



**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

# Interim **2011** Report

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

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

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

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

## HIGHLIGHTS

Unaudited turnover was approximately RMB2,326,000 and RMB3,499,000 for the three and six months ended 30 June 2011, representing an increase of approximately 41.4% and 35.7% when compared with the corresponding period (2010: RMB1,645,000 and RMB2,578,000 respectively).

Unaudited loss attributable to equity shareholders of the Company was approximately RMB6,236,000 and RMB12,722,000 for the three and six months ended 30 June 2011 representing a decrease in loss of approximately RMB2,897,000 and RMB5,567,000 when contrast with the corresponding period (2010: RMB9,133,000 and RMB18,289,000 respectively).

Unaudited loss per share was approximately RMB1.25 cents and RMB2.54 cents for the three and six months ended 30 June 2011 respectively (2010: unaudited loss per share RMB1.83 cents and loss per share RMB3.66 cents).

## RESULTS

For the three months and six months ended 30 June 2011

	Notes	(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
		2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Revenue	(2)&(3)	2,326	1,645	3,499	2,578
Cost of sales		(2,269)	(3,207)	(3,384)	(5,072)
Gross loss		57	(1,562)	115	(2,494)
Other income		6,298	3,143	8,424	6,875
Selling and distribution costs		(586)	(369)	(748)	(491)
Administrative expenses		(6,934)	(8,775)	(14,757)	(18,662)
Loss from operations		(1,165)	(7,563)	(6,966)	(14,772)
Finance cost		(5,076)	(1,583)	(5,762)	(3,539)
Loss before taxation		(6,241)	(9,146)	(12,728)	(18,311)
Income tax expenses	(4)	—	—	—	—
<b>Loss for the period</b>		<b>(6,241)</b>	<b>(9,146)</b>	<b>(12,728)</b>	<b>(18,311)</b>
Attributable to:					
Equity holders of the Company		(6,236)	(9,133)	(12,722)	(18,289)
Minority interests		(5)	(13)	(6)	(22)
		<b>(6,241)</b>	<b>(9,146)</b>	<b>(12,728)</b>	<b>(18,311)</b>
Loss per share (cents) — Basic	(6)	<b>(1.25 cents)</b>	<b>(1.83 cents)</b>	<b>(2.54 cents)</b>	<b>(3.66 cents)</b>

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2011

	Notes	(Unaudited) 30 June 2011 RMB'000	(Audited) 31 December 2010 RMB'000
<b>ASSETS AND LIABILITIES</b>			
Non-current assets			
Property, plant and equipment		12,924	9,959
Prepaid lease payments		4,841	5,083
Investment properties		1,239	1,268
		<u>19,004</u>	<u>16,310</u>
<b>Current assets</b>			
Inventories		5,418	6,327
Trade and bills receivables	(8)	2,391	3,158
Prepayments, deposits and other receivables		84,619	71,263
Paid in advances		3,828	3,726
Prepaid lease payments		242	242
Amounts due from directors		93	17
Amount due from related companies		—	16
Bank balances and cash		2,616	253
		<u>99,207</u>	<u>85,002</u>
Assets classified as held for sale		—	1,288
		<u>99,207</u>	<u>86,290</u>
<b>Current liabilities</b>			
Trade and bills payables	(9)	36,851	49,978
Other payables and accruals		168,980	49,723
Receipt in advance		7,958	6,845
Amount due to a corporate shareholder		204,262	211,262
Amounts due to directors		500	6,169
Amounts due to related companies		16,337	16,919
Dividends payable		4,440	4,440
Provision for claims		4,193	6,518
Short-term bank borrowings		20,000	84,259
		<u>463,521</u>	<u>436,113</u>
<b>Net current liabilities</b>		<u>(364,314)</u>	<u>(349,823)</u>
<b>Total assets less current liabilities</b>		<u>(345,310)</u>	<u>(333,513)</u>
Capital and reserves			
Share capital		50,000	50,000
Reserve		(395,304)	(383,513)
Equity attributable to equity holders of the Company		(345,304)	(333,513)
Minority interests		(6)	—
		<u>(345,310)</u>	<u>(333,513)</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2011

