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)

2013 INTERIM REPORT SUMMARY AND RESULTS ANNOUNCEMENT

1. IMPORTANT

1.1 The Board of Directors, Supervisory Committee and the Directors, Supervisors and senior management of ZTE Corporation ("ZTE" or the "Company") confirm that this interim report summary and results announcement does not contain any false information, misleading statements or material omissions, and collectively and individually accept responsibility for the truthfulness, accuracy and completeness of its contents.

The 2013 interim report (the "Interim Report") containing all information required to be presented in interim reports in accordance with Appendix 16 to the Rules (the "Hong Kong Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") will be published on the website of the Hong Kong Stock Exchange (http://www.hkexnews.com.hk) and the Company's website (http://www.zte.com.cn) in due course.

1.2 There are no Directors, Supervisors or senior management who do not warrant or who dispute the truthfulness, accuracy and completeness of the contents of the Interim Report.

1.3 The Interim Report has been considered and approved at the Seventh Meeting of the Sixth Session of the Board of Directors of the Company. Mr. Hou Weigui, Chairman, was unable to attend the meeting due to work reasons, and has authorised Mr. Zhang Jianheng, Vice Chairman, to vote on his behalf. Mr. Xie Weiliang, Vice Chairman, was unable to attend the meeting due to work reasons, and has authorised Mr. Dong Lianbo, Director, to vote on his behalf. Mr. Zhang Junchao, Director, was unable to attend the meeting due to work reasons, and has authorised Mr. Wang Zhanchen, Director, to vote on his behalf. Mr. Wei Wei, Independent Non-executive Director, was unable to attend the meeting due to work reasons, and has authorised Mr. Tan Zhenhui, Independent Non-executive Director, to vote on his behalf.

1.4 The interim financial reports of ZTE and its subsidiaries (the "Group") for the six months ended 30 June 2013 were unaudited.

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 reports contained in the Interim Report.

1.6 No profit distribution or capitalisation of capital reserves will be implemented in respect of the interim period of 2013.

2. CORPORATE PROFILE

2.1 Corporate information

Abbreviated name of stock	ZTE	
Stock code	000063 (A Shares)	763 (H Shares)
Abbreviated name of bond (code)	中興債1 (115003) maturity on 30 January 2013	12中興01 (112090)
Place of listing	Shenzhen Stock Exchange	Stock Exchange of Hong Kong Limited
Registered and office address	ZTE Plaza, Keji Road South, Hi-Tech Industrial Park, Nanshan District, Shenzhen, Guangdong Province, People's Republic of China	
Postal code	518057	
Principal place of business in Hong Kong	8/F, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong	
Website	http://www.zte.com.cn	
E-mail	fengjianxiong@zte.com.cn	

2.2 Contact Persons and Correspondence

	Secretary to the Board of Directors/ Company Secretary	**Securities Affairs Representatives**
Name	Feng Jianxiong	Xu Yulong, Cao Wei
Address	No. 55, Keji Road South, Shenzhen, Guangdong Province, People's Republic of China	
Tel	+86 755 26770282	
Fax	+86 755 26770286	
E-mail	fengjianxiong@zte.com.cn	

3. HIGHLIGHTS OF ACCOUNTING AND FINANCIAL INDICATORS

3.1 Major Accounting Data and Financial Indicators prepared in accordance with PRC ASBEs

Unit: RMB in thousands

Items	End of the reporting period (30 June 2013)	End of last year (31 December 2012)	Change as at the end of the reporting period compared with the end of last year
Total assets	**102,578,802**	107,446,306	(4.53%)
Owner's equity attributable to shareholders of the listed company	**21,712,353**	21,502,474	0.98%
Share capital *(thousand shares)*	**3,440,078**	3,440,078	—
Net asset per share attributable to shareholders of the listed company *(RMB/share)* Note 1	**6.32**	6.26	0.96%
Gearing ratio *(%)*	**77.80%**	78.93%	Decreased by 1.13 percentage points

Items	Reporting Period (Six months ended 30 June 2013)	Same period of last year (Six months ended 30 June 2012)	Change compared with the same period of last year
Operating revenue	**37,576,212**	42,641,898	(11.88%)
Operating profit	**(772,673)**	(863,347)	10.50%
Total profit	**741,781**	655,632	13.14%
Net profit attributable to shareholders of the listed company	**310,012**	244,875	26.60%
Net profit after extraordinary items attributable to shareholders of the listed company	**(752,372)**	(59,383)	(1,166.98%)
Basic earnings per share *(RMB/share)* Note 2	**0.09**	0.07	28.57%
Diluted earnings per share *(RMB/share)* Note 3	**0.09**	0.07	28.57%
Basic earnings per share after extraordinary items *(RMB/share)* Note 2	**(0.22)**	(0.02)	(1,000.00%)
Weighted average return on net assets *(%)*	**1.43%**	1.00%	Increased by 0.43 percentage points
Weighted average return on net assets after extraordinary items *(%)*	**(3.48%)**	(0.24%)	Decreased by 3.24 percentage points
Net cash flows from operating activities	**(4,341,084)**	(3,639,672)	(19.27%)
Net cash flows from operating activities per share *(RMB/share)* Note 4	**(1.26)**	(1.06)	(18.87%)

Note 1: Net asset per share attributable to shareholders of the listed company as at the end of the first half of 2013 and the end of 2012 were calculated on the basis of the number of shares representing the total share capital as at the end of the respective periods less 2,536,742 lapsed Subject Shares under the Phase I Share Incentive Scheme of the Company;

Note 2: Basic earnings per share for the first half of 2013 was calculated on the basis of the weighted average number of ordinary shares representing the total share capital as at the end of the period less 2,536,742 lapsed Subject Shares under the Phase I Share Incentive Scheme of the Company. Basic earnings per share for the same period of the previous year was calculated on the basis of the weighted average number of ordinary shares representing the total share capital as at the end of the period less 9,125,893 restricted shares remaining in lock-up under the Share Incentive Scheme;

Note 3: As certain Subject Share quotas under the Phase I Share Incentive Scheme of the Company have given rise to 0 and 6,874,194 potentially dilutive ordinary shares for the reporting period and the same period of 2012, respectively, therefore diluted earnings per share have been calculated on the basis of basic earnings per share taking into account the said factors;

Note 4: Net cash flows from operating activities per share for the first half of 2013 were calculated on the basis of the number of shares representing the total share capital at the end of the period less 2,536,742 lapsed Subject Shares under the Phase I Share Incentive Scheme of the Company; net cash flows from operating activities per share for the first half of 2012 was calculated on the basis of the number of shares representing the total share capital as at the end of the period less 9,125,893 restricted shares remaining in lock-up under the Phase I Share Incentive Scheme.

3.2 Extraordinary items and amounts prepared in accordance with PRC ASBEs

Unit: RMB in thousands

Extraordinary items	**Amount**
Non-operating income	297,899
Gains/(Losses) from changes in fair values	162,888
Investment income	831,274
Less: Gains/(Losses) on disposal of non-current assets	7,171
Less: Other non-operating expenses	35,027
Less: Effect of income tax	187,479
Total	**1,062,384**

3.3 Major financial indicators prepared in accordance with HKFRSs

Items	**Six months ended 30 June 2013**	Six months ended 30 June 2012
Basic earnings per share *(RMB/share)* Note 1	**0.09**	0.07
Weighted average return on net assets *(%)*	**1.43%**	1.00%
Weighted average return on net assets after extraordinary items *(%)*	**(3.48%)**	(0.24%)

Items	**As at 30 June 2013**	As at 31 December 2012
Net asset per share attributable to shareholders of the listed company *(RMB/share)* Note 2	**6.32**	6.26

Note 1: Basic earnings per share for the first half of 2013 was calculated on the basis of the weighted average number of ordinary shares representing the total share capital as at the end of the period less 2,536,742 lapsed Subject Shares under the Phase I Share Incentive Scheme of the Company. Basic earnings per share for the same period of the previous year was calculated on the basis of the weighted average number of ordinary shares representing the total share capital as at the end of the period less 9,125,893 restricted shares remaining in lock-up under the Share Incentive Scheme;

Note 2: Net asset per share attributable to shareholders of the listed company as at the end of the first half of 2013 and the end of 2012 were calculated on the basis of the number of shares representing the total share capital as at the end of the respective periods less 2,536,742 lapsed Subject Shares under the Phase I Share Incentive Scheme of the Company.

3.4 The amount of net profit and shareholders' equity of the Group for the six months ended and as at 30 June 2013 calculated in accordance with PRC ASBEs are fully consistent with those calculated under HKFRSs.

4. SHAREHOLDINGS OF THE SHAREHOLDERS

4.1 Total number of shareholders, shareholdings of top ten shareholders and top ten holders that were not subject to lock-up

Total number of shareholders 137,227 shareholders (of which 136,870 were holders of A shares and 357 were holders of H shares)

Shareholdings of top ten shareholders

Name of shareholders	Nature of Shareholders	Total number of shares held (shares)	Percentage of Shareholdings	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 shareholders	1,058,191,944	30.76%	0	None
2. HKSCC Nominees Limited	Foreign shareholders	628,246,324	18.26%	0	Unknown
3. CITIC Trust Co.,Ltd. — Wealth Management 06	Others	58,194,000	1.69%	0	Unknown
4. Hunan Nantian (Group) Co., Ltd	State-owned shareholders	37,450,609	1.09%	0	Unknown
5. China Merchants Bank Co., Ltd. — Everbright Pramerica Fund Advantage Allocation Stock Fund	Others	37,000,000	1.08%	0	Unknown
6. Agricultural Bank of China — Dacheng Innovative Growth Hybrid Fund (LOF)	Others	34,030,216	0.99%	0	Unknown
7. China Life Insurance Company Limited — Dividend — Individual Dividend-005L-FH002 Shen	Others	29,512,305	0.86%	0	Unknown
8. China Life Insurance Company Limited — Traditional — General Insurance Products-005L-CT001 Shen	Others	26,456,657	0.77%	0	Unknown
9. Bank of Communications — Bosera Emerging Growth Stock Fund	Others	25,699,505	0.75%	0	Unknown
10. China Minsheng Banking Corp., Ltd. — Yinhua SZSE 100 ETF Classified Securities Investment Fund	Others	25,383,232	0.74%	0	Unknown

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

Name of shareholders		Number of sharesnot subject to lock-up (shares)	Class of shares
1.	Zhongxingxin	1,058,191,944	A shares
2.	HKSCC Nominees Limited	628,246,324	H shares
3.	CITIC Trust Co.,Ltd. — Wealth Management 06	58,194,000	A shares
4.	Hunan Nantian (Group) Co., Ltd	37,450,609	A shares
5.	China Merchants Bank Co., Ltd. — Everbright Pramerica Fund Advantage Allocation Stock Fund	37,000,000	A shares
6.	Agricultural Bank of China — Dacheng Innovative Growth Hybrid Fund (LOF)	34,030,216	A shares
7.	China Life Insurance Company Limited — Dividend — Individual Dividend-005L-FH002 Shen	29,512,305	A shares
8.	China Life Insurance Company Limited — Traditional — General Insurance Products-005L-CT001 Shen	26,456,657	A shares
9.	Bank of Communications — Bosera Emerging Growth Stock Fund	25,699,505	A shares
10.	China Minsheng Banking Corp., Ltd. — Yinhua SZSE 100 ETF Classified Fund	25,383,232	A shares

Descriptions of any connected party relationships or concerted party relationships among the above shareholders	1. There were no connected party relationships or concerted party relationships between Zhongxingxin and other top ten shareholders and other top ten holders of shares that were not subject to lock-up. 2. The 7th and 8th ranking shareholders among the top 10 shareholders were managed by the same fund manager — China Life Insurance Company Limited. 3. Save for the above, the Company is not aware of any connected party relationships or concerted party relationships among the top ten shareholders and the top ten holders of shares that were not subject to lock-up.

