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# ZTE

**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)**

## **2019 FIRST QUARTERLY REPORT**

This announcement is published simultaneously in the Mainland in accordance with the Rules Governing Listing of Stocks on The Shenzhen Stock Exchange and in Hong Kong in accordance with the disclosure obligations under Rule 13.09(2) and Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the inside information provisions set out in Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

### **§ 1 IMPORTANT**

- 1.1 The Board of Directors, Supervisory Committee and the Directors, Supervisors and senior management of ZTE Corporation (“ZTE” or the “Company”) warrant that the contents of this quarterly report are true, accurate and complete without any false information, misleading statements or material omissions, and collectively and individually accept responsibility therefor.
- 1.2 There are no Directors, Supervisors and senior management who do not warrant or who dispute the truthfulness, accuracy and completeness of the contents of this quarterly report.
- 1.3 This quarterly report has been considered and approved at the Second Meeting of the Eighth Session of the Board of Directors of the Company.
- 1.4 The financial statements contained in this quarterly report are unaudited. The financial information contained in this quarterly report has been prepared in accordance with PRC Accounting Standards for Business Enterprises (“PRC ASBEs”).

- 1.5 Mr. Li Zixue, Chairman of the Company, Ms. Li Ying, Chief Financial Officer of the Company and Mr. Xu Jianrui, Head of Finance Division of the Company, hereby declare that they warrant the truthfulness, accuracy and completeness of the financial statements contained in this quarterly report.
- 1.6 China Securities Journal, Securities Times, Shanghai Securities News and <http://www.cninfo.com.cn> are designated media for the Company's information disclosure. Investors are asked to be aware of investment risks.

## **§ 2 CORPORATE INFORMATION**

### **2.1 Major Accounting Data and Financial Indicators**

#### ***2.1.1 Statement on retrospective adjustments to or restatement of accounting data of the previous year by the Company because of changes in accounting policies or for the rectification of accounting errors***

On 7 December 2018, the Ministry of Finance of the PRC issued the revised “ASBE No. 21 — Leases” (“New ASBE on Leases”) in replacement of the “ASBE No. 21 — Leases”. Enterprises listed in both domestic and overseas markets were required to adopt the New ASBE on Leases with effect from 1 January 2019. The Company and its subsidiaries (the “Group”) have modified their accounting policies in accordance with the provisions of the aforesaid accounting standard.

In accordance with relevant convergence provisions under the New ASBE on Leases, the Group has elected not to reassess whether contracts subsisting prior to 1 January 2019 are lease contracts or contracts containing leases. As a lessee, the Group has elected to adopt a modified convergence treatment of retrospective adjustment. The cumulative effect from the first implementation of the New ASBE on Leases shall be recognised by adjusting the opening balance of “Assets comprising rights of use” and “Lease liabilities” in the financial statements as at 1 January 2019, while other items in the balance sheet shall not be affected. Comparative statements for the same period last year shall not be adjusted.

For operating leases subsisting prior to 1 January 2019, the Group as lessee shall measure lease liabilities on 1 January 2019 based on remaining lease payments discounted to present value using the incremental borrowing rate for the Group. Assets comprising rights of use are recognised as the amount of lease liabilities adjusted for rental prepayments as necessary. The Group has adopted the simplified treatment of recognising leases which will end within 12 months after 1 January 2019 as short-term leases. Based on detailed evaluation of the impact of the adoption of the New ASBE on Leases, assets comprising rights of use with an amount of RMB952,264,000 and lease liabilities amounting to RMB952,264,000 have been

recognised for the Group, and assets comprising rights of use with an amount of RMB660,822,000 and lease liabilities amounting to RMB660,822,000 have been recognised for the Company.

The implementation of the New ASBE on Leases has had no material impact on the Company's consolidated financial reports.

### **2.1.2 Major Accounting Data and Financial Indicators of the Group**

<b>Item</b>	<b>As at the end of the reporting period (31 March 2019)</b>	<b>As at the end of last year (31 December 2018)</b>	<b>Change as at the end of the reporting period compared with the end of last year</b>
Total assets ( <i>RMB in thousands</i> )	<b>139,875,707</b>	129,350,749	8.14%
Owners' equity attributable to holders of ordinary shares of the listed company ( <i>RMB in thousands</i> )	<b>23,721,411</b>	22,897,576	3.60%
Total share capital ( <i>thousand shares</i> )	<b>4,192,672</b>	4,192,672	—
Net assets per share attributable to holders of ordinary shares of the listed company ( <i>RMB/share</i> )	<b>5.66</b>	5.46	3.66%

Item	The reporting period (Three months ended 31 March 2019)	Same period last year (Three months ended 31 March 2018)	Change compared with the same period last year
Operating revenue (RMB in thousands)	<b>22,201,814</b>	27,526,342	(19.34%)
Net profit attributable to holders of ordinary shares of the listed company (RMB in thousands)	<b>862,604</b>	(5,407,237)	115.95%
Net profit after extraordinary items attributable to holders of ordinary shares of the listed company (RMB in thousands)	<b>132,898</b>	(28,146)	572.17%
Net cash flow from operating activities (RMB in thousands)	<b>1,259,978</b>	(171,149)	836.19%
Net cash flow from operating activities per share (RMB/share)	<b>0.30</b>	(0.04)	850.00%
Basic earnings per share (RMB/share) <sup>Note 1</sup>	<b>0.21</b>	(1.29)	116.28%
Diluted earnings per share (RMB/share) <sup>Note 2</sup>	<b>0.20</b>	(1.29)	115.50%
Weighted average return on net assets (%)	<b>3.70%</b>	(19.14%)	Increased by 22.84 percentage points
Weighted average return on net assets after extraordinary items (%)	<b>0.57%</b>	(0.10%)	Increased by 0.67 percentage point

*Note 1:* Basic earnings per share for the reporting period and for the three months ended 31 March 2018 have been calculated on the basis of the weighted average number of ordinary shares in issue as at the end of the respective periods;

*Note 2:* As the 2017 share options granted by the Company have given rise to 21,176,000 and 0 potentially dilutive ordinary shares for the three months ended 31 March 2019 and the three months ended 31 March 2018, respectively, dilutive earnings per share has been calculated on the basis of basic earnings per share taking into account the said factor.

*Extraordinary item*

*Unit: RMB in thousands*

<b>Extraordinary item</b>	<b>Amount from the beginning of the year to the end of the reporting period</b>
Non-operating income, other income and others	573,115
Gains/(losses) from fair value change	340,692
Investment income	65,969
Less: Other non-operating expenses	116,813
Less: Effect of income tax	129,444
Less: Effect of non-controlling interests (after tax)	3,813
<b>Total</b>	<b>729,706</b>

***2.1.3 The amounts of net profit and shareholders' equity of the Group for the three months ended 31 March 2019 and as at 31 March 2019 calculated in accordance with PRC ASBEs are fully consistent with those calculated under Hong Kong Financial Reporting Standards.***

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

### *Total number of shareholders*

As at 31 March 2019 There were 361,194 shareholders in total (comprising 360,876 holders of A shares and 318 holders of H shares).

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

Name of shareholders	Nature of shareholders	Percentage of shareholdings	Number of shareholdings as at the end of the reporting period (shares)	Number of shares held subject to lock-up (shares)	Number of pledged or frozen shares
1. Zhongxingxin Telecom Company Limited (“Zhongxingxin”) <sup>Note 1</sup>	State-owned corporation	28.40%	1,190,776,300	—	98,667,983
2. HKSCC Nominees Limited <sup>Note 2</sup>	Foreign shareholder	17.99%	754,311,638	—	Unknown
3. Hong Kong Securities Clearing Company Limited <sup>Note 3</sup>	Overseas corporation	1.48%	62,138,413	—	Nil
4. Central Huijin Asset Management Ltd.	State-owned corporation	1.25%	52,519,600	—	Nil
5. Hunan Nantian (Group) Co., Ltd	State-owned corporation	0.99%	41,516,065	—	Nil
6. Perseverance Asset Management Partnership (Limited Partnership) — Gaoyi Linshan No. 1 Yuanwang Fund	Others	0.72%	30,000,000	—	Nil
7. China Life Insurance Company Limited — Dividend — Personal Dividend — 005L-FH002 Shen	Others	0.65%	27,251,458	—	Nil
8. NSSF Portfolio #112	Others	0.57%	24,097,904	—	Nil
9. China Mobile No. 7 Research Institute	State-owned corporation	0.45%	19,073,940	—	Nil
10. NSSF Portfolio #108	Others	0.43%	17,999,973	—	Nil

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

Name of shareholders	Number of shares held not subject to lock-up (shares)	Class of shares
1. Zhongxingxin	1,188,738,300 2,038,000	A share H share
2. HKSCC Nominees Limited	754,311,638	H share
3. Hong Kong Securities Clearing Company Limited	62,138,413	A share
4. Central Huijin Asset Management Ltd.	52,519,600	A share
5. Hunan Nantian (Group) Co., Ltd	41,516,065	A share
6. Perseverance Asset Management Partnership (Limited Partnership) — Gaoyi Linshan No. 1 Yuanwang Fund	30,000,000	A share
7. China Life Insurance Company Limited — Dividend — Personal Dividend — 005L-FH002 Shen	27,251,458	A share
8. NSSF Portfolio #112	24,097,904	A share
9. China Mobile No. 7 Research Institute	19,073,940	A share
10. NSSF Portfolio #108	17,999,973	A share
Descriptions of any connected party relationships or concerted party relationships among the above shareholders	<p>1. Zhongxingxin was neither a connected party nor a concerted party of any of the top 10 shareholders and top 10 holders of shares that were not subject to lock-up set out in the table above.</p> <p>2. Save as aforesaid, the Company is not aware of any connected party relationships or concerted party relationships among other top 10 shareholders and other top 10 holders of shares not subject to lock-up.</p>	
Description of top 10 shareholders' involvement in financing and securities lending businesses (if any)	N/A	

*Note 1:* During the first quarter of 2019, Zhongxingxin completed a sell-down of 81,092,033 A shares in the Company in aggregate; As at 31 March 2019, Zhongxingxin holds 1,190,776,300 shares in the Company in aggregate;

*Note 2:* Shares held by HKSCC Nominees Limited represented the sum of shares held in the accounts of the H shareholders of the Company traded on the trading platform of HKSCC Nominees Limited;

*Note 3:* Shares held by Hong Kong Securities Clearing Company Limited represented the sum of A shares in the Company purchased through Shenzhen Hong Kong Stock Connect (Northbound).

