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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)

2021 THIRD QUARTERLY REPORT

The Company and all the members of the Board of Directors confirm that all the information contained in this information disclosure is true, accurate and complete and that there is no false and misleading statement or material omission in this information disclosure.

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 Forty-first Meeting of the Eighth Session of the Board of Directors of the Company. Mr. Li Buqing, Director, was unable to attend the Meeting due to work reasons and has authorised Ms. Cai Manli, Director, to vote on his behalf.
- 1.4 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.
- 1.5 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”).
- 1.6 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 advised to be aware of the investment risks involved.

§ 2 MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

2.1 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 leasing adopted for the first time in 2021 and comparative data for the previous period upon retrospective adjustments

Applicable N/A

The Company has adopted the new ASBE on leasing since 1 January 2019.

Item	Three months ended 30 September 2021	Change compared with the same period last year	Nine months ended 30 September 2021	Change compared with the same period last year
Operating revenue <i>(RMB in thousands)</i>	30,754,199	14.20%	83,825,169	13.08%
Net profit attributable to holders of ordinary shares of the listed company <i>(RMB in thousands)</i>	1,774,294	107.58%	5,852,907	115.81%
Net profit after extraordinary items attributable to holders of ordinary shares of the listed company <i>(RMB in thousands)</i>	1,225,324	125.35%	3,337,753	130.85%
Net cash flows from operating activities <i>(RMB in thousands)</i>	4,142,743	126.61%	11,171,178	188.74%
Basic earnings per share <i>(RMB/share)</i> ^{Note 1}	0.38	100.00%	1.26	113.56%
Diluted earnings per share <i>(RMB/share)</i> ^{Note 2}	0.38	100.00%	1.26	113.56%
Weighted average return on net assets <i>(%)</i>	3.55%	Increased by 1.21 percentage points	12.59%	Increased by 4.97 percentage points

Item	As at the end of the reporting period (30 September 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>)	176,587,614	150,634,906	17.23%
Owners' equity attributable to holders of ordinary shares of the listed company (<i>RMB in thousands</i>)	49,621,103	43,296,808	14.61%
Total share capital (<i>thousand shares</i>) ^{Note 3}	4,642,469	4,613,435	0.63%

Note 1: Basic earnings per share for the nine months ended 30 September 2021, three months ended 30 September 2021, nine months ended 30 September 2020 and three months ended 30 September 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 4,043,000 and 21,780,000 potentially dilutive ordinary shares for the nine months ended 30 September 2021 and nine months ended 30 September 2020, respectively, dilutive earnings per share for the nine months and three months ended 30 September 2021 and the same periods last year have been calculated on the basis of basic earnings per share taking into account the said factor;

Note 3: The total share capital of the Company was increased from 4,613,434,898 shares to 4,642,469,460 shares following the exercise of 29,034,562 A share options by scheme participants under the 2017 Share Option Incentive Scheme of the Company during the reporting period.

2.2 Extraordinary items and amounts

Unit: RMB in thousands

Extraordinary item	Amount	
	Three months ended 30 September 2021	Nine months ended 30 September 2021
Gain from the disposal of non-current assets	—	47,494
Investment gain from the disposal of long-term equity investment	3,358	866,024
Gain/loss from fair-value change in derivative financial assets and derivative financial liabilities, and investment gain from the disposal of derivative financial assets and derivative financial liabilities	142,125	336,793
Reversal of impairment provision for individually tested receivables	27,059	232,355
Gain/loss from change of fair-value of investment properties	—	878
Other income (other than software VAT refund and refund of tax handling fees)	99,290	543,540
Net amount of other non-operating income and expenses other than the above	(30,993)	(49,732)
Other profit and loss items meeting the criteria for extraordinary profit or loss	394,086	969,122
Less: Effect of income tax	95,239	441,971
Less: Effect of non-controlling interests (net of tax)	(9,284)	(10,651)
Total	548,970	2,515,154

Note: The Group recognised extraordinary items in accordance with provisions under the “Explanatory Announcement No. 1 for Information Disclosure by Public Issuer of Securities — Extraordinary Items” (CSRC Announcement [2008] No. 43). The following items, which are set out in the provisions as extraordinary items, have been categorised as recurring items:

Item	Amount of nine months ended 30 September 2021 (RMB in thousands)	Reasons
Refund of VAT on software products	1,102,720	In compliance with national policies and incurred on a continuous basis
Return of tax refund fee	21,893	In compliance with national policies and incurred on a continuous basis
Investment income and gain/loss from fair-value change of Shenzhen ZTE Capital Management Company Limited (“ZTE Capital”)	651,152	Within the business scope of ZTE Capital

2.3 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 2021	31 December 2020	Change	Analysis of reasons for changes
Cash	54,548,333	35,659,832	52.97%	Attributable mainly to the improvement in operating cash flow and the increase in the size of financing for the period
Derivative financial assets	218,719	36,118	505.57%	Attributable mainly to the increase in gain on fair-value remeasurement at the end of the period of certain derivative investments for the period
Receivable financing	7,519,642	1,970,624	281.59%	Attributable mainly to the decrease in bills discounting for the period
Derivative financial liabilities	21,403	153,961	(86.10%)	Attributable mainly to the decrease in loss on fair-value remeasurement at the end of the period of certain derivative investments for the period
Trade payables	23,124,279	17,151,733	34.82%	Attributable mainly to the increase in the amount of purchase of materials to be paid for the period
Provisions	2,796,468	2,085,234	34.11%	Attributable mainly to the increase in provision for contract loss for the period
Non-current liabilities due within one year	4,253,053	2,104,677	102.08%	Attributable mainly to the increase in long-term borrowings due within one year for the period
Long-term loans	30,210,529	22,614,304	33.59%	Attributable mainly to the improvement in debt structure with the increase in the proportion of long-term loans for the period