Note 1: During the reporting period, there was no placing of new shares in the Company to any strategic investors or ordinary legal persons that required shareholding for a designated period.

Note 2: Changes in the shareholding of Zhongxingxin, shareholder interested in more than 5% of the Company's shares, during the reporting period are as follows:

Name of shareholder	Increase/ decrease (+/-) of number of shares held during the reporting period (shares)	Number of shares held at the end of the reporting period (shares)	Class of shares held	Number of shares subject to lock-up held at the end of the reporting period (shares)	Number of shares not subject to lock-up held at the end of the reporting period (shares)	Number of shares pledged or frozen (shares)
Zhongxingxin	0	1,058,191,944	A shares	0	1,058,191,944	Nil

4.2 Changes in controlling shareholder and de facto controller

□ Applicable √ N/A

During the reporting period, there was no change to the controlling shareholder of the Company. There was no de facto controller of the Company.

4.3 Purchase, sale and redemption of securities

During the reporting period, the Group did not purchase, sell or redeem any listed securities of the Company.

5. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

5.1 Changes in the shareholdings of the Company's Directors, Supervisors and Senior Management

The effective shareholdings in the issued share capital of the Company held by the Directors, Supervisors and senior management of the Company at the end of the reporting period are as follows:

No.	Name	Title	Status of office	Gender	Age	Term of office commencing on	Term of office ending on	Number of A shares held at the beginning of the reporting period (shares)	Increase in the number of shares held during the period (shares)	Decrease in the number of shares held during the period (shares)	Number of A shares held at the end of the reporting period (shares)	Reason for the change	Whether remuneration is received from shareholder entities
Directors of the Company													
1	Hou Weigui	Chairman	Incumbent	Male	72	3/2013	3/2016	1,297,472	—	—	1,297,472		No
2	Zhang Jianheng	Vice Chairman	Incumbent	Male	52	3/2013	3/2016	—	—	—			No
3	Xie Weiliang	Vice Chairman	Incumbent	Male	57	3/2013	3/2016	32,760	—	—	32,760		Yes
4	Wang Zhanchen	Director	Incumbent	Male	61	3/2013	3/2016	—	—	—	—		No
5	Zhang Junchao	Director	Incumbent	Male	60	3/2013	3/2016	32,760	—	—	32,760		No
6	Dong Lianbo	Director	Incumbent	Male	56	3/2013	3/2016	32,760	—	—	32,760		Yes
7	Shi Lirong	Director and President	Incumbent	Male	49	3/2013	3/2016	410,511	—	—	410,511		No
8	Yin Yimin	Director	Incumbent	Male	50	3/2013	3/2016	632,833	—	—	632,833		No
9	He Shiyou	Director and Executive Vice President	Incumbent	Male	47	3/2013	3/2016	344,940	—	—	344,940		No
10	Qu Xiaohui	Independent Non-executive Director	Incumbent	Female	59	3/2013	7/2015	—	—	—	—		No
11	Wei Wei	Independent Non-executive Director	Incumbent	Male	48	3/2013	7/2015	—	—	—	—		No
12	Chen Naiwei	Independent Non-executive Director	Incumbent	Male	56	3/2013	7/2015	—	—	—	—		No
13	Tan Zhenhui	Independent Non-executive Director	Incumbent	Male	69	3/2013	3/2016	—	—	—	—		No
14	Timonthy Alexander Steinert Note 1	Independent Non-executive Director	Resigned	Male	53	3/2013	6/2013	—	—	—	—		No
15	Richard Xike Zhang Note 1	Independent Non-executive Director	Incumbent	Male	43	6/2013	3/2016	—	—	—	—		No
Supervisors of the Company													
16	Zhang Taifeng	Chairman of Supervisory Committee	Resigned	Male	72	3/2010	3/2013	501,425	—	—	501,425		No
17	Xie Daxiong Note 2	Chairman of Supervisory Committee	Incumbent	Male	50	3/2013	3/2016	498,492	—	—	498,492		No
18	He Xuemei	Supervisor	Incumbent	Female	43	3/2013	3/2016	80,347	—	—	80,347		No
19	Zhou Huidong	Supervisor	Incumbent	Male	37	3/2013	3/2016	78,158	—	—	78,158		No
20	Wang Yan	Supervisor	Resigned	Female	48	3/2010	3/2013	—	—	—	—		Yes
21	Xu Weiyan	Supervisor	Incumbent	Female	51	3/2013	3/2016	9,199	—	—	9,199		No
22	Chang Qing Note 2	Supervisor	Incumbent	Male	58	3/2013	3/2016	—	—	—	—		Yes
Senior management of the Company													
23	Wei Zaisheng	Executive Vice President and Chief Financial Officer	Incumbent	Male	51	4/2013	3/2016	437,421	—	—	437,421		No
24	Xie Daxiong Note 3	Executive Vice President	Resigned	Male	50	3/2010	1/2013	498,492	—	—	498,492		No
25	Tian Wenguo	Executive Vice President	Incumbent	Male	44	4/2013	3/2016	273,169	—	—	273,169		No
26	Qiu Weizhao	Executive Vice President	Incumbent	Male	50	4/2013	3/2016	446,600	—	—	446,600		No
27	Fang Qingfeng	Executive Vice President	Incumbent	Male	45	4/2013	3/2016	562,500	—	—	562,500		No
28	Chen Jie	Senior Vice President	Incumbent	Female	55	4/2013	3/2016	794,583	—	—	794,583		No
29	Zhao Xianming	Senior Vice President	Incumbent	Male	47	4/2013	3/2016	431,873	—	107,968	323,905	*Note 5*	No
30	Pang Shengqing	Senior Vice President	Incumbent	Male	45	4/2013	3/2016	521,402	—	—	521,402		No
31	Zeng Xuezhong	Senior Vice President	Incumbent	Male	40	4/2013	3/2016	567,600	—	—	567,600		No
32	Xu Huijun	Senior Vice President	Incumbent	Male	40	4/2013	3/2016	560,945	—	—	560,945		No
33	Ye Weimin	Senior Vice President	Incumbent	Male	47	4/2013	3/2016	516,331	—	—	516,331		No
34	Ni Qin Note 3	Senior Vice President	Resigned	Male	54	3/2010	1/2013	730,560	—	—	730,560		No
35	Wu Zengqi Note 3	Senior Vice President	Resigned	Male	49	3/2010	1/2013	486,570	—	121,643	364,927	*Note 5*	No
36	Zhu Jinyun	Senior Vice President	Incumbent	Male	41	4/2013	3/2016	482,460	—	—	482,460		No
37	Zhang Renjun	Senior Vice President	Incumbent	Male	44	4/2013	3/2016	—	—	—	—		No
38	Wang Jiaran Note 3	Senior Vice President	Resigned	Male	44	3/2012	1/2013	151,107	—	—	151,107		No
39	Chen Jianzhou	Senior Vice President	Incumbent	Male	43	4/2013	3/2016	130,028	—	—	130,028		No
40	Cheng Lixin Note 4	Senior Vice President	Incumbent	Male	47	4/2013	3/2016	3,000			3,000		No
41	Feng Jianxiong	Secretary to the Board of Directors	Incumbent	Male	39	4/2013	3/2016	275,000	—	—	275,000		No
—	**Total**	—	—	—	—	—	—	**11,322,806**	—	**229,611**	**11,093,195**	—	—

Note 1: The term of office of Mr. Timothy Alexander Steinert as Independent Non-executive Director of the Company ended on 29 June 2013; at the Second Extraordinary Meeting of 2013 of the Company held on 28 June 2013, Mr. Richard Xike Zhang was elected Independent Non-executive Director of the Sixth Session of the Board of Directors of the Company for a term commencing on 30 June 2013 and ending upon the conclusion of the Sixth Session of the Board of Directors (namely 29 March 2016).

Note 2: At the First Extraordinary Meeting of 2013 of the Company held on 7 March 2013, Mr. Chang Qing was elected Shareholders' Representative Supervisor of the Sixth Session of the Supervisory Committee of the Company; on 28 February 2013, Mr. Xie Daxiong was elected Staff Representative Supervisor through democratic elections by the staff representatives of the Company.

Note 3: At the Thirty-ninth Meeting of the Fifth Session of the Board of Directors of the Company held on 14 January 2013, it was approved that the Company would discontinue the employment of Mr. Xie Daxiong as Executive Vice President of the Company and of Mr. Ni Qin, Mr. Wu Zengqi and Mr. Wang Jiaran each as Senior Vice President of the Company.

Note 4: At the First Meeting of the Sixth Session of the Board of Directors held on 2 April 2013, the appointment of Mr. Cheng Lixin as Senior Vice President of the Company was approved.

Note 5: Reduction of shareholdings in accordance with "Rules Governing the Holding of Shares in the Company by Directors, Supervisors and Senior Management of Listed Companies and Changes Thereof".

Note 6: None of the Company's Directors, Supervisors and senior management held H shares in the issued share capital of the Company during the reporting period.

5.2 Interests of the Company's Directors, Supervisors and Chief Executive Officer in shares or debentures

The interests in shares of the Company held by Directors, Supervisors and Chief Executive Officer of the Company as at 30 June 2013 are set out in the section of this chapter headed "Changes in the Shareholdings of the Company's Directors, Supervisors and Senior Management".

Save as disclosed above, as at 30 June 2013, none of the Directors, Supervisors and Chief Executive Officer of the Company had any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) that is required to be recorded in the register to be kept under Section 352 of the SFO, or otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules.

As at 30 June 2013, none of the Directors, Supervisors or the Chief Executive Officer of the Company, or their respective spouses or children under the age of 18 had been granted or had exercised any rights to subscribe for the share capital or debentures of the Company or its associated corporations.

