

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

2021 FIRST 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 Thirty-fourth 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 should beware of 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")

- (1) *Statement on retrospective adjustments to or restatement of accounting data for the previous year by the Company because of changes in accounting policies or for the rectification of accounting errors*

Applicable N/A

- (2) *Information relating to adjustments to the financial statement as at the beginning of the year of initial adoption of the New ASBE on Leases adopted for the first time in 2021*

Applicable N/A

The Company has adopted the New ASBE on Leases since 1 January 2019.

(3) *Statement on retrospective adjustments to comparative data of periods prior to the initial adoption of the New ASBE on Leases in 2021*

Applicable N/A

Item	As at the end of the reporting period (31 March 2021)	As at the end of last year (31 December 2020)	Change as at the end of the reporting period compared with the end of last year
Total assets (<i>RMB in thousands</i>)	155,551,952	150,634,906	3.26%
Owners' equity attributable to holders of ordinary shares of the listed company (<i>RMB in thousands</i>)	45,826,894	43,296,808	5.84%
Total share capital (<i>thousand shares</i>)	4,613,435	4,613,435	—
Net assets per share attributable to holders of ordinary shares of the listed company (<i>RMB/share</i>)	9.93	9.39	5.75%

Item	The reporting period (Three months ended 31 March 2021)	Same period last year (Three months ended 31 March 2020)	Change compared with the same period last year
Operating revenue (RMB in thousands)	26,241,647	21,484,493	22.14%
Net profit attributable to holders of ordinary shares of the listed company (RMB in thousands)	2,181,649	779,988	179.70%
Net profit after extraordinary items attributable to holders of ordinary shares of the listed company (RMB in thousands)	788,120	160,155	392.10%
Net cash flow from operating activities (RMB in thousands)	2,388,242	372,361	541.38%
Net cash flow from operating activities per share (RMB/share)	0.52	0.08	550.00%
Basic earnings per share (RMB/share) ^{Note 1}	0.47	0.18	161.11%
Diluted earnings per share (RMB/share) ^{Note 2}	0.47	0.18	161.11%
Weighted average return on net assets (%)	4.90%	2.23%	Increased by 2.67 percentage points
Weighted average return on net assets after extraordinary items (%)	1.77%	0.46%	Increased by 1.31 percentage points

Note 1: Basic earnings per share for the reporting period and the three months ended 31 March 2020 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 2: As the 2017 share options granted by the Company have given rise to 17,779,000 and 23,566,000 potentially dilutive ordinary shares for the three months ended 31 March 2021 and three months ended 31 March 2020, respectively, dilutive earnings per share 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 from the beginning of the year to the end of the reporting period
Non-operating income, other income and others	628,219
Gains/(Losses) from fair value change	212,060
Investment income	816,419
Less: Loss on disposal of non-current assets	(47,494)
Less: Other non-operating expenses	44,699
Less: Asset impairment loss	16,069
Less: Effect of income tax	246,514
Less: Effect of non-controlling interests (after tax)	3,381
Total	<u><u>1,393,529</u></u>

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 31 March 2021 There were 614,738 shareholders in total (comprising 614,425 holders of A shares and 313 holders of H shares)

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

Name of shareholders	Nature of shareholders	Percentage of shareholdings	Number of shares held as at the end of the reporting period		Class of shares	Number of shares held subject to lock-up (shares)	Number of shares pledged or frozen (shares)
			(shares)	(shares)			
1. Zhongxingxin Telecom Company Limited ^{Note 1} (“Zhongxingxin”)	Domestic general corporation	21.85%	1,005,840,400	2,038,000	A shares H shares	—	Nil
2. HKSCC Nominees Limited ^{Note 2}	Foreign shareholders	16.31%	752,365,457		H shares	—	Unknown
3. Hong Kong Securities Clearing Company Limited ^{Note 3}	Foreign corporation	1.48%	68,403,050		A shares	—	Nil
4. Central Huijin Asset Management Co. Ltd.	State-owned corporation	1.14%	52,519,600		A shares	—	Nil
5. Shenzhen Huitong Rongxin Investment Co., Ltd.	State-owned corporation	0.93%	43,032,108		A shares	—	Nil
6. Shenzhen Investment Holding Capital Co., Ltd. — Shenzhen Investment Holding Win-Win Equity Investment Fund Partnership (Limited Partnership)	Others	0.93%	43,032,108		A shares	—	Nil
7. Guangdong Hengjian Asset Management Co., Ltd. — Guangdong Henghui Equity Investment Fund (Limited Partnership)	Others	0.93%	43,032,108		A shares	—	Nil
8. Hunan Nantian (Group) Co., Ltd.	State-owned corporation	0.90%	41,516,065		A shares	—	Nil
9. NSSF Portfolio #101	Others	0.88%	40,579,611		A shares	—	Nil
10. New China Life Insurance Company Limited —New Traditional Products 2	Others	0.87%	40,032,165		A shares	—	Nil

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

Name of shareholders	Number of shares not subject to lock-up (shares)	Class of shares
1. Zhongxingxin	1,005,840,400	A shares
	2,038,000	H shares
2. HKSCC Nominees Limited	752,365,457	H shares
3. Hong Kong Securities Clearing Company Limited	68,403,050	A shares
4. Central Huijin Asset Management Co. Ltd.	52,519,600	A shares
5. Shenzhen Huitong Rongxin Investment Co., Ltd.	43,032,108	A shares
6. Shenzhen Investment Holding Capital Co., Ltd. — Shenzhen Investment Holding Win-Win Equity Investment Fund Partnership (Limited Partnership)	43,032,108	A shares
7. Guangdong Hengjian Asset Management Co., Ltd. — Guangdong Henghui Equity Investment Fund (Limited Partnership)	43,032,108	A shares
8. Hunan Nantian (Group) Co., Ltd.	41,516,065	A shares
9. NSSF Portfolio #101	40,579,611	A shares
10. New China Life Insurance Company Limited — New Traditional Products 2	40,032,165	A shares
Descriptions of any connected party relationships or concerted party relationships among the above shareholders	<ol style="list-style-type: none"> 1. 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. 2. Save as aforesaid, the Company is not aware of any connected party relationships or concerted party relationships among other top 10 shareholders and other top 10 holders of shares not subject to lock-up. 	
Description of top 10 shareholders' involvement in financing and securities lending businesses (if any)	N/A	

Note 1: Zhongxingxin conducted a sell-down of 27,601,800 A shares in the Company through block trading at the stock exchange on 25 January 2021. 2,038,000 H shares in the Company held by Zhongxingxin were held by HKSCC Nominees Limited as nominee shares.