Income Statement (Nine months ended 30 September)

Item	Nine months ended 30 September 2021	Nine months ended 30 September 2020	Change	Analysis of reasons for changes
Research and development costs	14,171,179	10,791,134	31.32%	Attributable mainly to the increase in research and development investment for the period
Investment income	772,712	298,904	158.52%	Attributable mainly to the transfer of equity interests in Caltta Technologies Co., Ltd. during the period
Gains/(Losses) from changes in fair values	822,677	8,950	9,091.92%	Attributable mainly to gain on fair-value remeasurement at the end of the period of derivative investments versus loss for the same period last year and the increase in gain on fair-value change of listed equities held by subsidiary fund partnership enterprises of ZTE Capital for the period
Credit impairment losses (loss indicated by a negative value)	(168,909)	(277,032)	(39.03%)	Attributable mainly to the decrease in trade receivable impairment provision for the period
Asset impairment losses (loss indicated by a negative value)	(291,364)	(2,691)	10,727.35%	Attributable mainly to the increase in impairment provision for inventory for the period
Non-operating income	226,564	99,969	126.63%	Attributable mainly to the increase in reimbursement income for the period
Non-operating expenses	276,296	83,980	229.00%	Attributable mainly to the increase in provision for default penalty for the period
Income tax	1,462,650	740,250	97.59%	Attributable mainly to the increase in profit for the period
Non-controlling interests	337,556	486,468	(30.61%)	Attributable mainly to the decrease in profit for certain subsidiaries with a higher level of minority interests for the period
Exchange differences on translation of foreign operations	216,331	(135,345)	259.84%	Attributable mainly to the Group's gain on translation of statements in foreign currency due to exchange rate fluctuations for the period versus loss on translation for the same period last year.
Other comprehensive income attributable to non-controlling interests, net of tax	(4,673)	(9,488)	50.75%	Attributable mainly to the decrease in subsidiaries' loss on translation of statements in foreign currency due to exchange rate fluctuations for the period

Income Statement (Three months ended 30 September)

Item	Three months ended 30 September 2021	Three months ended 30 September 2020	Change	Analysis of reasons for changes
Finance costs	310,210	53,436	480.53%	Attributable mainly to the increase in loss on translation due to exchange rate fluctuations for the period
Investment income	69,603	268,647	(74.09%)	Attributable mainly to the decrease in investment income on disposal of listed equities held by subsidiary fund partnership enterprises of ZTE Capital for the period
Gains/(Losses) from changes in fair values	(51,984)	(368,774)	85.90%	Attributable mainly to the year-on-year decrease in the transfer to investment income from fair-value change on disposal of listed equities held by subsidiary fund partnership enterprises of ZTE Capital for the period
Credit impairment losses (loss indicated by a negative value)	(43,660)	(2,271)	1,822.50%	Attributable mainly to the increase in trade receivable impairment provision for the period
Asset impairment losses (loss indicated by a negative value)	(332,292)	143,394	331.73%	Attributable mainly to the increase in impairment provision for inventory for the period
Non-operating income	83,390	44,310	88.20%	Attributable mainly to the increase in reimbursement income for the period
Non-operating expenses	114,382	28,692	298.65%	Attributable mainly to the increase in provision for default penalty for the period
Income tax	486,300	222,660	118.40%	Attributable mainly to the increase in profit for the period
Non-controlling interests	(134,457)	36,612	(467.25%)	Attributable mainly to the loss for certain subsidiaries with a higher level of minority interests for the period versus profit for the same period last year
Exchange differences on translation of foreign operations	199,006	(16,273)	1,322.92%	Attributable mainly to the Group's gain on translation of statements in foreign currency due to exchange rate fluctuations for the period versus loss on translation for the same period last year
Other comprehensive income attributable to non-controlling interests, net of tax	204	(13,055)	101.56%	Attributable mainly to the subsidiaries' gain on translation of statements in foreign currency due to exchange rate fluctuations for the period versus loss on translation for the same period last year

Cash Flow Statement

Item	Nine months ended 30 September 2021	Nine months ended 30 September 2020	Change	Analysis of reasons for changes
Net cash flows from operating activities	11,171,178	3,868,898	188.74%	Attributable mainly to the combined effect of the increase in cash received for the sales of goods and rendering of labour services and the decrease in cash paid for the purchase of goods and labour services for the period
Net cash flows from investing activities	(11,521,443)	(4,617,920)	(149.49%)	Attributable mainly to the increase in cash paid for investment for the period
Effect of changes in foreign exchange rate on cash and cash equivalents	(186,227)	267,432	(169.64%)	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 SHAREHOLDER INFORMATION

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

Total number of shareholders

As at 30 September 2021 There were 491,631 shareholders in total (comprising 491,324 holders of A shares and 307 holders of H shares).

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

Name of shareholders	Nature of shareholders	Percentage of shareholdings	Total number of shares held as at the end of the reporting period (shares)	Class of shares	Number of shares held subject to lock-up (shares)	Number of shares pledged, marked or frozen (shares)
1. Zhongxingxin Telecom Company Limited (“Zhongxingxin”)	Domestic general corporation	21.71%	1,005,840,400 2,038,000 ^{Note 1}	A share H share	—	Nil
2. HKSCC Nominees Limited ^{Note 2}	Foreign shareholder	16.21%	752,395,014	H share	—	Unknown
3. Hong Kong Securities Clearing Company Limited ^{Note 3}	Overseas corporation	1.89%	87,771,152	A share	—	Nil
4. Central Huijin Asset Management Co., Ltd.	State-owned corporation	0.93%	43,084,634	A share	—	Nil
5. Shenzhen Huitong Rongxin Investment Co., Ltd.	State-owned corporation	0.93%	43,032,108	A share	—	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 share	—	Nil
7. Hunan Nantian (Group) Co., Ltd.	State-owned corporation	0.89%	41,516,065	A share	—	Nil
8. NSSF Portfolio #112	Others	0.81%	37,381,695	A share	—	Nil
9. NSSF Portfolio #101	Others	0.77%	35,786,207	A share	—	Nil
10. Guangdong Hengjian Asset Management Co., Ltd. — Guangdong Henghui Equity Investment Fund (Limited Partnership)	Others	0.75%	34,900,000	A share	—	Nil

