



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

FIRST QUARTERLY REPORT 2008

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 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 for the purpose of giving information with regard to Ningbo Yidong Electronic Company Limited. 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 2008 together with the unaudited comparative figures for the corresponding periods in 2007 as follows:

	Notes	Unaudited For the three months ended 31 March	
		2008 RMB'000	2007 RMB'000
Revenue	(2)	19,909	168,027
Cost of sales		(22,333)	(155,641)
Gross (loss)/profit		(2,424)	12,386
Other income		2,158	(960)
Selling and distribution costs		(390)	(1,313)
Administrative expenses		(8,888)	(11,040)
(Loss) from operations		(9,544)	(927)
Finance cost		(2,785)	(4,706)
(Loss) before taxation		(12,329)	(5,633)
Income tax expenses	(3)	-	(149)
(Loss) for the period		<u>(12,329)</u>	<u>(5,782)</u>
Attributable to:			
Equity holders of the Company		(12,205)	(6,114)
Minority Interest		(124)	332
		<u>(12,329)</u>	<u>(5,782)</u>
(Loss) per share (cents) – Basic	(4)	<u>(2.44 cents)</u>	<u>(1.22)</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 2008 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007.

The condensed consolidated results for the three months ended 31 March 2008 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, and revenues recognised during the period under review are as follows:

	Unaudited For the three months ended 31 March	
	2008	2007
	RMB'000	RMB'000
Turnover		
Sale of controller systems for consumer electrical and electronic appliances	4,008	17,977
Manufacture of mobile phone controller systems and assembly of mobile phones	15,901	150,050
	<u>19,909</u>	<u>168,027</u>

3. Income tax expenses

The taxation charges represent:

	For the three months ended 31 March	
	2008	2007
	RMB'000	RMB'000
PRC income tax	-	149

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. (Loss) earnings per share

Loss per share is calculated based on the Group's loss attributable to shareholders for the three months ended 31 March 2008 of approximately RMB12,205,000 (2007: RMB6,114,000) and 500,000,000 (2007: 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 2008 and 31 March 2007.

	Retained earnings RMB'000
At 1 January 2007	67,004
(Loss) attributable to Shareholders	(6,114)
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At 31 March 2007	60,890
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At 1 January 2008	(123,698)
(Loss) attributable to Shareholders	(12,205)
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At 31 March 2008	(135,903)
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DIVIDEND

The Board does not recommend payment of interim dividend for the three months ended 31 March 2008 (three months ended 31 March 2007: NIL).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

For the three months ended 31 March 2008, the Group's turnover was approximately RMB19,909,000, representing a decrease of 88% as compared to the corresponding period in previous year (2007: RMB168,027,000), whilst there was loss attributable to shareholders of approximately RMB12,205,000, representing an increase of 100% as compared to the same corresponding period (2007: RMB6,114,000).

BUSINESS REVIEW

The sale of mobile phones was low in consequence of restructuring in 2007, but this reduced the fixed overheads to the minimum. Tight cashflow had limited the resources invested in operation and the management was identifying profitable opportunities before feeding fund for worthy expansion.

For the three months ended 31 March 2008, the Group recorded an unaudited gross loss of RMB2,424,000, and a gross loss margin of 12%, as compared to the unaudited gross profit and gross profit margin of approximately RMB12,386,000 and 7.4% respectively for the corresponding period in 2007. The decrease in the gross profit margin was mainly due to low sales committed during the quarter. Sales of both the mobile phones and the controllers depend heavily on the market development, and the Group will expand the production in these segments whenever acceptable margins emerged with the products.

The overheads showed an overall decrease as compared to corresponding period in 2007. Selling expenses decreased by 70% to approximately RMB390,000 from RMB1,313,000 in the corresponding period last year, administrative expenses decreased by 20% to approximately RMB8,888,000 from RMB11,040,000 in the corresponding period last year, and finance costs decreased by 41% to approximately RMB2,785,000 from RMB4,706,000 in the corresponding period last year. The fund requirement should be stable for period of time, as the spendings will be reduced further through new plant utilization, but are balanced by working capital requirement for increased operation.

PROSPECT

The Group will diversify its production to reduce risks in individual segments, e.g. mobile phone, maintain and continue profitable operation as far as possible, and identify strategic partners. The strategies place investor return maximisation in the first place and keep risk-free progressing at all times. The licence for GSM phone manufactory, research and development investment and our upgraded capabilities from new plants, will all contribute to the Group's restoration to good financial position. We expect a good year to come despite a loss is reported for the first quarter.