6. REPORT OF THE BOARD OF DIRECTORS

6.1 Review of business in the first half of 2013

1. Overview of the PRC telecommunications industry in the first half of 2013

During the first six months of 2013, domestic carriers were actively engaged in equipment tenders, the specific deployment plans for which are expected to be revealed in the second half of the year. The growth in investments in the telecommunications industry was mainly driven by the large-scale deployment of 4G networks and the construction of pertinent ancillary facilities with a strong focus on wireless, broadband and transmission networks, while ongoing progress was also reported for the development of new strategic industries such as Cloud Computing and the Internet of Things. According to statistics published by the Ministry of Industry and Information Technology, revenue from principal operations for the domestic telecommunications sector amounted to RMB564.26 billion for the first six months of 2013, representing a year-on-year growth of 8.9%.

2. *Overview of the global telecommunications industry in the first half of 2013*

Growth in equipment investment by the global telecommunications industry was slow during the first half of 2013. With the gradual exit of 2G networks, in-depth operation of 3G networks, large-scale deployment of 4G networks and the continuous growth in consumers' demand for smart phones, the load of network flow also increased. Confronted with competition on various fronts, global carriers were actively identifying effective means to lower operating costs as well as new niches for business growth. National broadband strategies adopted by various countries coupled with technology upgrades taking place in relevant industries have driven the construction of global broadband networks, while increased data traffic over wireless networks and the ongoing construction of broadband networks have combined to advance the large-scale construction of transmission networks.

3. *Operating results of the Group for the first half of 2013*

During the first half of 2013, while global carriers tended to adopt a more rational approach in equipment investment, the Group continued to work diligently to cater to the technological preferences and network construction plans of global carriers in persistent implementation of its strategy to focus on major populous nations and leading carriers. Nevertheless, the Group's overall operating revenue decreased by 11.88% to RMB37.576 billion as compared to the same period of 2012, reflecting the decline in operating revenue from GSM and UMTS products in the domestic market and GSM handsets and data cards in both the domestic and international markets. Gross profit margin improved despite lower operating revenue as compared to the same period last year, thanks to the Group's effort to strengthen control over the profitability of contracts during the reporting period. Costs and expenses (selling and distribution costs, administrative expenses and research and development costs) for the period decreased significantly as compared to the same period last year, reflecting the Group's emphasis on cost utilisation efficiency. Under the combined effect of improved gross profit margin, lower costs and expenses for the period, increased exchange losses and investment income arising from the disposal of equity interests in Shenzhen ZNV Technology Co., Ltd. ("ZNV"), the Group reported net profit attributable to shareholders of the listed company of RMB0.31 billion for the six months ended 30 June 2013, representing a year-on-year growth of 26.60%. Basic earnings per share amounted to RMB0.09.

1) By market

The domestic market

For the reporting period, the Group reported operating revenue of RMB18.821 billion from the domestic market, accounting for 50.1% of the Group's overall operating revenue. The Group worked in close tandem with the technological preferences and network construction plans of carriers to capitalise on market opportunities presented by large-scale deployment of 4G networks, the Broadband China strategy and the construction of its ancillary transmission networks. Meanwhile, we further enhanced our control over the profitability of contracts to ensure sustainable development.

The international market

For the reporting period, the Group reported operating revenue of RMB18.755 billion from the international market, accounting for 49.9% of the Group's overall operating revenue. The Group continued to focus on in-depth business development and operation in major populous nations and with mainstream global carriers, enhancing its presence in strategic new products, solutions and frontiers to optimise its market exposure and achieve in-depth operation.

2) *By product*

For the reporting period, the Group reported operating revenue of RMB19.050 billion for carriers' networks, RMB12.461 billion for terminals, and RMB6.065 billion for telecommunication software systems, services and other products.

Carriers' networks

In connection with wireless products, the Group committed its best resources to 4G product research and development to enhance its product competitiveness and provide an important foundation for the new cycle of investment in wireless equipment. In the traditional 2G/3G market, the Group's effort to improve gross profit margin by optimising its sales mix has been rewarded with initial results. The Group was also committed to enhancing its R&D as well as marketing efforts for government and enterprise network product solutions, in order to provide groundwork for the long-term sustainable development of its wireless products.

In connection with wireline and optical communications products, the rapid development of the broadband market coupled with the construction of supporting facilities for the Mobile Internet were driving domestic and international carriers alike into vigorous planning for transmission networks to match increasing network traffic. With the benefit of this favourable development and on the back of superior product competitiveness, the Group reported relative fast growth in operating revenue from its international sales of wireline switch and access products and sound growth in operating revenue from its domestic sales of optical communications products.

In service products, the Group also reported positive development by enhancing innovation of products for value-added telecommunications services, while continuing to make breakthroughs in business with mainstream global carriers with the aid of broadband multimedia products.

Terminals

For the first six months of 2013, while operating revenue from terminal products decreased in line with weaker market demand for feature phones and data cards, operating revenue from the Group's smart terminals sustained growth to account for an increasing share of operating revenue, thanks to burgeoning consumers' demand for smart terminals effectively driven by the large-scale deployment of 4G networks and rapid development of the Mobile Internet, as well as the Group's ongoing effort to advance strategic cooperation with mainstream global carriers and its own brand building through R&D and the strategic transformation of its products.

Telecommunication software systems, services and other products

For the reporting period, operating revenue from the Group's telecommunication software systems, services and other products reported year-on-year decrease of 14.75%, reflecting mainly the decrease in operating revenue from service products.

6.2 Management discussion and analysis prepared in accordance with PRC ASBEs

6.2.1 Breakdown of indicators for the reporting period by industry, product and region segments and comparison with the same period last year

Revenue mix	Operating revenue *(RMB in thousands)*	Operating costs *(RMB in thousands)*	Gross profit margin	Year-on-year increase/ decrease in operating revenue	Year-on-year increase/ decrease in operating costs	Year-on-year increase/ decrease in gross profit margin *(percentage points)*
I. By industry						
Manufacturing of communication equipment	37,576,212	27,234,174	27.52%	(11.88%)	(12.93%)	0.87
Total	**37,576,212**	**27,234,174**	**27.52%**	**(11.88%)**	**(12.93%)**	**0.87**
II. By product						
Carriers' networks	19,050,466	12,419,933	34.81%	(10.48%)	(13.88%)	2.58
Terminals	12,460,868	10,538,437	15.43%	(12.54%)	(11.31%)	(1.17)
Telecommunication software systems, services and other products	6,064,878	4,275,804	29.50%	(14.75%)	(14.03%)	(0.59)
Total	**37,576,212**	**27,234,174**	**27.52%**	**(11.88%)**	**(12.93%)**	**0.87**
III. By region						
The PRC	18,821,489	13,277,162	29.46%	(9.88%)	(10.32%)	0.35
Asia (excluding the PRC)	6,327,118	4,924,628	22.17%	(21.01%)	(20.08%)	(0.90)
Africa	3,034,884	2,191,356	27.79%	(22.65%)	(8.71%)	(11.03)
Europe, Americas and Oceania	9,392,721	6,841,028	27.17%	(4.39%)	(13.52%)	7.69
Total	**37,576,212**	**27,234,174**	**27.52%**	**(11.88%)**	**(12.93%)**	**0.87**

The Group reported RMB37,576.2 million in operating revenue for the first six months of 2013, dropping 11.9% as compared with the same period last year. Our domestic revenue decreased by 9.9% to RMB18,821.5 million as compared to the same period last year. Analysed by product segment, year-on-year decline on revenue from carriers' networks, terminals and telecommunication software systems, services and other products contributing to a declining trend of the Group's total operating revenue in the first half of 2013 over the same period last year.

The decrease in revenue from the Group's carriers' networks reflected mainly the combined effects of decreases in revenue generated from wireless communications systems in the domestic market, optical communications systems and data products in the international markets and wireline switch and access products in the domestic markets. The decrease in revenue from the Group's terminals reflected mainly the decrease in revenue generated from data cards and GSM handsets in the domestic and international markets. The decrease in revenue from the Group's telecommunication software systems, services and other products reflected mainly the decrease in revenue from services products in the domestic and international markets.

6.2.2 Reasons for substantial change in the Group's principal business and its structure, breakdown of profit, profitability during the reporting period.

(1) There was no significant change in the principal business and its structure during the reporting period compared to the same period last year.

(2) Changes in the breakdown of profit during the reporting period compared to the same period last year are set out as follows:

Item	**As a percentage of total profit for the six months ended 30 June 2013**	As a percentage of total profit for the six months ended 30 June 2012	**Year-on-year increase/ decrease** *(percentage points)*
Expenses for the period	**1,455.61%**	1,711.03%	(255.42) *Note 1*
Impairment losses	**124.93%**	70.24%	54.69 *Note 2*
Investment income	**109.08%**	13.86%	95.22 *Note 3*

Note 1: Attributably mainly to the year-on-year decrease in expense for the period;

Note 2: Attributably mainly to the year-on-year increase in bad debt provision for trade receivables charged for the period;

Note 3: Attributably mainly to the disposal of ZNV equity interests during the period.

(3) There was no significant change in the profitability (gross profit margin) of principal business during the reporting period compared to the same period last year.

6.3 Management discussion and analysis in accordance with HKFRSs

The financial data below are extracted from the Group's unaudited financial statements prepared in accordance with HKFRSs. The following discussion and analysis should be read in conjunction with the Group's financial statements and the accompanying notes as set out in this report.

Operating revenue

The following table sets out the revenue attributable to the major product segments of the Group for the periods indicated, in monetary amount and as a percentage of the total operating revenue:

Unit: RMB in millions

Product segment	**For the six months ended 30 June 2013**		For the six months ended 30 June 2012	
	Revenue	**As a percentage of operating revenue**	Revenue	As a percentage of operating revenue
Carriers' networks	**19,050.5**	**50.7%**	21,279.6	49.9%
Terminals	**12,460.9**	**33.2%**	14,248.1	33.4%
Telecommunication software systems, services and other products	**6,064.8**	**16.1%**	7,114.2	16.7%
Total	**37,576.2**	**100.0%**	42,641.9	100.0%

The following table sets out the revenue of the Group attributable to the PRC, Asia (excluding the PRC), Africa, Europe, Americas and Oceania for the periods indicated, in monetary amount and as a percentage of the total operating revenue:

Unit: RMB in millions

Region	**For the six months ended 30 June 2013**		For the six months ended 30 June 2012	
	Revenue	**As a percentage of operating revenue**	Revenue	As a percentage of operating revenue
The PRC	**18,821.5**	**50.1%**	20,884.9	49.0%
Asia (excluding the PRC)	**6,327.1**	**16.8%**	8,010.0	18.8%
Africa	**3,034.9**	**8.1%**	3,923.3	9.2%
Europe, Americas and Oceania	**9,392.7**	**25.0%**	9,823.7	23.0%
Total	**37,576.2**	**100.0%**	42,641.9	100.0%

The Group reported RMB37,576.2 million in operating revenue for the first six months of 2013, an 11.9% decrease as compared to the same period last year. Our domestic revenue decreased by 9.9% to RMB18,821.5 million as compared to the same period last year. Analysed by product, year-on-year decline was reported for carriers' networks, terminals, telecommunication software systems, services and other products, contributing to a declining trend in the Group's total operating revenue for the first six months of 2013 as compared to the same period last year.

