ZTE中兴 ZTE CORPORATION

中興通訊股份有限公司

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 763)

2007 FIRST QUARTERLY REPORT

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This announcement is published simultaneously in Shenzhen pursuant to the Rules Governing Listing of Stocks on Shenzhen Stock Exchange and in Hong Kong pursuant to the disclosure obligations under Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

1. IMPORTANT

- 1.1 The Board of Directors, Supervisory Committee and the Directors, Supervisors and senior management of ZTE Corporation (the "Company") confirm that this quarterly report does not contain any false information, misleading statements or material omissions, and collectively and individually accept responsibility for the truthfulness, accuracy and completeness of its contents.
- 1.2 There are no Directors, Supervisors and senior management who are unable to warrant or are in dispute with the truthfulness, accuracy and completeness of the contents of this quarterly report.
- 1.3 This quarterly report has been considered and approved by the third meeting of the fourth session of the Board of Directors of the Company. Mr. Qiao Wenjun, Independent Director, was unable to attend the meeting due to work reasons, and authorised in writing Mr. Mi Zhengkun, Independent Director, to vote on his behalf.
- 1.4 The financial statements contained in this quarterly report are unaudited. The financial information contained in this report has been prepared in accordance with generally accepted accounting principles in the People's Republic of China ("PRC GAAP"). The Company has also disclosed in this quarterly report a reconciliation of net profits and shareholders' equity of the Company and its subsidiaries (together referred to as the "Group") from PRC GAAP to Hong Kong accounting standards ("HKASs").
- 1.5 Mr. Hou Weigui, Chairman of the Company, Mr. Wei Zaisheng, Chief Financial Officer of the Company and Mr. Shi Chunmao, Head of Finance Division of the Company, hereby declare that they warrant the truthfulness and completeness of the financial report contained in this quarterly report.

2. CORPORATE INFORMATION

2.1 Brief analysis of the overall operating conditions of the Group during the reporting period

During the reporting period, the PRC telecommunications in the or opp uting the reporting period mobile sector providing the main drive, while the market for fixed line products contracted further. The Group has been negotiating contracts for the construction of extended trial networks for large-scale application of TD-SCDMA network technologies organised by carriers. On 7 April 2007 the Group received an official notification from China Mobile Group confirming that our TD-SCDMA wireless network products had been selected for networks in Beijing, Tianjin, Shenzhen, Shenyang, Qinghuangdao and Xiamen and our core network products had been selected for networks in Beijing, Guangzhou, Xiamen and Qinhuangdao.

During the reporting period, the international business of the Group expanded rapidly to account for 60% of its revenue. Emerging countries, such as those in the Asia Pacific region, continued to be a major source of revenue for the Group during the period.

Analysed by product segments, a 23% growth was recorded for our wireless products compared to the same period last year mainly as a result of the substantial growth in revenues from international CDMA, GSM. Sales of wireline switch and access decreased by 48% compared to the same period last year. On the other hand, sales of optical and data communications products increased by 48% year-on-year, driven mainly by growth in the international sales of optical communications products. Sales of handset products grew by 51% compared to the same period last year as export grew substantially to offset the decline in domestic sales. Sales of telecommunications software systems, services and other products also achieved an increase of 48% compared to the same period last year.

In a move to better adapt to requirements of developments in the telecommunications industry and telecommunications carriers, the Group make certain moves in organisational restructuring and optimisation during the reporting period, with a view to providing more efficient and comprehensive solutions and services to carriers.

Prospects for the next quarter will be underpinned by further development of 3G building in the PRC, which should generate sound opportunities for the Group to drive the sales of other products. In the international market, the Group will continue to closely monitor investment trends of carriers in the emerging markets in sectors such as mobile communications, broadband and transmission. We will also actively track the development of latest technologies in the market of developed countries, such as broadband, transmission and WiMax. We intend to expand both in terms of the depth of market coverage and sales volumes, capitalising on opportunities for the sales of terminal products presented by the speedy growth of the global population of mobile phone users.