RIGHTS OF DIRECTORS, CHIEF EXECUTIVE AND SUPERVISORS TO ACQUIRE SHARES

During the three months ended 31 March 2008, 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 2008, the interests and short positions of each Directors, Chief Executive and Supervisor 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 issuers 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:

Long positions in shares

Name of Director/ Chief Executive/ Supervisor	Domestic Shares of RMB0.10 each (the "Domestic Shares") held	Nature of interest	Approximate percentage of shareholding held in same class of securities	Approximate percentage of shareholding in the registered capital
Mr. Gong Zheng Jun	91,650,000 Domestic Shares (note 2)	Beneficial owner	24.77%	18.33%
Mr. Chen Zheng Tu	63,100,000 Domestic Shares (note 2)	Beneficial owner	17.05%	12.62%
Mr. Yang Li	41,500,000 Domestic Shares (note 2)	Beneficial owner	11.22%	8.30%
Mr. Zheng Yi Song	129,500,000 Domestic Shares (note 2)	Interest of controlled corporation (note 1)	35%	25.90%

Notes:

- (1) Mr. Zheng Yi Song is not a registered shareholder of the Company. His indirect shareholding interest in 129,500,000 shares of the Company is held through Shenzhen Ruilian Investment Company Limited ("Shenzhen Ruilian"), which holds a 90% direct interest in China Ruilian Holding Corporation ("China Ruilian"), a registered shareholder in 129,500,000 shares of the Company.

Both Shenzhen Ruilian and China Ruilian are established and based in the PRC. Mr. Zheng Yi Song holds a direct interest of 32% in Shenzhen Ruilian.

- (2) Domestic Shares of a nominal value of RMB0.10 each, in the registered capital of the Company, which are subscribed for or credited as fully-paid in Renminbi.

Save as disclosed above, at no time during the three months ended 31 March 2008 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 three months ended 31 March 2008 was the Company or its subsidiaries a party to any arrangement enabling 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

Long positions in shares

According to the register of substantial shareholders maintained under section 336 of the SFO, as at 31 March 2008, the Company had been notified the following substantial shareholders' were interested in 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	Approximate percentage of shareholding in same class of securities	Approximate percentage of shareholding in the registered capital
China Ruilian	129,500,000 Domestic Shares (notes 1 and 2 above)	Beneficial owner	35%	25.90%
Shenzhen Ruilian	129,500,000 Domestic Shares (notes 1 and 2 above)	Interest of controlled corporation	35%	25.90%
Wang Ya Qun	37,850,000 Domestic Shares (note 2 above)	Beneficial owner	10.23%	7.57%
Martin Currie China Hedge Fund Limited	14,245,000 H Shares (note 1)	Investment manager	10.96%	2.85%
Martin Currie Investment Management Limited	14,245,000 H shares (note 1)	Investment manager	10.96%	2.85%
Martin Currie (Holdings) Ltd.	12,680,000 H shares (note 1)	Beneficial owner	9.75%	2.53%
UBS AG	12,850,000 H shares (note 1)	Person having a security interest in shares	9.88%	2.57%
Dai Huan	8,200,000 H shares (note 1)	Beneficial owner	6.31%	1.64%

Note:

- (1) "H Share(s)" represent overseas listed foreign share(s) of a nominal value of RMB0.10 each in the registered 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 2008, 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 2008, 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 5.29 of the GEM Listing Rule. The audit committee comprises three independent non-executive Directors of the Company, namely Mr. Ding Gang Yi, who is the Chairman of such committee, Mr. Tang Zhen Ming and Mr. Ku Kin Shing.

Mr. Ku resigned as an independent non-executive director and audit committee member with effect from 30 April 2008. The Company thereby does not meet Rule 5.05 of the GEM Listing Rule in respect of independent non-executive director requirement and Rule 5.28 of the GEM Listing Rule in respect of Audit Committee requirement after Mr. Ku's resignation and before filling the position.

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.

By order of the board
Ningbo Yidong Electronic Company Limited
Liu Feng
Chairman

Ningbo, The PRC, 15 August 2008

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

Executive Directors

Mr. Liu Feng
Mr. Gong Zheng Jun
Mr. Chen Zheng Tu

Non-executive Director

Mr. Zheng Yi Song
Mr. Wang Wei Shi

Independent non-executive Directors

Mr. Tang Zhen Ming
Mr. Ding Gang Yi
Mr. Ku Kin Shing (resigned on 30 April 2008)