

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



ZTE CORPORATION
中興通訊股份有限公司

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 763)

2015 FIRST QUARTERLY REPORT

This announcement is published simultaneously in the Mainland in accordance with the Rules Governing Listing of Stocks on The Shenzhen Stock Exchange (“Shenzhen Listing Rules”) 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 (the “Company”) confirm that there are no false information and misleading statements in this quarterly report nor any material omissions therefrom, and collectively and individually accept responsibility for the truthfulness, accuracy and completeness of its contents.
- 1.2 There are no Directors, Supervisors and senior management who do not warrant or who dispute the truthfulness, accuracy and completeness of the contents of this quarterly report.
- 1.3 This quarterly report has been considered and approved at the Twenty-sixth Meeting of the Sixth Session of the Board of Directors of the Company. Mr. Zhang Jianheng, Vice Chairman, was unable to attend the Meeting due to work reasons and has authorised Mr. Wang Zhanchen, Director, to vote on his behalf. Mr. He Shiyong, Director, was unable to attend the Meeting due to work reasons and has authorised Mr. Shi Lirong, Director, to vote on his behalf. Mr. Wei Wei, Independent Non-executive Director, was unable to attend the Meeting due to work reasons and has authorised Mr. Tan Zhenhui, Independent Non-executive Director, to vote on his behalf.
- 1.4 The financial statements contained in this quarterly report are unaudited. The financial information contained in this quarterly report has been prepared in accordance with PRC Accounting Standards for Business Enterprises (“PRC ASBEs”).
- 1.5 Mr. Hou Weigui, Chairman of the Company, Mr. Wei Zaisheng, Chief Financial Officer of the Company and Mr. Shi Chunmao, Head of Finance Division of the Company, hereby declare that they warrant the truthfulness, accuracy and completeness of the financial statements contained in this quarterly report.

- 1.6 China Securities Journal, Securities Times, Shanghai Securities News and <http://www.cninfo.com.cn> are designated media for the Company's information disclosure. Only information of the Company published in the aforesaid media should be relied upon.

§2 CORPORATE INFORMATION

2.1 Brief analysis of the overall operating conditions of the Company and its subsidiaries (the "Group") during the reporting period

During the reporting period, the development of the global telecommunications industry benefited mainly from the large-scale deployment, capacity expansion, performance optimisation and in-depth coverage of 4G networks, as well as the construction of ancillary equipment and facilities for these networks. Meanwhile, advances in the development of 5G technology standards, operations based on the value of flow volume, the development of integrated innovative businesses and the balance between security and privacy represented some of the most discussed topics in the industry. To address rapid changes in the telecommunications industry, the Group issued the M-ICT Strategy (as defined in the Glossary section of our 2014 Annual Report) White Paper, in which an exposition of the market positioning of the Company and its products in the era of mobile inter-connection of all things was given, to drive the gradual implementation of its M-ICT Strategy. In the domestic market, the issue of LTE FDD licenses has driven further increase in investments in overall network equipment, while the implementation of the broadband China strategy coupled with increasing demand for the upgrade of existing wireline broadband networks has ushered in a phase of relatively rapid development for wireline broadband networks. At the same time, the demand for Cloud Computing, Big Data, Smart City and high-performance routers continued to grow, as the Group worked vigorously to support the network construction plans of domestic carriers and customers in the government and corporate network sector and maintained its dominant market position on the back of competitive innovative solutions. In the international market, the Group reported sound operations and quality growth as it persisted in the strategy of focusing on major populous nations and mainstream global carriers, underpinned by more extensive partnerships with mainstream global carriers.

For the three months ended 31 March 2015, the Group reported operating revenue of RMB20.999 billion, representing a 10.21% increase compared to the same period last year. Net profit attributable to shareholders of the listed company amounted to RMB883 million, representing a 41.91% increase over the same period last year. Basic earnings per share amounted to RMB0.24.

Analysed by product, the Group's operating revenue from carriers' networks increased by 8.92%, as compared to the same period last year, reflecting primarily growth in operating revenue from products such as wireless communication systems, wireline switch and access systems, routers and router switches. Operating revenue from handset terminals increased by 6.97%, as compared to the same period last year, reflecting mainly the increase in operating revenue from 4G handset terminals. Operating revenue from telecommunications software systems, services and other products increased by 23.38%, as compared to the same period last year, reflecting mainly growth in operating revenue from video and network terminal products and from services both in the international market.

Looking forward to the next reporting period, the mobile inter-connection among all things will constitute the main theme underlying developments of the telecommunications industry. The Group will focus on the three mainstream markets of “carriers, government and corporate sectors and consumers” under the theme of “capitalising on opportunities arising from macro-restructuring to create value out of information” and focus on the “new sectors” in our business deployment. In connection with the carriers’ market, the Group will be committed to the enhancement of pipeline intelligentization in a bid to support carriers in their transformation into information-based operations. In the government and corporate network sector, the Group will actively drive the transformation of various industries towards “Industry 4.0” or “Industrial Internet” with enhancement of corporate customers’ operational efficiency. In the consumers’ market, the Group will actively investigate intelligentization technologies and new technologies in human-machine interaction, while efforts will be made to develop integrated innovative home terminals.

2.2 Major Accounting Data and Financial Indicators

2.2.1 Major Accounting Data and Financial Indicators of the Group

Item	As at the end of the reporting period (31 March 2015)	As at the end of last year (31 December 2014)	Change as at the end of the reporting period compared with the end of last year
Total assets (<i>RMB in thousands</i>)	112,459,333	106,214,196	5.88%
Owners’ equity attributable to shareholders of the listed company (<i>RMB in thousands</i>)	33,044,398	24,878,574	32.82%
Total share capital (<i>thousand shares</i>)	3,437,541	3,437,541	—
Net assets per share attributable to shareholders of the listed company (<i>RMB/share</i>) ^{Note 1}	9.61	7.24	32.73%

Item	The reporting period (Three months ended 31 March 2015)	Same period last year (Three months ended 31 March 2014)	Change compared with the same period last year
Operating revenue (RMB in thousands)	20,998,792	19,052,749	10.21%
Net profit attributable to shareholders of the listed company (RMB in thousands)	882,930	622,182	41.91%
Net profit after extraordinary items attributable to shareholders of the listed company (RMB in thousands)	463,422	762,694	(39.24%)
Net cash flows from operating activities (RMB in thousands)	(3,813,204)	(2,190,102)	(74.11%)
Net cash flows from operating activities per share (RMB/share) ^{Note 2}	(1.11)	(0.64)	(73.44%)
Basic earnings per share (RMB/share) ^{Note 3}	0.24	0.18	33.33%
Diluted earnings per share (RMB/share) ^{Note 4}	0.24	0.18	33.33%
Weighted average return on net assets (%)	3.20%	2.71%	Increased by 0.49 percentage points
Weighted average return on net assets after extraordinary items (%)	1.56%	3.32%	Decreased by 1.76 percentage points

Note 1: Net assets per share attributable to shareholders of the listed company as at the end of the first quarter of 2015 and the end of 2014 were calculated on the basis of the total share capital at the end of each period;

Note 2: Net cash flows from operating activities per share for the reporting period and the same period of 2014 were calculated on the basis of the total share capital at the end of each period;

Note 3: Basic earnings per share for the reporting period and the same period of 2014 were calculated on the basis of total share capital at the end of each period;

Note 4: Diluted earnings per share was calculated on the basis of basic earnings per share taking into account 31,951,000 dilutive potential ordinary shares formed during the reporting period as a result of share options granted by the Company. As the Share Option Incentive Scheme of the Company did not have any dilutive effect in the first quarter of 2014, diluted earnings per share was equivalent to basic earnings per share.

Note 5: The Company completed the issue of 2015 Tranche I Perpetual Medium Term Notes on 27 January 2015 for an amount of RMB6 billion and the issue of 2015 Tranche II Perpetual Medium Term Notes on 6 February 2015 for an amount of RMB1.5 billion, which were presented under “Other equity instruments” in this quarterly report. The respective figures for basic earnings per share, diluted earnings per share, weighted average return on net assets and weighted average return on net assets after extraordinary items have been calculated taking into account the effect of the Perpetual Medium Term Notes.

