

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

1. CHANGES IN SHARE CAPITAL AS AT 31 DECEMBER 2005

Unit: shares

	Before change		Increase/decrease as a result of the change					After change	
	Number of shares	Percentage (%)	Issue of new shares	Share Reform	Conversion from capital reserve	Others (Transfer of shareholdings)	Sub-total	Number of shares	Percentage (%)
I. Shares subject to lock-up	498,341,861	51.94		(75,257,187)			(75,257,187)	423,084,674	44.09
1. State-owned shares									
2. State-owned legal person shares	462,272,370	48.18		(70,192,466) ¹			(70,192,466)	392,079,904	40.86
3. Other domestic shares comprising:									
Domestic legal person shares	35,043,840	3.65		(2,046,590) ¹		(21,565,440) ²	(23,612,030)	11,431,810	1.19
Domestic natural person shares (including shares held by senior management of the Company)	1,025,651	0.11		256,413 ¹			256,413	1,282,064	0.13
4. Foreign shares comprising:									
Foreign legal person shares	0	0		(3,274,544) ¹		21,565,440 ²	18,290,896	18,290,896	1.91
Foreign natural person shares									
II. Shares not subject to lock-up	461,179,789	48.06		75,257,187			75,257,187	535,436,976	55.91
1. RMB ordinary shares	301,028,749	31.37		75,257,187 ¹			75,257,187	376,285,936	39.22
2. Domestic-listed foreign shares									
3. Overseas-listed foreign shares (H shares)	160,151,040	16.69						160,151,040	16.69
4. Others									
III. Total numbers of shares	959,521,650	100						959,521,650	100

Note 1: Holders of non-circulating shares of the Company offered 2.5 shares for every 10 shares to the holders of A Shares of the Company whose names were registered on the register of the Company maintained at China Securities Depository & Clearing Corporation Limited, Shenzhen Branch on the date of registration for changes in shares following the implementation of the Share Reform Plan (28 December 2005). Please refer to the Revised Share Reform Plan published by the Company on the designated website for information disclosure on 23 November 2005 for details.

Note 2: On 10 November 2005, 21,565,440 shares of the Company held by Fortune Trust & Investment Company, Ltd were transferred to Jade Dragon (Mauritius) Limited and share transfer procedures were completed. Please refer to the announcement dated 11 November 2005 published by the Company in China Securities Journal, Securities Times, Shanghai Securities News, South China Morning Post and Hong Kong Economic Times for details.

As at the end of reporting period, the Company did not have any employee shares.

2. ISSUE OF NEW SHARES BY THE COMPANY FOR THE PAST THREE YEARS ENDED 31 DECEMBER 2005

Issue Year	Class of shares	Date of issue	Issue price	Quantity (no. of shares)	Date of listing	No. of shares approved for listing	Date of ceasing trading
2004	H share	29/11/2004	HKD22.00	160,151,040	9/12/2004	160,151,040	—

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3. SHAREHOLDERS AS AT 31 DECEMBER 2005

1. Top ten shareholders of the Company and top ten holders of the shares of the Company that are not subject to lock-up

Total numbers of shareholders

Number of shareholders: the Company had 23,924 shareholders in total (of which 23,241 were holders of A shares and 683 were holders of H shares).

Top ten shareholders					Number of shares held that are subject to lock-up (shares)	Number of shares pledged or locked up
Name of shareholder	Nature of shareholders	Percentage shareholding (%)	Total no. of shares held (shares)			
1. Zhongxingxin	State-owned shareholders	37.41	358,958,824	358,958,824	None	
2. HKSCC Nominees Limited	Foreign shareholders	16.62	159,428,039	—	Unknown	
3. Deutsche Bank Aktiengesellschaft	Foreign shareholders	2.63	25,237,082	—	Unknown	
4. Jade Dragon (Mauritius) Limited	Foreign shareholders	1.91	18,290,896	18,290,896	None	
5. Hunan Nantian (Group) Co., Ltd	Others	1.19	11,431,810	11,431,810	None	
6. China Southern Sustaining Growth Equity Fund	Others	0.94	9,000,000	—	Unknown	
7. Tian Yuan Equity Fund	Others	0.82	7,875,000	—	Unknown	
8. SYWG BNP Paribas Security Investment Fund	Others	0.75	7,233,846	—	Unknown	
9. Yulong Securities Investment Fund	Others	0.68	6,493,734	—	Unknown	
10. Kai Yuan Equity Fund	Others	0.63	6,001,544	—	Unknown	

