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 with limited liability)

(Stock code: 8249)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. 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.

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This announcement, 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 (the "GEM Listing Rules") 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: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this document misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

** for identification purpose only*

The Board of Directors (the "Board") of Ningbo Yidong Electronic Company Limited (the "Company") presents the audited consolidated income statement of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008 and the audited consolidated balance sheet of the Group as at 31 December 2008, together with the audited comparative figures for the corresponding previous period as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	**2008** **RMB'000**	2007 RMB'000
Revenue	4	**94,522**	362,378
Cost of sales		**(98,951)**	(327,057)
Gross (loss) /profit		**(4,429)**	35,321
Other income	4	**54,294**	6,186
Selling and distribution expenses		**(1,024)**	(4,850)
Administrative expenses		**(153,887)**	(179,139)
Finance costs		**(32,285)**	(31,862)
Unrealised gain on change of status from subsidiaries to available-for-sale investment		**6,729**	–
Gain on disposal of an associate		**1,080**	–
Gain on disposal of subsidiaries		**–**	5,915
Loss on invalidation of a subsidiary		**(7,408)**	–
Loss before tax	6	**(136,930)**	(168,429)
Income tax expenses	7	**(125)**	(23,155)
Loss for the year		**(137,055)**	(191,584)
Attributable to:			
Equity holders of the Company		**(135,447)**	(190,476)
Minority interests		**(1,608)**	(1,108)
		(137,055)	(191,584)
Dividends	8	**–**	–
Loss per share			
Basic	9	**RMB (27.09cents)**	RMB (38.10cents)
Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

	Notes	2008 RMB'000	2007 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**237,825**	264,949
Prepaid lease payments		**11,584**	36,341
Interests in associates		**–**	–
Construction deposits		**662**	744
		250,071	302,034
Current assets			
Inventories		**42,500**	55,899
Loan receivable		**–**	1,000
Trade and bills receivables	10	**6,949**	9,622
Prepayments, deposits and other receivable s		**20,592**	17,970
Prepaid lease payments		**375**	941
Amount due from a shareholder		**–**	7,798
Amounts due from minority shareholders		**710**	721
Amounts due from directors		**533**	600
Amounts due from related companies		**536**	34,292
Available-for-sale investments		**–**	–
Held-for-trading investments		**–**	475
Pledged bank deposits		**9,150**	96,171
Bank balances and cash		**4,103**	106,105
		85,448	331,594
Current liabilities			
Trade and bills payables	11	**86,084**	70,507
Other payables and accruals		**82,314**	160,649
Receipt in advance		**10,896**	11,442
Amount due to a shareholder		**141,413**	107,291
Amounts due to minority shareholders		**2,620**	1,871
Amounts due to directors		**8,465**	9,500
Amounts due to related companies		**13,186**	18,169
Amount due to an associate		**–**	19,311
Dividends payable		**4,440**	4,440
Income tax payable		**872**	769
Bank borrowings		**124,670**	225,840
Current portion of deferred revenue		**128**	657
		475,088	630,446
Net current liabilities		**(389,640)**	(298,852)
Total assets less current liabilities		**(139,569)**	3,182
Non-current liability			
Deferred revenue		**–**	(4,553)
NET LIABILITIES		**(139,569)**	(1,371)
Capital and reserves	12		
Share capital		**50,000**	50,000
Reserves		**(190,183)**	(53,614)
		(140,183)	(3,614)
Minority interests		**614**	2,243
DEFICIENCY OF SHAREHOLDERS' FUNDS		**(139,569)**	(1,371)

Notes

1. GENERAL INFORMATION

The Company is a joint stock limited liability company established in the People's Republic of China (the "PRC") and its shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

The principal activities of the Group are the design, manufacture and sale of intelligent controller systems for consumer electrical and electronic appliances and the assembly of mobile phones in the PRC.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL FUNDAMENTAL UNCERTAINTIES IN RESPECT OF GOING CONCERN

Basis of preparation
These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all applicable Hong Kong Accounting Standards ("HKASs" and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. The financial statements comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules").