Extraordinary items

Unit: RMB in thousands

**Amount from the beginning
of the year to the end of
the reporting period**

Extraordinary item

Non-operating income	206,434
Gains/(Losses) from fair value change	54,028
Investment income	267,413
Less: Gains/(Losses) on disposal of non-current assets	4,352
Less: Other non-operating expenses	29,984
Less: Effect of income tax	74,031
Total	419,508

2.2.2 The amounts of net profit and shareholders' equity of the Group for the three months ended 31 March 2015 and as at 31 March 2015 calculated in accordance with PRC ASBEs are fully consistent with those calculated under Hong Kong Financial Reporting Standards.

2.3 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 2015 There were 173,437 shareholders (comprising 173,079 holders of A shares and 358 holders of H shares).

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

Name of shareholders	Nature of shareholders	Percentage of shareholdings	Number of shares held as at the end of the reporting period (shares)	Number of shares held subject to lock-up (shares)	Number of shares pledged or frozen
1. Shenzhen Zhongxingxin Telecommunication Equipment Company Limited ("Zhongxingxin")	State-owned corporation	30.78%	1,058,191,944	—	Nil
2. HKSCC Nominees Limited	Foreign shareholders	18.28%	628,341,960	—	Unknown
3. Hunan Nantian (Group) Co., Ltd.	State-owned corporation	1.07%	36,780,042	—	Unknown
4. New China Life Insurance Company Ltd. — Dividend — Individual Dividend — 018L-FH002 Shen	Others	0.61%	20,975,368	—	Unknown
5. Seventh Research Institute of China Mobile	State-owned corporation	0.46%	15,894,950	—	Unknown
6. NSSF Portfolio #113	Others	0.40%	13,711,011	—	Unknown
7. CASIC Shenzhen (Group) Company Limited	State-owned corporation	0.35%	12,155,870	—	Unknown
8. NSSF Portfolio #103	Others	0.35%	11,999,686	—	Unknown
9. ICBC — Boser Select Stock Fund	Others	0.35%	11,999,594	—	Unknown
10. China Unicom Telecommunications Corporation Ltd., Jilin Branch	State-owned corporation	0.31%	10,533,037	—	Unknown

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	1,058,191,944	A share
2. HKSCC Nominees Limited	628,341,960	H share
3. Hunan Nantian (Group) Co., Ltd.	36,780,042	A share
4. New China Life Insurance Company Ltd. — Dividend — Individual Dividend — 018L-FH002 Shen	20,975,368	A share
5. Seventh Research Institute of China Mobile	15,894,950	A share
6. NSSF Portfolio #113	13,711,011	A share
7. CASIC Shenzhen (Group) Company Limited	12,155,870	A share
8. NSSF Portfolio #103	11,999,686	A share
9. ICBC — Bosera Select Stock Fund	11,999,594	A share
10. China Unicom Telecommunications Corporation Ltd., Jilin Branch	10,533,037	A share
Descriptions of any connected party relationships or concerted party relationships among the above shareholders	<p>1. Zhongxingxin was a connected party (as defined under the Shenzhen Listing Rules), but not a concerted party, of the 7th ranking shareholder among the top 10 shareholders and the top 10 holders of shares not subject to lock-up. Save as aforesaid, there were no connected party relationships or concerted party relationships between Zhongxingxin and other top 10 shareholders and other top 10 holders of shares not subject to lock-up listed above.</p> <p>2. Save as aforesaid, the Company is not aware of any connected party relationships or concerted party relationships among other top 10 shareholders and other top 10 holders of shares not subject to lock-up.</p>	
Description of top 10 shareholders’ involvement in financing and securities lending businesses (if any)	N/A	

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

Yes No

The Company had no preferential shares

§3 MATERIAL MATTERS

3.1 Substantial changes in major accounting items and financial indicators of the Company and the reasons thereof

Unit: RMB in thousands

Balance sheet

Item	As at 31 March 2015	As at 31 December 2014	Change	Analysis of reasons
Bills receivable	3,417,848	2,086,771	63.79%	Mainly attributable to increased use of acceptance bills in customer payments for the period
Other receivables	2,876,576	2,159,677	33.19%	Mainly attributable to the increase in export tax rebate receivables for the period
Construction in progress	405,166	262,863	54.14%	Mainly attributable to increased investment in certain projects in progress for the period
Financial liabilities dealt with at fair value through current profit and loss	34,590	70,604	(51.01%)	Mainly attributable to the settlement of certain derivative products upon maturity for the period
Other equity instruments	7,415,500	—	100.00%	Mainly attributable to the issue of perpetual medium term notes by the Company for the period
Other comprehensive income	(640,579)	(464,275)	(37.97%)	Mainly attributable to the increase in losses on translation differences of foreign currency statements due to exchange rate volatility for the period

Income Statement (Three months ended 31 March)

Item	Three months ended 31 March 2015	Three months ended 31 March 2014	Change	Analysis of reasons
Taxes and surcharges	439,250	273,362	60.68%	Mainly attributable to the increase of revenue subject to business tax for the period
Finance expenses	815,099	207,524	292.77%	Mainly attributable to exchange losses due to exchange rate volatility for the period versus exchange gains arising from exchange rate volatility for the same period last year, but the exchange losses were partially offset by gains in foreign exchange derivative investment (presented under “Gains/(Losses) from changes in fair values” and “Investment income”) for the period
Gains/(Losses) from changes in fair values	54,028	(309,328)	117.47%	Mainly attributable to the gains arising from revaluation of fair value of certain derivative investments at the end of the period versus revaluation losses for the same period last year
Investment income	268,992	22,172	1,113.21%	Mainly attributable to the increase in gains arising from certain derivative investments for the period
Non-operating expenses	34,336	18,564	84.96%	Mainly attributable to the increase in compensation expenses for the period
Income tax	270,517	144,252	87.53%	Mainly attributable to the increase in taxable profit of certain subsidiaries for the period
Non-controlling interests	(21,734)	5,143	(522.59%)	Mainly attributable to the increase in losses incurred by subsidiaries with higher levels of non-controlling interests for the period
Other comprehensive income, net of income tax effect on respective items	(176,304)	130,676	(234.92%)	Mainly attributable to losses on translation differences of foreign currency statements for the period versus gains for the same period last year
Other comprehensive income attributable to non-controlling interests, net of tax	168,363	(5,761)	3,022.46%	Mainly attributable to gains arising from changes in the fair value of available-for-sale financial assets held by subsidiaries with higher levels of non-controlling interests for the period versus losses for the same period last year
Comprehensive income attributable to non-controlling interest	146,629	(618)	23,826.38%	Mainly attributable to gains arising from changes in the fair value of available-for-sale financial assets held by subsidiaries with higher levels of non-controlling interests for the period versus losses for the same period last year

Cash Flow Statement (Three months ended 31 March)

Item	Three months ended 31 March 2015	Three months ended 31 March 2014	Change	Analysis of reasons
Net cash flows from operating activities	(3,813,204)	(2,190,102)	(74.11%)	Mainly attributable to the increase in cash paid for the purchase of goods and services for the period
Net cash flows from investing activities	(433,553)	(8,121)	(5,238.67%)	Mainly reflecting the combined effect of the decrease in cash received from the sale of investment and the increase in cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets for the period
Net cash flows from financing activities	4,910,353	99,199	4,850.00%	Mainly attributable to the increase in cash received from the issue of perpetual medium term notes for the period
Effect of changes in foreign exchange rate on cash and cash equivalents	(72,563)	85,969	(184.41%)	Mainly attributable to exchange losses due to exchange rate volatility for the period versus gains for the same period last year

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

3.2.1 Statement of qualified opinion

Applicable N/A

3.2.2 Provision of any funds by the Company to the controlling shareholders or its connected parties or provision of third-party guarantees in violation of stipulated procedures

Applicable N/A

3.2.3 Execution and performance of material contracts in day-to-day operations

During the reporting period, the Company did not enter into any materials contracts requiring disclosure. Progress of material contracts entered into prior to the reporting period is set out as follows:

No.	Contents of material contracts	Date of domestic announcements	Pricing principle	Transaction prices	Whether a connected transaction	Performance status as at the end of the reporting period
1	Framework agreement and business contracts thereunder between the Company and Ethiopian Telecommunications Corporation	30 April 2007	By reference to market prices	Business contracts under the framework agreement amounted to USD200 million	No	Under normal progress
2	GSM Phase II project contract between the Company and Ethiopian Telecommunications Corporation	20 September 2007	By reference to market prices	USD478 million	No	Under normal progress
3	Network Supply Agreement and Managed Service Agreement between the Company and its subsidiary ZTE Corporation South Africa (PTY) Limited on the one hand and Cell C (PTY) LTD., a South African mobile telecommunications operator, and its controlling shareholder OGER TELECOM (SOUTH AFRICA) (PTY) Limited, on the other	27 January 2010	By reference to market prices	USD378 million	No	Under normal progress
4	Framework Agreement of Chipset Procurement for Calendar Years 2012–2015 between the Company and Qualcomm	21 February 2012	By reference to market prices	Subject to long-term supply contracts signed between the two parties and specific purchase orders	No	Under normal progress

3.2.4 Others

3.2.4.1 Registration and Issue of Perpetual Medium Term Note by the Company

To further facilitate the Company's business development and optimise its debt structure, the Company has proposed to apply to National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會) for the registration and issue of perpetual medium term note with an amount of not more than RMB9 billion. A perpetual medium term note ("Medium Term Note") is a medium term note under which the issuer does not specify due dates but has the options of redeeming the note and deferring interest payments, while creditors are, usually, not entitled to demand redemption but are entitled to interest payments as agreed.

