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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)

2022 FIRST 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 Second Meeting of the Ninth Session of the Board of Directors of the Company.

- 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 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”)

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

Item	The reporting period (Three months ended 31 March 2022)	Same period last year (Three months ended 31 March 2021)	Increase/decrease for the reporting period compared with the same period last year
Operating revenue (RMB in thousands)	27,930,271	26,241,647	6.43%
Net profit attributable to holders of ordinary shares of the listed company (RMB in thousands)	2,216,659	2,181,649	1.60%
Net profit after extraordinary items attributable to holders of ordinary shares of the listed company (RMB in thousands)	1,952,471	899,213	117.13%
Net cash flows from operating activities (RMB in thousands)	1,187,207	2,388,242	(50.29%)
Basic earnings per share (RMB/share) ^{Note 1}	0.47	0.47	—
Diluted earnings per share (RMB/share) ^{Note 2}	0.47	0.47	—
Weighted average return on net assets (%)	4.21%	4.90%	Decreased by 0.69 percentage points

Item	As at the end of the reporting period (31 March 2022)	As at the end of last year (31 December 2021)	Change as at the end of the reporting period compared with the end of last year
Total assets <i>(RMB in thousands)</i>	179,243,960	168,763,425	6.21%
Owners' equity attributable to holders of ordinary shares of the listed company <i>(RMB in thousands)</i>	53,736,805	51,482,089	4.38%
Total share capital <i>(thousand shares)</i> ^{Note 3}	4,733,877	4,730,796	0.07%

Note 1: Basic earnings per share for the three months ended 31 March 2022 and three months ended 31 March 2021 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 share options granted by the Company have given rise to 950,000 and 17,779,000 potentially dilutive ordinary shares for the three months ended 31 March 2022 and three months ended 31 March 2021, respectively, dilutive earnings per share for the three months ended 31 March 2022 and the same period 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 increased from 4,730,795,972 shares to 4,733,876,968 shares following the exercise of a total of 3,020,362 A share options by the participants under the 2017 Share Option Incentive Scheme and 60,634 A share options by the participants under the initial grant of the 2020 Share Option Incentive Scheme during the reporting period.

2.2 Extraordinary gains or losses items and amounts

Unit: RMB in thousands

	Amount
	Three months ended
Extraordinary items	31 March 2022
Investment gain from disposal of long-term equity investment	3,280
Gain/loss from fair-value change of derivative financial assets and derivative financial liabilities held and investment gain from disposal of derivative financial assets and derivative financial liabilities, excluding the effective value protection hedge business relating to the Company's ordinary business ^{Note 2}	60,888
Write-back of provision for individually tested receivable impairment	30,728
Other gains other than income from software VAT rebate and income from handling charge for withholding personal tax	32,541
Net of other non-operating income and expenditure other than the above	18,135
Other gains/losses falling under the definition of extraordinary gain/loss	164,445
Less: Effect of income tax	46,503
Effect of non-controlling interest (after tax)	(674)
	<hr/>
Total	<u>264,188</u>

Note 1: The Group recognised extraordinary items of gain or loss 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 for the three months ended 31 March 2022 (RMB in thousands)	Reasons
Income from VAT rebate for software products	520,984	In compliance with national policies and occurring on an ongoing basis
Income from handling charge for withholding personal tax	22,787	In compliance with national policies and occurring on an ongoing basis
Investment gain and gain/loss from fair-value change of Shenzhen ZTE Capital Management Company Limited (“ZTE Capital”)	(201,100)	Business with the scope of operation of ZTE Capital

Note 2: The Company has entered into a series of forward exchange contracts. Subject to compliance with conditions for hedge accounting, the Company has elected not to apply hedge accounting. The gain/loss of hedging instruments was included in recurring gain/loss to the extent of the exchange gain/loss of the hedged items. The effective value protection hedge relating to the Company’s ordinary business operations included in recurring gain/loss for the reporting period amounted to RMB32,953,000.

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	31 March 2022	31 December 2021	Change	Analysis of reasons for changes
Receivable financing	3,535,709	5,196,458	(31.96%)	Attributable mainly to the increase in unexpired bills discounting for the period
Derivative financial liabilities	44,884	27,729	61.87%	Attributable mainly to the increase in loss on fair-value remeasurement at the end of the period of certain derivative investments for the period
Non-current liabilities due within one year	2,912,863	977,336	198.04%	Attributable mainly to the increase in long-term borrowings due within one year for the period