Material fundamental uncertainties in respect of going concern
In preparing the consolidated financial statements, the directors have given careful consideration to the future liquidity of the Group in light of its net current liabilities of RMB389,640,000 as at 31 December 2008 and a net loss attributable to the shareholders of approximately RMB135,447,000 for the year ended 31 December 2008. The Group financed its capital intensive operations by short-term bank borrowings and shareholders' equity. It tends to maintain a fair level of short-term bank borrowings which are renewed on a regular basis, as the borrowing costs of such arrangement are relatively lower. The directors are of the opinion that, after taking into account the presently available banking facilities and internal financial resources, the Group has sufficient working capital for its present requirements and will be able to meet in full its liabilities as they fall due in the foreseeable future. The opinion is based on the following:

(i) The amounts of banking facilities available to the Group granted by various banks at 31 December 2008 was RMB249,220,000 in which RMB124,670,000 was utilized as at 31 December 2008. Approximately RMB124,550,000 of the unutilised banking facilities will expire one year after the balance sheet date. The directors of the Company are in ongoing negotiations with the Group's bankers to seek their ongoing support to the Group.

(ii) A substantial shareholder has undertaken to provide the financial support the Group.

(iii) The directors of the Company continue to take action to tighten cost controls over factory overheads and various general and administrative expenses, and are actively seeking new investment and business opportunities with an aim to attain profitable and positive cash flow operations.

(iv) Various products with higher profit margin, such as advanced LED products, have been introduced by the Group with the aim to diversify the Group's products and improve profitability. The directors expected that LED business would become a major contributor to the Group's turnover and net profit in the future.

(v) Pursuant to the circular dated 31 October 2008, the Company entered into a provisional sale and purchase agreement with local government ("the Purchaser") on 20 December 2006 for the disposal of the land use right together with buildings thereon (collectively referred to "the Property") for a preliminary consideration of approximately RMB120,000,000. On 17 August 2007, a supplementary agreement was signed between the Company and the Purchaser, the aforesaid total consideration was amended to RMB80,000,000 which is subject to the valuation on market value of the Property at Sale Completion Date by independent valuers jointly appointed by the Company and the Purchaser.

    The directors of the Company are of their opinion, with the advice from a legal adviser, that the Company has completed the disposal of its existing factory premises and corresponding leasehold land for a aforesaid consideration of RMB80,000,000 in the extraordinary general meeting held on 18 December 2008 according to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules"). The remaining part of the preliminary consideration of approximately RMB40,000,000 are considered as an additional but non-determinable consideration that will be sought out from the Purchaser after the independent valuation.

Besides, according to the agreement supplemented by the supplementary agreement dated 17 August 2007, the Company had to deliver the Property Land Resources Bureau of Yuyao City on or before October 2007. According to the legal letter dated 30 November 2007 and issued by the legal representative of Land Resources Bureau of Yuyao City, Land Resources Bureau of Yuyao City claimed for compensation for breach of the contract for not delivering the Property on or before October 2007 at 0.05% per day of valuation amount of the Property. The claim as at 31 December 2007 and as at 30 June 2008 were RMB2,480,000 and RMB9,760,000 respectively.

The directors of the Company has obtained a reply letter dated 11 March 2009 from Land Resources Bureau of Yuyao City of which the captioned penalty will be waived provided that the Company had left the Property on or before 30 August 2009. The directors of the Company are of their opinion that they will fulfill the condition with no doubt and no provisional liability of the penalty has to be provided for the year ended 31 December 2008.

Due to the reasons above, the consolidated financial statements have been prepared on a going concern basis.

In the opinion of the directors, in light of the measures taken to date, together with the expected results of other measures in progress, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to return to a commercially viable concern. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis, notwithstanding the Group's financial position and liquidity position as at 31 December 2008.

Should the Group be unable to implement the above measures and fail to continue in business as a going concern, adjustment would have to made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effect of these adjustments have not been reflected in the consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORT STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limited on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective.