Shareholdings of top 10 holders of shares 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 share
	2,038,000	H share
2. HKSCC Nominees Limited	752,395,014	H share
3. Hong Kong Securities Clearing Company Limited	87,771,152	A share
4. Central Huijin Asset Management Co., Ltd.	43,084,634	A share
5. Shenzhen Huitong Rongxin Investment Co., Ltd.	43,032,108	A share
6. Shenzhen Investment Holding Capital Co., Ltd. — Shenzhen Investment Holding Win-win Equity Investment Fund Partnership (Limited Partnership)	43,032,108	A share
7. Hunan Nantian (Group) Co., Ltd.	41,516,065	A share
8. NSSF Portfolio #112	37,381,695	A share
9. NSSF Portfolio #101	35,786,207	A share
10. Guangdong Hengjian Asset Management Co., Ltd. — Guangdong Henghui Equity Investment Fund (Limited Partnership)	34,900,000	A share
Descriptions of any connected party relationships or concerted actions among the above shareholders	<p>1. Zhongxingxin was neither a connected party nor a party of concerted action of any of the top ten shareholders and top ten holders of shares that were not subject to lock-up set out in the table above.</p> <p>2. Save for the above, the Company is not aware of any connected party relationships or concerted party relationships among the top ten shareholders and the top ten holders of shares that were not subject to lock-up.</p>	
Description of top 10 shareholders' involvement in financing and securities lending businesses (if any)	N/A	
Description of the above-mentioned shareholders' delegated/entrusted voting rights and waiver of voting rights	N/A	
Special description for the existence of special repurchase account among the top 10 shareholders	N/A	
Top 10 shareholders and top 10 holders of shares that were not subject to lock-up of the Company conducted any transactions on agreed repurchases during the reporting period	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: 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).

3.2 The Company had no preferential shares.

§ 4 OTHER MATERIAL MATTERS

4.1 Implementation of the Profit Distribution Proposal for 2020 of the Company

The “Profit Distribution Proposal for 2020” of the Company was considered and approved at the 2020 Annual General Meeting of the Company held on 25 June 2021 and implementation was completed on 20 August 2021. The Company made a dividend payment of RMB2 in cash (before tax) for every 10 shares to all shareholders based on the total share of 4,637,709,675 shares (comprising 3,882,207,141 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 19 August 2021. For H shares, the record date was 8 July 2021. For details, please refer to the “INFORMATION ON PAYMENT OF FINAL DIVIDENDS” published on 29 June 2021 and “Overseas Regulatory Announcement” published by the Company on 13 August 2021.

4.2 Approval for consolidated registration of the Company’s multiple types of debt financing instruments

Pursuant to the “Resolution on the Proposed Application for Consolidated Registration and Issuance of Multiple Types of Debt Financing Instruments for 2021” considered and approved at the Thirty-third Meeting of the Eighth Session of the Board of Directors and 2020 Annual General Meeting of the Company, the Company’s application to the National Association of Financial Market Institutional Investors for consolidated registration of multiple types of debt financing instruments, including SCP, short-term commercial paper, medium-term note, perpetual note, asset-backed note, among others, which will be independently issued by the Company within the validity period of the registration. NAFMII has accepted the registration of the aforesaid multiple types of debt financing instruments of the Company. For details, please refer to the “Overseas Regulatory Announcement Announcement on the Proposed Application for Consolidated Registration for Issuance of Multiple Types of Debt Financing Instruments for 2021” published on 16 March 2021 and “Overseas Regulatory Announcement Announcement on the Approval of Registration for Multiple Types of Debt Financing Instruments” published on 18 August 2021 by the Company.

4.3 Issue of the Company's 2021 Super and Short-term Commercial Paper ("SCP")

For details of the issuance of 2021 Tranche I to Tranche VIII SCP, please refer to the relevant announcements published by the Company on 29 April 2021, 6 July 2021, 16 July 2021, 9 August 2021, 13 August 2021 and 20 August 2021, respectively. The aggregate issue amount was RMB8 billion. The payment dates for 2021 Tranche III SCP to 2021 Tranche VIII SCP were 30 September 2021. The Company completed the principal and interest payments for 2021 Tranche III SCP to 2021 Tranche VIII SCP on 30 September 2021 with an aggregate amount of RMB6,024,541,095.88.

The Company completed the issuance of 2021 Tranche IX to 2021 Tranche XI SCP on 20 October 2021 and 22 October 2021, respectively, with a total issue amount of RMB4,500 million. For details, please refer to the relevant announcements published by the Company on 20 October 2021 and 22 October 2021.

4.4 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, 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 proposed acquisition of the target assets by way of share issue. The volume of shares issued under the transaction complied with the pertinent provisions of CSRC and other regulatory authorities and requirements under the general mandate. The ancillary funds raised after deduction of relevant intermediary fees and relevant taxes were intended to finance research and development projects for core 5G chips and to replenish 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 Third Extraordinary General Meeting 2020 of the Company.

On 31 March 2021, the Listed Company Merger, Acquisition and Reorganisation Verification Committee of CSRC 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. On 26 April 2021, the Company received the “Approval in Relation to the Acquisition of Assets by Issuance of Shares and Ancillary Fund-raising by ZTE Corporation” from the CSRC (Zheng Jian Xu Ke [2021] No. 1399).