2.2 Financial Information

2.2.1 Major Accounting Data and Financial Indicators of the Group

Item	End of the reporting period	End of last year	Change as at the end of the reporting period compared with the end of last year (%)
Total assets (RMB in thousands) Shareholders' equity (excluding minority interests) (RMB in thousands)	28,720,952 10,771,805	25,727,237 10,656,956	11.64 1.08
(RMB) (RMB) (RMB)	11.23	11.11	1.08

Item		ning of year of reporting period	Change compared with the same period last year (%)
Net cashflow from operating activities (RMB in thousand) Net cashflow from operating activities per share (RMB)		(1,283,985) (1.34)	
Item	Reporting period	Same period last year	Change compared with the same period last year (%)
Net profit (excluding minority interests) (RMB in	42,445	33,418	27.01
thousands) Earnings per share, basic (RMB)	0.044	0.035	25.71
Earnings per share, diluted (RMB)	0.044	0.035	25.71
Return on net assets (%)	0.39	0.33	Increase by 0.06
Return on net assets after extraordinary gains or losses (%)	0.34	0.35	percentage points Decrease by 0.01 percentage points
Extraordinary gain or loss items			
Extraordinary gain or loss items			Amount during the period from the beginning of the year to the end of the reporting period (RMB in thousands)

Non-operating income (non-recurrent)	11,331
Less: Non-operating expenses	4,218
Less: Effect of income tax	1,067
Total	6,046

Note: There was no change in share capital of the Company for the period commencing from 1 January 2006 to 31 March 2007, and the share capital of the Company comprised 959,521,650 shares.

2.2.2 Differences in financial statements prepared in accordance with PRC GAAP and HKASs The effects on the net profit and the shareholders' equity arising from material differences between the consolidated financial statements prepared under PRC GAAP and HKASs standards are summarised as follows:

	Net profit for the three months ended 31 March 2007 (unaudited)	Shareholders' equity at 31 March 2007 (unaudited)
Under PRC GAAP Add back/(deduct)	42,445	10,771,805
Red expenses under different accounting standards Deferred tax Under Hong Kong accounting standards	(13,089) 1,665 31,021	91,147 4,420 10,867,372

(i) Deferred development expenses

(Unit: RMB'000)

Before 1 January 2007, according to PRC GAAP, all research and development expenses should be charged to profit and loss when incurred.

According to HKASs, expenses incurred in the development of new products will only be capitalised and deferred for recognition if the projects concerned are clearly defined, the expenses can be separately accounted for and reliably measured and the project can be reasonably ascertained to be technically feasible and the products derived therefrom are commercially viable. Product development expenses that do not meet the aforesaid conditions should be recognised as expenses when incurred.

- (ii) Deferred taxation As a result of the differences in accounting estimates and between PRC GAAP and HKASs, differences in revenue and profit before taxation will arise in the Group's financial statements prepared under PRC GAAP and HKASs. Deferred taxation is recognised as the impact of the temporary differences in income tax, deferred development expenses, and government grants.
- temporary differences in income tax, deferred development expenses, and government grants. Total number of shareholders and top ten holders of shares not subject to lock-up as at the end of the reporting period
- Total number of shareholders as at the end of the reporting period holders of A shares and 392 were holders of H shares).

