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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)

2020 THIRD QUARTERLY REPORT

This announcement is published simultaneously in the Mainland in accordance with the Rules Governing Listing of Stocks on The Shenzhen Stock Exchange and in Hong Kong in accordance with the disclosure obligations under Rule 13.09(2) and Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the inside information provisions set out in Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

§ 1 IMPORTANT

- 1.1 The Board of Directors, Supervisory Committee and the Directors, Supervisors and senior management of ZTE Corporation (“ZTE” or the “Company”) warrant that the contents of this quarterly report are true, accurate and complete without false information, misleading statements or material omissions, and collectively and individually accept responsibility therefor.
- 1.2 There are no Directors, Supervisors and senior management who do not warrant or who dispute the truthfulness, accuracy and completeness of the contents of this quarterly report.
- 1.3 This quarterly report has been considered and approved at the Twenty-sixth Meeting of the Eighth Session of the Board of Directors of the Company.
- 1.4 The financial statements contained in this quarterly report are unaudited. The financial information contained in this quarterly report has been prepared in accordance with PRC Accounting Standards for Business Enterprises (“PRC ASBEs”).

- 1.5 Mr. Li Zixue, Chairman of the Company, Ms. Li Ying, Chief Financial Officer of the Company and Mr. Xu Jianrui, Head of Finance Division of the Company, hereby declare that they warrant the truthfulness, accuracy and completeness of the financial statements contained in this quarterly report.
- 1.6 China Securities Journal, Securities Times, Shanghai Securities News and <http://www.cninfo.com.cn> are designated media for the Company's information disclosure. Investors are asked to be aware of the investment risks.

§ 2 CORPORATE INFORMATION

2.1 Major Accounting Data and Financial Indicators

2.1.1 Major Accounting Data and Financial Indicators of the Company and its subsidiaries (the "Group")

Item	As at the end of the reporting period (30 September 2020)	As at the end of last year (31 December 2019)	Change as at the end of the reporting period compared with the end of last year
Total assets (RMB in thousands)	165,268,109	141,202,135	17.04%
Owners' equity attributable to holders of ordinary shares of the listed company (RMB in thousands)	41,905,884	28,826,868	45.37%
Total share capital (thousand shares) <i>Note 1</i>	4,613,435	4,227,530	9.13%
Net assets per share attributable to holders of ordinary shares of the listed company (RMB/share)	9.08	6.82	33.14%

Item	Three months ended 30 September 2020	Change compared with the same period last year	Nine months ended 30 September 2020	Change compared with the same period last year
Operating revenue (RMB in thousands)	26,930,051	37.18%	74,129,424	15.39%
Net profit attributable to holders of ordinary shares of the listed company (RMB in thousands)	854,760	(67.83%)	2,712,049	(34.30%)
Net profit after extraordinary items attributable to holders of ordinary shares of the listed company (RMB in thousands)	543,744	454.66%	1,445,859	103.59%
Net cash flows from operating activities (RMB in thousands)	1,828,128	11.57%	3,868,898	33.17%
Net cash flows from operating activities per share (RMB/share)	0.40	2.56%	0.84	21.74%
Basic earnings per share (RMB/share) ^{Note 2}	0.19	(69.84%)	0.59	(39.80%)
Diluted earnings per share (RMB/share) ^{Note 3}	0.19	(69.84%)	0.59	(39.80%)
Weighted average return on net assets (%)	2.34%	Decreased by 7.76 percentage points	7.62%	Decreased by 8.68 percentage points
Weighted average return on net assets after extraordinary items (%)	1.50%	Increased by 1.28 percentage points	4.06%	Increased by 1.26 percentage points

Note 1: The total share capital of the Company had increased from 4,227,529,869 shares to 4,613,434,898 shares following the addition of 381,098,968 new shares as the result of the non-public issue of A shares and the exercise of 4,806,061 A share options by scheme participants under the 2017 Share Option Incentive Scheme during the nine months ended 30 September 2020;

Note 2: Basic earnings per share for the nine months ended 30 September 2020, three months ended 30 September 2020, nine months ended 30 September 2019 and three months ended 30 September 2019 have been calculated on the basis of the weighted average number of ordinary shares in issue as at the end of the respective periods;

Note 3: As the 2017 share options granted by the Company have given rise to 21,780,000 and 19,140,000 potentially dilutive ordinary shares for the nine months ended 30 September 2020 and nine months ended 30 September 2019, respectively, dilutive earnings per share for the nine months and three months ended 30 September 2020 and the same periods last year have been calculated on the basis of basic earnings per share taking into account the said factor.

Extraordinary item

Unit: RMB in thousands

Extraordinary item	Amount	
	Three months ended 30 September 2020	Nine months ended 30 September 2020
Non-operating income, other income and others	452,723	1,725,390
Gains/(Losses) from fair value change	42,335	(79,099)
Investment income	(75,832)	(18,481)
Less: Losses on disposal of non-current assets	10,218	36,836
Less: Other non-operating expenses	18,474	47,144
Less: Asset impairment loss	—	7,165
Less: Effect of income tax	58,580	230,500
Less: Effect of non-controlling interests (after taxation)	20,938	39,975
Total	311,016	1,266,190

2.1.2 The amounts of net profit and shareholders' equity of the Group for the nine months ended 30 September 2020 and as at 30 September 2020 calculated in accordance with PRC ASBEs are fully consistent with those calculated under Hong Kong Financial Reporting Standards.

2.2 Total number of shareholders and shareholdings of top 10 shareholders and top 10 holders of shares not subject to lock-up of the Company as at the end of the reporting period

Total number of shareholders

As at 30 September 2020 There were 570,887 shareholders in total (comprising 570,568 holders of A shares and 319 holders of H shares).

Shareholdings of top 10 shareholders or shareholders holding 5% or above

Name of shareholders	Nature of shareholders	Percentage of shareholdings	Number of shares as at the end of the reporting period (shares)	Type of shares	Number of shares held subject to lock-up (shares)	Number of shares pledged or frozen
1. Zhongxingxin Telecom Company Limited (“Zhongxingxin”)	Domestic general corporation	22.44%	1,033,442,200 2,038,000 <i>Note 1</i>	A share H share	—	Nil <i>Note 2</i> Nil
2. HKSCC Nominees Limited <i>Note 3</i>	Foreign shareholder	16.31%	752,337,392	H share	—	Unknown
3. Hong Kong Securities Clearing Company Limited <i>Note 4</i>	Overseas corporation	1.45%	66,697,658	A share	—	Nil
4. Central Huijin Asset Management Co. Ltd.	State-owned corporation	1.14%	52,519,600	A share	—	Nil
5. Bank of China Limited — Huaxia Securities 5G Themed Traded Open-ended Index Securities Fund	Others	0.99%	45,726,290	A share	—	Nil
6. Shenzhen Huitong Rongxin Investment Co., Ltd.	State-owned corporation	0.93%	43,032,108	A share	43,032,108	Nil
7. Nanjing Xinchuangxing Consulting and Management Partnership (Limited Partnership)	Domestic general corporation	0.93%	43,032,108	A share	43,032,108	Nil
8. New China Life Insurance Company Limited — New Traditional Products 2	Others	0.93%	43,032,108	A share	43,032,108	Nil
9. Shenzhen Investment Holding Capital Co., Ltd. — Shenzhen Investment Holding Win-win Equity Investment Fund Partnership (Limited Partnership)	Others	0.93%	43,032,108	A share	43,032,108	Nil
10. Guangdong Hengjian Asset Management Co., Ltd. — Guangdong Henghui Equity Investment Fund (Limited Partnership)	Others	0.93%	43,032,108	A share	43,032,108	Nil

Shareholdings of top 10 holders of shares not subject to lock-up

Name of shareholders	Number of shares held not subject to lock-up (shares)	Class of shares
1. Zhongxingxin	1,033,442,200	A share
	2,038,000	H share
2. HKSCC Nominees Limited	752,337,392	H share
3. Hong Kong Securities Clearing Company Limited	66,697,658	A share
4. Central Huijin Asset Management Co. Ltd.	52,519,600	A share
5. Bank of China Limited — Huaxia Securities 5G Themed Traded Open-ended Index Securities Fund	45,726,290	A share
6. Hunan Nantian (Group) Co., Ltd.	41,516,065	A share
7. Bank of Communications Co., Ltd. — Southern Growth Vanguard Hybrid Securities Fund	22,029,163	A share
8. China Life Insurance Company Limited — Dividend — Personal Dividend — 005L-FH002 Shen	21,562,065	A share
9. China Mobile No. 7 Research Institute	19,073,940	A share
10. China Construction Bank Corporation — China-Europe New Blue-chip Flexible Allocation Hybrid Securities Fund	16,852,473	A share
Descriptions of any connected party relationships or concerted party relationships among the above shareholders	<ol style="list-style-type: none"> Zhongxingxin was neither a connected party nor a concerted party of any of the top 10 shareholders and top 10 holders of shares that were not subject to lock-up set out in the table above. Save for the above, the Company is not aware of any connected party relationships or concerted party relationships among the top 10 shareholders and the top 10 holders of shares that were not subject to lock-up. 	
Description of top 10 shareholders' involvement in financing and securities lending businesses (if any)	N/A	

Note 1: 2,038,000 H shares in the Company held by Zhongxingxin were held by HKSCC Nominees Limited as nominee.

Note 2: Zhongxingxin pledged its holdings of 98,667,983 A shares in the Company for financing requirements on 20 December 2018. As a result of the expiry and renewal of the relevant financing agreement, Zhongxingxin released the aforesaid pledge and created a new pledge on 25 March 2020, which was subsequently released on 14 July 2020. For details, please refer to the “Overseas Regulatory Announcement Announcement on the Release of Pledge and Creation of New Pledge against Shares held by the Controlling Shareholder” and “Overseas Regulatory Announcement Announcement on the Release of Pledge on Shares held by the Controlling Shareholder” published by the Company on 26 March 2020 and 15 July 2020, respectively.

Note 3: Shares held by HKSCC Nominees Limited represented the sum of shares held in the accounts of the H shareholders of the Company traded on the trading platform of HKSCC Nominees Limited. To avoid repetition in counting, 2,038,000 H shares in the Company held by Zhongxingxin have been excluded from the number of shares held HKSCC Nominees Limited.

Note 4: Shares held by Hong Kong Securities Clearing Company Limited represented the sum of A shares in the Company purchased through Shenzhen Hong Kong Stock Connect (Northbound).

Whether top 10 shareholders and top 10 holders of shares not subject to lock-up of the Company conducted any transactions on agreed repurchases during the reporting period

Yes No

The Company had no preferential shares.