The Company is currently advancing the acquisition of assets by issuance of shares and ancillary fund-raising and the implementation has yet to be completed. For details of its progress, please refer to the announcements headed “Overseas Regulatory Announcement Update on the Implementation of the Acquisition of Assets by Issuance of Shares and Ancillary Fund-raising” published by the Company on 20 June 2021, 19 July 2021, 18 August 2021, 17 September 2021 and 17 October 2021, respectively.

4.5 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 Board of Directors, the Supervisory Committee and the General Meeting of the Company, pursuant to which not more than 150 million share options shall be granted to the Directors, senior management and key business personnel 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 include Directors, senior management and key business personnel (excluding any independent non-executive Directors, Supervisors, substantial shareholders individually or together interested in 5% or above of the Company’s shares or the de facto controller, and their spouses, parents and children).

As considered and passed at the Twentieth Meeting of the Seventh Session of the Board of Directors of the Company on 6 July 2017, the number of participants under the 2017 Share Option Incentive Scheme was 1,996 and the number of share options to be granted was adjusted to 149,601,200. The date of grant was set for 6 July 2017 (Thursday). The initial exercise price of the share options granted shall be RMB17.06 per A share.

The first exercise period under the 2017 Share Option Incentive Scheme comprised the exercisable dates during the period from 16 July 2019 to 5 July 2020. A total of 39,664,087 share options were exercised. The exercise conditions for the second exercise period were not fulfilled. The third exercise period comprised the exercisable dates during the period from 14 July 2021 to 5 July 2022 and the number of exercisable share options was 37,289,056. As at 30 September 2021, 29,034,562 share options had been exercised. As at the date of announcement of this report, there were a total of 8,254,494 A share options

outstanding under the 2017 Share Option Incentive Scheme, accounting for approximately 0.18% of the Company's total share capital in issue and approximately 0.21% of the Company's total A shares in issue.

As at the date of announcement of this report, a total of 72,648,057 share options, comprising share options granted to participants who had not fulfilled the exercise conditions and share options which had not become exercisable as a result of the non-fulfilment exercise conditions, had been cancelled by the Company.

(2) *The proposed 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 Board of Directors, the Supervisory Committee and the 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 include Directors, senior management and key business personnel (excluding any independent non-executive Directors, Supervisors, substantial shareholders individually or together interested in 5% or above of the Company's shares or the de facto controller, and their spouses, parents and children).

As 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 under the initial grant was 6,123, and the number of share options under the initial grant was not more than 158,472,000. The date of grant for the initial grant under the 2020 Share Option Incentive Scheme was set for 6 November 2020 (Friday). The exercise price for the initial grant was RMB34.47 per A share. As considered and passed at the Thirty-seventh Meeting of the Eighth Session of the Board of Directors of the Company held on 2 August 2021, as 1 participant had waived participation in the 2020 Share Option Incentive Scheme due to personal reasons, the Company disqualified the aforesaid person from participation in the 2020 Share Option Incentive Scheme and a total of 26,000 share options granted to but unexercised by the aforesaid person were withdrawn and cancelled by the Company without compensation. The number of participants for the initial grant was adjusted to 6,122, the number of share options under the initial grant was adjusted to 158,446,000.

As considered and passed at the Fortieth Meeting of the Eighth Session of the Board of Directors of the Company held on 23 September 2021, 5,000,000 share options shall be granted to 410 participants under the reserved grant of the 2020

Share Option Incentive Scheme and the date of reserved grant under the 2020 Share Option Incentive Scheme was set for 23 September 2021 (Thursday). The exercise price of the share options under the reserved grant was RMB34.92 per A share.

As at the date of announcement of this report, there were a total of 158,446,000 A share options granted initially outstanding under the 2020 Share Option Incentive Scheme of the Company, accounting for approximately 3.41% of the Company's total share capital in issue and approximately 4.08% of the Company's total A shares in issue; there were a total of 5,000,000 reserved and unexercised A share options under the 2020 Share Option Incentive Scheme of the Company, accounting for approximately 0.11% of the Company's total share capital in issue and approximately 0.13% of the Company's A shares in issue.

For details of the 2017 Share Option Incentive Scheme and 2020 Share Option Incentive Scheme of the Company, please refer to the section headed "Corporate Governance — (VII) IMPLEMENTATION AND IMPACT OF THE COMPANY'S SHARE OPTION INCENTIVE SCHEME" in the 2021 Interim Report of the Company.

4.6 Material litigation and arbitration during the reporting period

During the reporting period, the Group did not incur any material litigation or arbitration. Progress during the reporting period of immaterial litigation and arbitration proceedings incurred prior to the reporting period are set out as follows:

On 31 October 2018, a natural person filed a litigation with the Guangdong Provincial Higher People's Court ("Guangdong Higher Court") against the Company as defendant and ZTE Integration Telecom Limited ("ZTE Integration") and Nubia Technology Limited as third parties without independent rights of claim, on the grounds that the Company had infringed upon his interests as a shareholder of ZTE Integration, demanding (1) a RMB200 million compensation payable to him by the Company; and (2) the assumption by the Company of all costs of the litigation (including but not limited to litigation costs and legal fees amounting to RMB200,000).

On 9 April 2019, the Company received judiciary documents from the Guangdong Higher Court, including a notice of response to action, summons for exchange of evidence and a notice requiring the provision of evidence, among others. The Company has appointed an attorney for active response to the case.

On 28 December 2020, the Guangdong Higher Court made a ruling on the case to reject the aforesaid natural person's petition for litigation and to require the aforesaid natural person to pay the case admission fees.

On 25 January 2021, the aforesaid natural person filed appeal with the Supreme People’s Court for the revocation of the ruling of the first trial and the reversal to a ruling in favour of all litigation claims of the aforesaid natural person.

