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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)

2015 THIRD QUARTERLY REPORT

This announcement is published simultaneously in the Mainland pursuant to the Rules Governing Listing of Stocks on The Shenzhen Stock Exchange and in Hong Kong pursuant to 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 this quarterly report does not contain any false information or misleading statements or have 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 Thirty-second Meeting of the Sixth Session of the Board of Directors of the Company. Mr. Wang Zhanchen, Director, was unable to attend the Meeting due to work reasons and has authorised Mr. Hou Weigui, Chairman, to vote on his behalf. Mr. Dong Lianbo, Director, was unable to attend the Meeting due to work reasons and has authorised Mr. Hou Weigui, Chairman, 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. Investors should beware of investment risks.

§2 CORPORATE INFORMATION

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

Following large-scale deployment in previous periods, projects for global 4G networks during the reporting period were more concerned with capacity upgrade, performance optimisation and depth coverage, while Pre-5G and 5G technologies were garnering more attention in the industry. Growth of the telecommunications industry will become increasingly innovation-driven, as opposed to being investment-driven in the past. In other words, growth of the telecommunications industry will be driven by innovations in information services and applications, instead of driven by investments generated from technological progress. The model of innovation will be determined by consumers instead of carriers and equipment manufacturers. Benefitting from the amalgamation of industries, the telecommunications industry embraces more possibilities for innovation, as Industry 4.0, Smart City, informatisation of the medical sector, informatisation of the education sector, mobile e-commerce and agricultural modernisation, etc will present new opportunities for innovations in the telecommunications industry. In the domestic market, large-scale deployments of 4G networks continued to be carried out in greater depth, while wireline broadband entered a stage of faster development. The demand for Cloud Computing and Big Data applications, Smart City and high-end routers continued to grow, as the Group worked proactively in support of the network construction plans of domestic carriers and government and corporate clients and maintained its dominant market position by offering competitive innovative solutions. In the international market, the Group has achieved stable operations and quality growth by forging more extensive partnerships with mainstream carriers in the global market.

For the nine months ended 30 September 2015, the Group reported operating revenue of RMB68.523 billion, representing a 16.53% increase compared to the same period last year. Net profit attributable to holders of ordinary shares of the listed company amounted to RMB2.604 billion, representing a 42.19% increase over the same period last year. Basic earnings per share amounted to RMB0.63.

Analysed by product, for the nine months ended 30 September 2015, the Group’s operating revenue from carriers’ networks increased by 22.40%, as compared to the same period last year, reflecting mainly year-on-year growth in operating revenue from GSM/UMTS systems equipment in both the domestic and international markets, FDD-LTE systems equipment in both the domestic and international markets, wireline switch and access systems in the domestic market and optical communication systems in both the domestic and international markets. Operating revenue from handset terminals decreased by 9.01%, as compared to the same period last year, reflecting mainly year-on-year decrease in operating revenue from handset terminals in the domestic market. Operating revenue from telecommunications software systems, services and other products increased by 45.78%, as compared to the same period last year, reflecting mainly year-on-year growth in operating revenue from products such as video and network terminals.

Looking to the next reporting period, the Group will continue to focus on the three mainstream markets of “carriers, government and corporate sectors and consumers”. For the carriers, the Group will be committed to enhancing pipeline intelligentisation to support the transformation of telecommunication carriers into information carriers. For the government and corporate sector, the Group will actively drive the transition of Smart City construction and other sectors to “Industry 4.0” or “Industrial Internet” while increasing the operating efficiency of corporations. For consumers, the Group will enhance its channel building, market promotion and design capabilities with the primary aim of enhancing users’ value.

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 (30 September 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>)	116,171,682	106,214,196	9.37%
Owners' equity attributable to holders of ordinary shares of the listed company (<i>RMB in thousands</i>) ^{Note 1}	26,649,559	24,878,574	7.12%
Total share capital (thousand shares) ^{Note 2}	4,125,050	3,437,541	20.00%
Net assets per share attributable to holders of ordinary shares of the listed company (<i>RMB/share</i>) ^{Note 1}	6.46	6.03	7.13%

Item	Three months ended 30 September 2015	Change compared with the same period last year	Nine months ended 30 September 2015	Change compared with the same period last year
Operating revenue (RMB in thousands)	22,624,454	7.21%	68,523,242	16.53%
Net profit attributable to holders of ordinary shares of the listed company (RMB in thousands) <i>Note 3</i>	988,595	40.56%	2,604,180	42.19%
Net profit after extraordinary items attributable to holders of ordinary shares of the listed company (RMB in thousands) <i>Note 3</i>	701,858	79.56%	1,639,858	23.93%
Net cash flows from operating activities (RMB in thousands)	(1,153,199)	(121.40%)	354,687	82.41%
Net cash flows from operating activities per share (RMB/share) <i>Note 4</i>	(0.28)	(115.38%)	0.09	80.00%
Basic earnings per share (RMB/share) <i>Note 3</i>	0.24	41.18%	0.63	43.18%
Diluted earnings per share (RMB/share) <i>Note 5</i>	0.24	41.18%	0.62	40.91%
Weighted average return on net assets (%) <i>Note 6</i>	3.79%	Increased by 0.83 percentage points	10.05%	Increased by 2.23 percentage points
Weighted average return on net assets after extraordinary items (%) <i>Note 6</i>	2.69%	Increased by 1.06 percentage points	6.33%	Increased by 0.68 percentage points

Note 1: 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” under “Shareholders' equity” in the balance sheet in the third quarterly report. Owners' equity attributable to holders of ordinary shares of the listed company as at 30 September 2015 has been stated after deduction of equity attributable to holders of perpetual medium term notes amounting to RMB7,415,500,000 and accruable interests amounting to RMB290,132,000, net assets per share attributable to holders of ordinary shares of the listed company has been arrived at by dividing owners' equity attributable to holders of ordinary shares of the listed company by the number of ordinary shares in issue as at the end of the period. Net assets per share attributable to holders of ordinary shares of the listed company for 31 December 2014 has been restated to reflect the implementation of the Company's 2014 plan for profit distribution and conversion of capital reserve.

Note 2: Following the implementation of the 2014 plan for profit distribution and conversion of capital reserve by the Company during the reporting period, the total share capital of the Company has increased from 3,437,541,278 shares to 4,125,049,533 shares.

- Note 3:* Net profit attributable to holders of ordinary shares of the listed company and net profit after extraordinary items attributable to holders of ordinary shares of the listed company for the nine months ended 30 September 2015 have been stated after deduction of accruable interests of RMB290,132,000 attributable to holders of perpetual medium term notes; net profit attributable to holders of ordinary shares of the listed company and net profit after extraordinary items attributable to holders of ordinary shares of the listed company for the three months ended 30 September 2015 have been stated after deduction of accruable interests of RMB109,379,000 attributable to holders of perpetual medium term notes; basic earnings per share has been arrived at by dividing net profit attributable to holders of ordinary shares of the listed company by the weighted average number of ordinary shares in issue; basic earnings per share for the nine months and three months ended 30 September 2014 have been restated to reflect the implementation of the Company's 2014 plan for profit distribution and conversion of capital reserve.
- Note 4:* Net cash flows from operating activities per share for the nine months and three months ended 30 September 2014 have been restated to reflect the implementation of the Company's 2014 plan for profit distribution and conversion of capital reserve.
- Note 5:* As share options granted by the Company during the reporting period have given rise to 51,632,000 potentially dilutive ordinary shares, the respective figures of diluted earnings per share for the nine months and three months ended 30 September 2015 have been calculated on the basis of basic earnings per share taking into account the said factors. As the share option incentive scheme of the Company did not give rise to any dilutive effect for the same period last year, diluted earnings per share was the same as basic earnings per share for the same period last year; diluted earnings per share for the same period last year has been restated to reflect the implementation of the Company's 2014 plan for profit distribution and conversion of capital reserve.
- Note 6:* Weighted average return on net assets and weighted average return on net assets after extraordinary items for the nine months and three months ended 30 September 2015 have been arrived at by dividing net profit attributable to holders of ordinary shares of the listed company and dividing net profit attributable to holders of ordinary shares of the listed company after extraordinary items, respectively, by weighted average net assets; weighted average net assets for the nine months ended 30 September 2015 has been stated after deduction of equity attributable to holders of perpetual medium term notes amounting to RMB7,415,500,000 and accruable interests amounting to RMB290,132,000, and weighted average net assets for the three months ended 30 September 2015 has been stated after deduction of equity attributable to holders of perpetual medium term notes amounting to RMB7,415,500,000 and accruable interests amounting to RMB109,379,000.