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

Yes  No

**The Company had no preferential shares.**



### § 3 MATERIAL MATTERS

#### 3.1 Substantial changes in key financial data and financial indicators of the Company and the reasons thereof

*Unit: RMB in thousands*

##### *Balance sheet*

Item	31 March 2019	31 December 2018	Change	Analysis of reasons for changes
Derivative financial assets	552,633	228,117	142.26%	Reflecting mainly the increase in gain on fair-value re-measurement at the end of the period of derivative investments for the period.
Factored long-term trade receivables	828,687	432,041	91.81%	Reflecting mainly the increase in long-term factored trade receivable business with limited recourse for the period.
Short-term loans	31,803,187	23,739,614	33.97%	Reflecting mainly the increase in working capital for the period.
Derivative financial liabilities	135,921	101,332	34.13%	Reflecting mainly the increase in loss on fair-value re-measurement at the end of the period of derivative investments in emerging markets for the period.
Deferred income	1,731,655	1,261,449	37.28%	Reflecting mainly the increase in government grants received for the period.
Provisions	1,462,690	2,167,614	(32.52%)	Reflecting mainly the transfer to cost of provisions for contract losses for the period.
Non-current liabilities due within one year	646,290	1,243,709	(48.04%)	Reflecting mainly the decrease in long-term loans due within one year for the period.
Bank advances on factored long-term trade receivables	830,783	434,137	91.36%	Reflecting mainly the increase in long-term factored trade receivable business with limited recourse for the period.

***Income Statement (Three months ended 31 March)***

Item	Three months ended 31 March 2019	Three months ended 31 March 2018	Change	Analysis of reasons for changes
Operating costs	13,327,317	19,816,145	(32.75%)	Reflecting mainly the decrease in revenue from the consumer business commanding a lower gross profit margin as a percentage of total revenue for the period.
Taxes and surcharges	330,778	235,689	40.35%	Reflecting mainly the increase in city construction tax and education surcharge payable for the period.
Administrative expenses	1,260,874	653,009	93.09%	Reflecting mainly the increase in legal expenses and staff costs for the period.
Finance costs	777,334	185,992	317.94%	Reflecting mainly the increase in exchange loss due to exchange rate volatility and interest expense for the period.
Asset impairment losses	384,324	998,839	(61.52%)	Reflecting mainly the inclusion of expected credit loss arising from provision for impairment of financial instruments in “Credit loss impairment” following the implementation of the new reporting format for the period.
Credit impairment losses	519,485	—	N/A	Reflecting mainly the inclusion of expected credit loss arising from provision for impairment of financial instruments in “Credit loss impairment” following the implementation of the new reporting format for the period.
Other income	204,186	627,838	(67.48%)	Reflecting mainly the decrease in software VAT rebate income for the period.
Investment income	35,490	(94,654)	137.49%	Reflecting mainly the increase in gain from the disposal of listed equity by subsidiary partnership funds of Shenzhen ZTE Capital Management Company Limited (“ZTE Capital”) for the period.
Gains/(Losses) from changes in fair values	481,299	205,749	133.93%	Reflecting mainly the gain on listed equities held by subsidiary partnership funds of ZTE Capital for the period versus loss for the same period last year as a result of market price movements.

Item	Three months	Three months	Change	Analysis of reasons for changes
	ended	ended		
	31 March 2019	31 March 2018		
Non-operating income	40,064	25,681	56.01%	Reflecting mainly the increase in income from compensation in connection with suppliers' default for the period.
Non-operating expenses	116,813	6,731,649	(98.26%)	Reflecting mainly the provision for the USD1 billion penalty describe in the "INSIDE INFORMATION ANNOUNCEMENT AND RESUMPTION OF TRADING" published by the Company on 12 June 2018 in the same period last year.
Income tax	277,958	(240,670)	215.49%	Reflecting mainly profit recorded for the period versus loss recorded for the same period last year.
Non-controlling interests	160,746	(13,140)	1,323.33%	Reflecting mainly the profit recorded by certain subsidiaries with a higher percentage of minority interests for the period.
Exchange differences on translation of foreign operations	(115,516)	(392,962)	70.60%	Reflecting mainly the decrease in the Group's exchange loss due to exchange rate volatility for the period.
Other comprehensive income attributable to non-controlling interests, net of tax	(10,519)	(121)	(8,593.39%)	Reflecting mainly the increase in subsidiaries' exchange loss due to exchange rate volatility for the period.

### ***Cash Flow Statement (Three months ended 31 March)***

<b>Item</b>	<b>Three months ended 31 March 2019</b>	<b>Three months ended 31 March 2018</b>	<b>Change</b>	<b>Analysis of reasons for changes</b>
Net cash flows from operating activities	1,259,978	(171,149)	836.19%	Reflecting mainly the decrease in cash paid for the purchase of goods and services for the period.
Net cash flows from investing activities	(2,101,713)	(582,818)	(260.61%)	Reflecting mainly the refund of joint venture amounts to Shenzhen Investment Holdings Co., Ltd. (“SIHC”) during the period.
Net cash flows from financing activities	6,411,477	(5,503,636)	216.50%	Reflecting mainly the increase in cash received from borrowings and the decrease in cash paid for the repayment of debts for the period.

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

### ***3.2.1 Provision of any funds by the Company to the controlling shareholders or other connected parties or provision of third-party guarantees in violation of stipulated procedures***

Applicable     N/A

### ***3.2.2 Others***

#### ***3.2.2.1 Non-public issuance of A shares by the Company***

The Company proposed to issue not more than 686,836,019 A shares to not more than 10 specific investors compliant with the provisions of the China Securities Regulatory Commission (“CSRC”). Gross proceeds from the non-public issuance of A Shares will not exceed RMB13 billion. Net proceeds after deduction of issue expenses will be applied towards the “technology research and product development relating to 5G network evolution” and as “replenishment of working capital”. The aforesaid matter has been considered and passed at the Twenty-sixth Meeting of the Seventh Session of the Board of Directors of the Company and the First Extraordinary General Meeting of 2018. For details, please refer to the “Overseas Regulatory Announcement Resolutions of the Twenty-sixth Meeting of the Seventh Session of the Board of Directors” and “(1) PROPOSED NON-PUBLIC ISSUANCE OF A SHARES UNDER GENERAL MANDATE AND (2) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION” published on 31 January 2018 and the “Announcement on Resolutions of the First Extraordinary General Meeting of 2018” published by the Company on 28 March 2018.

Pursuant to the “UPDATE ON THE PROPOSED NON-PUBLIC ISSUANCE OF A SHARES UNDER GENERAL MANDATE” issued by the Company on 1 February 2018, the issue price of the non-public issuance of A shares shall be no less than RMB30/share.

On 10 April 2018, the Company received a “Form of Admission of Application for CSRC Administrative Approval” issued by the CSRC, stating that CSRC had made a decision to admit the application for administrative approval of the non-public issuance of new shares by a listed company submitted by the Company. For details, please refer to the “Overseas Regulatory Announcement Announcement on Admission by CSRC of the Application for Non-public Issuance of A Shares” published by the Company on 10 April 2018.

The Company published the “Overseas Regulatory Announcement Announcement on the Receipt of ‘Notice Regarding the China Securities Regulatory Commission’s First Feedback on the Review of Administrative Permission Items’” and the “Overseas Regulatory Announcement Announcement on Extension of Deadline for Reply to the ‘Notice Regarding the China Securities Regulatory Commission’s First Feedback on the Review of Administrative Permission Items’” on 29 October 2018 and 19 November 2018, respectively. The Company worked with relevant intermediaries to study and deliberate on issues raised in the notice and furnished an item-by-item response. Please refer to the “Overseas Regulatory Announcement Announcement on Reply to the ‘Notice Regarding the China Securities Regulatory Commission’s First Feedback on the Review of Administrative Permission Items’” published by the Company on 23 January 2019 and “Overseas Regulatory Announcement Announcement on Reply (Revised Draft) to the Feedback on Application Materials for the Approval of Non-public Issuance of A Shares” published by the Company on 25 February 2019.