Top ten holders of shares not subject to lock-up

□ N/A

Name of shareholder	Number of shares not subject to lock-up at the end of the reporting period (shares)	Class
HKSCC Nominees Limited	159,656,639	H shares
ICBC Credit Suisse Stable Growth Stock Securities Investment Fund	18,674,923	
China Life Insurance Company Limited — Dividends — Individual Dividends — 005L-FH002 Shen	14,906,499	A shares
Hunan Nantian (Group) Co., Ltd	11,431,810	A shares
Guotai Junan — Citibank — DEUTSCHE BANK AKTIENGESELLSCHAFT	9,782,806	A shares
JADE DRAGON (MAURITIUS) LIMITED	9,500,000	A shares
ICBC Credit Suisse Selected and Balanced Hybrid Fund	7,925,265	A shares
Fuguo Tianhui Selected Mixed Growth Fund (富國天惠精選成長混合型證券投資基金)	7,766,205	A shares
China Life Insurance Company Limited — Traditional — General Insurance Products	6,915,593	A shares
ICBC Credit Suisse Core Value Stock Securities Investment Fund	6,792,153	A shares

MATERIAL MATTERS

Substantial changes in major accounting items and financial indicators of the Company and the reasons therefor

/ Applicable

Balance Sheet

butunce Sheet				Unit: RMB'000
Items	At 31 March 2007	At 31 December 2006	Change	Reasons
Cash in bank and on hand Tradable financial assets	2,990,861 0	4,311,060 33,288	-30.62%	Increase in purchase of raw materials and fixed assets Disposal of tradable financial assets by the Group
Trade receivables	7,050,904	5,329,628	32.30%	Deferred payment as part of the favourable credit terms granted to customers by the Group
Prepayments	101,525	51,757	96.16%	Increase in purchase of raw materials by prepayment at the beginning of the year
Inventory	3,595,600	2,481,155	44.92%	Increase in the purchase of raw materials at the beginning of the year following expansion in scale
Investments held to maturity	610,802	0	1	Recognition of forward contract of foreign currency at fair value
Tradable financial liabilities	613,051	3,689	16,518.35%	Recognition of forward contract of foreign currency at fair value
Notes payable	3,586,780	2,242,566	59.94%	
Advances from customers	842,638	635,875	32.52%	increased sales
Remuneration payable to staff	582,109	1,090,862		Performance bonus payment and adjustments in the financial policies relating to welfare expenses
Tax payable	(1,039,682)	(690,767)	-50.51%	Increase in deduction in VAT tax as a result of increased purchase volume
Dividend payable Long-term loans	58,753 2,439,419	83,941 1,679,242	-30.01% 45.27%	
Income Statement				
Items	For the three months ended 31 March 2007	For the three months ended 31 March 2006	Change	Reason
Operating income	6,010,780	4,603,289	30.58%	
Cost of sales	4,134,320	3,087,252	33.92%	Increase in sales and slight rise in cost ratios
Taxes and surcharges	30,111 129,319	16,418 13,141	83.40% 884.09%	
Finance expenses	129,519	13,141	884.09%	Increase in interest expense, foreign exchange loss and increase in the cost for factoring and guarantee letters
Asset impairment losses	19,535	(131,026)	114.91%	Increase in bad debt provision
Investment gains	6,776	(3,408)	298.83%	Increase in investment gains from short-term stock trading
Operating profit	1,522	54,940	-97.23%	Decrease in gross profit margin and increase in R&D expenses
Non-operating income	98,706	14,925	561.35%	
Non-operating expenses	4,218	7,425	-43.19%	
Total profit Income tax expenses	96,010 22,048	62,440 14,665		Increase in software tax rebate Increase in profit before taxation
Net profit (including minority	22,048 73,962	47,775	54.81%	
interests) Net profit attribute to	31,517	14,357	119.52%	Increase in the percentage of profit contribution from non-
minority interests				wholly owned subsidiaries

Items	For the three months ended 31 March 2007	For the three months ended 31 March 2006	Change	Reason
Net cash flow from operating activities	(1,283,985)	(2,271,243)	43.47%	Increase in collection of receivables, software tax rebate and export rebate
Net cash flow from investing activities	(455,680)	(82,594)	-451.71%	Increase in the purchase of fixed assets
Net cash flow from financing activities	427,342	30,760	1,289.28%	Increase in bank loans

