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 2011

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.

This announcement, for which the directors (the "Directors") of Ningbo Yidong Electronic Company Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company and its subsidiaries (collectively referred to as the "Group"). The Directors, have 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 purposes only*

The Board of Directors (the "Board") of the Company presents the audited consolidated statement of comprehensive income of the Group for the year ended 31 December 2011 and the audited consolidated statement of financial position of the Group as at 31 December 2011, together with the audited comparative figures for the corresponding previous period as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Notes	**2011** *RMB'000*	2010 *RMB'000*
Revenue	*4*	**8,689**	14,422
Cost of sales		**(19,927)**	(17,299)
Gross loss		**(11,238)**	(2,877)
Other income	*4*	**8,043**	10,175
Selling and distribution expenses		**(937)**	(1,381)
Administrative expenses		**(21,673)**	(38,889)
Finance costs		**(1,802)**	(9,091)
Loss on disposal of property, plant and equipment and prepaid lease payments		**(3,430)**	(78,064)
Gain on disposal of subsidiaries		**812**	703
Reversal (provision) for claims, net		**634**	(4,192)
Loss before tax		**(29,591)**	(123,616)
Income tax expense	*6*	**—**	(4)
Loss for the year		**(29,591)**	(123,620)
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**1,215**	322
Total comprehensive expenses for the year, net of tax		**(28,376)**	(123,298)
Loss for the year attributable to:			
Owners of the Company		**(29,491)**	(123,610)
Non-controlling interests		**(100)**	(10)
		(29,591)	(123,620)
Total comprehensive expenses attributable to:			
Owners of the Company		**(28,276)**	(123,288)
Non-controlling interests		**(100)**	(10)
		(28,376)	(123,298)
Dividend	*7*	**—**	—
Loss per share	*8*		
Basic (cents per share)		**(5.90)**	(24.72)
Diluted (cents per share)		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**5,579**	9,959
Investment property		**1,210**	1,268
Prepaid lease payment		**4,841**	5,083
		11,630	16,310
CURRENT ASSETS			
Inventories		**3,127**	6,327
Trade receivables	*9*	**2,154**	3,158
Prepayments, deposits and other receivables		**11,013**	71,263
Paid in advances		**2,161**	3,726
Prepaid lease payments		**242**	242
Amount due from a director		**—**	17
Amounts due from a related company		**16**	16
Bank balances and cash		**2,205**	253
		20,918	85,002
Assets classified as held for sale		**—**	1,288
		20,918	86,290
CURRENT LIABILITIES			
Trade payables	*10*	**49,596**	49,978
Other payables and accruals	*10*	**32,815**	34,723
Receipt in advances		**3,280**	6,845
Amount due to a corporate shareholder		**202,607**	211,262
Amounts due to directors		**816**	6,169
Amounts due to related companies		**32,779**	31,919
Amount due to a potential investor	*11*	**28,810**	—
Dividends payables		**4,440**	4,440
Provision for claims		**4,544**	6,518
Other borrowing	*12*	**14,750**	—
Bank borrowings		**20,000**	84,259
		394,437	436,113
NET CURRENT LIABILITIES		**(373,519)**	(349,823)
NET LIABILITIES		**(361,889)**	(333,513)

NOTES:

1. GENERAL INFORMATION

Ningbo Yidong Electronic Company Limited (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 ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the Annual Report.

The consolidated financial statements are presented in Renminbi ("RMB"). Other than the subsidiary established in Hong Kong which functional currency is Hong Kong Dollars ("HKD"), the functional currency of the Company and its subsidiaries (collectively referred to as the "Group") are RMB.

The principal activities of the Group are 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

In preparing the consolidated financial statements, the directors of the Company (the "Directors") have given following consideration to the future liquidity of the Group.

The Group incurred a loss of approximately RMB29,591,000 for the year ended 31 December 2011 and, as of the date, the Group had net current liabilities and net liabilities of approximately RMB373,519,000 and RMB361,889,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liability in the normal course of business. Nevertheless, the Directors are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from 31 December 2011 on the basis that:

(i) the Directors anticipates that the Group will generate positive cash flows from its future operations and successfully obtain new working capital from a corporate shareholder and a potential investor that confirmed to provide continuous financial support of the Group; and

(ii) to raise funds by way of issuing additional equity or debt securities and to negotiate with certain bankers to obtain additional banking facilities, if necessary.

