



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)



Interim Report 2004

* For identification purpose only

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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 (the “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 turnover was approximately RMB151,856,000 and RMB274,409,000 for the three and six months ended 30 June 2004, representing increases of approximately 118% and 178% when compared with the same period in 2003.

Unaudited profit attributable to shareholders was approximately RMB21,342,000 and RMB36,095,000 for the three and six months ended 30 June 2004 representing increase of approximately 48% and 116% when compared with the same period in 2003.

Unaudited earnings per share was approximately RMB4.2 cents and RMB7.2 cents for the three and six months ended 30 June 2004.

UNAUDITED INTERIM RESULTS

The board of Directors of the Company (the "Board") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the three and six months ended 30 June 2004 together with the unaudited comparative figures for the corresponding periods in 2003 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the three months and six months ended 30 June 2004

	Notes	Unaudited For the three months ended 30 June		Unaudited For the six months ended 30 June	
		2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
Turnover	(2)&(3)	151,856	69,714	274,409	98,871
Cost of sales		(101,103)	(46,186)	(197,471)	(69,529)
Gross profit		50,753	23,528	76,938	29,342
Other revenue		2,518	103	2,597	298
Selling expenses		(2,313)	(91)	(2,721)	(294)
Administrative expenses		(14,597)	(1,747)	(17,207)	(3,289)
Profit from operations		36,361	21,793	59,607	26,057
Finance cost		(802)	(551)	(2,283)	(1,422)
Profit from ordinary activities before taxation		35,559	21,242	57,324	24,635
Taxation	(4)	(10,943)	(7,010)	(18,476)	(8,129)
Profit after tax		24,616	14,232	38,848	16,506
Minority Interests		(3,274)	172	(2,753)	172
Profit attributable to shareholders		21,342	14,404	36,095	16,678
Dividend	(5)	3,500	–	3,500	400
Earnings per share (cents)	(6)	4.2	3.9	7.2	4.5

CONDENSED CONSOLIDATED BALANCE SHEET

For the six months ended 30 June 2004

	(Unaudited) 30 June 2004	(Audited) 31 December 2003
Note	RMB'000	RMB'000
Non-current assets		
Goodwill	255	373
Fixed assets	123,129	120,848
Deferred tax assets	522	3,057
	<u>123,906</u>	<u>124,278</u>
Current assets		
Inventories	169,044	61,457
Bills receivable	877	6,531
Trade receivables	7 97,155	88,837
Other receivables, deposits and prepayments	46,788	34,872
Amounts due from a director and a shareholder	-	4,787
Amounts due from related companies	-	2,205
Bank balances and cash	159,521	77,869
Pledged bank deposits	3,370	3,670
	<u>476,755</u>	<u>280,228</u>
Current liabilities		
Bills payable	11,233	3,730
Trade payables	8 202,637	141,095
Other payables and accrued charges	33,177	11,853
Receipts in advance	44,355	19,786
Taxation payable	5,787	11,739
Dividend payable	-	20
Short-term bank loans	55,700	25,000
Current portion of amount due to a minority shareholder of a subsidiary	-	-
Current portion of deferred revenue	-	2,728
Current portion of long-term liabilities	2,689	9,659
	<u>355,578</u>	<u>225,610</u>
Net current assets	<u>121,177</u>	<u>54,618</u>
	<u>245,083</u>	<u>178,896</u>

		(Unaudited) 30 June 2004 <i>RMB'000</i>	(Audited) 31 December 2003 <i>RMB'000</i>
Financed by:			
Share capital		50,000	50,000
Other reserves	9	53,060	53,060
Retained earnings			
Proposed interim dividend	9	3,500	6,000
Others	9	82,049	49,454
Shareholders' funds		188,609	158,514
Minority interests		18,374	5,739
Non-current liabilities			
Amount due to a minority shareholder of a subsidiary		-	-
Deferred revenue		-	6,536
Long-term liabilities		38,100	8,107
		<u>245,083</u>	<u>178,896</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2004

