



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

INTERIM REPORT 2008

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.

HIGHLIGHTS

Unaudited turnover was approximately RMB29,929,000 and RMB49,838,000 for the three and six months ended 30 June 2008, representing decrease of approximately 68% and 81% when compared with the corresponding period (2007: RMB93,917,000 and RMB261,944,000 respectively).

Unaudited loss attributable to equity shareholders of the Company was approximately RMB14,866,000 and RMB27,071,000 for the three and six months ended 30 June 2008 representing profit decrease of approximately 252% and 843% when contrast with the corresponding period (2007: profit RMB9,760,000 and profit RMB3,646,000 respectively).

Unaudited loss per share was approximately RMB2.97 cents and RMB5.41 cents for the three and six months ended 30 June 2008 respectively (2007: earnings per share 1.95 cents and earnings per share 0.73 cents).

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the three months and six months ended 30 June 2008

	Notes	Unaudited For the three months ended 30 June		Unaudited For the six months ended 30 June	
		2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Revenue	(2)&(3)	29,929	93,917	49,838	261,944
Cost of sales		(24,280)	(70,958)	(46,613)	(226,599)
Gross profit		5,649	22,959	3,225	35,345
Other (loss)/revenue		(353)	2,521	1,805	1,561
Selling and distribution costs		(283)	(1,313)	(673)	(2,626)
Administrative cost		(13,599)	(10,225)	(22,487)	(21,265)
(Loss)/Profit from operations		(8,586)	13,942	(18,130)	13,015
Finance cost		(6,378)	(4,361)	(9,163)	(9,067)
(Loss)/Profit before taxation		(14,964)	9,581	(27,293)	3,948
Income tax expenses	(4)	-	(131)	-	(280)
Profit for the period		<u>(14,964)</u>	<u>9,450</u>	<u>(27,293)</u>	<u>3,668</u>
Attributable to:					
Equity holder of the company		(14,866)	9,760	(27,071)	3,646
Minority interest		(98)	(310)	(222)	22
		<u>(14,964)</u>	<u>9,450</u>	<u>(27,293)</u>	<u>3,668</u>
(Loss)/Earnings per share (cents)	(6)	<u>(2.97)</u>	<u>1.95</u>	<u>(5.41)</u>	<u>0.73</u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2008

		(Unaudited) 30 June 2008 RMB' 000	(Audited) 31 December 2007 RMB' 000
	Notes		
Non-current assets			
Property, plant and equipment		289,747	264,949
Prepaid lease payments		28,233	36,341
Construction deposits		744	744
		<u>318,724</u>	<u>302,034</u>
Current assets			
Inventories		41,868	55,899
Loan receivable		-	1,000
Trade and bills receivables	(7)	11,776	9,622
Prepayments, deposits and other receivables		36,907	17,970
Prepaid lease payments		941	941
Amount due from a shareholder		-	7,798
Amounts due from minority shareholders		-	721
Amount due from Directors		-	600
Amounts due from related companies		-	34,292
Held-for-trading investments		446	475
Pledged bank deposits		46,708	96,171
Bank balances and cash		17,914	106,105
		<u>156,560</u>	<u>331,594</u>
Current liabilities			
Trade and bills payables	(8)	48,346	70,507
Other payables & accruals		243,576	160,649
Receipt in advance		13,310	11,442
Amount due to a shareholder		-	107,291
Amounts due to minority shareholders		280	1,871
Amount due to a director		9,045	9,500
Amounts due to related companies		233	18,169
Amount due to an associate		-	19,311
Dividend payable		4,440	4,440
Income tax payable		-	769
Short-term bank loans		175,104	225,840
Deferred revenue		657	657
		<u>494,991</u>	<u>630,446</u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2008

