



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)

\* For identification purpose only

05

Third  
Quarterly  
Report

## 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.

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.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

*The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims 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 (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 consolidated turnover was approximately RMB78,451,000 and RMB332,909,000 for the three and nine months ended 30 September 2005, representing a decrease of approximately 37% and 17% when compared with the same period in 2004.

Unaudited profit attributable to shareholders was approximately RMB5,822,000 and RMB33,176,000 for the three and nine months ended 30 September 2005 representing decrease of approximately 66% and 38% when compared with the same period in 2004.

Unaudited earnings per share was approximately RMB1.16 cents and RMB6.64 cents for the three and nine months ended 30 September 2005.

## RESULTS

The board of Directors of the Company (the "Board") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three and nine months ended 30 September 2005 together with the unaudited comparative figures for the corresponding periods in 2004 as follows:

	Notes	Unaudited For the three months ended 30 September		Unaudited For the nine months ended 30 September	
		2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
Turnover	(2)	78,451	125,136	332,909	399,545
Cost of sales		(62,968)	(90,990)	(265,378)	(288,461)
Gross profit		15,483	34,146	67,531	111,084
Other revenue		1,058	5,274	5,090	7,618
Selling expenses		(664)	(1,922)	(2,788)	(4,643)
Administrative expenses		(5,711)	(8,941)	(17,617)	(26,148)
Profit from operations		10,166	28,557	52,216	87,911
Finance cost		(3,326)	(1,765)	(7,672)	(3,795)
Share of loss of associated companies		(7)	-	(63)	-
Profit from ordinary activities before taxation		6,833	26,792	44,481	84,116
Taxation	(3)	(1,291)	(9,920)	(12,864)	(28,396)
Profit for the period		5,542	16,872	31,617	55,720
Attributable to:					
Equity holders of the parent company		5,822	17,277	33,176	53,372
Minority interest		(280)	(405)	(1,559)	2,348
		5,542	16,872	31,617	55,720
Dividend		-	-	3,500	3,500
Earnings per share (cents)		1.16	3.46	6.64	10.67

## NOTES TO UNAUDITED CONSOLIDATED THIRD QUARTERLY FINANCIAL STATEMENT

### 1. BASIS OF PREPARATION

The unaudited condensed consolidated results have been prepared in accordance with the applicable requirements of the Rules governing the Listing of Securities on the GEM of the Stock Exchange of Hong Kong Limited ("GEM Listing Rules") and the accounting standards issued by Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounting policies and basis of preparation adopted in preparing the unaudited condensed consolidated results for the nine month ended 30 September 2005 are consistent with those adopted in the Company's Annual Report for the year ended 31 December 2004 except for the new adoption of Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standard ("HKAS"). Due to the new adoption of such HKFRSs and HKASs, certain comparative figures previously reported have been restated to comply with the new requirements.

These unaudited condensed consolidated results have been reviewed by the audit committee of the Company and were approved by the Board on 11 November 2005.

### 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 For the three months ended 30 September		Unaudited For the nine months ended 30 September	
	2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
Turnover				
Sales of controller systems for consumer electrical and electronic appliances	1,955	46,927	50,412	148,556
Manufacture of mobile phone controller systems and assembly of mobile phones	76,496	78,209	282,497	250,989
	<b>78,451</b>	125,136	<b>332,909</b>	399,545

### 3. TAXATION

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

	Unaudited Three months ended 30 September		Unaudited nine months ended 30 September	
	2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
Current taxation:				
– PRC income tax	1,291	9,920	12,864	28,396
Taxation charges	1,291	9,920	12,864	28,396

- (a) No provision for Hong Kong profits tax has been made as the Group has no estimated assessable Hong Kong profits for the period (2004: 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.

### 4. DIVIDENDS

The Board does not recommend payment of dividend for the three months ended 30 September 2005 (three months ended 30 September 2004: nil). The Board had declared payment of interim dividend of approximately RMB3,500,000 for the nine months ended 30 September 2005 (nine months ended 30 September 2004: approximately RMB3,500,000).