Extraordinary item

Unit: RMB in thousands

	Amount	
	Three months ended 30 September 2015	Nine months ended 30 September 2015
Extraordinary item		
Non-operating income	420,078	896,094
Gains/(Losses) from fair value change	(76,196)	(66,240)
Investment income	42,580	418,935
Less: Losses/(Gains) on disposal of non-current assets	4,411	20,455
Less: Other non-operating expenses	44,714	93,837
Less: Effect of income tax	50,600	170,175
Total	<u>286,737</u>	<u>964,322</u>

2.2.2 The amounts of net profit and shareholders' equity of the Group for the nine months ended 30 September 2015 and as at 30 September 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, shareholdings of top 10 shareholders and top 10 holders of shares that were not subject to lock-up of the Company at the end of the reporting period

Total number of shareholders

As at 30 September 2015 There were 205,203 shareholders (comprising 204,856 holders of A shares and 347 holders of H shares)

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

Name of shareholders	Nature of shareholders	Percentage of shareholdings	Number of shares held 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 Telecommunications Equipment Company Limited ("Zhongxingxin")	State-owned corporation	30.78%	1,269,830,333	—	Nil
2. HKSCC Nominees Limited	Foreign shareholder	18.28%	754,093,406	—	Unknown
3. China Securities Finance Corporation Limited	General domestic corporation	2.99%	123,340,872	—	Unknown
4. Central Huijin Investment Ltd.	General domestic corporation	1.27%	52,519,600	—	Unknown
5. Hunan Nantian (Group) Co., Ltd.	State-owned corporation	1.06%	43,584,010	—	Unknown
6. NSSF Portfolio #103	Others	0.97%	39,999,455	—	Unknown
7. New China Life Insurance Company Ltd. — Dividend — Individual Dividend — 018L-FH002 Shen	Others	0.61%	25,170,442	—	Unknown
8. Bank of China Limited-China Merchants Feng Qing Flexible Allocation Hybrid Promotion Stock Fund	Others	0.53%	21,965,903	—	Unknown
9. ICBC — Harvest Cyclical Select Stock Fund	Others	0.48%	19,999,957	—	Unknown
10. Seventh Research Institute of China Mobile	State-owned corporation	0.46%	19,073,940	—	Unknown

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

Name of shareholders	Number of shares held not subject to lock-up (shares)	Class of shares
1. Zhongxingxin	1,269,830,333	A share
2. HKSCC Nominees Limited	754,093,406	H share
3. China Securities Finance Corporation Limited	123,340,872	A share
4. Central Huijin Investment Ltd.	52,519,600	A share
5. Hunan Nantian (Group) Co., Ltd.	43,584,010	A share
6. NSSF Portfolio #103	39,999,455	A share
7. New China Life Insurance Company Ltd. — Dividend — Individual Dividend — 018L-FH002 Shen	25,170,442	A share
8. Bank of China Limited-China Merchants Feng Qing Flexible Allocation Hybrid Promotion Stock Fund	21,965,903	A share
9. ICBC — Harvest Cyclical Select Stock Fund	19,999,957	A share
10. Seventh Research Institute of China Mobile	19,073,940	A share
Descriptions of any connected party relationships or concerted party relationships among the above shareholders	<ol style="list-style-type: none"> 1. There were no connected party relationships or concerted party relationships between Zhongxingxin and other top 10 shareholders and other top 10 holders of shares that were not subject to lock-up. 2. Save for the above, 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 that were not subject to lock-up. 	
Description of involvement in financing and securities lending businesses of top 10 shareholders (if any)	N/A	

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

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 30 September 2015	As at 31 December 2014	Change	Analysis of reasons
Financial assets dealt with at fair value through current profit and loss	32,254	240,973	(86.62%)	Mainly attributable to the transfer to investment income of the Group's forward foreign exchange contract upon maturity and settlement during the period
Factored trade receivables	2,148,665	3,160,705	(32.02%)	Mainly attributable to the decrease in factored trade receivables with limited recourse undertaken by the Group during the period
Construction in progress	639,800	262,863	143.40%	Mainly attributable to the increased investment in Heyuan Production, R&D and Training Base and Staff Quarters Project by the Group during the period
Financial liabilities dealt with at fair value through current profit and loss	43,489	70,604	(38.40%)	Mainly attributable to the transfer to investment income of the Group's forward foreign exchange contract upon maturity and settlement during the period
Bank advances on factored trade receivables	2,159,534	3,175,432	(31.99%)	Mainly attributable to the decrease in factored trade receivables with limited recourse undertaken by the Group during the period
Bonds payable	3,997,000	—	N/A	Mainly attributable to the issue of super and short-term commercial paper by the Group during the period
Advances from customers	5,403,895	3,305,520	63.48%	Mainly attributable to the increase in advances from customers for newly signed contracts received by the Group in line with sales growth during the period
Other comprehensive income	(743,644)	(464,275)	(60.17%)	Mainly attributable to the increase in losses in the translation of statements denominated in foreign currencies arising from exchange rate volatility incurred by the Group during the period

Income Statement (Nine months ended 30 September)

Item	Nine months ended 30 September 2015	Nine months ended 30 September 2014	Change	Analysis of reasons
Impairment losses	2,500,431	1,128,476	121.58%	Mainly attributable to the increase in the Group's provision for impairment of trade receivables and provision for impairment of inventories of delivered products during the period
Gains/(Losses) from changes in fair values	(66,240)	196,196	(133.76%)	Mainly attributable to the transfer to investment income of gains from fair value changes arising from revaluation of forward foreign exchange contracts upon maturity and settlement by the Group during the period
Investment income	440,550	(37,435)	1,276.84%	Mainly attributable to substantial gains arising from the settlement of the Group's forward foreign exchange contracts upon maturity for the period versus losses arising from the same for the same period last year
Income tax	580,886	835,740	(30.49%)	Mainly attributable to the utilisation of profit to set off deductible losses not recognized as deferred income tax assets in previous years by certain subsidiaries of the Group during the period
Changes in the fair value of available-for-sale financial assets	48,489	(147,265)	132.93%	Mainly attributable to gains arising from volatility in the market prices of equity in listed company subject to lock-up held by the Group for the period versus losses arising from the same for the same period last year
Exchange differences on translation of foreign operations	(329,919)	(11,272)	(2,826.89%)	Mainly attributable to the increase in losses in the translation of statements denominated in foreign currencies arising from exchange rate volatility incurred by the Group during the period
Other comprehensive income attributable to non-controlling interests, net of tax	263,153	(1,295)	20,420.69%	Mainly attributable to gains arising from volatility in the market prices of equity in listed company subject to lock-up held by Shenzhen Zhonghe Chunsheng Partnership Private Equity Fund I for the period versus losses arising from the same for the same period last year

Income Statement (Three months ended 30 September)

Item	Three months ended 30 September 2015	Three months ended 30 September 2014	Change	Analysis of reasons
Finance expenses	160,478	936,978	(82.87%)	Mainly attributable to the gains arising from exchange rate volatility for the period versus losses arising from the same for the same period last year
Impairment losses	618,325	(13,519)	4,673.75%	Mainly attributable to the increase in the Group's provision for impairment of trade receivables during the period
Gains/(Losses) from changes in fair values	(76,196)	254,965	(129.88%)	Mainly attributable to the transfer to investment income of gains from fair value changes arising from revaluation of forward foreign exchange contracts upon maturity and settlement by the Group during the period
Investment income	78,282	38,938	101.04%	Mainly attributable to the increase in gains from the settlement of forward foreign exchange contracts upon maturity by the Group during the period
Non-operating expenses	51,111	96,581	(47.08%)	Mainly attributable to the decrease in losses from the disposal of fixed assets by the Group during the period
Changes in the fair value of available-for-sale financial assets	(77,655)	(12,817)	(505.88%)	Mainly attributable to the increase in losses arising from volatility in the market prices of equity in listed company subject to lock-up held by the Group during the period
Exchange differences on translation of foreign operations	(350,446)	(144,021)	(143.33%)	Mainly attributable to the increase in losses in the translation of statements denominated in foreign currencies arising from exchange rate volatility incurred by the Group during the period