The aforesaid matter was considered and approved at the Twentieth Meeting of the Sixth Session of the Board of Directors and the First Extraordinary General Meeting of 2014 of the Company. For details please refer to the “Announcement Resolutions of the Twentieth Meeting of the Sixth Session of the Board of Directors” and “Announcement on Resolutions of the First Extraordinary General Meeting of 2014” published on 22 August 2014 and 15 October 2014. The National Association of Financial Market Institutional Investors has accepted the registration of the RMB9 billion Medium Term Note of the Company. For details, please refer to the “Announcement on the Approval of Registration for the Issue of Medium Term Note” published by the Company on 15 December 2014.

On 27 January 2015, the Company completed the issue of 2015 Tranche I Medium Term Notes for an amount of RMB6 billion. For details, please refer to the “Announcement on the Result of the Medium Term Notes Issue” published by the Company on 27 January 2015. On 6 February 2015, the Company completed the issue of 2015 Tranche II Medium Term Notes for an amount of RMB1.5 billion. For details, please refer to the “Announcement on the Result of the Medium Term Notes Issue” published by the Company on 6 February 2015.

3.2.4.2 Provision of guarantee for ZTE HK or ZTE Netherlands by the Company

With a view to further optimising the long-term and short-term debt financing structure of the Company and the subsidiaries included in its consolidated financial statements, reducing exposure to assets and liabilities denominated in foreign currencies, and meeting working capital requirements for the Company’s medium- to long-term development at appropriate financial costs, the Company has proposed to seek outside Mainland China medium- to long-term debt financing (including but not limited to banks facilities and issue of bonds) with ZTE (H.K.) Limited (“ZTE HK”) or ZTE COOPERATIEF UA (“ZTE Netherlands”), each a wholly-owned subsidiary, as the principal. In view of the current financial conditions and credit rating of ZTE HK and ZTE Netherlands, the Company has proposed to provide guarantee for ZTE HK or ZTE Netherlands by way of joint liability assurance for an amount of not more than EUR200 million (or the equivalent in other currencies, calculated according to the Company’s foreign currency statement book exchange rate) in relation to the aforesaid debt financing, in order to secure debt financing at favourable costs.

The aforesaid matter was considered and approved at the Twenty-fifth Meeting of the Sixth Session of the Board of Directors of the Company and is pending approval at the 2014 Annual General Meeting to be convened on 28 May 2015. For details please refer to the “Announcement Resolutions of the Twenty-fifth Meeting of the Sixth Session of the Board of Directors” and “Announcement on the Provision of Guarantee for a Wholly-owned Subsidiary” published by the Company on 25 March 2015.

3.2.4.3 Information on the share option incentive scheme of the Company

The share option incentive scheme implemented by the Company is aimed at further improving the corporate governance structure of the Company, bolstering its incentive mechanism, strengthening the loyalty and sense of responsibility on the part of the management team and key employees of the Company, retaining talents to facilitate the sustainable development of the Company and ensure the achievement of the Company's development objectives. The share option incentive scheme implemented by the Company has been approved by regulatory authorities including SASAC of the State Council, China Securities Regulatory Commission ("CSRC") and The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") and the Remuneration and Evaluation Committee, Board of Directors, Supervisory Committee and general meeting of the Company. Pursuant to the "Resolution on Matters pertaining to the Grant of Share Options under the Share Option Incentive Scheme of the Company" considered and passed at the Eleventh Meeting of the Sixth Session of the Board of Directors of the Company held on 31 October 2013, the date of grant has been set for 31 October 2013 (Thursday), on which 102.989 million share options were granted to 1,528 Scheme Participants. For details of the share option incentive scheme implemented by the Company, please refer to the section headed "Material Matters — (V) Implementation and Impact of the Company's Share Option Incentive Scheme" in the 2014 Annual Report of the Company.

The share option incentive scheme of the Company was under normal operation during the reporting period.

3.2.4.4 Information on the corporate bonds of the Company

To meet the Company's working capital requirements, further improve its debt structure and lower its finance costs, the Company was given approval to issue corporate bonds with a nominal value of not more than RMB6 billion in accordance with relevant provisions of the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, Trial Measures for the Issue of Corporate Bonds and other pertinent laws, regulations and regulatory documents, following consideration and approval at the Twenty-sixth Meeting of the Fifth Session of the Board of Directors of the Company held on 8 March 2012 and the First Extraordinary General Meeting of 2012 of the Company held on 11 April 2012 and approval by the CSRC by virtue of the document Zheng Jian Xu Ke [2012] No. 754. The bonds were issued at a price of RMB100 each with a coupon interest rate of 4.20% for a term of 3 years. The issue was conducted by way of a combination of online offering to public investors and offline bid placing to institutional investors. Corporate bonds under the issue were listed on the Shenzhen Stock Exchange on 16 July 2012 under the bond code "112090" and the abbreviated bond name "12中興01".

The corporate bond interest payment for 2014 was completed on 13 June 2014 and the total amount of interest payment made was RMB252 million (before tax). For details, please refer to the Overseas Regulatory Announcement published by the Company on 4 June 2014.

As at 31 March 2015, there were 271 holders of the corporate bonds, the top ten of which were as follows:

Number	Name of bond holders	Number of bonds held	Bond holding ratio
1	China Merchants Bank Co., Ltd.	10,000,000	16.67%
2	Industrial and Commercial Bank of China Limited	9,300,000	15.50%
2	China Construction Bank Corporation	9,300,000	15.50%
4	Bank of Communications — ICBC Credit Suisse Pure Bond Fixed-term Open-ended Bond Fund	4,899,621	8.17%
5	China Merchants Securities Co., Ltd.	2,337,074	3.90%
6	Bank of China Investment Management — BOC — Bank of China Limited	1,241,882	2.07%
7	China Merchants Bank — BOC Stable Profit and Dividend Bond Fund	1,100,006	1.83%
8	Dongguan Securities — China Clearing — Qi Feng Tian Tian Li Asset Pool Management Plan	1,088,648	1.81%
9	China Merchants Bank Co., Ltd. — BOC Multi-strategic Flexible Allocation Hybrid Fund	1,022,991	1.70%
10	NSSF Portfolio #409	1,000,000	1.67%

3.2.4.5 Material litigation and arbitration during the reporting period

There was no material litigation or arbitration of the Group occurring during the reporting period. For details of the progress in the reporting period of immaterial litigation and arbitration proceedings occurring prior to the reporting period, please refer to the section headed “Material Matters” in the 2014 Annual Report of the Company.