The year-on-year decrease in operating revenue from the Group's carriers' networks reflected mainly the decrease in operating revenue derived from wireless communications systems in the domestic market, optical communications systems and data products in the international market and wireline switch and access products in the domestic market.

The year-on-year decrease in operating revenue from the Group's terminals reflected mainly the decrease in operating revenue derived from data cards and GSM handsets in the domestic and international markets.

The year-on-year decrease in operating revenue from the Group's telecommunication software systems, services and other products reflected mainly the decrease in operating revenue derived from service products in the domestic and international markets.

Cost of sales and gross profit

The following tables set out (1) the cost of sales of the Group and cost of sales as a percentage of product segment revenue and (2) the Group's gross profit and gross profit margin for the periods indicated:

Unit: RMB in millions

Product segment	**For the six months ended 30 June 2013**		For the six months ended 30 June 2012	
	Cost of sales	**As a percentage of product segment revenue**	Cost of sales	As a percentage of product segment revenue
Carriers' networks	**12,887.5**	**67.6%**	15,020.8	70.6%
Terminals	**10,551.1**	**84.7%**	11,883.8	83.4%
Telecommunication software systems, services and other products	**4,486.5**	**74.0%**	5,236.1	73.6%
Total	**27,925.1**	**74.3%**	32,140.7	75.4%

Unit: RMB in millions

Product segment	**For the six months ended 30 June 2013**		For the six months ended 30 June 2012	
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
Carriers' networks	**6,163.0**	**32.4%**	6,258.8	29.4%
Terminals	**1,909.8**	**15.3%**	2,364.3	16.6%
Telecommunication software systems, services and other products	**1,578.3**	**26.0%**	1,878.1	26.4%
Total	**9,651.1**	**25.7%**	10,501.2	24.6%

Cost of sales of the Group for the first six months of 2013 decreased by 13.1% to RMB27,925.1 million as compared to the same period last year. The Group's overall gross profit margin for the first six months of 2013 year was 25.7%, which was 1.1 percentage points higher as compared to the same period last year, reflecting mainly improved gross profit margin of products for carriers' networks which accounted for a substantial portion of the Group's revenue.

Cost of sales for the Group's carriers' networks for the first six months of 2013 amounted to RMB12,887.5 million, a decrease of 14.2% as compared to the same period last year. Gross profit margin of carriers' networks was 32.4% versus 29.4% for the same period last year. The increase in gross profit margin of carriers' networks mainly reflected higher gross profit margin for optical communications systems and data communication systems in the domestic market and wireless communications systems products in the domestic and international markets, which accounted for a substantial portion of the Group's revenue.

Cost of sales for the Group's terminals for the first six months of 2013 amounted to RMB10,551.1 million, a decrease by 11.2% as compared to the same period last year. Gross profit margin for the Group's terminals was 15.3%, versus 16.6% for the same period last year. The gross profit margin for the terminals declined in tandem with lower gross profit margins for CDMA handsets and 3G handsets in the domestic market, which accounted for a substantial portion of the Group's revenue.

Cost of sales for the Group's telecommunication software systems, services and other products for the first six months of 2013 amounted to RMB4,486.5 million, a decrease by 14.3% compared to the same period last year. The relevant gross profit margin was 26.0% versus 26.4% for the same period last year. The slight decrease in gross profit margin for telecommunication software systems, services and other products mainly reflected the decrease in gross profit margins for service products in the international markets and domestic visual and network terminals products, which accounted for a substantial portion of the Group's revenue.

Other income and gains

Other income and gains of the Group for the first six months of 2013 amounted to RMB2,685.2 million, representing an increase of 56.7% compared to RMB1,713.5 million for the first six months of 2012 mainly attributable to investment income arising from disposal of equity interests in ZNV during the period.

Research and development costs

The Group's research and development costs for the first six months of 2013 decreased by 9.9% to RMB3,627.6 million from RMB4,025.4 million for the first six months of 2012, attributable mainly to strengthened cost control by the Company. Research and developments costs represented 9.7% of the operating revenue, a slight increase as compared to 9.4% for the first half of 2012.

Selling and distribution costs

The Group's selling and distribution costs for the first six months of 2013 decreased by 12.3% to RMB4,740.2 million from RMB5,402.3 million for the first half of 2012, or by 0.1 percentage points to 12.6% from 12.7% for the first half of 2012 as a percentage of operating revenue, reflecting mainly the decrease of human resources expenses and travelling expenses.

Administrative expenses

Administrative expenses of the Group for the first six months of 2013 decreased by 5.9% to RMB 1,084.7 million, as compared to RMB1,153.3 million for the first half of 2012, but slightly increased to 2.9% from 2.7% for the first half of 2012 as a percentage of operating revenue, reflecting mainly the Company's stronger efforts in cost management.

Other expenses

Other expenses of the Group for the first six months of 2013 increased by 229.5% to RMB1,346.3 million, as compared to RMB408.6 million for the first half of 2012, reflecting mainly the increase in losses as a result of exchange rate volatility and the increase in bad debt provisions for the period.

Profit from operating activities

The Group's profit from operating activities for the first six months of 2013 increased by 25.5% to RMB1,537.5 million, as compared to RMB1,225.1 million for the first half of 2012, while the operating profit margin also increased by 1.2 percentage points to 4.1% from 2.9% for the first half of 2012. Such increase was attributable mainly to investment income arising from the disposal of equity interests in ZNV during the period coupled with strengthened cost control.

Finance costs

Finance costs of the Group for the first six months of 2013 increased by 36.4% to RMB766.1 million compared to RMB561.5 million for the first half of 2012, reflecting mainly the increase in loan interest expense in tandem with additional bank loans by the Group to meet working capital requirements.

Tax

The Group's income tax expense for the first six months of 2013 was RMB412.5 million, which was 56.5% higher as compared to RMB263.6 million for the first half of 2012, reflecting mainly increased profit reported by certain of the Group's subsidiaries.

Profit attributable to non-controlling interests

The Group's profit attributable to non-controlling interests for the first six months of 2013 amounted to RMB19.2 million, a decrease by 86.9% as compared to RMB147.1 million for the first half of 2012. Non-controlling interests decreased from 37.5% for the first six months of 2012 to 5.8% for the first six months of 2013 as a percentage of profit before non-controlling interests, reflecting mainly the deconsolidation of certain subsidiaries with a higher level of non-controlling interests, which were accounted for on a consolidated basis for the same period of 2012, following the disposal of their equity interests in the second half of 2012, as well as the year-on-year reduction of non-controlling interests in certain subsidiaries.

Other comprehensive income

Other comprehensive income of the Group for the first six months of 2013 decreased by 113.8% to RMB-99.8 million, as compared to RMB724.6 million for the first half of 2012. The change reflected mainly the increase in other comprehensive income resulting from value appreciation of properties for self-use after valuation upon reclassification to investment properties for the same period last year and the absence of such item for the period.

Debt-equity ratio

The Group's debt-equity ratio for the first six months of 2013 was 61.0%, an increase by 2.9 percentage points as compared to 58.1% for the first half of 2012. The increase was mainly attributable to the decrease in the Company's reserves owing to operating losses incurred by the Company in the second half of 2012.

Cash flow data

Unit: RMB in millions

	For the six months ended 30 June 2013	For the six months ended 30 June 2012
Net cash outflow from operating activities	**(5,660.6)**	(3,781.1)
Net cash outflow from investing activities	**(419.8)**	(1,682.8)
Net cash inflow (outflow) from financing activities	**(707.0)**	5,408.6
Net increase/(decrease) in cash and cash equivalents	**(6,787.4)**	(55.3)
Cash and cash equivalents at the end of the period	**15,915.7**	20,543.5

Operating activities

The Group had a net cash outflow from operating activities of RMB5,660.6 million for the first six months of 2013 compared to RMB3,781.1 million for the first half of 2012, reflecting year-on-year decrease of cash inflow from sales of goods and provision of services by RMB5,109.4 million, decrease of cash inflow from tax rebates by RMB204.8 million, decrease of cash outflow paid for purchases of goods and services by RMB1,813.1 million, decrease of cash outflow for payments made to and on behalf of employees by RMB687.8 million, decrease in tax payments by RMB596.2 million, decrease of other cash payments relating to operating activities by RMB742.0 million, coupled with increase of cash outflow for dividend payments or interest repayments by RMB489.8 million.

Investing activities

The net cash outflow from the Group's investing activities for the first six months of 2013 was RMB419.8 million compared to a net cash outflow of RMB1,682.8 million for the first half of 2012, reflecting mainly cash received by the Company for the disposal of equity interests in ZNV during the period.

Financing activities

The Group's net cash outflow from financing activities for the first six months of 2013 was RMB707.0 million, compared to net cash inflow of RMB5,408.6 million for the first half of 2012, reflecting mainly the repayment of Bonds cum Warrants issued in 2008 in the amount of RMB4,000.0 million for the first six months of 2013, versus the receipt of RMB6,000.0 million as proceeds from the issue of 3-year corporate bonds by the Company during the same period last year.

Indebtedness

Unit: RMB in millions

Item	**As at 30 June 2013**	As at 31 December 2012
Secured bank loans	**1,141.3**	1,805.0
Unsecured bank loans	**20,377.3**	17,614.9

Unit: RMB in millions

Item	**As at 30 June 2013**	As at 31 December 2012
Short-term bank loans	**13,239.7**	18,429.9
Long-term bank loans	**8,278.9**	990.0

Credit facilities available to the Group included long-term and short-term bank loans, which were mainly used as working capital. Of the Group's long-term loans, RMB loans were subject to fixed interest rates, while USD loans were subject to floating interest rates. To control the risk associated with RMB appreciation, the Group's borrowings were mainly denominated in USD, apart from certain RMB loans.

The Group's bank loans in the first half of 2013 increased by RMB2,098.7 million as compared to the balance as at 31 December 2012 and were mainly applied to fund repayments of Bonds cum Warrants. The reasons for the change in the structure of the long- and short-term debts are due to the transfers of the Company's syndicated loans into short-term bank loans as a result of the failure to comply with the undertakings of financial benchmarks at the end of 2012. As an exemption letter had been received during the period, the syndicated loans were transferred back to long-term bank loans.

Capital Commitments

The Group had the following capital commitments as of the dates indicated:

Unit: RMB in millions

Item	**As at 30 June 2013**	As at 31 December 2012
Land and buildings:		
Contracted, but not provided for	**281.1**	484.4
Investment in associates:		
Contracted, but not provided for	**60.8**	41.7
Land and buildings:		
Authorised, but not contracted	**21,514.7**	21,600.4

Disclosure required under the Hong Kong Listing Rules

In accordance with paragraph 46 of Appendix 16 to the Hong Kong Listing Rules, the Company confirms that, save as disclosed herein, there has been no material change in the current information regarding the Company from the information disclosed in the 2012 Annual Report of the Company in relation to matters set out in paragraph 32 of Appendix 16.