Accordingly, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to the consolidated financial statements to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets as current assets. The effect of these adjustments has not been reflected in the consolidated financial statements.

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

In the current year, the Group has applied the following new and revised standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRSs	Improvements to HKFRS issued in 2010
Hong Kong Accounting Standard ("HKAS") 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC)-Int 14	Prepayments of a Minimum Funding Requirements
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 Presentation of Financial Statements (as part of Improvements to HKFRSs issued in 2010)

The amendments to HKAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. In the current year, for each component of equity, the Group has chosen to present such an analysis in the statement of changes in equity. The revised standard has no impact on the consolidated financial statement of the Group.

HKAS 24 Related Party Disclosures (as revised in 2009)

HKAS 24 (as revised in 2009) has been revised on the following two aspects: (a) HKAS 24 (as revised in 2009) has changed the definition of a related party and (b) HKAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities.

The Company and its subsidiaries are not government-related entities. The application of the revised definition of related party set out in HKAS 24 (as revised in 2009) in the current year has no material impact on the Group's consolidated financial statement.

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 7	Disclosures — Transfers of Financial Assets[1]
	Disclosures — Offsetting Financial Assets and Financial Liabilities[2]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Presentation — Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] Effective for annual periods beginning on or after 1 July 2011.
[2] Effective for annual periods beginning on or after 1 January 2013.
[3] Effective for annual periods beginning on or after 1 January 2015.
[4] Effective for annual periods beginning on or after 1 January 2012.
[5] Effective for annual periods beginning on or after 1 July 2012.
[6] Effective for annual periods beginning on or after 1 January 2014.

Amendments to HKFRS 7 Disclosures — Transfers of Financial Assets

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors anticipate that the application of the amendments to HKFRS 7 will affect the Group's disclosures regarding transfers of financial assets in the future.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK (SIC)-Int 12 Consolidation — Special Purpose Entities. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures and HK (SIC)-Int 13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

4. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the net amounts received and receivable for goods sold by the Group to outside customers, net of discounts and sales related taxes.

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

	2011	2010
	RMB'000	*RMB'000*
Revenue		
Sales of controller systems for consumer electrical and electronic appliances and income from sales of small electrical appliances	**2,685**	4,740
Sales of controller systems for mobile phones and income from sales and assembly of mobile phones	**6,004**	9,682
	8,689	14,422
Other income		
Bank interest income	**3**	234
Sales of scrap materials	**2,172**	—
Government grants recognised as income	**140**	6,000
Reversal of impairment loss recognised in respect of trade receivables	**190**	519
Reversal of impairment loss recognised in respect of other receivables	**7**	2,357
Waiver of amounts due to directors	**4,133**	—
Waiver of trade payables	**280**	—
Rental income	**250**	216
Sundry income	**868**	849
	8,043	10,175

5. SEGMENT INFORMATION

The chief operating decision maker have been identified as the executive directors of the Company. The executive directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The executive directors consider the business from a product perspective. Specially, the Group's reportable and operating segments under HKFRS 8 are as follows:

a. Sales of controller systems for consumer electrical and electronic appliances and income from sales of small electrical appliances — wholesalers.

b. Sales of controller systems for mobile phones and income from sales and assembly of mobile phones — wholesalers.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment:

For the year ended 31 December

	Wholesalers — sales of controller systems for consumer electrical and electronic appliances and income from sales of small electrical appliances		**Wholesalers — sales of controller systems for mobile phones and income from sales and assembly of mobile phones**		**Elimination**		**Consolidated**	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue								
— External sales	**2,685**	4,740	**6,004**	9,682	**—**	—	**8,689**	14,422
— Inter-segment sales	**—**	—	**—**	96	**—**	(96)	**—**	—
Total	**2,685**	4,740	**6,004**	9,778	**—**	(96)	**8,689**	14,422
Segment results	**(13,010)**	(5,435)	**(20,468)**	(28,438)	**—**	—	**(33,478)**	(33,873)
Bank interest income							**3**	234
Unallocated revenue							**8,021**	7,201
Unallocated expenses							**(351)**	(6,534)
Finance costs							**(1,802)**	(9,091)
Loss on disposal of property, plant and equipment and prepaid lease payments							**(3,430)**	(78,064)
Gain on disposal of subsidiaries							**812**	703
Reversal (provision) for claims, net							**634**	(4,192)
Loss before taxation							**(29,591)**	(123,616)
Income tax expense							**—**	(4)
Loss for the year							**(29,591)**	(123,620)