3.2.4.6 Conduct of continuing connected transactions during the reporting period

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

Counterparty to connected transaction	Nature of connection	Classification	Subject matter	Pricing principle	Price (RMB)	Amount (RMB in ten thousands)	As a percentage of transactions in the same classification		Market price for similar transactions available	Domestic announcement date	Domestic announcement index
							(%)	Settlement			
Zhongxingxin and its subsidiaries	Controlling shareholder of the Company and its subsidiaries	Purchase of raw materials	The purchase of cabinets and related accessories, cases and related accessories, shelters, railings, antenna poles, optical products, refined processing products, packaging materials, FPC, R-FPC and components by the Company from the connected party	Purchase of raw materials and lease of properties by the Company and its subsidiaries from connected parties at prices determined through arm's length negotiations and on the basis of normal commercial terms. Continuing connected transactions in respect of the Group's purchases from connected parties were conducted in the ordinary course of business of the two parties on normal commercial terms and terms no less favourable than those available to or from (as the case may be) independent third parties. Prices at which the Group leased properties from connected parties were not higher than market rent levels for similar properties in neighbouring areas. The prices of leased properties were determined through arm's length negotiations based on normal commercial terms. Transaction prices at which products were sold by the Group to connected parties were based on market prices and were not lower than prices at which similar products of similar quantities were purchased by third parties from the Group, taking into consideration of factors relating to the specific transactions such as conditions of the projects, size of transaction and product costs.	Cabinets and related accessories: RMB1-RMB30,000 per unit; cases and related accessories: RMB1-RMB15,000 per unit depending on level of sophistication; Shelters: RMB5,000-RMB100,000 per unit depending on measurement, materials used and configuration; Railings: RMB1,000-50,000 per piece depending on level of sophistication and functional features; Antenna poles: RMB200-2,000 per piece depending on level of sophistication and functional features; Optical products: RMB1.3-30,000 per unit depending on level of sophistication and functional features; Refined-processing products: RMB0.5-50,000 per unit depending on level of sophistication and functional features; Packaging materials: RMB0.01-5,000 per piece depending on level of sophistication and functional features; FPC, R-FPC and components: RMB0.5-100 per piece depending on measurement, level of process sophistication and materials used.	16,915.86	1.31%	Commercial acceptance bill	N/A	2012-12-29	Announcement No. 201263 "Announcement on Projected Continuing Connected Transactions under the Rules Governing Listing of Stocks on The Shenzhen Stock Exchange"
Mobi Antenna Technologies (Shenzhen) Co., Ltd. ("Mobi Antenna")	A company at which a supervisor of the Company's controlling shareholder acted as director	Purchase of raw materials	The purchase of various products such as communications antennas, radio frequency transmitter, feeder and terminal antenna by the Company from the connected party	The prices of leased properties were determined through arm's length negotiations based on normal commercial terms. Transaction prices at which products were sold by the Group to connected parties were based on market prices and were not lower than prices at which similar products of similar quantities were purchased by third parties from the Group, taking into consideration of factors relating to the specific transactions such as conditions of the projects, size of transaction and product costs.	Communication antenna: RMB100-RMB9,999 per piece depending on technical parameters and functional features; Radio frequency transmitter: RMB100-9,999 per unit depending on technical parameters and functional features; Feeder: RMB1-200 per unit depending on technical parameters and functional features; Terminal antenna: RMB0.1-100 per piece depending on technical parameters and functional features.	36,382.72	2.82%	Commercial acceptance bill	N/A	2012-12-29	Announcement No. 201263 "Announcement on Projected Continuing Connected Transactions under the Rules Governing Listing of Stocks on The Shenzhen Stock Exchange"
Huatong Technology Company Limited ("Huatong")	Subsidiary of a company for which the Chairman of the Company concurrently acted as chairman	Purchase of software outsourcing services	The purchase of personnel hiring and project outsourcing services by the Company from the connected party	Senior engineer at a price ranging from RMB450-680 per head/day; Intermediate-grade engineer at a price ranging from RMB330-520 per head/day; Junior engineer at a price ranging from RMB230-400 per head/day; Technician at a price ranging from RMB190-230 per head/day.	414.97	0.03%	Tele-transfer	N/A	2014-12-24	Announcement No. 201451 "Announcement on Projected Continuing Connected Transactions under the Rules Governing Listing of Stocks on The Shenzhen Stock Exchange"	
Zhongxing Software Technology (Nanchang) Company Limited ("Nanchang Software")	A company of which the majority of board members can be controlled by another company for which the Chairman of the Company concurrently acted as chairman	Purchase of software outsourcing services	The purchase of personnel hiring and project outsourcing services by the Company from the connected party	Senior engineer at a price ranging from RMB450-680 per head/day; Intermediate-grade engineer at a price ranging from RMB330-520 per head/day; Junior engineer at a price ranging from RMB230-400 per head/day; Technician at a price ranging from RMB190-230 per head/day.	625.01	0.05%	Tele-transfer	N/A	2014-12-24	Announcement No. 201451 "Announcement on Projected Continuing Connected Transactions under the Rules Governing Listing of Stocks on The Shenzhen Stock Exchange"	
Shenzhen Zhongxing Hetai Hotel Investment and Management Company Limited ("Zhongxing Hetai") and its subsidiaries	Subsidiary of the company for which the Chairman of the Company concurrently acted as chairman	Purchase of hotel services	The purchase of hotel services by the Company from the connected party	The purchase price is not higher than the price at which products (or services) are sold by Zhongxing Hetai to other customers purchasing similar products (or services) in similar quantities. The actual price will be confirmed upon execution of specific agreements by the two parties.	861.56	0.07%	Tele-transfer	N/A	2014-5-30	Announcement No. 201424 "Announcement on Projected Continuing Connected Transactions under the Rules Governing Listing of Stocks on The Shenzhen Stock Exchange"	
Zhongxing Development Company Limited ("Zhongxing Development")	A Company for which the Chairman of the Company concurrently acted as chairman	Property leasing	Lease of property located at No. 19 Huayuan East Road, Haidian District, Beijing with an intended leased area of 32,000 sq.m.; Lease of 25 ground level parking spaces and 138 underground parking spaces by the Company from the connected party	Monthly rent of RMB130/sq.m.; monthly rent of ground level parking spaces of RMB150 each; monthly rent of underground parking spaces of RMB500 each. (Property management undertaken by ZTE and no management fees are payable.)	1,003.24	5.60%	Tele-transfer	N/A	2012-12-29	Announcement No. 201263 "Announcement on Projected Continuing Connected Transactions under the Rules Governing Listing of Stocks on The Shenzhen Stock Exchange"	
Chongqing Zhongxing Development Company Limited ("Chongqing Zhongxing Development")	Subsidiary of the company for which the Chairman of the Company concurrently acted as chairman	Property leasing	Lease of property located at No. 3 Xing Guang Wu Road, North New District, Chongqing with an intended leased area of 20,000 sq.m. and 97 parking spaces by the Company from the connected party	Monthly rent of RMB50/sq.m. and RMB45/sq.m. for the office (for a maximum leased GFA of 18,532.08 sq.m.) and cafeteria for a maximum leased GFA of 1,467.92 sq.m.) respectively; monthly garden area management fee of RMB3/sq.m. based on actual GFA leased; monthly rent of parking space: RMB150 each.	224.74	1.25%	Tele-transfer	N/A	2014-12-24	Announcement No. 201451 "Announcement on Projected Continuing Connected Transactions under the Rules Governing Listing of Stocks on The Shenzhen Stock Exchange"	