Item	Three months ended 30 September 2015	Three months ended 30 September 2014	Change	Analysis of reasons
Other comprehensive income attributable to non-controlling interests, net of tax	(148,832)	(688)	(21,532.56%)	Mainly attributable to the increase in losses arising from volatility in the market prices of equity in listed company subject to lock-up held by Shenzhen Zhonghe Chunsheng Partnership Private Equity Fund I during the period

Cash Flow Statement

Item	Nine months ended 30 September 2015	Nine months ended 30 September 2014	Change	Analysis of reasons
Net cash flows from operating activities	354,687	194,444	82.41%	Mainly attributable to the increase in cash received by the Group for the sales of goods and rendering of services during the period
Net cash flows from financing activities	3,221,670	(5,495,114)	158.63%	Mainly attributable to the increase in cash received by the Group for the issue of perpetual medium term notes during the period

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 material contracts requiring disclosure. Progress during the reporting period 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 the 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 Implementation of the 2014 Plan for Profit Distribution and Conversion of Capital Reserve of the Company

The 2014 plan for profit distribution and conversion of capital reserve of the Company was considered and approved at the 2014 Annual General Meeting held on 28 May 2015 and was completed on 17 July 2015. A cash dividend of RMB2.0 (before tax) for every 10 shares held was paid and 2 bonus shares were issued for every 10 shares held by way of conversion of capital reserve on the basis of the total share capital of the Company of 3,437,541,278 shares as at the record date (comprising 2,807,955,833 A shares and 629,585,445 H shares). The record date for A shares is 16 July 2015 and the ex-right and ex-dividend date for A shares is 17 July 2015. The date of listing for the tradable new A shares is 17 July 2015. The record date for H shares is 8 June 2015 and the dividend payment date for H shares is 17 July 2015. The date of listing for the bonus H shares is 17 July 2015. For details of implementation, please refer to the relevant announcement published by the Company on 10 July 2015.

Following the completion of the implementation of the 2014 plan for profit distribution and conversion of capital reserve of the Company, the Company has completed the procedures of changes in industrial and commercial registration with the Market Supervision Administration of Shenzhen, with the change of its registered capital and paid-in capital from RMB3,437,541,278 to RMB4,125,049,533.

3.2.4.2 Planned Share Repurchase by the Company

The Company has planned to repurchase its A shares in active support of the call of China Securities Regulatory Commission (the “CSRC”) notice to safeguard the stability of the securities market based on its firm belief in the economy and capital market of the PRC and its future development, with a view to protecting the interests of public investors. The preliminary plan of the Company for the repurchase of A shares for an amount not exceeding RMB1 billion was considered and approved at the Twenty-seventh Meeting of the Sixth Session of the Board of Directors. For details, please refer to the “Announcement Preliminary A-Share Repurchase Plan and Resumption of Trading” published by the Company on 13 July 2015.

3.2.4.3 Material Asset Reorganisation Between Shenzhen Xingfei Technology Company Limited, an investee company of the Company, with Fujian Start Group Co., Ltd.

Pursuant to the “Agreement for Asset Purchase with the Issue of Shares and Cash Payment Between Fujian Start Group Co., Ltd. and Shenzhen Changfei Investment Company Limited, Shenzhen Teng Xing Wang Da Company Limited, ZTE Corporation, Chen Feng, and 深圳市隆興茂達投資管理有限合夥企業（有限合夥）” (the “Asset Purchase Agreement”) entered into by the Company on 14 August 2015, the Company will dispose of 4.9% equity interests in Shenzhen Xingfei Technology Company Limited to Fujian Start Group Co., Ltd. for a consideration of RMB10 million in cash plus 9,482,218 consideration shares to be issued by Fujian Start Group Co., Ltd. to the Company.

The aforesaid matter was considered and passed at the Twenty-ninth Meeting of the Sixth Session of the Board of Directors of the Company. For details, please refer to the “Announcement Resolutions of the Twenty-ninth Meeting of the Sixth Session of the Board of Directors” published by the Company on 14 August 2015.

3.2.4.4 Registration and Issue of Super and Short-term Commercial Paper by the Company

To meet the working capital requirements of the Company, optimise debt structure and lower finance cost, the Company has proposed to apply to the 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 super and short-term commercial paper (“SCP”) with an amount of not more than RMB8,000 million. SCP is a debenture issued by non-financial enterprises with the status of corporate person and typically higher credit ratings in the interbank bond market for a term of not more than 270 days.

The aforesaid matter has been considered and approved at the Twenty-fifth Meeting of the Sixth Session of the Board of Directors and the 2014 Annual General Meeting of the Company. For details, please refer to the “Announcement Resolutions of the Twenty-fifth Meeting of the Sixth Session of the Board of Directors” and the “Announcement on Resolutions of the 2014 Annual General Meeting” published by the Company on 25 March 2015 and 28 May 2015, respectively. The National Association of Financial Market Institutional Investors has accepted the registration

of the RMB8,000 million SCP of the Company. For details, please refer to the “Announcement on the Approval of Registration for the Issue of Super and Short-term Commercial Paper” published by the Company on 20 August 2015.

On 9 September 2015, the Company completed the issue of 2015 Tranche I SCP for an issue amount of RMB4 billion. For details, please refer to the “Announcement on the Information of the Issue of 2015 Tranche I Super and Short-term Commercial Paper” published by the Company on 9 September 2015.

3.2.4.5 Changes in the Directors, Supervisors and Senior Management of the Company

The term of office of each of Ms. Qu Xiaohui, Mr. Wei Wei and Mr. Chen Naiwei, Independent Non-executive Directors of the Sixth Session of the Board of Directors of the Company, ended on 21 July 2015 upon the expiration of a period of 6 years. At the 2014 Annual General Meeting of the Company held on 28 May 2015, Mr. Chen Shaohua, Mr. Lü Hongbing and Mr. Bingsheng Teng were elected Independent Non-executive Directors of the Sixth Session of the Board of Directors for a term commencing on 22 July 2015 and ending on the date of conclusion of the term of office of the Sixth Session of the Board of Directors (namely, 29 March 2016).

Pursuant to the “Resolution of the Company on the Appointment of Senior Management Personnel” considered and passed at the Seventh Meeting of the Nomination Committee of the Sixth Session of the Board of Directors of the Company held on 25 August 2015 and the Thirtieth Meeting of the Sixth Session of the Board of Directors of the Company held on 26 August 2015, it was approved that Mr. Huang Dabin, general manager of the Marketing Division II, be appointed Senior Vice President of the Company for a term commencing on the date on which the resolution was considered and passed at the said meeting of the Board of Directors of the Company and ending upon the conclusion of the term of office of the Sixth Session of the Board of Directors of the Company (namely 29 March 2016).

On 6 September 2015, the Supervisory Committee of the Company received a written Resignation Report from Ms. He Xuemei, Staff Representative Supervisor. Ms. He Xuemei tendered her resignation from the office of Staff Representative Supervisor of the Company for personal reasons. The resignation of Ms. He Xuemei came into effect upon the delivery of the Resignation Report at the Supervisory Committee. Ms. He Xuemei has remained an employee of the Company following her resignation.