Income statement

Item	Three months ended 31 March 2022	Three months ended 31 March 2021	Change	Analysis of reasons for changes
Finance costs	53,076	378,690	(85.98%)	Attributable mainly to the decrease in loss on translation of foreign currency due to exchange rate fluctuations for the period versus the same period last year
Investment income	19,040	735,778	(97.41%)	Attributable mainly to the transfer of equity interests in Caltta Technologies Co., Ltd. during the same period last year
Gains/(Losses) from changes in fair values	(223,119)	60,852	(466.66%)	Attributable mainly to the loss on fair-value remeasurement at the end of the period of derivative investments for the period versus gain for the same period last year
Credit impairment losses (loss indicated as negative value)	(50,330)	(142,465)	(64.67%)	Attributable mainly to decrease in trade receivable impairment provision for the period
Asset impairment losses (loss indicated as negative value)	(51,955)	11,551	549.79%	Attributable mainly to the increase in inventory impairment provision for the period
Non-operating income	57,419	15,655	266.78%	Attributable mainly to the increase in compensation income for the period
Non-controlling interests	(182,004)	(97,662)	(86.36%)	Attributable mainly to the increase in loss for certain subsidiaries in which the Group had a higher percentage of shareholdings for the period
Other comprehensive income attributable to non-controlling interests, net of tax	(1,706)	(209)	(716.27%)	Attributable mainly to the increase in subsidiaries' loss on translation of statements in foreign currency due to exchange rate fluctuations for the period

Cash Flow Statement

Item	Three months ended 31 March 2022	Three months ended 31 March 2021	Change	Analysis of reasons for changes
Net cash flows from operating activities	1,187,207	2,388,242	(50.29%)	Attributable mainly to the combined effect of the increase in cash paid for goods and services and the increase in cash received for sales of goods and rendering of services for the period
Net cash flows from financing activities	8,167,826	2,843,351	187.26%	Attributable mainly to the combined effect of the increase in cash received from borrowings and the increase in cash repayment of borrowings for the period
Effect of changes in foreign exchange rate on cash and cash equivalents	148,851	(7,823)	2002.74%	Attributable mainly to translation gain for the period versus translation loss for the same period last year due to exchange rate fluctuations

§ 3 INFORMATION ON SHAREHOLDERS

3.1 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 2022 There were 547,014 shareholders (comprising 546,709 holders of A shares and 305 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, marked or frozen (shares)
			(shares)	(shares)			
1. Zhongxingxin Telecom Company Limited (“Zhongxingxin”)	Domestic general corporation	21.29%	1,005,840,400	A share	—	Nil	
			2,038,000 <i>Note 1</i>	H share			
2. HKSCC Nominees Limited <i>Note 2</i>	Foreign shareholders	15.88%	751,916,342	H share	—	Unknown	
3. Hong Kong Securities Clearing Company Limited <i>Note 3</i>	Foreign corporation	1.47%	69,568,764	A share	—	Nil	
4. Shenzhen Nanshan Strategic New Industry Investment Company Limited	State-owned corporation	1.44%	68,030,180	A share	39,378,989	Nil	
5. Guangdong Hengjian Xinxin Investment Partnership Enterprise (Limited Partnership)	Domestic general corporation	0.97%	45,942,154	A share	45,942,154	Nil	
6. Shenzhen Investment Holding Capital Co., Ltd. — Shenzhen Investment Holding Win-Win Equity Investment Fund Partnership (Limited)	Others	0.91%	43,032,108	A share	—	Nil	
7. Central Huijin Asset Management Co. Ltd.	State-owned corporation	0.89%	42,171,534	A share	—	Nil	
8. Hunan Nantian (Group) Co., Ltd.	State-owned corporation	0.88%	41,516,065	A share	—	Nil	
9. Guangdong Hengjian Asset Management Co., Ltd. — Guangdong Henghui Equity Investment Fund (Limited Partnership)	Others	0.74%	34,900,000	A share	—	Nil	
10. New China Life Insurance Company Limited —New Traditional Products 2	Others	0.59%	28,032,489	A share	—	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 share
	2,038,000	H share
2. HKSCC Nominees Limited	751,916,342	H share
3. Hong Kong Securities Clearing Company Limited	69,568,764	A share
4. Shenzhen Investment Holding Capital Co., Ltd. — Shenzhen Investment Holding Win-Win Equity Investment Fund Partnership (Limited)	43,032,108	A share
5. Central Huijin Asset Management Co. Ltd.	42,171,534	A share
6. Hunan Nantian (Group) Co., Ltd.	41,516,065	A share
7. Guangdong Hengjian Asset Management Co., Ltd. — Guangdong Henghui Equity Investment Fund (Limited Partnership)	34,900,000	A share
8. Shenzhen Nanshan Strategic New Industry Investment Company Limited	28,651,191	A share
9. New China Life Insurance Company Limited — New Traditional Products 2	28,032,489	A share
10. China Merchants Bank Company Limited — Xingquan Herun Hybrid Securities Investment Fund	27,535,764	A share
Descriptions of any connected party relationships or concerted actions among the above shareholders	<ol style="list-style-type: none"> 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. 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. 	
Description of involvement in financing and securities lending businesses of top 10 shareholders (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 (if any)	N/A
Top 10 holders of ordinary shares and top 10 holders of ordinary shares that were not subject to lock-up of the Company conducting 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 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).