6.4 Business outlook for the second half of 2013 and risk exposures

6.4.1 Business outlook for the second half of 2013

Looking ahead to the latter half of 2013, the large-scale deployment of 4G networks, particularly the large-scale construction of TD-LTE networks in China, will channel in a new cycle of investment for the telecommunications industry in the wireless network sector. In connection with wireline networks, the construction of broadband networks around the world will continue to advance with the support of increasing consumers' demand for network bandwidth, national broadband strategies adopted by various countries and technology upgrades taking place in relevant industries, while development opportunities will also abound for transmission networks deployed to complement the wireless and wireline networks. The smart terminal is expected to sustain relatively fast growth as a mainstay product benefitting from the upgrade of wireless network bandwidth and the rapid development of the Mobile Internet. In the meantime, comprehensive and innovative solutions and stable long-term business relationships will be crucial as global carriers strive to deal with revolutionary changes in the industry. In this regard, the Group has already developed globally competitive solutions and entered into business partnerships with mainstream global carriers.

In the second half of 2013, the Group will continue to carry out product innovation and solution operations with an emphasis on mainstream products. We will enhance our R&D efficiency and implement in greater depth our strategy on populous nations and mainstream carriers, focusing on markets in which we claims dominance while vigorously developing business in the government and enterprise services sectors. The Group will exercise resource management and control, refine cost management and enhance operating efficiency through persistent implementation of the operations settlement system.

6.4.2 Risk Exposures

(1) Country risk

Under the complicated global economic and political environment, the Group will continue to be exposed to trade protection, debtors' risks, political risks or even warfare or the succession of political regimes in countries where the Group's projects are operated. As such, a very high level of operational and risk control capabilities is required.

(2) Risk associated with intellectual property rights

The Group has always attached great importance to product technology research and development as well as the management of intellectual property rights. We maintain our investment in technology research and development each year at about 10% of our annual sales revenue. While the Group has adopted stringent measures to protect its intellectual property rights, there can be no assurance that there will not be any conflicts in intellectual property rights with other telecommunications equipment manufacturers, franchisee companies and carriers which partner with the Group.

(3) Exchange rate risk

The Group's consolidated financial statements are expressed in RMB. The exchange rate risk of the Group arises mainly from foreign exchange exposures associated with the sales, purchases and financing settled in currencies other than RMB. The Group seeks to mitigate the impact of exchange rate volatility on its operations by managing its foreign exchange risks through the use of measures such as the business planning, consolidated hedging and financial instruments based on the principle of exposure management.

(4) Interest rate risk

The interest rate risk of the Group is mainly associated with interest-bearing liabilities. Fluctuations in the interest rates of foreign currencies will result in changes in the total amount of interest payable by the Group and will therefore affect the Group's profitability. The Group seeks to lower its interest rate risk mainly by managing the structure of its interest-bearing liabilities.

(5) Credit risk

The Group provides one-stop communications solutions to its customers. With the swift expansion of its business, the Group is serving a large customer base with differing credit status, and its business development will inevitably be affected by the varied credit profiles of these customers. The Group has stepped up with the building of its international customer credit rating and credit management and control systems to mitigate the aforesaid impact.

7. COMPLIANCE OF THE CORPORATE GOVERNANCE CODE AND OTHER MATTERS

7.1 Compliance of the Corporate Governance Code

The Company had fully complied with all the principles and code provisions of the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules during the period from 1 January to 30 June 2013.

7.2 Securities transactions by Directors and Supervisors

The Directors and Supervisors of the Company confirmed that the Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model code") as set out in Appendix 10 to the Hong Kong Listing Rules. Having made due enquiries with all Directors and Supervisors of the Company, the Company was not aware of any information that reasonably suggested that the Directors and Supervisors had not complied with the requirements in the Model Code during the reporting period.

8. FINANCIAL REPORT

8.1 The Audit Committee of the Company has discussed with the management the accounting standards and practices adopted by the Group, and has also discussed and reviewed the Interim Report, including the financial statements of the Group for the six months ended 30 June 2013.

8.2 Audit opinion

√ Unaudited □ Audited

8.2 Financial statements

8.2.1 Financial statements prepared under PRC ASBEs (Please see Appendix I)

8.2.2 Financial statements prepared under HKFRSs and notes thereto (Please see Appendix II)

8.4 Explanatory statement on changes in accounting policies, accounting estimates and auditing methods in comparison with the last annual financial report

□ Applicable √ N/A

8.5 Explanatory statement on rectification of significant accounting errors for the reporting period requiring retrospective restatement.

□ Applicable √ N/A

8.6 Explanation of changes to the scope of consolidated financial statement in comparison with the last annual financial report.

New tier-one subsidiaries established during the reporting period included 深圳市中興雲服務有限公司, 深圳市中興系統集成技術有限公司, 天津中興智聯科技有限公司; new tier-two subsidiaries established during the reporting period included 深圳市中興移動軟件有限公司, ZTE Myanmar Company Limited, 黃岡教育谷投資控股有限公司, Shenzhen ZTE SEECOM Tech Co., Ltd., 深圳市興聯達科技有限公司; New tier-three subsidiaries established during the reporting period included PT ZTE JOYGOR INDONESIA and ZTE (MLVV) LIMITED.

The Company and ZTE (H.K.) Limited ("ZTE HK") (a wholly-owned subsidiary of the Company) entered into the "Equity Transfer Agreement for the Transfer of 65% Equity Interests in the Target Company" and "Equity Transfer Agreement for the Transfer of 16% Equity Interests in the Target Company," respectively, with Ocean Delight Investments Limited in respect of the disposal of an aggregate of 81% equity interests in ZNV held by the Company and ZTE HK in aggregate. The date of disposal of the equity interests was 16 January 2013 and ZNV was deconsolidated from the Group, as from January 2013.

By Order of the Board
Hou Weigui
Chairman

Shenzhen, the PRC
21 August 2013

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

APPENDIX I: FINANCIAL STATEMENTS PREPARED UNDER PRC ASBES

CONSOLIDATED BALANCE SHEET

Currency: RMB'000

Assets	**30 June 2013 (unaudited)**	31 December 2012 (audited)
Current assets		
Cash	**17,322,010**	24,126,423
Trading financial assets	**104,489**	106,297
Bills receivable	**5,737,182**	4,282,220
Trade receivables	**22,108,313**	22,068,176
Factored trade receivables	**4,296,363**	4,165,514
Other receivables	**1,668,518**	2,019,341
Prepayments	**920,456**	742,551
Inventories	**11,577,111**	11,442,389
Amount due from customers for contract works	**14,133,330**	13,666,100
Total current assets	**77,867,772**	82,619,011
Non-current assets		
Available-for-sale financial assets	**1,464,647**	1,092,335
Held-to-maturity investments	**160,505**	—
Long-term trade receivables	**717,027**	1,206,642
Factored long-term trade receivables	**3,740,283**	4,018,484
Long-term equity investments	**435,117**	455,768
Investment properties	**1,765,400**	1,686,158
Fixed assets	**7,709,892**	7,096,624
Construction in progress	**293,510**	824,387
Intangible assets	**1,255,933**	1,087,038
Deferred development costs	**2,639,041**	2,446,934
Deferred tax assets	**1,193,542**	1,218,605
Long-term deferred assets	**62,426**	90,017
Other non-current assets	**3,273,707**	3,604,303
Total non-current assets	**24,711,030**	24,827,295
TOTAL ASSETS	**102,578,802**	107,446,306

Hou Weigui	**Wei Zaisheng**	**Shi Chunmao**
Legal representative	*Chief Financial Officer*	*Head of Finance Division*

CONSOLIDATED BALANCE SHEET (CONTINUED)

Currency: RMB'000

Liabilities and shareholders' equity	**30 June 2013 (unaudited)**	31 December 2012 (audited)
Current liabilities		
Short-term loans	**13,233,514**	17,923,607
Bank advances on factored trade receivables	**4,302,448**	4,168,932
Derivative financial liabilities	**15,954**	105,739
Bills payable	**9,077,730**	11,478,102
Trade payables	**17,827,142**	18,115,877
Amount due to customers for contract works	**3,686,669**	3,459,545
Advances from customers	**3,347,938**	3,106,638
Salary and welfare payables	**2,452,019**	2,346,526
Taxes payable	**(620,419)**	(1,161,974)
Dividends payable	**116,112**	205,783
Other payables	**6,148,354**	8,127,193
Deferred income	**410,002**	267,082
Provisions	**284,019**	291,457
Long-term loans due within one year	**6,179**	4,524,420
Total current liabilities	**60,287,661**	72,958,927
Non-current liabilities		
Long-term loans	**8,278,918**	989,990
Bank advances on factored long-term trade receivables	**3,740,283**	4,018,484
Bonds payable	**5,987,792**	6,107,993
Deferred tax liabilities	**139,900**	139,900
Other non-current liabilities	**1,368,723**	592,282
Total non-current liabilities	**19,515,616**	11,848,649
Total liabilities	**79,803,277**	84,807,576
Shareholders' equity		
Share capital	**3,440,078**	3,440,078
Capital reserves	**9,422,012**	9,352,643
Surplus reserves	**1,587,430**	1,587,430
Retained profits	**8,015,034**	7,705,022
Foreign currency translation differences	**(752,201)**	(582,699)
Total equity attributable to equity holders of the parent	**21,712,353**	21,502,474
Non-controlling interests	**1,063,172**	1,136,256
Total shareholders' equity	**22,775,525**	22,638,730
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**102,578,802**	107,446,306

CONSOLIDATED INCOME STATEMENT

Currency: RMB'000

	Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (unaudited)
Operating revenue	**37,576,212**	42,641,898
Less: Operating costs	**27,234,174**	31,277,990
Taxes and surcharges	**362,636**	608,119
Selling and distribution costs	**4,667,509**	5,323,563
Administrative expenses	**1,060,788**	1,038,026
Research and development costs	**3,627,555**	4,025,433
Finance expenses	**1,441,554**	831,063
Impairment losses	**926,688**	460,490
Add: Gains/(Losses) from changes in fair values	**162,888**	(31,439)
Investment income	**809,131**	90,878
Including: Share of profits and losses of jointly-controlled entities and associates	**(29,644)**	(7,922)
Operating profit/(loss)	**(772,673)**	(863,347)
Add: Non-operating income	**1,556,652**	1,546,718
Less: Non-operating expenses	**42,198**	27,739
Including: Loss on disposal of non-current assets	**7,171**	12,068
Total profit/(loss)	**741,781**	655,632
Less: Income tax	**412,537**	263,624
Net profit/(loss)	**329,244**	392,008
Net profit attributable to owners of the parent	**310,012**	244,875
Non-controlling interests	**19,232**	147,133
Earnings per share		
Basic earnings per share	**RMB0.09**	RMB0.07
Diluted earnings per share	**RMB0.09**	RMB0.07
Other comprehensive income	**(99,838)**	724,599
Total Comprehensive income	**229,406**	1,116,607
Including:		
Total comprehensive income attributable to owners of the parent	**209,879**	954,853
Total comprehensive income attributable to non-controlling interests	**19,527**	161,754