On 16 August 2021, the Supreme People’s Court made a ruling in respect of the case, to the effect that the appeal was automatically withdrawn on the grounds the aforesaid natural person had failed to pay in advance the second trial admission fees within the stipulated period, upon which the litigation procedures for the case were closed in full.

Based on the progress of the cases, the aforesaid case will not have any material adverse impact on the financial conditions and operating results of the Group for the current period.

4.7 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		Book value at the beginning of the period	Gain s/(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
			Investment	Accounting method									
Stock	002579	China Eagle Electronic ^{Note 1}	1,382.31	Fair-value measurement	1,208.08	38.92	—	—	324.64	(15.62)	863.04	Trading financial assets	Issue funds
Stock	688639	Huaheng Biotech ^{Note 1}	2,396.88	Fair-value measurement	9,545.46	22,186.75	—	—	—	22,389.34	31,732.21	Trading financial assets	Issue funds
Stock	688019	Anji Technology ^{Note 2}	1,679.35	Fair-value measurement	26,609.50	(7,744.82)	—	—	3,633.59	(4,477.92)	18,675.91	Trading financial assets	Issue funds
Stock	688300	NOVORAY ^{Note 2}	1,000.83	Fair-value measurement	4,683.00	(3,279.62)	—	—	5,667.73	1,289.83	481.57	Trading financial assets	Issue funds
Stock	688595	Chipsea Technologies ^{Note 2}	1,955.00	Fair-value measurement	11,422.78	7,164.21	—	—	—	7,222.91	18,586.99	Trading financial assets	Issue funds
Stock	688135	Leadyo ^{Note 2}	1,999.78	Fair-value measurement	6,858.73	(917.48)	—	—	—	(852.30)	5,941.25	Trading financial assets	Issue funds
Stock	688630	Circuit Fabology ^{Note 2}	2,000.00	Fair-value measurement	3,781.41	20,968.51	—	—	—	20,968.51	24,749.92	Trading financial assets	Issue funds
Stock	301000	Hajime ^{Note 3}	3,037.50	Fair-value measurement	3,279.11	7,940.29	—	—	—	8,180.29	11,219.40	Trading financial assets	Issue funds
Stock	ENA:TSV	Enablance Technologies ^{Note 4}	3,583.26	Fair-value measurement	714.87	9.21	—	—	—	9.21	724.08	Other non-current financial assets	Internal funds
Other securities investments held at the end of the period			—	—	—	—	—	—	—	—	—	—	—
Total			19,034.91	—	68,102.94	46,365.97	—	—	9,625.96	54,714.25	112,974.37	—	—

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”) and Anhui Huaheng Biotechnology Co., Ltd. (“Huaheng Biotech”) 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 Partnership Investment Fund III (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”), Jiangsu NOVORAY New Material Co., Ltd (“NOVORAY”), Chipsea Technologies (Shenzhen) Corporation (“Chipsea Technologies”), Guangdong Leadyo IC Testing Co., Ltd. (“Leadyo”) and Circuit Fabology Microelectronics Equipment Co., Ltd. (“Circuit Fabology”) are provided with Zhonghe Chunsheng Fund III as the accounting subject;

Note 3: Figures corresponding to Shanghai Hajime Advanced Material Technology Co., Ltd (“Hajime”) are provided with Jiaxing Fund and Zhonghe Chunsheng Fund III as the accounting subject;

Note 4: The initial investment for the acquisition of Enablence Technologies Inc. (“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 HKD8,708,600, equivalent to approximately RMB7,240,800 based on the Company’s foreign currency statement book exchange rate (HKD1: RMB0.83145) on 30 September 2021.

(2) Details of investment in securities during the reporting period

A. Shareholdings in China Eagle Electronic

During the first three quarters of 2021, Jiaxing Fund transferred 265,900 shares in China Eagle Electronic (a company listed on the Shenzhen Stock Exchange). As at the end of the reporting period, Jiaxing Fund held 957,300 shares (after the equity distribution in 2020) in China Eagle Electronic, accounting for 0.16% of the total share capital of China Eagle Electronic.

B. Shareholdings in Huaheng Biotech

As at the end of the reporting period, Jiaxing Fund held 6,011,600 shares in Huaheng Biotech (a company listed on the STAR Market of the Shanghai Stock Exchange), accounting for 5.57% of the total share capital of Huaheng Biotech.

C. Shareholdings in Anji Technology

During the first three quarters of 2021, Zhonghe Chunsheng Fund III transferred 100,500 shares 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 793,000 shares in Anji Technology, accounting for 1.49% of the total share capital of Anji Technology.

D. Shareholdings in NOVORAY

During the first three quarters of 2021, Zhonghe Chunsheng Fund III transferred 921,100 shares in NOVORAY (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 78,900 shares in NOVORAY, accounting for 0.09% of the total share capital of NOVORAY.

E. 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.

F. 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.

G. Shareholdings in Circuit Fabology

As at the end of the reporting period, Zhonghe Chunsheng Fund III held 4,999,900 shares in Circuit Fabology (a company listed on the STAR Market of the Shanghai Stock Exchange), accounting for 4.14% of the total share capital of Circuit Fabology.

H. Shareholdings in Hajime

As at the end of the reporting period, Jiaxing Fund and Zhonghe Chunsheng Fund III held 2,000,000 shares in Hajime (a company listed on the GEM of the Shenzhen Stock Exchange), accounting for 3.75% of the total share capital of Hajime.