Note 2: 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 3: 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	31 March 2021	31 December 2020	Change	Analysis of reasons for changes
Trading financial assets	383,877	1,036,906	(62.98%)	Attributable mainly to the maturity of investment products purchased by subsidiaries of the Company during the period
Derivative financial assets	143,235	36,118	296.58%	Attributable mainly to the increase in gain on fair-value remeasurement at the end of the period of derivative investments for the period
Receivable financing	5,110,069	1,970,624	159.31%	Attributable mainly to the increase in commercial bills for the period
Other receivables	1,650,679	1,152,479	43.23%	Attributable mainly to the increase in amounts due from external units for the period
Derivative financial liabilities	44,918	153,961	(70.83%)	Attributable mainly to the decrease in loss on fair-value remeasurement at the end of the period of derivative investments for the period
Bills payable	7,946,950	11,364,056	(30.07%)	Attributable mainly to the decrease in notes due for settlement during the period
Non-current liabilities due within one year	3,817,973	2,104,677	81.40%	Attributable mainly to the increase in long-term borrowings due within on year for the period

Income statement (three months ended 31 March)

Item	Three months ended 31 March 2021	Three months ended 31 March 2020	Change	Analysis of reasons for changes
Financial costs	378,690	895,675	(57.72%)	Attributable mainly to the decrease in exchange loss arising from exchange rate fluctuations for the period compared to the same period last year
Other income	717,072	413,196	73.54%	Attributable mainly to the increase in software VAT refund for the period
Investment income	735,778	(17,289)	4,355.76%	Attributable mainly to the transfer of equity interests in Caltta Technologies Co., Ltd. (“Caltta”) during the period
Gains/(Losses) from changes in fair values	60,852	150,251	(59.50%)	Attributable mainly to the increase of loss on fair-value change of listed equities held by subsidiary fund partnership enterprises of Shenzhen ZTE Capital Management Company Limited (“ZTE Capital”) for the period
Credit impairment losses	(142,465)	(322,143)	(55.78%)	Attributable mainly to the decrease in trade receivable impairment provision for the period
Asset impairment losses	11,551	(579,319)	(101.99%)	Attributable mainly to the reversal of impairment provision for the Group’s dispatch of goods for the period
Tax expenses	450,103	219,305	105.24%	Attributable mainly to the increase in profit for the period
Non-controlling interests	(97,662)	12,925	(855.61%)	Attributable mainly to the loss incurred by certain subsidiaries with a higher level of minority interests for the period versus profit for the same period last year
Other comprehensive income, net of tax	(151,579)	199,868	(175.84%)	Attributable mainly to the Group’s loss on translation of statements in foreign currency due to exchange rate fluctuations for the period versus gain on translation for the same period last year
Exchange differences on translation of foreign operations	(151,370)	194,566	(177.80%)	Attributable mainly to the Group’s loss on translation of statements in foreign currency due to exchange rate fluctuations for the period versus gain on translation for the same period last year
Other comprehensive income attributable to non-controlling interests, net of tax	(209)	5,302	(103.94%)	Attributable mainly to the loss incurred by subsidiaries on translation of statements in foreign currency due to exchange rate fluctuations for the period versus gain on translation for the same period last year

Cash Flow Statement

Item	Three months ended 31 March 2021	Three months ended 31 March 2020	Change	Analysis of reasons for changes
Net cash flows from operating activities	2,388,242	372,361	541.38%	Attributable mainly to the increase in cash received for the sales of goods and rendering of labour services for the period
Net cash flows from investing activities	(4,596,831)	(1,773,229)	(159.24%)	Attributable mainly to the increase in cash paid for investment for the period
Net cash flows from financing activities	2,843,351	5,349,785	(46.85%)	Attributable mainly to the non-public issuance of A shares during the same period last year
Effect of changes in foreign exchange rate on cash and cash equivalents	(7,823)	99,249	(107.88%)	Attributable mainly to the loss on translation due to exchange rate fluctuations for the period versus gain on translation for the same period last year

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 Issuance of shares by the Company for asset acquisition and ancillary fund raising

The Company acquired 18.8219% equity interests in ZTE Microelectronics Technology Company Limited (“ZTE Microelectronics”), a subsidiary of the Company, held in aggregate by Guangdong Hengjian Xinxin Investment Partnership Enterprise (Limited Partnership) (“Hengjian Xinxin”) and Shenzhen Huitong Rongxin Investment Co., Ltd (“Huitong Rongxin”) at a transaction price of RMB2,610,827,000 by way of share issue; and meanwhile raised ancillary funds of not more than RMB2.61 billion by the non-public issuance of shares to not more than 35 specific investors. The total amount of ancillary funds to be raised thereunder shall be not more than 100% of the consideration for the acquisition of the target assets by way of share issue. The volume of shares to be issued under the transaction shall comply with the pertinent provisions of China Securities Regulatory Commission (the “CSRC”) and other regulatory authorities and requirements under the general mandate. The Company intended to apply the ancillary funds raised after deduction of relevant intermediary fees and relevant taxes to finance research and development projects for core 5G chips and to replenish its working capital,

provided that not more than 50% of the gross proceeds of ancillary funds raised shall be used for the replenishment of working capital. The aforesaid matter was approved at the Twenty-sixth Meeting of the Eighth Session of the Board of Directors, Twenty-eighth Meeting of the Eighth Session of the Board of Directors and 2020 Third Extraordinary General Meeting of the Company. For details, please refer to the announcements “(1) SHARE TRANSACTION — PROPOSED ACQUISITION OF 18.8219% EQUITY INTEREST IN ZTE MICROELECTRONICS AND (2) PROPOSED NON-PUBLIC ISSUANCE OF A SHARES TO RAISE ANCILLARY FUNDS” published by the Company on 28 October 2020 and “UPDATE ANNOUNCEMENT ON (1) SHARE TRANSACTION — PROPOSED ACQUISITION OF 18.8219% EQUITY INTEREST IN ZTE MICROELECTRONICS AND (2) PROPOSED NON-PUBLIC ISSUANCE OF A SHARES TO RAISE ANCILLARY FUNDS” published by the Company on 16 November 2020 and the circulars of the Company dated 14 September 2020 and 3 December 2020.

On 24 November 2020, the Company received the Letter of Query on the Restructuring of ZTE Corporation (“Letter of Query”). As required by the Letter of Query, the Company actively organised relevant parties to address questions raised in the Letter of Query. For details, please refer to the “Overseas Regulatory Announcement Response to the ‘Letter of Query on the Restructuring of ZTE Corporation’ from Shenzhen Stock Exchange” and “Overseas Regulatory Announcement” published by the Company on 1 December 2020.

On 4 January 2021, the Company received the “Form of Admission of Application for CSRC Administrative Approval” issued by CSRC, pursuant to which CSRC decided to admit the application for administrative approval for acquisition of assets by issuance of shares by listed companies submitted by the Company. For details, please refer to the “Overseas Regulatory Announcement Announcement on Admission by CSRC of the Application for the Acquisition of Assets by Issuance of Shares and Ancillary Fund-raising” published by the Company on 4 January 2021.