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Currency: RMB'000

	For the six months ended 30 June 2013 (unaudited)								
	Equity attributable to equity holders of the parent								
	Share capital	Capital reserve	Surplus reserve	Retained profits	Proposed final dividends	Foreign currency translation differences	Sub-total	Non-controlling interests	Total shareholders' equity
I. Current period's opening balance	**3,440,078**	**9,352,643**	**1,587,430**	**7,705,022**	**—**	**(582,699)**	**21,502,474**	**1,136,256**	**22,638,730**
II. Changes during the period									
(1) Net profit/(loss)	—	—	—	**310,012**	—	—	**310,012**	**19,232**	**329,244**
(2) Other comprehensive income	—	**69,369**	—	—	—	**(169,502)**	**(100,133)**	**295**	**(99,838)**
Total comprehensive income	—	**69,369**	—	**310,012**	—	**(169,502)**	**209,879**	**19,527**	**229,406**
(3) Shareholder's capital injection and capital reduction									
1. Capital injection from shareholders	—	—	—	—	—	—	—	**19,600**	**19,600**
2. Capital reduction by shareholders	—	—	—	—	—	—	—	**(48,990)**	**(48,990)**
3. Disposal of subsidiaries	—	—	—	—	—	—	—	**(63,221)**	**(63,221)**
4. Acquisition of non-controlling interests	—	—	—	—	—	—	—	—	—
(4) Profit appropriation									
1. Appropriation to surplus reserves	—	—	—	—	—	—	—	—	—
2. Distribution to shareholders	—	—	—	—	—	—	—		
3. Proposed final dividends	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—	—
(5) Transfer of shareholders' equity									
1. Transfer of capital reserve to share capital	—	—	—	—	—	—	—	—	—
2. Transfer of surplus reserves to share capital	—	—	—	—	—	—	—	—	—
3. Surplus reserves making up of losses	—	—	—	—	—	—	—	—	—
III. Current period's closing balance	**3,440,078**	**9,422,012**	**1,587,430**	**8,015,034**	**—**	**(752,201)**	**21,712,353**	**1,063,172**	**22,775,525**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Currency: RMB'000

	For the six months ended 30 June 2012 (unaudited)									
	Equity attributable to equity holders of the parent									
	Share capital	Capital reserve	Restricted Shares subject to lock-up	Surplus reserve	Retained profits	Proposed final dividends	Foreign currency translation differences	Sub-total	Non-controlling interests	Total shareholders' equity
I. Current period's opening balance	3,440,078	8,539,807	(40,537)	1,587,891	10,545,984	686,190	(527,696)	24,231,717	2,057,058	26,288,775
II. Changes during the period										
(1) Net profit/(loss)	—	—	—	—	244,875	—	—	244,875	147,133	392,008
(2) Other comprehensive income	—	929,245	—	—	—	—	(219,267)	709,978	14,621	724,599
Total comprehensive income	—	929,245	—	—	244,875	—	(219,267)	954,853	161,754	1,116,607
(3) Shareholder's capital injection and capital reduction										
1. Capital injection from shareholders	—	—	—	—	—	—	—	—	—	—
2. Equity settled share expenses charged to equity	—	3,666	—	—	—	—	—	3,666	—	3,666
3. Disposal of subsidiaries	—	—	—	(461)	—	—	—	(461)	1,392	931
4. Acquisition of non-controlling interests	—	—	—	—	—	—	—	—	—	—
(4) Profit appropriation										
1. Appropriation to surplus reserves	—	—	—	—	—	—	—	—	—	—
2. Distribution to shareholders	—	—	—	—	—	(686,190)	—	(686,190)	(37,792)	(723,982)
3. Proposed final dividends	—	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—	—	—
(5) Transfer of shareholders' equity										
1. Transfer of capital reserve to share capital	—	—	—	—	—	—	—	—	—	—
2. Transfer of surplus reserves to share capital	—	—	—	—	—	—	—	—	—	—
3. Surplus reserves making up of losses	—	—	—	—	—	—	—	—	—	—
III. Current period's closing balance	3,440,078	9,472,718	(40,537)	1,587,430	10,790,859	—	(746,963)	24,503,585	2,182,412	26,685,997

CONSOLIDATED CASH FLOW STATEMENT

Currency: RMB'000

	Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (unaudited)
I. Cash flows from operating activities		
Cash received from sale of goods or rendering of services	**37,821,989**	42,243,025
Refunds of taxes	**3,917,366**	4,122,121
Cash received relating to other operating activities	**497,374**	412,133
Sub-total of cash inflows	**42,236,729**	46,777,279
Cash paid for goods and services	**34,519,109**	36,332,231
Cash paid to and on behalf of employees	**5,723,526**	6,411,292
Cash paid for all types of taxes	**2,933,682**	3,529,884
Cash paid relating to other operating activities	**3,401,496**	4,143,544
Sub-total of cash outflows	**46,577,813**	50,416,951
Net cash flows from operating activities	**(4,341,084)**	(3,639,672)
II. Cash flows from investing activities		
Cash received from sale of investments	**423,898**	865,446
Cash received from return on investments	**64,971**	31,854
Net cash received for the disposal of fixed assets, intangible assets and other long-term assets	**4,278**	19,335
Net cash received from disposal of subsidiaries	**1,006,367**	—
Sub-total of cash inflows	**1,499,514**	916,635
Cash paid to acquisition of fixed assets, intangible assets and other long term assets	**1,149,184**	1,307,472
Cash paid for acquisition of investments	**1,129,226**	962,734
Sub-total of cash outflows	**2,278,410**	2,270,206
Net cash flows from investing activities	**(778,896)**	(1,353,571)

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

Currency: RMB'000

	Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (unaudited)
III. Cash flows from financing activities		
Cash received from capital injections	**15,000**	—
Including: Capital injection into subsidiaries by non-controlling shareholders	**15,000**	—
Cash received from borrowings	**12,805,703**	17,485,994
Sub-total of cash inflows	**12,820,703**	17,485,994
Cash repayments of borrowings	**13,527,730**	12,077,415
Cash payments for distribution of dividends, profits and for interest expenses	**960,454**	470,649
Including: Distribution of dividends and profits by subsidiaries to non-controlling shareholders	**—**	—
Sub-total of cash outflows	**14,488,184**	12,548,064
Net cash flows from financing activities	**(1,667,481)**	4,937,930
IV. Effect of changes in foreign exchange rate on cash and cash equivalents	**43,517**	(63,316)
V. Net increase in cash and cash equivalents	**(6,743,944)**	(118,629)
Add: cash and cash equivalents at the beginning of the year	**22,659,635**	20,662,089
VI. Net balance of cash and cash equivalents at the end of the period	**15,915,691**	20,543,460

BALANCE SHEET

Currency: RMB'000

Assets	30 June 2013 (unaudited)	31 December 2012 (audited)
Current assets		
Cash	**9,580,383**	16,010,506
Trading financial assets	**43,300**	54,308
Bills receivable	**4,602,494**	3,762,831
Trade receivables	**32,799,779**	34,970,056
Factored trade receivables	**3,681,305**	3,545,295
Prepayments	**33,739**	44,783
Dividends receivable	**2,191,954**	6,242,066
Other receivables	**4,870,012**	4,551,048
Inventories	**5,890,197**	5,668,033
Amount due from customers for contract works	**8,771,505**	8,440,613
Total current assets	**72,464,668**	83,289,539
Non-current assets		
Available-for-sale financial assets	**373,555**	323,655
Long-term trade receivables	**4,816,775**	3,684,501
Factored long-term trade receivables	**3,699,521**	3,582,669
Long-term equity investments	**6,319,057**	6,492,492
Investment properties	**1,426,747**	1,381,593
Fixed assets	**4,982,178**	5,083,046
Construction in progress	**79,903**	54,714
Intangible assets	**593,916**	529,864
Deferred development costs	**622,594**	595,205
Deferred tax assets	**605,079**	581,507
Long-term deferred assets	**52,232**	57,993
Other non-current assets	**2,991,284**	3,374,559
Total non-current assets	**26,562,841**	25,741,798
TOTAL ASSETS	**99,027,509**	109,031,337

BALANCE SHEET (CONTINUED)

Currency: RMB'000

Liabilities and shareholders' equity	30 June 2013 (unaudited)	31 December 2012 (audited)
Current liabilities		
Short-term loans	**9,760,583**	8,803,325
Trading financial liabilities	**3,391**	42,325
Bank advances on factored trade receivables	**3,687,390**	3,548,713
Bills payable	**11,324,487**	13,775,960
Trade payables	**29,532,705**	33,885,695
Amount due to customers for contract works	**2,708,770**	2,600,053
Advances from customers	**1,589,985**	1,765,544
Salary and welfare payables	**617,596**	569,587
Taxes payables	**(1,097,593)**	(1,309,327)
Dividends payable	**152**	152
Other payables	**14,811,810**	16,553,959
Deferred income	**117,130**	133,179
Provisions	**129,469**	159,693
Long-term loans due within one year	**—**	4,518,134
Total current liabilities	**73,185,875**	85,046,992
Non-current liabilities		
Long-term loans	**1,800,000**	—
Bank advances on factored long-term trade receivables	**3,699,521**	3,582,669
Bonds payable	**5,987,792**	6,107,993
Deferred tax liabilities	**138,400**	138,400
Other non-current liabilities	**1,372,875**	592,282
Total non-current liabilities	**12,998,588**	10,421,344
Total liabilities	**86,184,463**	95,468,336
Shareholders' equity		
Share capital	**3,440,078**	3,440,078
Capital reserves	**9,332,663**	9,332,663
Surplus reserves	**925,674**	925,674
Retained profits	**(837,940)**	(118,276)
Foreign currency translation differences	**(17,429)**	(17,138)
Total shareholders' equity	**12,843,046**	13,563,001
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**99,027,509**	109,031,337

INCOME STATEMENT

Currency: RMB'000

	Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (unaudited)
Operating revenue	**33,263,826**	36,570,493
Less: Operating costs	**29,822,828**	33,554,892
Taxes and surcharges	**231,938**	281,902
Selling and distribution costs	**2,842,410**	3,523,693
Administrative expenses	**660,204**	643,165
Research and development costs	**911,808**	1,014,836
Finance expenses	**970,492**	453,462
Impairment losses	**672,444**	324,196
Add: Gains/(Losses) from changes in fair values	**90,033**	(21,685)
Investment income	**1,749,032**	1,732,161
Including: Share of profits and losses of associates and jointly-controlled entities	**(25,908)**	(20,693)
Operating profit/(loss)	**(1,009,233)**	(1,515,177)
Add: Non-operating income	**332,354**	328,349
Less: Non-operating expenses	**35,142**	12,481
Including: Losses on disposal of non-current assets	**3,424**	8,411
Total profit/(loss)	**(712,021)**	(1,199,309)
Less: Income tax	**7,643**	(30,421)
Net profit/(loss)	**(719,664)**	(1,168,888)
Other comprehensive income	**(291)**	922,216
Total comprehensive income	**(719,955)**	(246,672)