Counterparty to connected transaction	Nature of connection	Classification	Subject matter	Pricing principle	Price (RMB)	As a percentage of transactions in the same classification		Settlement	Market price for similar transactions available (RMB)	Domestic announcement date	Domestic announcement index
						Amount (RMB in ten thousands)	(%)				
Zhongxing Hetai and its subsidiaries	Subsidiary of the company for which the Chairman of the Company concurrently acted as chairman	Lease of property and equipment and facilities	The lease of property and related equipment and facilities to the connected party by the Company		Six months ended 30 June 2015: Rent: RMB68/sq.m./month for hotel and related equipment and facilities in Dameisha in Shenzhen; RMB42/sq.m./month for hotel and related equipment and facilities in Nanjing; RMB110/sq.m./month for hotel and related equipment and facilities in Shanghai; and RMB41/sq.m./month for hotel and related equipment and facilities in Xi'an.	1,672.91	41.98%	Tele-transfer	N/A	2014-5-30	Announcement No. 201424 "Announcement on Projected Continuing Connected Transactions under the Rules Governing Listing of Stocks on The Shenzhen Stock Exchange"
Zhongxing Hetai and its subsidiaries	Subsidiary of the company for which the Chairman of the Company concurrently acted as chairman	Financial services	The provision of deposit services by ZTE Group Finance Co., Ltd. ("ZTE Group Finance") to the connected party		The standard deposit interest rate announced by the People's Bank of China ("PBOC") was adopted; in case the interest rate announced by PBOC was not applicable, ZTE Group Finance would pay interest to the connected party at a rate not higher than the interest rate level adopted by similar businesses carried out by other independent financial institutions.	3,802.85 ^{note 1}	1.01%	Tele-transfer	N/A	2015-3-26	Announcement No. 201512 "Announcement on Projected Continuing Connected Transactions under the Rules Governing Listing of Stocks on The Shenzhen Stock Exchange"
深圳市航天歐華科技發展有限公司 ("航天歐華")	Subsidiary of a company for which a Director of the Company acted as director	Sale of products	The sale of digital communications products and communications products by the Company to the connected party		Based on market prices and not lower than prices at which similar products of similar quantities were purchased by third parties from the Company, taking into consideration factors relating to the specific transactions such as conditions of the projects, size of transaction and product costs.	6,355.14	0.30%	Tele-transfer or bank acceptance bill	N/A	2014-10-24	Announcement No. 201446 "Announcement on Projected Continuing Connected Transactions under the Rules Governing Listing of Stocks on The Shenzhen Stock Exchange"
Nanchang Software	A company of which the majority of board members can be controlled by another company for which the Chairman of the Company concurrently acted as chairman	Sales of products and rendering of services	The provision by the Company to the connected party of software and hardware equipment and engineering services required for smart campus and campus IT development, and integrated solutions for smart traffic, city emergency command system, smart military camp and government/corporate IT systems		Based on market prices and not lower than prices at which similar products of similar quantities were purchased by third parties from the Company, taking into consideration factors relating to the specific transactions such as conditions of the projects, size of transaction and product costs.	—	—	Tele-transfer	N/A	2014-12-24	Announcement No. 201451 "Announcement on Projected Continuing Connected Transactions under the Rules Governing Listing of Stocks on The Shenzhen Stock Exchange"
Total				—	—	68,259.00	N/A	—	—	—	—
Detailed information of substantial sales return				None							
Necessity and continuity of connected transactions and reasons for choosing to conduct transactions with the connected party (rather than other parties in the market)				The aforesaid connected parties were able to manufacture products required by the Group and provide quality products, services and lease properties in sound conditions at competitive prices. The Company considers trustworthy and cooperative partners as very important and beneficial to its operations.							
Effect of the connected transaction on the independence of the listed company				All transactions between the Company and the connected parties were in compliance with pertinent national laws and regulations without any compromise to the interest of the Company and its shareholders. The Company was not dependent on the connected parties and the connected transactions would not affect the independence of the Company.							
The Company's dependence on the connected party and relevant solutions (if any)				The Company was not dependent on the connected parties.							
Projected total amount of continuing connected transaction during the period by type and actual performance during the reporting period (if any)				<p>At the Thirty-eighth Meeting of the Fifth Session of the Board of Directors of the Company held on 28 December 2012, it was considered and approved that the estimated purchases from Zhongxingxin, a connected party, and its subsidiaries by the Group in 2015 be capped at RMB1,100 million (before VAT);</p> <p>At the Thirty-eighth Meeting of the Fifth Session of the Board of Directors of the Company held on 28 December 2012, it was considered and approved that the estimated purchases from Mobi Antenna, a connected party, by the Group in 2015 be capped at RMB900 million (before VAT);</p> <p>At the Twenty-third Meeting of the Sixth Session of the Board of Directors of the Company held on 23 December 2014, it was considered and approved that the estimated purchases from Huatong and Nanchang Software, both connected parties, by the Company in 2015 be capped at RMB60 million and RMB51 million, respectively (before VAT);</p> <p>At the Twenty-third Meeting of the Sixth Session of the Board of Directors of the Company held on 23 December 2014, it was considered and approved that the estimated sales of products and rendering of services to Nanchang Software, a connected party, by the Company in 2015 be capped at RMB29 million (before VAT);</p> <p>At the Thirty-eighth Meeting of the Fifth Session of the Board of Directors of the Company held on 28 December 2012, it was considered and approved that the annual rent payable by the Company to Zhongxing Development, a connected party, for property lease, be capped at RMB50.80 million for a term commencing on 18 April 2013 and ending on 17 April 2015;</p> <p>At the Twenty-third Meeting of the Sixth Session of the Board of Directors of the Company held on 23 December 2014, it was considered and approved that the annual rent payable by the Company to Chongqing Zhongxing Development, a connected party, for property lease, be capped at RMB13 million for a term commencing on 1 January 2015 and ending on 31 December 2017;</p> <p>At the Eighteenth Meeting of the Sixth Session of the Board of Directors of the Company held on 29 May 2014, it was considered and approved that the estimated amount payable by the Company to Zhongxing Hetai, a connected party, and its subsidiaries to procure hotel services be capped at RMB90 million for the period commencing on 1 July 2014 and ending on 30 June 2015; and the estimated amount payable by Zhongxing Hetai and its subsidiaries to the Company for the lease of properties and related equipment and facilities be capped at RMB75 million for the period commencing on 1 July 2014 and end on 30 June 2015;</p> <p>At the Twenty-fifth Meeting of the Sixth Session of the Board of Directors of the Company held on 25 March 2015, it was considered and approved that the estimated daily deposit balance (principal cum interest) of the deposit service provided by ZTE Group Finance to Zhongxing Hetai and its subsidiaries in 2015 shall be capped at RMB70 million;</p> <p>At the Twenty-second Meeting of the Sixth Session of the Board of Directors of the Company held on 23 October 2014, it was considered and approved that the estimated sales of digital communications products and communications products to 航天歐華 by the Company in 2015 be capped at RMB1,000 million (before VAT); and</p> <p>Please refer to the above table for details of the execution of the aforesaid connected transactions.</p>							
Reason for the substantial difference between transaction prices and referential market prices (if applicable)				N/A							

Note 1: The amount represented the estimated maximum daily deposit balance (principal cum interest) for the three months ended 31 March 2015.

Note 2: ZTE Group Finance provided settlement services to Zhongxing Hetai and its subsidiaries in 2015, and the funds utilised for settlement were limited to the cash deposits placed with ZTE Group Finance by Zhongxing Hetai and its subsidiaries. No handling fees were charged for such settlement service.

3.3 Undertakings by the Company or shareholders interested in 5% or more of the shares in the Company occurring during the reporting period or occurring in previous periods but subsisting in the reporting period

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

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

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

Applicable N/A

3.5 Other material matters requiring disclosure

3.5.1 Investment in securities and holding of equity interests in other listed companies

1. Investment in securities

(1) Investment in securities at the end of the reporting period

Unit: RMB in ten thousands

Type of securities	Stock code	Stock name	Initial investment	Shares held at the beginning of the period (10 thousand shares)	Shareholding percentage at the beginning of the period	Shares held at the end of the period (10 thousand shares)	Shareholding percentage at the end of the period	Nominal value at the end of the period	Profit and loss in the reporting period	Accounting classification	Source of shares
Convertible bonds ^{Note 1}	N/A	N/A	16,309.61	N/A	N/A	N/A	N/A	—	105.70	Other receivables	Initial investment
Convertible bonds ^{Note 2}	N/A	N/A	28,293.65	N/A	N/A	N/A	N/A	28,006.30	140.03	Other receivables and other non-current assets	Initial investment
Other investment in securities held at the end of the period			—	—	—	—	—	—	—	—	—
Total			44,603.26	N/A	—	N/A	—	28,006.30	245.73	—	—

Note 1: China All Access (Holdings) Limited (“China All Access”) is a company listed on Hong Kong Stock Exchange. The initial investment for acquisition of China All Access convertible bonds by ZTE HK, a wholly-owned subsidiary of the Company, amounted to approximately HKD201.5 million, equivalent to approximately RMB163.1 million based on the Company’s foreign currency statement book exchange rate (HKD1: RMB0.80941) on 31 January 2013.

Note 2: The initial investment for acquisition of China All Access convertible bonds by ZTE HK, a wholly-owned subsidiary of the Company, amounted to approximately HKD350.0 million, equivalent to approximately RMB282.9 million based on the Company’s foreign currency statement book exchange rate (HKD1: RMB0.80839) on 28 February 2015. The nominal value of the investment as at the end of the reporting period was approximately HKD350.0 million, equivalent to approximately RMB280.1 million based on the Company’s foreign currency statement book exchange rate (HKD1: RMB0.80018) on 31 March 2015.