The Company published the “Overseas Regulatory Announcement Announcement on the Receipt of ‘Notice Regarding the China Securities Regulatory Commission’s First Feedback on the Review of Administrative Permission Items’” on 20 January 2021 and “Overseas Regulatory Announcement Announcement on Extension of Deadline for Reply to the ‘Notice Regarding the China Securities Regulatory Commission’s First Feedback on the Review of Administrative Permission Items’” on 26 February 2021. The Company and relevant intermediaries studied and deliberated on issues raised in the notice and submitted an item-by-item response to the relevant questions. For details of the response, please refer to the “Overseas Regulatory Announcement” published by the Company on 16 March 2021.

On 31 March 2021, the Listed Company Merger, Acquisition and Reorganisation Verification Committee (the “M&A and Reorganisation Committee”) of convened the Sixth Working Meeting in 2021 to verify the acquisition of assets by issuance of shares and ancillary fund-raising by the Company. According to the verification results of the meeting, the acquisition of assets by issuance of shares and ancillary fund-raising by the Company was approved unconditionally. The Company received the “Approval in Relation to the Acquisition of Assets by Issuance of Shares and Ancillary Fund-raising by ZTE Corporation” (Zheng Jian Xu Ke [2021] No. 1399) from the CSRC on 26 April 2021. For details, please refer to the “Announcement on Unconditional Approval of the Acquisition of Assets by Issuance of Shares and Ancillary Fundraising by the Company by the M&A and Reorganisation Committee of the CSRC and Resumption of Trading of A Shares of the Company” published on 31 March 2021 and “Announcement on the Approval in Relation to the Acquisition of Assets by Issuance of Shares and Ancillary Fund-raising by the CSRC” published on 26 April 2021 by the Company.

3.2.2.2 Non-public issuance of A shares by the Company and progress of 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.

On 15 January 2020, the Company entered into the Subscription Agreement with 10 subscribers (who were independent professional or institutional investors in the PRC). 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 and net proceeds of RMB11,459,418,724.31 after deduction of issue expenses, which was to be applied in (1) technology research and product development relating to 5G network evolution; and (2) replenishment of working capital. The total nominal value of A shares issued by the Company was RMB381,098,968, and the net price derived from each A Share was RMB30.07. On the signing date of the subscription agreement pursuant to which the issue price and other terms of the proposed non-public issuance of A Shares were determined (i.e. 15 January 2020), the closing price of H Shares was HK\$27.05 and the closing price of A Shares was RMB36.92. 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 NONPUBLIC 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 CSC Financial Co., Ltd., the sponsor, and various regulatory banks. For details, please refer to the "Overseas Regulatory Announcement" published by the Company on 4 February 2020.

As at 29 January 2021, the investment projects utilising proceeds from the Company's non-public issuance of A shares were closed, and surplus proceeds amounting to RMB138,160,600 (including interest income and after deduction of related expenses) was applied as supplementary working capital on a permanent basis. The designated account for issue proceeds was cancelled in February 2021, and the relevant tripartite agreement on the supervision of the issue proceeds was also terminated. For details of the use of issue proceeds of the Company, please refer to the section headed "(II) Discussion and Analysis of Operations under PRC ASBEs — 9. Analysis of investment — (5) Use of Issue Proceeds" under the "Report of the Board of Directors" in the 2020 Annual Report of the Company.

3.2.2.3 Transfer of 90% equity interests in Caltta by the Company

Based on considerations relating to the Company's strategic development, the Company entered into the Equity Transfer Agreement with Beijing E-Town Semiconductor Industry Investment Centre (Limited Partnership) (hereinafter "E-Town Semiconductor") on 11 January 2021. Pursuant to the Equity Transfer

Agreement, the Company shall transfer its 90% equity interests in Caltta to E-Town Semiconductor for a consideration of RMB1,035 million (hereinafter “the Transaction”). As at the date of announcement of this report, the closing of the Transaction has been completed, and the Company has ceased to hold any equity interest in Caltta. The aforesaid matter has been considered and approved at the Thirtieth Meeting of the Eighth Session of the Board of Directors of the Company. For details, please refer to the “Announcement Resolutions of the Thirtieth Meeting of the Eighth Session of the Board of Directors” and “Announcement Transfer of 90% Equity Interests in Caltta Technologies Co., Ltd.” published by the Company on 11 January 2021.

3.2.2.4 Termination of quotation of ZXELINK, a subsidiary of the Company, on NEEQ

Pursuant to the “Resolution on the proposed application for termination of quotation on the National Equities Exchange and Quotations by subsidiary SHANGHAI ZXELINK CO., LTD” considered and approved at the Thirtieth Meeting of the Eighth Session of the Board of Directors of the Company held on 11 January 2021, it was approved that SHANGHAI ZXELINK CO., LTD (formerly known as Shanghai Zhongxing Telecom Equipment Technologies Corporation, hereinafter “ZXELINK”) would apply for the termination of its quotation on the National Equities Exchange and Quotations (“NEEQ”). The termination of the quotation of ZXELINK on NEEQ has been approved by National Equities Exchange and Quotations Limited and ZXELINK shares have ceased to be quoted on NEEQ as from 25 February 2021.

For details, please refer to the “Announcement Resolutions of the Thirtieth Meeting of the Eighth Session of the Board of Directors” and “Overseas Regulatory Announcement Proposed Application for Termination of Quotation on National Equities Exchange and Quotations by Subsidiary SHANGHAI ZXELINK CO., LTD” published on 11 January 2021 and “Overseas Regulatory Announcement on the Approval for Termination of Quotation on National Equities Exchange and Quotations of SHANGHAI ZXELINK CO., LTD, a subsidiary” published on 24 February 2021 by the Company.

3.2.2.5 Performance guarantees to be provided for subsidiary PT. ZTE Indonesia by the Company

In 2021, PT. ZTE INDONESIA (“ZTE Indonesia”), a subsidiary of the Company, proposed to enter into the “New Telkomsel Ultimate Radio Solution Rollout Agreement” and “New Telkomsel Radio Ultimate Solution Technical Support Agreement” with PT. Telekomunikasi Selular (“Telkomsel”), a mobile carrier of Indonesia, pursuant to which ZTE Indonesia proposed to provide wireless network construction and technical support services to Telkomsel. In 2018, ZTE Indonesia entered into the “Ultimate Radio Network Infrastructure Rollout Agreement” and “Ultimate Radio Network Infrastructure Technical Support Agreement” with

Telkomsel, pursuant to which ZTE Indonesia provided 4G network construction and maintenance services to Telkomsel. The aforesaid “New Telkomsel Ultimate Radio Solution Rollout Agreement” and “Ultimate Radio Network Infrastructure Rollout Agreement” are collectively called the “Rollout Contract”, while the “New Telkomsel Radio Ultimate Solution Technical Support Agreement” and “Ultimate Radio Network Infrastructure Technical Support Agreement” are collectively called the “Technical Support Contract”.