HKFRSs (Amendment)	Improvements to HKFRS[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Eligible Hedge Items[3]
HKFRS 1 (Revised)	First-time Adoption of HKFRS[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Revised)	Financial Instruments: Disclosures – Improving Disclosure about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-INT 13	Customer Loyalty Programmes[4]
HK(IFRIC)-INT 15	Agreements for the Construction of Real Estates[2]

HK(IFRIC)-INT 16	Hedges of a Net Investment in a Foreign Operations[5]
HK(IFRIC)-INT 17	Distribution of Non-cash Assets to Owners[3]
HK(IFRIC)-INT 18	Transfers of Assets from Customers[3]

1 Effective for annual periods beginning on or after 1 January 2009, except the amendments to HKFRS 5 which are effective for annual periods beginning on or after 1 July 2009

2 Effective for annual periods beginning on or after 1 January 2009.

3 Effective for annual periods beginning on or after 1 July 2009.

4 Effective for annual periods beginning on or after 1 July 2008.

5 Effective for annual periods beginning on or after 1 October 2008.

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the financial position of the Group.

4. REVENUE AND OTHER INCOME

Revenue represents the amounts received and receivable for goods sold by the Group to outside customers, net of discounts and sales related taxes, during the year.

An analysis of the Group's revenue and other income are as follows:

	2008	2007
	RMB'000	RMB'000
Revenue		
Sales of Controller systems for consumer electrical and electronic appliances and income from sales of small electrical appliances	**19,372**	17,509
Sales of controller systems for mobile phones and income from sales and assembly of mobile phones	**75,150**	344,869
	94,522	362,378
Other Income		
Bank Interest income	**2,993**	2,285
Subsidy income	**701**	153
Sales of scrap materials	**–**	40
Government grants received recognised as income	**5,082**	1,656
Exchange gain	**–**	137
Gain on disposal of plant, equipment, property and corresponding land	**38,934**	–
Others	**6,584**	1,915
	54,294	6,186

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into two operating divisions, namely, sales of controller systems for consumer electrical and electronic appliances and income from sales of small electrical appliances, and sales of controller systems for mobile phones and income from sales and assembly of mobile phones. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

	Sales of controller systems for consumer electrical and electronic appliances and income from sales of small electrical appliances		Sales of controller systems for mobile phones and income from sales and assembly of mobile phones		Unallocated		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenue	**19,372**	17,509	**75,150**	344,869	**-**	-	**94,522**	362,378
Segment results	**(60,140)**	2,751	**(99,083)**	4,610	**-**	-	**(159,223)**	7,361
Unallocated revenue							**54,294**	6,186
Unallocated corporate expenses							**(117)**	(156,029)
Finance costs							**(32,285)**	(31,862)
Gain on disposal of associates							**1,080**	–
Gain on disposal of subsidiaries							**–**	5,915
Loss on invalidation of subsidiaries							**(7,408)**	–
Unrealised gain on change status of subsidiaries							**6,729**	–
Loss before income tax							**(136,930)**	(168,429)
Income tax expense							**(125)**	(23,155)
Loss for the year							**(137,055)**	(191,584)
Assets								
Consolidated total assets	**91,943**	37,731	**154,708**	187,590	**88,868**	408,307	**335,519**	633,628
Liabilities								
Consolidated total liabilities	**164,476**	4,225	**297,667**	284,369	**12,945**	346,405	**475,088**	634,999
Other information								
Capital additions	**–**	–	**23,270**	37,425	**–**	–	**23,270**	37,425
Depreciation	**5,263**	632	**8,160**	12,463	**–**	27	**13,423**	13,122
Amortisation of prepaid lease payment	**220**	20	**259**	353	**–**	106	**479**	479
Impairment loss on amount due from a related company	**–**	–	**–**	16,795	**51,342**	–	**51,342**	16,795
Write-down of inventories and provision for obsolete stock	**1,225**	9,142	**1,442**	44,854	**–**	107	**2,667**	54,103
Impairment loss on trade receivables, deposits and other receivables	**4,549**	–	**5,355**	62,137	**21,973**	–	**31,877**	62,137
Bad debts written off	**259**	–	**305**	1,286	**–**	148	**564**	1,434

Geographical segments

The Group's sales of controller systems for consumer electrical and electronic appliances and controller systems for mobile phones and income from sales of small electrical appliances and sales and assembly of mobile phones are located in the PRC and Hong Kong.