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Top ten holders of the shares not subject to lock-up		
Name of shareholder	Number of shares held that not subject to selling restrictions	Class of share
1. HKSCC Nominees Limited	159,428,039	H shares
2. Deutsche Bank Aktiengesellschaft	25,237,082	A shares
3. China Southern Sustaining Growth Equity Fund	9,000,000	A shares
4. Tian Yuan Equity Fund	7,875,000	A shares
5. SYWG BNP Paribas Security Investment Fund	7,233,846	A shares
6. Yulong Securities Investment Fund	6,493,734	A shares
7. Kai Yuan Equity Fund	6,001,544	A shares
8. Yuyang Securities Investment Fund	5,807,811	A shares
9. Merchant Stock Investment Fund	5,427,830	A shares
10. Jing Fu Securities Investment Fund	5,011,430	A shares
Descriptions of any connected party relationships or concert party relationships among the above shareholders	<ol style="list-style-type: none"> 1. Among the Company's top ten holders of shares not subject to lock-up, China Southern Sustaining Growth Equity Fund, Tian Yuan Equity Fund and Kai Yuan Equity Fund are managed by the same fund manager, China Southern Fund Management Co., Ltd.; Yulong Securities Investment Fund and Yuyang Securities Investment Fund are managed by the same fund manager, Boshi Fund Management Co., Ltd. 2. There were no connected party relationships between Zhongxingxin, the largest shareholder of the Company and other top ten shareholders and top ten holders of shares not subject to lock-up, or concert party relationships, as defined under the "PRC Measures for the Management of Information Disclosure for Changes in Shareholding of Shareholders of Listed Companies". 3. Save for the above, the Company is not aware of any connected party relationships or concert party relationships (as defined under the "PRC Measures for the Management of Information Disclosure for Changes in Shareholding of Shareholders of Listed Companies") among the top ten shareholders and the top ten holders of shares that are not subject to lock-up. 	

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	Name of shareholder	Agreed period of shareholding
Agreed period of shareholding for strategic investors or legal persons participating in the placing of new shares	N/A	N/A

2. Controlling shareholder of the Company

Name of controlling shareholder of the Company:	Zhongxingxin
Legal representative:	Zhang Taifeng
Date of incorporation:	29 April 1993
Registered capital:	RMB10,000,000

Scope of business: production of programmed switchboard cabinets, telephones and related components, electronic products; import and export operations; treatment of toxic fumes, waste water and noise and related technical services, research and technical development of environmental protection equipment; production of continuous monitoring smoke systems.

3. The controlling shareholders (or de facto controller) of the Company's controlling shareholder

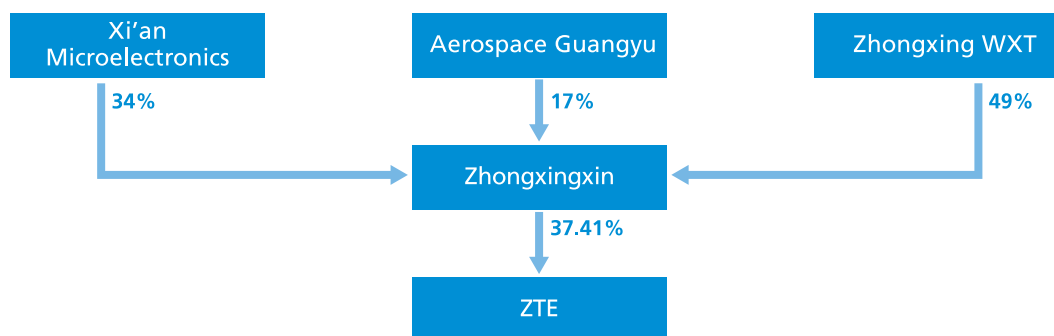
The controlling shareholder of the Company, Zhongxingxin was jointly formed by Xi'an Microelectronics, Shenzhen Aerospace Guangyu Industrial Group Company ("Aerospace Guangyu") and Zhongxing WXT, each holding a 34%, 17% and 49% stake in Zhongxingxin respectively. Zhongxingxin currently has 9 directors, of which 3 have been nominated by Xi'an Microelectronics, 2 by Aerospace Guangyu and 4 by Zhongxing WXT, representing 33.33%, 22.22% and 44.45% of the board of directors of Zhongxingxin respectively. Therefore, no shareholder of Zhongxingxin shall have the right to control the financial and operating decisions of the Company whether in terms of shareholding or corporate governance structure and no party has effective control over the Company. Details of these three shareholders are as follows:

Xi'an Microelectronics, a subsidiary of China Aerospace Times Electronics Corporation, is a large state-owned research institute, which was established in 1965 with its establishment expenses amounting to RMB198,530,000. The legal representative of the institute is Mr. Zhang Junchao. It is the only specialised research institute in China which integrates and complements the research, development and production of semiconductor integrated circuits, mixed integrated circuits and computers.

Aerospace Guangyu, a subsidiary of CASIC, is a wholly state-owned enterprise established on 20 March 1984. The legal representative is Mr. Xie Weiliang and the registered capital amounts to RMB17,950,000. The scope of business includes aerospace technology products, mechanical products, electrical appliance products, apparatuses and instruments; electronic products, plastic products, chemical products, hoisting and transportation products, hardware and furniture, construction materials, magnetic materials, powder metallurgy, Chinese-manufactured automobiles (except sedans), warehousing.