Explanation of the adjustment to welfare expenses payable for the first quarter after the adoption of the new Enterprise Accounting Standards:

In accordance with the new Enterprise Accounting Standards and relevant provisions in the guideline, the balance of the Group's welfare expenses payable that should be transferred to remuneration payable to staff (staff welfare) on the first implementation date should be accounted for as follows:

- Based on the actual circumstances of the Group and the staff welfare schemes, potential staff welfare expenses (corporate medical insurance, labour protection and housing allowance, etc) for 2007 approximating RMB220 million should be charged to profit and loss on a monthly basis during the year and recognised as remuneration payable to staff. The amount recognized for the first quarter should be approximately RMB55 million. 1.
- An adjustment of RMB243 million was made to the expenses for the period in respect of the difference between the balance of welfare expenses payable of RMB298.43 million on the first implementation date and the remuneration payable to staff (staff welfare). 2

3.2 Progress of significant events and analysis of their impact and solutions

√ Applicable 🗆 N/A

3.2.1 Progress of the Phase I Share Incentive Scheme during the reporting period

A no-comment letter was issued from the CSRC in respect of Phase I Share Incentive Scheme (Version dated 5 February 2007) and the scheme was reviewed and approved at the first extraordinary general meeting of the Company for 2007 convened on 13 March 2007. The relevant Scheme Participants paid the subscription amounts for the Subject Shares between 14 March 2007 and 18 March 2007. Please refer to section headed "Material Matters" set out in the 2006 annual report of the Company for details of the accounting method for the scheme and its impact on the Company. the scheme and its impact on the Company.

3.2.2 Ongoing connected transactions during the reporting period

During the reporting period, ongoing connected transactions (as defined in the Rules Governing Listing of Stocks on Shenzhen Stock Exchange) of the Group included the purchase of raw materials from connected parties by the Company and its subsidiaries. Such connected transactions were conducted after arm's length negotiations on the basis of normal commercial terms. The prices at which the Group made purchases from the connected parties were not higher than the prices at which the connected parties sell similar products to other users in similar quantities. In addition, such connected transactions would not have any adverse impact on the Group's profit. The Company is not dependent on the connected parties and the connected transactions do not affect the independence of the Company.

Details of the implementation of the Group's ongoing connected transactions during the reporting period are set out in the following table (for basic information on the connected parties, their connected relationships with the Group, basic terms of the connected transaction agreements between the Group and the connected parties, estimated transaction amounts for 2007 under each agreement, impact of the connected transactions on the Group and review of the connected transactions by the general meeting and board of directors of the Company, please refer to the ongoing connected transactions for 2007 announcement published by the Company on 26 October 2006 in the website of The Stock Exchange of Hong Kong Limited (http:// www.hkex.com.hk).

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Classification of transaction	Group (party	Connected person (counterparty to connected transaction)	Subject matter	Pricing basis	VAT) (RMB		Settlement	Whether different from estimated status
Purchase of raw materials	ZTE Kangxun Telecom Company Limited	Shenzhen Zhongxingxin Telecommunications Equipment Company, Limited and its subsidiaries Shenzhen Zhongxing Xindi Telecommunications Equipment Company, Limited Abenzhen Zhongxing Xinyu FPC Company, Limited and Zhongxing Xinzhou Complete Equipment Co., Ltd	Various products such as cabinets, cases, distribution equipment, soft circuit boards and shelters	Consistent with market prices (as per contract)	10,828.19	2.1%	banker's acceptance bill	No
	ZTE Kangxun Telecom Company Limited	Shenzhen Zhongxing WXT Equipment Company, Ltd.and its subsidiary Shenzhen Gaodonghua Communication Technology Co., Ltd.	IC, connector assemblies, optical devices, modules and other ancillary equipment	prices (as	2,090.55	0.4%	banker's acceptance bill	No
	ZTE Kangxun Telecom Company Limited	Mobi Antenna Technologies (Shenzhen) Co., Ltd.	Communications antennas and radio frequency transmission devices	Consistent with market prices (as per contract)	5,240.93	1.0%	banker's acceptance bill	No