		(Unaudited)	(Audited)
		30 June	31 December
		2004	2003
	<i>Note</i>	RMB'000	<i>RMB'000</i>
Total equity as at 1 January 2004/2003		158,514	56,864
Profit for the period		36,095	47,117
Issue of shares	9	–	69,550
Share issuance costs	9	–	(14,617)
Dividends	5 & 9	(6,000)	(400)
Total equity as at 30 June 2004/31 December 2003		<u>188,609</u>	<u>158,514</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2004

	(Unaudited) Six months ended 30 June 2004 <i>RMB'000</i>	(Audited) 31 December 2003 <i>RMB'000</i>
Net cash inflow from operating activities	<u>48,295</u>	<u>46,113</u>
Net cash outflow from investing activities	<u>(6,643)</u>	<u>(42,046)</u>
Net cash inflow from financing activities	<u>40,000</u>	<u>42,287</u>
Increase in cash and cash equivalents	81,652	46,354
Cash and cash equivalents at the beginning of period	<u>77,869</u>	<u>31,515</u>
Cash and cash equivalents at the end of period	<u>159,521</u>	<u>77,869</u>
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	<u>159,521</u>	<u>77,869</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The condensed consolidated interim financial statements should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2003.

The unaudited consolidated results have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

2. TURNOVER, REVENUE

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 For the three months ended 30 June		Unaudited For the six months ended 30 June	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
Turnover				
Sales of controller systems for consumer electrical and electronic appliances	56,282	62,861	101,629	90,114
Manufacture of mobile phone controller systems and assembly of mobile phones	95,574	6,853	172,780	8,757
	151,856	69,714	274,409	98,871
Other revenues				
Bank interest income	184	65	253	108
Sales of scrap materials	2,126	38	2,116	190
Others	208	–	228	–
	2,518	103	2,597	298
Total revenues	154,374	69,817	277,006	99,169

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	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
Turnover	101,629	90,114	172,780	8,757	274,409	98,871
Segment result	38,271	29,349	38,667	(7)	76,938	29,342
Unallocated revenues					2,597	298
Unallocated costs					(19,928)	(3,583)
Operating profit					59,607	26,057
Finance costs					(2,283)	(1,422)
Profit before taxation					57,324	24,635
Taxation					(18,476)	(8,129)
Profit after taxation					38,848	16,506
Minority interests					(2,753)	172
Profit attributable to shareholders					36,095	16,678
Capital expenditure	1,120	11,200	4,776	1,575	5,896	12,775
Unallocated capital expenditure					748	110
					<u>6,644</u>	<u>12,885</u>
Depreciation	1,158	916	1,743	1,642	2,901	2,558
Unallocated depreciation					1,242	711
					<u>4,143</u>	<u>3,269</u>

	As at 30 June 2004 RMB'000	As at 31 December 2003 RMB'000	As at 30 June 2004 RMB'000	As at 31 December 2003 RMB'000	As at 30 June 2004 RMB'000	As at 31 December 2003 RMB'000
Segment assets	89,637	105,674	328,867	171,830	418,504	277,504
Unallocated assets					182,157	127,002
Total assets					600,661	404,506
Segment liabilities	72,203	10,151	186,021	150,634	258,224	160,785
Unallocated liabilities					135,454	79,468
Total liabilities					393,678	240,253

4. TAXATION

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

	Unaudited Three months ended 30 June 2004 RMB'000		Unaudited Six months ended 30 June 2004 RMB'000	
	2003 RMB'000	2004 RMB'000	2003 RMB'000	2004 RMB'000
Current taxation:				
– PRC income tax		(10,943)	(7,010)	(18,476)
Taxation charges		(10,943)	(7,010)	(18,476)

- (a) No provision for Hong Kong profits tax has been made as the Group has no estimated assessable Hong Kong profits for the period (2003: Nil).
- (b) The Group is subject to an income tax rate of 33% on their taxable profit in accordance with the income tax law in the PRC.

5. DIVIDENDS

Subject to the approval of the shareholders of the Company at an extraordinary general meeting of the Company to be held on 13 October 2004, the Board recommended payment of interim dividend in an aggregate amount of RMB3,500,000 (RMB0.007 per ordinary share) for the six months ended 30 June 2004 (2003: RMB400,000) to shareholders whose names appear on the register of members of the Company as at the close of business on 10 September 2004. The proposed payment date of interim dividend will be on 15 November 2004.