Zhongxing WXT is a private high-technology enterprise incorporated on 23 October 1992. Its legal representative is Mr. Hou Weigui and its registered capital amounts to RMB10,000,000. The scope of business includes the development and production of telecommunications and transmission equipment, associated equipment, computer and peripheral equipment.

The following diagram shows the shareholding relationships between the above units and the Company as at 31 December 2005:



4. Number of shares held by shareholders subject to lock-up and terms of lock-up

No.	Name of shareholders subject to lock-up	Number of shares held subject to lock-up (shares)	Listing and trading date	Number of additional tradable shares (shares)	Terms of lock-up
1.	Zhongxingxin	358,958,824	29 December 2006 29 December 2007 29 December 2008	47,976,083 47,976,083 263,006,658	Note 1
2.	Jade Dragon (Mauritius) Limited	18,290,896	29 December 2006	18,290,896	Note 2
3.	Hunan Nantian (Group) Co., Ltd	11,431,810	29 December 2006	11,431,810	Note 2
4.	Lishan Microelectronics Corporation	5,520,180	29 December 2006	5,520,180	Note 2
5.	CASIC Shenzhen (Group) Company, Limited	5,520,180	29 December 2006	5,520,180	Note 2
6.	Shaanxi Telecommunications Industrial Company	5,520,180	29 December 2006	5,520,180	Note 2
7.	China Mobile Telecommunications No. 7 Research Institute	5,520,180	29 December 2006	5,520,180	Note 2
8.	Jilin Posts and Telecommunications Equipment Company	5,520,180	29 December 2006	5,520,180	Note 2
9.	Hebei Telecommunications Equipment Company, Limited	5,520,180	29 December 2006	5,520,180	Note 2

Note 1: The following undertakings were made by Zhongxingxin, the largest shareholder of the Company in the Revised Share Reform Plan announced on the designated website for information disclosure on 23 November 2005:

Statutory undertakings: to comply with the laws, regulations and rules and perform its statutory obligations, namely not to transfer or trade the listed shares, which are converted from the Non-circulating Shares, held by it within 12 months from the first trading day after implementation of the Share Reform Plan; and not to sell its original Non-circulating Shares amounting to more than five per cent (5%) of the total share capital of the Company by way of trading subsequent to their listing on the Shenzhen Stock Exchange within 12 months and not to sell more than ten per cent (10%) within 24 months after the above lock-up period.

Special undertakings: 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.

Note 2: To comply with the laws, regulations and rules and perform its statutory obligations, namely not to transfer or trade the listed shares, which are converted from the Non-circulating Shares, held by it within 12 months after implementation of the Share Reform Plan.

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5. Interests of substantial shareholders and other parties in shares or debentures

As at 31 December 2005, the following shareholders held an interest of 5% or more in the Company's issued share capital as shown in the register maintained by the Company pursuant to section 336 of the Securities and Futures Ordinance:

Name	Number of shareholding	Approximate shareholding as a percentage (%) of:	
		Total share capital	The relevant class of shares
Zhongxingxin	358,958,824 A shares (L)	37.41	44.91
Zhongxing WXT	358,958,824 A shares (L)	37.41	44.91
Xi'an Microelectronics	358,958,824 A shares (L)	37.41	44.91
China Aerospace Times Electronics Corporation	358,958,824 A shares (L)	37.41	44.91
China Aerospace Science and Technology Corporation	358,958,824 A shares (L)	37.41	44.91
JPMorgan Chase & Co.	20,626,380 H shares (L)	2.15	12.88
	18,675,780 H shares (P)	1.95	11.66
Goldman Sachs (Asia) LLC	11,622,000 H shares (L)	1.21	7.82
Goldman Sachs (Cayman) Holding Company	11,622,000 H shares (L)	1.21	7.82
Temasek Holdings (Private) Limited	11,326,800 H shares (L)	1.18	7.07
Fidelity International Limited	11,278,200 H shares (L)	1.18	7.04
T. Rowe Price Associates, Inc. and its affiliates	11,237,200 H shares (L)	1.17	7.00
Aranda Investments (Mauritius) Pte Ltd	11,141,800 H shares (L)	1.16	6.96
Platinum Asset Management Limited	9,648,000 H shares (L)	1.01	6.02
The Capital Group Companies, Inc.	9,618,100 H shares (L)	1.00	6.01
Massachusetts Financial Services Company ("MFS")	8,428,100 H shares (L)	0.88	5.26
Sun Life Financial, Inc.	8,428,100 H shares (L)	0.88	5.26

(L) long position; (S) short position; (P) lending pool

Save as disclosed above, as at 31 December 2005, so far as the Directors, Supervisors and senior management of the Company are aware, no person had an interest or short position in the shares and underlying shares of the Company that was required to be recorded in the register maintained pursuant to section 336 of the Securities and Futures Ordinance.

6. Shareholding of the public shareholders

On the basis of publicly available information known to the Board of Directors, as at 5 April 2006 the Company has sufficient public shareholding, in compliance with the minimum requirement of Hong Kong Stock Exchange Listing Rules.