The “Resolution on the Extension of the Validity Period for the Shareholders’ Resolutions in relation to the Non-public Issuance of A Shares of 2018”, “Resolution on the Authorisation in relation to the Non-public Issuance of A Shares of 2018” and “Resolution on the Arrangement of the Floor Price of the Non-public Issuance of A Shares of 2018” were considered and approved at the Forty-fourth Meeting of the Seventh Session of the Board of Directors held on 17 January 2019 and the Company’s First Extraordinary General Meeting of 2019 held on 20 March 2019. For details, please refer to the “Announcement Resolutions of the Forty-fourth Meeting of the Seventh Session of the Board of Directors” and “(1) REVISED TERMS OF THE PROPOSED NON-PUBLIC ISSUANCE OF A SHARES UNDER THE GENERAL MANDATE (2) EXTENSION OF VALIDITY PERIOD OF THE SHAREHOLDERS’ RESOLUTIONS IN RELATION TO THE PROPOSED NON-PUBLIC ISSUANCE OF A SHARES AND (3) NEW AUTHORIZATION TO THE BOARD IN RELATION TO THE PROPOSED

NON-PUBLIC ISSUANCE OF A SHARES” published on 17 January 2019 and the “Announcement on Resolutions of the First Extraordinary General Meeting of 2019” published on 20 March 2019 by the Company.

The non-public issuance of A shares remained subject to the approval of CSRC.

*3.2.2.2 Execution of contracts including Framework Agreement for Cooperation with SIHC and matters pertaining to Third-party Guarantee*

On 19 September 2018, the Company entered into the Framework Agreement for Cooperation with SIHC in relation to the proposed transaction with SIHC in respect of land and property assets located in North Zone, Xili Industrial Park of Nanshan District of Shenzhen (which refers to North Zone, ZTE Industry Park situated alongside Liuxian Avenue, Nanshan District, Shenzhen) and Buji Sub-district of Longgang District of Shenzhen, respectively, held directly or indirectly by the Company. The aforesaid matter was considered and approved at the Thirty-sixth Meeting of the Seventh Session of the Board of Directors of the Company. For details, please refer to the “Announcement Resolutions of the Thirty-sixth Meeting of the Seventh Session of the Board of Directors” and the “Overseas Regulatory Announcement of execution of contracts including Framework Agreement for Cooperation with Shenzhen Investment Holdings Co., Ltd. and matters pertaining to Third-party Guarantee” published by the Company on 19 September 2018.

The Company and SIHC entered into the “Memorandum of Understanding on the Termination of the ‘Framework Agreement for Cooperation and Related Matters’” in respect of arrangements for the termination of the Framework Agreement for Cooperation and related matters on 19 March 2019. The aforesaid matter was considered and approved at the Forty-fifth Meeting of the Seventh Session of the Board of Directors. For details, please refer to the “Announcement Resolutions of the Forty-fifth Meeting of the Seventh Session of the Board of Directors” and the “Overseas Regulatory Announcement on the signing of the ‘Memorandum of Understanding on the Termination of the Framework Agreement for Cooperation and Related Matters’ with Shenzhen Investment Holdings Co., Ltd.” published by the Company on 19 March 2019.

### *3.2.2.3 Provision of guarantees by the Company for its subsidiaries*

1. Provision of a guarantee amount for contract performance for overseas wholly-owned subsidiaries by the Company

To facilitate the Company's overseas business development on an ongoing basis, the Company has proposed to provide a guarantee amount for contract performance (including but not limited to the execution of guarantee agreements by the parent company and the provision of bank guarantees) of not exceeding USD200 million in aggregate for 7 overseas wholly-owned subsidiaries. The aforesaid guarantee amount will be applied on a revolving basis during an effective period commencing on the date on which the provision of a guarantee amount for contract performance for overseas wholly-owned subsidiaries by the Company is considered and approved at the 2018 Annual General Meeting of the Company and ending on the date of the Company's 2019 Annual General Meeting. After the 2018 Annual General Meeting of the Company has considered and approved provision of a guarantee amount for contract performance for overseas wholly-owned subsidiaries, the Board of Directors of the Company shall be responsible for the approval of specific guarantees within the limit, and shall fulfill obligations in information disclosure.

The aforesaid matter has been considered and passed at the Forty-sixth Meeting of the Seventh Session of the Board of Directors pending consideration at the 2018 Annual General Meeting of the Company. For details, please refer to the "Announcement Resolutions of the Forty-sixth Meeting of the Seventh Session of the Board of Directors" and the "Overseas Regulatory Announcement Announcement on the Provision of a Guarantee Amount for Contract Performance for Overseas Wholly-owned Subsidiaries" published by the Company on 27 March 2019.

2. Guarantees provided by subsidiaries on behalf of fellow subsidiaries

ZTE ICT (Guangxi) Company Limited ("Guangxi ICT"), a wholly-owned subsidiary of ZTE ICT Company Limited ("ZTE ICT"), which is in turn a subsidiary of the Company, has entered into a "Working Capital Maximum Borrowing Contract" (the "Borrowing Contract") with Guilin Bank Co., Ltd., Wuzhou branch for the provision of borrowings amounting to RMB20 million to Guangxi ICT by Guilin Bank Co., Ltd., Wuzhou branch. ZTE ICT has proposed to provide maximum amount guarantee by way of assurance with a maximum amount of RMB10 million in respect of the obligations of Guangxi ICT under the Borrowing Contract and enter into a "Maximum Guarantee Contract" with Guilin Bank Co., Ltd., Wuzhou branch for a term commencing on the date on which the "Maximum Guarantee Contract" comes into effect and ending on the date on which a period of three years has lapsed since the expiry of the exercisable period for the principal credit rights secured by the guarantee.



The aforesaid matter was considered and approved at the Forty-fifth Meeting of the Seventh Session of the Board of Directors of the Company held on 19 March 2019. For details, please refer to the “Announcement Resolutions of the Forty-fifth Meeting of the Seventh Session of the Board of Directors” and the “Overseas Regulatory Announcement on the Provision of Guarantee Between Subsidiaries” published by the Company on 19 March 2019.

#### *3.2.2.4 Changes in Directors, Supervisors and senior management of the Company*

At the First Extraordinary General Meeting of 2019 of the Company held on 20 March 2019, Mr. Li Zixue, Mr. Xu Ziyang, Mr. Li Buqing, Mr. Gu Junying, Mr. Zhu Weimin and Ms. Fang Rong were elected as Non-independent Directors of the Eighth Session of the Board of Directors of the Company, and Ms. Cai Manli, Mr. Yuming Bao and Mr. Gordon Ng were elected as Independent Non-executive Directors of the Eighth Session of the Board of Directors of the Company. The term of the Eighth Session of the Board of Directors of the Company commenced on 30 March 2019 and shall end on 29 March 2022. For details, please refer to the “Announcement on Resolutions of the First Extraordinary Meeting of 2019” published by the Company on 20 March 2019.

At the First Extraordinary General Meeting of 2019 of the Company held on 20 March 2019, Mr. Shang Xiaofeng and Ms. Zhang Sufang were elected as Shareholders’ Representative Supervisors of the Eighth Session of the Supervisory Committee of the Company. In addition, Mr. Xie Daxiong, Ms. Xia Xiaoyue and Mr. Li Quancai, were elected as Staff Representative Supervisors of the Eighth Session of the Supervisory Committee of the Company through democratic elections among staff representatives. The term of the Eighth Session of the Supervisory Committee of the Company commenced on 30 March 2019 and shall end on 29 March 2022. For details, please refer to the “Announcement on Resolutions of the First Extraordinary Meeting of 2019” published by the Company on 20 March 2019.

At the First Meeting of the Eighth Session of the Board of Directors of the Company held on 1 April 2019, Mr. Li Zixue was elected as Chairman of the Board of the Company, Mr. Li Buqing, Mr. Zhu Weimin and Ms. Fang Rong were elected as Non-executive Directors of the Eighth Session of the Board of Directors of the Company, and Mr. Li Zixue, Mr. Xu Ziyang and Mr. Gu Junying were elected as Executive Directors of the Eighth Session of the Board of Directors of the Company; Ms. Cai Manli, Mr. Li Buqing, Mr. Zhu Weimin, Mr. Yuming Bao and Mr. Gordon Ng were elected as members of Audit Committee of the Eighth Session of the Board of Directors of the Company with Ms. Cai Manli as convenor; Mr. Gordon Ng, Mr. Li Zixue, Ms. Fang Rong, Ms. Cai Manli and Mr. Yuming Bao were elected as members of Nomination Committee of the Eighth Session of the Board of Directors of the Company with Mr. Gordon Ng as convenor; Ms. Cai Manli, Mr. Gu Junying, Mr. Zhu Weimin, Mr. Yuming Bao and Mr. Gordon Ng were elected as members of Remuneration and Evaluation Committee of the Eighth



Session of the Board of Directors of the Company with Ms. Cai Manli as convenor; Mr. Yuming Bao, Mr. Li Zixue, Ms. Fang Rong, Ms. Cai Manli and Mr. Gordon Ng were elected as members of the Export Compliance Committee of the Eighth Session of the Board of Directors of the Company, with Mr. Yuming Bao as chair. For details, please refer to the “Announcement of Resolutions of the First Meeting of the Eighth Session of the Board of Directors of the Company” published by the Company on 1 April 2019.