3.2 The Company had no preferential shares.

§ 4 OTHER MATERIAL MATTERS

4.1 New session of the Board of Directors and Supervisory Committee and appointment of new senior management of the Company

At the First Extraordinary General Meeting of 2022 and the First Meeting of the Ninth Session of the Board of Directors of the Company held on 30 March 2022, Mr. Li Zixue was elected as Chairman of the Ninth Session of the Board of Directors of the Company and Mr. Li Zixue, Mr. Xu Ziyang and Mr. Gu Junying were elected as Executive Directors of the Ninth Session of the Board of Directors of the Company, Mr. Li Buqing, Mr. Zhu Weimin and Ms. Fang Rong were elected as Non-executive Directors of the Ninth Session of the Board of Directors of the Company, and Ms. Cai Manli, Mr. Gordon Ng and Mr. Zhuang Jiansheng were elected as Independent Non-executive Directors of the Ninth Session of the Board of Directors of the Company. The term of appointment of Independent Non-executive Directors Ms. Cai Manli and Mr. Gordon Ng commenced on 30 March 2022 and will end on 28 June 2024. The term of appointment of other Directors commenced on 30 March 2022 and will end on 29 March 2025.

At the First Extraordinary General Meeting of 2022 of the Company held on 30 March 2022, Ms. Jiang Mihua and Mr. Hao Bo were elected as Shareholders' Representative Supervisors of the Ninth Session of the Supervisory Committee of the Company. In addition, Mr. Xie Daxiong, Ms. Xia Xiaoyue and Ms. Li Miaona were elected as Staff Representative Supervisors of the Ninth Session of the Supervisory Committee of the Company by the staff representatives of the Company. At the First Meeting of the Ninth Session of the Supervisory Committee of the Company held on 30 March 2022, Mr. Xie Daxiong was elected as Chairman of the Ninth Session of the Supervisory Committee of the Company. The term of the Ninth Session of the Supervisory Committee of the Company commenced on 30 March 2022 and will end on 29 March 2025.

Pursuant to the "Resolution on Appointment of New Senior Management of the Company" considered and approved at the First Meeting of the Ninth Session of the Board of Directors of the Company held on 30 March 2022, it was approved that Mr. Xu Ziyang be re-appointed as President of the Company, Mr. Wang Xiyu, Mr. Gu Junying, Ms. Li Ying and Mr. Xie Junshi each be re-appointed as the Executive Vice President of the Company, Ms. Li Ying be concurrently re-appointed as the Chief Financial Officer of the Company and Mr. Ding Jianzhong be re-appointed as the Secretary to the Board of Director of the Company. The term of office of the new senior management commenced on 30 March 2022 and will end on 29 March 2025.

For details of the aforesaid matters, please refer to the “Announcement on Resolutions of the First Extraordinary General Meeting of 2022”, “Announcement Resolutions of the First Meeting of the Ninth Session of the Board of Directors” and “Overseas Regulatory Announcement” published by the Company on 30 March 2022.

4.2 The Term of Probation and the Term of the Monitor End

In March 2017, the Company has reached agreements (collectively the “2017 Agreements”) with the Bureau of Industry and Security of the United States Department of Commerce, the United States Department of Justice (“DOJ”) and the Office of Foreign Assets Control of the United States Department of Treasury in relation to investigations regarding the Company’s compliance with U.S. Export Administration Regulations and U.S. sanctions laws. The 2017 Agreements include that a three-year monitor term shall be set up pursuant to the agreement between the Company and DOJ, to prepare annual reports during his/her term of office in order to monitor the Company’s compliance with U.S. export control laws and performance of its obligations under the agreement. On 22 March 2017 (United States time), the agreement with DOJ has become effective upon approval by the United States District Court for the Northern District of Texas (“Court”). For details, please refer to “INSIDE INFORMATION — UPDATED INFORMATION IN RELATION TO THE EXPORT RESTRICTIONS BY THE UNITED STATES DEPARTMENT OF COMMERCE” published by the Company on 8 March 2017 and 23 March 2017, respectively.

Due to the conduct described in the superseding settlement agreement entered into amongst the Company, Shenzhen ZTE Kangxun Telecom Company Limited (a wholly-owned subsidiary of the Company) and United States Department of Commerce’s Bureau of Industry and Security in June 2018, the Court issued an order on 3 October 2018 (United States time) modifying the conditions of the Company’s corporate probation as described in the Agreement which became effective on 22 March 2017 (United States time) upon approval by the Court. According to the modification of probation conditions by the Court, extending the term of the Court-appointed Monitor (the “Monitor”) to 22 March 2022. For details, please refer to “INSIDE INFORMATION ANNOUNCEMENT ON ORDER MODIFYING CONDITIONS OF PROBATION” published by the Company on 4 October 2018.