I. 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.

J. 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.

4.8 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 reporting period (%)	Actual profit or loss for the reporting period	
				Start date	End date								
Financial institution	N/A	No	Foreign exchange derivatives	—	2020/10/15	2022/9/30	676,161.87	1,883,879.40	1,959,574.27	—	600,467.00	12.10%	33,678.11
Financial institution	N/A	No	Interest rate derivatives	—	2021/6/26	2022/12/26	2,959.54	—	739.88	—	2,219.66	0.04%	1.23
Total				—	—	—	679,121.41	1,883,879.40	1,960,314.15	—	602,686.66	12.14%	33,679.34
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 Fifteenth Meeting of the Eighth Session of the Board of Directors" and "Overseas Regulatory Announcement on the Application for Derivative Investment Limits for 2020", both dated 27 March 2020, and "Announcement Resolutions of the Thirty-third Meeting of the Eighth Session of the Board of Directors" and "Overseas Regulatory Announcement on the Application for Derivative Investment Limits for 2021," both dated 16 March 2021.												
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 and "Announcement on Resolutions of the 2020 Annual General Meeting" dated 25 June 2021.												
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 2021. 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 RMB337 million, comprising gains from fair-value change of RMB315 million and recognised investment gain of RMB22 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.												

Note 1: Derivative investments are classified according to the types of derivative investment. Foreign exchange derivatives include exchange 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.

4.9 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.

§ 5 QUARTERLY FINANCIAL STATEMENTS

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

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

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

BALANCE SHEET

RMB in thousands

Asset	2021.9.30		2020.12.31	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Audited)	Company (Audited)
Current assets:				
Cash	54,548,333	37,243,399	35,659,832	23,398,960
Trading financial assets	1,122,503	—	1,036,906	—
Derivative financial assets	218,719	209,930	36,118	35,995
Trade receivables	17,044,482	22,408,094	15,891,020	19,779,132
Receivable financing	7,519,642	6,799,538	1,970,624	1,864,477
Factored trade receivables	257,444	234,554	199,872	178,443
Prepayments	359,523	6,143	321,792	11,779
Other receivables	1,295,568	28,497,605	1,152,479	40,271,860
Inventories	37,424,606	17,306,565	33,689,306	18,444,527
Contract assets	7,573,099	4,158,244	8,926,411	5,180,041
Other current assets	7,479,887	2,617,859	8,092,915	3,490,828
Total current assets	134,843,806	119,481,931	106,977,275	112,656,042
Non-current assets:				
Long-term receivables	2,499,346	6,394,773	2,679,578	6,439,012
Factored long-term receivables	288,701	256,787	347,920	305,062
Long-term equity investments	1,753,750	14,743,845	1,713,803	13,475,272
Other non-current financial assets	1,391,779	645,469	1,536,741	706,117
Investment properties	2,036,112	1,600,879	2,035,234	1,600,000
Fixed assets	11,579,266	5,903,042	11,913,942	6,056,830
Construction in progress	1,262,926	471,097	1,039,900	365,523
Right-of-use assets	808,156	296,097	1,047,210	372,162
Intangible assets	8,782,541	3,284,152	9,367,282	3,156,323
Development costs	2,302,469	159,985	2,072,857	314,854
Goodwill	186,206	—	186,206	—
Deferred tax assets	2,955,134	1,253,957	3,437,101	2,244,139
Other non-current assets	5,897,422	4,677,137	6,279,857	4,983,901
Total non-current assets	41,743,808	39,687,220	43,657,631	40,019,195
Total assets	176,587,614	159,169,151	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	2021.9.30		2020.12.31	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Audited)	Company (Audited)
Current liabilities:				
Short-term loans	11,079,173	4,895,422	10,559,160	7,590,608
Bank advances on factored trade receivables	258,301	235,411	201,484	180,055
Derivative financial liabilities	21,403	21,136	153,961	140,982
Bonds payable	2,000,000	2,000,000	—	—
Bills payable	10,026,855	14,683,961	11,364,056	12,884,302
Trade payables	23,124,279	35,035,904	17,151,733	44,970,734
Contract liabilities	16,771,223	12,200,664	14,998,172	10,202,939
Salary and welfare payables	11,505,010	6,778,793	10,545,495	5,782,275
Taxes payable	793,773	64,571	878,201	131,279
Other payables	3,827,531	12,146,221	4,352,802	13,871,716
Provisions	2,796,468	2,129,354	2,085,234	1,568,818
Non-current liabilities due within one year	4,253,053	3,269,116	2,104,677	747,843
Total current liabilities	86,457,069	93,460,553	74,394,975	98,071,551
Non-current liabilities:				
Long-term loans	30,210,529	22,187,170	22,614,304	16,931,479
Bank advances on factored long-term trade receivables	294,188	262,273	353,446	310,588
Lease liabilities	563,608	169,223	718,186	218,235
Provision for retirement benefits	140,688	140,688	144,250	144,250
Deferred income	2,260,302	345,179	2,228,313	293,675
Deferred tax liabilities	121,486	—	134,317	—
Other non-current liabilities	3,883,768	1,759,120	3,924,609	1,798,324
Total non-current liabilities	37,474,569	24,863,653	30,117,425	19,696,551
Total liabilities	123,931,638	118,324,206	104,512,400	117,768,102
Shareholders' equity:				
Share capital	4,642,469	4,642,469	4,613,435	4,613,435
Capital reserves	24,424,661	22,738,245	23,275,810	21,583,815
Less: treasury stocks	114,766	114,766	114,766	114,766
Other comprehensive income	(2,054,432)	721,217	(2,270,622)	701,136
Surplus reserve	2,968,473	2,306,717	2,968,473	2,306,717
Retained profits	19,754,698	10,551,063	14,824,478	5,816,798
Total equity attributable to holders of ordinary shares of the parent	49,621,103	40,844,945	43,296,808	34,907,135
Non-controlling interests	3,034,873	—	2,825,698	—
Total shareholders' equity	52,655,976	40,844,945	46,122,506	34,907,135
Total liabilities and shareholders' equity	176,587,614	159,169,151	150,634,906	152,675,237