The Company proposed to provide joint-liability guarantee in respect of the performance obligations of ZTE Indonesia under the Rollout Contract and the Technical Support Contract for an amount of USD40 million, with a term commencing on the date of issuance of a letter of guarantee by the Company and ending on the date on which the performance obligations of ZTE Indonesia under the Rollout Contract and the Technical Support Contract are completed in full. At the same time, the Company proposed to apply to the relevant bank for the issuance of a bank letter of guarantee to provide guarantee with an amount of IDR400 billion in respect of the performance obligations of ZTE Indonesia under the Rollout Contract and the Technical Support Contract, effective from the date of issuance of the bank letter of guarantee for a period of 3 years and 6 months or until the date on which the performance obligations of ZTE Indonesia under the Rollout Contract and the Technical Support Contract are completed in full, whichever is later. The aforesaid guarantee was considered and approved at the Thirty-second Meeting of the Eighth Session of the Board of Directors of the Company held on 10 February 2021 and is pending consideration at the general meeting. For details, please refer to the “Overseas Regulatory Announcement Announcement on Third-party Guarantee” published by the Company on 18 February 2021.

Upon the aforesaid guarantee coming into effect and the furnishing of guarantee documents to Telkomsel, the guarantee described in the “Overseas Regulatory Announcement Announcement on Third-party Guarantee” published by the Company on 15 October 2018 will lapse accordingly.

3.2.2.6 The Company’s proposed application for consolidated registration for issuance of multiple types of debt financing instruments

To further broaden the financing channels of the Company, optimise its debt structure, exercise reasonable control over its finance cost, enable flexible choice of financing options and fulfill its funding requirements in a timely manner, the Company has proposed to apply to National Association of Financial Market Institutional Investors (“NAFMII”) for the consolidated registration of multiple types of debt financing instruments, including super short-term commercial paper, short-term commercial paper, medium-term note, perpetual note and asset-backed note, among others, such that the Company will be able to issue such instruments at its discretion during the effective period of registration. The aforesaid matter was considered and approved at the Thirty-third Meeting of the Eighth Session of the

Board of Directors of the Company held on 16 March 2021 and is pending consideration at the general meeting. For details, please refer to the “Overseas Regulatory Announcement on the Proposed Application for Consolidated Registration for Issuance of Multiple Types of Debt Financing Instruments for 2021” published by the Company on 16 March 2021.

3.2.2.7 Information on the Share Option Incentive Schemes of the Company

(1) Information on 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 Supervisory Committee, 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 of the Company” 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). Pursuant to the Scheme, the Company proposed to grant 149,601,200 share options to 1,996 scheme participants. The initial exercise price of the share options granted shall be RMB17.06 per A share.

Pursuant to the “Resolution on the adjustments to the participants and number of share options granted under the 2017 Share Option Incentive Scheme”, “Resolution on the fulfillment of exercise conditions for the first exercise period under the 2017 Share Option Incentive Scheme”, “Resolution on the Non-fulfillment of exercise conditions for the second exercise period under the 2017 Share Option Incentive Scheme” and “Resolution on the cancellation of certain share options” considered and passed at the Fifth Meeting of the Eighth Session of the Board of Directors of the Company held on 1 July 2019, it was approved that the number of participants under the 2017 Share Option Incentive Scheme would be adjusted from 1,996 to 1,687, and the volume of share options granted would be adjusted from 149,601,200 to 119,115,591. The number of participants for the first exercise period was adjusted from 1,996 to 1,684, and the volume of exercisable share options was adjusted from 49,866,471 to 39,664,153. The

fulfillment of exercise conditions for the first exercise period and non-fulfillment of exercise conditions for the second exercise period under the 2017 Share Option Incentive Scheme were confirmed. A total of 70,210,561 share options, comprising share options previously granted to original participants who no longer qualified as participants, share options previously granted to participants who did not qualify for exercise in the first exercise period under the share option incentive scheme and share options not exercisable as a result of the non-fulfillment of exercise conditions for the second exercise period under the share option incentive scheme, were cancelled.

The first exercise period of the 2017 Share Option Incentive Scheme of the Company comprised the exercise days within the period commencing on 16 July 2019 and ending on 5 July 2020. A total of 39,664,087 share options were exercised by scheme participants during the first exercise period. 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.

Details of share options held by scheme participants under the 2017 Share Option Incentive Scheme of the Company during the reporting period are set out as follows:

Name of participant	Position of participant	Number of unexercised options at the beginning of the reporting period	Number of options granted during the reporting period	Number of options exercisable during the reporting period	Number of options exercised during the reporting period	Number of options cancelled during the reporting period	Number of options lapsed during the reporting period	Number of outstanding options at the end of the reporting period
Xu Ziyang	Director and President	84,000	0	0	0	0	0	84,000
Wang Xiyu	Executive Vice President	87,468	0	0	0	0	0	87,468
Li Ying	Executive Vice President and Chief Financial Officer	52,800	0	0	0	0	0	52,800
Xie Junshi	Executive Vice President	112,468	0	0	0	0	0	112,468
Ding Jianzhong	Secretary to the Board of Directors and Company Secretary	33,160	0	0	0	0	0	33,160
Other participants	—	39,356,590	0	0	0	0	0	39,356,590
Total	—	39,726,486	0	0	0	0	0	39,726,486

(2) Information on the 2020 Share Option Incentive Scheme of the Company

The 2020 Share Option Incentive Scheme implemented by the Company has been 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 Supervisory Committee and the 2020 Second Extraordinary General Meeting, granting a total of not more than 163,492,000 share options, including 158,492,000 share options under the initial grant and 5,000,000 share options as reserved entitlements to the Directors, senior management and key business personnel of the Company. The source of shares under the 2020 Share Option Incentive Scheme comprises shares of the Company issued to the scheme participants by the Company by way of placing. Participants of the 2020 Share Option Incentive Scheme include Directors, senior management and key business personnel (excluding any independent non-executive Directors, Supervisors, substantial Shareholders or de facto controllers which individually or together hold Shares representing 5% voting rights of the Company or above, and their spouses, parents and children).

Pursuant to the “Resolution on the adjustments to the participants and number of share options granted under the 2020 Share Option Incentive Scheme” and “Resolution on matters pertaining to the grant of shares options under the 2020 Share Option Incentive Scheme” considered and passed at the Twenty-seventh Meeting of the Eighth Session of the Board of Directors of the Company held on 6 November 2020, the number of participants was adjusted from not more than 6,124 to 6,123, and the number of share options to be granted was adjusted from not more than 163,492,000 to 163,472,000, of which the number of share options to be granted initially was adjusted from not more than 158,492,000 to 158,472,000 and the number of reserved share options remained 5,000,000 under the share option incentive scheme. The date of grant for the initial grant under the 2020 Share Option Incentive Scheme was set for 6 November 2020 (Friday) and 158,472,000 A shares options were granted to 6,123 participants. The exercise price for the initial grant was RMB34.47 per A share.