Performance of special undertaking given by the Company, shareholders and de facto

Applicable □ N/A

3.3

Special undertaking given by holders of original non-circulating shares in respect of the share reform and its performance

Name of shareholder	Special undertaking	Performance of agreement	Performance of undertaking
Shenzhen Zhongxingxin Telecommunications Equipment Company, Limited ("Zhongxingxin", largest shareholder of the Company)	Where Zhongxingxin sells its shares during the period from the 13th month to the 24th month after such shares have been granted the right of listing and circulation on the Shenzhen Stock Exchange, the price at which the shares are sold shall not be less than RMB30.76 per share, which is 115% of the mathematical average of the closing prices of its A shares for the 60 trading days prior to the initial announcement made by the directors of the Company regarding the Share Reform Plan, that is, RMB26.75 per share (such price to be calculated on an ex-rights basis and net of any dividends, bonus issues and capitalisation of capital reserve during the period from the implementation date of the Share Reform Plan to the date of sale). The proceeds from any sale by Zhongxingxin in breach of such undertaking shall be reverted to the Company's account for the benefit of all shareholders of the Company. The price of "RMB30.76" specified in the special undertaking by Zhongxingxin set out above has been adjusted to "RMB30.51" following the implementation of the 2005 profit distribution plan of the Company on 14 July 2006.	In progress	Undertaking strictly complied with

Note: The other eight holders of original non-circulating shares other than Zhongxingxin have not entered into any special undertaking in respect of the share reform.

3.4 Warning and explanation of possible accumulated net loss projected for the period from the beginning of the year through the end of the next reporting period or significant changes in accumulated net profit as compared to the same period last year and the reasons therefor □ Applicable $\sqrt{N/A}$

3.5 Explanation of difference in Shareholders' Equity as at the beginning of 2007 in Balance Sheet set out in this quarterly report and in Statement of reconciliation of differences between shareholders' equity prepared in accordance with the current and the new PRC Accounting Standards. □ Applicable $\sqrt{N/A}$

This quarterly report is published in the Chinese and English languages. In case of any discrepancy between the Chinese and English versions, the Chinese version shall prevail. 3.6

Unit: RMB'000

APPENDICES 4.

