

THIRD QUARTERLY REPORT 2010

* For identification purposes only



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

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

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

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

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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 the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

HIGHLIGHTS

Unaudited turnover was approximately RMB2,205,000 and RMB4,783,000 for the three and nine months ended 30 September 2010, representing a decrease of approximately 68.4% and 78.9% when compared with the corresponding period (2009: RMB6,979,000 and RMB22,624,000).

Unaudited loss attributable to shareholders was approximately RMB71,517,000 and RMB89,806,000 for the three and nine months ended 30 September 2010, representing approximately an increase of loss RMB63,129,000 and increase of loss RMB68,284,000 when compared with the corresponding period (2009: RMB8,388,000 and RMB21,522,000).

Unaudited loss per share was approximately RMB14.30 cents (loss per share) and RMB17.96 cents (loss per share) for the three and nine months ended 30 September 2010 (2009: loss per share RMB1.68 cents and loss per share RMB4.30 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 2010 together with the unaudited comparative figures for the corresponding periods 2009 are as follows:

	Notes	Unaudited For the three months ended 30 September		Unaudited For the nine months ended 30 September	
		2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Revenue	(2)	2,205	6,979	4,783	22,624
Cost of sales		(1,830)	(8,639)	(6,902)	(24,669)
Gross profit/(loss)		375	(1,660)	(2,119)	(2,045)
Other income		2,159	1,696	9,034	4,819
Selling and distribution costs		(523)	(861)	(1,014)	(1,111)
Administrative expenses	(5)	(71,696)	(5,494)	(90,358)	(16,029)
Loss from operations		(69,685)	(6,319)	(84,457)	(14,366)
Finance cost		(1,821)	(2,189)	(5,360)	(7,536)
Loss before taxation		(71,506)	(8,508)	(89,817)	(21,902)
Income tax expenses	(3)	–	–	–	–
Loss for the period		(71,506)	(8,508)	(89,817)	(21,902)
Attributable to:					
Equity holders of the Company		(71,517)	(8,388)	(89,806)	(21,522)
Minority interests		11	(120)	(11)	(380)
		(71,506)	(8,508)	(89,817)	(21,902)
Loss per share (cents) – Basic	(4)	(14.30)	(1.68)	(17.96)	(4.30)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	For the nine months ended 30 September	
	2010 RMB'000	2009 RMB'000
Loss for the period	(89,817)	(21,902)
Total comprehensive income for the period	(89,817)	(21,902)
Attributable to:		
Equity holders of the company	(89,806)	(21,522)
Minority interests	(11)	(380)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 30 September 2010

	Attributable to equity holders of the Company							
	Share capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Translation Reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Minority interests RMB'000	Total RMB'000
At 1 January 2009	50,000	40,449	24,998	3,515	(259,145)	(140,183)	614	(139,569)
Exchange differences	-	-	-	2,363	-	2,363	-	2,363
Loss for the period	-	-	-	-	(21,522)	(21,522)	(380)	(21,902)
At 30 September 2009	50,000	40,449	24,998	5,878	(280,667)	(159,342)	234	(159,108)
At 1 January 2010	50,000	40,449	24,998	3,998	(329,670)	(210,225)	10	(210,215)
Exchange differences	-	-	-	128	-	128	-	128
Loss for the period	-	-	-	-	(89,806)	(89,806)	(11)	(89,817)
At 30 September 2010	50,000	40,449	24,998	4,126	(419,476)	(299,903)	(1)	(299,904)

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 2010 are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2009.

The condensed consolidated results for the nine months ended 30 September 2010 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 For the three months ended 30 September		Unaudited For the nine months ended 30 September	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Turnover				
Sale of controller systems for consumer electrical and electronic appliances	1,622	5,238	2,993	10,950
Manufacture of mobile phone controller systems and assembly of mobile phones	583	1,741	1,790	11,674
	2,205	6,979	4,783	22,624

3. Income tax expenses

The taxation charges represent:

	For the three months ended 30 September		For the nine months ended 30 September	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Current taxation:				
– PRC income tax	–	–	–	–
Taxation charges	–	–	–	–

- (a) No provision for Hong Kong profits tax has been made as the Group has no estimated assessable Hong Kong profits for the period (2009: Nil).
- (b) The Group is subject to an income tax rate of 25% on their taxable profit in accordance with the income tax law in the PRC, (2009: 25%).

4. Loss per share

Loss per share is calculated based on the Group's loss attributable to shareholders for the three and the nine months ended 30 September 2010 of approximately RMB71,517,000 (loss) and RMB89,806,000 (loss) (2009: RMB8,388,000 (loss) and RMB21,522,000 (loss)) and 500,000,000 (2009: 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.