INCOME STATEMENT

RMB in thousands

Item	Nine months ended 30 September 2021		Nine months ended 30 September 2020	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Unaudited)	Company (Unaudited)
1. Operating revenue	83,825,169	81,190,040	74,129,424	69,260,701
Less: Operating costs	52,959,990	66,242,859	50,305,393	59,576,439
Taxes and surcharges	539,758	125,002	471,971	127,955
Selling and distribution costs	6,431,809	3,644,904	5,709,330	3,326,150
Administrative expenses	4,079,439	3,391,575	3,620,480	2,965,848
Research and development costs	14,171,179	3,641,152	10,791,134	1,629,835
Finance costs	790,912	472,193	686,269	597,891
Including: Interest expenses	1,082,270	766,379	1,230,059	875,511
Interest income	992,190	672,325	953,847	560,753
Add: Other income	1,668,153	396,620	1,366,036	263,969
Investment income	772,712	1,744,266	298,904	(7,075)
Including: Share of profits and losses of associates and joint ventures	(66,063)	(60,639)	(79,331)	(54,270)
Loss on derecognition of financial assets at amortised cost	(162,079)	(79,028)	(159,691)	(57,868)
Gains/(Losses) from changes in fair values	822,677	237,966	8,950	(30,594)
Credit impairment losses	(168,909)	(100,021)	(277,032)	(75,202)
Asset impairment losses	(291,364)	443,818	(2,691)	54,369
Gain from asset disposal	47,494	47,494	—	—
2. Operating profit	<u>7,702,845</u>	<u>6,442,498</u>	<u>3,939,014</u>	<u>1,242,050</u>
Add: Non-operating income	226,564	157,223	99,969	55,361
Less: Non-operating expenses	<u>276,296</u>	<u>56,153</u>	<u>83,980</u>	<u>35,107</u>
3. Total profit	<u>7,653,113</u>	<u>6,543,568</u>	<u>3,955,003</u>	<u>1,262,304</u>
Less: Income tax	<u>1,462,650</u>	<u>738,589</u>	<u>740,250</u>	<u>107,060</u>

RMB in thousands

Item	Nine months ended 30 September 2021		Nine months ended 30 September 2020	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Unaudited)	Company (Unaudited)
4. Net profit	<u>6,190,463</u>	<u>5,804,979</u>	<u>3,214,753</u>	<u>1,155,244</u>
Analysed by continuity of operations				
Net profit from continuing operations	6,190,463	5,804,979	3,214,753	1,155,244
Analysed by ownership				
Attributable to holders of ordinary shares of the parent	5,852,907	5,804,979	2,712,049	1,139,008
Attributable to holders of perpetual capital instruments	—	—	16,236	16,236
Non-controlling interests	337,556	—	486,468	—
5. Other comprehensive income, net of tax	211,658	20,081	(144,833)	611
Other comprehensive income attributable to holders of ordinary shares of the parent, net of tax	216,331	20,081	(135,345)	611
Other comprehensive income that will be reclassified to profit or loss				
Exchange differences on translation of foreign operations	<u>216,331</u>	<u>20,081</u>	<u>(135,345)</u>	<u>611</u>
	<u>216,331</u>	<u>20,081</u>	<u>(135,345)</u>	<u>611</u>
Other comprehensive income item net of tax	<u>216,331</u>	<u>20,081</u>	<u>(135,345)</u>	<u>611</u>
Other comprehensive income attributable to non-controlling interests, net of tax	<u>(4,673)</u>	<u>—</u>	<u>(9,488)</u>	<u>—</u>
6. Total comprehensive income	<u>6,402,121</u>	<u>5,825,060</u>	<u>3,069,920</u>	<u>1,155,855</u>
Attributable to holders of ordinary shares of the parent	6,069,238	5,825,060	2,576,704	1,139,619
Attributable to holders of perpetual capital instruments	—	—	16,236	16,236
Attributable to non-controlling interests	332,883	—	476,980	—
7. Earnings per share				
(1) Basic earnings per share	RMB1.26		RMB0.59	
(2) Diluted earnings per share	RMB1.26		RMB0.59	

RMB in thousands

Item	Three months ended 30 September 2021		Three months ended 30 September 2020	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Unaudited)	Company (Unaudited)
1. Operating revenue	30,754,199	30,299,406	26,930,051	25,951,267
Less: Operating costs	19,067,208	23,537,744	18,887,090	22,098,850
Taxes and surcharges	154,087	15,936	160,125	32,904
Selling and distribution costs	2,262,005	1,300,326	1,768,735	1,069,846
Administrative expenses	1,535,901	1,323,346	1,355,354	1,080,934
Research and development costs	5,309,773	2,042,991	4,153,758	1,076,763
Finance costs	310,210	135,988	53,436	208,141
Including: Interest expenses	417,141	302,120	382,137	274,385
Interest income	330,590	266,337	371,987	298,765
Add: Other income	400,447	43,372	505,865	45,868
Investment income	69,603	850,504	268,647	(87,293)
Including: Share of profits and losses of associates and joint ventures	4,714	6,440	(15,515)	1,916
Loss on derecognition of financial assets at amortised cost	(56,004)	(32,276)	(89,894)	(50,364)
Gains/(Losses) from changes in fair values	(51,984)	41,685	(368,774)	54,904
Credit impairment losses	(43,660)	(39,363)	(2,271)	66,389
Asset impairment losses	(332,292)	19,865	143,394	147,581
Gain from asset disposal	—	—	—	—
2. Operating profit	<u>2,157,129</u>	<u>2,859,138</u>	<u>1,098,414</u>	<u>611,278</u>
Add: Non-operating income	83,390	48,038	44,310	19,815
Less: Non-operating expenses	<u>114,382</u>	<u>13,429</u>	<u>28,692</u>	<u>14,322</u>
3. Total profit	<u>2,126,137</u>	<u>2,893,747</u>	<u>1,114,032</u>	<u>616,771</u>
Less: Income tax	<u>486,300</u>	<u>302,405</u>	<u>222,660</u>	<u>(2,281)</u>
4. Net profit	<u><u>1,639,837</u></u>	<u><u>2,591,342</u></u>	<u><u>891,372</u></u>	<u><u>619,052</u></u>
Analysed by continuity of operations				
Net profit from continuing operations	1,639,837	2,591,342	891,372	619,052
Analysed by ownership				
Attributable to holders of ordinary shares of the parent	1,774,294	2,591,342	854,760	619,052
Attributable to holders of perpetual capital instruments	—	—	—	—
Non-controlling interests	(134,457)	—	36,612	—