At the First Meeting of the Eighth Session of the Supervisory Committee of the Company held on 1 April 2019, Mr. Xie Daxiong was elected as Chairman of the Eighth Session of the Supervisory Committee of the Company. For details, please refer to the “Overseas Regulatory Announcement Announcement of Resolution of the First Meeting of the Eighth Session of the Supervisory Committee of the Company” published by the Company on 1 April 2019.

Pursuant to the “Resolution on Appointment of New Senior Management of the Company” considered and approved at the First Meeting of the Eighth Session of the Board of Directors of the Company held on 1 April 2019, it was approved that Mr. Xu Ziyang be re-appointed President of the Company and each of Mr. Wang Xiyu, Mr. Gu Junying and Ms. Li Ying be re-appointed Executive Vice President of the Company; that Ms. Li Ying be concurrently re-appointed Chief Financial Officer of the Company; and that such newly appointed senior management shall be appointed for a term commencing on the date on which this resolution is considered and approved at the said meeting of the Board of Directors and ending upon the conclusion of the term of the Eighth Session of the Board of Directors of the Company (i.e., 29 March 2022). The term of the previous Secretary to the Board has concluded and Ms. Li Ying, Chief Financial Officer, was appointed Secretary to the Board on an acting basis. The Company will confirm the candidate for the Secretary to the Board as soon as practicable. For details, please refer to the “Announcement of Resolutions of the First Meeting of the Eighth Session of the Board of Directors of the Company” published by the Company on 1 April 2019.

#### *3.2.2.5 Information on the “Share Option Incentive Scheme” of the Company*

The 2017 Share Option Incentive Scheme implemented by the Company has been approved by the Remuneration and Evaluation Committee, the Seventeenth Meeting of the Seventh Session of the Board of Directors, the Fourteenth Meeting of the Seventh Session of Supervisory Committee, the 2016 Annual General Meeting, the First A Shareholders’ Class Meeting of 2017 and the First H Shareholders’ Class Meeting of 2017 of the Company. The source of shares under the 2017 Share Option Incentive Scheme comprises shares of the Company issued to the scheme participants by the Company by way of placing. Scheme participants of the 2017 Share Option Incentive Scheme include Directors, senior management and key employees who have a direct impact on, or have made outstanding contributions to the Company’s overall results and sustainable development (excluding Independent Non-executive

Directors, Supervisors and substantial shareholders interested in 5% or above of the Company's shares or the de facto controller, or their respective spouses and immediate or close family members). Pursuant to the "Resolution on Matters pertaining to the grant of share options under the 2017 Share Option Incentive Scheme" considered and passed at the Twentieth Meeting of the Seventh Session of the Board of Directors on 6 July 2017, the date of grant was set for 6 July 2017 (Thursday). The Company granted 149,601,200 share options to 1,996 scheme participants. The exercise price of the share options granted shall be RMB17.06 per A share. The number of options granted is set out in the following table:

Name of participant	Position of participant	Number of unexercised options at the beginning of the reporting period	Number of options granted during the reporting period	Number of options exercisable during the reporting period	Number of options cancelled during the reporting period	Number of options lapsed during the reporting period	Number of outstanding options at the end of the reporting period
Xu Ziyang	Executive Director, President	252,000	0	0	0	0	252,000
Wang Xiyu	Executive Vice President	262,400	0	0	0	0	262,400
Li Ying	Executive Vice President, Chief Financial Officer and Acting Secretary to the Board	158,400	0	0	0	0	158,400
Other participants	—	148,928,400	0	0	0	0	148,928,400
<b>Total</b>	—	<b>149,601,200</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>149,601,200</b>

For details of the 2017 Share Option Incentive Scheme of the Company, please refer to the section headed "Material Matters — (VI) IMPLEMENTATION AND IMPACT OF THE COMPANY'S SHARE OPTION INCENTIVE SCHEME" in the 2018 Annual Report of the Company.

### 3.2.2.6 *Material litigation and arbitration during the reporting period*

There was no material litigation or arbitration of the Group occurring during the reporting period. For details of the progress in the reporting period of immaterial litigation and arbitration proceedings occurring prior to the reporting period, please refer to the section headed "Material Matters" in the 2018 Annual Report of the Company.

### 3.2.2.7 Conduct of continuing connected transactions during the reporting period

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

Counterparty to connected transaction	Nature of connection	Classification	Subject matter	Pricing principle	Price (RMB)	Amount (RMB in ten thousands)	As a percentage of transactions approved in the same cap has classification been (%) exceeded	Whether settlement	Market price for similar transactions available (RMB)	Domestic announcement date	Domestic announcement index
Zhongxingxin and its subsidiaries and companies in which it held equity interests of 30% or above	Controlling shareholder of the Company and its subsidiaries and companies in which it held equity interests of 30% or above	Purchase of raw materials	The purchase of cabinets and related accessories, cases and related accessories, shelters, railings, antenna poles, optical products, refined-processing products, packaging materials, FPC, R-FPC and components by the Company from the connected party	Purchase of raw materials by the Company and its subsidiaries from connected parties were conducted at prices determined through arm's length negotiations and on the basis of normal commercial terms. The prices of properties leased to connected parties by the Group were determined through arm's length negotiations based on normal commercial terms. Transaction prices at which products were sold by the Group to connected parties were based on market prices and were not lower than prices at which similar products of similar quantities were purchased by third parties from the Group, taking into consideration of factors relating to the specific transactions such as conditions of the projects, size of transaction and product costs.	Cabinets and related accessories: RMB1-RMB300,000 per unit, cases and related accessories: RMB1-RMB15,000 per unit, depending on level of sophistication; Shelters: RMB1,000-RMB100,000 per unit depending on measurement, materials used and configuration; Railings: RMB1,000-50,000 per piece depending on level of sophistication and functional features; Antenna poles: RMB200-2,000 per piece depending on level of sophistication and functional features; Optical products: RMB1.3-30,000 per unit depending on level of sophistication and functional features; Refined-processing products: RMB0.5-50,000 per unit depending on level of sophistication and functional features; Packaging materials: RMB0.01-5,000 per piece depending on level of sophistication and functional features; FPC, R-FPC and components: RMB0.5-100 per piece depending on measurement, level of process sophistication and materials used.	7,940.69	0.63% No	Commercial acceptance bill	N/A	2018-12-25	Announcement No. 2018104 "Announcement on Projected Continuing Connected Transactions under the Rules Governing Listing of Stocks on The Shenzhen Stock Exchange"
Huatong Technology Company Limited ("Huatong")	Subsidiary of a company for which a natural person related to the Company acted as director and executive vice president	Purchase of software outsourcing services	The purchase of staff hire services and project outsourcing services by the Company from the connected party		Special grade engineer ranging from RMB970-1350/person per day; Supervisory engineer ranging from RMB830-1040/person per day; Senior engineer ranging from RMB520-935/person per day; General engineer ranging from RMB440-570/person per day; Assistant engineer ranging from RMB230-450/person per day; Technician ranging from RMB280-400/person per day.	265.86	0.02% No	Tele-transfer	N/A	2018-12-25	Announcement No. 2018104 "Announcement on Projected Continuing Connected Transactions under the Rules Governing Listing of Stocks on The Shenzhen Stock Exchange"
Zhongxing Software Technology (Nanchang) Company Limited ("Nanchang Software")	Company for which a natural person related to the Company acted as director	Purchase of software outsourcing services	The purchase of staff hire services and project outsourcing services by the Company from the connected party		Special grade engineer ranging from RMB970-1350/person per day; Supervisory engineer ranging from RMB830-1040/person per day; Senior engineer ranging from RMB520-935/person per day; General engineer ranging from RMB440-570/person per day; Assistant engineer ranging from RMB230-450/person per day; Technician ranging from RMB280-400/person per day.	40.88	0.00% No	Tele-transfer	N/A	2018-12-25	Announcement No. 2018104 "Announcement on Projected Continuing Connected Transactions under the Rules Governing Listing of Stocks on The Shenzhen Stock Exchange"
Nanchang Software	Company for which a natural person related to the Company acted as director	Purchase of engineering services	The purchase of staff hire services by the Company from the connected party		Project work delivery staff ranging from RMB398-1322/person per day; Ancillary product staff ranging from RMB401-805/person per day; Core network staff ranging from RMB485-851/person per day; Service product staff ranging from RMB451-793/person per day; Wireless product staff ranging from RMB418-774/person per day; Fixed-line product staff ranging from RMB418-735/person per day; Bearer product staff ranging from RMB418-735/person per day; Government and energy product staff ranging from RMB433-1197/person per day; Network optimisation staff ranging from RMB491-958/person per day.	—	— No	Tele-transfer	N/A	2018-12-25	Announcement No. 2018104 "Announcement on Projected Continuing Connected Transactions under the Rules Governing Listing of Stocks on The Shenzhen Stock Exchange"
Shenzhen Zhongxing Hetai Hotel Management Company Limited ("Zhongxing Hetai") or its subsidiaries	Company for which a natural person related to the Company acted as director and its subsidiaries	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.	764.61	0.06% No	Tele-transfer	N/A	2018-12-25	Announcement No. 2018104 "Announcement on Projected Continuing Connected Transactions under the Rules Governing Listing of Stocks on The Shenzhen Stock Exchange"