Directors of the Company Mr. Xie Weiliang, Mr. Dong Lianbo and Mr. He Shiyong, owing to changes in their duties, and Mr. Wang Zhanchen and Mr. Zhang Junchao owing to their retirement, had planned to resign from their respective directorships with the Company and positions as members of the specialised committees under the Board of Directors. To prevent the performance of duties by the Board of Directors of the Company from being unduly affected by the simultaneous resignations of several Directors, the aforesaid Directors consented to continue the performance of their duties as Directors until the election of new Directors at the general meeting of the Company, and to officially submit respective “Resignation Reports” before such election of new Directors at the general meeting of the Company. Pursuant to the “Resolution of the Company on the Nomination of Candidates for Non-independent Directors” considered and passed at the Thirty-first Meeting of the Sixth Session of the Board of Directors of the Company held on 22 September 2015, the Sixth Session of the Board of Directors of the Company nominated Mr. Wang Yawen (王亞文), Mr. Tian Dongfang (田東方), Mr. Luan Jubao (樂聚寶), Mr. Zhan Yichao (詹毅超) and Mr. Zhao Xianming (趙先明) as candidates for non-independent directors of the Company, among which Mr. Wang Yawen (王亞文), Mr. Tian

Dongfang (田東方), Mr. Luan Jubao (樂聚寶) and Mr. Zhan Yichao (詹毅超) were nominated as candidates for non-executive directors, while Mr. Zhao Xianming (趙先明) was nominated as a candidate for executive director, for a term commencing on the date on which the resolution is considered and approved at the general meeting upon the conclusion of the term of office of the Sixth Session of the Board of Directors of the Company (namely 29 March 2016), and further approved the submission of the said candidates for non-independent directors to the First Extraordinary General Meeting of 2015 to be held on 25 November 2015.

3.2.4.6 Details of 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 (the “Scheme”) implemented by the Company has been approved by regulatory authorities including State-owned Assets Supervision and Administration Commission of the State Council, 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 — (VII) Information on the Share Option Incentive Scheme of the Company” in the 2015 Interim Report of the Company.

Pursuant to the “Resolution on the Adjustment of the Number and Exercise Price of Share Options under the Share Option Incentive Scheme Pursuant to the Rules” considered and passed at the Twenty-eighth Meeting of the Sixth Session of the Board of Directors of the Company held on 22 July 2015, it was approved that the number of share options would be adjusted to 123,586,800 and the exercise price would be adjusted to RMB11.22 after the implementation of the 2013 profit distribution plan and the 2014 plan for profit distribution and conversion of capital reserve. For details, please refer to the “Announcement on the Adjustment of the Number and Exercise Price of Share Options under the Share Option Incentive Scheme Pursuant to the Rules” published by the Company on 22 July 2015.

Pursuant to the “Resolution on the Adjustment of Participants and Number of Share Options for the First Exercise Period of the Share Option Incentive Scheme,” “Resolution on the Fulfillment of Exercise Conditions for the First Exercise Period of the Share Option Incentive Scheme” and “Resolution on the Cancellation of Certain Share Options” considered and approved at the Thirty-second Meeting of the Sixth Session of the Board of Directors of the Company held on 27 October 2015, the adjustment of the number of participants under the Scheme from 1,528 to 1,429, the number of share options granted from 123,586,800 to 116,613,000, the number of participants entitled to exercise share options for the first exercise period from 1,528 to 1,424, and the number of exercisable share options for the first exercise period from 37,076,040 to 34,884,360 was approved; the fulfilment of the exercise conditions for the first exercise period under the Scheme was confirmed; and the cancellation of a total of 6,973,800 shares options previously granted to participants who no longer qualified as such under the Scheme and participants who did not fulfill the exercise conditions for the first exercise period

under the Scheme was approved. For details, please refer to the “Announcement on the Adjustment of Participants and Number of Share Options under the Share Option Incentive Scheme,” “Announcement on the Fulfillment of Exercise Conditions for the First Exercise Period under the Share Option Incentive Scheme” and “Announcement on the Cancellation of Certain Share Options” published by the Company on 27 October 2015.

As at the date of publication of this quarterly report, the share option incentive scheme of the Company was under normal operation.

3.2.4.7 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 (the “Issue”) 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 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 payments for 2013 and 2014 were completed on 13 June 2013 and 13 June 2014, respectively, and the amount of each interest payment was RMB252 million. The corporate bonds matured on 13 June 2015 and redemption and interest payment with an aggregate amount of RMB6,252 million was completed. For details please refer to the “Overseas Regulatory Announcement” published by the Company on 8 June 2015.

3.2.4.8 Material litigation and arbitration during the reporting period

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

In May 2011 and May 2012, ZTE Deutschland GmbH (“ZTE Deutschland”), a wholly-owned subsidiary of the Company, and the Company respectively received statements of claim filed by Huawei Technologies Co., Ltd. (“Huawei”), to the District Court of Dusseldorf, Germany, claiming that ZTE Deutschland and the Company had infringed 4 of its patents. The amount in dispute for this case was estimated by Huawei at EUR1 million. On 21 March 2013, the district court rejected all allegations of Huawei in connection with the infringement on its EP 2033335 patent by the Company’s LTE systems products and terminals. Huawei appealed to the court of appeal on 22 April 2013 and applied for the appeal case to be terminated on 3 May 2013. As of now, the other three patents are pending court trial or judgement.

In May 2012, ZTE Deutschland received statements of claim filed by Huawei to the Court of Mannheim, Germany, claiming that ZTE Deutschland had infringed its patent rights. The amount in dispute for this case was estimated by Huawei at EUR1 million. On 15 March 2013, the Court of Mannheim, Germany made a judgement to reject all allegations of Huawei in

connection with the infringement by the LTE terminals of ZTE Deutschland, but was of the view that the LTE systems products sold by ZTE Deutschland in Germany had infringed on “a derived encryption function” of the said patent. In respect of the infringement ruled by the judgement, ZTE Deutschland and Huawei each filed an appeal to the High Court of Karlsruhe, Germany on 19 April 2013. The case is currently under court trial. As such patent is not used in the relevant products currently sold by the Company, the litigation will not have any substantial impact on the local sales of the Company.

On 12 November, 21 November and 2 December 2011, respectively, ZTE Hungary Kft. (“ZTE Hungary”), a wholly-owned subsidiary of the Company, received statements of claim filed by Huawei with the Metropolitan Court of Hungary alleging infringement of 4 of its patents by ZTE Hungary, although no specific amount of compensation was named by Huawei in the statements of claim. ZTE Hungary submitted defenses to the court on 12 January and 1 February 2012, respectively. In respect of the 4 patents which were the subject of Huawei’s litigation, ZTE Hungary filed an application to the Patent Bureau of Hungary to claim the invalidity of the patents. As at the end of the reporting period, the court had ruled to suspend trial in respect of all of the 4 patents under litigation.

In addition to instituting lawsuits in other countries against the Company and its wholly-owned subsidiaries for infringements of patent rights or trademarks, Huawei also filed a lawsuit with Shenzhen Intermediate People’s Court (“Shenzhen Intermediate Court”) in 2011 alleging the Company’s infringement of 4 of its patent rights and demanding the Company to discontinue such infringement and pay an amount of compensation. The Company responded actively by filing a case with Shenzhen Intermediate Court alleging Huawei’s infringement of 3 patent rights of the Company, demanding Huawei to discontinue such infringement and pay an amount of compensation. Trials of the aforesaid domestic cases have commenced. Shenzhen Intermediate Court has ruled to reject one of the aforesaid applications by Huawei for lawsuit on infringements of patent rights and such ruling has taken effect. In June 2015, Shenzhen Intermediate Court ruled to approve the withdrawals of the remaining cases under litigation by the Company and Huawei, respectively. As of now, litigation procedures at Shenzhen Intermediate Court for the patent infringement case between the Company and Huawei have been closed.

