

Consolidated Statements of Cash Flows

(In U.S. dollars)

	Year ended December 31,		
	2005	2004	2003
Operating activities:			
Income (loss) attributable to holders of ordinary shares	\$ (111,534,094)	\$ 70,905,406	\$ (103,261,129)
Deemed dividends on preference shares	–	18,839,426	37,116,629
Net income (loss)	(111,534,094)	89,744,832	(66,144,500)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Minority interest	(251,017)	–	–
Gain on disposal of plant and equipment	(3,001,881)	(733,822)	(8,029)
Depreciation and amortization	745,926,095	456,960,522	233,904,866
Non-cash interest expense	5,395,177	–	795,279
Amortization of acquired intangible assets	41,251,077	14,368,025	3,461,977
Amortization of share-based compensation	25,735,849	27,011,078	11,439,514
Share of loss of affiliate company	1,379,110	–	–
Stock compensation from Series C convertible preference shares	–	–	2,707,201
Changes in operating assets and liabilities:			
Accounts receivable, net	(72,145,627)	(78,649,770)	(70,428,402)
Inventories	(47,219,784)	(74,093,973)	(30,097,945)
Prepaid expense and other current assets	(5,172,943)	2,551,664	(8,868,710)
Accounts payable	26,425,817	49,235,998	18,752,474
Income tax payable	(152,000)	152,000	–
Accrued expenses and other current liabilities	41,469,028	32,115,883	18,756,638
Net cash provided by operating activities	648,104,807	518,662,437	114,270,363
Investing activities:			
Purchase of plant and equipment	(872,519,397)	(1,838,773,389)	(453,097,184)
Proceeds from government grant to purchase plant and equipment	18,538,886	–	–
Proceeds from disposal of plant and equipment	11,750,109	1,343,003	54,613
Proceeds received from sale of assets held for sale	6,434,115	8,215,128	4,562,934
Purchase of acquired intangible assets	(11,167,883)	(7,307,996)	(3,585,000)
Purchase of short-term investments	(19,817,525)	(66,224,919)	(23,985,420)
Proceeds paid for long-term investment	(19,200,000)	–	–
Purchase of investments held to maturity	–	–	(3,004,724)
Sale (purchase) of investments held to maturity	–	3,004,297	–
Sale of short-term investments	26,329,298	72,957,324	24,556,329
Net cash used in investing activities	(859,652,397)	(1,826,786,552)	(454,498,452)

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Financing activities:			
Proceeds from short-term borrowings	394,158,994	91,000,000	30,000,000
Repayment of short-term borrowings	(219,677,912)	–	(33,624,597)
Repayment of note payable to stockholder for land use rights	–	(12,778,797)	(23,981,957)
Repayment of long-term debt	(249,244,093)	–	–
Proceeds from long-term debt	253,432,612	256,487,871	88,733,767
Repayment of redeemable convertible promissory note	(30,000,000)	(15,000,000)	–
Proceeds from issuance of Series C convertible preference shares	–	–	530,216,072
Proceeds from issuance of Series D convertible preference shares	–	30,000,000	–
Proceeds from issuance of ordinary shares from initial public offering	–	1,016,859,151	–
Collection of subscription receivables, net	–	105,420,031	107,009,969
Proceeds from exercise of employee stock options	2,303,151	681,339	2,634,442
Collection of notes receivables from employees	391,376	35,245,774	–
Change in deposits received from stockholders	–	(38,151,407)	(7,491,144)
Proceeds from issuance of redeemable convertible preference shares to minority investor in a subsidiary (note 1)	39,000,025	–	–
Net cash provided by financing activities	190,364,153	1,469,763,962	693,496,552
Effect of exchange rate changes	(192,246)	256,389	143,570
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(21,375,683)	161,896,236	353,412,033
CASH AND CASH EQUIVALENTS, beginning of year	607,172,570	445,276,334	91,864,301
CASH AND CASH EQUIVALENTS, end of year	\$ 585,796,887	\$ 607,172,570	\$ 445,276,334
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Income taxes paid	\$ 436,867	\$ 34,044	\$ 8,379
Interest paid	\$ 47,113,456	\$ 20,104,223	\$ 14,732,932

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SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES			
Series C convertible preference shares issued to investors for subscription receivable	\$ -	\$ -	\$ 105,000,000
Issuance of Series C convertible preference share warrants	\$ -	\$ -	\$ 35,645,570
Note payable waived by stockholder in exchange for land use rights	\$ -	\$ (14,239,246)	\$ -
Series D convertible preference shares issued to acquire assets and assume liabilities from Motorola and MCEL	\$ -	\$ 278,180,024	\$ 25,000,000
Issuance of Series D convertible preference share warrants	\$ -	\$ 27,663,780	\$ 2,064,419
Deemed dividends on Series C and Series D convertible preference shares	\$ -	\$ 18,839,426	\$ 37,116,629
Series D convertible preference shares issued in exchange for certain software licenses	\$ -	\$ 5,060,256	\$ -
Series B convertible preference shares issued in exchange for acquired intangible assets	\$ -	\$ 2,739,853	\$ -
Series B convertible preference shares issued to a service provider	\$ -	\$ 45,090	\$ -
Conversion of preference shares into ordinary shares upon initial public offering	\$ -	\$ 5,971,115	\$ -
Ordinary shares and warrants issued to a service provider	\$ -	\$ (79,590)	\$ -
Ordinary shares issued in exchange for equipment	\$ -	\$ 5,222,180	\$ -
Deferred stock compensation	\$ (26,295,756)	\$ 10,595,079	\$ 19,739,483
Ordinary and preference shares issued in exchange for employee note receivable	\$ -	\$ (388,924)	\$ (968,535)
Issuance of promissory note for acquired intangible assets	\$ (132,496,437)		
Inception of long-term payable for acquired intangible assets	\$ (24,686,398)		

The accompanying notes are an integral part of these consolidated financial statements.