	Notes	(Unaudited) 30 June 2008 RMB'000	(Audited) 31 December 2007 RMB'000
Net current liabilities		(338,431)	(298,852)
Total assets less current liabilities		(19,707)	3,182
Non-current liabilities			
Deferred revenue		(6,828)	(4,553)
		<u>(26,535)</u>	<u>(1,371)</u>
Capital and reserves			
Share capital		50,000	50,000
Reserve		(78,556)	(53,614)
Equity attributable to equity holders of the Company		<u>(28,556)</u>	<u>(3,614)</u>
Minority interests		<u>2,021</u>	<u>2,243</u>
		<u>(26,535)</u>	<u>(1,371)</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2008

	Attributable to equity holders of the Company							Minority interests RMB'000	Total RMB'000
	Share capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Translation Reserve RMB'000	Retained earnings RMB'000	Total RMB'000			
At 1 January 2007	50,000	40,449	24,772	1,915	67,004	184,140	3,400	187,540	
Disposal of subsidiaries	-	-	-	-	-	-	(898)	(898)	
Profit for the period	-	-	-	2,282	3,646	5,928	22	5,950	
At 30 June 2007	<u>50,000</u>	<u>40,449</u>	<u>24,772</u>	<u>4,197</u>	<u>70,650</u>	<u>190,068</u>	<u>2,524</u>	<u>192,592</u>	
At 1 January 2008	50,000	40,449	24,998	4,637	(123,698)	(3,614)	2,243	(1,371)	
Exchange differences	-	-	-	2,130	-	2,130	-	2,130	
Loss for the period	-	-	-	-	(27,072)	(27,072)	(222)	(27,294)	
At 30 June 2008	<u>50,000</u>	<u>40,449</u>	<u>24,998</u>	<u>6,767</u>	<u>(150,770)</u>	<u>(28,556)</u>	<u>2,021</u>	<u>(26,535)</u>	

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2008

	(Unaudited) Six months ended 30 June 2008 RMB'000	(Unaudited) Six months ended 30 June 2007 RMB'000
Net cash (outflow)/inflow from operating activities	(25,163)	5,052
Net cash (outflow) from investing activities	(16,688)	(4,379)
Net cash (outflow)/inflow from financing activities	(95,832)	59,621
(Decrease)/Increase in cash and cash equivalents	(137,683)	60,294
Cash and cash equivalents at the beginning of period	202,751	223,442
Cash and cash equivalents at the end of period	<u>65,068</u>	<u>283,736</u>
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	<u>65,068</u>	<u>283,736</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT

1. Basis of preparation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards "HKFRS" and Hong Kong Accounting Standards "HKAS" (collectively "HKFRSs"), HKAS 34: Interim Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"), 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 and basis of preparation adopted in unaudited consolidated interim results for the six months ended 30 June 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 interim results for the six months ended 30 June 2008 are unaudited and have been reviewed by the audit committee of the Company.

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 June		Unaudited For the six months ended 30 June	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Turnover				
Sales of controller systems for consumer electrical and electronic appliances	7,651	-	11,659	17,977
Manufacture of mobile phone controller systems and assembly of mobile phones	22,278	93,917	38,179	243,967
	<u>29,929</u>	<u>93,917</u>	<u>49,838</u>	<u>261,944</u>
Other revenues				
Bank interest income	155,236	57	975,201	112
Sales of scrap materials	(938,518)	2,463	341,096	1,501
Others	430,918	1	489,230	(52)
	<u>(352,364)</u>	<u>2,521</u>	<u>1,805,477</u>	<u>1,561</u>
Total revenues	<u>(322,435)</u>	<u>96,438</u>	<u>1,855,315</u>	<u>263,505</u>