The Company has received an order from a court of the United States of America on 3 March 2022 (United States time) to notify the Company that it shall participate in a revocation of probation hearing, scheduled for 14 March 2022 (United States time). On 22 March 2022 (United States time), the Company received an order from the Court declining to revoke probation or impose any penalties upon ZTE, and confirming that the term of probation and the term of the Monitor end as scheduled on 22 March 2022 (United States time). For details, please refer to “INSIDE INFORMATION ANNOUNCEMENT” and “INSIDE INFORMATION ANNOUNCEMENT AND RESUMPTION OF TRADING” published by the Company on 4 March 2022 and 23 March 2022, respectively.

4.3 Updates on the Share Option Incentive Schemes of the Company for the reporting period

(1) Updates on the 2017 Share Option Incentive Scheme of the Company for the reporting period

Under the 2017 Share Option Incentive Scheme implemented by the Company, the date of grant was 6 July 2017 (Thursday), the number of participants was 1,996 (including Directors, senior management and key business personnel) and the number of share options to be granted was 149,601,200. The initial exercise price of the share options granted was RMB17.06 per A share. As approved by the Board of Directors, the exercise price of the share options has been adjusted to RMB16.66 per A share as a result of the completion of the 2019 and 2020 profit distribution plans of the Company.

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 31 March 2022, 35,053,516 share options had been exercised.

Details of share options held by participants under the 2017 Share Option Incentive Scheme of the Company and their exercise during the reporting period are set out as below:

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	84,000	84,000	0	0	0
Sub-total of Directors <i>Note 1</i>		84,000	0	84,000	84,000	0	0	0
Wang Xiyu	Executive Vice President	87,468	0	87,468	87,468	0	0	0
Li Ying	Executive Vice President and Chief Financial Officer	52,800	0	52,800	52,800	0	0	0
Xie Junshi	Executive Vice President	82,468	0	82,468	82,468	0	0	0
Ding Jianzhong	Secretary to the Board of Directors and Company Secretary	33,160	0	33,160	33,160	0	0	0
Sub-total of senior management		255,896	0	255,896	255,896	0	0	0
Other key personnel		4,916,006	0	4,916,006	2,680,466	0	0	2,235,540
Total		5,255,902	0	5,255,902	3,020,362	0	0	2,235,540

Note 1: To avoid repetition in counting, the number of share options granted to Mr. Xu Ziyang, Director and President, was included in the sub-total for Directors.

From the end of the reporting period to the date of announcement of this report, a total of 167,810 share options were exercised during the third exercise period under the 2017 Share Option Incentive Scheme of the Company. As at the date of announcement of this report, there were a total of 2,067,730 A share options outstanding under the 2017 Share Option Incentive Scheme of the Company, accounting for approximately 0.04% of the Company's total share capital in issue and approximately 0.05% of the Company's total A shares in issue.

(2) Updates on the 2020 Share Option Incentive Scheme of the Company for the reporting period

Under the 2020 Share Option Incentive Scheme implemented by the Company, the date of grant for the initial grant was 6 November 2020 (Friday), the number of participants under the initial grant was 6,123 (including Directors, senior management and key business personnel) and the number of share options under the initial grant was 158,472,000. The initial exercise price for the share options granted was RMB34.47 per A share. The date of reserved grant was 23 September 2021 (Thursday) and 5,000,000 share options shall be granted to 410 participants under the reserved grant. The exercise price of the share options under the reserved grant was RMB34.92 per A share.

The first exercise period for the share options under the initial grant of the 2020 Share Option Incentive Scheme shall comprise the exercise dates within the period from 17 November 2021 to 5 November 2022 with a total of 51,442,763 exercisable share options. As at 31 March 2022, 67,411 share options had been exercised.

Details of share options held by participants under the 2020 Share Option Incentive Scheme of the Company and their exercise during the reporting period are set out as below:

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
1. Share options under the initial grant								
Li Zixue	Chairman	180,000	0	60,000	0	0	0	180,000
Xu Ziyang	Director and President	180,000	0	60,000	0	0	0	180,000
Li Buqing	Director	50,000	0	16,666	0	0	0	50,000
Gu Junying	Director and Executive Vice President	180,000	0	60,000	0	0	0	180,000
Zhu Weimin	Director	50,000	0	16,666	0	0	0	50,000
Fang Rong	Director	50,000	0	16,666	0	0	0	50,000
Sub-total of Directors ^{Note 1}		690,000	0	229,998	0	0	0	690,000
Wang Xiyu	Executive Vice President	180,000	0	60,000	0	0	0	180,000
Li Ying	Executive Vice President and Chief Financial Officer	180,000	0	60,000	0	0	0	180,000
Xie Junshi	Executive Vice President	180,000	0	60,000	0	0	0	180,000
Ding Jianzhong	Secretary to the Board of Directors and Company Secretary	120,000	0	40,000	0	0	0	120,000
Sub-total of senior management		660,000	0	220,000	0	0	0	660,000
Other key personnel		153,318,562	0	50,985,988	60,634	0	0	153,257,928
Total		154,668,562	0	51,435,986	60,634	0	0	154,607,928
2. Reserved share options								
Other key personnel		5,000,000	0	0	0	0	0	5,000,000
Total		5,000,000	0	0	0	0	0	5,000,000

Note 1: To avoid repetition in counting, the number of share options granted to Mr. Xu Ziyang, Director and President and Mr. Gu Junying, Director and Executive Vice President, was included in the sub-total for Directors.