Counterparty to connected transaction	Nature of connection	Classification	Subject matter	Pricing principle	Price (RMB)	Amount (RMB in ten thousands)	As a percentage of transactions approved in the same cap classification (%)	Whether cap has been exceeded	Settlement	Market price for similar transactions available (RMB)	Domestic announcement date	Domestic announcement index
Zhongxing Hetai or its subsidiaries	Company for which a natural person related to the Company acted as director and its subsidiaries	Lease of property and equipment and facilities	The lease of property and related equipment and facilities to the connected party by the Company		RMB78/sq.m./month for hotel and related equipment and facilities in Dameisha in Shenzhen; RMB61/sq.m./month for hotel and related equipment and facilities in Nanjing; RMB82/sq.m./month for hotel and related equipment and facilities in Shanghai; and RMB52/sq.m./month for hotel and related equipment and facilities in Xi'an. The rent for relevant equipment and facilities required by the hotel operations in Shenzhen, Shanghai, Nanjing and Xi'an was RMB1,550,000/year.	1,800.72	15.73%	No	Tele-transfer	N/A	2019-01-01	Announcement No. 201903 "Announcement on Projected Continuing Connected Transactions under the Rules Governing Listing of Stocks on The Shenzhen Stock Exchange"
深圳市航天威華科技發展有限公司(“航天威華”)	Subsidiary of a company for which a natural person related to the Company acted as senior management	Sale of products	The sale of the full range of government and corporate 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.	16,330.45	0.74%	No	Tele-transfer or bank acceptance bill	N/A	2018-12-25	Announcement No. 2018104 "Announcement on Projected Continuing Connected Transactions under the Rules Governing Listing of Stocks on The Shenzhen Stock Exchange"
<b>Total</b>				—	—	<b>27,143.21</b>	<b>N/A</b>	—	—	—	—	—

Detailed information of substantial sales return	None
Necessity and continuity of connected transactions and the reasons for choosing to conduct transactions with the connected party (rather than other parties in the market)	The aforesaid connected parties were able to manufacture products required by the Group on a regular basis and provide quality products and services at competitive prices. The Company considers trustworthy and cooperative partners as very important and beneficial to the Group's operations.
Effect of the connected transaction on the independence of the listed company	The Company was not dependent on the connected parties and the connected transactions would not affect the independence of the Company.
The Company's dependence on the connected party and relevant solutions (if any)	The Company was not dependent on the connected parties.
Projected total amount of continuing connected transaction during the period by type and actual performance during the reporting period (if any)	At the Forty-second Meeting of the Seventh Session of the Board of Directors of the Company held on 25 December 2018, it was considered and approved that the estimated cumulative amount of purchases of raw materials from Zhongxingxin, a connected party, its subsidiaries and investee companies in which Zhongxingxin held equity interests of 30% or above by the Group in 2019 be capped at RMB700 million (before VAT); At the Forty-second Meeting of the Seventh Session of the Board of Directors of the Company held on 25 December 2018, it was considered and approved that the estimated cumulative amount of purchase of software outsourcing services from Huatong and Nanchang Software, both connected parties, by the Group in 2019 be capped at RMB70 million (before VAT) and RMB30 million (before VAT), respectively; At the Forty-second Meeting of the Seventh Session of the Board of Directors of the Company held on 25 December 2018, it was considered and approved that the estimated cumulative amount (before VAT) of purchase of engineering services from Nanchang Software by the Group during the periods from 25 December 2018 to 31 October 2019 and from 1 November 2019 to 31 October 2020 will be capped at RMB100 million and RMB100 million, respectively; At the Forty-second Meeting of the Seventh Session of the Board of Directors of the Company held on 25 December 2018, it was considered and approved that the estimated cumulative amount (before VAT) payable by the Group to Zhongxing Hetai, a connected party, or its subsidiaries to procure hotel services in 2019 be capped at RMB36 million; At the Forty-third Meeting of the Seventh Session of the Board of Directors of the Company held on 29 December 2018, it was considered and approved that the estimated cumulative amount (before VAT) payable by Zhongxing Hetai or its subsidiaries to the Group for the lease of properties and related equipment and facilities in 2019 be capped at RMB72.06 million; At the Forty-second Meeting of the Seventh Session of the Board of Directors of the Company held on 25 December 2018, it was considered and approved that the estimated cumulative amount (before VAT) of sales of products to 航天威華, a connected party, by the Group in 2019 be capped at RMB800 million; and Please refer to the above table for details of the execution of the aforesaid continuing connected transactions.
Reason for the substantial difference between transaction prices and referential market prices (if applicable)	N/A

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

### 3.3 Undertakings

#### ***1 • Undertakings by relevant undertaking parties, including the de facto controller, shareholders, connected parties, acquirer of the Company and the Company overdue and outstanding during the reporting period***

##### ***(1) Undertaking given upon the initial public offering or any refinancing exercise***

- a. 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 will 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, other than 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.

- b. Zhongxingxin, the Controlling Shareholder of the Company, provided the following undertaking on 31 January 2018 in respect of the implementation of remedial measures to address the dilution of return for the current period due to the non-public Issuance of shares of A shares in 2018: (1) that it will not, for so long as it remains the Controlling Shareholder, act beyond its powers to interfere with the Company's operating and management activities or infringe upon the Company's interests; (2) that it will willingly assume the liability for compensating the Company or other shareholders in accordance with the law in the event of losses incurred by the Company or other shareholders as a result of its violation of or refusal to honour its undertaking.

*(2) Other undertaking given to minority shareholders of the Company*

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 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 by the Directors and senior management of the Company in relation to the implementation of remedial measures to address the dilution of return for the current period due to the non-public issuance of A shares of the Company in 2018***

The Directors and senior management of the Company provided the following undertaking on 31 January 2018 in respect of the implementation of remedial measures to address the dilution of return for the current period due to the non-public Issuance of shares of A shares in 2018: (1) that they will not be engaged in tunneling in favour of other units or individuals on a no-payment basis or upon unfair terms, or otherwise compromise the interests of the Company; (2) that they will exercise restraint in spending when performing duties of their office; (3) that they will not misappropriate the Company's assets for investing activities or expenses not related to the performance of their duties;

(4) that they will procure the linking of the remuneration regime formulated by the Board of Directors or the Remuneration Committee of the Board of Directors with the implementation of the Company’s remedial measures relating to return; (5) that they will procure the linking of the exercise conditions under the Company’s share option incentives to be announced with the implementation of the Company’s measures relating to remedial measures relating to return; (6) that they will willingly assume the liability for compensating the Company or shareholders in accordance with the law in the event of losses incurred by the Company or shareholders as a result of their violation of or refusal to honour their undertaking.

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

√ Applicable    □ N/A

Preliminary results	Turnaround from loss to profit		
	From the beginning of the year to the end of the next reporting period		
	Same period last year (January to June 2019)	Same period last year (January to June 2018)	Percentage of change (increase/decrease)
Net profit attributable to holders of ordinary shares of the listed company (RMB’000)	Profit: 1,200,000–1,800,000	Loss: 7,824,190	Increased by 115.34%–123.01%
Basic earnings per share (RMB/share)	Profit: 0.29–0.43	Loss: 1.87	Increased by 115.51%–122.99%
Explanatory statement on preliminary results:	<p>The significant growth in the Group’s results for the six months ended 30 June 2019 compared to the same period last year was due mainly to loss incurred for the same period last year.</p> <p>Loss for the six months ended 30 June 2018 was mainly attributable to (1) the USD1 billion penalty described in the “INSIDE INFORMATION ANNOUNCEMENT AND RESUMPTION OF TRADING” published on 12 June 2018; and (2) operating losses and loss provisions arising from the matter described in the “INSIDE INFORMATION ANNOUNCEMENT” published by the Company on 9 May 2018.</p>		

*Note:* This preliminary results announcement has not been pre-audited by a certified public accountant. For details, please refer to the “Preliminary Announcement of Results for the Six Months ended 30 June 2019” dated 29 April 2019.



