

Consolidated Income Statement

Huawei Technologies Corporation and Subsidiary Companies

For the year ended 31 December	2008 USD '000	2007* USD '000
Revenue	18,328,956	12,840,113
Cost of sales	(11,060,376)	(7,936,732)
Gross profit	7,268,580	4,903,381
Operating expenses	(4,820,843)	(3,577,867)
Other operating income/loss	(73,673)	(77,655)
Income from operations	2,374,064	1,247,859
Net financing cost	(970,731)	(198,881)
share of losses of associates/jointly controlled entities	(28,379)	(7,273)
Profit before income tax and minority interests	1,374,954	1,041,705
Net income for the year	1,151,278	956,898

Consolidated Balance Sheet

Huawei Technologies Corporation and Subsidiary Companies

As of 31 December	2008 USD '000	2007* USD '000
Assets		
Cash and cash equivalents	3,080,612	1,892,266
Trade and other receivables	8,850,518	5,488,077
Inventories	3,377,637	2,267,276
Total Current Assets	15,308,767	9,647,619
Property, plant and equipment	1,067,800	931,721
Long-term leasehold prepayments	54,935	52,172
Intangible assets	18,590	15,038
Investments	104,757	85,402
Deferred tax assets	548,486	364,982
Long-term prepayments	39,328	-
Total Non-current Assets	1,833,896	1,449,315
Total Assets	17,142,663	11,096,934
Liabilities and Shareholders' Equity		
Interest-bearing loans and borrowings	1,902,902	158,628
Income tax payable	198,631	94,513
Trade and other payables	8,682,286	6,029,505
Provision for warranties	187,992	151,201
Total Current Liabilities	10,971,811	6,433,847
Interest-bearing loans and borrowings	150,364	215,280
Other payables	500,904	336,417
Deferred tax liabilities	29,784	-
Total Non-current Liabilities	681,052	551,697
Minority Interest	4,900	127,539
Total Capital and Reserves	5,484,900	3,983,851
Total Liabilities and Shareholders' Equity	17,142,663	11,096,934

Consolidated Statement of Cash Flow

Huawei Technologies Corporation and Subsidiary Companies

For the year ended 31 December	2008 USD '000	2007* USD '000
Cash Flows from Operating Activities		
Cash generated from operation	1,201,150	1,300,990
Income tax paid	(255,092)	(256,713)
Cash Flows from Operating Activities	946,058	1,044,277
Cash Flows (used in)/from Investing Activities	(1,828,809)	(201,817)
Cash Flows (used in)/from Financing Activities	2,050,931	(213,387)
Net Increase/(decrease) in Cash and Cash Equivalents	1,168,180	629,073
Cash and Cash Equivalents at 1 January	1,892,266	1,277,748
Effect of foreign exchange rate changes	19,548	(14,555)
Cash and Cash Equivalents at 31 December	3,079,994	1,892,266

Notes:

- All the financial data are quoted from the unqualified auditing reports by KPMG which are presented in accordance with IFRSs (International Financial Reporting Standards).
- The consolidated financial statements of the year ended 31 December 2008 have been translated to US dollars at the rate of USD1.00=CNY 6.8225 (2007: USD1.00=CNY 7.3046).
- According to the company's decision, the terminal business had been transferred into the company in 2008, and it was excluded in 2007, so comparative figures in 2007 have been restated in accordance with IFRSs (International Financial Reporting Standards).

Reporting Entity

Huawei Technologies Co., Ltd. (the "Company") is a company domiciled in Shenzhen in the People's Republic of China (the "PRC"). The consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008 comprise the Company and its subsidiaries and the Group's interest in an associate and jointly controlled entities. The Group's activities involve research and development, production and sale of telecommunications equipment and provision of related services.

Revenue Recognition Policy

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the consolidated income statement as follows:

i) Sale of goods and services rendered

Revenue from sales of goods is recognised when the significant risks and rewards of ownership of goods have been transferred to the buyer. Revenue from provision of services is recognised at the time when the services are provided. No revenue is recognised if there are significant uncertainties regarding the recovery of the consideration due, associated costs or the possible return of goods. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

ii) Contract revenue

When the outcome of a construction contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract; and When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in the consolidated income statement in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in the consolidated income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

Net financing cost

	2008	2007
	USD'000	USD'000
Foreign exchange loss	776,051	30,609
Other finance expenses	194,680	168,272
Net financing cost	970,731	198,881

Property, plant and equipment

	Buildings	Machinery, electronic equipment and other	Motor vehicles	Construction in progress	Investment property	Decoration and Leasehold improvements	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Cost							
At 31 December 2007	398,497	1,059,990	52,612	47,909	59,427	216,725	1,835,160
At 31 December 2008	428,187	1,321,018	55,793	123,015	63,627	257,228	2,248,869
Depreciation and impairment loss							
At 31 December 2007	76,138	623,107	31,966	-	20,322	151,905	903,438
At 31 December 2008	103,267	807,744	31,815	-	28,202	210,040	1,181,069
Carrying amounts							
At 31 December 2007	322,358	436,883	20,646	47,909	39,105	64,820	931,721
At 31 December 2008	324,920	513,274	23,978	123,015	35,424	47,188	1,067,800

Investment properties

The Group is engaged in the manufacturing, sales and marketing of telecommunications equipment and the provision of related services. Beginning from 1 January 2004, it leased certain buildings to an ex-subsiary and a former related company. Such buildings are classified as investment properties.

The carrying value of investment properties as of 31 December 2008 is USD 35,424 thousand (2007:USD 39,105 thousand). The fair value of investment properties as of 31 December 2008 is estimated by the directors to be USD 68,360 thousand (2007: USD 62,594 thousand). The investment properties have not been valued by an external independent valuer.

The fair value of investment properties is determined by the Group internally by reference to market conditions and discounted cash flow forecasts. The Group's current lease agreements, which were entered into on an arm's-length basis, were taken into account.

Inventories

	2008 USD'000	2007 USD'000
Raw materials	601,019	537,736
Work in progress	307,731	269,343
Finished goods	872,613	810,344
Goods delivered but not completely installed	1,596,274	649,853
Total	3,377,637	2,267,276

Trade and other receivables

	2008 USD'000	2007 USD'000
Trade receivables	6,988,320	5,148,013
Other receivables	1,679,445	340,046
Pledged deposit	182,753	18
Total	8,850,518	5,488,077

Cash and cash equivalents

	2008 USD'000	2007 USD'000
Cash and cash equivalents	3,080,612	1,892,266

Trade and other payable

	2008 USD'000	2007 USD'000
Trade payables	6,078,337	4,247,896
Dividends payable	14,714	5
Other trade payables	2,589,235	1,781,604
Total	8,682,286	6,029,505

Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2008 USD'000	2007 USD'000
Less than one year	54,349	36,293
Between one and two years	33,536	21,805
Between two and five years	25,509	11,348
Total	113,395	69,446

The Group leases a number of warehouses, factory facilities, office premises and staff apartments under operating leases. The leases typically run for an initial period of between one and five years. None of the leases includes contingent rentals. During the year ended 31 December 2008, USD 166,789 thousand was recognized as an expense in the consolidated income statement in respect of operating leases (2007: USD 145,695 thousand).

Leases as lesser

The Group leases out certain of its properties under operating leases. Non-cancellable operating lease rentals are receivable as follows:

	2008 USD'000	2007 USD'000
Less than one year	1,125	6,752
Between one and five years	4,523	5,097
Total	5,648	11,849

During the year ended 31 December 2008, USD 11,741 thousand was recognised as rental income in the consolidated income statement (2007: USD 7,849 thousand).