§ 3 MATERIAL MATTERS

3.1 Substantial changes in key financial data and financial indicators of the Company and the reasons thereof

Unit: RMB in thousands

Balance sheet

Item	30 September 2020	31 December 2019	Change	Analysis of reasons for changes
Cash	43,547,649	33,309,347	30.47%	Reflecting mainly the Company's non-public issue of A shares and issue of Super and Short-term Commercial Paper ("SCP")
Derivative financial assets	39,601	106,065	(62.66%)	Reflecting mainly the decrease in gain on end-of-period fair-value re-measurement of derivative investments for the period
Receivable financing	3,383,365	2,430,389	39.21%	Reflecting mainly the year-on-year increase in bill receipts from customers for the period
Inventories	39,353,293	27,688,508	42.13%	Reflecting mainly the increase in goods dispatched during the period
Factored long-term receivables	289,090	200,671	44.06%	Reflecting mainly the increase in business for factored long-term receivables with limited recourse undertaken during the period
Short-term loans	14,982,639	26,645,966	(43.77%)	Reflecting mainly the decrease of short-term loans as a percentage of total loans during the period to optimise the debt structure
Short-term bonds payable	8,000,000	—	N/A	Reflecting mainly the issue of SCP during the period
Bills payable	13,900,063	9,372,940	48.30%	Reflecting mainly the increase in commercial acceptances for the period
Non-current liabilities due within one year	1,512,792	612,261	147.08%	Reflecting mainly the increase in long-term loans due within one year for the period
Long-term loans	21,463,854	10,045,093	113.68%	Reflecting mainly the increase of long-term loans as a percentage of total loans during the period to optimise the debt structure
Bank advances on factored long-term trade receivables	289,424	200,858	44.09%	Reflecting mainly the increase in business for factored long-term trade receivables with limited recourse undertaken during the period
Deferred income	3,648,274	2,656,024	37.36%	Reflecting mainly the increase in deferred income for the period
Other non-current liabilities	4,575,907	3,013,487	51.85%	Reflecting mainly the increase in long-term payables for the period
Capital reserves	23,298,292	12,144,432	91.84%	Reflecting mainly the Company's non-public issue of A shares during the period
Treasury stocks	114,766	—	N/A	Reflecting mainly the Company's repurchase of A shares during the period
Other equity instruments — perpetual capital instruments	—	6,252,364	N/A	Reflecting mainly the payment of 2015 Tranche I Medium Term Notes during the period

Income Statement (Nine months ended 30 September)

Item	Nine months ended 30 September 2020	Nine months ended 30 September 2019	Change	Analysis of reasons for changes
Taxes and surcharges	471,971	728,483	(35.21%)	Reflecting mainly the decrease in urban construction tax and education surcharge for the period
Investment income	298,904	618,839	(51.70%)	Reflecting mainly the decrease in investment gain from the disposal of listed equity by subsidiary partnership funds of Shenzhen ZTE Capital Management Company Limited (“ZTE Capital”) for the period
Gains/(Losses) from changes in fair values	8,950	(423,856)	102.11%	Reflecting mainly the decrease in loss on end-of-period fair-value re-measurement of derivative investments for the period
Credit impairment losses	(277,506)	(2,115,113)	(86.88%)	Reflecting mainly the decrease in bad-debt provision for trade receivables for the period
Impairment losses	(2,217)	(1,181,251)	(99.81%)	Reflecting mainly the decrease in inventory impairment provision for trade receivables for the period
Gains from asset disposal	—	2,687,413	N/A	Reflecting mainly the income recognised by the Company pursuant to the announcement “UPDATE ON DISCLOSEABLE TRANSACTION SUPPLEMENTAL AGREEMENT TO THE FRAMEWORK AGREEMENT FOR ENTRUSTMENT OF DEVELOPMENT, CONSTRUCTION, SALES AND OPERATION” published on 11 July 2019 for the same period last year
Non-operating income	99,969	143,581	(30.37%)	Reflecting mainly the decrease in income from compensation for the period
Non-operating expenses	83,980	210,480	(60.10%)	Reflecting mainly the compensation payment to Shenzhen Investment Holdings Co., Ltd. during the same period last year
Other comprehensive income, net of tax	(144,833)	64,803	(323.50%)	Reflecting mainly the Group’s loss on translation of foreign operations due to exchange rate volatility for the period versus gain due to exchange rate volatility for the same period last year
Exchange differences on translation of foreign operations	(135,345)	46,582	(390.55%)	Reflecting mainly the Group’s loss on translation of foreign operations due to exchange rate volatility for the period versus gain due to exchange rate volatility for the same period last year
Other comprehensive income attributable to non-controlling interests, net of tax	(9,488)	18,221	(152.07%)	Reflecting mainly the loss on translation of foreign operations due to exchange rate volatility for the period versus gain due to exchange rate volatility for the same period last year registered by subsidiaries

Income Statement (Three months ended 30 September)

Item	Three months ended 30 September 2020	Three months ended 30 September 2019	Change	Analysis of reasons for changes
Operating revenue	26,930,051	19,631,479	37.18%	Reflecting mainly the increase in revenue for carriers' network for the period
Operating costs	18,887,090	12,474,037	51.41%	Reflecting mainly the increase in cost for carriers' network for carriers
Administrative expenses	1,355,354	982,019	38.02%	Reflecting mainly the increase in staff cost for the period
Research and development costs	4,153,758	2,887,634	43.85%	Reflecting mainly the increase in R&D investment for the period
Finance costs	53,436	(122,675)	143.56%	Reflecting mainly the exchange loss due to exchange rate volatility for the period versus exchange gain due to exchange rate volatility for the same period last year
Gains/(Losses) from changes in fair values	(368,774)	(281,252)	(31.12%)	Reflecting mainly the combined effect of the disposal of equity by subsidiary partnership funds of ZTE Capital from fair-value change to investment income for the period
Non-operating income	44,310	69,273	(36.04%)	Reflecting mainly the decrease in income from compensation for the period
Income tax	222,660	585,258	(61.96%)	Reflecting mainly the decrease in profit for the period
Non-controlling interests	36,612	248,364	(85.26%)	Reflecting mainly the decrease in profit of certain subsidiaries with a higher proportion of minority interests for the period

Cash Flow Statement

Item	Nine months ended 30 September 2020	Nine months ended 30 September 2019	Change	Analysis of reasons for changes
Net cash flows from operating activities	3,868,898	2,905,228	33.17%	Reflecting mainly the increase in cash received for the sales of goods and provision of labour service for the period
Net cash flows from investing activities	(4,617,920)	(3,345,409)	(38.04%)	Reflecting mainly the increase in short-term deposit in cash paid for investment for the period

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

3.2.1 Appropriation of non-operating capital of the listed company by the controlling shareholder and its connected parties of the company and provision of third-party guarantees by the Company in violation of stipulated procedures

Applicable N/A

3.2.2 Others

3.2.2.1 Implementation of the Profit Distribution Plan for 2019 of the Company

The Profit Distribution Plan for 2019 of the Company was considered and approved at the 2019 Annual General Meeting of the Company held on 19 June 2020 and was completed on 12 August 2020. The Company made a dividend payment of RMB2 in cash (before tax) for every 10 shares to all shareholders based on the total share capital of 4,613,434,898 shares (comprising 3,857,932,364 A shares and 755,502,534 H shares) as at the record date for profit distribution and dividend payment. For A shares, the record date was 11 August 2020 and the ex-dividend date was 12 August 2020. For H shares, the record date was 30 June 2020 and the dividend payment date was 12 August 2020. For details, please refer to the “INFORMATION ON PAYMENT OF FINAL DIVIDENDS” and “Overseas Regulatory Announcement” published by the Company on 23 June 2020 and 4 August 2020, respectively.

3.2.2.2 Acquisition of 24% equity interests and disposal of 18.8219% equity interests in ZTE Microelectronics by Renxing Technology

Following friendly negotiations between National Integrated Circuit Industry Investment Fund Corporation (“IC Fund”) and the Company, the Company acquired, through Shenzhen Renxing Technology Company Limited (“Renxing Technology”), a wholly-owned subsidiary of the Company, the 24% equity interests in ZTE Microelectronics Technology Company Limited (“ZTE Microelectronics”), a subsidiary of the Company, held by IC Fund (the “Acquisition”). A “Cooperation Agreement” was entered into with Guangdong Hengjian Xinxin Investment Partnership Enterprise (Limited Partnership) (“Hengjian Xinxin”) and Shenzhen Huitong Rongxin Investment Co., Ltd. (“Huitong Rongxin”) to finance the payment for the Acquisition.

The aforesaid matter was considered and approved at the Twenty-third Meeting of the Eighth Session of the Board of Directors and the First Extraordinary General Meeting of 2020 of the Company. For details, please refer to the “Announcement Resolutions of the Twenty-third Meeting of the Eighth Session of the Board of Directors” and “Announcement on the Acquisition of 24% Equity Interests in ZTE Microelectronics by Renxing Technology and the Waiver of Preemptive Subscription Rights by the Company” and “Announcement on the Signing of the ‘Cooperation Agreement’ with Hengjian Xinxin and Huitong Rongxin” published by the Company

on 10 September 2020, “Announcement Update on the Acquisition of 24% Equity Interests in ZTE Microelectronics by Renxing Technology and the Waiver of Preemptive Subscription Rights by the Company” published by the Company on 25 September 2020 and “Announcement on Resolutions of the First Extraordinary General Meeting of 2020” published by the Company on 30 September 2020.

On 20 October 2020, Renxing Technology, Hengjian Xinxin, Huitong Rongxin and ZTE Microelectronics entered into the “ZTE Microelectronics Technology Company Limited Equity Transfer Agreement”. On the same date, ZTE Corporation, Shenzhen Sai Jia Xun Investment Development Enterprise (Limited Partnership) (“Sai Jia Xun”), Renxing Technology, Hengjian Xinxin, Huitong Rongxin and ZTE Microelectronics entered into the “ZTE Microelectronics Technology Company Limited Shareholders’ Agreement”, pursuant to which Renxing Technology shall transfer its 18.8219% equity interests held in ZTE Microelectronics (representing a capital contribution of RMB24,765,652 to the registered capital of ZTE Microelectronics) and all rights and obligations attached to such equity interests to Hengjian Xinxin and Huitong Rongxin to implement the exit arrangement in connection with the provision of the cooperation funds to Renxing Technology by Hengjian Xinxin and Huitong Rongxin under the “Cooperation Agreement”. For details, please refer to the “Announcement on the disposal of 18.8219% equity interests in ZTE Microelectronics by Renxing Technology” published by the Company on 20 October 2020.

3.2.2.3 Subscription for shares in Hongtu Zhanlu Fund by the Company

The Company subscribed for shares in Zhuhai Hongtu Zhanlu Equity Investment Partnership Enterprise (Limited Partnership) (tentative title subject to the final approval of the industrial and commercial registration authorities) as limited partner with a capital contribution of not more than RMB400 million. The matter was considered and approved at the Twenty-fourth Meeting of the Eighth Session of the Board of Directors of the Company. For details, please refer to the “Announcement Resolutions of the Twenty-fourth Meeting of the Eighth Session of the Board of Directors” and “Overseas Regulatory Announcement Announcement on the Subscription for Shares in Hongtu Zhanlu Fund” published by the Company on 25 September 2020.

