



寧波屹東電子股份有限公司

**Ningbo Yidong Electronic Company Limited\***

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



FIRST  
QUARTERLY  
REPORT  
2004

\*For identification purpose only

## 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.*

## RESULT HIGHLIGHTS FOR THE THREE MONTHS ENDED 31 MARCH 2004

Unaudited turnover was approximately RMB123 million for the three months ended 31 March 2004, representing an increase of approximately 320% when compared with the same period in 2003.

Unaudited profit attributable to shareholders was approximately RMB15 million for the three months ended 31 March 2004 representing an increase of approximately 549% when compared with the same period in 2003.

Unaudited earnings per share was approximately RMB3 cents for the three months ended 31 March 2004.

## RESULTS

The board of Directors (the "Board") of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months ended 31 March 2004 together with the unaudited comparative figures for the corresponding periods in 2003 as follows:

	Notes	Unaudited For the three months ended 31 March	
		2004 RMB'000	2003 RMB'000
Turnover	(2)	122,553	29,157
Cost of sales		(96,368)	(23,344)
Gross profit		26,185	5,813
Other revenue		79	152
Selling expenses		(408)	(203)
Administrative expenses		(2,610)	(1,542)
Profit from operations		23,246	4,220
Finance cost		(1,481)	(828)
Profit from ordinary activities before taxation		21,765	3,392
Taxation	(3)	(7,533)	(1,119)
Profit after tax		14,232	2,273
Minority Interests		521	0
Profit attributable to shareholders		14,753	2,273
Earnings per share (cents)	(4)	3	0.6

Notes:

**1. Basis of preparation**

The principal accounting policies adopted in preparing the unaudited consolidated results are consistent with all applicable Statements of Standard Accounting Practices issued by the Hong Kong Society of Accountants and accounting principles generally accepted in Hong Kong ("HK GAAP"). The 2004 first quarterly report also complies with the disclosure provisions of the GEM Listing Rules.

All-intra-group transactions have been eliminated in preparing the unaudited consolidated results.

**2. Turnover**

The Group is principally engaged in the design, manufacture and sale of controller systems for consumer electrical and electronic appliances. Turnover is stated net of value added tax. Revenues recognised during the Relevant Periods are as follows:

	Unaudited	
	For the three months ended 31 March	
	2004	2003
	RMB'000	RMB'000
Turnover		
Sale of controller systems for consumer electrical and electronic appliances	45,347	27,253
Manufacture of mobile phone controller systems and assembly of mobile phones	77,206	1,904
	<u>122,553</u>	<u>29,157</u>

### 3. Taxation

The taxation charges represent:

	For the three months ended 31 March	
	2004 RMB'000	2003 RMB'000
PRC income tax	<u>7,533</u>	<u>1,119</u>

The Group is subject to an income tax rate of 33% 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

Basic earnings per share is calculated based on the Group's profit attributable to shareholders for the three months ended 31 March 2004 of approximately RMB14,753,000 (three months ended 31 March 2003: RMB2,273,000) and the weighted average number of 500,000,000 (2002: 370,000,000) shares in issue during the respective period.

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

## MOVEMENT IN RESERVE

	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Statutory public welfare reserve RMB'000	Share issuance costs RMB'000	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)
<b>At 31 December 2003</b>	<b><u>40,449</u></b>	<b><u>8,697</u></b>	<b><u>3,914</u></b>	<b><u>—</u></b>	<b><u>55,454</u></b>	<b><u>108,514</u></b>
At 1 January 2004	40,449	8,697	3,914	—	55,454	108,514
Profit attributable to Shareholders	—	—	—	—	14,753	14,753
2003 final dividend Proposed	—	—	—	—	(6,000)	(6,000)
<b>At 31 March 2004</b>	<b><u>40,449</u></b>	<b><u>8,697</u></b>	<b><u>3,914</u></b>	<b><u>—</u></b>	<b><u>64,207</u></b>	<b><u>117,267</u></b>

## DIVIDEND

The Board does not recommend payment of interim dividend for the three months ended 31 March 2004 (three months ended 31 March 2003: RMB400,000).