### 5. EARNINGS PER SHARE

Basic earnings per share is calculated based on Group's profit attributable to shareholders for the three and nine months ended 30 September 2005 of approximately RMB5,822,000 and RMB33,176,000 (2004: RMB17,277,000 and RMB53,372,000) and the weighted average number of 500,000,000 (2004: 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 (2004: Nil).

## MOVEMENT IN RESERVE

	Attributable to equity holders of the parent company							
	Shares capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Public welfare reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Minority interest RMB'000	Total RMB'000
At 1 January 2004	50,000	40,449	8,697	3,914	55,454	158,514	5,739	164,253
Arising from acquisition of a subsidiary	-	-	-	-	-	-	9,882	9,882
Profit for the period	-	-	-	-	53,372	53,372	2,348	55,720
2003 final dividend	-	-	-	-	(6,000)	(6,000)	-	(6,000)
2004 interim dividend	-	-	-	-	(3,500)	(3,500)	-	(3,500)
At 30 September 2004	50,000	40,449	8,697	3,914	99,326	202,386	17,969	220,355
At 1 January 2005	50,000	40,449	14,893	6,702	93,157	205,201	8,253	213,454
Arising from acquisition of a subsidiary	-	-	-	-	-	-	1,750	1,750
Profit for the period	-	-	-	-	33,176	33,176	(1,559)	31,617
2004 final dividend	-	-	-	-	(6,000)	(6,000)	-	(6,000)
2005 interim dividend	-	-	-	-	(3,500)	(3,500)	-	(3,500)
At 30 September 2005	50,000	40,449	14,893	6,702	116,833	228,877	8,444	237,321

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial review for the nine months ended 30 September 2005

For the nine months ended 30 September 2005, the Group's turnover amounted to approximately RMB332,909,000, representing a decrease of approximately 17% as compared to the corresponding period in 2004. Profit attributable to shareholders was approximately RMB33,176,000, representing a decrease of approximately 38%, as compared to the corresponding period in 2004.

### Business review and prospect

During the period under review, the Group's mobile phone business continued to grow steadily. Turnover increased by approximately 13% from the corresponding period last year. Since the Group has been repositioning its business, resources invested in the domestic business of controller systems for electrical appliances and electronic devices have been significantly reduced during the period under review, contributing to an approximately 66% decrease in the turnover of such business.

Meanwhile, the Group continues to adjust its existing production lines with the view to exploring the enormous LCD TV market and has already commenced small batch production during the period under review. The Group is now stepping up the construction of the new plant and the procurement of new production equipment, hoping that the plant can be completed and commence production and operation as early as possible.

The management believes that with the persistent adoption of a market-oriented approach, the dedication and hard work of its staff and the completion and operation of the new plant, the Group's business is set to benefit.

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

During the nine months ended 30 September 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 30 September 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

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 <i>(note 2)</i>	Beneficial owner	35.0%	25.9%
Mr. Li Ming	129,500,000 Domestic Shares <i>(note 2)</i>	Interest of controlled corporation <i>(note 1)</i>	35.0% <i>(note 1)</i>	25.9%
Mr. Chen Zheng Tu	92,500,000 Domestic Shares <i>(note 2)</i>	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 nine months ended 30 September 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 nine months ended 30 September 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 30 September 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.

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 <i>(note 1)</i>	Investment manager	16.4%	4.3%
Martin Currie Investment Management Limited	21,345,000 H Shares <i>(note 1)</i>	Investment manager	16.4%	4.3%
UBS AG	21,345,000 H Shares <i>(note 1)</i>	Person having a security interest in shares	16.4%	4.3%
Dai Huan	8,200,000 H Shares <i>(note 1)</i>	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 September 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 30 September 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 nine months ended 30 September 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.

## CORPORATE GOVERNANCE

The Board considers that the Company has complied with the Code on Corporate Governance Practices and Rules on the Corporate Governance Report which come into effect on 1 January 2005 as set out in Appendix 15 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 nine months ended 30 September 2005.

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

Ningbo, The PRC, 11 November 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