### 3.5 Other material matters requiring disclosure

#### 3.5.1 Investment in securities

##### 1. Investment in securities as at the end of the reporting period

Unit: RMB in ten thousands

Type of securities	Stock code	Stock name	Initial investment	Accounting method	Book value at the beginning of the period	Gains/(loss) arising from fair value change for the period	Cumulative fair value change accounted for in equity	Amount purchased during the period	Amount disposed during the period	Gain/(loss) for the reporting period	Book value at the end of the period	Accounting classification	Source of funds
Stock	300438	Great Power <sup>Note 1</sup>	121.41	Fair-value measurement	570.46	320.89	—	—	—	320.89	891.35	Trading financial assets	Issue funds
Stock	300502	Eoptolink <sup>Note 1</sup>	833.03	Fair-value measurement	9,259.67	(2,282.99)	—	—	5,300.62	2,265.28	6,560.37	Trading financial assets	Issue funds
Stock	603986	Giga Device <sup>Note 1</sup>	704.18	Fair-value measurement	21,515.36	13,557.57	—	—	—	13,557.57	35,072.93	Trading financial assets	Issue funds
Stock	603633	Laimu <sup>Note 1</sup>	1,616.00	Fair-value measurement	3,508.34	(212.91)	—	—	1,594.32	626.75	2,575.05	Trading financial assets	Issue funds
Stock	603920	Olympic Circuit Technology <sup>Note 1</sup>	2,562.00	Fair-value measurement	14,757.50	(2,407.61)	—	—	4,935.50	1,683.54	11,505.54	Trading financial assets	Issue funds
Stock	002902	Mentech Optical <sup>Note 1</sup>	1,548.03	Fair-value measurement	11,382.83	(1,157.44)	—	—	2,749.30	1,130.57	9,827.68	Trading financial assets	Issue funds
Stock	002036	Lianchuang Electronic <sup>Note 2</sup>	2,921.74	Fair-value measurement	5,298.94	2,378.71	—	—	790.00	2,752.11	7,273.41	Trading financial assets	Issue funds
Stock	300691	Union Optech <sup>Note 2</sup>	3,498.71	Fair-value measurement	9,842.80	3,675.56	—	—	258.59	3,866.66	13,455.06	Trading financial assets	Issue funds
Stock	002796	Shijia Science & Technology <sup>Note 2</sup>	1,575.00	Fair-value measurement	3,552.42	188.92	—	—	1,566.56	1,113.62	3,130.09	Trading financial assets	Issue funds
Stock	ENA: TSV	Enablence Technologies <sup>Note 3</sup>	3,583.26	Fair-value measurement	1,707.99	(4.30)	—	—	—	—	1,703.69	Other non-current financial assets	Internal funds
Other securities investments held at the end of the period			—	—	—	—	—	—	—	—	—	—	—
<b>Total</b>			<b>18,963.36</b>	—	<b>81,396.31</b>	<b>14,056.40</b>	—	—	<b>17,194.89</b>	<b>27,316.99</b>	<b>91,995.17</b>	—	—

**Note 1:** Figures corresponding to Guangzhou Great Power Energy & Technology Co., Ltd. (“Great Power”), Eoptolink Technology Inc., Ltd. (“Eoptolink”), Giga Device Semiconductor (Beijing) Inc (“Giga Device”) and Shanghai Laimu Electronics Co., Ltd. (“Laimu”), Olympic Circuit Technology Co., Ltd. (“Olympic Circuit Technology”) and Dongguan Mentech Optical & Magnetic Co., Ltd. (“Mentech Optical”) are provided with Shenzhen Zhonghe Chunsheng Partnership Private Equity Fund I (“Zhonghe Chunsheng Fund”) as the accounting subject.

**Note 2:** Figures corresponding to Lianchuang Electronic Technology Co., Ltd. (“Lianchuang Electronic”), Union Optech Co., Ltd (“Union Optech”) and Suzhou Shijia Science & Technology Inc. (“Shijia Science & Technology”) are provided with Jiaxing Xinghe Equity Investment Partnership (“Jiaxing Fund”) as the accounting subject.

**Note 3:** The initial investment for the acquisition of Enablence Technologies Inc. (“Enablence Technologies”) shares by ZTE (H.K.) Limited (“ZTE HK”), a wholly-owned subsidiary of the Company, on 6 January 2015 amounted to CAD2.70 million, equivalent to approximately RMB13,931,000 based on the Company’s foreign currency statement book exchange rate (CAD1: RMB5.15963) on 31 January 2015. The initial investment amount for the acquisition of shares in Enablence Technologies

on 2 February 2016 was CAD4.62 million, equivalent to approximately RMB21,901,600 based on the Company's foreign currency statement book exchange rate (CAD1: RMB4.74060) on 29 February 2016. The book value of the investment as at the end of the reporting period was approximately HKD19,863,200, equivalent to approximately RMB17,036,900 based on the Company's foreign currency statement book exchange rate (HKD1: RMB0.85771) on 31 March 2019.

## 2. *Details in investment in securities*

### A. Shareholdings in Great Power

As at the end of the reporting period, the Company and ZTE Capital held in aggregate 31% equity interests in Zhonghe Chunsheng Fund, a partnership reported in the consolidated financial statements of the Company. As at the end of the reporting period, Zhonghe Chunsheng Fund held 353,000 shares in Great Power, a Company listed on the GEM Board of the Shenzhen Stock Exchange, accounting for 0.13% of the total share capital of Great Power.

### B. Shareholdings in Eoptolink

During the first quarter of 2019, Zhonghe Chunsheng Fund transferred 2,355,000 shares in Eoptolink (a company listed on the GEM Board of the Shenzhen Stock Exchange) it held. As at the end of the reporting period, Zhonghe Chunsheng Fund held 2,357,300 shares in Eoptolink, accounting for 0.99% of the total share capital of Eoptolink.

### C. Shareholdings in Giga Device

As at the end of the reporting period, Zhonghe Chunsheng Fund held 3,452,400 shares in Giga Device, a company listed on the Shanghai Stock Exchange, accounting for 1.21% of the total share capital of Giga Device.

### D. Shareholdings in Laimu

During the first quarter of 2019, Zhonghe Chunsheng Fund transferred 1,560,800 shares in Laimu (a company listed on the Shanghai Stock Exchange) it held. As at the end of the reporting period, Zhonghe Chunsheng Fund held 1,940,500 shares in Laimu, accounting for 1.24% of the total share capital of Laimu.

### E. Shareholdings in Olympic Circuit Technology

During the first quarter of 2019, Zhonghe Chunsheng Fund transferred 4,083,600 shares in Olympic Circuit Technology (a company listed on the Shanghai Stock Exchange) it held. As at the end of the reporting period, Zhonghe Chunsheng Fund held 8,307,300 shares in Olympic Circuit Technology, accounting for 2.03% of the total share capital of Olympic Circuit Technology.



F. Shareholdings in Mentech Optical

During the first quarter of 2019, Zhonghe Chunsheng Fund transferred 1,236,000 shares in Mentech Optical (a company listed on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange) it held. As at the end of the reporting period, Zhonghe Chunsheng Fund held 3,575,000 shares in Mentech Optical, accounting for 2.55% of the total share capital of Mentech Optical.

G. Shareholdings in Lianchuang Electronic

As at the end of the reporting period, the Company and ZTE Capital held in aggregate 31.79% equity interests in Jiaying Fund, which was a partnership reported in the consolidated financial statements of the Company. During the first quarter of 2019, Jiaying Fund transferred 852,500 shares in Lianchuang Electronic (a company listed on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange) it held. As at the end of the reporting period, Jiaying Fund held 5,309,100 shares in Lianchuang Electronic, accounting for 0.96% of the total share capital of Lianchuang Electronic.

H. Shareholdings in Union Optech

During the first quarter of 2019, Jiaying Fund transferred 80,100 shares in Union Optech (a company listed on the GEM Board of the Shenzhen Stock Exchange) it held. As at the end of the reporting period, Jiaying Fund held 4,341,700 shares in Union Optech, accounting for 3.08% of the total share capital of Union Optech.

I. Shareholdings in Shijia Science & Technology

During the first quarter of 2019, Jiaying Fund transferred 398,000 shares in Shijia Science & Technology (a company listed on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange) it held. As at the end of the reporting period, Jiaying Fund held 627,500 shares in Shijia Science & Technology, accounting for 0.56% of the total share capital of Shijia Science & Technology.

J. Shareholdings in Enablence Technologies

ZTE HK, a wholly-owned subsidiary of the Company, entered into a Subscription Agreement with Enablence Technologies on 4 December 2014. ZTE HK subscribed for 18 million shares issued by Enablence Technologies on 6 January 2015 for a total cash consideration of CAD2.70 million. ZTE HK entered into a Subscription Agreement with Enablence Technologies on 27 January 2016. On 2 February 2016, ZTE HK subscribed for 77 million shares issued by Enablence Technologies for a total cash consideration of CAD4.62 million. As at the end of the reporting period, ZTE HK held 95 million shares in Enablence Technologies, accounting for 15.45% of its total share capital.