3.2.2.4 Non-public issuance of A shares by the Company and updates on the investment projects utilising issue proceeds

For matters pertaining to the Company’s non-public issue of A shares, please refer to the announcements of the Company dated 31 January 2018, 1 February 2018, 28 March 2018, 10 April 2018, 29 October 2018, 19 November 2018, 17 January 2019, 23 January 2019, 25 February 2019, 20 March 2019, 5 August 2019, 7 August 2019, 22 August 2019 and 21 October 2019, and the circulars of the Company dated 2 March 2018 and 28 February 2019, respectively.

On 15 January 2020, the Company entered into the Subscription Agreement with 10 subscribers. The issue price for the Company's non-public issuance of A shares was set at RMB30.21 per share and a total of 381,098,968 shares were issued, raising gross proceeds of RMB11,512,999,823.28. The new shares under the non-public issue of A shares by the Company were listed on the Shenzhen Stock Exchange on 4 February 2020. For details, please refer to the announcements "DETERMINATION OF ISSUE PRICE FOR THE NON-PUBLIC ISSUANCE OF A SHARES AND ENTERING INTO OF SUBSCRIPTION AGREEMENT", "COMPLETION OF NON-PUBLIC ISSUANCE OF A SHARES" and "Announcement on the Adjustment to the Listing Date of Non-public Issuance of New A Shares" published by the Company on 16 January 2020, 23 January 2020 and 2 February 2020, respectively.

On 3 February 2020, the party responsible for the implementation of investment projects utilising issue proceeds of the non-public issue of A shares of the Company entered into the "Agreement for Tripartite Supervision of Issue Proceeds" with China Securities Co., Ltd., the sponsor, and various regulatory banks. For details, please refer to the "Overseas Regulatory Announcement Announcement on the Agreement for Tripartite Supervision of Issue Proceeds" published by the Company on 4 February 2020.

On 14 February 2020, the Company applied issue proceeds raised from the non-public issue of A shares in replacement of internal funds previously invested in the projects for which the issue proceeds had been intended with a total fund replacement amount of RMB4,972 million. The application of unused issue proceeds amounting to not more than RMB2,500 million (including RMB2,500 million) as interim working capital replenishment to be utilised over a term of not more than 12 months from the date of approval by the Board of Directors. The aforesaid matter has been considered and approved by the Fourteenth Meeting of the Eighth Session of the Board of Directors of the Company. For details, please refer to the "Announcement Resolutions of the Fourteenth Meeting of the Eighth Session of the Board of Directors", "Overseas Regulatory Announcement Announcement on the Application of Issue Proceeds in Replacement of Internal Funds Previously Invested in Projects for which the Issue Proceeds are Intended" and "Overseas Regulatory Announcement Announcement on the Partial Application of Unutilised Issue Proceeds to the Interim Replenishment of Working Capital" published by the Company on 14 February 2020. The Company has repaid ahead of schedule the aforesaid unused issue proceeds utilised as interim working capital replenishment in the amount of RMB1,280 million to the designated account for issue proceeds, For details, please refer to the "Overseas Regulatory Announcement Announcement on the partial repayment ahead of schedule of the unused issue proceeds utilised as interim working capital replenishment" published by the Company on 28 July 2020.

On 28 July 2020, the Company applied issue proceeds in replacement of internal funds previously invested in the projects for which the issue proceeds had been intended with a total fund replacement amount of RMB1,357 million and further replaced internal funds amounting to RMB3,581,098.97 utilised for the payment of issue expenses. The aforesaid matter has been considered and approved at the Twentieth Meeting of the Eighth Session of the Board of Directors of the Company. For details, please refer to the “Announcement Resolutions of the Twentieth Meeting of the Eighth Session of the Board of Directors” and “Overseas Regulatory Announcement of the application of issue proceeds in replacement of internal funds previously invested in the projects for which the issue proceeds had been intended and utilised for the payment of issue expenses” published by the Company on 28 July 2020.

The “Special Report on Semi-Annual Raised Fund Storage and Use in 2020” was considered and approved at the Twenty-second Meeting of the Eighth Session of the Board of Directors of the Company on 28 August 2020. For details, please refer to the “Announcement Resolutions of the Twenty-second Meeting of the Eighth Session of the Board of Directors” and “Overseas Regulatory Announcement Special Report on Semi-Annual Raised Fund Storage and Use in 2020” published by the Company on 28 August 2020.

Net proceeds of the Company’s non-public issuance of A shares after deduction of issue expenses were applied towards the “technology research and product development relating to 5G network evolution” and as “replenishment of working capital”. As of 30 September 2020, application as “replenishment of working capital” had been completed and application towards the “technology research and product development relating to 5G network evolution” was under implementation in a systematic manner according to the plans of the Company.

3.2.2.5 Issue of the Company’s 2020 SCPs

The “Resolution on the Proposed Registration and Issue of Super and Short-term Commercial Paper” was considered and approved at the Twenty-fourth Meeting of the Seventh Session of the Board of Directors of the Company and the First Extraordinary General Meeting of 2017 of the Company. The Company’s SCP with a registered amount of RMB8,000 million have been registered with and approved by the National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會) (“NAFMII”). For details, please refer to the “Overseas Regulatory Announcement on the Approval of Registration for the Medium Term Notes and Super and Short-term Commercial Paper” published by the Company on 10 October 2019.

For details of the issuance of 2020 Tranche I to Tranche VII SCP, please refer to the relevant announcements published by the Company on 26 March 2020, 22 April 2020, 26 May 2020, 12 June 2020 and 28 June 2020, respectively. The aggregate issue amount was RMB8,000 million.

The payment dates for 2020 Tranche IV SCP and 2020 Tranche V SCP were 23 August 2020 (rescheduled to 24 August 2020 since such date coincided with a statutory holiday) and 24 August 2020, respectively. The Company completed the principal and interest payments for 2020 Tranche IV and Tranche V SCP on 24 August 2020 with an aggregate amount of RMB2,006,657,534.24.

On 31 August 2020, the Company completed the issue of 2020 Tranche VIII and Tranche IX SCP each for an issue amount of RMB1,000 million. For details, please refer to the “Overseas Regulatory Announcement Announcement on the Information of the Issue of 2020 Tranche VIII and Tranche IX Super and Short-term Commercial Paper” published by the Company on 31 August 2020.

3.2.2.6 The Company’s registration and issue of Medium Term Notes

The “Resolution on the Proposed Registration and Issue of Medium Term Notes” was considered and approved at the Fifteenth Meeting of the Eighth Session of the Board of Directors of the Company and the 2019 Annual General Meeting of the Company. The registration of the Company’s medium term notes with a total registered amount of RMB8,000 million have been approved by NAFMII. For details, please refer to the “Announcement Resolutions of the Fifteenth Meeting of the Eighth Session of the Board of Directors” and “Overseas Regulatory Announcement Announcement on the Proposed Registration and Issue of Medium Term Notes” published on 27 March 2020, “Announcement on Resolutions of the 2019 Annual General Meeting” published on 19 June 2020, “Overseas Regulatory Announcement Announcement on the Approval of Registration for the Medium Term Notes” published on 21 July 2020 by the Company.

3.2.2.7 Repurchase of A Shares by the Company

At the Fifteenth Meeting of the Eighth Session of the Board of Directors and the 2019 Annual General Meeting of the Company, the “Resolution on the tabling of the proposed mandate for the repurchase of the Company’s A shares at the general meeting for consideration” was considered and approved.

The “Resolution on the plan for the repurchase of the Company’s A shares by way of centralised price bidding” was considered and approved at the Twenty-first Meeting of the Eighth Session of the Board of Directors of the Company held on 14 August 2020. For details, please refer to the “Announcement of the Resolutions

of the Twenty-first Meeting of the Eighth Session of the Board of Directors” and “Announcement on the plan for the repurchase of the Company’s A shares by way of centralised price bidding” published by the Company on 14 August 2020.

In accordance with pertinent provisions of the “Shenzhen Stock Exchange Implementation Rules for the Repurchase of Shares By Listed Companies”, the Company published the “Announcement on shareholdings of top ten shareholders and top ten holders not subject to lock-up about the repurchase of A shares” on 20 August 2020 and “Overseas Regulatory Announcement Report on the repurchase of the Company’s A shares” on 26 August 2020.

On 1 September 2020, the Company made the first repurchase by way of centralised price bidding via the stock trading system of the Shenzhen Stock Exchange and repurchased 2,973,900 A shares, representing approximately 0.06% of its total share capital. The highest traded price was RMB38.85 per A share and the lowest traded price was RMB38.40 per A share. The total amount paid for the repurchase of A shares was RMB114,765,557.00 (excluding transaction expenses). The repurchase plan was completed. For details, please refer to the “Announcement on the first repurchase of A shares, share repurchase progress and completion of the share repurchase plan” published by the Company on 1 September 2020.

3.2.2.8 Information on the proposed Management Stock Ownership Scheme of the Company

The proposed Management Stock Ownership Scheme to be implemented by the Company was considered and approved by the Remuneration and Evaluation Committee, the Twenty-fifth Meeting of the Eighth Session of the Board of Directors, the Eighteenth Meeting of the Eighth Session of the Supervisory Committee of the Company. The Management Stock Ownership Scheme shall comprise 2,973,900 repurchased A shares of the Company in its dedicated repurchase account and shall be financed by the dedicated fund for the Management Stock Ownership Scheme with an amount of RMB114,765,557.00 set aside by the Company. The aforesaid matter is pending consideration at the Second Extraordinary General Meeting. For details, please refer to the “Announcement Resolutions of the Twenty-fifth Meeting of the Eighth Session of the Board of Directors” and “Proposed Adoption of the Management Stock Ownership Scheme” published by the Company on 12 October 2020.

3.2.2.9 Information on the “Share Option Incentive Scheme” of the Company

(1) The 2017 Share Option Incentive Scheme of the Company

The 2017 Share Option Incentive Scheme implemented by the Company has been approved by the Remuneration and Evaluation Committee, the Seventeenth Meeting of the Seventh Session of the Board of Directors, the Fourteenth Meeting of the Seventh Session of the Supervisory Committee and the 2016 Annual General Meeting, the First A Shareholders’ Class Meeting of 2017 and the First H Shareholders’ Class Meeting of 2017 of the Company. The source of shares under the 2017 Share Option Incentive Scheme comprises shares of the Company issued to the scheme participants by the Company by way of placing. Scheme participants of the 2017 Share Option Incentive Scheme include Directors, senior management and key employees who have a direct impact on, or have made outstanding contributions to the Company’s overall results and sustainable development (excluding Independent Non-executive Directors, Supervisors and substantial shareholders interested in 5% or above of the Company’s shares or the de facto controller, or their respective spouses and immediate or close family members). Pursuant to the “Resolution on Matters pertaining to the grant of share options under the 2017 Share Option Incentive Scheme” and “Resolution on matters pertaining to the grant of share options under the 2017 Share Option Incentive Scheme” considered and passed at the Twentieth Meeting of the Seventh Session of the Board of Directors on 6 July 2017, the date of grant was set for 6 July 2017 (Thursday). The Company granted 149,601,200 share options to 1,996 scheme participants. The exercise price of the share options granted shall be RMB17.06 per A share.