3. Segment information

	Controller systems for consumer electrical and electronic appliances		Manufacture of mobile phone controller systems and assembly of mobile phones		Total	
	Unaudited		Unaudited		Unaudited	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2008	2007	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	11,659	17,977	38,179	243,967	49,838	261,944
Segment result	1,600	356	1,625	34,989	3,225	35,345
Unallocated revenues					1,805	1,561
Unallocated costs					(23,160)	(23,890)
Operating profit					(18,130)	13,016
Finance costs					(9,163)	(9,067)
Profit before taxation					(27,293)	3,949
Taxation					-	(280)
Profit after taxation					(27,293)	3,669
Minority interests					222	(22)
(Loss)/Profit attributable to shareholders					(27,071)	3,647
Capital expenditure	636	-	-	2,308	636	2,308
Unallocated capital expenditure					16,052	-
					<u>16,688</u>	<u>2,308</u>
Depreciation	1,487	655	1,501	2,201	2,988	2,856
Unallocated depreciation					-	2,326
					<u>2,988</u>	<u>5,182</u>
Segment assets	29,574	58,759	289,242	574,686	318,816	633,445
Unallocated assets					156,467	310,879
Total assets					<u>475,283</u>	<u>944,324</u>
Segment liabilities	1,991	2,982	279,939	419,353	281,930	422,335
Unallocated liabilities					219,888	329,397
Total liabilities					<u>501,818</u>	<u>751,732</u>

4. Income tax expenses

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

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Current taxation:				
- PRC income tax	-	131	-	280
Taxation charges	-	131	-	280

- (a) No provision for Hong Kong profits tax has been made as the Group has no estimated assessable Hong Kong profits for the period (2007: 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. Dividend

The Board does not recommend payment of interim dividend for the six months ended 30 June 2008 (six months ended 30 June 2007: nil).

6. Earnings per share

Basic earnings per share is calculated based on Group's loss attributable to shareholders for the three and six months ended 30 June 2008 of approximately RMB14,866,000 and RMB27,071,000 (2007: RMB9,760,000 and RMB3,646,000) and the number of 500,000,000 (2007: 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 (2007 : Nil).

7. Trade and bills receivables

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

	30 June 2008 RMB'000	31 December 2007 RMB'000
Current to 90 days	11,378	46,862
91 to 180 days	279	3,171
181 to 365 days	-	12,628
Over 365 days	119	39,834
	11,776	102,495

The normal credit terms granted to customers are of 60-90 days.

8. Trade and bills payables

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

	30 June 2008 RMB'000	31 December 2007 RMB'000
Current to 90 days	21,051	166,570
91 to 180 days	14,173	7,813
181 to 365 days	12,467	3,431
Over 365 days	655	117,936
	<u>48,346</u>	<u>295,750</u>

9. Commitments

Capital commitments for property, plant and equipment:

	30 June 2008 RMB'000	31 December 2007 RMB'000
- Contracted for but not provided	-	-
- Authorised but not contracted for	-	-
	<u>-</u>	<u>-</u>

10. Pledge of assets

As at 30 June 2008, certain assets of the Group were pledged to secure credit facilities granted to the Group, as follows:

- (a) legal charges over certain of the Group's medium term leasehold land and buildings with an aggregate net book value of RMB21,295,000 (31 December 2007: RMB34,920,000).
- (b) legal charges over certain of the Group's buildings with an aggregate net book value of RMB203,958,000 (31 December 2007: RMB37,362,000).
- (c) pledge of certain bank deposits of the Group of RMB446,000 (31 December 2007: RMB61,511,000).
- (d) pledge of held for-trading investments of the Group of RMB46,708,000 (31 December 2007: RMB494,000).

11. Contingent liabilities

At 30 June 2008, the Group did not have bank guarantee to secure banking facilities granted to an independent third party (31 December 2007: RMB26,000,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Group is principally engaged in the design, manufacture and sales of intelligent controller systems for mobile phones, TV sets and various consumer electrical and electronic appliances and the assembly of mobile phones.

During the period under review, the Group started new strategies in the manufacturing and selling of mobile phones, and the sales were still stayed at low level. Required capital would be introduced if the prospect is good and the developments are going on in stable manner.

Prospect

The Group plans to move production to new plant in December 2008, and is confident that this would bring about turnaround in recently financial performance.

The Group is waiting for emergence of profitable opportunities before expanding current operation. Active sourcings are done to fit our production advantages to current market situation, and we surely learn from our lessons in 2007 and avoid large loss commitment before its being materialized.

