committee has reviewed with the senior management of the Company the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of this quarterly financial statement for the nine months ended 30 September 2008.

By order of the board  
Ningbo Yidong Electronic Company Limited  
Liu Xiao Chun  
Chairman

Ningbo, The PRC, 14 November 2008

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

*Executive Directors*

Mr. Liu Xiao Chun (appointed on 5 November 2008)  
Mr. Gong Zhang Jun  
Mr. Chen Zheng Tu

*Non-executive Directors*

Mr. Zheng Yi Song  
Mr. Liu Feng  
Mr. Wang Wei Shi

*Independent non-executive Directors*

Mr. Pang Jun (appointed on 6 November 2008)  
Mr. Tang Zhen Ming  
Mr. Law Hon Hing Henry (appointed on 3 September 2008)  
Mr. Ding Gong Yi (resigned on 6 November 2008)