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

3.2.4.9 Conduct of continuing connected transactions during the reporting period

The connected transactions disclosed in the following table represent connected transactions reaching the benchmark for public disclosure as defined under the Rules Governing the 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 (%)	Whether approved cap has been exceeded	Settlement	Market price for similar transactions available (RMB)	Domestic announcement date	Domestic announcement index
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 depending on level of sophistication; 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: RMB11,000-50,000 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.	45,429.60	1.20%	No	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.	65,617.03	1.73%	No	Commercial acceptance bill	N/A	2012-12-29 2015-3-26 2015-5-29	Announcement No. 201263 "Announcement on Projected Continuing Connected Transactions under the Rules Governing Listing of Stocks on The Shenzhen Stock Exchange" Announcement No. 201512 "Announcement on Projected Continuing Connected Transactions under the Rules Governing Listing of Stocks on The Shenzhen Stock Exchange" Announcement No. 201522 "Announcement on Resolutions of the 2014 Annual General Meeting"
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	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.	2,390.68	0.06%	No	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	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.	2,626.42	0.07%	No	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 a 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.	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.	2,561.96	0.07%	No	Tele-transfer	N/A	2014-5-30 2015-4-24	Announcement No. 201424 "Announcement on Projected Continuing Connected Transactions under the Rules Governing Listing of Stocks on The Shenzhen Stock Exchange" Announcement No. 201515 "Announcement on Projected Continuing Connected Transactions under the Rules Governing Listing of Stocks on The Shenzhen Stock Exchange"

Counterparty to connected transaction	Nature of connection	Classification	Subject matter	Pricing principle	Price (RMB)	Amount (RMB in ten thousands)	As a percentage of transactions in the same cap has classification (%)	Whether approved cap has exceeded	Settlement	Market price for similar transactions available (RMB)	Domestic announcement date	Domestic announcement index
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 parking spaces (from 1 January 2015 to 17 April 2015): 25 ground level parking spaces and 138 underground parking spaces; parking spaces (from 18 April 2015 to 17 April 2017): 25 ground level parking spaces and 127 underground parking spaces by the Company from the connected party		From 1 January 2015 to 17 April 2015: 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.) From 18 April 2015 to 17 April 2017: monthly rent of RMB145/sq.m.; monthly rent of ground level parking spaces of RMB350 each; monthly rent of underground parking spaces of RMB600 each. (Property management undertaken by ZTE and no management fees are payable.)	1,125.82	2.14%	No	Tele-transfer	N/A	2012-12-29 2015-3-26	Announcement No. 201263 "Announcement on Projected Continuing Connected Transactions under the Rules Governing Listing of Stocks on The Shenzhen Stock Exchange" Announcement No. 201512 "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 a 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.	674.21	1.28%	No	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 Hetai and its subsidiaries	Subsidiary of a 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		For the 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. For the six months ended 31 December 2015: Rent: RMB74/sq.m./month for hotel and related equipment and facilities in Dameisha in Shenzhen; RMB53/sq.m./month for hotel and related equipment and facilities in Nanjing; RMB116/sq.m./month for hotel and related equipment and facilities in Shanghai; and RMB53/sq.m./month for hotel and related equipment and facilities in Xi'an.	5,271.87	26.35%	No	Tele-transfer	N/A	2014-5-30 2015-4-24	Announcement No. 201424 "Announcement on Projected Continuing Connected Transactions under the Rules Governing Listing of Stocks on The Shenzhen Stock Exchange" Announcement No. 201515 "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 a 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.	4,612.71 ^{Note 1}	0.85%	No	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"
Mobi Antenna	A company at which a supervisor of the Company's controlling shareholder acted as director	Financial services	The provision of bill discounting services by ZTE Group Finance to the connected party		Bill discounting services were conducted during the ordinary course of business of the two parties based on normal commercial terms. The interest rate for discounting was determined on the basis of the rediscount rate announced by the PBOC taking into account prevailing market levels and in compliance with relevant guidelines and requirements of the PBOC.	26,009.99 ^{Note 2}	3.42%	No	Tele-transfer	N/A	2015-3-26 2015-5-29	Announcement No. 201512 "Announcement on Projected Continuing Connected Transactions under the Rules Governing Listing of Stocks on The Shenzhen Stock Exchange" Announcement No. 201522 "Announcement on Resolutions of the 2014 Annual General Meeting"
深圳市航天華科技發展有限公司 ("航天華")	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.	49,676.95	0.72%	No	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.	503.09	0.01%	No	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						206,500.33	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); at the Twenty-fifth Meeting of the Sixth Session of the Board of Directors of the Company held on 25 March 2015 and the 2014 Annual General Meeting held on 28 May 2015, it was considered and approved that the cap for estimated purchases from Mobi Antenna, a connected party, by the Group in 2015 be revised to RMB1,500 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; 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 annual rent payable by the Company to Zhongxing Development, a connected party, for property lease, be capped at RMB54 million for a term commencing on 18 April 2015 and ending on 17 April 2017;</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; at the Twenty-sixth Meeting of the Sixth Session of the Board of Directors of the Company held on 23 April 2015, 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 2015 and ending on 30 June 2016; 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 RMB85 million for the period commencing on 1 July 2015 and end on 30 June 2016;</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-fifth Meeting of the Sixth Session of the Board of Directors of the Company held on 25 March 2015 and the 2014 Annual General Meeting held on 28 May 2015, it was considered and approved that the estimated daily balance of outstanding discounted bills (principal cum interest) of the bill discounting service provided by ZTE Group Finance to Mobi Antenna in 2015 shall be capped at RMB300 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 航天凯华 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 nine months ended 30 September 2015.

Note 2: The amount represented the estimated maximum daily balance of outstanding discounted bills (principal cum interest) for the nine months ended 30 September 2015.

Note 3: 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.

Note 4: For details of “Approved Cap”, please refer to the section headed “Projected total amount of continuing connected transaction during the period by type and actual performance during the reporting period (if any)”.

3.3 Undertaking

1. *Undertakings by the Company or shareholders interested in 5% or more of the shares in the Company made during the reporting period or made 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.

2. Undertaking of Directors and senior management of the Company to increase shareholdings in the Company

As disclosed in the “Announcement Undertaking of Directors and Senior Management to Increase Shareholdings in the Company” published by the Company on 8 July 2015, 11 members of the directors and senior management of the Company, including Director Mr. He Shiyou and senior management members Messrs. Zhang Zhenhui, Qiu Weizhao, Chen Jianzhou, Fan Qingfeng, Pang Shengqing, Zhang Renjun, Ye Weimin, Xiong Hui, Chen Jie and Feng Jianxiong (Secretary to the Board of Directors), have undertaken to increase their shareholdings in the Company for an amount of not less than RMB1.60 million in the coming 6 months in manners permissible under pertinent laws and regulations, and have further undertaken not to sell the shares in the Company so acquired within a period of 6 months.

As of 29 July 2015, 11 members of the directors and senior management of the Company, including Director He Shiyou and senior management members Zhang Zhenhui, Qiu Weizhao, Chen Jianzhou, Fan Qingfeng, Pang Shengqing, Zhang Renjun, Ye Weimin, Xiong Hui, Chen Jie and Feng Jianxiong (Secretary to the Board of Directors), have fulfilled and completed their undertaking to increase shareholdings in the Company by way of direct personal acquisition or through private asset management plans of securities companies. The aggregate amount of increased shareholdings was approximately RMB1.7061 million. Among them, Chen Jie increased shareholdings in the Company through direct personal acquisition, while the remaining 10 Directors and members of senior management, namely, Director He Shiyou, senior management members Zhang Zhenhui, Qiu Weizhao, Chen Jianzhou, Fan Qingfeng, Pang Shengqing, Zhang Renjun, Ye Weimin, Xiong Hui and Feng Jianxiong (Secretary to the Board of Directors) increased their holdings of the Company’s shares indirectly through an asset management plan operated by Shanghai Guotai Junan Securities Asset Management Co. Ltd. For details, please refer to the “Announcement Fulfillment and Completion of Undertaking of Directors and Senior Management to Increase Shareholdings in the Company” and “Further Announcement on the Fulfillment and Completion of Undertaking of Directors and Senior Management to Increase Shareholdings in the Company” published by the Company on 30 July 2015 and 26 August 2015, respectively.

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 from the beginning of the year to the end of the next reporting period as compared to the same period last year

Applicable N/A

3.5 Other material matters requiring disclosure

3.5.1 Investment in securities 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 thousands shares)	Shareholding percentage at the beginning of the period	Shares held at the end of the period (10 thousands shares)	Shareholding percentage at the end of the period	Book 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	—	552.84	Other receivables, other non-current assets	Initial investment
Other securities investments held at the end of the reporting period			—	—	—	—	—	—	—		—
Total			44,603.26	N/A	—	N/A	—	—	658.54	—	—

Note 1: China All Access (Holdings) Limited (“China All Access”) is a company listed on the Hong Kong Stock Exchange. The initial investment for the acquisition of convertible bonds of China All Access by ZTE (H.K.) Limited (“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.