(2) Details of investment in securities

Pursuant to the “Resolution on the subscription for shares and convertible bonds of China All Access (Holdings) Limited by ZTE HK” considered and passed at the Thirty-sixth Meeting of the Fifth Session of the Board of Directors of the Company held on 16 November 2012, ZTE HK, a wholly-owned subsidiary of the Company, entered into the “Agreement on the Subscription for Shares and Convertible Bonds of China All Access (Holdings) Limited” with China All Access on 16 November 2012. On 15 January 2013, ZTE HK completed subscription for convertible bonds with a principal amount of HKD201.5 million issued by China All Access for a total cash consideration of HKD201.5 million. On 14 January 2015, the HKD201.5 million China All Access convertible bonds held by ZTE HK were converted into 92,177,493 China All Access shares at a conversion price of HKD2.186 per share.

Pursuant to the “Resolution on the subscription of China All Access (Holdings) Limited convertible bonds by ZTE HK” considered and approved at the Twenty-third Meeting of the Sixth Session of the Board of Directors of the Company held on 23 December 2014, ZTE HK, a wholly-owned subsidiary of the Company, entered into the “Agreement in relation to the Subscription of CHINA ALL ACCESS (HOLDINGS) LIMITED Convertible Bonds” with China All Access on 23 December 2014 for the subscription of convertible bonds issued by China All Access with a principal amount of HKD350,000,000 at an annual interest rate of 6% and with the principle amount paid annually within two years. On 26 February 2015, ZTE HK completed the subscription of the China All Access convertible bonds with an amount of HKD350.0 million.

As at the end of the reporting period, ZTE HK held convertible bonds of China All Access in the amount of HKD350.0 million. The convertible bonds held by ZTE HK have been classified as other receivables and other non-current assets. Interest income arising from the convertible bonds has been included in current profit and loss.

2. Holding of equity interests in other listed companies

(1) Holding of equity interests in other listed companies at the end of the reporting period

Unit: RMB in ten thousands

Type of securities	Stock code	Stock name	Initial investment	Shares held at the beginning of the period (10 thousand shares)	Shareholding percentage at the beginning of the period	Shares held at the end of the period (10 thousand shares)	Shareholding percentage at the end of the period	Nominal value at the end of the period	Profit and loss in the reporting period	Accounting classification	Source of shares
Stock	300322	Speed ^{Note 1}	762.79	480.00	2.14%	480.00	2.14%	9,792.00	—	Available-for-sale financial assets	Initial investment
Stock	603118	Gongjin Electronics ^{Note1}	4,274.93	1,037.15	3.46%	1,037.15	3.46%	29,558.88	—	Available-for-sale financial assets	Initial investment
Stock	00633.HK	China All Access ^{Note 2}	32,619.22	9,698.20	6.13%	13,889.35	8.25%	32,008.26	3,630.60	Available-for-sale financial assets	Initial investment and conversion from bonds
Total			37,656.94	11,215.35	—	15,406.50	—	71,359.14	3,630.60	—	—

Note 1: Figures corresponding to Huizhou Speed Wireless Technology Co., Ltd. (“Speed”) and Shenzhen Gongjin Electronics Co.,Ltd.(“Gongjin Electronics”) are provided with Shenzhen Zhonghe Chunsheng Partnership Private Equity Fund I (“Zhonghe Chunsheng Fund”) as the accounting subject.

Note 2: The initial investment for ZTE HK’s acquisition of China All Access shares amounted to approximately HKD201.5 million, equivalent to approximately RMB163.1 million based on the Company’s foreign currency statement book exchange rate (HKD1: RMB0.80941) on 31 January 2013. The nominal value of the China All Access shares held by ZTE HK as at the end of the reporting period was approximately HKD400.0 million, equivalent to approximately RMB320.1 million based on the Company’s foreign currency statement book exchange rate (HKD1: RMB0.80018) on 31 March 2015.

(2) Details of holding of equity interests in other listed companies

A. Shareholdings in Speed

As at the end of the reporting period, the Company and Shenzhen ZTE Capital Management Company Limited (“ZTE Capital”) held in aggregate 31% equity interests in Zhonghe Chunsheng Fund, a partnership reported in the consolidated financial statements of the Company. As at the end of the reporting period, Zhonghe Chunsheng Fund held 4.80 million shares in or 2.14% of the total share capital of Speed (a company listed on the GEM Board of the Shenzhen Stock Exchange), following the implementation of the 2013 profit distribution and capitalisation of capital reserve plans of Speed.

B. Shareholdings in Gongjin Electronics

As at the end of the reporting period, the Company and ZTE Capital held in aggregate 31% equity interests in Zhonghe Chunsheng Fund, a partnership reported in the consolidated financial statements of the Company. As at the end of the reporting period, Zhonghe Chunsheng Fund held 10,371,500 shares in or 3.46% of the total share capital of Gongjin Electronics (a company listed on the Main Board of the Shanghai Stock Exchange).

C. Shareholdings in China All Access

Pursuant to the “Agreement on the Subscription for Shares and Convertible Bonds of China All Access (Holdings) Limited” entered into by ZTE HK, a wholly-owned subsidiary of the Company, with China All Access on 16 November 2012, ZTE HK subscribed for 112 million shares allotted and issued by China All Access on 15 January 2013 for a total cash consideration of HKD201.5 million.

For details of the conversion transaction of the China All Access convertible bonds held by ZTE HK, please refer to details of investment in securities in this section.

As at the end of the reporting period, ZTE HK held 138,893,500 shares in China All Access, accounting for approximately 8.25% of the total share capital of China All Access. Shares held by ZTE HK have been classified as available-for-sale financial assets and recognised in capital reserve at fair value.

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

3.5.2 Reception of researchers, communications and press interviews during the reporting period

During the Reporting Period, the Company hosted 4 receptions of investors for research purposes and received 7 institutional investors. No individual investors or other researchers have been received. For details, please refer to the following table. The Company has not disclosed, divulged or given away any unpublished material information to investors.

Nature	Time	Location	Mode	Audience received	Key contents of discussion	Materials furnished
External meetings	January 2015	Shanghai	UBS investors' meeting	Customers of UBS	Day-to-day operations of the Company	Published announcements and regular reports
	January 2015	Shenzhen	Guosen Securities investors' meeting	Customers of Guosen Securities	Day-to-day operations of the Company	Published announcements and regular reports
	January 2015	Shenzhen	Sinolink Securities investors' meeting	Customers of Sinolink Securities	Day-to-day operations of the Company	Published announcements and regular reports
	January 2015	Shenzhen	Orient Securities investors' meeting	Customers of Orient Securities	Day-to-day operations of the Company	Published announcements and regular reports
Presentation of the Company	March 2015	Hong Kong	Results presentation	Analysts and investors	2014 Annual Report	Published announcements and regular reports
Company visits by investors	January to March 2015	Company	Verbal	Overseas investors Jana Partners, Value Partners, Resona Bank HK	Day-to-day operations of the Company	Published announcements and regular reports
	January to March 2015	Company	Verbal	Domestic investors China Securities, New China Asset Management, First Capital Securities, Truvalue Asset Management	Day-to-day operations of the Company	Published announcements and regular reports