6. EARNINGS PER SHARE

Basic earnings per share is calculated based on Group's profit attributable to shareholders for the three and six months ended 30 June 2004 of approximately RMB21,342,000 and RMB36,095,000 (2003: RMB14,404,000 and RMB16,678,000) and the weighted average number of 500,000,000 (2003: 370,000,000) 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 (2003: Nil).

7. TRADE RECEIVABLES

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

	30 June 2004 RMB'000	31 December 2003 RMB'000
Current to 30 days	37,026	48,521
31 to 90 days	29,046	42,603
91 to 180 days	31,554	2,092
181 to 365 days	8,040	563
Over 365 days	490	354
	106,156	94,133
Less: Provision for doubtful debt	(9,001)	(5,296)
	97,155	88,837

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The normal credit terms granted to customers are of 30-90 days.

8. TRADE PAYABLES

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

	30 June 2004 RMB'000	31 December 2003 RMB'000
Current to 30 days	73,484	137,118
31 to 90 days	55,952	1,445
91 to 180 days	52,682	916
181 to 365 days	20,496	735
Over 365 days	23	881
	202,637	141,095

9. RESERVES

	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 2002	-	731	329	-	5,539	6,599
Profit attributable to shareholders	-	-	-	-	36,863	36,863
Transfer to reserve funds	-	4,455	2,111	-	(6,566)	-
Transfer to share capital	-	(2,106)	(1,054)	-	(18,840)	(22,000)
Share issuance costs	-	-	-	(1,484)	-	(1,484)
Declared dividend	-	-	-	-	(114)	(114)
At 31 December 2002	-	3,080	1,386	(1,484)	16,882	19,864
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)
At 31 December 2003	40,449	8,697	3,914	-	55,454	108,514
At 1 January 2004	40,449	8,697	3,914	-	55,454	108,514
Profit attributable to Shareholders	-	-	-	-	36,095	36,095
2003 final dividend	-	-	-	-	(6,000)	(6,000)
At 30 June 2004	40,449	8,697	3,914	-	85,549	138,609
Representing						
2004 interim dividend proposed (note 5)					3,500	
Other					82,049	
					85,549	

10. CONTINGENT LIABILITIES

As at 30 June 2004, the Group has no material contingent liabilities (31 December 2003: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

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.

Thanks to continuing growth in the PRC's domestic economy, and the enduring trend for improved living standards, the high demand for more advanced and sophisticated consumer electrical and electronic appliances such as intelligent air-conditioners and mobile phones, is fuelling the demand for the Group's product, especially the Group's mobile phone business. As a result, a substantial growth in turnover and profit were maintained during the first half of 2004.

As at 30 June 2004, the Group had a customer base of around 60 customers. During the six months ended 30 June 2004, the top five customers of the Group accounted for about 65.8% of the Group's turnover. During the same period, the largest customer of the Group accounted for approximately 22.1% of the Group's turnover.

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The following table breaks down the Group's turnover by business activity for the six months ended 30 June 2004:

	Six months ended 30 June 2004		Six months ended 30 June 2003	
	RMB'000	%	RMB'000	%
By business activity				
Air-conditioner controller systems	96,694	35.3%	66,660	67.4%
Refrigerator controller systems	2,272	0.8%	1,808	1.8%
Smoke extractor controller systems	893	0.3%	1,150	1.2%
Television controller systems	–	–	20,131	20.4%
Manufacture of mobile phones controller systems and assembly of mobile phones	172,780	63.0%	8,757	8.8%
Other	1,770	0.6%	365	0.4%
Total	274,409	100.0%	98,871	100.0%

Prospect

The Group's business objective is to further strengthen the Group's 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 such objective, the Group will strengthen its R&D capability and development of new products, and in particular:

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

The Group will continue to develop new products, such as the controller system for bar-code reader and portable DVD, and explore more products with good prospects to further expand and diversify the Group's product bases.