The first exercise period of the 2017 Share Option Incentive Scheme of the Company ended on 5 July 2020 and 39,664,087 share options had been exercised. At the Twenty-second Meeting of the Eighth Session of the Board of Directors of the Company held on 28 August 2020, the “Resolution on the cancellation of certain share options” and the “Resolution on the adjustment of the exercise price of share options under the 2017 Share Option Incentive Scheme pursuant to the rules” were considered and approved, pursuant to which the cancellation of 66 share options unexercised as at the close of the exercise period under first exercise period and the adjustment of the exercise price of share options under the 2017 Share Option Incentive Scheme to RMB16.86 were approved. For details, please refer to the “Announcement on the Cancellation of Certain Share Options”, “Announcement on the Adjustment of the Exercise Price of Share Options under the 2017 Share Option Incentive Scheme Pursuant to the Rules” published by the Company on 28 August 2020 and “Announcement on the Completion of Cancellation of Certain Share Options” published by the Company on 2 September 2020.

A total of 66 share options were exercised during the third quarter of 2020 and the number of A shares of the Company increased by 66 shares accordingly. Details of the exercise of share options by participants during the first exercise period under the 2017 Share Option Incentive Scheme of the Company are as follows:

Name of participant	Position of participant	Number of options exercisable for the first exercise period	Number of options exercised during the first exercise period	Number of outstanding options at the close of the first exercise period	Number of options cancelled at the close of the first exercise period
Xu Ziyang	Director and President	84,000	84,000	0	0
Wang Xiyu	Executive Vice President	87,466	87,466	0	0
Li Ying	Executive Vice President and Chief Financial Officer	52,800	52,800	0	0
Xie Junshi	Executive Vice President	112,466	112,466	0	0
Ding Jianzhong	Secretary to the Board of Directors and Company Secretary	33,160	33,160	0	0
Other participants	—	39,294,261	39,294,195	66	66
Total	—	39,664,153	39,664,087	66	66

For details of the 2017 Share Option Incentive Schemes of the Company, please refer to the section headed “Material Matters — (VIII) IMPLEMENTATION AND IMPACT OF THE COMPANY’S SHARE OPTION INCENTIVE SCHEME” in the 2020 Interim Report of the Company.

(2) The proposed 2020 Share Option Incentive Scheme of the Company

The proposed 2020 Share Option Incentive Scheme implemented by the Company was considered and approved by the Remuneration and Evaluation Committee, the Twenty-fifth Meeting of the Eighth Session of the Board of Directors, and the Eighteenth Meeting of the Supervisory Committee of the Company. The Company has proposed to grant a total of not more than 163,492,000 share options to the scheme participants, comprising 158,492,000 share options under the initial grant and 5 million share options as reserved entitlements. The total number of participants entitled to the initial grant under the 2020 Share Option Incentive Scheme shall be no more than 6,124, and the exercise price for the share options under the initial grant shall be RMB34.47 per A share. The aforesaid matter is pending consideration at the Second Extraordinary General Meeting. For details, please refer to the “Announcement Resolutions of the Twenty-fifth Meeting of the Eighth Session of the Board of

Directors” and “Proposed adoption of 2020 A-Share Option Incentive Scheme and Proposed Grant thereunder” published by the Company on 12 October 2020.

3.2.2.10 Material litigation and arbitration during the reporting period

There was no material litigation or arbitration of the Group occurring during the reporting period. Progress during the reporting period of immaterial litigation and arbitration proceedings occurring prior to the reporting period are set out as follows:

On 12 July 2017, the Company received a notice of arbitration filed with the London Court for International Arbitration (LCIA) against the Company by a Sudanese carrier and its Mauritanian subsidiary (Case No: LCIA No. 173683 and LCIA No. 173696). On the same date, the Company also received a notice of arbitration filed with Dubai International Financial Centre — London Court for International Arbitration (DIFC-LCIA) against the Company by a Mauritanian subsidiary of the said Sudanese carrier (the “Mauritanian Subsidiary”) (Case No: DIFC-LCIA No. 17098). The Sudanese carrier and its Mauritanian Subsidiary filed claims against the Company for damages arising from breach of contract amounting to USD31.80 million in aggregate, together with legal fees, arbitration fees and other related costs. Upon receipt of the aforesaid arbitration notices, the Company has appointed an attorney for active response to the case.

On 10 August 2017, the Company submitted its written defenses to LCIA and DIFC-LCIA, respectively, for the aforementioned arbitrations. In the meantime, the Company filed counter-arbitration petitions against the Mauritanian Subsidiary for an aggregate amount of approximately USD22,711,900.

In May 2018, the Company received the application for arbitration and other evidences submitted by the Mauritanian Subsidiary to DIFC-LCIA. In the said application for arbitration, the Mauritanian Subsidiary demanded compensation amounting to approximately USD37.45 million and other damages for breach of contract, as well as the settlement of other related costs by the Company. Upon receipt of the said information, the Company submitted a written defense to DIFC-LCIA and made counter-claims against the Mauritanian Subsidiary under the arbitration.

In October 2018, the Company received the application for arbitration and other evidences submitted by the Mauritanian Subsidiary to LCIA. In the said application for arbitration, the Mauritanian Subsidiary demanded compensation amounting to approximately USD31.88 million, as well as the settlement of other related costs by the Company. Upon receipt of the said information, the Company submitted a written defense to LCIA and made counter-claims against the Mauritanian Subsidiary under the arbitration.

In May 2019, the aforesaid Sudanese carrier withdrew its application for LCIA arbitration (Case No: LCIA No.173696).

On 31 January 2020, LCIA made a ruling on case LCIA No.173683 to reject the USD30,060,326 claim of the counterparty and order the payment of USD4,209,877 and GBP260,095.20 together with interests to the Company by the said Mauritanian Subsidiary.

On 23 July 2020, DIFC-LCIA made a ruling on case Case No: DIFC-LCIA No. 17098 to order the payment of USD6,678,111.29 to the Company by the counterparty and USD1,562,796.50 by the Company to the counterparty with the two parties each assuming its respective arbitration costs.

Upon this ruling, all arbitration procedures for the three arbitration cases were concluded.

Based on the legal opinion furnished by legal counsels engaged by the Company and the progress of the case, the aforesaid case will not have any material adverse impact on the financial conditions and operating results of the Group for the current period.

3.2.2.11 Conduct of continuing connected transactions during the reporting period

The connected transactions disclosed in the following table represent connected transactions reaching the benchmark for public disclosure as defined under the Rules Governing Listing of Stocks on The Shenzhen Stock Exchange.

Counterparty to connected transaction	Nature of connection	Classification	Subject matter	Pricing principle	Price (RMB)	As a	Whether	Market price		Domestic announcement date	Domestic announcement index	
						percentage of transactions in the same classification (%)	approved cap has been exceeded	for similar transactions available (RMB)	Settlement			
Zhongxingxin and its subsidiaries and companies in which it held equity interests of 30% or above	Controlling shareholder of the Company and its subsidiaries and companies in which it held equity interests of 30% or above	Purchase of raw materials	The purchase of cabinets and related accessories, cases and related accessories, shelters, railings, antenna poles, optical products, refined-processing products, packaging materials, FPC, R-FPC and components by the Company from the connected party	Purchase of raw materials by the Company and its subsidiaries from connected parties were conducted at prices determined through arm's length negotiations and on the basis of normal commercial terms. The prices of properties leased to connected parties by the Group were determined through arm's length negotiations based on normal commercial terms. Transaction prices at which products were sold by the Group to connected parties were based on market prices and were not lower than prices at which similar products of similar quantities were purchased by third parties from the Group, taking into consideration of factors relating to the specific transactions such as conditions of the projects, size of transaction and product costs.	Cabinets and related accessories: RMB1-RMB300,000 per unit, cases and related accessories: RMB1-RMB15,000 per unit, depending on level of sophistication; Shelters: RMB1,000-RMB100,000 per unit depending on measurement, materials used and configuration; Railings: RMB1,000-50,000 per piece depending on level of sophistication and functional features; Antenna poles: RMB200-2,000 per piece depending on level of sophistication and functional features; Optical products: RMB1.3-30,000 per unit depending on level of sophistication and functional features; Refined-processing products: RMB0.5-50,000 per unit depending on level of sophistication and functional features; Packaging materials: RMB0.01-5,000 per piece depending on level of sophistication and functional features; FPC, R-FPC and components: RMB0.5-100 per piece depending on measurement, level of process sophistication and materials used.	26,935.69	0.44%	No	Commercial acceptance bill	N/A	2018-12-25	Announcement No. 2018104 "Announcement on Projected Continuing Connected Transactions under the Rules Governing Listing of Stocks on The Shenzhen Stock Exchange"
Huatong Technology Company Limited ("Huatong")	Subsidiary of a company for which a connected natural person of the Company acted as director and executive vice president	Purchase of software outsourcing services	The purchase of personnel hiring and project outsourcing services by the Company from the connected party	Special-grade engineer at a price ranging from RMB970-1,800 per head/day; Supervisory engineer at a price ranging from RMB830-1,300 per head/day; Senior engineer at a price ranging from RMB520-1,150 per head/day; Common engineer at a price ranging from RMB440-750 per head/day; Assistant engineer at a price ranging from RMB350-550 per head/day; Technician at a price ranging from RMB320-500 per head/day.		4,194.27	0.07%	No	Tele-transfer	N/A	2020-1-17	Announcement No. 202004 "Announcement on Projected Continuing Connected Transactions under the Rules Governing Listing of Stocks on The Shenzhen Stock Exchange"