3.6 Derivative Investments

Unit: RMB in ten thousands

Name of party operating the derivative investment	Connected relationship	Whether a connected transaction	Type of derivative investment ^{Note 1}	Initial investment amount in the derivative investment		Opening balance of investment amount	Impairment provision (if any)	Closing balance of investment amount	Closing balance of investment amount as a percentage of net assets ^{Note 2} of the Company at the end of the period (%)	Actual profit or loss for the reporting period	
				Start date	End date						
HSBC	N/A	No	Interest rate swap ^{Note 3}	—	2011/12/19	2016/7/8	31,002.50	—	31,029.50	0.9%	—
Standard Chartered Bank	N/A	No	Interest rate swap ^{Note 3}	—	2011/12/22	2016/7/8	31,002.50	—	31,029.50	0.9%	—
BOC	N/A	No	Foreign exchange forwards	—	2014/7/21	2015/12/31	195,576.94	—	113,363.16	3.4%	5,034.95
BNP Paribas	N/A	No	Foreign exchange forwards	—	2014/10/16	2015/12/31	171,398.53	—	98,389.43	3.0%	4,369.90
CITIC Bank	N/A	No	Foreign exchange forwards	—	2015/2/3	2015/12/28	32,336.23	—	34,118.63	1.0%	1,515.36
Other banks	N/A	No	Foreign exchange forwards	—	2014/10/16	2015/12/31	284,498.51	—	241,173.47	7.3%	13,467.87
Total				—	—	—	745,815.21	—	549,103.69	16.5%	24,388.08
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 Sixteen Meeting of the Sixth Session of the Board of Directors” and “Announcement on the Application for Derivative Investment Limits for 2014”, both dated 26 March 2014.							
Date of announcement of the general meeting in respect of the approval of derivative investments (if any)				“Announcement on Resolutions of the 2013 Annual General Meeting” dated 29 May 2014.							
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 2015. The major risks and control measures are 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 derivatives 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; Liquidity risks: The value-protection derivatives 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 banks with sound credit ratings and long-standing business relationships with the Company and therefore the transactions were basically free from performance risks; Other risks: Failure of personnel in charge to operate derivative investments in accordance with stipulated procedures or fully understand information regarding derivatives in actual operation may result in operational risks; Obscure terms in the trade contract may result in legal risks; Control measures: The Company addressed legal risks by entering into contracts with clear and precise terms with counterparty banks and strictly enforcing its risk management system. The Company has formulated the “Risk Control and Information Disclosure System relating to Investments in Derivatives” that contains specific provisions for the risk control, review procedures and subsequent management of derivative investments, so that derivative investments will be effectively regulated and risks relating to derivative investments duly controlled. 							
Market prices or fair-value change 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 from investments in derivatives during the reporting period. Total gain recognised for the reporting period amounted to RMB243.88 million, comprising gains from fair-value change of RMB54.37 million and recognised investment income of RMB189.51 million. The calculation of the fair value was based on forward exchange rates quoted by Reuters on a balance sheet date in line with the maturity date of the product.							
Statement on whether the accounting policy and accounting audit principles for derivatives for the reporting period were significantly different from the previous reporting period				There was no significant change in the Company's accounting policy and accounting audit principles for derivatives for the reporting period as compared to that of the previous reporting period.							
Specific opinion of Independent Non-executive Directors on the Company's derivative investments and risk control				<p>Independent Non-executive Directors' Opinion:</p> <p>The Company has conducted value protection derivative investments by using financial products to enhance its financial stability, so as to mitigate the impact of exchange rate volatility on its assets, liabilities and profitability. The Company has conducted stringent internal assessment of its derivative investments made and has established corresponding regulatory mechanisms and assigned dedicated staff to be in charge thereof. The counterparties with which the Company and its subsidiaries have entered into contracts for derivative investments are organisations with sound operations and good credit standing. We are of the view that the derivative investments made by the Company and its subsidiaries have been closely related to their day-to-day operational requirements and in compliance with relevant laws and regulations.</p>							

Note 1: Derivative investments are classified according to their types and the bankers involved;

Note 2: Net assets as at the end of the reporting period represented net assets attributable to shareholders of the listed company as at the end of the reporting period;

Note 3: Gains or losses arising from interest rate swap transactions for the period were recognised in the capital reserve in accordance with the accounting treatment for value-protection hedging.

3.7 Development and implementation of internal control in the first quarter of 2015

During the reporting period, the work of the Company's internal control and audit department was mainly focused on reviewing the internal control operations of 2014 and formulating internal control work plans for 2015 to facilitate audit and rectification of the Company's significant internal control operations. Specifically:

1. The Company's internal control and audit department completed the "2014 Summary Report and 2015 Work Plan for Internal Control and Audit of the Company" based on the Company's implementation of internal control in 2014 and the internal control work plans for 2015, and reported the same to the Company's Audit Committee and Board of Directors.
2. The Company's internal control and audit department conducted an assessment on the effectiveness of the Company's internal control in 2014 in accordance with provisions of the "Basic Rules for Corporate Internal Control" and its supplementary guidelines and other internal control requirements, completed the "Self-assessment Report on Internal Control of the Company in 2014" and submitted the same to the Company's Audit Committee and Board of Directors for consideration and approval.
3. Internal audit and self-inspection of the Company was completed under the leadership of the Company's internal control and audit department in accordance with the "Guideline for Internal Audit and Self-inspection of Listed Companies" published by Shenzhen CSRC.
4. The Company's internal control and audit department examined the compliance of derivative investments in 2014 and issued an audit report for submission to the Company's Audit Committee and Board of Directors.
5. The Company worked actively to support the external auditor in the latter's work on internal control audit and organized the implementation of management recommendations made by the external auditor.

3.8 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.

§4 APPENDICES

4.1 Balance Sheet (unaudited)

4.2 Income Statement (unaudited)

4.3 Cash Flow Statement (unaudited)

BALANCE SHEET

RMB in thousands

Assets	2015.3.31		2014.12.31	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Audited)	Company (Audited)
Current assets:				
Cash	18,706,907	11,607,993	18,115,874	10,025,991
Financial assets dealt with at fair value through current profit and loss	205,970	60,962	240,973	53,390
Bills receivable	3,417,848	3,166,677	2,086,771	1,873,999
Trade receivables	26,501,691	38,767,912	25,152,963	36,620,720
Factored trade receivables	2,930,628	1,251,638	3,160,705	1,259,713
Prepayments	826,139	79,123	682,778	66,692
Dividend receivable	—	2,487,128	—	2,487,128
Other receivables	2,876,576	8,461,511	2,159,677	6,338,933
Inventories	23,244,622	14,563,116	19,592,298	12,353,923
Amount due from customers for contract works	9,328,726	5,041,974	11,033,468	7,799,190
Total current assets	88,039,107	85,488,034	82,225,507	78,879,679
Non-current assets:				
Available-for-sale financial assets	2,144,313	366,924	1,739,664	373,555
Long-term trade receivables	266,660	5,484,923	266,501	5,480,245
Factored long-term trade receivables	1,697,447	1,283,424	1,701,978	1,287,954
Long-term equity investments	469,154	6,922,842	461,316	6,884,411
Investment properties	2,004,465	1,597,919	2,004,465	1,597,919
Fixed assets	7,218,493	4,380,234	7,348,292	4,458,748
Construction in progress	405,166	17,336	262,863	11,909
Intangible assets	1,361,100	522,448	1,364,695	515,110
Deferred development costs	3,473,195	836,165	3,483,505	846,625
Deferred tax assets	1,264,929	689,099	1,284,493	674,629
Long-term deferred assets	45,598	39,971	53,287	44,518
Other non-current assets	4,069,706	3,879,675	4,017,630	3,879,675
Total non-current assets	24,420,226	26,020,960	23,988,689	26,055,298
Total assets	112,459,333	111,508,994	106,214,196	104,934,977

Legal Representative:
Hou Weigui

Chief Financial Officer:
Wei Zaisheng

Head of Finance Division:
Shi Chunmao

RMB in thousands

Liabilities and shareholders' equity	2015.3.31		2014.12.31	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Audited)	Company (Audited)
Current liabilities:				
Short-term loans	8,915,503	6,422,690	10,998,077	8,418,581
Financial liabilities dealt with at fair value through current profit and loss	34,590	6,277	70,604	17,587
Bank advances on factored trade receivables	2,945,355	1,266,365	3,175,432	1,274,440
Bills payable	9,993,790	12,599,905	10,381,688	12,389,807
Trade payables	17,780,903	35,575,108	19,244,400	31,214,686
Amount due to customers for contract works	3,691,095	2,219,548	3,825,106	2,654,158
Advances from customers	4,267,791	3,827,508	3,305,520	3,411,519
Salary and welfare payables	3,386,508	989,211	2,806,947	771,370
Taxes payable	(2,944,690)	(2,736,737)	(2,790,280)	(2,377,915)
Dividends payable	8,113	156	8,113	156
Other payables	8,112,719	17,030,177	7,531,970	19,020,951
Deferred income	483,000	192,506	451,507	191,584
Provisions	631,462	338,970	741,391	388,995
Long-term loans due within one year	6,199,084	6,197,084	6,174,257	6,131,185
Total current liabilities	63,505,223	83,928,768	65,924,732	83,507,104
Non-current liabilities:				
Long-term loans	10,443,543	2,981,180	10,039,687	2,980,100
Bank advances on factored long-term trade receivables	1,697,447	1,283,424	1,701,978	1,287,954
Provision for retirement benefits	115,082	115,082	115,450	115,450
Deferred tax liabilities	171,846	158,350	159,340	158,350
Deferred income	631,149	—	631,149	—
Other non-current liabilities	1,290,085	1,323,723	1,349,356	1,348,475
Total non-current liabilities	14,349,152	5,861,759	13,996,960	5,890,329
Total liabilities	77,854,375	89,790,527	79,921,692	89,397,433
Shareholders' equity:				
Share capital	3,437,541	3,437,541	3,437,541	3,437,541
Other equity instruments	7,415,500	7,415,500	—	—
Capital reserves	8,768,452	8,785,244	8,724,754	8,740,683
Surplus reserve	1,769,012	1,107,256	1,769,012	1,107,256
Retained profits	11,606,964	(435,419)	10,724,034	843,603
Proposed final dividends	687,508	687,508	687,508	687,508
Other comprehensive income	(640,579)	720,837	(464,275)	720,953
Total equity attributable to equity holders of the parent	33,044,398	21,718,467	24,878,574	15,537,544
Non-controlling interests	1,560,560	—	1,413,930	—
Total shareholders' equity	34,604,958	21,718,467	26,292,504	15,537,544
Total liabilities and shareholders' equity	112,459,333	111,508,994	106,214,196	104,934,977