Details of share options held by scheme participants under the 2020 Share Option Incentive Scheme of the Company during the reporting period are set out as follows:

Name of participant	Position of participant	Number of unexercised options at the beginning of the reporting period	Number of options exercisable during the reporting period	Number of options exercised during the reporting period	Number of options cancelled during the reporting period	Number of options lapsed during the reporting period	Number of outstanding options at the end of the reporting period
Li Zixue	Chairman	180,000	0	0	0	0	180,000
Xu Ziyang	Director and President	180,000	0	0	0	0	180,000
Li Buqing	Director	50,000	0	0	0	0	50,000
Gu Junying	Director and Executive Vice President	180,000	0	0	0	0	180,000
Zhu Weimin	Director	50,000	0	0	0	0	50,000
Fang Rong	Director	50,000	0	0	0	0	50,000
Wang Xiyu	Executive Vice President	180,000	0	0	0	0	180,000
Li Ying	Executive Vice President and Chief Financial Officer	180,000	0	0	0	0	180,000
Xie Junshi	Executive Vice President	180,000	0	0	0	0	180,000
Ding Jianzhong	Secretary to the Board of Directors and Company Secretary	120,000	0	0	0	0	120,000
Other participants	—	157,122,000	0	0	0	0	157,122,000
Total	—	158,472,000	0	0	0	0	158,472,000

For details of the share option incentive schemes of the Company, please refer to the section headed “(VII) IMPLEMENTATION AND IMPACT OF THE COMPANY’S SHARE OPTION INCENTIVE SCHEMES” under “Material Matters” in the 2020 Annual Report of the Company.

3.2.2.8 Material litigation and arbitration during the reporting period

There was no material litigation or arbitration of the Group occurring during the reporting period. For details of the progress in the reporting period of immaterial litigation and arbitration proceedings occurring prior to the reporting period, please refer to the section headed “(II) MATERIAL LITIGATION AND ARBITRATION” under “Material Matters” in the 2020 Annual Report of the Company.

3.2.2.9 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 percentage of transactions in Whether the same approved cap classification has been exceeded			Settlement	Market price for similar transactions available (RMB)		Domestic announcement date	Domestic announcement index
						Amount (RMB in ten thousands)							
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 and LiFePO4 battery and its accessories by the Company from the connected party.	Connected parties from which the Company made purchases were selected through the Company's accreditation and bidding or negotiation procedures. Prices at which the purchase orders were entered into by the two parties were 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 and services 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; LiFePO4 battery: RMB3,000-6,000 per piece; battery accessory RMB100-500 per piece, depending on the functions of different models and process sophistication.	6,235.69	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.	587.20	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"		
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.	547.80	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"		
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.	637.41	0.05%	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 2021, RMB82/sq.m./month for hotel properties in Dameisha in Shenzhen; RMB63/sq.m./month for hotel properties in Nanjing; RMB86/sq.m./month for hotel properties in Shanghai; RMB54/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.	1,835.47	19.72%	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"		
航天顺华信息技术有限公司 ("航天顺华")	Subsidiary of a company for which a connected natural person of the Company acted as senior management	Sale of products	The sale of the 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.	13,999.75	0.53%	No	Tele-transfer or bank acceptance bill	N/A	2020-12-22	Announcement No. 2020121 "Announcement on Projected Continuing Connected Transactions under the Rules Governing Listing of Stocks on The Shenzhen Stock Exchange"		
Total						23,843.32	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 and services 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)	<p>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 2021 be capped at RMB900 million (before VAT);</p> <p>At the Thirteen 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 by the Group in 2021 be capped at RMB91.65 million and RMB58.20 million (before VAT), respectively;</p> <p>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 2021 be capped at RMB37.50 million (before VAT);</p> <p>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 2021 be capped at RMB74.94 million;</p> <p>At the Twenty-ninth Meeting of the Eighth Session of the Board of Directors of the Company held on 17 December 2020, it was considered and approved that the estimated sales of products to 航天華華, a connected party, by the Group in 2021 be capped at RMB1,100 million (before VAT); and</p> <p>Please refer to the above table for details of the execution of the aforesaid continuing connected transactions.</p>
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)”.

The “Resolution on the execution of the ‘Supplemental Agreement to the Property and Equipment and Facilities Lease Framework Agreement’ with Zhongxing Hetai, a connected party” was considered and approved at the Thirty-fourth Meeting of the Eighth Session of the Board of Directors of the Company held on 28 April 2021. In view of the impact of the pandemic on the hotel industry, with reference to hotel rental rates appraised by third-party and local policies on rent reduction and exemption in case of epidemic, and Xi’an Zhongxing New Software Company Limited, a subsidiary of the Company retained certain properties for its own use in 2021, the Company and Zhongxing Hetai entered into the “Supplemental Agreement to the Property and Equipment Lease Framework Agreement” to adjust the rental rates in relation to the lease of properties by Zhongxing Hetai from the Company for 2020 and 2021. As a result, the connected transaction amounts relating to the lease of properties and equipment and facilities to Zhongxing Hetai and its subsidiaries by the Company and its subsidiaries in 2020 and 2021 were adjusted to RMB46.65 million and RMB59.72 million, respectively. For details, please refer to the “Announcement of resolutions of the Thirty-fourth Meeting of the Eighth Session of the Board of Directors” and “Overseas Regulatory Announcement” published by the Company on 28 April 2021.

3.2.2.10 Progress of implementation of share repurchase

Applicable N/A

3.2.2.11 Progress of implementation of sell-down of repurchased shares by way of centralised price bidding

Applicable N/A

3.3 Undertakings by relevant undertaking parties, including shareholders, connected parties, acquirer of the Company and the Company, of which completion was overdue during the reporting period

Applicable N/A

For the reporting period, there was no undertaking by relevant undertaking parties, including shareholders, connected parties, acquirer of the Company and the Company, of which completion was overdue during the reporting period.

3.4 Warnings of and reasons for any projected accumulated net loss or substantial change in accumulated net profit for the period 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 as 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 of during the period	Gains/loss for the reporting period	Book value at the end of the period	Accounting classification	Source of funds
Stock	002579	China Eagle Electronic ^{Note 1}	1,382.31	Fair-value measurement	1,208.08	36.04	—	—	324.64	(23.28)	860.16	Trading financial assets	Issue fund
Stock	688019	Anji Technologies ^{Note 2}	1,679.35	Fair-value measurement	26,609.50	(11,582.02)	—	—	3,619.01	(8,351.69)	14,839.76	Trading financial assets	Issue fund
Stock	688300	NOVORAY ^{Note 2}	1,000.83	Fair-value measurement	4,683.00	406.00	—	—	—	406.00	5,089.00	Trading financial assets	Issue fund
Stock	688595	Chipsea Technologies ^{Note 2}	1,955.00	Fair-value measurement	11,422.78	(2,940.66)	—	—	—	(2,940.66)	8,482.12	Trading financial assets	Issue fund
Stock	688135	Leadyo ^{Note 2}	1,999.78	Fair-value measurement	6,858.73	(1,942.06)	—	—	—	(1,942.06)	4,916.67	Trading financial assets	Issue fund
Stock	ENA:TSV	Enablence Technologies ^{Note 3}	3,583.26	Fair-value measurement	714.87	29.19	—	—	—	29.19	744.06	Other non-current financial assets	Internal fund
Other securities investments held at the end of the period			—	—	—	—	—	—	—	—	—	—	—
Total			11,600.53	—	51,496.96	(15,993.51)	—	—	3,943.65	(12,822.5)	34,931.77	—	—

Note 1: The Company and Jiaying Xinghe Venture Investment Management Company Limited, a wholly-owned subsidiary of ZTE Capital, held in aggregate 31.79% equity interests in Jiaying Xinghe Equity Investment Partnership (Limited Partnership) (“Jiaying Fund”), a partnership reported in the consolidated financial statements of the Company. Figures corresponding to Huizhou China Eagle Electronic Technology Inc. (“China Eagle Electronic”) are provided with Jiaying Fund as the accounting subject.