STATEMENT OF CHANGES IN EQUITY

Currency: RMB'000

	For the six months ended 30 June 2013 (unaudited)						
	Share capital	**Capital reserve**	**Surplus reserve**	**Retained profits**	**Proposed final dividends**	**Foreign currency translation differences**	**Total shareholders' equity**
I. Current period's opening balance	**3,440,078**	**9,332,663**	**925,674**	**(118,276)**	**—**	**(17,138)**	**13,563,001**
II. Changes during the period							
(1) Net profit/(loss)	—	—	—	**(719,664)**	—	—	**(719,664)**
(2) Other comprehensive income	—	—	—	—	—	**(291)**	**(291)**
Total comprehensive income	—	—	—	**(719,664)**	—	**(291)**	**(719,955)**
(3) Shareholder's capital injection and capital reduction							
1. Capital injection from shareholders	—	—	—	—	—	—	—
2. Equity settled share expenses charged to equity	—	—	—	—	—	—	—
3. Others	—	—	—	—	—	—	—
(4) Profit appropriation							
1. Appropriation to surplus reserves	—	—	—	—	—	—	—
2. Distribution to shareholders	—	—	—	—	—	—	—
3. Proposed final dividends	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—
(5) Transfer of shareholders' equity							
1. Transfer of capital reserve to share capital	—	—	—	—	—	—	—
2. Transfer of surplus reserves to share capital	—	—	—	—	—	—	—
3. Surplus reserves making up of losses	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—
(6) Others	—	—	—	—	—	—	—
III. Current period's closing balance	**3,440,078**	**9,332,663**	**925,674**	**(837,940)**	**—**	**(17,429)**	**12,843,046**

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Currency: RMB'000

	For the six months ended 30 June 2012 (unaudited)							
	Share capital	Capital reserve	Restricted shares subject to lock-up	Surplus reserve	Retained profits	Proposed final dividends	Foreign currency translation differences	Total shareholders' equity
I. Current period's opening balance	3,440,078	8,534,677	(40,537)	925,674	1,309,523	686,190	(16,349)	14,839,256
II. Changes during the period								
(1) Net profit/(loss)	—	—	—	—	(1,168,888)	—	—	(1,168,888)
(2) Other comprehensive income	—	922,664	—	—	—	—	(448)	922,216
Total comprehensive income	—	922,664	—	—	(1,168,888)	—	(448)	(246,672)
(3) Shareholder's capital injection and capital reduction								
1. Capital injection from shareholders	—	—	—	—	—	—	—	—
2. Equity settled share expenses charged to equity	—	3,666	—	—	—	—	—	3,666
3. Others	—	—	—	—	—	—	—	—
(4) Profit appropriation								
1. Appropriation to surplus reserves	—	—	—	—	—	—	—	—
2. Distribution to shareholders	—	—	—	—	—	(686,190)	—	(686,190)
3. Proposed final dividends	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—
(5) Transfer of shareholders' equity								
1. Transfer of capital reserve to share capital	—	—	—	—	—	—	—	—
2. Transfer of surplus reserves to share capital	—	—	—	—	—	—	—	—
3. Surplus reserves making up of losses	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—
(6) Others	—	—	—	—	—	—	—	—
III. Current period's closing balance	3,440,078	9,461,007	(40,537)	925,674	140,635	—	(16,797)	13,910,060

CASH FLOW STATEMENT

Currency: RMB'000

	Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (unaudited)
I. Cash flows from operating activities		
Cash received from sale of goods or rendering of services	**32,379,742**	32,932,537
Refunds of taxes	**2,796,613**	3,206,316
Cash received relating to other operating activities	**384,923**	313,031
Sub-total of cash inflows	**35,561,278**	36,451,884
Cash paid for goods and services	**35,638,529**	34,547,203
Cash paid to and on behalf of employees	**2,226,755**	2,311,533
Cash paid for all types of taxes	**553,086**	429,217
Cash paid relating to other operating activities	**2,795,716**	2,579,575
Sub-total of cash outflows	**41,214,086**	39,867,528
Net cash flows from operating activities	**(5,652,808)**	(3,415,644)
II. Cash flows from investing activities		
Cash received from sale of investments	**21,300**	—
Cash received from return on investments	**46,392**	17,187
Cash received from disposal of fixed assets, intangible assets and other long-term assets, net	**3,811**	17,111
Cash received from disposal of subsidiaries	**1,037,401**	—
Sub-total of cash inflows	**1,108,904**	34,298
Cash paid to acquisition of fixed assets, intangible assets and other long term assets	**470,955**	632,496
Cash paid for acquisition of investments	**207,320**	150,502
Sub-total of cash outflows	**678,275**	782,998
Net cash flows from investing activities	**430,629**	(748,700)

CASH FLOW STATEMENT (CONTINUED)

Currency: RMB'000

	Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (unaudited)
III. Cash flows from financing activities		
Cash received from capital injections	**—**	—
Cash received from borrowings	**9,339,536**	13,598,394
Sub-total of cash inflows	**9,339,536**	13,598,394
Cash repayments of borrowings	**9,502,819**	8,215,339
Cash payments for distribution of dividends, profits and interest expenses	**742,920**	330,800
Sub-total of cash outflows	**10,245,739**	8,546,139
Net cash flows from financing activities	**(906,203)**	5,052,255
IV. Effect of changes in foreign exchange rate on cash and cash equivalents	**(202,457)**	(36,142)
V. Net increase in cash and cash equivalents	**(6,330,839)**	851,769
Add: cash and cash equivalents at the beginning of the year	**15,276,437**	13,276,732
VI. Net balance of cash and cash equivalents at the end of the period	**8,945,598**	14,128,501

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(Prepared under HKFRSs) Six months ended 30 June 2013	
	Six months ended 30 June 2013 (unaudited) *RMB'000*	Six months ended 30 June 2012 (unaudited) *RMB'000*
Revenue	**37,576,212**	42,641,898
Cost of sales	**(27,925,083)**	(32,140,656)
Gross profit	**9,651,129**	10,501,242
Other income and gains	**2,685,222**	1,713,512
Research and development costs	**(3,627,555)**	(4,025,433)
Selling and distribution expenses	**(4,740,242)**	(5,402,346)
Administrative expenses	**(1,084,730)**	(1,153,256)
Other expenses	**(1,346,295)**	(408,645)
Finance costs	**(766,104)**	(561,520)
Share of profits and losses of:		
Jointly-controlled entities	**40**	(893)
Associates	**(29,684)**	(7,029)
Profit/(loss) before tax	**741,781**	655,632
Income tax expense	**(412,537)**	(263,624)
Profit/(loss) for the period	**329,244**	392,008
Attributable to:		
Owners of the parent	**310,012**	244,875
Non-controlling interests	**19,232**	147,133
	329,244	392,008
Earnings per share attributable to ordinary equity holders of the parent		
Basic	**RMB0.09**	RMB0.07
Diluted	**RMB0.09**	RMB0.07

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	(Prepared under HKFRSs) Six months ended 30 June 2013	
	Six months ended 30 June 2013 (unaudited) ***RMB'000***	Six months ended 30 June 2012 (unaudited) *RMB'000*
Other comprehensive income		
Cash flow hedges — Effective portion of changes in fair value of hedging instruments arising during the period	**7,513**	(9,344)
Changes in fair value of available-for-sale investments	**60,487**	5,919
Exchange differences on translation of foreign operations	**(167,838)**	(204,646)
Revaluation gain upon transfer from owner — occupied properties to investment properties	**—**	932,670
Other comprehensive income for the period, net of tax	**(99,838)**	724,599
Total comprehensive income — for the period	**229,406**	1,116,607
Attributable to:		
Owners of the parent	**209,879**	954,853
Non-controlling interests	**19,527**	161,754
	229,406	1,116,607

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	(Prepared under HKFRSs) 30 June 2013	
	30 June 2013 (unaudited) *RMB'000*	31 December 2012 (audited) *RMB'000*
Non-current assets		
Property, plant and equipment	**8,065,828**	8,011,028
Prepaid land lease payments	**991,464**	889,351
Intangible assets	**2,881,567**	2,624,944
Investment properties	**1,765,400**	1,686,158
Investments in jointly-controlled entities	**46,854**	46,814
Investments in associates	**388,263**	408,954
Available-for-sale investments	**1,464,647**	1,092,335
Held-to-maturity investments	**160,505**	—
Long-term trade receivables	**717,027**	1,206,642
Factored long-term trade receivables	**3,740,283**	4,018,484
Deferred tax assets	**1,193,542**	1,218,605
Pledged deposits	**2,858,453**	3,157,077
Long-term prepayments, deposits and other receivables	**415,254**	447,226
Total non-current assets	**24,689,087**	24,807,618
Current assets		
Prepaid land lease payments	**21,943**	19,677
Inventories	**11,577,111**	11,442,389
Amount due from customers for contract works	**14,133,330**	13,666,100
Trade and bills receivables	**27,845,495**	26,350,396
Factored trade receivables	**4,296,363**	4,165,514
Prepayments, deposits and other receivables	**4,090,124**	5,227,077
Trading financial assets	**104,489**	106,297
Pledged deposits	**1,366,662**	1,380,180
Time deposits with original maturity of over three months	**39,657**	86,608
Cash and cash equivalents	**15,915,691**	22,659,635
Total current assets	**79,390,865**	85,103,873
Current liabilities		
Trade and bills payables	**26,904,872**	29,593,979
Amount due to customers for contract works	**3,686,669**	3,459,545
Other payables and accruals	**12,907,020**	14,833,771
Interest-bearing bank borrowings	**13,239,693**	18,429,893
Bank advances on factored trade receivables	**4,302,448**	4,168,932
Bonds cum warrants	—	4,018,134
Tax payable	**616,043**	608,336
Derivative financial instruments	**15,954**	105,739
Dividends payable	**116,112**	205,783
Total current liabilities	**61,788,811**	75,424,112
Net current assets	**17,602,054**	9,679,761
Total assets less current liabilities	**42,291,141**	34,487,379

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(Prepared under HKFRSs)
30 June 2013

	30 June 2013 (unaudited) *RMB'000*	31 December 2012 (audited) *RMB'000*
Total assets less current liabilities	**42,291,141**	34,487,379
Non-current liabilities		
Derivative financial instruments	**3,427**	10,747
Interest-bearing bank borrowings	**8,278,918**	989,990
Bank advances on factored long-term trade receivables	**3,740,283**	4,018,484
Bonds payable	**5,987,792**	6,107,993
Deferred tax liabilities	**139,900**	139,900
Financial guarantee contract	**3,689**	3,689
Provision for retirement benefits	**53,440**	54,041
Other long-term payables	**1,308,167**	523,805
Total non-current liabilities	**19,515,616**	11,848,649
Net assets	**22,775,525**	22,638,730
Equity		
Equity attributable to owners of the parent		
Issued capital	**3,440,078**	3,440,078
Reserves	**18,272,275**	18,062,396
	21,712,353	21,502,474
Non-controlling interests	**1,063,172**	1,136,256
Total equity	**22,775,525**	22,638,730

Director
Hou Weigui

Director
Shi Lirong

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments and derivative financial instruments, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Impact of new and revised HKFRSs and HKASs

HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendment to HKFRS 13	HKFRS 13 (Revised) Fair Value Measurement
Amendment to HKAS 1	HKAS 1 (Revised): Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income

The HKFRS 7 Amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with HKAS 32. The Group has adopted the amendments from 1 January 2013.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group has adopted the amendments form 1 January 2013.