4.1 **BALANCE SHEET (unaudited)**

	At 31 Ma Group	arch 2007 Company	At 31 Dece Group	mber 2006 Company
Assets	01 0 U	•••••p		j
Current assets:				
Cash in bank and on hand Tradable financial assets	2,990,861	2,055,502	4,311,060 33,288	2,957,920
Notes receivable	1,247,510	1,576,048	1,658,406	1,617,133
Trade receivables	7,050,904	7,420,677	5,329,628	5,753,208
Factored trade receivables	151,379	274,391	152,848	275,830
Prepayments Dividend receivable	101,525 1,136	57,650 817,631	51,757 1,136	20,619 817,631
Other receivables	429,021	874,346	439,904	1,220,098
Inventory	3,595,600	1,542,717	2,481,155	1,179,106
Amounts due from customers for contract work	7,170,217	6,848,325	5,907,013	5,883,180
Total current assets	22,738,153	21,467,287	20,366,195	19,724,725
Non-current assets:				
Investments available for sale	43,488	41,488	43,488	41,488
Investments held to maturity	610,802	610,802		
Long-term receivables Long-term factored trade receivables	369,791 1,388,333	328,166 1,384,159	372,703 1,399,206	328,166 1,394,970
Long-term equity investment	57,193	2,608,169	57,193	2,599,677
Fixed assets	2,491,920	1,720,974	2,591,858	1,611,968
Construction in progress	491,294	410,854	469,636	402,430
Intangible assets Development expenses	183,255 67,972	83,737 67,972	152,859	78,456
Deferred income tax assets	233,666	217,307	233,683	217,307
Long-term deferred assets	45,085		40,416	
Total non-current assets	5,982,799	7,473,628	5,361,042	6,674,462
Total assets	28,720,952	28,940,915	25,727,237	26,399,187
Current liabilities: Short-term loans	662,665	580,065	945,726	741,827
Bank advances on factored trade receivables	151,379	274,391	152,848	275,830
Tradable financial liabilities	613,051	613,051	3,689	3,689
Notes payable	3,586,780	3,987,926	2,242,566	2,187,595
Trade payables Amount due to customers for contract work	5,546,936 1,248,346	6,830,574 1,057,511	4,749,099 996,275	6,704,325 991,612
Advances from customers	842,638	899,126	635,875	513,954
Remuneration payable to staff	582,109	383,795	1,090,862	760,039
Tax payable Dividend payable	(1,039,682) 58,753	(968,615) 378	(690,767) 83,941	(615,741) 378
Other payables	741,531	574,498	733,924	701,721
Deferred income	60,269	10,349	66,273	14,404
Total current liabilities	13,054,775	14,243,049	11,010,311	12,279,633
Non-current liabilities:				
Long-term loans	2,439,419	1,855,016	1,679,242	1,329,478
Bank advances on factored long-term trade				
receivables Specific payables	1,389,787 80,000	1,384,159 80,000	1,399,206 80,000	1,394,970 80,000
Provision	395,492	263,662	339,630	316,950
Total non-current liabilities	4,304,698	3,582,837	3,498,078	3,121,398
	18.050 480	18.028.004	14 500 200	15 401 021
Total liabilities	17,359,473	17,825,886	14,508,389	15,401,031
Shareholders' equity:				
Share capital	959,522	959,522	959,522	959,522
Capital reserve Surplus reserve	5,579,421 1,331,059	5,605,893 769,603	5,509,523 1,331,059	5,535,994 769,603
Undistributed profit	2,932,177	3,783,821	2,889,732	3,736,615
Exchange differences	(30,374)	(3,810)	(32,880)	(3,578)
Total shareholders' equity attributable to the parent Minority interests	10,771,805 589,674	11,115,029	10,656,956 561,892	10,998,156
		11 115 020		10 009 156
Total shareholders' equity	11,361,479	11,115,029	11,218,848	10,998,156
Total liabilities and shareholders' equity	28,720,952	28,940,915	25,727,237	26,399,187
Legal representative: Chief Financia	u Officer:	Head	l of Finance D	1V1S10n:

Legal representat Hou Weigui 4.2

INCOME STATEMENTS (unaudited)

Item	For the three ended 31 M		For the thre ended 31 Ma	
	Group	Company	Group	Company
I. Operating revenue	6,010,780	5,690,049	4,603,289	4,379,523
Less: Cost of sales	4,134,320	5,348,474	3,087,252	3,332,366
Taxes and surcharges	30,111	13,870	16,418	12,559
Selling expenses	722,764	498,431	709,951	560,434
General and administrative expenses	350,204	204,772	354,615	194,273
R&D expenses	631,223	173,408	494,590	187,940
Finance expenses	129,319	106,028	13,141	24,099
Asset impairment loss	19,535	(12,024)	(131,026)	(157, 810)
Add: Gain or loss from fair value change	1,442	1,442	_	_
Investment gains	6,776	676,680	(3,408)	_
Including: gains from investments in				
associates and joint ventures			(3,408)	
II. Operating profit	1,522	35,212	54,940	225,662
Add: Non-operating income	98,706	13,659	14,925	6,503
Less: Non-operating expenses	4,218	1,665	7,425	3,550
Including: Gain or loss from disposal of non-				
current assets	2,940	1,070	3,131	1,510