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4. Segment results represent losses incurred by each segment without allocation of central administration costs including bank interest income, finance costs, loss on disposal of property, plant and equipment and prepaid lease payments, gain on disposal of subsidiaries and reversal (provision) for claims, net. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

At 31 December

	Wholesalers – sales of controller systems for consumer electrical and electronic appliances and income from sales of small electrical appliances		**Wholesalers – sales of controller systems for mobile phones and income from sales and assembly of mobile phones**		**Consolidated**	
	2011	2010	**2011**	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment assets	**5,783**	29,547	**14,893**	55,213	**20,676**	84,760
Unallocated corporate assets					**11,872**	17,840
Total assets					**32,548**	102,600
Segment liabilities	**108,050**	142,638	**281,843**	286,957	**389,893**	429,595
Provision for claims					**4,544**	6,518
Total liabilities					**394,437**	436,113

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than assets held for sales, property, plant and equipment, investment property and prepaid lease payment. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and

- all liabilities are allocated to operating segments other than provision for claims. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

Other segment information

For the year ended 31 December

	Wholesalers — sales of controller systems for consumer electrical and electronic appliances and income from sales of small electrical appliances		Wholesalers — sales of controller systems for mobile phones and income from sales and assembly of mobile phones		Unallocated		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Amounts included in the measure of segment profit or loss or segment assets:								
Capital expenditure	**—**	—	**—**	—	**3,105**	3,148	**3,105**	3,148
Depreciation of property, plant and equipment	**—**	—	**—**	—	**2,067**	6,202	**2,067**	6,202
Amortisation of prepaid lease payments	**—**	—	**—**	—	**242**	239	**242**	239
Depreciation for investment properties	**—**	—	**—**	—	**58**	57	**58**	57
Impairment loss recognised in respect of inventories	**3,240**	243	**2,374**	495	—	—	**5,614**	738
Impairment loss recognised in respect of trade receivables	**66**	158	**75**	324	—	—	**141**	482
Impairment loss recognised in respect of other receivables	**2,551**	2,816	**5,704**	5,753	—	—	**8,255**	8,569
Impairment loss recognised in respect of property, plant and equipment	**—**	—	**—**	—	**1,757**	11,213	**1,757**	11,213
Reversal of impairment loss recognised in respect of trade receivables	**(59)**	(171)	**(131)**	(348)	—	—	**(190)**	(519)
Reversal of impairment loss recognised in respect of other receivables	**(2)**	(775)	**(5)**	(1,582)	—	—	**(7)**	(2,357)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss:								
Bank interest income	**(1)**	(77)	**(2)**	(157)	—	—	**(3)**	(234)
Interest expense	**516**	2,990	**1,286**	6,101	—	—	**1,802**	9,091

Turnover from customers of the corresponding years contributing over 10% of the total turnover of the Group are as follows:

	2011	2010
	RMB'000	*RMB'000*
Customer A[2]	**N/A**	3,768
Customer B[2]	**2,047**	N/A[3]
Customer C[1]	**1,465**	N/A[3]
Customer D[1]	**1,043**	N/A[3]

1 Turnover from electronic appliances.
2 Turnover from mobile phones.
3 The corresponding revenue does not contribute over 10% of the total sale of the Group in the respective year.

Geographical information

The Group's business is primarily operated in the PRC. All of the Group's revenue is attributable to customers in the PRC.

An analysis of the carrying amount of segment assets by geographical area in which the assets are located has not been presented as they are substantially located in the PRC.

6. INCOME TAX EXPENSE

	2011	2010
	RMB'000	*RMB'000*
Current tax		
— Hong Kong profits tax	**—**	—
— PRC Enterprise Income Tax	**—**	(4)
	—	(4)

Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Company and the PRC subsidiaries is 25% from 1 January 2008 onwards.

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for both years. No Hong Kong profits tax has been provided for the year ended 31 December 2011 as the Group did not generate any assessable profit arising in Hong Kong for the years ended 31 December 2011 and 2010.