	Attributable to equity holders of the Company							
	Share capital	Capital reserve	Statutory surplus reserve	Translation reserve	Retained earnings	Total	Minority interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2010	50,000	40,449	24,998	3,998	(329,670)	(210,225)	10	(210,215)
Exchange differences	—	—	—	(250)	—	(250)	—	(250)
Loss for the period	—	—	—	—	(18,289)	(18,289)	(22)	(18,311)
At 30 Jun 2010	<u>50,000</u>	<u>40,449</u>	<u>24,998</u>	<u>3,748</u>	<u>(347,959)</u>	<u>(228,764)</u>	<u>(12)</u>	<u>(228,776)</u>
At 1 January 2011	50,000	40,449	24,998	4,320	(453,280)	(333,513)	—	(333,513)
Exchange differences	—	—	—	931	—	931	—	931
Loss for the period	—	—	—	—	(12,722)	(12,722)	(6)	(12,728)
At 30 Jun 2011	<u>50,000</u>	<u>40,449</u>	<u>24,998</u>	<u>5,251</u>	<u>(466,002)</u>	<u>(345,304)</u>	<u>(6)</u>	<u>(345,310)</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2011

	(Unaudited) Six months ended 30 June 2011 RMB'000	(Unaudited) Six months ended 30 June 2010 RMB'000
Net cash inflow from operating activities	70,684	3,186
Net cash inflow/(outflow) from investing activities	1,700	14,515
Net cash inflow/(outflow) from financing activities	(70,021)	(18,049)
(Decrease)/increase in cash and cash equivalents	2,363	(348)
Cash and cash equivalents at the beginning of period	253	1,865
Cash and cash equivalents at the end of period	2,616	1,517
Analysis of balances of cash and cash equivalents: Bank balances and cash	2,616	1,517

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT

### 1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards “HKFRS” and Hong Kong Accounting Standards “HKAS” (collectively “HKFRSs”), HKAS 34: Interim Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”), 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 and basis of preparation adopted in unaudited consolidated interim results for the six months ended 30 June 2011 are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2010.

The condensed consolidated interim results for the six months ended 30 June 2011 are unaudited and have been reviewed by the audit committee of the Company.

### 2. TURNOVER

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

	(Unaudited)		(Unaudited)	
	For the three months ended 30 June		For the six months ended 30 June	
	2011 RMB’000	2010 RMB’000	2011 RMB’000	2010 RMB’000
Turnover				
Sales of controller systems for consumer electrical and electronic appliances	1,588	1,046	2,158	1,371
Manufacture of mobile phone controller systems and assembly of mobile phones	738	599	1,341	1,207
	<u>2,326</u>	<u>1,645</u>	<u>3,499</u>	<u>2,578</u>
Other revenues				
Bank interest income	—	2	—	233
Others	6,298	3,141	8,424	6,642
	<u>6,298</u>	<u>3,143</u>	<u>8,424</u>	<u>6,875</u>
Total revenues	<u>8,624</u>	<u>4,788</u>	<u>11,923</u>	<u>9,453</u>



### 3. SEGMENT INFORMATION

	Controller systems for consumer electrical and electronic appliances (Unaudited)		Manufacture of mobile phone controller systems and assembly of mobile phones (Unaudited)		Total (Unaudited)	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Turnover	2,158	1,371	1,341	1,207	3,499	2,578
Segment result	(30)	(1,321)	145	(1,173)	115	(2,494)
Unallocated revenues					8,424	6,875
Unallocated costs					(15,505)	(19,153)
Operating loss					(6,966)	(14,772)
Finance costs					(5,762)	(3,539)
Loss before taxation					(12,728)	(18,311)
Taxation					—	—
Loss after taxation					(12,728)	(18,311)
Minority interests					6	22
Loss attributable to shareholders					(12,722)	(18,289)
Unallocated depreciation					4,568	9,493
Segment assets	28,529	5,737	89,312	286,903	117,841	292,640
Unallocated assets					370	407
Total assets					118,211	293,047
Segment liabilities	27,890	5,384	400,205	468,300	428,095	473,684
Unallocated liabilities					35,426	48,139
Total liabilities					463,521	521,823

#### 4. INCOME TAX EXPENSES

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

	(Unaudited)		(Unaudited)	
	Three months ended 30 June		Six months ended 30 June	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	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 (2010: 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, (2010: 25%).

#### 5. DIVIDEND

The Board does not recommend payment of interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: nil).

#### 6. LOSS PER SHARE

Loss per share is calculated based on Group's loss attributable to shareholders for the three and six months ended 30 June 2011 of approximately RMB6,236,000 and RMB12,722,000 (2010: RMB9,133,000 and RMB18,289,000) and the number of 500,000,000 (2010: 500,000,000) ordinary shares in issue during the period.

Diluted earnings per share is not presented as the Company has no dilutive potential ordinary shares during the period (2010: Nil).

#### 7. ADMINISTRATIVE EXPENSES

During the period ended 30 June 2011, the Company has incurred approximately Nil (2010: RMB4,453,000) depreciation expense for the disposal of Properties, which comprise the Dormitories, the Factory Premises, the Office Premise and the Staff Canteen located in Yuyao City, Ningbo Zhejiang Province, the PRC. The related Sale & Purchase Agreement was approved by the shareholders of the Extraordinary General Meeting as mentioned on the announcement dated 9 August 2010.