5. Administrative expenses

During the period ended 30 September 2010, the Company has included in the administrative expenses of approximately RMB61,518,000 (2009: Nil) loss on disposal of the Properties, which comprise the Dormitories, the Factory Premises, the Office Premise and the Staff Canteen located in Yuyao City, Ningbo Zhejiang Province, the PRC at a total consideration of RMB153,605,000 less net carrying values of the Properties of approximately RMB215,123,000. The Sale & Purchase Agreement was approved by the shareholders at the Extraordinary General Meeting as mentioned on the announcement dated 9 August 2010. Moreover, the Company has also included in the administrative expenses of approximately RMB6,695,000 (2009: Nil) depreciation expense for the above Properties.

DIVIDEND

The Board does not recommend payment of dividend for the nine months ended 30 September 2010 (nine months ended 30 September 2009: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Group is principally engaged in the design, manufacture and sales of intelligent controller systems for mobile phones, TV sets and various consumer electrical and electronic appliances and the assembly of mobile phones.

During the period under review, the Group started new strategies in the manufacturing and selling of mobile phones, and the sales were still stayed at low level. Required capital would be introduced if the prospect is good and the developments are going on in stable manner.

Prospect

The Group is waiting for emergence of profitable opportunities before expanding current operation. Active sourcings are done to fit our production advantages to current market situation.

Financial review

Results

The Group recorded a turnover of approximately RMB4,783,000 for the nine months ended 30 September 2010, representing decrease of approximately 78.9% (2009: RMB22,624,000), and loss attributable to shareholders was approximately RMB89,806,000, representing approximately an increase of loss RMB68,284,000 (2009: RMB21,522,000). Main reasons for the decrease in turnover were due to restructuring and sales credit tightening.

Gross loss

For the nine months ended 30 September 2010, the Group achieved an overall gross loss of approximately RMB2,119,000, representing an increase in gross loss approximately RMB74,000 over the corresponding period in previous year (2009: Gross loss RMB2,045,000). The decrease in gross profit was due to low mobile phone sales this year. Overheads were maintained at reasonable level leading to controllable losses comparable to that of the interim report 2010.

Changes in the group structure

During the period, the Group transferred 80% equity interest in Ningbo Yiyuan Electronic Technology Co. Ltd. to a third party.

Prospect

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 2010, none of the Directors, chief executive (if any) (the “Chief Executive”) or supervisors of the Company (the “Supervisors”) or their spouse or children under the age of 18 was granted any right to acquire shares of the Company or any of its associated corporation (as referred below), or had exercised any such right.

DISCLOSURE OF INTERESTS AND SHORT POSITIONS

So far as known to the Directors, at 30 September 2010, 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 issuers 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:

Long positions in shares

Name of Director/ Chief Executive/ Supervisor	Domestic Shares of RMB0.10 each (the “Domestic Shares”) held	Nature of interest	Approximate percentage of shareholding held in same class of securities	Approximate percentage of shareholding in the registered capital
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%
Mr. Zheng Yi Song	129,500,000 Domestic Shares (note 2)	Interest of controlled corporation (note 1)	35.00%	25.90%

Notes:

- (1) Mr. Zheng Yi Song 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 Company Limited (“Shenzhen Ruilian”), which holds a 100% direct interest in China Ruilian Holding Corporation (“China Ruilian”), a registered shareholder in 129,500,000 shares of the Company.

Both Shenzhen Ruilian and China Ruilian are established and based in the PRC. Mr. Zheng Yi Song holds a direct interest of 32% in Shenzhen Ruilian.

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

Save as disclosed above, at no time during the nine months ended 30 September 2010 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).

Apart from the above, at no time during the nine months ended 30 September 2010 was the Company or its subsidiaries a party to any arrangement enabling 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

Long positions in shares

According to the register of substantial shareholders maintained under section 336 of the SFO, as at 30 September 2010, the Company had been notified the following substantial shareholders' were 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 Executives 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	35.00%	25.90%

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
Shenzhen Ruilian	129,500,000 Domestic Shares (notes 1 and 2 above)	Interest of controlled corporation	35.00%	25.90%
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 Limited	14,245,000 H Shares (note 1)	Investment manager	10.96%	2.85%

Note:

- (1) "H Share(s)" represent overseas listed foreign share(s) of a nominal value of RMB0.10 each in the registered 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 2010, 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 2010, 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 Rules. The audit committee comprises three independent non-executive Directors of the Company, namely Mr. Pang Jun, who is the Chairman of such committee, Mr. Law Hon Hing Henry and Professor Fang Min.

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 the review of the Group's unaudited consolidated financial statements for the nine months ended 30 September 2010.

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

Ningbo, The PRC, 9 November 2010

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

EXECUTIVE DIRECTORS

Mr. Liu Xiao Chun
Mr. Gong Zheng 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
Mr. Law Hon Hing Henry
Professor Fang Min