Note 2: Ms. Li Miaona, who was been appointed as Staff Representative Supervisor of the Company with effect from 30 March 2022, was a participant under the initial grant of the 2020 Share Option Incentive Scheme of the Company. Owing to her capacity as Supervisor of the Company, the 45,000 A share options granted to her lapsed. The Company will adjust the number of share options and participants under the initial grant of the 2020 Share Option Incentive Scheme after performance of due review procedures.

As at the date of announcement of this report, there were a total of 154,607,928 A share options outstanding under the initial grant of the 2020 Share Option Incentive Scheme of the Company, accounting for approximately 3.27% of the Company's total share capital in issue and approximately 3.89% of the Company's total A shares in issue. There were a total of 5 million reserved and unexercised A share options, 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 — (X) IMPLEMENTATION AND IMPACT OF THE COMPANY'S SHARE OPTION INCENTIVE SCHEME AND MANAGEMENT STOCK OWNERSHIP SCHEME" in the 2021 Annual Report of the Company.

4.4 Issue of the Company's 2022 SCPs

For details of the issuance of 2022 Tranche I to Tranche VIII Super and Short-term Commercial Paper ("SCP"), please refer to the relevant announcements published by the Company on 14 January 2022, 18 January 2022 and 21 February 2022, respectively. The aggregate issue amount was RMB10 billion. The payment date for 2022 Tranche I to Tranche VIII SCP is 30 March 2022. The Company completed the payment of principal cum interest for 2022 Tranche I to Tranche VIII SCP with a total amount of RMB10,041,893,835.61 on 30 March 2022.

The Company completed the issuance of 2022 Tranche IX to Tranche XXI SCP on 1 April 2022, 2 April 2022, 8 April 2022, 15 April 2022 and 22 April 2022 respectively with a total issue amount of RMB11.5 billion. For details, please refer to the relevant announcements published by the Company on 5 April 2022, 8 April 2022, 18 April 2022, and 22 April 2022 respectively.

4.5 Material litigation and arbitration during the reporting period

There was no material litigation or arbitration as defined under the Rules Governing the Listing Stocks on Shenzhen Stock Exchange occurring to the Group during the reporting period. The progress of major litigation and arbitration proceedings of the Group during the reporting period is 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 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 an appeal to the Supreme People's Court for the withdrawal of the first trial judgement and ruling in support of all the claims of the aforesaid natural person instead. On 16 August 2021, the Supreme People's Court ruled for the appeal to be automatically withdrawn and the first trial judgement to remain in effect on the grounds the aforesaid natural person had not furnished the prepayment of the second trial case admission fee within the stipulated period.

On 26 December 2021, the aforesaid natural person filed an application for retrial to the Guangdong Higher Court appealing for the withdrawal of first trial judgement and ruling in support of all the claims of the aforesaid natural person instead, and that the litigation fees for the primary trial should be borne by the Company in full. On 7 February 2022, the Company received a summons for hearing on the application for civil case retrial from the Guangdong Higher Court.

On 21 March 2022, the Company received a retrial ruling from the Guangdong Higher Court rejecting the natural person's application for retrial, upon which the litigation proceedings of this case were closed in full.

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

For details of major litigation and arbitration proceedings occurring prior to the reporting period, please refer to the section headed “(I) MATERIAL LITIGATION AND ARBITRATION” under “Material Matters” in the 2021 Annual Report of the Company.

4.6 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}	1,151.94	Fair-value measurement	936.71	(191.93)	—	—	—	(191.93)	744.78	Trading financial assets	Issue funds
Stock	688639	Huaheng Biotech ^{Note 1}	2,396.88	Fair-value measurement	69,929.88	(12,655.01)	—	—	—	(12,655.01)	57,274.87	Trading financial assets	Issue funds
Stock	688019	Anji Technology ^{Note 2}	1,490.59	Fair-value measurement	21,667.49	791.52	—	—	—	791.52	22,459.01	Trading financial assets	Issue funds
Stock	688630	Circuit Fabology ^{Note 2}	2,000.00	Fair-value measurement	31,963.38	(8,203.47)	—	—	—	(8,203.47)	23,759.91	Trading financial assets	Issue funds
Stock	301000	Hajime ^{Note 3}	3,037.50	Fair-value measurement	11,572.20	(1,423.80)	—	—	—	(1,423.80)	10,148.40	Trading financial assets	Issue funds
Stock	ENA:TSV	Enablence Technologies ^{Note 4}	3,583.26	Fair-value measurement	414.00	(35.86)	—	—	—	(35.86)	378.14	Other non-current financial assets	Internal funds
Other securities investments held at the end of the period			—	—	—	—	—	—	—	—	—	—	—
Total			13,660.17	—	136,483.66	(21,718.55)	—	—	—	(21,718.55)	114,765.11	—	—

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

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 HKD4,662,500, equivalent to approximately RMB3,781,400 based on the Company’s foreign currency statement book exchange rate (HKD1: RMB0.81102) on 31 March 2022.