Financial review

Results

The Group recorded a turnover of approximately RMB274,409,000 for the six months ended 30 June 2004, representing an increase of approximately 178%, and profit attributable to shareholders was approximately RMB36,095,000, representing an increase of approximately 116%, as compared to the corresponding period in 2003.

The improvement in financial results can be attributed mainly to increased sales of controller systems for air-conditioners and manufacture of mobile phone controller systems and assembly of mobile phones.

Gross profit

For the six months ended 30 June 2004, the Group achieved an overall gross profit of approximately RMB76,938,000, representing an increase of approximately 162% over the previous year. The gross profit margin ratio decreased slightly from 29.6% to 28.0% was resulted from the increase on sale of mobile phone business. The profit margin for mobile phone controller systems is lower than that for other controller systems. As a result, this has affected the overall profit margin. However, the gross profit for mobile phone business was improved during the six months ended 30 June 2004 because the production capacity and volume were increased. The production cost was reduced correspondingly and thus gross profit was improved.

Financial Resources and liquidity

As at 30 June 2004, the Group has net current assets and shareholders' funds of approximately RMB121,177,000 and RMB188,609,000 respectively. Current assets amounted to approximately RMB476,755,000, of which approximate RMB159,521,000 were cash and bank deposits. The Group had non-current liabilities of RMB38,100,000 and its current liabilities amounted to approximately RMB355,578,000, mainly its trade payable, receipts in advance and short-term bank loans.

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The Group's gearing ratio as at 30 June 2004 was 14.7% (As at 31 December 2003: 10.5%), which is expressed as a percentage of the total bank borrowings over the total assets.

Other

The Group has not held any significant investment for the six months ended 30 June 2004 and made no material acquisitions or disposals during the current period. At 30 June 2004, the Group had no material capital commitments.

Foreign Currency Risk

During the six months ended 30 June 2004, as most of the Group's sales and purchases were denominated in Renminbi, the Board of Directors considers that the potential foreign exchange exposure of the Group is limited.

Employee and Remuneration Policies

As at 30 June 2004, total remuneration cost of the Group is approximately RMB7,844,000 (2003: approximately RMB7,417,000) and the Group had 844 employees (2003: 581 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.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

To attain our long-term business goal, the Group has set out implementation plans on pages 83 to 84 of the prospectus of the Company dated 30 October 2003. The following is a summary comparison of the actual business progress for the period from 1 January 2004 to 30 June 2004:

Business objective as set out in the prospectus

Actual business progress up to 30 June 2004

1. Expansion on production capability and volume

Set up one production line with high speed SMT machine

Completed.

Batch production of fuzzy controller systems for car head lamps and automated doors

The development has been postponed due to market changes.

Small batch production of controller systems for small-sized TFT-LCD devices

Batch production has been launched.

**Business objective as set out
in the prospectus**

**Actual business progress
up to 30 June 2004**

2. Strengthening of R&D capability and development of new products

Continue with R&D on fuzzy frequency conversion controller systems for small scale centralised air conditioning systems and prepare for trial production

R&D department has continued with the research.

R&D on controller systems for medium-sized TFT-LCD devices and prepare for trial production

Has attained satisfactory results in the research and development work.

R&D on controller systems for small centralised air conditioning system in conjunction with Beijing Institute of Technology

R & D work is in progress.

R&D on applying fuzzy frequency conversion technology in car controller systems

R&D department has started the research.

Continue with R&D on controller systems for telecommunication devices and prepare for trial production

R & D work is in progress.

Acquire additional equipment such as intelligent analysis equipment

The Company has negotiated with the supplier for supplying the machines.

Increase the number of R&D personnel by approximately 4 staff

4 R&D staff were recruited.

**Business objective as set out
in the prospectus**

**Actual business progress
up to 30 June 2004**

3. Sales and marketing

Set up sales point in Taiwan

The sale and marketing department was conducting feasibility studies of setting up additional sales points in Taiwan.

Make regular visits and meet with existing customers

Implemented as planned.

Attend local and international exhibitions and trade shows

The Company has attended exhibitions in Tianjin and Qingdao.