K. 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 Records of reception of investors, communications and press interviews during the reporting period**

√ Applicable    □ N/A

Nature	Time	Location	Mode	Audience received	Key contents discussed	Information furnished
	January 2019	Hangzhou	Guosheng Securities investors' conference	Customers of Guosheng Securities	Day-to-day operations of the Company	Published announcements and regular reports
External meetings	January 2019	Beijing	Huatai Securities investors' conference	Customers of Huatai Securities	Day-to-day operations of the Company	Published announcements and regular reports
	February 2019	Shenzhen	TF Securities investors' conference	Customers of TF Securities	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 <sup>Note 1</sup>	Initial investment amount in the derivative investment		Opening balance of investment amount <sup>Note 2</sup>	Purchase during the period	Disposal during the period	Impairment provision (if any)	Closing balance of investment amount	Closing balance of investment amount as a percentage of net assets <sup>Note 3</sup>	Actual profit or loss for the reporting period	
				Start date	End date								
Financial institution	N/A	No	Forward exchange contract	—	2018/4/27	2019/12/27	405,756.23	73,164.59	65,088.01	—	413,832.81	17.45%	8,579.35
Financial institution	N/A	No	Forward exchange contract	—	2018/7/26	2019/12/26	374,667.25	76,554.00	89,554.80	—	361,666.45	15.25%	7,497.87
Financial institution	N/A	No	Forward exchange contract	—	2018/9/10	2019/12/24	322,757.11	47,530.60	29,144.49	—	341,143.22	14.37%	7,072.39
Other financial institution	N/A	No	Forward exchange contract/interest rate swap	—	2018/9/6	2022/12/26	686,943.25	349,950.13	278,555.91	—	758,337.47	31.97%	15,721.43
<b>Total</b>				—	—	—	<b>1,790,123.84</b>	<b>547,199.32</b>	<b>462,343.21</b>	—	<b>1,874,979.95</b>	<b>79.04%</b>	<b>38,871.04</b>
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)				"Overseas Regulatory Announcement Announcement of Resolutions of the Twenty-eighth Meeting of the Seventh Session of the Board of Directors" and "Overseas Regulatory Announcement Announcement on the Application for Derivative Investment Limits for 2018", both dated 15 March 2018.									
Date of announcement of the general meeting in respect of the approval of derivative investments (if any)				"Announcement on Resolutions of the 2017 Annual General Meeting" dated 29 June 2018.									
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>Derivative investments conducted by the Company during the first quarter of 2019 included value-protection derivatives. The major risks and control measures are discussed as follows:</p> <ol style="list-style-type: none"> <li>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;</li> <li>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;</li> <li>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;</li> <li>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;</li> <li>5. Control measures: The Company addressed legal risks by entering into contracts with clear and precise terms with counterparty banks and strictly enforcing its risk management system. The Company has formulated the "Risk Control and Information Disclosure System relating to Investments in Derivatives" that contains specific provisions for the risk control, approval procedures and subsequent management of derivative investments, so that derivative investments will be effectively regulated and risks relating to derivative investments duly controlled.</li> </ol>									
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 RMB389 million, comprising gains from fair-value change of RMB323 million and recognised investment gains of RMB66 million. The calculation of the fair value was based on forward exchange rates quoted by Reuters on a balance sheet date in line with the maturity date of the product.									
Statement on whether the accounting policy and accounting audit principles for derivatives for the reporting period were significantly different from the previous reporting period				There was no significant change in the Company's accounting policy and accounting audit principles for derivatives for the reporting period as compared to that of the previous reporting period.									
Specific opinion of Independent Non-executive Directors on the Company's derivative investments and risk control				<p>Independent Non-executive Directors' Opinion:</p> <p>The Company has conducted value protection derivative investments by using financial products to enhance its financial stability, so as to mitigate the impact of exchange rate volatility on its assets, liabilities and profitability. The Company has conducted stringent internal assessment of its derivative investments made and has established corresponding regulatory mechanisms and assigned dedicated staff to be in charge thereof. The counterparties with which the Company and its subsidiaries have entered into contracts for derivative investments are organisations with sound operations and good credit standing. We are of the view that the derivative investments made by the Company and its subsidiaries have been closely related to their day-to-day operational requirements and in compliance with relevant laws and regulations and the Articles of Association.</p>									

**Note 1:** Derivative investments are classified according to the financial institutions involved and investment types;

*Note 2:* The investment amount at the beginning of the period represented the amount denominated in the original currency translated at the exchange rate prevailing as at the end of the reporting period;

*Note 3:* Net assets as at the end of the reporting period represented net assets attributable to holders of ordinary shares of the listed company as at the end of the reporting period.

**3.7 This quarterly report is published in both Chinese and English. In case of any discrepancy between the Chinese and English versions, the Chinese version shall prevail.**

#### **§ 4 APPENDICES**

**4.1 Balance Sheet (unaudited) (Please see the attached.)**

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

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

## BALANCE SHEET

*RMB in thousands*

Assets	2019.3.31		2018.12.31	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Audited)	Company (Audited)
Current assets:				
Cash	29,856,655	11,621,957	24,289,798	11,523,002
Derivative financial assets	552,633	50,465	228,117	72,450
Trading financial assets	810,411	—	1,476,823	—
Bills and trade receivables	21,062,095	24,567,086	21,592,325	29,045,827
Factored trade receivables	537,583	244,456	587,869	356,134
Prepayments	782,891	18,048	615,489	37,194
Other receivables	1,761,224	20,967,806	2,004,870	15,935,675
Inventories	26,673,027	16,445,016	25,011,416	15,343,153
Contract assets	10,691,652	5,680,414	8,462,226	3,911,263
Other current assets	9,159,032	6,708,816	8,578,720	5,249,358
<b>Total current assets</b>	<b>101,887,203</b>	<b>86,304,064</b>	<b>92,847,653</b>	<b>81,474,056</b>
Non-current assets:				
Other non-current financial assets	1,630,808	671,923	1,502,499	658,078
Long-term trade receivables	847,664	5,442,358	843,429	5,542,886
Factored long-term trade receivables	828,687	567,970	432,041	270,063
Long-term equity investments	2,841,678	12,831,986	3,015,295	13,168,721
Investment properties	2,011,999	1,556,775	2,011,999	1,556,775
Fixed assets	9,095,589	5,539,849	8,898,068	5,319,213
Construction in progress	1,361,073	232,803	1,296,044	250,417
Intangible assets	8,431,224	5,206,127	8,558,488	5,210,847
Deferred development costs	2,934,374	387,420	2,732,356	379,318
Goodwill	186,206	—	186,206	—
Deferred tax assets	2,695,222	1,271,271	2,787,790	1,383,311
Assets comprising rights of use	1,025,412	639,956	—	—
Other non-current assets	4,098,568	3,090,318	4,238,881	3,094,949
<b>Total non-current assets</b>	<b>37,988,504</b>	<b>37,438,756</b>	<b>36,503,096</b>	<b>36,834,578</b>
<b>Total assets</b>	<b>139,875,707</b>	<b>123,742,820</b>	<b>129,350,749</b>	<b>118,308,634</b>
Legal Representative: Li Zixue	Chief Financial Officer: Li Ying	Head of Finance Division: Xu Jianrui		

*RMB in thousands*

<b>Liabilities and shareholders' equity</b>	2019.3.31		2018.12.31	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Audited)	Company (Audited)
Current liabilities:				
Short-term loans	31,803,187	14,520,065	23,739,614	13,072,700
Derivative financial liabilities	135,921	23,558	101,332	14,041
Bank advances on factored trade receivables	540,436	247,309	591,931	360,196
Bills and trade payables	29,453,106	52,283,865	27,443,104	46,554,829
Contract liabilities	15,305,725	8,361,830	14,479,355	9,204,928
Salary and welfare payables	7,358,973	4,188,541	6,259,639	3,229,594
Taxes payable	758,513	196,052	954,021	219,325
Other payables	8,954,208	17,473,244	11,135,030	18,280,463
Deferred income	1,731,655	867,223	1,261,449	875,874
Provisions	1,462,690	1,705,585	2,167,614	1,757,603
Non-current liabilities due within one year	646,290	360,000	1,243,709	370,000
<b>Total current liabilities</b>	<b>98,150,704</b>	<b>100,227,272</b>	<b>89,376,798</b>	<b>93,939,553</b>
Non-current liabilities:				
Long-term loans	2,458,841	2,076,940	2,366,568	2,115,290
Bank advances on factored long-term trade receivables	830,783	570,066	434,137	272,159
Provision for retirement benefits	135,468	135,468	136,245	136,245
Deferred tax liabilities	160,943	—	155,041	—
Deferred income	691,608	191,571	691,608	191,571
Lease liabilities	1,031,707	643,599	—	—
Other non-current liabilities	3,416,086	2,697,982	3,229,677	2,697,982
<b>Total non-current liabilities</b>	<b>8,725,436</b>	<b>6,315,626</b>	<b>7,013,276</b>	<b>5,413,247</b>
<b>Total liabilities</b>	<b>106,876,140</b>	<b>106,542,898</b>	<b>96,390,074</b>	<b>99,352,800</b>
Shareholders' equity:				
Share capital	4,192,672	4,192,672	4,192,672	4,192,672
Capital reserves	11,521,203	9,321,008	11,444,456	9,244,984
Other comprehensive income	(2,163,077)	704,475	(2,047,561)	704,686
Surplus reserve	2,324,748	1,662,992	2,324,748	1,662,992
Retained profits	7,845,865	(4,670,945)	6,983,261	(3,101,864)
Total equity attributable to ordinary shareholders of the parent	23,721,411	11,210,202	22,897,576	12,703,470
Other equity instruments — perpetual capital instruments	5,989,720	5,989,720	6,252,364	6,252,364
Non-controlling interests	3,288,436	—	3,810,735	—
<b>Total shareholders' equity</b>	<b>32,999,567</b>	<b>17,199,922</b>	<b>32,960,675</b>	<b>18,955,834</b>
<b>Total liabilities and shareholders' equity</b>	<b>139,875,707</b>	<b>123,742,820</b>	<b>129,350,749</b>	<b>118,308,634</b>