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

A. Shareholdings in China Eagle Electronic

As at the end of the reporting period, Jiaxing Fund held 957,300 shares in China Eagle Electronic (a company listed on the Shenzhen Stock Exchange), 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 5.55% of the total share capital of Huaheng Biotech.

C. Shareholdings in Anji Technology

As at the end of the reporting period, Zhonghe Chunsheng Fund III held 793,100 shares in Anji Technology (a company listed on the STAR Market of the Shanghai Stock Exchange), accounting for 1.49% of the total share capital of Anji Technology.

D. 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.

E. Shareholdings in Hajime

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

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. In 2021, Enablence Technologies conducted an asset reorganisation, including share consolidation (120 shares into 1 share), debt conversion to shares, issuance of additional shares and issuance of options. As at the end of the reporting period, ZTE HK held 791,700 shares in Enablence Technologies (following the asset reorganisation and share consolidation of Enablence Technologies), accounting for 4.26% 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.

4.7 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	—	—	2021/5/11	2023/3/30	727,372.68	429,990.40	618,716.10	—	538,646.98	10.02%	9,379.43
Financial institution	N/A	No	Interest rate derivative	—	—	2021/12/26	2022/12/26	1,451.36	—	—	—	1,451.36	0.03%	4.63
Total				—	—	—	—	728,824.04	429,990.40	618,716.10	—	540,098.34	10.05%	9,384.06
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 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 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 quarter of 2022. 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 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; Credit risks: The counterparties of the derivative investment trades of the Company are financial institutions 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 RMB94 million, comprising loss from fair-value change of RMB16 million and recognised investment gain of RMB110 million. The calculation of the fair value was based on forward exchange rates quoted by Refinitiv 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 contracts;

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.

4.8 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	2022.3.31		2021.12.31	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Audited)	Company (Audited)
Current assets:				
Cash	59,215,597	36,891,068	50,713,310	26,959,247
Trading financial assets	1,143,870	—	1,360,697	—
Derivative financial assets	210,515	208,413	209,352	208,877
Trade receivables	16,439,675	20,639,155	17,509,059	20,970,487
Receivable financing	3,535,709	3,289,973	5,196,458	4,943,204
Factored trade receivables	172,076	141,679	200,992	169,613
Prepayments	543,371	12,351	606,781	41,618
Other receivables	1,383,539	25,144,432	1,353,779	28,772,253
Inventories	41,270,344	17,887,888	36,316,753	17,333,958
Contract assets	6,084,005	4,573,207	6,585,307	5,127,209
Other current assets	8,589,552	2,599,400	7,818,597	2,634,789
Total current assets	138,588,253	111,387,566	127,871,085	107,161,255
Non-current assets:				
Long-term receivables	2,258,054	6,077,701	2,356,413	6,200,183
Factored long-term receivables	230,344	215,002	243,701	222,746
Long-term equity investments	1,649,323	16,958,544	1,684,909	16,957,563
Other non-current financial assets	1,184,840	622,140	1,175,249	627,848
Investment properties	2,013,927	1,614,000	2,013,927	1,614,000
Fixed assets	11,469,828	6,000,806	11,437,011	5,937,863
Construction in progress	1,477,168	540,039	1,372,869	490,891
Right-of-use assets	753,416	189,838	815,346	246,209
Intangible assets	8,023,380	2,953,179	8,094,542	3,085,517
Development costs	2,523,878	381,555	2,453,275	307,740
Deferred tax assets	3,016,076	1,145,731	3,194,741	1,289,485
Other non-current assets	6,055,473	4,672,112	6,050,357	4,558,759
Total non-current assets	40,655,707	41,370,647	40,892,340	41,538,804
Total assets	179,243,960	152,758,213	168,763,425	148,700,059