Note 2: 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 Fund III Investment Centre (Limited Partnership) (“Zhonghe Chunsheng Fund III”), a partnership reported in the consolidated financial statements of the Company. Figures corresponding to Anji Microelectronics Technology (Shanghai) Co., Ltd. (“Anji Technology”), NOVORAY Corporation (“NOVORAY”), Chipsea Technologies (Shenzhen) Corporation (“Chipsea Technologies”) and Guangdong Leadyo IC Testing Co., Ltd. (“Leadyo”) are provided with Zhonghe Chunsheng Fund III as the accounting subject.

Note 3: 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 year was approximately HKD8,803,900, equivalent to approximately RMB7,440,600 based on the Company’s foreign currency statement book exchange rate (HKD1: RMB0.84515) on 31 March 2021.

2. *Details in investment in securities during the reporting period*

A. Shareholdings in China Eagle Electronic

During the first quarter of 2021, Jiaxing Fund transferred 265,900 shares in China Eagle Electronic (a company listed on the Shenzhen Stock Exchange) it held. As at the end of the reporting period, Jiaxing Fund held 797,700 shares in China Eagle Electronic, accounting for 0.16% of the total share capital of China Eagle Electronic.

B. Shareholdings in Anji Technology

During the first quarter of 2021, Zhonghe Chunsheng Fund III transferred 99,900 shares in Anji Technology (a company listed on the STAR Market of the Shanghai Stock Exchange) it held. As at the end of the reporting period, Zhonghe Chunsheng Fund III held 793,600 shares in Anji Technology, accounting for 1.49% of the total share capital of Anji Technology.

C. Shareholdings in NOVORAY

As at the end of the reporting period, Zhonghe Chunsheng Fund III held 1 million 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.

D. Shareholdings in Chipsea Technologies

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

E. Shareholdings in Leadyo

As at the end of the reporting period, Zhonghe Chunsheng Fund III held 1,776,000 shares in Leadyo (a company listed on the STAR Market of the Shanghai Stock Exchange), accounting for 1.30% of the total share capital of Leadyo.

F. 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 an investment amount 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 an investment amount 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.

G. 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. *Securities investment subsequent to the end of the reporting period*

Circuit Fabology Microelectronics Equipment Co., Ltd. (“CFMEE”), a company in which Zhonghe Chunsheng Fund III invested, was listed on the STAR Market of the Shanghai Stock Exchange on 1 April 2021. Zhonghe Chunsheng Fund III held 5 million shares in CFMEE, accounting for 4.14% of the total share capital of CFMEE.

Anhui Huaheng Biotechnology Co., Ltd. (“Huaheng Biotech”), a company in which Jiaxing Fund invested, was listed on the STAR Market of the Shanghai Stock Exchange on 22 April 2021. Jiaxing Fund held 6,011,595 shares in Huaheng Biotech, accounting for 5.57% of the total share capital of Huaheng Biotech.

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 in ten thousands

Specific type	Source of funds under entrusted management	Amount of funds under entrusted management incurred <i>Note 1</i>	Outstanding balance	Amount overdue and yet to be recouped
Bank investment products	Internal funds	67,900	4,200	—
Total		67,900	4,200	—

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 contract in 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

Nature	Time	Location	Mode	Audience received	Key contents discussed	Information furnished
Results presentation	March 2021	Shenzhen	Internet livecast	Investors and securities houses including UBS, ZO Asset, New China Asset, China Merchants Securities, TF Securities, Haitong Securities, China Securities, Changjiang Securities, Nomura Securities, Guangfa Fund.	Day-to-day operations of the Company	Published announcements and regular reports
External meeting	January to March 2021	Shenzhen	Investors' telephone conference of Essence Securities	Customers of Essence Securities	Day-to-day operations of the Company	Published announcements and regular reports
		Shenzhen	Investors' conference of Haitong Securities	Customers of Haitong Securities	Day-to-day operations of the Company	Published announcements and regular reports
		Shenzhen	Investors' telephone conference of CMB International	Customers of CMB International	Day-to-day operations of the Company	Published announcements and regular reports
		Shenzhen	Investors' telephone conference of Soochow Securities	Customers of Soochow Securities	Day-to-day operations of the Company	Published announcements and regular reports
		Shenzhen	Investors' conference of Sinolink Securities	Customers of Sinolink Securities	Day-to-day operations of the Company	Published announcements and regular reports
		Shenzhen	Investors' telephone conference of UBS	Customers of UBS	Day-to-day operations of the Company	Published announcements and regular reports
		Shenzhen	Investors' telephone conference of Southwest Securities	Customers of Southwest Securities	Day-to-day operations of the Company	Published announcements and regular reports
		Shenzhen	Investors' telephone conference of Haitong Securities	Customers of Haitong Securities	Day-to-day operations of the Company	Published announcements and regular reports
		Shenzhen	Investors' telephone conference of Everbright Securities	Customers of Everbright Securities	Day-to-day operations of the Company	Published announcements and regular reports
		Shenzhen	Investors' conference of Zhesang Securities	Customers of Zhesang Securities	Day-to-day operations of the Company	Published announcements and regular reports
		Shenzhen	Investors' telephone conference of Bank of America Merrill Lynch	Customers of Bank of America Merrill Lynch	Day-to-day operations of the Company	Published announcements and regular reports

3.6 Derivative Investments

Unit: RMB in ten thousands

Name of party operating the derivative investment	Whether a Connected relationship	connected transaction	Type of derivative investment ^{Note 1}	Initial investment amount in the derivative investment		Start date	End date	Opening balance of investment amount ^{Note 2}	Amount purchased during the period	Amount disposed of during the period	Impairment provision (if any)	Closing balance of investment	Closing balance of the Company at the end of the period (%)	Actual profit or loss for the reporting period
				investment	investment									
Financial institution	N/A	No	Foreign exchange derivative	—	—	2020/4/17	2022/3/31	681,470.10	276,234.21	301,614.84	—	656,089.47	14.31%	16,425.02
Financial institution	N/A	No	Interest rate derivative	—	—	2020/12/26	2022/12/26	3,001.60	—	—	—	3,001.60	0.07%	0.73
Total				—	—	—	—	684,471.70	276,234.21	301,614.84	—	659,091.07	14.38%	16,425.75
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 derivative investments (if any)				Announcement Resolutions of the Fifteenth 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 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 quarter of 2021. The major risks and control measures are analysed and discussed as follows:</p> <ol style="list-style-type: none"> 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 cumulative gains or losses on revaluation on the maturity date; Liquidity risks: The value-protection derivative investments of the Company were based on the Company’s budget of foreign exchange payment and receipt and foreign exchange exposure and these investments matched the Company’s actual foreign exchange payment and receipt to ensure sufficient fund for settlement on completion. Therefore, their impact on the Company’s current assets was insignificant; 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; 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; 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 gain recognised for the reporting period amounted to RMB164 million, comprising gain from fair-value change of RMB216 million and recognised investment loss of RMB52 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 procedures performed have been in compliance with the provisions of relevant laws and regulations and of the Articles of Association.</p>										