## 8. TRADE AND BILLS RECEIVABLES

The ageing analysis of the trade and bills receivables is analysed as follows:

	30 June 2011 RMB'000	31 December 2010 RMB'000
Current to 90 days	1,593	3,156
91 to 180 days	650	2
181 to 365 days	148	—
Over 365 days	—	—
	<u>2,391</u>	<u>3,158</u>

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

## 9. TRADE AND BILLS PAYABLES

The ageing analysis of the trade and bills payables is analysed as follows:

	30 June 2011 RMB'000	31 December 2010 RMB'000
Current to 90 days	1,146	823
91 to 180 days	366	1,418
181 to 365 days	1,018	3,448
Over 365 days	34,321	44,289
	<u>36,851</u>	<u>49,978</u>

## 10. COMMITMENTS

Capital commitments for property, plant and equipment:

	30 June 2011 RMB'000	31 December 2010 RMB'000
— Contracted for but not provided	—	—
— Authorised but not contracted for	—	—
	<u>—</u>	<u>—</u>

## 11. PLEDGE OF ASSETS

As at 30 June 2011, certain assets of the Group were pledged to secure credit facilities granted to the Group, as follows:

- (a) legal charges over certain of the Group's property, plant and equipment with an aggregate net book value of RMB12,924,000 (31 December 2010: RMB9,421,000)
- (b) legal charges over certain of the Group's prepaid lease payments in respect of medium-term leasehold land with an aggregate net book value of RMB5,083,000 (31 December 2010: RMB5,325,000)

## 12. CONTINGENT LIABILITIES

As at 30 June 2011, the Group has no guarantee contract with banks to provide guarantee to secure the bank facilities granted to a third party (31 December 2010: 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.

## Financial review

### Results

The Group recorded a turnover of approximately RMB3,499,000 for the six months ended 30 June 2011, representing an increase of approximately 35.7% (2010: RMB2,578,000), and loss attributable to shareholders was approximately RMB12,722,000, representing a decrease of approximately 30.4% (2010: RMB18,289,000). Main reason for the increase in turnover was due to marketing effort.

### Gross profit

For the six months ended 30 June 2011, the Group achieved an overall gross profit of approximately RMB115,000, representing an increase of approximately RMB2,609,000 over the corresponding period in previous year (2010: Gross loss RMB2,494,000). The increase in gross profit margin was due to improvement in cost control this year. Overheads were maintained at reasonable level leading to controllable losses comparable to that of first quarter period.

### Financial Resources and liquidity

As at 30 June 2011, the Group had net current liabilities of approximately RMB364,314,000 (2010: RMB480,887,000).

Current assets amounted to approximately RMB99,207,000, of which approximately RMB2,616,000 were cash and bank deposits (2010: RMB40,936,000 and RMB1,517,000 respectively). On the other hand, the Group had current liabilities of RMB463,521,000, mainly were amount due to a corporate shareholder plus other payables and accruals. (2010: RMB521,823,000).

The Group's gearing ratio as at 30 June 2011 was 16.9% (2010: 39.1%), which is expressed as a percentage of the total bank borrowings over the total assets.

### Other

The Group had not held any significant investment for the six months ended 30 June 2011 and made no material acquisitions or disposals during the current period.

### Foreign exchange risk

For the six months ended 30 June 2011, the Group's income and expenses were denominated in RMB while certain procurement transactions were settled in US dollars. The Group regulated its outstanding foreign exchange balance by conducting sales settled in US dollars to reduce its foreign exchange exposure. Since the existing bank loans are repayable in RMB, there was no material foreign exchange risk. The Group will review and monitor foreign exchange risk from time to time and may enter into forward swap contracts to hedge such risks where appropriate.

### Employee and Remuneration Policies

As at 30 June 2011, total remuneration cost of the Group was approximately RMB2,950,000 (2010: approximately RMB3,986,000) and the Group had 209 employees (2010: 271 employees). Remuneration is determined by reference to market terms and 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 contributions. Other benefits include contributions to retirement scheme.

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

During the six months ended 30 June 2011, 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 June 2011, the interests and short positions of each Directors, Chief Executive and Supervisor 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 six months ended 30 June 2011 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 six months ended 30 June 2011 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 June 2011, 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%
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 RMBO.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 June 2011, 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 six months ended 30 June 2011, 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 six months ended 30 June 2011.

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

Ningbo, The PRC, 1 August 2011

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