Counterparty to connected transaction	Nature of connection	Classification	Subject matter	Pricing principle	Price (RMB)	Amount (RMB in ten thousands)	As a	Whether approved cap has been exceeded	Settlement	Market price for similar transactions available (RMB)	Domestic announcement date	Domestic announcement index
							percentage of transactions in the same classification (%)					
ZTE Software Technology (Nanchang) Company Limited ("Nanchang Software")	Subsidiary of a company for which a connected natural person of the Company acted as director and executive vice president	Purchase of software outsourcing services	The purchase of personnel hiring and project outsourcing services by the Company from the connected party		Special-grade engineer at a price ranging from RMB970-1,800 per head/day; Supervisory engineer at a price ranging from RMB830-1,300 per head/day; Senior engineer at a price ranging from RMB520-1,150 per head/day; Common engineer at a price ranging from RMB440-750 per head/day; Assistant engineer at a price ranging from RMB350-550 per head/day; Technician at a price ranging from RMB320-500 per head/day.	2,667.90	0.04%	No	Tele-transfer	N/A	2020-1-17	Announcement No. 202004 "Announcement on Projected Continuing Connected Transactions under the Rules Governing Listing of Stocks on The Shenzhen Stock Exchange"
Nanchang Software	Subsidiary of a company for which a connected natural person of the Company acted as director and executive vice president	Purchase of engineering services	The purchase of personnel hiring services by the Company from the connected party		Work delivery personnel ranging from RMB398-1322 per head/day; Ancillary product personnel ranging from RMB401-805 per head/day; Core network personnel ranging from RMB485-851 per head/day; Service product personnel ranging from RMB451-793 per head/day; Wireless product personnel ranging from RMB418-774 per head/day; Fixed-line product personnel ranging from RMB418-735 per head/day; Bearer product personnel ranging from RMB418-735 per head/day; Government and energy product personnel ranging from RMB433-1,197 per head/day; Network optimisation personnel ranging from RMB491-958 per head/day.	—	—	No	Tele-transfer	N/A	2018-12-25	Announcement No. 2018104 "Announcement on Projected Continuing Connected Transactions under the Rules Governing Listing of Stocks on The Shenzhen Stock Exchange"
Shenzhen Zhongxing Hetai Hotel Investment and Management Company Limited ("Zhongxing Hetai") or its subsidiaries	A company for which a connected natural person of the Company acted as director and its subsidiaries	Purchase of hotel services	The purchase of hotel services by the Company from the connected party		Purchase price not higher than prices at which Zhongxing Hetai sells products (or services) to other customers purchasing similar products (or services) in similar amounts, subject to the actual agreement signed by the two parties.	2,020.01	0.03%	No	Tele-transfer	N/A	2018-12-25	Announcement No. 2018104 "Announcement on Projected Continuing Connected Transactions under the Rules Governing Listing of Stocks on The Shenzhen Stock Exchange"
Zhongxing Hetai or its subsidiaries	A company for which a connected natural person of the Company acted as director and its subsidiaries	Lease of property and equipment and facilities	The lease of property and related equipment and facilities by the Company to the connected party		In 2020 RMB80/sq.m./month for hotel properties in Dameisha in Shenzhen; RMB62/sq.m./month for hotel properties in Nanjing; RMB84/sq.m./month for hotel properties in Shanghai; RMB53/sq.m./month for hotel properties in Xi'an. The rental fee for related equipment and facilities required by the hotel operations in Shenzhen, Shanghai, Nanjing and Xi'an was 1,370,000/year.	5,504.27	14.34%	No	Tele-transfer	N/A	2020-1-17	Announcement No. 202004 "Announcement on Projected Continuing Connected Transactions under the Rules Governing Listing of Stocks on The Shenzhen Stock Exchange"
航天華華信息技術有限公司(以下簡稱「航天華華」)	Subsidiary of a company for which a connected natural person of the Company acted as senior management	Sale of products	The sale of a full range of government and enterprise products by the Company to the connected party		Based on market prices and not lower than prices at which similar products of similar quantities were purchased by third parties from the Company, taking into consideration factors relating to the specific transactions such as conditions of the projects, size of transaction and product costs.	61,767.29	0.83%	No	Tele-transfer or bank acceptance bill	N/A	2020-1-17	Announcement No. 202004 "Announcement on Projected Continuing Connected Transactions under the Rules Governing Listing of Stocks on The Shenzhen Stock Exchange"
Total				—	—	103,089.43	N/A	—	—	—	—	—

Detailed information of substantial sales return	None
Necessity and continuity of connected transactions and reasons for choosing to conduct transactions with the connected party (rather than other parties in the market)	The aforesaid connected parties were able to manufacture products required by the Group on a regular basis and provide quality products, services and lease properties in sound conditions at competitive prices. The Company considers trustworthy and cooperative partners as very important and beneficial to the Group's operations.
Effect of the connected transaction on the independence of the listed company	The Company was not dependent on the connected parties and the connected transactions would not affect the independence of the Company.
The Company's dependence on the connected party and relevant solutions (if any)	The Company was not dependent on the connected parties.
Projected total amount of continuing connected transaction during the period by type and actual performance during the reporting period (if any)	At the Forty-second Meeting of the Seventh Session of the Board of Directors of the Company held on 25 December 2018, it was considered and approved that the estimated purchases of raw materials from Zhongxingxin, a connected party, and its subsidiaries and companies in which it held equity interests of 30% or above by the Group in 2020 be capped at RMB800 million (before VAT); At the Thirteenth Meeting of the Eighth Session of the Board of Directors of the Company held on 17 January 2020, it was considered and approved that the estimated purchases of software outsourcing services from Huatong and Nanchang Software, both connected parties, in 2020 be capped at RMB86.19 million and RMB52.30 million (before VAT), respectively; At the Forty-second Meeting of the Seventh Session of the Board of Directors of the Company held on 25 December 2018, it was considered and approved that the estimated purchases of engineering services from Nanchang Software, a connected party during the periods from 1 November 2019 to 31 October 2020 be capped at RMB1 million (before VAT); At the Forty-second Meeting of the Seventh Session of the Board of Directors of the Company held on 25 December 2018, it was considered and approved that the estimated purchases of hotel services from Zhongxing Hetai, a connected party, or its subsidiaries by the Group in 2020 be capped at RMB36.50 million (before VAT); At the Thirteenth Meeting of the Eighth Session of the Board of Directors of the Company held on 17 January 2020, it was considered and approved that the estimated lease of properties and equipment and facilities to Zhongxing Hetai or its subsidiaries by the Group in 2020 be capped at RMB73.40 million (before VAT); At the Thirteenth Meeting of the Eighth Session of the Board of Directors of the Company held on 17 January 2020 and the 2019 Annual General Meeting of the Company held on 19 June 2020, it was considered and approved that the estimated sales of products to 航天威華, a connected party, by the Group in 2020 be capped at RMB800 million (before VAT); and Please refer to the above table for details of the execution of the aforesaid continuing connected transactions.
Reason for the substantial difference between transaction prices and referential market prices (if applicable)	N/A

Note: For details of “Approved Cap”, please refer to the section headed “Projected total amount of continuing connected transaction during the period by type and actual performance during the reporting period (if any)”.

3.3 Undertakings

1. *Undertakings by relevant undertaking parties, including the de facto controller, shareholders, connected parties, acquirers of the Company and the Company completed during the reporting period and outstanding as at the end of the reporting period*

(1) *Undertaking given upon the initial public offering or any refinancing exercise*

- a. Zhongxingxin, the controlling shareholder of the Company, entered into “Non-Competition Agreement” with the Company on 19 November 2004, pursuant to which Zhongxingxin has undertaken to the Company that: Zhongxingxin will not, and will prevent and preclude any of its other subsidiaries from carrying on or participating in any activities in any businesses deemed to be competing with existing and future businesses of the Company in any form (including but not limited to sole ownership, equity joint venture or co-operative joint venture and direct or indirect ownership of equity or other interests in other companies or enterprises, other than through ZTE); Zhongxingxin will immediately terminate and/or procure any of its subsidiaries to terminate any participation in, management or operation of any competing businesses or activities that Zhongxingxin and/or such subsidiaries are participating in or carrying on in any manner at any time.

- b. Zhongxingxin, the controlling shareholder of the Company, provided the following undertaking on 31 January 2018 in respect of the implementation of remedial measures to address the dilution of return for the current period due to the non-public issuance of A shares in 2018: (1) that it will not, for so long as it remains the controlling shareholder of the Company, act beyond its powers to interfere with the Company's operating and management activities or infringe upon the Company's interests; (2) that it will willingly assume the liability for compensating the Company or other shareholders in accordance with the law in the event of losses incurred by the Company or other shareholders as a result of its violation of or refusal to honour its undertaking.
- c. On 7 August 2019, the Company gave an undertaking in respect of the Company's proposed non-public issue of A Shares in accordance with the pertinent requirements of set out in the "Answers to Certain Questions on Refinancing Business" published by the CSRC: If the non-public issuance of A shares is approved by the competent authorities, including the CSRC and is implemented, prior to the utilisation in full of proceeds from the non-public issuance of A shares or within 36 months from the date of receipt of the issue proceeds, the Company shall not commit new funds into the quasi-financial business (including fund commitments in various forms such as capital increase, loans and guarantees, among others).

(2) Other undertaking given to minority shareholders of the Company

On 10 December 2007, Zhongxingxin gave an undertaking that it shall disclose any intention in future to dispose of unlocked shares in the Company held via the securities trading system to sell down shareholdings by a volume equivalent to 5% or more within six months after the first sell-down, by way of an indicative announcement to be published by the Company within two trading days before the first sell-down.

2. Undertaking by the Directors and senior management of the Company in relation to the implementation of remedial measures to address the dilution of return for the current period due to the non-public issuance of A shares of the Company in 2018

The Directors and senior management of the Company provided the following undertaking on 31 January 2018 in respect of the implementation of remedial measures to address the dilution of return for the current period due to the non-public issuance of A shares in 2018: (1) that they will not be engaged in tunneling in favour of other units or individuals on a no-payment basis or upon unfair terms, or otherwise compromise the interests of the Company in any other manner; (2) that they will exercise restraint in spending when performing duties of their office; (3) that they will not misappropriate Company assets for investing activities or expenses not related to the performance of their duties; (4) that they will

procure the linking of the remuneration regime formulated by the Board of Directors or the Remuneration and Evaluation Committee of the Board of Directors with the implementation of the Company's measures relating to compensation for return; (5) that they will procure the linking of the exercise conditions under the Company's share option incentives to be announced with the implementation of the Company's measures relating to compensation for return; (6) that they will willingly assume the liability for compensating the Company or shareholders in accordance with the law in the event of losses incurred by the Company or shareholders as a result of their violation of or refusal to honour their undertaking.