Legal Representative:
Li Zixue

Chief Financial Officer:
Li Ying

Head of Finance Division:
Xu Jianrui

RMB in thousands

Liabilities and shareholders' equity	2022.3.31		2021.12.31	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Audited)	Company (Audited)
Current liabilities:				
Short-term loans	10,229,922	2,100,000	8,946,935	2,865,000
Bank advances on factored trade receivables	172,976	141,674	202,249	170,822
Derivative financial liabilities	44,884	44,859	27,729	27,625
Bills payable	12,414,379	17,441,352	11,557,376	15,474,186
Trade payables	21,363,641	27,991,991	21,717,267	32,865,858
Contract liabilities	18,305,669	14,270,123	16,101,652	12,141,684
Salary and welfare payables	8,514,032	4,261,741	11,691,423	7,267,864
Taxes payable	1,328,678	283,588	1,216,334	215,423
Other payables	3,205,153	7,069,306	3,505,419	7,402,014
Provisions	2,657,349	1,723,835	2,741,536	1,796,414
Non-current liabilities due within one year	2,912,863	2,239,195	977,336	247,572
Total current liabilities	81,149,546	77,567,664	78,685,256	80,474,462
Non-current liabilities:				
Long-term loans	35,403,075	24,845,343	29,908,441	19,463,550
Bank advances on factored long-term trade receivables	235,843	214,975	250,452	229,500
Lease liabilities	503,807	93,015	531,983	137,135
Provision for retirement benefits	146,444	146,444	147,539	147,539
Deferred income	2,387,576	460,487	1,872,518	136,962
Deferred tax liabilities	160,766	—	150,348	—
Other non-current liabilities	3,941,133	1,824,714	3,929,228	1,812,185
Total non-current liabilities	42,778,644	27,584,978	36,790,509	21,926,871
Total liabilities	123,928,190	105,152,642	115,475,765	102,401,333
Shareholders' equity:				
Share capital	4,733,877	4,733,877	4,730,796	4,730,796
Capital reserves	25,537,959	25,567,641	25,359,964	25,387,579
Other comprehensive income	(2,430,041)	733,736	(2,287,021)	714,191
Surplus reserve	3,027,154	2,365,398	3,027,154	2,365,398
Retained profits	22,867,856	14,204,919	20,651,196	13,100,762
Total equity attributable to holders of ordinary shares of the parent	53,736,805	47,605,571	51,482,089	46,298,726
Non-controlling interests	1,578,965	—	1,805,571	—
Total shareholders' equity	55,315,770	47,605,571	53,287,660	46,298,726
Total liabilities and shareholders' equity	179,243,960	152,758,213	168,763,425	148,700,059

INCOME STATEMENT

RMB in thousands

Item	Three months ended 31 March 2022		Three months ended 31 March 2021	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Unaudited)	Company (Unaudited)
1. Operating revenue	27,930,271	25,454,675	26,241,647	23,883,983
Less: Operating costs	17,378,109	21,872,358	16,942,904	20,926,118
Taxes and surcharges	220,273	88,029	179,964	64,565
Selling and distribution costs	2,151,874	1,141,504	2,165,787	1,295,505
Administrative expenses	1,275,734	1,058,505	1,249,195	1,022,320
Research and development costs	4,698,227	(328,845)	4,192,255	1,135,737
Finance costs	53,076	98,926	378,690	145,391
Including: Interest expenses	434,048	308,415	351,244	223,274
Interest income	473,988	351,825	317,423	203,899
Add: Other income	576,312	22,378	717,072	298,629
Investment income	19,040	10,734	735,778	940,014
Including: Share of profits and losses of associates and joint ventures	(34,954)	(34,657)	(53,569)	(51,770)
Loss on derecognition of financial assets at amortised cost	(59,109)	(28,489)	(59,621)	(28,821)
Gains/(Losses) from changes in fair values	(223,119)	(23,406)	60,852	199,530
Credit impairment losses	(50,330)	(101,570)	(142,465)	(90,344)
Asset impairment losses	(51,955)	(187,761)	11,551	164,412
Gain from asset disposal	—	—	47,494	47,494
2. Operating profit	2,422,926	1,244,573	2,563,134	854,082
Add: Non-operating income	57,419	50,171	15,655	7,982
Less: Non-operating expenses	39,284	19,813	44,699	30,809
3. Total profit	2,441,061	1,274,931	2,534,090	831,255
Less: Income tax	406,406	170,775	450,103	102,668

RMB in thousands

Item	Three months ended 31 March 2022		Three months ended 31 March 2021	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Unaudited)	Company (Unaudited)
4. Net profit	<u>2,034,655</u>	<u>1,104,156</u>	<u>2,083,987</u>	<u>728,587</u>
Analysed by continuity of operations				
Net profit from continuing operations	2,034,655	1,104,156	2,083,987	728,587
Analysed by ownership				
Attributable to holders of ordinary shares of the parent	2,216,659	1,104,156	2,181,649	728,587
Non-controlling interests	<u>(182,004)</u>	<u>—</u>	<u>(97,662)</u>	<u>—</u>
5. Other comprehensive income, net of tax	(144,725)	19,545	(151,579)	8,444
Other comprehensive income attributable to holders of ordinary shares of the parent, net of tax	(143,019)	19,545	(151,370)	8,444
Other comprehensive income that will be reclassified to profit and loss				
Exchange differences on translation of foreign operations	<u>(143,019)</u>	<u>19,545</u>	<u>(151,370)</u>	<u>8,444</u>
	<u>(143,019)</u>	<u>19,545</u>	<u>(151,370)</u>	<u>8,444</u>
Other comprehensive income items net of tax	<u>(143,019)</u>	<u>19,545</u>	<u>(151,370)</u>	<u>8,444</u>
Other comprehensive income attributable to non-controlling interests, net of tax	<u>(1,706)</u>	<u>—</u>	<u>(209)</u>	<u>—</u>

