



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
REPORT
2012**

* For identification purposes only

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the "Directors") of Ningbo Yidong Electronic Company Limited 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 RMB2,475,000 and RMB4,263,000 for the three and six months ended 30 June 2012, representing an increase of approximately 6.4% and 21.8% when compared with the corresponding period in 2011 (2011: RMB2,326,000 and RMB3,499,000 respectively).

Unaudited loss attributable to equity shareholders of the Company was approximately RMB5,232,000 and RMB9,770,000 for the three and six months ended 30 June 2012 representing a decrease in loss of approximately RMB1,004,000 and RMB2,952,000 when contrast with the corresponding period in 2011 (2011: RMB6,236,000 and RMB12,722,000 respectively).

Unaudited loss per share was approximately RMB1.05 cents and RMB1.96 cents for the three and six months ended 30 June 2012 respectively (2011: unaudited loss per share RMB1.25 cents and loss per share RMB2.54 cents).

RESULTS

For the three months and six months ended 30 June 2012

	Notes	(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
		2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Revenue	(2)&(3)	2,475	2,326	4,263	3,499
Cost of sales		(2,221)	(2,269)	(3,527)	(3,384)
Gross profit		254	57	736	115
Other income		18	6,298	317	8,424
Selling and distribution costs		(180)	(586)	(307)	(748)
Administrative expenses	(7)	(4,965)	(6,934)	(9,758)	(14,757)
Loss from operations		(4,873)	(1,165)	(9,012)	(6,966)
Finance cost		(394)	(5,076)	(794)	(5,762)
Loss before taxation		(5,267)	(6,241)	(9,806)	(12,728)
Income tax expenses	(4)	—	—	—	—
Loss for the period		(5,267)	(6,241)	(9,806)	(12,728)
Attributable to:					
Equity holders of the Company		(5,232)	(6,236)	(9,770)	(12,722)
Minority interests		(35)	(5)	(36)	(6)
		(5,267)	(6,241)	(9,806)	(12,728)
Loss per share (cents)					
— Basic	(6)	(1.05 cents)	(1.25 cents)	(1.96 cents)	(2.54 cents)

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2012

	(Unaudited) 30 June 2012 RMB'000	(Audited) 31 December 2011 RMB'000
Notes		
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	2,047	5,579
Investment properties	1,210	1,210
Prepaid lease payments	4,720	4,841
	7,977	11,630
Current assets		
Inventories	3,496	3,127
Trade receivables	2,233	2,154
Prepayments, deposits and other receivables	12,488	11,029
Paid in advances	1,939	2,161
Prepaid lease payment	242	242
Bank balances and cash	2,103	2,205
	22,501	20,918
Current liabilities		
Trade payables	50,315	49,596
Other payables and accruals	67,885	65,594
Receipt in advances	4,390	3,280
Amount due to a former corporate shareholder	203,346	202,607
Amounts due to directors	845	816
Amount due to a corporate shareholder	32,436	28,810
Dividends payables	4,440	4,440
Provision for claims	4,544	4,544
Other borrowing	14,750	14,750
Bank borrowings	19,400	20,000
	402,351	394,437
Net current liabilities	(379,850)	(373,519)
Total assets less current liabilities	(371,873)	(361,889)
Capital and reserves		
Share capital	50,000	50,000
Reserves	(421,737)	(411,789)
Equity attributable to owners of the Company	(371,737)	(361,789)
Non-controlling interests	(136)	(100)
	(371,873)	(361,889)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2012

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 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 June 2011	50,000	40,449	24,998	5,251	(466,002)	(345,304)	(6)	(345,310)
At 1 January 2012	50,000	40,449	24,998	5,535	(482,771)	(361,789)	(100)	(361,889)
Exchange differences	—	—	—	(178)	—	(178)	—	(178)
Loss for the period	—	—	—	—	(9,770)	(9,770)	(36)	(9,806)
At 30 June 2012	50,000	40,449	24,998	5,357	(492,541)	(371,737)	(136)	(371,873)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2012