INCOME STATEMENT

RMB in thousands

Item	Three months ended 31 March 2015		Three months ended 31 March 2014	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Unaudited)	Company (Unaudited)
1. Operating revenue	20,998,792	20,469,706	19,052,749	16,643,608
Less: Operating costs	13,581,729	18,058,391	12,661,695	14,230,514
Taxes and surcharges	439,250	208,545	273,362	141,833
Selling and distribution costs	2,484,052	1,658,894	2,438,910	1,658,385
Administrative expenses	578,339	380,500	554,737	331,646
Research and development costs	2,570,026	648,239	1,978,762	551,225
Finance expenses	815,099	567,495	207,524	50,054
Impairment losses	548,053	432,698	584,955	423,232
Add: Gains/(Losses) from changes in fair values	54,028	18,881	(309,328)	(106,897)
Investment income	268,992	94,000	22,172	30,533
Including: Share of profits and losses of associates and joint ventures	229	—	—	—
2. Operating profit	305,264	(1,372,175)	65,648	(819,645)
Add: Non-operating income	860,785	125,331	724,493	133,292
Less: Non-operating expenses	34,336	40,902	18,564	2,666
Including: Gains/(Losses) on disposal of non-current assets	4,352	3,085	3,832	262
3. Total profit	1,131,713	(1,287,746)	771,577	(689,019)
Less: Income tax	270,517	(8,724)	144,252	1,162
4. Net profit	861,196	(1,279,022)	627,325	(690,181)
Net profit attributable to owners of the parent	882,930	(1,279,022)	622,182	(690,181)
Non-controlling interests	(21,734)	—	5,143	—

Item	Three months ended 31 March 2015		Three months ended 31 March 2014	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Unaudited)	Company (Unaudited)
5. Other comprehensive income, net of tax				
Other comprehensive income attributable to the parent company, net of tax				
Other comprehensive income that cannot be reclassified to profit and loss in subsequent accounting periods				
Share of investee results in other comprehensive income under equity method which will not be reclassified to profit and loss in subsequent periods	—	—	—	—
Change in net liabilities arising from the re-measurement of defined benefit plans	—	—	—	—
	—	—	—	—
Other comprehensive income that will be reclassified to profit and loss in subsequent accounting periods subject to certain conditions				
Gains or losses arising from changes in the fair value of available-for-sale financial assets	30,526	—	4,042	—
Effective portion gain or loss arising from cash flow hedging instruments	70	—	999	—
Exchange differences on translation of foreign operations	(206,900)	(116)	125,635	1,232
	(176,304)	(116)	130,676	1,232
Other comprehensive income, net of income tax effect on respective items	(176,304)	(116)	130,676	1,232
Other comprehensive income attributable to non-controlling interests, net of tax	168,363	—	(5,761)	—

Item	Three months ended 31 March 2015		Three months ended 31 March 2014	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Unaudited)	Company (Unaudited)
6. Total comprehensive income	<u>853,255</u>	<u>(1,279,138)</u>	<u>752,240</u>	<u>(688,949)</u>
Comprehensive income attributable to owners of the parent	706,626	(1,279,138)	752,858	(688,949)
Comprehensive income attributable to non-controlling interests	146,629	—	(618)	—
7. Earnings per share				
(1) Basic earnings per share	RMB0.24		RMB0.18	
(2) Diluted earnings per share	RMB0.24		RMB0.18	

CASH FLOW STATEMENT

RMB in thousands

Item	Three months ended 31 March 2015		Three months ended 31 March 2014	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Unaudited)	Company (Unaudited)
1. Cash flows from operating activities				
Cash received from sale of goods or rendering of services	24,032,091	21,936,259	19,209,522	18,044,629
Refunds of taxes	1,227,239	696,351	1,473,588	957,429
Cash received relating to other operating activities	386,405	288,025	308,405	218,938
Sub-total of cash inflows	25,645,735	22,920,635	20,991,515	19,220,996
Cash paid for goods and services	22,215,441	23,250,015	16,962,623	17,541,429
Cash paid to and on behalf of employees	3,302,426	1,068,380	2,746,733	1,003,241
Cash paid for all types of taxes	1,529,158	46,049	1,351,980	184,792
Cash paid relating to other operating activities	2,411,914	1,735,753	2,120,281	1,537,963
Sub-total of cash outflows	29,458,939	26,100,197	23,181,617	20,267,425
Net cash flows from operating activities	(3,813,204)	(3,179,562)	(2,190,102)	(1,046,429)
2. Cash flows from investing activities				
Cash received from sale of investments	274,446	—	531,926	21,300
Cash received from return on investment	61,230	55,331	45,175	30,533
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets	2,183	1,666	6,464	6,189
Net cash received from the disposal of subsidiaries and other business units	18,123	45,600	—	—
Sub-total of cash inflows	355,982	102,597	583,565	58,022
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	303,981	106,425	171,686	138,518
Cash paid for acquisition of investments	485,554	38,730	420,000	—
Sub-total of cash outflows	789,535	145,155	591,686	138,518
Net cash flows from investing activities	(433,553)	(42,558)	(8,121)	(80,496)

RMB in thousands

Item	Three months ended 31 March 2015		Three months ended 31 March 2014	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Unaudited)	Company (Unaudited)
3. Cash flows from financing activities				
Cash received from capital injection	7,430,500	7,415,500	—	—
Including: Capital injection into subsidiaries by minority shareholders	15,000	—	—	—
Cash received from borrowings	4,068,992	2,957,089	9,009,961	4,095,813
Sub-total of cash inflows	11,499,492	10,372,589	9,009,961	4,095,813
Cash repayment of borrowings	6,150,552	5,091,667	8,515,351	4,716,001
Cash payments for distribution of dividends or for interest expenses	438,587	356,483	395,411	313,916
Including: Distribution of dividends, profits by subsidiaries to minority shareholders	—	—	—	—
Sub-total of cash outflows	6,589,139	5,448,150	8,910,762	5,029,917
Net cash flows from financing activities	4,910,353	4,924,439	99,199	(934,104)
4. Effect of changes in foreign exchange rate on cash and cash equivalents	(72,563)	(120,317)	85,969	82,387
5. Net increase in cash and cash equivalents	591,033	1,582,002	(2,013,055)	(1,978,642)
Add: cash and cash equivalents at the beginning of the period	17,230,140	9,715,869	20,118,274	11,756,439
6. Net balance of cash and cash equivalents at the end of the period	17,821,173	11,297,871	18,105,219	9,777,797

By Order of the Board
Hou Weigui
Chairman

Shenzhen, the PRC

23 April 2015

As at the date of this announcement, the Board of Directors of the Company comprises three executive directors, Shi Lirong, Yin Yimin and He Shiyou; six non-executive directors, Hou Weigui, Zhang Jianheng, Xie Weiliang, Wang Zhanchen, Zhang Junchao and Dong Lianbo; and five independent non-executive directors, Qu Xiaohui, Wei Wei, Chen Naiwei, Tan Zhenhui and Richard Xike Zhang.