RMB in thousands

Item	Three months ended 30 September 2021		Three months ended 30 September 2020	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Unaudited)	Company (Unaudited)
5. Other comprehensive income, net of tax	199,210	8,358	(29,328)	639
Other comprehensive income attributable to holders of ordinary shares of the parent, net of tax	199,006	8,358	(16,273)	639
Other comprehensive income that will be reclassified to profit or loss Exchange differences on translation of foreign operations	199,006	8,358	(16,273)	639
	<u>199,006</u>	<u>8,358</u>	<u>(16,273)</u>	<u>639</u>
Other comprehensive income item net of tax	<u>199,006</u>	<u>8,358</u>	<u>(16,273)</u>	<u>639</u>
Other comprehensive income attributable to non-controlling interests, net of tax	<u>204</u>	<u>—</u>	<u>(13,055)</u>	<u>—</u>
6. Total comprehensive income	<u><u>1,839,047</u></u>	<u><u>2,599,700</u></u>	<u><u>862,044</u></u>	<u><u>619,691</u></u>
Attributable to holders of ordinary shares of the parent	1,973,300	2,599,700	838,487	619,691
Attributable to holders of perpetual capital instruments	—	—	—	—
Attributable to non-controlling interests	(134,253)	—	23,557	—
7. Earnings per share				
(1) Basic earnings per share	RMB0.38		RMB0.19	
(2) Diluted earnings per share	RMB0.38		RMB0.19	

CASH FLOW STATEMENT

RMB in thousands

Item	Nine months ended 30 September 2021		Nine months ended 30 September 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	86,268,184	83,633,184	81,782,253	74,783,614
Refunds of taxes	3,880,623	1,948,097	2,860,681	1,982,053
Cash received relating to other operating activities	3,336,771	1,003,272	4,234,337	1,022,005
Sub-total of cash inflows	93,485,578	86,584,553	88,877,271	77,787,672
Cash paid for goods and services	52,878,162	68,055,714	59,408,184	67,946,120
Cash paid to and on behalf of employees	17,206,866	5,371,973	14,855,524	4,585,056
Cash paid for various types of taxes	5,559,797	1,016,133	5,017,563	1,269,411
Cash paid relating to other operating activities	6,669,575	3,675,495	5,727,102	3,882,108
Sub-total of cash outflows	82,314,400	78,119,315	85,008,373	77,682,695
Net cash flows from operating activities	11,171,178	8,465,238	3,868,898	104,977
2. Cash flows from investing activities				
Cash received from sale of investments	6,962,295	6,941,526	6,342,728	3,028,430
Cash received from return on investment	269,848	1,686,845	255,371	3,911,657
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets	17,912	23,122	10,009	7,362
Net cash received from the disposal of subsidiaries and other operating units	1,043,652	—	6,680	—
Cash received relating to other investing activities	202,570	1,120,000	245,000	3,125,000
Sub-total of cash inflows	8,496,277	9,771,493	6,859,788	10,072,449
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	4,399,642	1,983,077	4,522,381	1,693,744
Cash paid for acquisition of investments	15,618,078	14,459,181	6,920,618	4,102,600
Cash paid relating to other investing activities	—	606,000	34,709	6,450,000
Sub-total of cash outflows	20,017,720	17,048,258	11,477,708	12,246,344
Net cash flows from investing activities	(11,521,443)	(7,276,765)	(4,617,920)	(2,173,895)

Item	Nine months ended 30 September 2021		RMB in thousands Nine months ended 30 September 2020	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Unaudited)	Company (Unaudited)
3. Cash flows from financing activities				
Cash received from investments	470,113	450,011	11,565,604	11,553,604
Including: Capital injection into subsidiaries by minority shareholders	20,000	—	12,000	—
Cash received from borrowings	43,764,616	29,422,685	41,717,815	31,851,666
Cash received relating to other financing activities	—	—	7,000	—
Sub-total of cash inflows	44,234,729	29,872,696	53,290,419	43,405,270
Cash repayment of borrowings	31,250,162	22,275,295	32,845,172	17,525,267
Cash paid for perpetual capital instruments	—	—	6,000,000	6,000,000
Cash payments for distribution of dividends or for interest expenses	2,058,931	1,615,211	2,445,757	1,989,000
Including: Distribution of dividends and profits by subsidiaries to minority shareholders	171,751	—	171,424	—
Cash paid relating to other financing activities	324,849	137,260	815,315	331,289
Sub-total of cash outflows	33,633,942	24,027,766	42,106,244	25,845,556
Net cash flows from financing activities	10,600,787	5,844,930	11,184,175	17,559,714
4. Effect of changes in foreign exchange rate on cash and cash equivalents	(186,227)	(116,294)	267,432	(73,537)
5. Net increase in cash and cash equivalents	10,064,295	6,917,109	10,702,585	15,417,259
Add: cash and cash equivalents at the beginning of the period	31,403,056	20,097,442	28,505,800	10,032,692
6. Net balance of cash and cash equivalents at the end of the period	41,467,351	27,014,551	39,208,385	25,449,951

By Order of the Board
Li Zixue
Chairman

Shenzhen, the PRC
25 October 2021

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.