

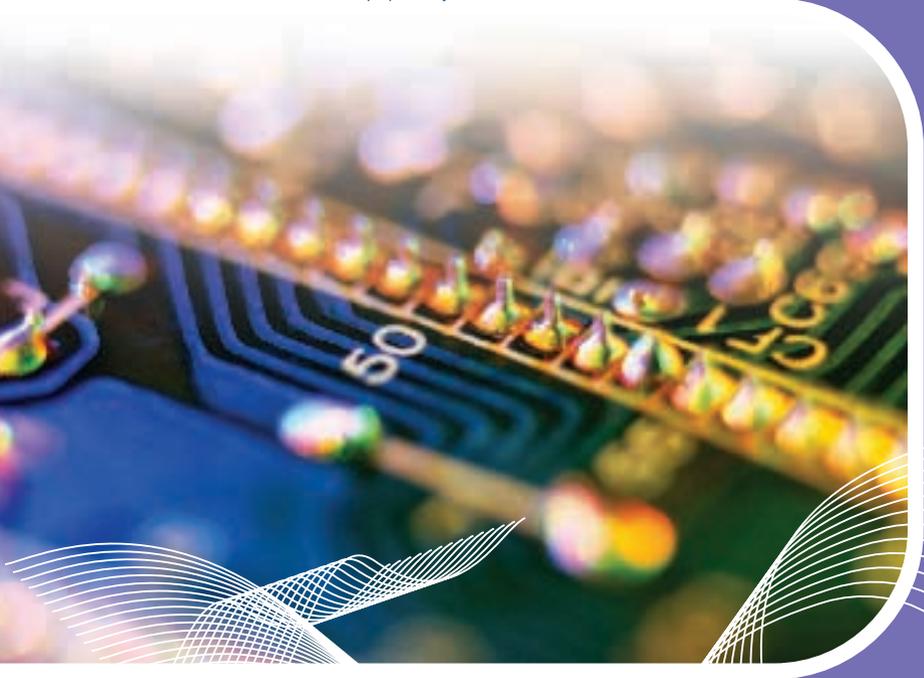


宁波屹东电子股份有限公司

NINGBO YIDONG ELECTRONIC COMPANY LIMITED\*

(a joint stock limited company incorporated in the People's Republic of China)  
stock code: 8249

\* For identification purpose only



First Quarterly Report  
**2006**

## 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 (“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.*

## 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 2006 together with the unaudited comparative figures for the corresponding periods in 2005 as follows:

		Unaudited For the three months ended 31 March	
	Notes	2006 RMB'000	2005 RMB'000
Revenue	(2)	86,170	128,205
Cost of sales		<u>(73,392)</u>	<u>(97,233)</u>
Gross profit		12,778	30,972
Other income		2,361	67
Selling and distribution costs		(888)	(1,463)
Administrative expenses		<u>(9,734)</u>	<u>(3,559)</u>
Profit from operations		4,517	26,017
Finance cost		(2,293)	(1,413)
Share of losses of associates		<u>—</u>	<u>(27)</u>
Profit before taxation		2,224	24,577
Income tax expenses	(3)	<u>(1,854)</u>	<u>(8,443)</u>
Profit for the period		<u>370</u>	<u>16,134</u>
Attributable to:			
Equity holders of the Company		937	16,659
Minority Interest		<u>(567)</u>	<u>(525)</u>
		<u>370</u>	<u>16,134</u>
Earnings per share (cents)	(4)	<u>0.2</u>	<u>3.3</u>

## Notes:

## 1. Basis of preparation

The unaudited consolidated results of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") (collectively "HKFRSs"), 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 adopted in preparing the unaudited consolidated results for the three months ended 31 March 2006 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2005.

The condensed consolidated results for the three months ended 31 March 2006 are unaudited and have been reviewed by the audit committee of the Company.

## 2. Revenue

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:

	Unaudited For the three months ended 31 March	
	2006 RMB'000	2005 RMB'000
Turnover		
Sale of controller systems for consumer electrical and electronic appliances	294	6,879
Manufacture of mobile phone controller systems and assembly of mobile phones	85,876	121,326
	<u>86,170</u>	<u>128,205</u>

### 3. Income tax expenses

The taxation charges represent:

	For the three months ended 31 March	
	2006 RMB'000	2005 RMB'000
PRC income tax	<u>1,854</u>	<u>8,443</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 2006 of approximately RMB937,000 (2005: RMB16,659,000) and 500,000,000 (2005: 500,000,000) shares in issue during the respective periods.

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

### MOVEMENT IN RESERVE

Except as disclosed below, there was no movement in reserves of the Group for the three months ended 31 March 2006 and 31 March 2005.

	<b>Retained earnings</b> <i>RMB'000</i>
At 1 January 2005	93,157
Profit attributable to Shareholders	<u>16,659</u>
At 31 March 2005	<u>109,816</u>
At 1 January 2006	90,312
Profit attributable to Shareholders	<u>937</u>
At 31 March 2006	<u>91,249</u>

### DIVIDEND

The Board does not recommend payment of interim dividend for the three months ended 31 March 2006 (three months ended 31 March 2005: NIL).

### MANAGEMENT DISCUSSION AND ANALYSIS

#### Financial review for the three months ended 31 March 2006

For the three months ended 31 March 2006, the Group's turnover and profit attributable to shareholders was approximately RMB86,170,000 and RMB937,000, representing an decrease of approximately 32.8% and 94.4% respectively, as compared to the corresponding period in 2005.

### BUSINESS REVIEW

With regard to the steady development of the PRC telecommunication industry, the demand for mobile phone is increasing. Due to the keen competition of the market, the Group still maintained the market share while the results recorded a decrease during the period under review.

For the three months ended 31 March 2006, the Group recorded an unaudited gross profit of RMB12,778,000, and a gross profit margin of approximately 14.8%, as compared to the unaudited gross profit and gross profit margin of approximately RMB30,972,000 and 24.2% respectively for the corresponding period last year. The decrease of the gross profit is mainly due to the keen competition of the market resulting in difficulty in rising the selling price while the cost of production continuously maintained at high level.

Due to the Group's active market exploration and input of abounding resources in research and development during the period under review, administration expenses increased by approximately RMB6,175,000 from the corresponding period last year. Following the continuous input of appropriate resources, the expansion of the market and the product quality will build in a solid foundation. Due to the rising fund requirement for the new plants and working capital, the finance cost increased by approximately RMB880,000 from the corresponding period last year.

## PROSPECT

With regards to business, the Group will continue to strengthen its sales and marketing efforts, identify strategic partners and effective usage of license for the manufacture of GSM phone granted at the beginning of the year 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.

- Preparation and input for the production of 3G mobile phone; and
- Improvement TFT-LCD devices and innovation of related controller technology.

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

During the three months ended 31 March 2006, 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 2006, 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 and Mr. Liu Xiao Chun hold a direct interest of 42.0% and 26.0% in Shenzhen Ruilian respectively.

- (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 2006, 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 2006 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 2006, 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%
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 2006, 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.

## CORPORATE GOVERNANCE

For the three months ended 31 March 2006, except for remuneration committee not yet setting up, 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 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 2006.

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

Ningbo, The PRC, 12 May 2006

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. Chen Da Jun

### *Non-executive Director*

Mr. Li Ming

### *Independent non-executive Directors*

Mr. Tang Zhen Ming  
Mr. Ding Gang Yi  
Mr. Mok Wai Man, Derek  
Mr. Wang Ning