The following table provides an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods or services.

	2008 **RMB'000**	2007 RMB'000
The PRC, excluding Hong Kong	**24,859**	50,841
Hong Kong	**51,694**	310,733
The PRC	**17,969**	804
	94,522	362,378

An analysis of the carrying amount of segment assets, and additions to property, plant and equipment, by geographical area in which the assets are located has not been presented as they are substantially located in the PRC.

6. LOSS BEFORE TAX

	2008 **RMB'000**	2007 RMB'000
Loss before tax has been arrived at after charging/ (crediting):		
Staff costs, including directors' remuneration		
– Salaries, wages and other benefits	**10,206**	19,458
– Retirement benefit scheme contributions	**2,455**	1,027
Total staff costs	**12,661**	20,485
Depreciation of property, plant and equipment	**13,423**	13,122
Amortisation of prepaid lease payments	**941**	941
Less: Amount capitalised in buildings under construction	**(462)**	(462)
Total depreciation and amortisation	**13,902**	13,601
Auditor's remuneration	**706**	2,010
Cost of inventories recognised as an expense	**95,658**	326,355
Impairment loss on amount due from a related company	**51,342**	16,795
Impairment loss on property, plant and equipment	**18,556**	–
Impairment loss on trade receivables, deposits and other receivables	**31,877**	62,137
Bad debts written off	**564**	1,434
Gain on disposal of property, plant and equipment	**(38,934)**	–
Net foreign exchange losses/ (gain)	**12,039**	(137)
Research and development costs	**1,985**	7,261
Impairment of inventories included in cost of sales	**2,298**	1,238
Impairment of inventories included in administrative expense	**369**	52,865
Loss on disposal of held-for-trading investments	**15**	–
Minimum lease payment paid under operating lease	**613**	643

7. INCOME TAX EXPENSES

	2008 **RMB'000**	2007 RMB'000
The income tax expense/ (credit) comprises:		
Current tax		
- Hong Kong profit tax	**145**	737
- PRC income tax	**(20)**	350
- Tax recoverable written off	**–**	13,526
	125	14,613
Deferred tax	**–**	8,542
	125	23,155

Hong Kong profits tax is calculate at 16.5% (2007: 17.5%) on the estimated assessable profits for the year. PRC income tax is calculated at 25% (2007: 33%) of the estimated taxable profit in accordance with the income tax law in the PRC for the years. A subsidiary operating in the PRC is entitled to a tax exemption for two years commencing from its first profit-making year followed by a 50% reduction in the PRC income tax for three years. The PRC income tax for this subsidiary was 50% exempted in both year.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 issued by the Tenth National People's Congress. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. Pursuant to the New Law and Implementation Regulations, the Enterprise Income Tax for both domestic and foreign-invested enterprises will be unified at 25% effective from 1 January 2008. There will be a transitional period for PRC subsidiaries that currently entitled to preferential tax treatments granted by the relevant tax authorities. PRC subsidiaries currently subject to an enterprise income tax rate lower than 25% will continue to enjoy the lower tax rate and be gradually transitioned to the new united rate of 25% within five years after 1 January 2008.

The income tax expense for the year can be reconciled to the loss before tax per the consolidated income statement as follows:

	2008	2007
	RMB'000	RMB'000
Loss before tax	**(136,930)**	(168,429)
Tax at applicable tax rate	**(30,849)**	(55,582)
Tax effect of expenses not deducible for tax purposes	**5,959**	18,278
Tax effect of recognition of deductible temporary difference recognised	**–**	(2,256)
Tax effect of income not taxable for tax purposes	**(24)**	(2,809)
Tax effect of tax losses not recognised	**25,008**	9,623
Utilisation of tax losses previously not recognised	**–**	(34)
Tax effect of deductible temporary differences not recognised	**2**	44,603
Income tax on concessionary rate	**–**	(350)
Tax effect on different tax rate	**–**	827
Tax recoverable written off	**–**	13,526
Tax loss not deductible of tax purpose	**29**	–
Others	**–**	(2,671)
Income tax expense for the year	**125**	23,155

8. DIVIDENDS

The directors of the Company have resolved not to recommend the payment of any dividend for the year ended 31 December 2008 (2007: nil).

9. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year attributable to equity holders of the Company of RMB135,447,000 (2007: RMB190,476,000) and based on the weighted average number of shares in issue during the year of 500,000,000 shares (2007: 500,000,000 shares).

No diluted loss per share have been presented for the two years ended 31 December 2008 and 2007 as there was no dilute potential ordinary share outstanding for both years.

10. TRADE AND BILLS RECEIVABLES

	2008 **RMB'000**	2007 RMB'000
Trade and bills receivables	**37,923**	84,501
Less: Accumulated impairment losses	**(30,974)**	(74,879)
	6,949	9,622

The Group allows an average credit period of 60 to 180 days to its trade customers. The impairment losses on trade receivables charged to the income statement and set off against the trade and bills receivables during the year are approximately RMB564,000. An aged analysis of the trade and bills receivables as at the balance sheet date, based on payment due date, and net of impairment losses, is as follows:

	2008 **RMB'000**	2007 RMB'000
0 – 90 days	**5,192**	5,833
91 – 180 days	**462**	865
181 – 365 days	**1,287**	2,805
Over 365 days	**8**	119
	6,949	9,622

11. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the balance sheet date, based on payment due date, is as follows:

	2008 **RMB'000**	2007 RMB'000
0 – 90 days	**35,183**	26,305
91 – 180 days	**1,512**	13,736
181 – 365 days	**1,145**	11,841
Over 365 days	**48,244**	18,625
	86,084	70,507

12. CAPITAL AND RESERVES

	Equity attributable to equity holders of the Company						Minority interests	Total
	Share capital	Capital reserve	Statutory surplus reserve	Translation reserve	Accumulated loss	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Note a)	*(Note b)*					
At 1 January 2007	50,000	40,449	24,772	1,915	67,004	184,140	3,400	187,540
Exchange differences arising on translation of foreign operations and net income recognised directly in equity	–	–	–	2,722	–	2,722	–	2,722
Loss for the year	–	–	–	–	(190,476)	(190,476)	(1,108)	(191,584)
Total recognised income and expenses for the year	–	–	-	2,722	(190,476)	(187,754)	(1,108)	(188,862)
Appropriations	–	–	226	–	(226)	–	–	–
Release on disposal of a subsidiary	–	–	-	–	–	–	(49)	(49)
At 31 December 2007 and 1 January 2008	50,000	40,449	24,998	4,637	(123,698)	(3,614)	2,243	(1,371)
Capital injection from Minority Interests	–	–	–	–	–	–	700	700
Exchange differences arising on translation of foreign operations and net income recognised directly in equity	–	–	–	(1,122)	–	(1,122)	–	(1,122)
Loss for the year	–	–	–	–	(135,447)	(135,447)	(1,608)	(137,055)
Total recognised income and expenses for the year	–	–	–	(1,122)	(135,447)	(136,569)	(908)	(137,477)
Release on change of status from a subsidiary to available-for-sales investment	–	–	–	–	–	–	(721)	(721)
At 31 December 2008	**50,000**	**40,449**	**24,998**	**3,515**	**(259,145)**	**(140,183)**	**614**	**(139,569)**

Note:

(a) Capital reserve

Capital reserve includes the share premium arising from the issue of H shares after deduction of the respective share issuance costs of the Company.

(b) Statutory surplus reserve

The Articles of Association of the Company and its subsidiaries established in the PRC require the appropriation of 10% of their profit after income tax determined under the PRC accounting standards each year to the statutory surplus reserve until the balance reaches 50% of the registered share capital.

According to the provision of the Company's Articles of Association, under normal circumstances, the statutory surplus reserve shall only be used for making up losses, capitalisation into share capital and expansion of the Company's production and operation. For the capitalisation of statutory surplus reserve into share capital, the remaining amount of such reserve shall not be less than 25% of the registered share capital.