3.4 Warnings of and reasons for any projected accumulated net loss or substantial change in accumulated net profit from the beginning of the year to the end of the next reporting period as compared to the same period last year

Applicable N/A

3.5 Other material matters requiring disclosure

3.5.1 Investment in securities

1. Investment in securities at the end of the reporting period

Unit: RMB in ten thousands

Type of securities	Stock code	Stock name	Initial investment	Accounting method	Book value at the beginning of the period	Gains(loss) arising from fair value change for the period	Cumulative fair value change accounted for in equity	Amount purchased during the period	Amount disposed during the period	Gain/(loss) for the reporting period	Book value at the end of the period	Accounting classification	Source of funds
Stock	002902	Mentech ^{Note 1}	379.30	Fair-value measurement	4,102.22	(1,886.21)	—	—	1,328.35	(704.53)	2,104.47	Trading financial assets	Issue Fund
Stock	300691	Union Optech ^{Note 2}	1,277.63	Fair-value measurement	4,743.33	(3,465.70)	—	—	4,889.33	(158.76)	—	Trading financial assets	Issue Fund
Stock	002796	Shijia Science & Technology ^{Note 2}	789.69	Fair-value measurement	2,776.63	(1,986.94)	—	—	3,525.03	574.99	—	Trading financial assets	Issue Fund
Stock	002579	China Eagle Electronic ^{Note 2}	1,382.31	Fair-value measurement	—	(52.70)	—	1,382.31	—	(42.07)	1,329.61	Trading financial assets	Issue Fund
Stock	603068	Beken ^{Note 2}	2,175.99	Fair-value measurement	9,097.11	(1,694.90)	—	—	—	(1,653.38)	7,402.21	Trading financial assets	Issue Fund
Stock	688019	Anji Technology ^{Note 3}	4,350.00	Fair-value measurement	27,512.92	6,114.65	—	—	48,423.17	49,188.35	31,165.62	Trading financial assets	Issue Fund
Stock	688300	Novoray ^{Note 3}	1,000.83	Fair-value measurement	4,090.50	501.30	—	—	—	551.30	4,591.80	Trading financial assets	Issue Fund
Stock	688595	Chipsea Technologies ^{Note 3}	1,955.00	Fair-value measurement	5,046.67	5,840.67	—	—	—	5,840.67	10,887.34	Trading financial assets	Issue Fund
Stock	601258	ST PD Group ^{Note 4}	11.85	Fair-value measurement	—	0.10	—	11.85	—	0.10	11.95	Trading financial assets	Conversion of debt interests into equity interests
Stock	ENA:TSV	Enablence Technologies ^{Note 5}	3,583.26	Fair-value measurement	1,003.94	(276.27)	—	—	—	(276.27)	727.67	Other non-current financial assets	Internal funds
Other securities investments held at the end of the period			—	—	—	—	—	—	—	—	—	—	—
Total			16,905.86	—	58,373.32	3,094.00	—	1,394.16	58,165.88	53,320.40	58,220.67	—	—

Note 1: The Company and ZTE Capital held in aggregate 31% equity interests in Shenzhen Zhonghe Chunsheng Partnership Private Equity Fund I (Limited Partnership) (“Zhonghe Chunsheng Fund I”), a partnership reported in the consolidated financial statements of the Company. Figures corresponding to Dongguan Mentech Optical & Magnetic Co., Ltd (“Mentech”) are provided with Zhonghe Chunsheng Fund I as the accounting subject;

Note 2: The Company and ZTE Capital held in aggregate 31.79% equity interests in Jiaxing Xinghe Equity Investment Partnership (Limited Partnership) (“Jiaxing Fund”), a partnership reported in the consolidated financial statements of the Company. Figures corresponding to Union Optech Co., Ltd. (“Union Optech”), Suzhou Shijia Science & Technology Inc. (“Shijia Science & Technology”) and Huizhou China Eagle Electronic Technology Inc. (“China Eagle Electronic”) are provided with Jiaxing Fund as the accounting subject;

Note 3: The Company and Changshu Changxing Capital Management Company Limited, a wholly-owned subsidiary of ZTE Capital, held in aggregate 25.83% equity interests in Suzhou Zhonghe Chunsheng Partnership Investment Fund III (Limited Partnership) (“Zhonghe Chunsheng Fund III”), a partnership reported in the consolidated financial statements of the Company. Figures corresponding to Beken Corporation (“Beken”), Anji Microelectronics Technology (Shanghai) Co., Ltd. (“Anji Technology”), Jiangsu NOVORAY New Material Co., Ltd. (“NOVORAY”) and Chipsea Technologies (Shenzhen) Co. Ltd. (“Chipsea Technologies”) are provided with Zhonghe Chunsheng Fund III as the accounting subject;

Note 4: Following the implementation of the reorganisation plan of Pang Da Automobile Trade Co., Ltd (“ST PD Group”) during the first half of 2020, the debt interests of Shenzhen Zhongxing Cloud Service Company Limited (“Zhongxing Cloud”), a wholly-owned subsidiary of the Company, in ST PD Group were converted into shares of ST PD Group. Figures corresponding to ST PD Group are provided with Zhongxing Cloud as the accounting subject;

Note 5: The initial investment for the acquisition of Enablence Technologies shares by ZTE (H.K.) Limited (“ZTE HK”), a wholly-owned subsidiary of the Company, on 6 January 2015 amounted to CAD2.70 million, equivalent to approximately RMB13,931,000 based on the Company’s foreign currency statement book exchange rate (CAD1: RMB5.15963) on 31 January 2015. The initial investment amount for the acquisition of shares in Enablence Technologies on 2 February 2016 was CAD4.62 million, equivalent to approximately RMB21,901,600 based on the Company’s foreign currency statement book exchange rate (CAD1: RMB4.74060) on 29 February 2016. The book value of the investment as at the end of the reporting period was approximately HKD8,275,700, equivalent to approximately RMB7,276,700 based on the Company’s foreign currency statement book exchange rate (HKD1: RMB0.87928) on 30 September 2020.

2. Details of investment in securities during the reporting period

A. Shareholdings in Mentech

During the first three quarters of 2020, Zhonghe Chunsheng Fund transferred 520,000 shares in Mentech (a company listed on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange). As at the end of the reporting period, Zhonghe Chunsheng Fund held 1,248,200 shares in Mentech, accounting for 0.59% of the total share capital of Mentech.

B. Shareholdings in Union Optech

During the first three quarters of 2020, Jiaxing Fund transferred 2,583,500 shares held in Union Optech (a company listed on the GEM Board of the Shenzhen Stock Exchange). As at the end of the reporting period, Jiaxing Fund no longer held any shares in Union Optech.

C. Shareholdings in Shijia Science & Technology

During the first three quarters of 2020, Jiaxing Fund transferred 771,300 shares held in Shijia Science & Technology (a company listed on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange). As at the end of the reporting period, Jiaxing Fund no longer held any shares in Shijia Science & Technology.

D. Shareholdings in China Eagle Electronic

During the first three quarters of 2020, Zhuhai Topsun Electronic Technology Co., Ltd. (“Zhuhai Topsun”) was acquired by China Eagle Electronic (a company listed on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange). Following the completion of the acquisition, the shares in Zhuhai Topsun held by Jiaxing Fund were converted into shares in China Eagle Electronic. As at the end of the reporting period, Jiaxing Fund held 1,063,600 shares in China Eagle Electronic, accounting for 0.27% of the total share capital of China Eagle Electronic.

E. Shareholdings in Beken

As at the end of the reporting period, Zhonghe Chunsheng Fund III held 1,122,200 shares in Beken (a company listed on the Shanghai Stock Exchange), accounting for 0.81% of the total share capital of Beken.

F. Shareholdings in Anji Technology

During the first three quarters of 2020, Zhonghe Chunsheng Fund III transferred 1,310,000 shares held in Anji Technology (a company listed on the STAR Market of the Shanghai Stock Exchange). As at the end of the reporting period, Zhonghe Chunsheng Fund III held 1,004,500 shares in Anji, accounting for 1.89% of the total share capital of Anji Technology.

G. Shareholdings in Novoray

As at the end of the reporting period, Zhonghe Chunsheng Fund III held 1,000,000 shares in Novoray (a company listed on the STAR Market of the Shanghai Stock Exchange), accounting for 1.16% of the total share capital of Novoray.

H. Shareholdings in Chipsea Technologies

Chipsea Technologies, a company in which Zhonghe Chunsheng Fund III has invested, was listed on the STAR Market of the Shanghai Stock Exchange on 28 September 2020. As at the end of the reporting period, Zhonghe Chunsheng Fund III held 1,956,500 shares in Chipsea Technologies, accounting for 1.96% of the total share capital of Chipsea Technologies.

I. Shareholdings in ST PD Group

ST PD Group (a company listed on the Shanghai Stock Exchange) underwent reorganisation during the first three quarters of 2020 and, following the implementation of the reorganisation plan, Zhongxing Cloud's debt interests in ST PD Group were converted into shares of ST PD Group. As at the end of the reporting period, Zhongxing Cloud held 108,900 shares in ST PD Group, accounting for 0.001% of the total share capital of ST PD Group.

J. Shareholdings in Enablence Technologies

ZTE HK, a wholly-owned subsidiary of the Company, entered into a Subscription Agreement with Enablence Technologies on 4 December 2014. ZTE HK subscribed for 18 million shares issued by Enablence Technologies on 6 January 2015 for a total cash consideration of CAD2.70 million. ZTE HK entered into a Subscription Agreement with Enablence Technologies on 27 January 2016. On 2 February 2016, ZTE HK subscribed for 77 million shares issued by Enablence Technologies for a total cash consideration of CAD4.62 million. As at the end of the reporting period, ZTE HK held 95 million shares in Enablence Technologies, accounting for 14.80% of its total share capital.

K. Save as aforesaid, the Group did not invest in non-listed financial enterprises such as commercial banks, securities companies, insurance companies, trusts or futures companies, or conduct securities investment such as dealing in stocks of other listed companies during the reporting period.

3.5.2 Entrusted fund management

1. *Particulars of the Group's entrusted fund management during the reporting period is set out in the table below:*

Unit: RMB ten thousand

Specific type	Source of funds under entrusted management	Amount of funds under entrusted management incurred ^{Note 1}	Outstanding balance	Amount overdue and yet to be recouped
Bank investment product	Internal funds	7,000	3,610	—
Total		7,000	3,610	—

Note 1: The amount of funds under entrusted management incurred represents the highest daily balance of such entrusted funds during the reporting period, namely, the maximum value of the total outstanding daily balance of such entrusted funds during the reporting period.