Note 1: Derivative investments are classified according to the types of derivative investment. Foreign exchange derivatives include exchange forwards and structural forwards and exchange swaps. Interest rate derivatives are interest rate swap;

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

Asset	2021.3.31		2020.12.31	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Audited)	Company (Audited)
Current assets:				
Cash	40,618,476	27,324,152	35,659,832	23,398,960
Trading financial assets	383,877	—	1,036,906	—
Derivative financial assets	143,235	140,333	36,118	35,995
Trade receivables	15,213,582	19,779,789	15,891,020	19,779,132
Receivable financing	5,110,069	5,004,006	1,970,624	1,864,477
Factored trade receivables	206,260	184,681	199,872	178,443
Prepayments	263,992	10,022	321,792	11,779
Other receivables	1,650,679	42,759,825	1,152,479	40,271,860
Inventories	34,084,488	14,996,651	33,689,306	18,444,527
Contract assets	7,749,415	3,987,425	8,926,411	5,180,041
Other current assets	7,205,466	2,710,569	8,092,915	3,490,828
Total current assets	112,629,539	116,897,453	106,977,275	112,656,042
Non-current assets:				
Long-term receivables	2,719,309	6,621,738	2,679,578	6,439,012
Factored long-term receivables	302,691	259,533	347,920	305,062
Long-term equity investments	1,602,829	13,374,778	1,713,803	13,475,272
Other non-current financial assets	1,538,212	697,875	1,536,741	706,117
Investment properties	2,035,234	1,600,000	2,035,234	1,600,000
Fixed assets	11,616,035	5,808,263	11,913,942	6,056,830
Construction in progress	1,254,911	424,693	1,039,900	365,523
Right-of-use assets	934,267	334,551	1,047,210	372,162
Intangible assets	9,077,482	3,160,153	9,367,282	3,156,323
Development costs	2,296,314	380,575	2,072,857	314,854
Goodwill	186,206	—	186,206	—
Deferred tax assets	3,131,730	1,913,885	3,437,101	2,244,139
Other non-current assets	6,227,193	4,804,219	6,279,857	4,983,901
Total non-current assets	42,922,413	39,380,263	43,657,631	40,019,195
Total assets	155,551,952	156,277,716	150,634,906	152,675,237
Legal Representative: Li Zixue	Chief Financial Officer: Li Ying	Head of Finance Division: Xu Jianrui		

RMB in thousands

Liabilities and shareholders' equity	2021.3.31		2020.12.31	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Audited)	Company (Audited)
Current liabilities:				
Short-term loans	11,965,981	7,129,420	10,559,160	7,590,608
Bank advances on factored trade receivables	207,144	185,565	201,484	180,055
Derivative financial liabilities	44,918	41,501	153,961	140,982
Bills payable	7,946,950	10,724,089	11,364,056	12,884,302
Trade payables	19,845,511	49,216,350	17,151,733	44,970,734
Contract liabilities	15,963,720	10,595,040	14,998,172	10,202,939
Salary and welfare payables	9,602,812	5,645,782	10,545,495	5,782,275
Taxes payable	712,400	100,318	878,201	131,279
Other payables	4,294,282	13,534,780	4,352,802	13,871,716
Provisions	1,796,155	1,447,704	2,085,234	1,568,818
Non-current liabilities due within one year	3,817,973	2,145,950	2,104,677	747,843
Total current liabilities	76,197,846	100,766,499	74,394,975	98,071,551
Non-current liabilities:				
Long-term loans	22,823,901	16,743,585	22,614,304	16,931,479
Bank advances on factored long- term trade receivables	308,644	265,486	353,446	310,588
Lease liabilities	657,093	205,780	718,186	218,235
Provision for retirement benefits	143,077	143,077	144,250	144,250
Deferred income	2,823,970	459,529	2,228,313	293,675
Deferred tax liabilities	131,498	—	134,317	—
Other non-current liabilities	3,964,284	1,812,715	3,924,609	1,798,324
Total non-current liabilities	30,852,467	19,630,172	30,117,425	19,696,551
Total liabilities	107,050,313	120,396,671	104,512,400	117,768,102
Shareholders' equity:				
Share capital	4,613,435	4,613,435	4,613,435	4,613,435
Capital reserves	23,512,689	21,820,694	23,275,810	21,583,815
Less: treasury stocks	114,766	114,766	114,766	114,766
Other comprehensive income	(2,159,064)	709,580	(2,270,622)	701,136
Surplus reserve	2,968,473	2,306,717	2,968,473	2,306,717
Retained profits	17,006,127	6,545,385	14,824,478	5,816,798
Total equity attributable to holders of ordinary shares of the parent	45,826,894	35,881,045	43,296,808	34,907,135
Non-controlling interests	2,674,745	—	2,825,698	—
Total shareholders' equity	48,501,639	35,881,045	46,122,506	34,907,135
Total liabilities and shareholders' equity	155,551,952	156,277,716	150,634,906	152,675,237

INCOME STATEMENT

RMB in thousands

Item	Three months ended 31 March 2021		Three months ended 31 March 2020	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Unaudited)	Company (Unaudited)
1. Operating revenue	26,241,647	23,883,983	21,484,493	20,159,177
Less: Operating costs	16,942,904	20,926,118	13,033,239	17,021,746
Taxes and surcharges	179,964	64,565	168,773	68,989
Selling and distribution costs	2,165,787	1,295,505	1,694,584	798,783
Administrative expenses	1,249,195	1,022,320	1,045,768	874,728
Research and development costs	4,192,255	1,135,737	3,240,607	1,285,988
Finance costs	378,690	145,391	895,675	46,522
Including: Interest expenses	351,244	223,274	435,179	250,596
Interest income	317,423	203,899	287,488	143,943
Add: Other income	717,072	298,629	413,196	124,959
Investment income	735,778	940,014	(17,289)	(16,386)
Including: Share of profits and losses of associates and joint ventures	(53,569)	(51,770)	(100,217)	(98,409)
Loss on derecognition of financial assets at amortised cost	(59,621)	(28,821)	(52,935)	(18,352)
Gains/(Losses) from changes in fair values	60,852	199,530	150,251	207,580
Credit impairment losses	(142,465)	(90,344)	(322,143)	(167,017)
Asset impairment losses	11,551	164,412	(579,319)	(501,699)
Gain from asset disposal	47,494	47,494	—	—
2. Operating profit	<u>2,563,134</u>	<u>854,082</u>	<u>1,050,543</u>	<u>(290,142)</u>
Add: Non-operating income	15,655	7,982	18,868	9,762
Less: Non-operating expenses	<u>44,699</u>	<u>30,809</u>	<u>40,957</u>	<u>7,337</u>
3. Total profit	<u>2,534,090</u>	<u>831,255</u>	<u>1,028,454</u>	<u>(287,717)</u>
Less: Income tax	<u>450,103</u>	<u>102,668</u>	<u>219,305</u>	<u>66,307</u>