(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 nominal value 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 nominal value of HKD350.0 million at an annual interest rate of 6% and with the principal nominal value 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. On 30 June 2015, ZTE HK transferred China All Access convertible bonds with an amount of HKD350.0 million to Oriental (Asia) Investment Holdings Limited (東方(亞洲)投資控股有限公司) for a consideration of approximately HKD356,904,110, comprising HKD350,000,000 as the principal amount of the bonds and HKD6,904,110 as the interest income ZTE HK entitled to for the period of bond holding.

As at the end of the reporting period, ZTE HK no longer held any convertible bonds of China All Access.

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	Shares held		Shareholding percentage at the beginning of the period	Shares held		Shareholding percentage at the end of the period	Book value at the end of the period	Profit and loss in the reporting period	Accounting classification	Source of shares
			Initial investment	at the beginning of the period (10 thousands shares)		at the end of the period (10 thousands shares)	at the end of the period					
Stock	300322	Speed ^{Note 1}	762.79	480.00	2.14%	864.00	2.13%	8,743.68	—	Available-for-sale financial assets	Initial investment	
Stock	603118	Gongjin Electronics ^{Note 1}	4,274.93	1,037.15	3.46%	1,037.15	3.46%	32,763.68	—	Available-for-sale financial assets	Initial investment	
Stock	300438	Great Power ^{Note 1}	3,095.24	300.00	3.57%	300.00	3.57%	16,464.00	—	Available-for-sale financial assets	Initial investment	
Stock	00633.HK	China All Access ^{Note 2}	32,619.22	9,698.20	6.13%	—	—	—	4,614.40	Available-for-sale financial assets	Initial investment and conversion from bonds	
Stock	ENA: TSV	Enablence Technologies ^{Note 3}	1,393.10	1,800.00	9.88%	1,800.00	7.78%	858.49	—	Available-for-sale financial assets	Initial investment	
Total			42,145.28	13,315.35	—	4,001.15	—	58,829.85	4,614.40	—	—	

- Note 1:* Figures corresponding to Huizhou Speed Wireless Technology Co., Ltd. (“Speed”), Shenzhen Gongjin Electronics Co., Ltd. (“Gongjin Electronics”) and Guangzhou Great Power Energy & Technology Co., Ltd. (“Great Power”) 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.
- Note 3:* The initial investment for ZTE HK’s acquisition of Enablence Technologies Inc. (“Enablence Technologies”) shares amounted to approximately 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 book value of the investment as at the end of the reporting period was approximately HKD10,469,500, equivalent to approximately RMB8,584,900 based on the Company’s foreign currency statement book exchange rate (HKD1: RMB0.81999) on 30 September 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. Zhonghe Chunsheng Fund was a partnership reported in the consolidated financial statements of the Company. As at the end of the reporting period, Zhonghe Chunsheng Fund held 8.64 million shares in Speed, a company listed on the GEM Board of the Shenzhen Stock Exchange, accounting for 2.13% of the total share capital of Speed (following Speed’s implementation of its 2014 plan for profit distribution and conversion of capital reserves).

B. Shareholdings in Gongjin Electronics

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 Shanghai Stock Exchange).

C. Shareholdings in Great Power

As at the end of the reporting period, Zhonghe Chunsheng Fund held 3 million shares in Great Power, a company listed on the GEM Board of the Shenzhen Stock Exchange, accounting for 3.57% of the total share capital of Great Power.

D. 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 share conversion transaction from convertible bonds of China All Access held by ZTE HK, please refer to the sub-section headed “Details of investment in securities” under this section.

As at the end of the reporting period, ZTE HK no longer held any shares in China All Access.

E. Shareholdings in Enablence Technologies

ZTE HK, a wholly-owned subsidiary of the Company, entered into “Subscription Agreement” with Enablence Technologies on 4 December 2014. ZTE HK subscribed for 18 million shares issued by Enablence Technologies on 6 January 2015 for a total cash consideration of CAD2.70 million. As at the end of the reporting period, ZTE HK held 18 million shares in Enablence Technologies, accounting for 7.78% of the total share capital of Enablence Technologies.

- 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 investors and analysts, communications and press interviews of the Company during the reporting period

During the Reporting Period, the Company hosted 5 receptions of investors for research purposes, including 8 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.

Class	Time	Location	Mode	Audience received	Key contents of discussion	Materials furnished
External meeting	September 2015	Shenzhen	Investors' meeting of Morgan Stanley	Customers of Morgan Stanley	Day-to-day operations of the Company	Published announcements and regular reports
	September 2015	Shenzhen	Investors' meeting of BOCI	Customers of BOCI	Day-to-day operations of the Company	Published announcements and regular reports
Company visits by investors	July to September 2015	Company	Verbal	<p>Overseas investors AIA Group, CLSA Securities, Baillie Gifford & Co., Hermes Investment Management, Newport Asia LLC, Wells Capital Management, GIC, Cavalry Asset Management</p>	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	Start date	End date	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
HSBC	N/A	No	Interest rate swap ^{Note 3}	—	2011/12/19	2016/7/8	31,002.50	—	31,755.00	1.19%	—
Standard Chartered Bank	N/A	No	Interest rate swap ^{Note 3}	—	2011/12/22	2016/7/8	31,002.50	—	31,755.00	1.19%	—
Bank of China	N/A	No	Foreign exchange forwards	—	2014/11/3	2015/12/31	195,576.94	—	91,135.70	3.42%	4,917.10
BNP Paribas	N/A	No	Foreign exchange forwards	—	2014/10/30	2015/12/31	171,398.53	—	54,818.02	2.06%	2,957.63
CITIC Bank	N/A	No	Foreign exchange forwards	—	2015/2/9	2015/12/30	32,336.23	—	39,728.68	1.49%	2,143.51
Other banks	N/A	No	Foreign exchange forwards	—	2014/10/28	2015/12/31	284,498.51	—	146,220.86	5.49%	7,889.14
Total				—	—	—	745,815.21	—	395,413.26	14.84%	17,907.38
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 Sixteenth 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, and “Announcement Resolutions of the Twenty-fifth Meeting of the Sixth Session of the Board of Directors” and “Announcement on the Application for Derivative Investment Limits for 2015”, both dated 25 March 2015.							
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 and “Announcement on Resolutions of the 2014 Annual General Meeting” dated 28 May 2015.							
Risk analysis and control measures (including but not limited to market risks, liquidity risks, credit risks, operational risks and legal risks) in respect of derivative positions during the reporting period				<p>Value protection derivative investments were conducted by the Company during the first three quarters of 2015. The major risks and control measures are discussed as follows:</p> <ol style="list-style-type: none"> 1. Market risks: Gains or losses arising from the difference between the exchange rate for settlement of value protection 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; 2. 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; 3. Credit risks: The counterparties of the derivative investment trades of the Company are banks with sound credit ratings and long-standing business relationships with the Company and therefore the transactions were basically free from performance risks; 4. Other risks: Failure of personnel in charge to operate derivative investments in accordance with stipulated procedures or fully understand information regarding derivatives in actual operation may result in operational risks; Obscure terms in the trade contract may result in legal risks; 5. Control measures: The Company addressed legal risks by entering into contracts with clear and precise terms with counterparty banks and strictly enforcing its risk management system. The Company has formulated the “Risk Control and Information Disclosure System relating to Investments in Derivatives” that contains specific provisions for the risk control, 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/losses from investments in derivatives during the reporting period. Total gains recognised for the reporting period amounted to RMB179.07 million, comprising losses from fair-value change of RMB130.58 million and recognised investment income of RMB309.65 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	Independent Non-executive Directors' Opinion: 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.

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

Note 2: 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;

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 third quarter of 2015

The Company's internal control work during the first quarter of 2015 mainly involved overall review and evaluation of its internal control work in 2014, completion of the Self-assessment Report on Internal Control of the Company in 2014 and inspection of the compliance of derivative investments in 2014. During the second quarter of 2015, the Company was primarily involved in the engagement of an independent consultant agency to provide specific training in accordance with regulatory requirements for risk management and internal control, conduct of activities to draw conclusions in risk management and internal control practices and efforts to enhance expertise and internal control standards. For details of the development and implementation of internal control during the first half of 2015, please refer to the section headed "Material Matters" in the 2015 interim report of the Company.