2. *Details of high-risk entrusted fund management with individually material amounts or a lower level of security or liquidity without guaranteed repayment of principal*

Applicable N/A

3. *Expected inability to recoup the principal amount under entrusted fund management or other situations that might result in impairment*

Applicable N/A

3.5.3 Material contracts in the ordinary course of business

Applicable N/A

3.5.4 Records of Reception of Investors, Communications and Press Interviews during the Reporting Period

Applicable N/A

3.6 Derivative Investments

Unit: RMB in ten thousands

Name of party operating the derivative investment	Connected relationship	Whether a connected transaction	Type of derivative investment ^{Note 1}	Initial investment amount in the derivative investment		Opening balance of investment amount ^{Note 2}	Amount purchased during the period	Amount disposed during the period	Impairment provision amount (if any)	Closing balance of investment amount	Closing balance of investment amount as a percentage of net assets ^{Note 3} of the Company at the end of the period (%)	Actual profit or loss for the reporting period	
				Start date	End date								
Financial institution	N/A	No	Foreign exchange forwards	—	2020/2/14	2021/9/29	268,504.20	101,089.04	296,692.30	—	72,900.94	1.74%	(731.24)
Financial institution	N/A	No	Foreign exchange forwards	—	2020/4/8	2022/12/26	60,683.99	67,637.61	69,052.41	—	59,269.19	1.41%	(594.51)
Financial institution	N/A	No	Foreign exchange forwards	—	2020/4/16	2021/6/10	49,803.30	76,854.20	73,527.80	—	53,129.70	1.27%	(532.93)
Other financial institutions	N/A	No	Foreign exchange forwards/ interest rate swap/ structured forwards	—	2019/12/9	2021/9/29	1,089,962.64	516,674.20	1,342,939.37	—	263,697.47	6.29%	(2,645.06)
Total				—	—	—	1,468,954.13	762,255.05	1,782,211.88	—	448,997.30	10.71%	(4,503.74)
Source of funds for derivative investment	Internal funds												
Litigation (if applicable)	Not involved in any litigation												
Date of announcement of the Board of Directors in respect of the approval of derivative investments (if any)	“Announcement Resolutions of the Forty-sixth Meeting of the Seventh Session of the Board of Directors” and “Overseas Regulatory Announcement Announcement on the Application for Derivative Investment Limits for 2019,” both dated 27 March 2019, and “Announcement Resolutions of the Fifteen Meeting of the Eighth Session of the Board of Directors” and “Overseas Regulatory Announcement Announcement on the Application for Derivative Investment Limits for 2020,” both dated 27 March 2020.												
Date of announcement of the general meeting in respect of the approval of derivative investments (if any)	“Announcement on Resolutions of the 2018 Annual General Meeting” dated 30 May 2019 and “Announcement on Resolutions of the 2019 Annual General Meeting” dated 19 June 2020.												
Risk analysis and control measures (including but not limited to market risks, liquidity risks, credit risks, operational risks and legal risks) in respect of derivative positions during the reporting period	<p>Value-protection derivative investments were conducted by the Company during the first three quarters of 2020. The major risks and control measures are discussed as follows:</p> <ol style="list-style-type: none"> 1. Market risks: Gains or losses arising from the difference between the exchange rate for settlement of value protection derivative investment contracts and the exchange rate prevailing on the maturity date will be accounted for as gains or losses on revaluation for each accounting period during the effective period of the value-protection derivative investments. Effective gains or losses shall be represented by the accumulative gains or losses on revaluation on the maturity date; 2. Liquidity risks: The value-protection derivative investments of the Company were based on the Company's budget of foreign exchange income and expenditure and foreign exchange exposure and these investments matched the Company's actual foreign exchange income and expenditure to ensure sufficient fund for settlement on completion. Therefore, their impact on the Company's current assets was insignificant; 3. Credit risks: The counterparties of the derivative investment trades of the Company are banks with sound credit ratings and long-standing business relationships with the Company and therefore the transactions were basically free from performance risks; 4. Other risks: Failure of personnel in charge to operate derivative investments in accordance with stipulated procedures or fully understand information regarding derivatives in actual operation may result in operational risks; Obscure terms in the trade contract may result in legal risks; 5. Control measures: The Company addressed legal risks by entering into contracts with clear and precise terms with counterparty banks and strictly enforcing its risk management system. The Company has formulated the “Risk Control and Information Disclosure System relating to Investments in Derivatives” that contains specific provisions for the risk control, approval procedures and subsequent management of derivative investments, so that derivative investments will be effectively regulated and risks relating to derivative investments duly controlled. 												
Changes in the market prices or fair values of invested derivatives during the reporting period, including the specific methods, assumptions and parameters adopted in the analysis of the fair values of the derivatives	The Company has recognised gains/losses from investments in derivatives during the reporting period. Total gains recognised for the reporting period amounted to RMB45 million, comprising losses from fair-value change of RMB37 million and recognised investment loss of RMB8 million. The calculation of the fair value was based on forward exchange rates quoted by Reuters on a balance sheet date in line with the maturity date of the product.												
Statement on whether the accounting policy and accounting audit principles for derivatives for the reporting period were significantly different from the previous reporting period	There was no significant change in the Company's accounting policy and accounting audit principles for derivatives for the reporting period as compared to that of the previous reporting period.												
Specific opinion of Independent Non-executive Directors on the Company's derivative investments and risk control	<p>Independent Non-executive Directors' Opinion:</p> <p>The Company has conducted value protection derivative investments by using financial products to enhance its financial stability, so as to mitigate the impact of exchange rate volatility on its assets, liabilities and profitability. The Company has conducted stringent internal assessment of its derivative investments made and has established corresponding regulatory mechanisms and assigned dedicated staff to be in charge thereof. The counterparties with which the Company and its subsidiaries have entered into contracts for derivative investments are organisations with sound operations and good credit standing. The derivative investments made by the Company and its subsidiaries have been closely related to their day-to-day operational requirements and the internal review procedure performed have been in compliance with relevant laws and regulations and the Articles of Association.</p>												

Note 1: Derivative investments are classified according to the financial institutions involved and the types of such derivative investments;

Note 2: The investment amount at the beginning of the period represented the amount denominated in the original currency translated at the exchange rate prevailing as at the end of the reporting period;

Note 3: Net assets as at the end of the reporting period represented net assets attributable to holders of ordinary shares of the listed company as at the end of the reporting period.

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

§ 4 APPENDICES

4.1 Balance Sheet (unaudited) (Please see the attached.)

4.2 Income Statement (unaudited) (Please see the attached.)

4.3 Cash Flow Statement (unaudited) (Please see the attached.)

BALANCE SHEET

RMB in thousands

Assets	2020.9.30		2019.12.31	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Audited)	Company (Audited)
Current assets:				
Cash	43,547,649	28,967,402	33,309,347	13,001,412
Trading financial assets	614,030	—	560,662	—
Derivative financial assets	39,601	37,398	106,065	103,889
Trade receivables	14,472,119	18,217,911	19,778,280	24,893,537
Receivable financing	3,383,365	3,203,975	2,430,389	1,980,798
Factored trade receivables	217,675	195,290	308,710	230,035
Prepayments	425,954	14,343	402,525	7,559
Other receivables	1,031,440	33,626,201	1,023,271	32,126,268
Inventories	39,353,293	23,279,599	27,688,508	19,692,914
Contract assets	11,616,304	6,896,248	9,537,850	4,460,977
Other current assets	8,743,285	3,543,232	7,421,567	3,516,370
Total current assets	123,444,715	117,981,599	102,567,174	100,013,759
Non-current assets:				
Long-term receivables	3,121,463	8,081,743	2,819,606	7,736,877
Factored long-term receivables	289,090	233,126	200,671	200,671
Long-term equity investments	2,246,173	12,087,166	2,327,288	12,270,582
Other non-current financial assets	1,471,773	685,509	1,594,254	725,125
Investment properties	1,960,864	1,565,182	1,957,242	1,562,380
Fixed assets	11,925,683	5,724,232	9,383,488	5,717,601
Construction in progress	928,902	275,848	1,171,716	154,636
Right-of-use assets	984,782	475,817	1,063,781	534,988
Intangible assets	8,275,168	3,195,391	7,718,820	3,064,383
Development costs	1,816,550	354,321	1,876,409	479,320
Goodwill	186,206	—	186,206	—
Deferred tax assets	2,465,524	1,027,192	2,511,372	1,063,838
Other non-current assets	6,151,216	4,912,725	5,824,108	4,749,554
Total non-current assets	41,823,394	38,618,252	38,634,961	38,259,955
Total assets	165,268,109	156,599,851	141,202,135	138,273,714

Legal Representative:
Li Zixue

Chief Financial Officer:
Li Ying

Head of Finance Division:
Xu Jianrui

RMB in thousands

Liabilities and shareholders' equity	2020.9.30		2019.12.31	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Audited)	Company (Audited)
Current liabilities:				
Short-term loans	14,982,639	9,257,912	26,645,966	11,729,902
Bank advances on factored trade receivables	219,567	195,561	310,024	230,323
Derivative financial liabilities	106,942	76,218	126,223	115,811
Short-term bonds payable	8,000,000	8,000,000	—	—
Bills payable	13,900,063	17,913,945	9,372,940	19,363,815
Trade payables	20,436,983	39,518,325	18,355,610	29,734,983
Contract liabilities	14,486,946	8,103,642	14,517,057	9,347,162
Salary and welfare payables	9,620,127	5,003,973	8,954,005	5,223,312
Taxes payable	789,422	113,797	888,848	97,735
Other payables	4,057,049	13,840,036	4,621,118	21,362,474
Provisions	1,587,085	1,367,840	1,966,464	1,786,167
Non-current liabilities due within one year	1,512,792	245,787	612,261	309,489
Total current liabilities	89,699,615	103,637,036	86,370,516	99,301,173
Non-current liabilities:				
Long-term loans	21,463,854	16,267,603	10,045,093	7,550,990
Bank advances on factored long-term trade receivables	289,424	233,460	200,858	200,858
Lease liabilities	561,059	276,669	645,294	337,764
Provision for retirement benefits	141,156	141,156	144,505	144,505
Deferred income	3,648,274	764,729	2,656,024	849,320
Deferred tax liabilities	132,010	—	172,060	—
Other non-current liabilities	4,575,907	2,392,646	3,013,487	2,393,468
Total non-current liabilities	30,811,684	20,076,263	16,877,321	11,476,905
Total liabilities	120,511,299	123,713,299	103,247,837	110,778,078

RMB in thousands

Liabilities and shareholders' equity	2020.9.30		2019.12.31	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Audited)	Company (Audited)
Shareholders' equity:				
Share capital	4,613,435	4,613,435	4,227,530	4,227,530
Capital reserves	23,298,292	21,151,883	12,144,432	9,996,674
Less: treasury stocks	114,766	114,766	—	—
Other comprehensive income	(2,136,325)	697,078	(2,000,980)	696,467
Surplus reserve	2,775,521	2,113,765	2,775,521	2,113,765
Retained profits	13,469,727	4,425,157	11,680,365	4,208,836
Total equity attributable to holders of ordinary shares of the parent	41,905,884	32,886,552	28,826,868	21,243,272
Other equity instruments				
Including: perpetual capital instruments	—	—	6,252,364	6,252,364
Non-controlling interests	2,850,926	—	2,875,066	—
Total shareholders' equity	44,756,810	32,886,552	37,954,298	27,495,636
Total liabilities and shareholders' equity	165,268,109	156,599,851	141,202,135	138,273,714