## INCOME STATEMENT

*RMB in thousands*

Item	Three months ended 31 March 2019		Three months ended 31 March 2018	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Unaudited) (Restated)	Company (Unaudited) (Restated)
1. Operating revenue	22,201,814	20,230,480	27,526,342	29,483,810
Less: Operating costs	13,327,317	16,580,161	19,816,145	23,694,139
Taxes and surcharges	330,778	205,188	235,689	68,697
Selling and distribution costs	1,766,119	929,822	2,515,748	1,418,513
Administrative expenses	1,260,874	1,044,658	653,009	423,232
Research and development costs	3,092,545	1,348,563	2,703,717	768,298
Finance costs	777,334	755,735	185,992	548,597
Including: Interest expenses	427,249	211,933	214,495	115,630
Interest income	151,499	38,772	287,844	35,295
Asset impairment losses	384,324	276,773	998,839	962,549
Credit impairment losses	519,485	425,675	—	—
Add: Other income	204,186	13,053	627,838	10,679
Investment income	35,490	56,291	(94,654)	(39,219)
Including: Share of profits and losses of associates and joint ventures	(165,592)	(137,336)	(133,016)	(119,939)
Gains/(Losses) from changes in fair values	481,299	(22,623)	205,749	(16,304)
2. Operating profit	<u>1,464,013</u>	<u>(1,289,374)</u>	<u>1,156,136</u>	<u>1,554,941</u>
Add: Non-operating income	40,064	12,577	25,681	16,784
Less: Non-operating expenses	<u>116,813</u>	<u>91,672</u>	<u>6,731,649</u>	<u>6,716,296</u>
3. Total profit	<u>1,387,264</u>	<u>(1,368,469)</u>	<u>(5,549,832)</u>	<u>(5,144,571)</u>
Less: Income tax	<u>277,958</u>	<u>114,656</u>	<u>(240,670)</u>	<u>(519,050)</u>
4. Net profit	<u><u>1,109,306</u></u>	<u><u>(1,483,125)</u></u>	<u><u>(5,309,162)</u></u>	<u><u>(4,625,521)</u></u>
Analysed by continuity of operations				
Net profit from continuing operations	1,109,306	(1,483,125)	(5,309,162)	(4,625,521)
Analysed by ownership				
Attributable to holders of ordinary shares of the parent	862,604	(1,569,081)	(5,407,237)	(4,736,736)
Attributable to holders of perpetual capital instruments	85,956	85,956	111,215	111,215
Non-controlling interests	160,746	—	(13,140)	—

*RMB in thousands*

Item	Three months ended 31 March 2019		Three months ended 31 March 2018	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Unaudited) (Restated)	Company (Unaudited) (Restated)
5. Other comprehensive income, net of tax	(126,035)	(211)	(393,083)	(655)
Other comprehensive income attributable to holders of ordinary shares of the parent, net of tax	(115,516)	(211)	(392,962)	(655)
Other comprehensive income that will be reclassified to profit and loss in subsequent accounting periods				
Exchange differences on translation of foreign operations	(115,516)	(211)	(392,962)	(655)
	<u>(115,516)</u>	<u>(211)</u>	<u>(392,962)</u>	<u>(655)</u>
Other comprehensive income attributable to non-controlling interests, net of tax	(10,519)	—	(121)	—
6. Total comprehensive income	<u>983,271</u>	<u>(1,483,336)</u>	<u>(5,702,245)</u>	<u>(4,626,176)</u>
Attributable to holders of ordinary shares of the parent	747,088	(1,569,292)	(5,800,199)	(4,737,391)
Attributable to holders of perpetual capital instruments	85,956	85,956	111,215	111,215
Attributable to non-controlling interests	150,227	—	(13,261)	—
7. Earnings per share				
(1) Basic earnings per share	RMB0.21		RMB(1.29)	
(2) Diluted earnings per share	RMB0.20		RMB(1.29)	



## CASH FLOW STATEMENT

*RMB in thousands*

Item	Three months ended 31 March 2019		Three months ended 31 March 2018	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Unaudited)	Company (Unaudited)
<b>1. Cash flows from operating activities</b>				
Cash received from sale of goods or rendering of services	20,894,666	21,250,945	23,705,198	24,644,155
Refunds of taxes	1,146,208	1,003,548	1,366,848	928,102
Cash received relating to other operating activities	1,252,977	398,230	1,186,550	484,225
<b>Sub-total of cash inflows</b>	<b>23,293,851</b>	<b>22,652,723</b>	<b>26,258,596</b>	<b>26,056,482</b>
Cash paid for goods and services	14,134,003	18,727,185	17,804,153	25,513,429
Cash paid to and on behalf of employees	3,470,650	1,113,825	3,903,033	1,375,985
Cash paid for various types of taxes	2,090,948	654,570	2,058,966	451,355
Cash paid relating to other operating activities	2,338,272	1,377,703	2,663,593	1,025,113
<b>Sub-total of cash outflows</b>	<b>22,033,873</b>	<b>21,873,283</b>	<b>26,429,745</b>	<b>28,365,882</b>
<b>Net cash flows from operating activities</b>	<b>1,259,978</b>	<b>779,440</b>	<b>(171,149)</b>	<b>(2,309,400)</b>
<b>2. Cash flows from investing activities</b>				
Cash received from sale of investments	831,459	558,128	986,652	—
Cash received from return on investment	99,030	94,207	108,045	33,882
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets	6,887	6,666	10,170	9,659
Net cash received from the disposal of subsidiaries and other operating units	377,834	—	—	—
<b>Sub-total of cash inflows</b>	<b>1,315,210</b>	<b>659,001</b>	<b>1,104,867</b>	<b>43,541</b>
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	1,165,206	428,031	1,007,005	381,113
Cash paid for acquisition of investments	51,717	36,668	680,680	141,209
Cash paid relating to other investing activities	2,200,000	2,200,000	—	—
<b>Sub-total of cash outflows</b>	<b>3,416,923</b>	<b>2,664,699</b>	<b>1,687,685</b>	<b>522,322</b>
<b>Net cash flows from investing activities</b>	<b>(2,101,713)</b>	<b>(2,005,698)</b>	<b>(582,818)</b>	<b>(478,781)</b>

*RMB in thousands*

Item	Three months ended 31 March 2019		Three months ended 31 March 2018	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Unaudited)	Company (Unaudited)
<b>3. Cash flows from financing activities</b>				
Cash received from investments	—	—	180,600	—
Including: Capital injection into subsidiaries by minority shareholders	—	—	180,600	—
Cash received from borrowings	<u>13,600,116</u>	<u>6,626,797</u>	<u>6,888,770</u>	<u>3,988,863</u>
<b>Sub-total of cash inflows</b>	<u>13,600,116</u>	<u>6,626,797</u>	<u>7,069,370</u>	<u>3,988,863</u>
Cash repayment of borrowings	<b>5,621,069</b>	<b>4,807,162</b>	10,380,471	4,023,215
Cash paid for perpetual capital instruments	—	—	1,500,000	1,500,000
Cash payments for distribution of dividends or for interest expenses	<b>993,589</b>	<b>556,417</b>	692,535	549,580
Including: Distribution of dividends and profits by subsidiaries to minority shareholders	<b>76,902</b>	—	337,596	—
Cash paid relating to other financing activities	<u>573,981</u>	—	—	—
<b>Sub-total of cash outflows</b>	<u>7,188,639</u>	<u>5,363,579</u>	<u>12,573,006</u>	<u>6,072,795</u>
<b>Net cash flows from financing activities</b>	<u><u>6,411,477</u></u>	<u><u>1,263,218</u></u>	<u><u>(5,503,636)</u></u>	<u><u>(2,083,932)</u></u>

*RMB in thousands*

Item	Three months ended 31 March 2019		Three months ended 31 March 2018	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Unaudited)	Company (Unaudited)
4. Effect of changes in foreign exchange rate on cash and cash equivalents	<u>(186,629)</u>	<u>(121,715)</u>	<u>(185,783)</u>	<u>(137,766)</u>
5. Net increase in cash and cash equivalents	<u>5,383,113</u>	<u>(84,755)</u>	<u>(6,443,386)</u>	<u>(5,009,879)</u>
Add: cash and cash equivalents at the beginning of the period	<u>21,134,112</u>	<u>10,147,946</u>	<u>30,109,268</u>	<u>17,006,734</u>
6. Net balance of cash and cash equivalents at the end of the period	<u>26,517,225</u>	<u>10,063,191</u>	<u>23,665,882</u>	<u>11,996,855</u>

By Order of the Board  
**Li Zixue**  
*Chairman*

Shenzhen, the PRC  
29 April 2019

*As at the date of this announcement, the Board of Directors of the Company comprises three executive directors, Li Zixue, Xu Ziyang, Gu Junying; three non-executive directors, Li Buqing, Zhu Weimin, Fang Rong; and three independent non-executive directors, Cai Manli, Yuming Bao, Gordon Ng.*