Details of the Company's development and implementation of internal control in the third quarter of 2015 are as follows:

1. Application of the internal control manual was systematically developed, key control points of various business segments were renewed and self-assessment of internal control was carried out with the establishment of specific internal control items in key areas such as government and corporate services and terminals to facilitate improvements in the internal control mechanism;
2. Risks in the Company's operations were analysed and identified on an ongoing basis and control was strengthened;
3. Development of corporate culture in relation to risk management and internal control was enhanced and promotion for important positions such as research and development, sales and engineering was completed;

4. The “Internal Control and Audit Report of the Company for the First Half of 2015” was completed and submitted to the Audit Committee and Board of Directors of the Company for review.

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) (Please see the attached.)

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

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

BALANCE SHEET

RMB in thousands

Assets	2015.9.30		2014.12.31	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Audited)	Company (Audited)
Current assets:				
Cash	20,454,352	12,440,828	18,115,874	10,025,991
Financial assets dealt with at fair value through current profit and loss	32,254	7,803	240,973	53,390
Bills receivable	2,563,210	2,088,283	2,086,771	1,873,999
Trade receivables	29,601,011	37,579,685	25,152,963	36,620,720
Factored trade receivables	2,148,665	509,934	3,160,705	1,259,713
Prepayments	531,845	26,972	682,778	66,692
Dividend receivable	—	3,483,303	—	2,487,128
Other receivables	2,205,875	7,356,029	2,159,677	6,338,933
Inventories	21,648,027	13,994,150	19,592,298	12,353,923
Amount due from customers for contract works	12,031,422	7,458,692	11,033,468	7,799,190
Total current assets	91,216,661	84,945,679	82,225,507	78,879,679
Non-current assets:				
Available-for-sale financial assets	1,995,174	366,924	1,739,664	373,555
Long-term trade receivables	342,118	5,831,390	266,501	5,480,245
Factored long-term trade receivables	1,629,353	1,315,405	1,701,978	1,287,954
Long-term equity investments	505,304	7,012,535	461,316	6,884,411
Investment properties	2,069,146	1,624,703	2,004,465	1,597,919
Fixed assets	7,324,406	4,322,836	7,348,292	4,458,748
Construction in progress	639,800	150,201	262,863	11,909
Intangible assets	1,393,220	551,437	1,364,695	515,110
Deferred development costs	3,861,212	911,835	3,483,505	846,625
Deferred tax assets	1,243,753	549,014	1,284,493	674,629
Long-term deferred assets	40,217	34,100	53,287	44,518
Other non-current assets	3,911,318	3,842,316	4,017,630	3,879,675
Total non-current assets	24,955,021	26,512,696	23,988,689	26,055,298
TOTAL ASSETS	116,171,682	111,458,375	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	2015.9.30		2014.12.31	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Audited)	Company (Audited)
Current liabilities:				
Short-term loans	8,925,272	6,922,484	10,998,077	8,418,581
Financial liabilities dealt with at fair value through current profit and loss	43,489	7,517	70,604	17,587
Bonds payable	3,997,000	3,997,000	—	—
Bank advances on factored trade receivables	2,159,534	519,285	3,175,432	1,274,440
Bills payable	9,939,097	11,781,364	10,381,688	12,389,807
Trade payables	20,054,630	33,619,565	19,244,400	31,214,686
Amount due to customers for contract works	4,071,799	2,309,045	3,825,106	2,654,158
Advances from customers	5,403,895	4,350,431	3,305,520	3,411,519
Salary and welfare payables	3,541,941	1,236,902	2,806,947	771,370
Taxes payable	(3,181,273)	(2,611,420)	(2,790,280)	(2,377,915)
Dividends payable	7,418	182	8,113	156
Other payables	8,323,738	19,495,884	7,531,970	19,020,951
Deferred income	457,271	75,964	451,507	191,584
Provisions	569,036	317,012	741,391	388,995
Long-term loans due within one year	4,643,630	1,720,000	6,174,257	6,131,185
Total current liabilities	68,956,477	83,741,215	65,924,732	83,507,104
Non-current liabilities:				
Long-term loans	7,320,725	1,440,200	10,039,687	2,980,100
Bank advances on factored long-term trade receivables	1,629,353	1,315,405	1,701,978	1,287,954
Provision for retirement benefits	114,192	114,192	115,450	115,450
Deferred tax liabilities	174,992	162,367	159,340	158,350
Deferred income	630,746	—	631,149	—
Other non-current liabilities	1,313,904	1,290,327	1,349,356	1,348,475
Total non-current liabilities	11,183,912	4,322,491	13,996,960	5,890,329
Total liabilities	80,140,389	88,063,706	79,921,692	89,397,433

RMB in thousands

Shareholders' equity	2015.9.30		2014.12.31	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Audited)	Company (Audited)
Shareholders' equity:				
Share capital	4,125,050	4,125,050	3,437,541	3,437,541
Capital reserve	8,170,927	8,186,856	8,724,754	8,740,683
Surplus reserve	1,769,012	1,107,256	1,769,012	1,107,256
Retained profits	13,328,214	1,549,048	10,724,034	843,603
Proposed final dividends	—	—	687,508	687,508
Other comprehensive income	(743,644)	720,827	(464,275)	720,953
Total equity attributable to ordinary equity holders of the parent	<u>26,649,559</u>	<u>15,689,037</u>	<u>24,878,574</u>	<u>15,537,544</u>
Other equity instruments	7,705,632	7,705,632	—	—
Non-controlling interests	<u>1,676,102</u>	—	<u>1,413,930</u>	—
Total shareholders' equity	<u>36,031,293</u>	<u>23,394,669</u>	<u>26,292,504</u>	<u>15,537,544</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>116,171,682</u>	<u>111,458,375</u>	<u>106,214,196</u>	<u>104,934,977</u>

INCOME STATEMENT

RMB in thousands

Item	Nine months ended 30 September 2015		Nine months ended 30 September 2014	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Unaudited) (Restated)	Company (Unaudited)
1. Operating revenue	68,523,242	64,391,245	58,800,703	54,607,241
Less: Operating costs	45,667,396	53,815,709	40,203,711	47,359,065
Taxes and surcharges	1,086,399	611,526	936,197	530,629
Selling and distribution costs	7,956,903	5,009,166	7,116,114	4,537,465
Administrative expenses	1,778,877	1,089,423	1,537,064	905,020
Research and development costs	8,290,865	2,212,459	6,563,751	1,620,882
Finance expenses	1,167,580	683,002	1,444,948	1,014,063
Impairment losses	2,500,431	1,856,205	1,128,476	773,986
Add: Gains/(Losses) from changes in fair values	(66,240)	(8,733)	196,196	55,890
Investment income	440,550	1,200,420	(37,435)	1,483,430
Including: Share of profits and losses of associates and joint ventures	(24,678)	(21,511)	(40,178)	(34,282)
2. Operating profit	449,101	305,442	29,203	(594,549)
Add: Non-operating income	3,143,457	939,061	2,828,630	523,996
Less: Non-operating expenses	116,278	106,416	155,210	47,237
Including: Gains/(Losses) on disposal of non- current assets	20,513	8,308	52,377	44,087
3. Total profit	3,476,280	1,138,087	2,702,623	(117,790)
Less: Income tax	580,886	142,510	835,740	85,990
4. Net profit	2,895,394	995,577	1,866,883	(203,780)
Net profit attributable to ordinary equity holders of the parent	2,604,180	705,445	1,831,526	(203,780)
Accrable interests attributable to holders of perpetual capital instruments	290,132	290,132	—	—
Non-controlling interests	1,082	—	35,357	—