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

	2011	2010
	RMB'000	*RMB'000*
Loss before tax	**(29,591)**	(123,616)
Tax at applicable domestic tax rate	**(7,398)**	(30,904)
Tax effect of expenses not deductible for tax purposes	**—**	3,321
Tax effect of income not taxable for tax purposes	**(357)**	(176)
Tax effect of tax losses not recognised	**21,541**	23,387
Tax effect of deductible temporary differences not recognised	**3,940**	4,347
Tax effect of utilisation of deductible temporary differences previously not recognised	**(17,803)**	—
Effect of different tax rates of subsidiaries operating in other jurisdictions	**77**	29
Income tax expense for the year	**—**	4

7. DIVIDEND

No dividend was paid or proposed for the year ended 31 December 2011, nor has any dividend been proposed since the end of the reporting period (2010: Nil).

8. LOSS PER SHARE

The calculation of the basic loss per share for the year ended 31 December 2011 attributable to owners of the Company is based on the consolidated loss of approximately RMB29,491,000 (2010: RMB123,610,000) and the weighted average number of 500,000,000 shares (2010: 500,000,000 shares) in issue during the year.

No diluted loss per share have been presented for the two years ended 31 December 2011 and 2010 as there was no diluted potential ordinary share outstanding for both years.

9. TRADE RECEIVABLES

	2011	2010
	RMB'000	*RMB'000*
Trade receivables	**34,312**	35,427
Less: Accumulated impairment losses	**(32,158)**	(32,269)
	2,154	3,158

Impairment loss on trade receivables is recorded using an allowance account unless the Group is satisfied that recovery of the amount if remote, in which case the impairment loss is written off against trade receivables directly.

At the end of each reporting period, the Group's trade receivables were individually determined to impair. The individually impaired receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific provision for impairment was recognised. The Group does not hold any collateral over these balances.

The Directors consider that the fair values of trade receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

The Group allows an average credit period of 90 days to its trade customers. The aged analysis of trade receivables presented based on the invoice date at the end of the reporting period, net of impairment losses recognised was as follows:

	2011	2010
	RMB'000	*RMB'000*
0–90 days	**2,099**	3,156
91–180 days	**—**	2
181–365 days	**55**	—
	2,154	3,158

The movements in accumulated impairment losses of trade receivables were as follows:

	2011	2010
	RMB'000	*RMB'000*
At 1 January	**32,269**	32,357
Impairment loss recognised during the year	**141**	482
Reversal during the year	**(190)**	(519)
Written off during the year	**—**	(15)
Exchange realignment	**(62)**	(36)
At 31 December	**32,158**	32,269

As at 31 December 2011, included in the impairment loss are individually impaired trade receivables in the Group with an aggregate balance of approximately RMB32,158,000 (2010: RMB32,269,000) which are long outstanding and have been placed in severe financial difficulties and the management assessed that the recovery of the amounts is doubtful. The Group does not hold any collateral over these balances.

The ageing analysis of trade receivables which were past due but not impaired are as follows:

	2011	2010
	RMB'000	*RMB'000*
Within 90 days past due	**—**	2
91 to 180 days past due	**55**	—
	55	2

Trade receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

10. TRADE PAYABLES/OTHER PAYABLES AND ACCRUALS

	2011 *RMB'000*	2010 *RMB'000*
Trade payables	**49,596**	49,978
Other payables	**22,502**	19,864
Accruals	**10,313**	14,859
	32,815	34,723
	82,411	84,701

The aged analysis of trade payables presented based on the invoice date at the end of the reporting period was as follows:

	2011 *RMB'000*	2010 *RMB'000*
0–90 days	**738**	823
91–180 days	**340**	1,418
181–365 days	**821**	3,448
Over 365 days	**47,697**	44,289
	49,596	49,978

The average credit period on purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

11. AMOUNT DUE TO A POTENTIAL INVESTOR

	2011 *RMB'000*	2010 *RMB'000*
浙江萬里控股集團股份有限公司	**28,810**	—

The amount due to a potential investor is unsecured, non-interest bearing and repayable on demand.

12. OTHER BORROWING

	2011 *RMB'000*	2010 *RMB'000*
浙江萬里控股集團股份有限公司("萬里控股")	**14,750**	—

The borrowing from 萬里控股, which is a potential investor, represented a short-term loan bear interest at 2.45% per annum. The borrowing is unsecured and repayable within one year.

13. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company							
	Share capital *RMB'000*	Capital reserve *RMB'000* *(Note a)*	Statutory surplus reserve *RMB'000* *(Note b)*	Translation reserve *RMB'000*	Accumulated losses *RMB'000*	Sub-total *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
1 January 2010	50,000	40,449	24,998	3,998	(329,670)	(210,225)	10	(210,215)
Loss for the year	—	—	—	—	(123,610)	(123,610)	(10)	(123,620)
Other comprehensive income for the year	—	—	—	322	—	322	—	322
Total comprehensive income (expenses) for the year	—	—	—	322	(123,610)	(123,288)	(10)	(123,298)
At 31 December 2010 and 1 January 2011	50,000	40,449	24,998	4,320	(453,280)	(333,513)	—	(333,513)
Loss for the year	—	—	—	—	(29,491)	(29,491)	(100)	(29,591)
Other comprehensive income for the year	—	—	—	1,215	—	1,215	—	1,215
Total comprehensive income (expenses) for the year	—	—	—	1,215	(29,491)	(28,276)	(100)	(28,376)
At 31 December 2011	**50,000**	**40,449**	**24,998**	**5,535**	**(482,771)**	**(361,789)**	**(100)**	**(361,889)**

Notes:

(a) Capital reserve

Capital reserve includes the share premium arising from the issuance 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 People's Republic of China (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.

14. EVENTS AFTER THE REPORTING PERIOD

The Board has been informed by certain substantial shareholders that these substantial shareholders entered into a conditional sale and purchase agreement with the potential investors on 19 December 2011 in relation to the sale and purchase of the domestic shares of the Company. Details of which were set out in the Company's announcement date 2 March 2012.

INDEPENDENT AUDITOR'S REPORT

The following paragraphs extracted from the Independent Auditor's Report on the Group's consolidated financial statements for the year ended 31 December 2011:

"BASIS FOR DISCLAIMER OF OPINION

Material fundamental uncertainty relating to the going concern basis

In forming our opinion, we have considered the adequacy of the disclosures made in Note 2 to the consolidated financial statements concerning the adoption of the going concern basis, being the basis on which the consolidated financial statements have been prepared.

As explained in Note 2 to the consolidated financial statements, which indicates that the Group incurred a consolidated loss of approximately RMB29,591,000 for the year ended 31 December 2011 and, as of that date, the Group had a consolidated net current liabilities and net liabilities of approximately RMB373,519,000 and RMB361,889,000 respectively as at 31 December 2011. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the successful outcome of the positive cash flows expected to be generated from the Group's future operations and successfully obtain new working capital, and to raise funds by way of issuing additional equity or debt securities and to negotiate with certain bankers to obtain additional banking facilities in order to meet the Group's 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 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 as current assets.

DISCLAIMER OF OPINION: DISCLAIMER OF VIEW GIVEN BY CONSOLIDATED FINANCIAL STATEMENTS

Because of the significance of the matters described in the basis for disclaimer of opinion paragraph, we do not express an opinion on the consolidated financials statements as to whether they give a true and fair view of the state of affairs of the Group as at 31 December 2011 and of the loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether the consolidated financials 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 Thursday, 19 April 2012 to Saturday, 19 May 2012 (both days inclusive), during the period no transfer of shares will be registered. The holders of Domestic shares and H-shares whose names appear on the register of members of the Company at 4:00 p.m. on Wednesday, 18 April 2012 are entitled to attend and vote at the annual general meeting to be held at 3:00 p.m. on Saturday, 19 May 2012. In order for the un-registered holders of GEM H Shares to be qualified for attendance at the Annual General Meeting, all transfer documents accompanied by the relevant GEM H share certificates must be lodged with the Company's H share registrar, Tricor Abacus Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:00 p.m. on Wednesday, 18 April 2012.

BUSINESS AND OPERATIONS REVIEW

Turnover

For the year ended 31 December 2011, the Group recorded revenue of approximately RMB8,689,000 (2010: RMB14,422,000), representing a decrease of approximately 39.8% 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 reportable segments — namely (i) sales of controller systems for consumer electrical and electronic appliances and income from sales of small electrical appliances, and (ii) sales of controller systems for mobile phones and income from sales and assembly of mobile phones. Accordingly, analysis by reportable segments is provided in note 5.

