



宁波屹东电子股份有限公司

NINGBO YIDONG ELECTRONIC COMPANY LIMITED<sup>®</sup>

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

FIRST QUARTERLY REPORT 2005

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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.

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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.*

### HIGHLIGHTS

- Unaudited turnover was approximately RMB128,205,000 for the three months ended 31 March 2005, representing an increase of approximately 5% when compared with the same period in 2004.
- Unaudited profit attributable to shareholders was approximately RMB16,659,000 for the three months ended 31 March 2005, representing an increase of approximately 13% when compared with the same period in 2004.
- Unaudited earnings per share was approximately RMB3.3 cents for the three months ended 31 March 2005.
- The Directors do not recommend the payment of any interim dividend in respect of the three months ended 31 March 2005.

## 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 2005 together with the unaudited comparative figures for the corresponding periods in 2004 as follows:

		<b>Unaudited For the three months ended 31 March</b>	
	<i>Notes</i>	<b>2005 RMB'000</b>	2004 RMB'000
Turnover	(2)	<b>128,205</b>	122,553
Cost of sales		<b>(97,233)</b>	(96,368)
Gross profit		<b>30,972</b>	26,185
Other revenue		<b>67</b>	79
Selling expenses		<b>(1,463)</b>	(408)
Administrative expenses		<b>(3,559)</b>	(2,610)
Profit from operations		<b>26,017</b>	23,246
Finance cost		<b>(1,413)</b>	(1,481)
Share of losses of associates		<b>(27)</b>	-
Profit from ordinary activities before taxation		<b>24,577</b>	21,765
Taxation	(3)	<b>(8,443)</b>	(7,533)
Profit after tax		<b>16,134</b>	14,232
Minority Interests		<b>525</b>	521
Profit attributable to shareholders		<b>16,659</b>	14,753
Earnings per share (cents)	(4)	<b>3.3</b>	3.0

Notes:

**1. Basis of preparation**

The principal accounting policies adopted in preparing the unaudited consolidated results are consistent with all applicable accounting standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong (“HK GAAP”).

In 2004, the HKICPA issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“new HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005. The adoption of the new HKFRSs had no material impact on the Group’s results of operations and financial position.

The accounting policies adopted in preparing the unaudited consolidated results for the period under review are consistent with those followed in the Group’s 2004 annual report.

**2. Turnover**

The Group is principally engaged in the design, manufacture and sale of 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. Revenues recognised during the period under review are as follows:

	<b>Unaudited For the three months ended 31 March</b>	
	<b>2005 RMB’000</b>	2004 RMB’000
Turnover		
Sale of controller systems for consumer electrical and electronic appliances	<b>6,879</b>	45,347
Manufacture of mobile phone controller systems and assembly of mobile phones	<b>121,326</b>	77,206
	<b>128,205</b>	122,553

**3. Taxation**

The taxation charges represent:

	<b>For the three months ended 31 March</b>	
	<b>2005</b>	2004
	<b>RMB'000</b>	RMB'000
PRC income tax	<b>8,443</b>	7,533

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 2005 of approximately RMB16,659,000 (2004: RMB14,753,000) and the weighted average number of 500,000,000 (2004: 500,000,000) 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**

	<b>Capital reserve</b> <i>RMB'000</i>	<b>Statutory surplus reserve</b> <i>RMB'000</i>	<b>Statutory public welfare reserve</b> <i>RMB'000</i>	<b>Retained earnings</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
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)
At 31 March 2004	<u>40,449</u>	<u>8,697</u>	<u>3,914</u>	<u>64,207</u>	<u>117,267</u>
At 1 January 2005	40,449	14,893	6,702	93,157	155,201
Profit attributable to Shareholders	–	–	–	16,659	16,659
At 31 March 2005	<u>40,449</u>	<u>14,893</u>	<u>6,702</u>	<u>109,816</u>	<u>171,860</u>

**DIVIDEND**

The Board does not recommend payment of interim dividend for the three months ended 31 March 2005 (three months ended 31 March 2004: NIL).

**MANAGEMENT DISCUSSION AND ANALYSIS****Financial review for the three months ended 31 March 2005**

For the three months ended 31 March 2005, the Group's turnover amounted to approximately RMB128,205,000, representing an increase of approximately 5%. Profit attributable to shareholders was approximately RMB16,659,000, representing an increase of approximately 13%, as compared to the corresponding period in 2004.

**BUSINESS REVIEW**

Capitalizing on the steady development of the PRC telecommunication industry and the dedication of the management and all the staff, the Group achieved remarkable results while consolidating its market position during the period under review.

For the three months ended 31 March 2005, the Group recorded an unaudited gross profit of RMB30,972,000, and a gross profit margin of approximately 24%, as compared to the unaudited gross profit and gross profit margin of approximately RMB26,185,000 and 21% respectively for the corresponding period last year. The increase was mainly attributable to the substantial growth of the Group's assembly of mobile phone processing business and the implementation of stricter cost control measures.

Due to the Group's active market exploration during the period under review, selling expenses increased by approximately RMB1,055,000 from the corresponding period last year.

### **PROSPECT**

With regards to business, the Group will continue to strengthen its sales and marketing efforts and identify suitable partners so as to maximize the returns for the Group and its shareholders.

The Group will continue to carry out research and development on the following existing and new products.

- The fuzzy frequency conversion technology for controller systems of air-conditioners and refrigerators;
- The controller systems for telecommunication devices and TFT-LCD devices;
- Other new products, such as the controller systems for bar-code readers and portable DVDs and DVD-TV audio visual combo.

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

During the three months ended 31 March 2005, 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 31 March 2005, 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**

<b>Name of Director/ Chief Executive/ Supervisor</b>	<b>Number of Domestic Shares of RMB0.10 each (the "Domestic Shares") held</b>	<b>Nature of interest</b>	<b>Approximate percentage of shareholding in same class of securities</b>	<b>Approximate percentage of shareholding in the registered capital</b>
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 three months ended 31 March 2005, 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 three months ended 31 March 2005 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 31 March 2005, 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.

<b>Name of Shareholder</b>	<b>Number of shares held</b>	<b>Nature of interest</b>	<b>Approximate percentage of shareholding in same class of securities</b>	<b>Approximate percentage of shareholding in the registered capital</b>
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%
Martin Currie Investment Management 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 31 March 2005, 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.

## **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 March 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.

## **BOARD PRACTICES AND PROCEDURES**

During the three months ended 31 March 2005, 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 Institute of Certified Public 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. Mok Wai Man, Derek (莫偉民先生).

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 a review of this quarterly financial statement for the three months ended 31 March 2005.

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

Ningbo, The PRC, 13 May 2005

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. Mok Wai Man, Derek