RMB in thousands

Item	Nine months ended 30 September 2015		Nine months ended 30 September 2014	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Unaudited) (Restated)	Company (Unaudited)
5. Other comprehensive income, net of tax	<u>(16,216)</u>	<u>(126)</u>	<u>(158,984)</u>	<u>327</u>
Other comprehensive income attributable to ordinary equity holders of the parent, net of tax	<u>(279,369)</u>	<u>(126)</u>	<u>(157,689)</u>	<u>327</u>
Other comprehensive income that will be reclassified to profit and loss in subsequent accounting periods				
Changes in the fair value of available-for-sale financial assets	48,489	—	(147,265)	—
Effective portion of cash flow hedging instruments	2,061	—	848	—
Exchange differences on translation of foreign operations	<u>(329,919)</u>	<u>(126)</u>	<u>(11,272)</u>	<u>327</u>
	<u>(279,369)</u>	<u>(126)</u>	<u>(157,689)</u>	<u>327</u>
Other comprehensive income attributable to non-controlling interests, net of tax	<u>263,153</u>	<u>—</u>	<u>(1,295)</u>	<u>—</u>
6. Total comprehensive income	<u>2,879,178</u>	<u>995,451</u>	<u>1,707,899</u>	<u>(203,453)</u>
Comprehensive income attributable to ordinary equity holders of the parent	2,324,811	705,319	1,673,837	(203,453)
Comprehensive income attributable to holders of perpetual capital instruments	290,132	290,132	—	—
Comprehensive income attributable to non-controlling interests	264,235	—	34,062	—
7. Earnings per share				
(1) Basic earnings per share	RMB0.63		RMB0.44	
(2) Diluted earnings per share	RMB0.62		RMB0.44	

INCOME STATEMENT

RMB in thousands

Item	Three months ended 30 September 2015		Three months ended 30 September 2014	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Unaudited) (Restated)	Company (Unaudited)
1. Operating revenue	22,624,454	19,858,158	21,103,394	19,784,935
Less: Operating costs	15,240,648	16,309,292	14,693,881	17,005,886
Taxes and surcharges	240,579	109,791	263,908	146,899
Selling and distribution costs	2,623,729	1,541,153	2,374,779	1,501,226
Administrative expenses	571,070	290,088	464,813	286,733
Research and development costs	2,798,953	755,708	2,437,205	511,393
Finance expenses	160,478	(69,213)	936,978	597,005
Impairment losses	618,325	419,582	(13,519)	(169,480)
Add: Gains/(Losses) from changes in fair values	(76,196)	(20,392)	254,965	93,788
Investment income	78,282	29,146	38,938	11,246
Including: Share of profits and losses of associates and joint ventures	13,433	13,915	270	—
2. Operating profit	372,758	510,511	239,252	10,307
Add: Non-operating income	1,012,245	314,070	915,966	183,750
Less: Non-operating expenses	51,111	35,770	96,581	25,456
Including: Gains/(Losses) on disposal of non- current assets	4,469	3,049	36,198	34,718
3. Total profit	1,333,892	788,811	1,058,637	168,601
Less: Income tax	270,684	178,655	363,065	130,251
4. Net profit	1,063,208	610,156	695,572	38,350
Net profit attributable to ordinary equity holders of the parent	988,595	500,777	703,320	38,350
Accruable interests attributable to holders of perpetual capital instruments	109,379	109,379	—	—
Non-controlling interests	(34,766)	—	(7,748)	—

RMB in thousands

Item	Three months ended 30 September 2015		Three months ended 30 September 2014	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Unaudited) (Restated)	Company (Unaudited)
5. Other comprehensive income, net of tax	<u>(575,789)</u>	<u>(14)</u>	<u>(157,526)</u>	<u>(426)</u>
Other comprehensive income attributable to ordinary equity holders of the parent, net of tax	<u>(426,957)</u>	<u>(14)</u>	<u>(156,838)</u>	<u>(426)</u>
Other comprehensive income that will be reclassified to profit and loss in subsequent accounting periods				
Changes in the fair value of available for-sale financial assets	(77,655)	—	(12,817)	—
Effective portion of cash flow hedging instruments	1,144	—	—	—
Exchange differences on translation of foreign operations	<u>(350,446)</u>	<u>(14)</u>	<u>(144,021)</u>	<u>(426)</u>
	<u>(426,957)</u>	<u>(14)</u>	<u>(156,838)</u>	<u>(426)</u>
Other comprehensive income attributable to non-controlling interests, net of tax	<u>(148,832)</u>	<u>—</u>	<u>(688)</u>	<u>—</u>
6. Total comprehensive income	<u>487,419</u>	<u>610,142</u>	<u>538,046</u>	<u>37,924</u>
Comprehensive income attributable to ordinary equity holders of the parent	561,638	500,763	546,482	37,924
Comprehensive income attributable to holders of perpetual capital instruments	109,379	109,379	—	—
Comprehensive income attributable to non-controlling interests	(183,598)	—	(8,436)	—
7. Earnings per share				
(1) Basic earnings per share	RMB0.24		RMB0.17	
(2) Diluted earnings per share	RMB0.24		RMB0.17	

CASH FLOW STATEMENT

RMB in thousands

Item	Nine months ended 30 September 2015		Nine months ended 30 September 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	72,777,233	69,006,872	64,442,477	54,130,549
Refunds of taxes	5,447,304	3,372,304	5,071,607	2,915,212
Cash received relating to other operating activities	2,170,812	1,838,772	2,197,821	1,830,377
Sub-total of cash inflows	80,395,349	74,217,948	71,711,905	58,876,138
Cash paid for goods and services	58,173,307	65,530,449	52,233,657	51,072,828
Cash paid to and on behalf of employees	10,985,440	3,705,973	8,966,640	3,045,833
Cash paid for all types of taxes	5,864,979	759,000	4,900,392	674,863
Cash paid relating to other operating activities	5,016,936	4,027,282	5,416,772	3,958,518
Sub-total of cash outflows	80,040,662	74,022,704	71,517,461	58,752,042
Net cash flows from operating activities	354,687	195,244	194,444	124,096
2. Cash flows from investing activities				
Cash received from sale of investments	1,182,207	45,474	1,087,611	21,300
Cash received from return on investment	578,688	187,086	55,233	51,247
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets	17,517	10,059	49,384	41,172
Net cash received from the disposal of subsidiaries and other business units	—	126	—	1,343
Sub-total of cash inflows	1,778,412	242,745	1,192,228	115,062
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	2,026,035	548,854	1,431,348	471,861
Cash paid for acquisition of investments	975,423	149,935	1,274,088	501,672
Sub-total of cash outflows	3,001,458	698,789	2,705,436	973,533
Net cash flows from investing activities	(1,223,046)	(456,044)	(1,513,208)	(858,471)

Item	Nine months ended 30 September 2015		Nine months ended 30 September 2014	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Unaudited)	Company (Unaudited)
3. Cash flows from financing activities				
Cash received from capital injection	34,500	—	211,000	—
Including: Capital injection into subsidiaries by minority shareholders	34,500	—	211,000	—
Cash received from the issuance of perpetual capital instruments	7,415,500	7,415,500	—	—
Cash received from borrowings	13,277,967	10,532,547	31,870,221	9,311,911
Sub-total of cash inflows	20,727,967	17,948,047	32,081,221	9,311,911
Cash repayment of borrowings	15,692,062	13,710,611	35,870,978	13,381,654
Cash payments for distribution of dividends, profits and for interest expenses	1,814,235	1,490,342	1,705,357	1,061,462
Including: Distribution of dividends, profits by subsidiaries to minority shareholders	—	—	30,470	—
Sub-total of cash outflows	17,506,297	15,200,953	37,576,335	14,443,116
Net cash flows from financing activities	3,221,670	2,747,094	(5,495,114)	(5,131,205)
4. Effect of changes in foreign exchange rate on cash and cash equivalents	(259,961)	(116,955)	(247,789)	(95,189)
5. Net increase in cash and cash equivalents	2,093,350	2,369,339	(7,061,667)	(5,960,769)
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	19,323,490	12,085,208	13,056,607	5,795,670

By Order of the Board
Hou Weigui
Chairman

Shenzhen, the PRC
27 October 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 Shiyong; six non-executive directors, Hou Weigui, Zhang Jianheng, Xie Weiliang, Wang Zhanchen, Zhang Junchao and Dong Lianbo; and five independent non-executive directors, Tan Zhenhui, Richard Xike Zhang, Chen Shaohua, Lü Hongbing and Bingsheng Teng.