Wei Zaisheng

Shi Chunmao

Unit: RMB'000

Unit: RMB'000

				Un	it: RMB'000
		For the thre ended 31 M Group		For the thre ended 31 M Group	
III.	Total profit	96,010	47,206	62,440	228,615
Less:	Profit tax expenses	22,048	0	14,665	5,416
IV.	Net profit	73,962	47,206	47,775	223,199
V.	Attributable to owners of the parent Minority interests Earnings per share	42,445 31,517	47,206	33,418 14,357	223,199
	 (I) Earnings per share, basic (II) Earnings per share, diluted 	0.044 0.044		0.035 0.035	
	representative: Chief Financ Iou Weigui Wei Za		Head	l of Finance I Shi Chunma	
CASI	H FLOW STATEMENT (unaudited)			Un	it: RMB'000
Item		For the three ended 31 M Group		For the three ended 31 M Group	
I.	Cash flow from operating activities Cash received from sales of goods or rendering of services	4,652,094	4,089,960	3,814,520	3,678,242
	Cash received from taxes returned Cash received relating to other operating activities	133,023 22,394	95,968 16,177	56,481 26,264	45,045
	Sub-total of cash inflow	4,807,511	4,202,105	3,897,265	3,738,339
	Cash paid for goods and services Cash paid to and on behalf of employees Payments of taxes and levies	3,927,465 1,234,179 312,240	4,465,948 482,732 48,492	4,339,288 723,951 172,123	4,472,143 308,209 45,236
	Cash paid relating to other operating activities	617,612	143,198	933,146	825,699
	Sub-total of cash outflow	6,091,496	5,140,370	6,168,508	5,651,287
	Net cash flows from operating activities	(1,283,985)	(938,265)	(2,271,243)	(1,912,948
II.	Cash flows from investing activities Cash received from sale of investments Cash received from gains of investment Net cash received from disposal of fixed assets, intangible assets and other	16,225 21,415	Ξ		_
	long-term assets Net cash received from disposal of subsidiaries and other business units	1,214		691	60:
	Sub-total of cash inflow	38,854		691	605
	Cash paid to acquire fixed asset, intangible assets and other long-term assets	494,534	279,366	81,038	62,592
	Cash paid for investment Cash paid for the acquisition of subsidiaries and other business units			2,247	
	Sub-total of cash outflow	494,534	279,366	83,285	62,592
	Net cash flow from investing activities	(455,680)	(279,366)	(82,594)	(61,987
111.	Cash flows from financing activities Cash received from investments Cash received from borrowings	787,489	673,144	121,100	100,000
	Sub-total of cash inflow	787,489	673,144	121,100	100,000
	Cash paid for debt repayment	310,373	309,368	55,696	_
	Cash paid in dividend distribution or interest repayment Cash paid in relation to other financing activities	49,774	48,261	34,644	25,714
	Sub-total of cash outflow	360,147	357,629	90,340	25,714
	Net cash flow from financing activities	427,342	315,515	30,760	74,286
IV	Effect of foreign exchange rate changes on cash	(7,876)	(302)	3,829	(30
V	Net increase in cash and cash equivalents	(1,320,199)	(902,418)	(2,319,248)	(1,900,679
	Add: Opening balance of cash and cash equivalents	4,311,060	2,957,920	5,573,132	4,258,936
	1	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	,,	. ,,	,,
VI	Closing balance of cash and cash equivalents	2,990,861	2,055,502	3,253,884	2,358,257

Shenzhen, PRC 26 April 2007

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As at the date of this announcement, the Board of Directors of the Company comprises three executive directors Yin Yimin, Shi Lirong and He Shiyou; six non-executive directors Hou Weigui, Wang Zongyin, Xie Weiliang, Zhang Junchao, Li Juping and Dong Lianbo; and five independent non-executive directors, Zhu Wuxiang, Chen Shaohua, Qiao Wenjun, Mi Zhengkun and Li Jin.

By order of the Board Hou Weigui Chairman