	(Unaudited) Six months ended 30 June 2012 RMB'000	(Unaudited) Six months ended 30 June 2011 RMB'000
Net cash inflow from operating activities	685	70,684
Net cash inflow/(outflow) from investing activities	607	1,700
Net cash inflow/(outflow) from financing activities	(1,394)	(70,021)
(Decrease)/increase in cash and cash equivalents	(102)	2,363
Cash and cash equivalents at the beginning of period	2,205	253
Cash and cash equivalents at the end of period	2,103	2,616
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	2,103	2,616

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT

I. 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 2012 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

The condensed consolidated interim results for the six months ended 30 June 2012 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	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Turnover				
Sales of controller systems for consumer electrical and electronic appliances	1,789	1,588	2,923	2,158
Manufacture of mobile phone controller systems and assembly of mobile phones	686	738	1,340	1,341
	2,475	2,326	4,263	3,499
Other revenues				
Bank interest income	—	—	—	—
Others	18	6,298	317	8,424
	18	6,298	317	8,424
Total revenues	2,493	8,624	4,580	11,923

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	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Turnover	2,923	2,158	1,340	1,341	4,263	3,499
Segment result	139	(30)	597	145	736	115
Unallocated revenues					317	8,424
Unallocated costs					(10,065)	(15,505)
Operating loss					(9,012)	(6,966)
Finance costs					(794)	(5,762)
Loss before taxation					(9,806)	(12,728)
Taxation					—	—
Loss after taxation					(9,806)	(12,728)
Minority interests					(36)	6
Loss attributable to shareholders					(9,770)	(12,722)
Unallocated depreciation					3,681	4,568
Segment assets	19,201	28,529	8,839	89,312	28,040	117,841
Unallocated assets					2,438	370
Total assets					30,478	118,211
Segment liabilities	24,209	27,890	347,390	400,205	371,599	428,095
Unallocated liabilities					30,752	35,426
Total liabilities					402,351	463,521

4. INCOME TAX EXPENSES

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

	(Unaudited)		(Unaudited)	
	For the three months		For the six months	
	ended 30 June		ended 30 June	
	2012	2011	2012	2011
	RMB'000	<i>RMB'000</i>	RMB'000	<i>RMB'000</i>
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 (2011: 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, (2011: 25%).

5. DIVIDEND

The Board does not recommend payment of interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: 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 2012 of approximately RMB5,232,000 and RMB9,770,000 (2011: RMB6,236,000 and RMB12,722,000) and the number of 500,000,000 (2011: 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 (2011: Nil).

7. ADMINISTRATIVE EXPENSES

During the period ended 30 June 2012, the Company has mainly incurred depreciation expense approximately RMB3,681,000 (2011: RMB4,568,000); equipment testing/development fees for products approximately RMB1,194,000 (2011: RMB2,323,000); and land tax approximately RMB140,000 (2011: RMB1,452,000). The remaining balance is mainly related to the tighter cost control on the Company's overall operation for period ended 30 June 2012.

8. TRADE RECEIVABLES

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

	30 June 2012 RMB'000	31 December 2011 RMB'000
Current to 90 days	2,081	2,099
91 to 180 days	140	—
181 to 365 days	12	55
	2,233	2,154

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

9. TRADE PAYABLES

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

	30 June 2012 RMB'000	31 December 2011 RMB'000
Current to 90 days	1,122	738
91 to 180 days	222	340
181 to 365 days	205	821
Over 365 days	48,766	47,697
	50,315	49,596

10. COMMITMENTS

Capital commitments for property, plant and equipment:

	30 June 2012 RMB'000	31 December 2011 RMB'000
— Contracted for but not provided	—	—
— Authorised but not contracted for	—	—
	—	—

11. OTHER BORROWING

The borrowing from Wan Li Group Company Limited, a corporate shareholder, represented a short-term loan bear interest at 2.45% per annum. The borrowing is unsecured and repayable within one year.

12. PLEDGE OF ASSETS

As at 30 June 2012, 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 RMB2,047,000 (31 December 2011: RMB5,579,000)
- (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 RMB4,962,000 (31 December 2011: RMB5,083,000)

13. CONTINGENT LIABILITIES

As at 30 June 2012, the Group has no guarantee contract with banks to provide guarantee to secure the bank facilities granted to a third party (31 December 2011: Nil).

14. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current period presentation to align with the financial statements presentation of the Group.

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 RMB4,263,000 for the six months ended 30 June 2012, representing an increase of approximately 21.8% (2011: RMB3,499,000), and loss attributable to shareholders was approximately RMB9,770,000, representing a decrease of approximately 23.2% (2011: RMB12,722,000). Main reason for the increase in turnover was due to marketing effort.

Gross profit

For the six months ended 30 June 2012, the Group achieved an overall gross profit of approximately RMB736,000, representing an increase of approximately RMB621,000 over the corresponding period in previous year (2011: Gross profit RMB115,000). 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 2012, the Group had net current liabilities of approximately RMB379,850,000 (2011: RMB373,519,000).

Current assets amounted to approximately RMB22,501,000, of which approximately RMB2,103,000 were bank balances and cash (2011: RMB2,205,000). On the other hand, the Group had current liabilities of RMB402,351,000, mainly were amount due to a former corporate shareholder plus other payables and accruals. (2011: RMB394,437,000).

The Group's gearing ratio as at 30 June 2012 was 63.7% (2011: 61.4%), 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 2012 and made no material acquisitions or disposals during the current period.

Foreign exchange risk

For the six months ended 30 June 2012, 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 2012, total remuneration cost of the Group was approximately RMB2,630,000 (2011: approximately RMB2,950,000) and the Group had 123 employees (2011: 209 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 2012, 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 2012, 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. Zhu Guo An	204,610,230 Domestic Shares (note 2)	Interest of controlled corporation (note 1)	55.30%	40.92%
Mr. Zhu Guo Dan	102,289,770 Domestic Shares (note 2)	Interest of controlled corporation (note 1)	27.65%	20.46%
Mr. Qi Yong Qiang	63,100,000 Domestic Shares (note 2)	Beneficial owner	17.05%	12.62%

Notes:

- (1) Wan Li Group Company Limited (a joint stock limited company incorporated in the PRC) is beneficially owned as to 66.67% by Mr. Zhu Guo An and as to 33.33% by Mr. Zhu Guo Dan and as such, Mr. Zhu Guo An and Mr. Zhu Guo Dan are deemed to be interested in the 204,610,230 Shares and 102,289,770 Shares respectively.
- (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 2012 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 2012 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 2012, 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
Wan Li Group Company Limited	306,900,000 Domestic Shares (note 2)	Beneficial owner	82.95%	61.38%
Zhu Guo An	204,610,230 Domestic Shares (note 2)	Interest of controlled corporation	55.30%	40.92%
Zhu Guo Dan	102,289,770 Domestic Shares (note 2)	Interest of controlled corporation	27.65%	20.46%
Qi Yong Qiang	63,100,000 Domestic Shares	Beneficial owner	17.05%	12.62%
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:

- "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 June 2012, 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.
- Wan Li Group Company Limited (a joint stock limited company incorporated in the PRC) is beneficially owned as to 66.67% by Mr. Zhu Guo An and as to 33.33% by Mr. Zhu Guo Dan and as such, Mr. Zhu Guo An and Mr. Zhu Guo Dan are deemed to be interested in the 204,610,230 Shares and 102,289,770 Shares respectively.

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 2012, 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 (revised on 22 March 2012) 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 four independent non-executive Directors of the Company, namely Mr. Kwok Kim Hung Eddie, who is the Chairman of such committee, Mr. Lu Xuan, Mr. Lu Xiang Tai 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 2012.

By order of the board
Ningbo Yidong Electronic Company Limited
Zhu Guo An
Chairman

Ningbo, The PRC, 9 August 2012

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

EXECUTIVE DIRECTORS

Mr. Zhu Guo An
Mr. Qi Yong Qiang
Mr. Zhu Chun Rong

NON-EXECUTIVE DIRECTORS

Mr. Jiang Guo Ping
Mr. Zheng Xin
Mr. Zhu Guo Dan

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kwok Kim Hung Eddie
Mr. Lu Xuan
Mr. Lu Xiang Tai
Professor Fang Min