RMB in thousands

Item	Three months ended 31 March 2021		Three months ended 31 March 2020	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Unaudited)	Company (Unaudited)
4. Net profit	<u>2,083,987</u>	<u>728,587</u>	<u>809,149</u>	<u>(354,024)</u>
Analysed by continuity of operations				
Net profit from continuing operations	2,083,987	728,587	809,149	(354,024)
Analysed by ownership				
Attributable to holders of ordinary shares of the parent	2,181,649	728,587	779,988	(370,260)
Attributable to holders of perpetual capital instruments	—	—	16,236	16,236
Non-controlling interests	(97,662)	—	12,925	—
5. Other comprehensive income, net of tax	(151,579)	8,444	199,868	(34,833)
Other comprehensive income attributable to holders of ordinary shares of the parent, net of tax	(151,370)	8,444	194,566	(34,833)
Other comprehensive income that will be reclassified to profit or loss				
Exchange differences on translation of foreign operations	(151,370)	8,444	194,566	(34,833)
	<u>(151,370)</u>	<u>8,444</u>	<u>194,566</u>	<u>(34,833)</u>
Other comprehensive income item net of tax	<u>(151,370)</u>	<u>8,444</u>	<u>194,566</u>	<u>(34,833)</u>
Other comprehensive income attributable to non-controlling interests, net of tax	<u>(209)</u>	<u>—</u>	<u>5,302</u>	<u>—</u>

RMB in thousands

Item	Three months ended 31 March 2021		Three months ended 31 March 2020	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Unaudited)	Company (Unaudited)
6. Total comprehensive income	<u>1,932,408</u>	<u>737,031</u>	<u>1,009,017</u>	<u>(388,857)</u>
Attributable to holders of ordinary shares of the parent	2,030,279	737,031	974,554	(405,093)
Attributable to holders of perpetual capital instruments	—	—	16,236	16,236
Attributable to non-controlling interests	(97,871)	—	18,227	—
7. Earnings per share				
(1) Basic earnings per share	RMB0.47		RMB0.18	
(2) Diluted earnings per share	RMB0.47		RMB0.18	

CASH FLOW STATEMENT

RMB in thousands

Item	Three months ended 31 March 2021		Three months ended 31 March 2020	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Unaudited)	Company (Unaudited)
1. Cash flows from operating activities				
Cash received from sale of goods or rendering of services	27,738,923	25,381,923	19,968,724	18,993,963
Refunds of taxes	1,487,798	758,298	1,022,847	791,662
Cash received relating to other operating activities	1,654,440	505,880	1,365,169	574,477
Sub-total of cash inflows	30,881,161	26,646,101	22,356,740	20,360,102
Cash paid for goods and services	17,962,933	20,732,887	14,927,302	19,569,159
Cash paid to and on behalf of employees	6,729,901	2,197,074	3,573,775	1,045,662
Cash paid for various types of taxes	1,788,615	490,578	1,675,949	620,941
Cash paid relating to other operating activities	2,011,470	1,355,170	1,807,353	964,983
Sub-total of cash outflows	28,492,919	24,775,709	21,984,379	22,200,745
Net cash flows from operating activities	2,388,242	1,870,392	372,361	(1,840,643)
2. Cash flows from investing activities				
Cash received from sale of investments	954,330	521,450	1,262,745	847,800
Cash received from return on investment	40,612	404,305	53,282	2,897,825
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets	3,397	8,350	5,905	4,622
Net cash received from the disposal of subsidiaries and other operating units	503,150	—	377	—
Cash received relating to other investing activities	—	1,120,000	245,000	245,000
Sub-total of cash inflows	1,501,489	2,054,105	1,567,309	3,995,247
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	1,624,610	618,370	1,216,929	485,584
Cash paid for acquisition of investments	4,473,710	3,627,689	2,089,900	2,029,600
Cash paid relating to other investing activities	—	—	33,709	6,000,000
Sub-total of cash outflows	6,098,320	4,246,059	3,340,538	8,515,184
Net cash flows from investing activities	(4,596,831)	(2,191,954)	(1,773,229)	(4,519,937)

RMB in thousands

Item	Three months ended 31 March 2021		Three months ended 31 March 2020	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Unaudited)	Company (Unaudited)
3. Cash flows from financing activities				
Cash received from investments	—	—	11,541,224	11,529,224
Including: Capital injection into subsidiaries by minority shareholders	—	—	12,000	—
Cash received from borrowings	9,769,301	5,504,360	16,860,628	13,690,321
Cash received relating to other financing activities	—	—	3,000	—
	-----	-----	-----	-----
Sub-total of cash inflows	9,769,301	5,504,360	28,404,852	25,219,545
	-----	-----	-----	-----
Cash repayment of borrowings	6,404,499	4,796,420	16,113,724	7,679,267
Cash paid for perpetual capital instruments	—	—	6,000,000	6,000,000
Cash payments for distribution of dividends or for interest expenses	424,950	176,197	772,490	571,703
Including: Distribution of dividends and profits by subsidiaries to minority shareholders	106,950	—	103,221	—
Cash paid relating to other financing activities	—	—	—	—
	-----	-----	-----	-----
Sub-total of cash outflows	6,925,950	5,001,287	23,055,067	14,302,009
	-----	-----	-----	-----
Net cash flows from financing activities	2,843,351	503,073	5,349,785	10,917,536
	=====	=====	=====	=====

RMB in thousands

Item	Three months ended 31 March 2021		Three months ended 31 March 2020	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Unaudited)	Company (Unaudited)
4. Effect of changes in foreign exchange rate on cash and cash equivalents	<u>(7,823)</u>	<u>(45,933)</u>	<u>99,249</u>	<u>75,513</u>
5. Net increase in cash and cash equivalents	<u>626,939</u>	<u>135,578</u>	<u>4,048,166</u>	<u>4,632,469</u>
Add: cash and cash equivalents at the beginning of the period	<u>31,403,056</u>	<u>20,097,442</u>	<u>28,505,800</u>	<u>10,032,692</u>
6. Net balance of cash and cash equivalents at the end of the period	<u>32,029,995</u>	<u>20,233,020</u>	<u>32,553,966</u>	<u>14,665,161</u>

By Order of the Board
Li Zixue
Chairman

Shenzhen, the PRC
28 April 2021

As at the date of this announcement, the Board 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.