Advertise in trade magazines and other media

The Company has advertised in major mass media in China such as outdoor advertising in highway.

4. Enhancement of management system and trainings for employees

Review and assess the progress of implementing effective internal control and monitoring system

A review and assess program has been implemented.

Continue with implementing plans on trainings for management and technical staff

Training program has been launched.

USE OF PROCEEDS OF THE SHARE OFFER

The net proceeds from the public listing had been applied in the following areas:

	Originally planned up to 30 June 2004	Actual amount used up to 30 June 2004
Expansion on production capability and volume (<i>Note 1</i>)	HK\$18 million	HK\$9.0 million
Strengthening of R&D capacity and development of new products	HK\$6.2 million	HK\$6.1 million
Sales and marketing (<i>Note 2</i>)	HK\$3.5 million	HK\$3.0 million
Enhancement of management system and trainings offered to employees	HK\$0.7 million	HK\$0.7 million

Note 1: The purchases of new machinery have been delayed because the Company has to further negotiate with the suppliers for better terms.

Note 2: The establishment of the sales points in Taiwan is still in process and thus the payments for establishing the office has been delayed.

RIGHTS OF DIRECTORS, CHIEF EXECUTIVE AND SUPERVISORS TO ACQUIRE SHARES

During the six months ended 30 June 2004, 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 2004, 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. Wang Ya Qun	129,500,000 Domestic Shares (note 2)	Beneficial owner	35.0%	25.9%
Mr. Li Ming	129,500,000 Domestic Shares (note 2)	Interest of controlled corporation (note 1)	35.0% (note 1)	25.9%
Mr. Chen Zheng Tu	92,500,000 Domestic Shares (note 2)	Beneficial owner	25.0%	18.5%

Notes:

- (1) Mr. Li Ming 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 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 six months ended 30 June 2004, 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) which were required to notify the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required pursuant to section 352 of the SFO to be entered in the registrar maintained by the Company, or which were required to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules relating to securities transactions by Directors.

Apart from the above, at no time during the six months ended 30 June 2004 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

So far as known to the Directors, the register of substantial shareholders maintained under section 336 of the SFO shows that as at 30 June 2004, the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of SFO. 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	Beneficial owner	35%	25.9%
Shenzhen Ruilian	129,500,000 Domestic Shares	Interest of controlled corporation	35%	25.9%
Martin Currie China Hedge Fund Limited	21,345,000 H Shares (note 1)	Investment manager	16.4%	4.3%
UBS AG	21,345,000 H Shares (note 1)	Person having a security interest in shares	16.4%	4.3%
Dai Huan	8,200,000 H Shares (note 1)	Beneficial owner	6.3%	1.6%

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 June 2004, 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 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.

CLOSURE OF REGISTER

The register of members of the Company will be closed from 13 September 2004 to 13 October 2004 (both days inclusive), during which no transfer of shares can be registered. In order to qualify for the interim dividend for the six months ended 30 June 2004 (please refer to note 5 to condensed consolidated interim financial statement for details), all instruments of transfer accompanied by the relevant share certificates must be lodged with the Company share registrar, Abacus Share Registrars Limited at 28/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration by no later than 10 September 2004.

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.

SPONSOR'S INTERESTS

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

To the best knowledge of Guotai Junan, neither Guotai Junan nor its Directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interest 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 as at 31 December 2003.

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.

BOARD PRACTICES AND PROCEDURES

During the six months ended 30 June 2004, the Company has complied with the board practices and procedures as set out in Rules 5.34 to 5.45 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 Society of Accountants and the requirements as set out in Rules 5.28 and 5.30 of the GEM Listing Rule. 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 interim report for the six months ended 30 June 2004.

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

Ningbo, The PRC, 13 August 2004

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

Executive Directors

Mr. Wang Ya Qun
Mr. Liu Xiao Chun
Mr. Chen Zheng Tu
Mr. Wang Pei Zhang

Non-executive Director

Mr. Li Ming

Independent non-executive Directors

Mr. Tang Zhen Ming
Mr. Ding Gang Yi
Mr. Lam Ming Yung