## MANAGEMENT DISCUSSION AND ANALYSIS

Financial review for the three months ended 31 March 2004

For the three months ended 31 March 2004, the Group's turnover amounted to approximately RMB123 million, representing an increase of approximately 320%. Profit attributable to shareholders was approximately RMB15 million, representing an increase of approximately 549%, as compared to the corresponding period in 2003.

The improvement in financial results can be attributed mainly to higher sales of controller system for consumer electrical and electronic appliances, stepping up manufacture of mobile phone controller systems, and increased assembly of mobile phones.

### BUSINESS REVIEW

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 order to expand our market base, we also secured new customers such as Fedders, ANC Holding Corporation and JPG in the first quarter of 2004.

In order to fully utilize the production capacity during the low season for the demand for air conditioners from October to March, the Group has focused more on the business of mobile phones from 2003. Therefore, in the first quarter of 2004, during the low season for the demand for air conditioners, the turnover in the manufacture of mobile phone controller systems and assembly of mobile phones accounted for 63% of the total sale.

In the first quarter of 2004, the Group developed a wide range of new intelligent controller systems, such as Bluetooth earphone, portable DVD, bar code reader and gas detector.

## PROSPECTS

The Group's business objective is to further strengthen its position in the design and manufacture of good quality intelligent controller systems for various consumer electrical and electronic appliances in the PRC.

In order to fulfil this objective, the Group will strengthen its R&D capability and development of new products, and in particular:

- continue with the research into fuzzy frequency conversion technology for controller systems in air-conditioners and refrigerators;
- R&D on fuzzy controller systems for car head lamps and automated doors; and
- R&D on controller systems for telecommunication devices and small-sized TFT-LCD devices.

The Group will continue to develop new products, and explore other products with good prospects to further expand and diversify the Group's product bases.

In the coming quarters, profit margin is expected to improve as more sales of controller systems for consumer electrical and electronic appliances are expected during April and September.

## DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISOR'S RIGHTS TO ACQUIRE SHARES

During the three months ended 31 March 2004, none of the Directors, chief executive (if any) or supervisors of the Company 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

At 31 March 2004, the interests and short positions of each Directors, Chief Executives and Supervisors 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:

### (A) ORDINARY SHARES OF RMB0.10 EACH OF THE COMPANY AT 31 MARCH 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 Gun	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 registered a 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.

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).

Apart from the above, at no time during the year was the Company and 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 March 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%
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 RMBO.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.

## **PURCHASE, REDEMPTION OR SALE OF 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, 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.

## **SPONSORS' INTERESTS**

None of Guotai Junan Capital Limited ("Guotai Junan") and Barits Securities (Hong Kong) Limited, both of which were the joint sponsors of the Company in relation to its application for listing of its H shares on GEM, their respective directors, employees or associates (as defined in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests 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.

Pursuant to a sponsor agreement dated 31 October 2003 between the Company and Guotai Junan, Guotai Junan has been appointed as the continuing sponsor of the Company as required under the GEM Listing Rules at a fee from 14 November 2003 to 31 December 2005.

## **OPTIONS TO SUBSCRIBE FOR SHARES IN THE COMPANY**

As at the date of this report, no option has been granted or agreed to be granted to any executive Directors or full-time employees of the Company or its subsidiary or any of their respective associates.

## 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 Society of Accountants. The audit committee comprises three independent non-executive Directors of the Company, namely Mr. Ding Gang Yi (丁剛毅先生), who is the Chairman of such committee, Mr. Tang Zhen Ming (唐振明先生) and Mr. Lam Ming Yung (林明勇先生).

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of this first quarterly report for the three months ended 31 March 2004.

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

Ningbo, The PRC, 14 May 2004