INCOME STATEMENT

RMB in thousands

Item	Nine months ended 30 September 2020		Nine months ended 30 September 2019	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Unaudited)	Company (Unaudited)
1. Operating revenue	74,129,424	69,260,701	64,240,698	55,773,839
Less: Operating costs	50,305,393	59,576,439	39,593,333	46,923,086
Taxes and surcharges	471,971	127,955	728,483	369,875
Selling and distribution costs	5,709,330	3,326,150	5,690,699	3,577,118
Administrative expenses	3,620,480	2,965,848	3,520,527	2,901,655
Research and development costs	10,791,134	1,629,835	9,359,500	2,473,303
Finance costs	686,269	597,891	540,134	(14,391)
Including: Interest expenses	1,230,059	875,511	1,226,681	678,146
Interest income	953,847	560,753	513,535	277,495
Add: Other income	1,366,036	263,969	1,488,962	336,503
Investment income	298,904	(7,075)	618,839	6,062,925
Including: Share of losses of associates and joint ventures	(79,331)	(54,270)	(239,582)	(147,364)
Losses from derecognition of financial assets at amortised cost	(159,691)	(57,868)	(102,562)	(27,737)
Gains/(Losses) from changes in fair values	8,950	(30,594)	(423,856)	(239,705)
Credit impairment losses	(277,506)	(49,152)	(2,115,113)	(1,783,384)
Impairment losses	(2,217)	28,319	(1,181,251)	(1,070,215)
Gains from asset disposal	—	—	2,687,413	2,687,413
2. Operating profit	<u>3,939,014</u>	<u>1,242,050</u>	<u>5,883,016</u>	<u>5,536,730</u>
Add: Non-operating income	99,969	55,361	143,581	79,334
Less: Non-operating expenses	83,980	35,107	210,480	107,846
3. Total profit	<u>3,955,003</u>	<u>1,262,304</u>	<u>5,816,117</u>	<u>5,508,218</u>
Less: Income tax	740,250	107,060	998,172	364,936
4. Net profit	<u><u>3,214,753</u></u>	<u><u>1,155,244</u></u>	<u><u>4,817,945</u></u>	<u><u>5,143,282</u></u>
Analysed by continuity of operations				
Net profit from continuing operations	3,214,753	1,155,244	4,817,945	5,143,282
Analysed by ownership				
Attributable to holders of ordinary shares of the parent	2,712,049	1,139,008	4,127,850	4,882,548
Attributable to holders of perpetual capital instruments	16,236	16,236	260,734	260,734
Non-controlling interests	486,468	—	429,361	—

RMB in thousands

Item	Nine months ended 30 September 2020		Nine months ended 30 September 2019	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Unaudited)	Company (Unaudited)
5. Other comprehensive income, net of tax	(144,833)	611	64,803	(534)
Other comprehensive income attributable to holders of ordinary shares of the parent company, net of tax	(135,345)	611	46,582	(534)
Other comprehensive income that will be reclassified to profit and loss				
Exchange differences on translation of foreign operations	(135,345)	611	46,582	(534)
	<u>(135,345)</u>	<u>611</u>	<u>46,582</u>	<u>(534)</u>
Other comprehensive income, net of tax	<u>(135,345)</u>	<u>611</u>	<u>46,582</u>	<u>(534)</u>
Other comprehensive income attributable to non-controlling interests, net of tax	(9,488)	—	18,221	—
6. Total comprehensive income	<u>3,069,920</u>	<u>1,155,855</u>	<u>4,882,748</u>	<u>5,142,748</u>
Attributable to holders of ordinary shares of the parent	2,576,704	1,139,619	4,174,432	4,882,014
Attributable to holders of perpetual capital instruments	16,236	16,236	260,734	260,734
Attributable to non-controlling interests	476,980	—	447,582	—
7. Earnings per share (RMB/share)				
(1) Basic earnings per share	RMB0.59		RMB0.98	
(2) Diluted earnings per share	RMB0.59		RMB0.98	

INCOME STATEMENT

RMB in thousands

Item	Three months ended 30 September 2020		Three months ended 30 September 2019	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Unaudited)	Company (Unaudited)
1. Operating revenue	26,930,051	25,951,267	19,631,479	16,298,563
Less: Operating costs	18,887,090	22,098,850	12,474,037	14,632,844
Taxes and surcharges	160,125	32,904	133,194	25,842
Selling and distribution costs	1,768,735	1,069,846	1,664,953	1,438,438
Administrative expenses	1,355,354	1,080,934	982,019	829,709
Research and development costs	4,153,758	1,076,763	2,887,634	538,289
Finance costs	53,436	208,141	(122,675)	(556,636)
Including: Interest expenses	382,137	274,385	403,628	202,275
Interest income	371,987	298,765	191,302	169,386
Add: Other income	505,865	45,868	628,162	309,250
Investment income	268,647	(87,293)	303,442	5,949,735
Including: Share of losses of associates and joint ventures	(15,515)	1,916	(81,436)	(48,707)
Losses from derecognition of financial assets at amortised cost	(89,894)	(50,364)	(18,499)	(6,670)
Gains/(Losses) from changes in fair values	(368,774)	54,904	(281,252)	(157,433)
Credit impairment losses	1,637	68,834	(699,022)	(452,483)
Impairment losses	139,486	145,136	(711,253)	(678,198)
Gains from asset disposal	—	—	2,687,413	2,687,413
2. Operating profit	<u>1,098,414</u>	<u>611,278</u>	<u>3,539,807</u>	<u>7,048,361</u>
Add: Non-operating income	44,310	19,815	69,273	41,108
Less: Non-operating expenses	<u>28,692</u>	<u>14,322</u>	<u>30,440</u>	<u>1,516</u>
3. Total profit	<u>1,114,032</u>	<u>616,771</u>	<u>3,578,640</u>	<u>7,087,953</u>
Less: Income tax	<u>222,660</u>	<u>(2,281)</u>	<u>585,258</u>	<u>423,522</u>
4. Net profit	<u><u>891,372</u></u>	<u><u>619,052</u></u>	<u><u>2,993,382</u></u>	<u><u>6,664,431</u></u>
Analysed by continuity of operations				
Net profit from continuing operations	891,372	619,052	2,993,382	6,664,431
Analysed by ownership				
Attributable to holders of ordinary shares of the parent	854,760	619,052	2,657,151	6,576,564
Attributable to holders of perpetual capital instruments	—	—	87,867	87,867
Non-controlling interests	36,612	—	248,364	—

RMB in thousands

Item	Three months ended 30 September 2020		Three months ended 30 September 2019	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Unaudited)	Company (Unaudited)
5. Other comprehensive income, net of tax	(29,328)	639	13,726	533
Other comprehensive income attributable to holders of ordinary shares of the parent company, net of tax	(16,273)	639	(5,247)	533
Other comprehensive income that will be reclassified to profit and loss				
Exchange differences on translation of foreign operations	(16,273)	639	(5,247)	533
	(16,273)	639	(5,247)	533
Other comprehensive income, net of tax	(16,273)	639	(5,247)	533
Other comprehensive income attributable to non-controlling interests, net of tax	(13,055)	—	18,973	—
6. Total comprehensive income	<u>862,044</u>	<u>619,691</u>	<u>3,007,108</u>	<u>6,664,964</u>
Attributable to holders of ordinary shares of the parent	838,487	619,691	2,651,904	6,577,097
Attributable to holders of perpetual capital instruments	—	—	87,867	87,867
Attributable to non-controlling interests	23,557	—	267,337	—
7. Earnings per share (RMB/share)				
(1) Basic earnings per share	RMB0.19		RMB0.63	
(2) Diluted earnings per share	RMB0.19		RMB0.63	

CASH FLOW STATEMENT

RMB in thousands

Item	Nine months ended 30 September 2020		Nine months ended 30 September 2019	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Unaudited)	Company (Unaudited)
1. Cash flows from operating activities				
Cash received from sale of goods or rendering of services	81,782,253	74,783,614	67,508,954	62,538,417
Refunds of taxes	2,860,681	1,982,053	3,725,690	2,636,683
Cash received relating to other operating activities	4,234,337	1,022,005	4,202,373	1,507,676
Sub-total of cash inflows	88,877,271	77,787,672	75,437,017	66,682,776
Cash paid for goods and services	59,408,184	67,946,120	47,301,603	52,397,820
Cash paid to and on behalf of employees	14,855,524	4,585,056	11,894,111	3,680,377
Cash paid for various types of taxes	5,017,563	1,269,411	6,511,273	2,451,682
Cash paid relating to other operating activities	5,727,102	3,882,108	6,824,802	5,675,798
Sub-total of cash outflows	85,008,373	77,682,695	72,531,789	64,205,677
Net cash flows from operating activities	3,868,898	104,977	2,905,228	2,477,099
2. Cash flows from investing activities				
Cash received from sale of investments	6,342,728	3,028,430	1,633,031	651,851
Cash received from return on investment	255,371	3,911,657	207,673	401,698
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets	10,009	7,362	1,871,183	1,865,284
Net cash received from the disposal of subsidiaries and other operating units	6,680	—	445,907	—
Cash received relating to other investing activities	245,000	3,125,000	—	—
Sub-total of cash inflows	6,859,788	10,072,449	4,157,794	2,918,833
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	4,522,381	1,693,744	5,084,925	3,176,096
Cash paid for acquisition of investments	6,920,618	4,102,600	218,278	83,405
Cash paid relating to other investing activities	34,709	6,450,000	2,200,000	2,200,000
Sub-total of cash outflows	11,477,708	12,246,344	7,503,203	5,459,501
Net cash flows from investing activities	(4,617,920)	(2,173,895)	(3,345,409)	(2,540,668)

RMB in thousands

Item	Nine months ended 30 September 2020		Nine months ended 30 September 2019	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Unaudited)	Company (Unaudited)
3. Cash flows from financing activities				
Cash received from capital injection	11,565,604	11,553,604	423,799	419,229
Including: Capital injection into subsidiaries by minority shareholders	12,000	—	4,570	—
Cash received from borrowings	41,717,815	31,851,666	36,208,907	20,152,831
Cash received relating to other financing activities	7,000	—	26,280	—
Sub-total of cash inflows	53,290,419	43,405,270	36,658,986	20,572,060
Cash repayment of borrowings	32,845,172	17,525,267	24,808,179	16,978,566
Cash paid for perpetual capital instruments	6,000,000	6,000,000	—	—
Cash payments for distribution of dividends and for interest expenses	2,445,757	1,989,000	2,284,614	1,097,996
Including: Distribution of dividends and profits by subsidiaries to minority shareholders	171,424	—	480,581	—
Other cash paid relating to financing activities	815,315	331,289	868,532	92,067
Sub-total of cash outflows	42,106,244	25,845,556	27,961,325	18,168,629
Net cash flows from financing activities	11,184,175	17,559,714	8,697,661	2,403,431
4. Effect of changes in foreign exchange rate on cash and cash equivalents	267,432	(73,537)	373,420	333,796
5. Net increase in cash and cash equivalents	10,702,585	15,417,259	8,630,900	2,673,658
Add: cash and cash equivalents at the beginning of the period	28,505,800	10,032,692	21,134,111	10,147,946
6. Net balance of cash and cash equivalents at the end of the period	39,208,385	25,449,951	29,765,011	12,821,604

By Order of the Board
Li Zixue
Chairman

Shenzhen, the PRC
28 October 2020

As at the date of this announcement, the Board of Directors of the Company comprises three executive directors, Li Zixue, Xu Ziyang, Gu Junying; three non-executive directors, Li Buqing, Zhu Weimin, Fang Rong; and three independent non-executive directors, Cai Manli, Gordon Ng, Zhuang Jiansheng.