Financial review

Results

The Group recorded a turnover of approximately RMB49,838,000 for the six months ended 30 June 2008, representing decrease of approximately 81% (2007: RMB261,944,000), and loss attributable to shareholders was approximately RMB27,071,000, representing decrease of approximately 843% (2007: RMB3,646,000). Main reasons for turnover decrease were due to restructuring, sales credit tightening, US dollar depreciation and changing to processing and assembling mode instead procuring raw materials for clients.

Gross profit

For the six months ended 30 June 2008, the Group achieved an overall gross profit of approximately RMB3,225,000, representing decrease of approximately 90% over the corresponding period in previous year (2007: RMB35,345,000). The gross profit margin ratio decreased from 13.5% to 6.5%, and decrease in gross profit margin was due to low mobile phone sales this year. Overheads were maintained at reasonable level leading to controllable losses comparable to that of first quarter period.

Financial Resources and liquidity

As at 30 June 2008, the Group had net current liabilities of approximately RMB26,535,000 (2007: RMB96,867,000), which was improved over corresponding period in previous year. The liquidity position should be returned to normal state in view of increased sales and expanded operation in the coming periods.

Current assets amounted to approximately RMB156,560,000, of which approximately RMB64,622,000 were cash and bank deposits (2007: RMB649,656,000 and RMB283,736,000 respectively), reflecting decrease of current assets and cash resources. On the other hand, the Group had current liabilities of RMB494,991,000 and non-current liabilities of RMB6,828,000, mainly its trade payables, receipts in advance and short-term bank loans. (2007: RMB746,523,000 and RMB5,209,000 respectively), showing decrease as consequence of reduction in operation volume.

The Group's gearing ratio as at 30 June 2008 was 36.8% (2007: 33.6%), which is expressed as a percentage of the total bank borrowings over the total assets. The Group's risks in bank borrowings were increased during the period.

Other

The Group had not held any significant investment for the six months ended 30 June 2008 and made no material acquisitions or disposals during the current period.

Foreign exchange risk

For the six months ended 30 June 2008, the Group's income and expenses were denominated in RMB while certain procurement transactions were settled in US dollars. The Group regulated its outstanding foreign exchange balance by conducting sales settled in US dollars to reduce its foreign exchange exposure. Since the existing bank loans are repayable in RMB, there was no material foreign exchange risk. The Group will review and monitor foreign exchange risk from time to time and may enter into forward swap contracts to hedge such risks where appropriate.

Employee and Remuneration Policies

As at 30 June 2008, total remuneration cost of the Group was approximately RMB4,076,000 (2007: approximately RMB9,040,000) and the Group had 450 employees (2007: 871 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.

RIGHTS OF DIRECTORS, CHIEF EXECUTIVE AND SUPERVISORS TO ACQUIRE SHARES

During the six months ended 30 June 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 30 June 2008, 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:

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. Zheng Yi Song	129,500,000 Domestic Shares (note 2)	Interest of controlled corporation (note 1)	35%	25.90%
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%

Notes:

- (1) Mr. Zheng Yi Song 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. 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 share capital of the Company, which are subscribed for or credited as paid up in Renminbi.

Save as disclosed above, at no time during the six months ended 30 June 2008, 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).

Apart from the above, at no time during the six months ended 30 June 2008 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

According to the register of substantial shareholders maintained under section 336 of the SFO, as at 30 June 2008, the Company had been notified of the following substantial shareholders, being 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 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 (notes 1 and 2 above)	Beneficial owner	35.0%	25.9%
Shenzhen Ruilian	129,500,000 Domestic Shares (notes 1 and 2 above)	Interest of controlled corporation	35.0%	25.9%
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 Ltd	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)" 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 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 six months ended 30 June 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 Rules 5.28 of the GEM Listing Rules in respect of Audit Committee requirement after Mr. Ku 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 including a review of this interim financial statement for the six months ended 30 June 2008.

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

Ningbo, The PRC, 23 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)