13. EXTRACTED FROM THE INDEPENDENT AUDITOR'S REPORT

The following paragraphs extracted from the Independent Auditor's Report on the Group's financial statements for the year ended 31 December 2008.

Material fundamental uncertainty relating to the going concern basis

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements made in note 2 to the consolidated financial statements concerning the basis of preparation of the consolidated financial statements made by the directors. As explained in note 2 to the consolidated financial statements, the Group is currently undertaking a number of measures to relieve the current profitability and liquidity problem of the Group.

The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the ongoing support of the Group's bankers and/ or the financial institutions, the undertaken financial support by a substantial shareholder, and the attainment of profitable and positive cash flow operations of the Group to meet its future working capital and financial requirements.

We consider that appropriate disclosures have been made in such consolidated financial statements concerning the relevant material uncertainty, but the inherent uncertainties surrounding the circumstances, under which the Group might successfully continue to adopt the going concern basis are so extreme, we have disclaimed our opinion on material uncertainty relating to the going concern basis.

The consolidated financial statements of the Group do not include any adjustment that would be necessary if the Group failed to operate as a going concern. Had the going concern basis not been used, adjustments would have to be made to reduce the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively.

Disclaimer of opinion: disclaimer of view given by consolidated financial statements

Because of the significance of the matters described in the basis for material fundamental uncertainty relating to going concern basis paragraph, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group at 31 December 2008 and of the loss and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 11 May 2009 to 12 June 2009 (both days inclusive), during the period no transfer of shares will be registered.

BUSINESS AND OPERATIONS REVIEW

Turnover

For the year ended 31 December 2008, the Group recorded revenue of approximately RMB 94,522,000 (2007: RMB362,378,000), representing an decrease of approximately 73.9% over the previous year. The decrease in the Group's revenue is due to decrease in sales of both mobile phones and controller systems during the year.

The Group's activities are divided into 2 business segments - namely sales of controller systems for consumer electrical and electronic appliances and income from sales of small electrical appliances, and sales of controller systems for mobile phones and income from sales and assembly of mobile phones. Accordingly, analysis by business segments is provided in note 5 to the notes of the consolidated income statement and consolidated balance sheet.

The Group's activities are also divided into 3 geographical segments – namely the PRC, excluding Hong Kong, Hong Kong and others. Accordingly, analysis by geographical segments is provided in note 5 to the notes of the consolidated income statement and consolidated balance sheet.

Gross (loss) profit margin was (4.7%) (2007: 9.7%) and there is a decrease in the profit margin due to keen competition. The Group continues to procure cost control to mitigate the impact of price competition caused by intense competition in the mobile phone industry.

Other revenues mainly include gain on disposal of fixed assets and Government grants recognised as income and recorded an increase of 777.7% over the previous year. Selling expenses recorded a decrease by 78.9%, while administrative expenses recorded a decrease of 9.6% over the previous year. For the year ended 31 December 2008, finance costs amounted to RMB32,285,000 (2007: RMB31,862,000), which represented a mild increase of 1.3% over the previous year.

For the year ended 31 December 2008, loss attributable to shareholders of the Group amounted to RMB135,447,000 (2007: RMB190,476,000). Emergence of loss attributable to shareholders was principally due to the administrative expenses, comprising mainly impairment loss on receivables, and finance costs incurred during the year.

SIGNIFICANT INVESTMENT HELD AND ACQUISITION

As at 31 December 2008, save as disclosed in this results announcement, the Group did not have any significant investment and acquisition.

CHANGES IN THE GROUP STRUCTURE

During the year, the Group disposed of its entire 65% interest of the registered capital in Shenzhen E-Source Communications Technology Company Limited to a third party and the Group also disposed of its entire 66.7% interest of the registered capital in 深圳市德諾通訊技術有限公司 to a third party. Moreover, Ningbo Million Bank Electronic Technical Company Limited had been invalidated by Administration for Industry & Commerce in the PRC.