The HKAS 1 Amendments change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments will affect presentation only and have no impact on the financial position or performance. The Group has adopted the amendments form 1 January 2013.

The adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

2. OPERATING SEGMENT INFORMATION

An analysis of the Group's revenue and profit by operating segment is set out in the following table:

	Networks *RMB'000*	Terminals *RMB'000*	Telecommunications software systems, services and other products *RMB'000*	Total *RMB'000*
Six months ended 30 June 2013				
Segment revenue:				
Telecommunications system contracts	**19,050,466**	**—**	**6,029,380**	**25,079,846**
Sale of goods and services	**—**	**12,460,868**	**35,498**	**12,496,366**
Total	**19,050,466**	**12,460,868**	**6,064,878**	**37,576,212**
Segment results	**4,080,340**	**254,355**	**977,198**	**5,311,893**
Bank and other interest income				**88,086**
Dividend income and unallocated gains				**2,597,136**
Corporate and other unallocated expenses				**(6,459,586)**
Finance costs				**(766,104)**
Share of profits and losses of:				
Jointly controlled entities				**40**
Associates				**(29,684)**
Profit/(loss) before tax				**741,781**
30 June 2013				
Segment assets	**37,346,779**	**13,073,161**	**11,889,669**	**62,309,609**
Investment in jointly-controlled entities				**46,854**
Investment in associates				**388,263**
Corporate and other unallocated assets				**41,335,226**
Total assets				**104,079,952**
Segment liabilities	**10,594,317**	**1,110,229**	**3,372,792**	**15,077,338**
Corporate and other unallocated liabilities				**66,227,089**
Total liabilities				**81,304,427**
Six months ended 30 June 2013				
Other segment information:				
Provision for asset impairment	**469,815**	**307,304**	**149,569**	**926,688**
Depreciation and amortisation	**402,499**	**263,273**	**128,139**	**793,911**
Capital expenditure	**579,451**	**379,018**	**184,473**	**1,142,942**

	Networks *RMB'000*	Terminals *RMB'000*	Telecommunications software systems, services and other products *RMB'000*	Total *RMB'000*
Six months ended 30 June 2012				
Segment revenue:				
Telecommunications system contracts	21,279,581	—	6,814,830	28,094,411
Sale of goods and services	—	14,248,064	299,423	14,547,487
Total	21,279,581	14,248,064	7,114,253	42,641,898
Segment results	3,897,951	383,284	1,150,991	5,432,226
Bank and other interest income				67,994
Dividend income and unallocated gains				1,645,518
Corporate and other unallocated expenses				(5,920,664)
Finance costs				(561,520)
Share of profits and losses of:				
Jointly-controlled entities				(893)
Associates				(7,029)
Profit/(loss) before tax				655,632
31 December 2012				
Segment assets	35,099,356	11,594,963	14,155,206	60,849,525
Investment in jointly-controlled entities				46,814
Investment in associates				408,954
Corporate and other unallocated assets				48,606,198
Total assets				109,911,491
Segment liabilities	9,834,371	953,128	3,966,100	14,753,599
Corporate and other unallocated liabilities				72,519,162
Total liabilities				87,272,761
Six months ended 30 June 2012				
Other segment information:				
Provision for asset impairment	229,798	153,865	76,827	460,490
Depreciation and amortisation	362,641	242,812	121,239	726,692
Capital expenditure	673,033	450,640	225,010	1,348,683

Geographical analysis

The three operating segments of the Group are mainly operated in the PRC, other Asian regions and Africa. An analysis of the Group's revenue and profit by geographical segments for the six months ended 30 June 2013 and 2012 is set out in the following table:

	Six months ended 30 June 2013 *RMB'000*	Six months ended 30 June 2012 *RMB'000*
The PRC	**18,821,489**	20,884,864
Asia (excluding the PRC)	**6,327,118**	8,009,957
Africa	**3,034,884**	3,923,335
Europe, Americas and Oceania	**9,392,721**	9,823,742
Total	**37,576,212**	42,641,898

3. REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts; an appropriate proportion of contract revenue of construction contracts and the value of services rendered during the year. All significant intra-group transactions have been eliminated on consolidation.

An analysis of revenue is as follows:

	Six months ended 30 June 2013 *RMB'000*	Six months ended 30 June 2012 *RMB'000*
Revenue		
Telecommunications system contracts	**25,079,846**	28,094,411
Sale of goods and services	**12,496,366**	14,547,487
	37,576,212	42,641,898

4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 June 2013 *RMB'000*	Six months ended 30 June 2012 *RMB'000*
Cost of goods and services	**25,196,409**	28,861,862
Depreciation	**481,146**	504,555
Amortisation of land lease payments	**9,365**	8,655
Amortisation of intangible assets other than deferred development costs	**57,973**	58,475
Amortisation of development expenses	**245,427**	155,007
Provision for bad and doubtful debts*	**627,247**	208,147
Provision for warranties**	**193,321**	241,360
Write-down of inventories to net realisable value**	**299,441**	252,343
Exchange difference, net	**638,028**	141,321
Loss on disposal of fixed assets*	**7,171**	12,068
Equity-settled share expense	**—**	3,666

* Provision for bad and doubtful debts, loss on disposal of fixed assets are included in "Other expenses" on the face of the consolidated statement of comprehensive income.

** Provision for warranties and Write-down of inventories to net realisable value are included in "Cost of sales" on the face of the consolidated statement of comprehensive income.

5. TAXATION

	Six months ended 30 June 2013 *RMB'000*	Six months ended 30 June 2012 *RMB'000*
Group:		
Current — Mainland China	**299,836**	223,880
Current — Overseas	**87,638**	77,613
Deferred	**25,063**	(37,869)
Total tax charge for the period	**412,537**	263,624

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation,interpretations and practices in respect thereof.

Under the new enterprise income tax law effective from 1 January 2008, the tax rate applicable to domestic invested enterprises and foreign-invested enterprises in the PRC has been standardised at 25%.

The Company was subject to an enterprise income tax rate of 15% for the years 2011 to 2013 as a national-grade hi-tech enterprise incorporated in Shenzhen.

6. DIVIDEND

The Directors do not recommend any payment of interim dividend for the six months ended 30 June 2013 (Same period in 2012: nil).

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Basic earnings per share amount is computed by dividing the net profit for the period attributable to ordinary equity holders of the company by the weighted average number of ordinary shares in issue.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

Calculations of basic and diluted earnings per shares were as follows:

	Six months ended 30 June 2013 *RMB'000*	Six months ended 30 June 2012 *RMB'000*
Earnings		
Net profit attributable to ordinary equity holders of the parent company for the period	**310,012**	244,875

	Six months ended 30 June 2013 *Shares'000*	Six months ended 30 June 2012 *Shares'000*
Shares		
Weighted average number of ordinary shares in issue during the period as used in the basic earning per share calculation (Note 1)	**3,437,541**	3,430,952
Share subject to lock-up under the share incentive scheme		
Restricted Shares under share incentive scheme (Note 2)	**—**	6,874
Adjusted weighted average number of ordinary shares in issue	**3,437,541**	3,437,826

Note 1: Basic earnings per share for the reporting period was calculated on the basis of the weighted average number of ordinary shares, namely the total share capital at the end of the period less 2,536,742 lapsed Subject Shares under the Phase I Share Incentive Scheme of the Company.

Note 2: During the reporting period, the unlocking of restricted shares under the Phase I Share Incentive Scheme of the Company (less 2,536,742 shares proposed to be lapsed) had been completed and there were no potentially dilutive ordinary shares.

8. TRADE AND BILLS RECEIVABLES

Progress payment for telecommunications system contracts is normally made in accordance with the agreed payment schedule. The Group's trading terms with its major customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit terms are normally 90 days, and can be extended to at most 1 year depending on the customers' credit rating. The credit terms for major customers are reviewed regularly by senior management. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

An aged analysis of the trade and bills receivables as at the balance sheet date, based on the invoice date and net of provision, is as follows:

	30 June 2013 *RMB'000*	31 December 2012 *RMB'000*
Within 6 months	**22,959,275**	23,293,955
7 to 12 months	**3,911,361**	3,147,913
1 to 2 years	**1,637,019**	1,007,925
2 to 3 years	**54,867**	107,245
Over 3 years	**—**	—
	28,562,522	27,557,038
Less: Current portion of trade and bills receivables	**(27,845,495)**	(26,350,396)
Long-term portion	**717,027**	1,206,642

The balances due from the controlling shareholder, jointly-controlled entities and other related companies included in the above are as follows:

	30 June 2013 *RMB'000*	31 December 2012 *RMB'000*
The controlling shareholder	**626**	346
Jointly-controlled entities	**42,531**	100,819
Related companies	**35,106**	2,663
	78,263	103,828

The balances are unsecured, interest-free, repayable on demand and on credit terms similar to those offered to the major customers of the Group.

9. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payable as at the balance sheet date, based on the invoice date, is as follows:

	30 June 2013 *RMB'000*	31 December 2012 *RMB'000*
Within 6 months	**26,511,808**	29,083,388
7 to 12 months	**106,220**	177,299
1 to 2 years	**213,460**	267,454
2 to 3 years	**34,468**	31,811
Over 3 years	**38,916**	34,027
Total	**26,904,872**	29,593,979

The balances due to the controlling shareholder, associates and other related companies included in the above are as follow:

	30 June 2013 *RMB'000*	31 December 2012 *RMB'000*
The controlling shareholder	**35,762**	65,376
Associates	**4,457**	19,080
Related companies	**85,881**	138,991
Total	**126,100**	223,447

The balances are unsecured, interest-free and repayable on demand.

Trade payables are non-interest-bearing and are normally settled on 180-day terms.

10. POST-BALANCE-SHEET-DATE EVENTS

There were no events with a significant impact on the Group during the period from the close of the accounting period to the date on which the Company's financial statements were approved and authorised for publication.