The Group's activities are primarily operated in the PRC. All of the Group's revenue is attributable to customers in the PRC as explained in note 5.

Gross loss margin is 129.3% (2010: 19.9%) and there is an increase in gross loss margin during this year. The increase in cost of sales by RMB2,628,000 are mainly due to the increase in impairment of inventories by RMB4,878,000 (2011: RMB5,616,000; 2010: RMB738,000) and the decrease in depreciation by RMB3,706,000 (2011: RMB2,019,000; 2010: RMB5,724,000) which is mainly due to the disposal of the properties sold during 2010. The Group will continue to procure cost control to mitigate the impact of price competition caused by intense competition in the mobile phone industry.

Other revenues for the year ended 31 December 2011 mainly include sales of scrape materials and waiver of amount due to directors. Selling and distribution expenses recorded a decrease by 32.2%, while administrative expenses recorded a decrease by 43.9% over the previous year. The decrease in administrative expenses by RMB17,056,000 are mainly due to the decrease in the impairment loss recognized in respect of property, plant and equipment by RMB9,456,000 (2011: RMB1,757,000; 2010: RMB11,213,000); the decrease in provision for claim by RMB4,826,000 (2011: RMB634,000 gain; 2010: RMB4,192,000). For the year ended 31 December 2011, finance costs amounted to approximately RMB1,802,000 (2010: RMB9,091,000), which represented a decrease of RMB7,289,000 over the previous year. This is mainly due to reduction in borrowings during the year.

For the year ended 31 December 2011, loss attributable to owners of the Company amounted to RMB29,491,000 (2010: RMB123,610,000).

SIGNIFICANT INVESTMENT HELD AND ACQUISITION

Save as disclosed in this announcement, the Group did not have any significant investment and acquisition during the year ended 31 December 2011.

FINANCIAL REVIEW

Current assets and liabilities

As at 31 December 2011, the Group had current assets of approximately RMB20,918,000 (2010: RMB86,290,000), representing a decrease of RMB65,372,000 compared with last year. The decrease was mainly attributable to the decrease in prepayments, deposits and other receivables during the year as a result of settlement of other receivables of approximately RMB60,384,000 for the sales proceed of the disposal of the properties sold during 2010. As at 31 December 2011, the Group had current liabilities of approximately RMB394,437,000 (2010: RMB436,113,000), which represented a decrease of RMB41,676,000. The decrease is remainly due to changes in bank borrowings, other borrowings and amount due to a potential investor.

Finance and banking facilities

As at 31 December 2011, the Group had bank balances and cash of approximately RMB2,205,000 (2010: RMB253,000), short-term bank borrowings of approximately RMB20,000,000 (2010: RMB84,259,000), and net bank borrowings of RMB17,795,000 (2010: RMB84,006,000) respectively. The bank borrowings were secured by certain property, plant and equipments, investment property and prepaid lease payments of the Group. The Group will seek to replace the existing short-term bank facilities by long-term bank borrowings and secure bank borrowings 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 2011 was 61.4% (2010: 82.1%), which is expressed as a percentage of the total bank borrowings over the total assets.

Contingent liabilities

Contingent liabilities of the Group during the year are set out in note 39 to the consolidated financial statements.

Capital structure and financial resources

As at 31 December 2011, the Group had net liabilities of approximately RMB361,889,000 (2010: RMB333,513,000). The Group's operations and investments are financed principally by its internal resources, other borrowing, bank borrowings and shareholders' equity.

Foreign exchange risk

The Group's income and expenses were mainly denominated in RMB. Since the existing bank borrowings 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 2011, the Group had 157 employees (2010: 165 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.

STAFF QUARTERS

Workers and staff of the Group are provided with accommodation at Yuyao City. The Directors confirm that, apart from the above accommodation, there was no other housing benefit provided by the Group to its staff.

RELATIONSHIP WITH EMPLOYEES

The Group has not experienced any significant labour disputes or strikes which have led to the disruption of its normal business operations. The Directors consider that the Group maintains good relationship with its employees.

PROSPECTS

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.

CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2011, 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.

On 22 March 2012 (subsequent to the year ended 31 December 2011), the Company set up both the Remuneration Committee and the Nomination Committee.

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 2011. The annual results of the Company for the year ended 31 December 2011 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, 22 March 2012

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.