FINANCIAL REVIEW

Current assets and liabilities

As at 31 December 2008, the Group had current assets of RMB85,448,000 (2007: RMB331,594,000), representing a decrease of 74.4% compared with last year. The decrease was mainly attributable to the reduced bank balances and cash arising from repayment of bank borrowings during the year. As at 31 December 2008, the Group had current liabilities of RMB475,088,000 (2007: RMB630,446,000), which represented a decrease of 24.8% and was mainly due to the decrease in other payables and repayment of bank borrowings. As at 31 December 2008, the unutilised bank loan facilities and cash flow generated in the ordinary course of business were sufficient for the capital requirement of daily operations and the new facilities despite its net current liability status.

Finance and banking facilities

As at 31 December 2008, the Group had cash and bank balances of RMB13,253,000 (2007: RMB202,276,000), short-term bank borrowings of RMB124,670,000 (2007: RMB225,840,000), and net borrowings of RMB111,417,000 (2007: RMB23,564,000) respectively. The borrowings were secured by certain property, plant and equipments and bank deposits of the Group. The Group will seek to replace the existing short-term bank facilities by long-term bank loans and secure bank loans with lower costs of borrowings, so as to improve the Group's financial position and reduce financial costs.

Gearing ratio

The Group's gearing ratio as at 31 December 2008 was 37.2% (2007: 35.6%), which is expressed as a percentage of the total bank borrowings over the total assets. Contingent liabilities and commitments Contingent liabilities and commitments of the Group during the year are set out in notes 35 and 37 to the consolidated financial statements. Capital structure and financial resources As at 31 December 2008, the Group had net liabilities of approximately RMB139,569,000 (2007: net liabilities RMB1,371,000). The Group's operations and investments are financed principally by its internal resources, bank borrowings and shareholders' equity.

Foreign exchange risk

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.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2008, the Group had 301 employees (2007: 454 employees). Remuneration is determined by reference to market terms and the performance, qualifications and experience of individual employee. Bonuses based on individual performance will be paid to employees in recognition and reward of their contribution. Other benefits include contributions to retirement scheme.

PROSPECTS

The Group has adjusted its business direction to the production and sale of uprated LED illuminative equipment and it is estimated that mass production will commence in the second quarter of 2009. The new business will fully utilise the existing SMT and assembly equipment, as well as improving the cash flow status and profitability of the Group. At the same time, the commencement of the use of the new factory areas can expand the overall production capacity and further increase the volume of processing businesses of mobile phones, controllers and PCBA, and hence strengthening the competitive edge in the market which the Group originally possesses.

CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2008, the Company had complied with the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules (the "Code") in all material aspects except that no remuneration committee had been set up as required by rule B1.1 of the Code.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association of the Company and no restriction against such rights under the laws of the People's Republic of China (the "PRC"), which will oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

COMPETING INTERESTS

None of the Directors, 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

SHARE OPTIONS

As at the date of this announcement, no option has been granted or agreed to be granted by the Company to any of its Directors, Supervisors or employees of the Company or its subsidiaries.

AUDIT COMMITTEE

The principal duties of the Audit Committee are to oversee the financial reporting and internal control system of the Group. The Audit Committee comprises three independent non-executive directors, Mr. Pang Jun (Chairman of the committee), Mr. Law Hon Hing Henry and Professor Fang Min. Mr. Law is a committee member with professional accounting qualification. The audit committee held 4 meetings during the year ended 31 December 2008. The annual results of the Group for the year ended 31 December 2008 have been reviewed by the audit committee of the Company.

By Order of the Board
Ningbo Yidong Electronic Company Limited
Liu Xiao Chun
Chairman

Ningbo, the PRC, 28 March 2009

As of the date hereof, the executive directors are Mr. Liu Xiao Chun, Mr. Gong Zheng Jun and Mr. Chen Zheng Tu, while the non-executive directors are Mr. Zheng Yi Song, Mr. Liu Feng and Mr. Wang Wei Shi. The independent non-executive directors are Mr. Pang Jun, Professor Fang Min and Mr. Law Hon Hing Henry.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the website of the Company at http://www.yidongelec.com.