RMB in thousands

Item	Three months ended 31 March 2022		Three months ended 31 March 2021	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Unaudited)	Company (Unaudited)
6. Total comprehensive income	<u>1,889,930</u>	<u>1,123,701</u>	<u>1,932,408</u>	<u>737,031</u>
Attributable to holders of ordinary shares of the parent	2,073,640	1,123,701	2,030,279	737,031
Attributable to non-controlling interests	(183,710)	—	(97,871)	—
7. Earnings per share				
(1) Basic earnings per share	RMB0.47		RMB0.47	
(2) Diluted earnings per share	RMB0.47		RMB0.47	

CASH FLOW STATEMENT

RMB in thousands

Item	Three months ended 31 March 2022		Three months ended 31 March 2021	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Unaudited)	Company (Unaudited)
1. Cash flows from operating activities				
Cash received from sale of goods or rendering of services	35,620,643	32,456,013	27,738,923	25,381,923
Refunds of taxes	1,212,116	483,003	1,487,798	758,298
Cash received relating to other operating activities	1,265,386	713,633	1,654,440	505,880
Sub-total of cash inflows	38,098,145	33,652,649	30,881,161	26,646,101
Cash paid for goods and services	23,012,004	27,491,734	17,962,933	20,732,887
Cash paid to and on behalf of employees	9,394,453	3,169,171	6,729,901	2,197,074
Cash paid for various types of taxes	2,233,041	638,189	1,788,615	490,578
Cash paid relating to other operating activities	2,271,440	1,748,207	2,011,470	1,355,170
Sub-total of cash outflows	36,910,938	33,047,301	28,492,919	24,775,709
Net cash flows from operating activities	1,187,207	605,348	2,388,242	1,870,392
2. Cash flows from investing activities				
Cash received from sale of investments	640,048	670,181	954,330	521,450
Cash received from return on investment	174,924	291,526	40,612	404,305
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets	4,755	4,440	3,397	8,350
Net cash received from the disposal of subsidiaries and other operating units	—	—	503,150	—
Cash received relating to other investing activities	—	10,344	—	1,120,000
Sub-total of cash inflows	819,727	976,491	1,501,489	2,054,105
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	931,701	287,143	1,624,610	618,370
Cash paid for acquisition of investments	3,984,986	2,813,151	4,473,710	3,627,689
Cash paid relating to other investing activities	—	26,662	—	—
Sub-total of cash outflows	4,916,687	3,126,956	6,098,320	4,246,059
Net cash flows from investing activities	(4,096,960)	(2,150,465)	(4,596,831)	(2,191,954)

RMB in thousands

Item	Three months ended 31 March 2022		Three months ended 31 March 2021	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Unaudited)	Company (Unaudited)
3. Cash flows from financing activities				
Cash received from investments	36,092	36,092	—	—
Cash received from borrowings	27,620,704	21,189,729	9,769,301	5,504,360
Cash received relating to other financing activities	—	3,000,318	—	—
Sub-total of cash inflows	<u>27,656,796</u>	<u>24,226,139</u>	<u>9,769,301</u>	<u>5,504,360</u>
Cash repayment of borrowings	18,940,790	14,548,829	6,404,499	4,796,420
Cash payments for distribution of dividends or for interest expenses	450,218	209,000	424,950	176,197
Including: Distribution of dividends and profits by subsidiaries to minority shareholders	75,000	—	106,950	—
Cash paid relating to other financing activities	97,962	45,427	96,501	28,670
Sub-total of cash outflows	<u>19,488,970</u>	<u>14,803,256</u>	<u>6,925,950</u>	<u>5,001,287</u>
Net cash flows from financing activities	<u>8,167,826</u>	<u>9,422,883</u>	<u>2,843,351</u>	<u>503,073</u>

RMB in thousands

Item	Three months ended 31 March 2022		Three months ended 31 March 2021	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Unaudited)	Company (Unaudited)
4. Effect of changes in foreign exchange rate on cash and cash equivalents	<u>148,851</u>	<u>62,471</u>	<u>(7,823)</u>	<u>(45,933)</u>
5. Net increase in cash and cash equivalents	<u>5,406,924</u>	<u>7,940,237</u>	<u>626,939</u>	<u>135,578</u>
Add: cash and cash equivalents at the beginning of the period	<u>39,070,583</u>	<u>17,381,816</u>	<u>31,403,056</u>	<u>20,097,442</u>
6. Net balance of cash and cash equivalents at the end of the period	<u>44,477,507</u>	<u>25,322,053</u>	<u>32,029,995</u>	<u>20,233,020</u>

By Order of the Board
Li Zixue
Chairman

Shenzhen, the PRC
25 April 2022

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.