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ZTE CORPORATION
中興通訊股份有限公司

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

(Stock Code: 763)

2022 THIRD QUARTERLY REPORT

The Company and all the members of the Board of Directors confirm that all the information contained in this information disclosure is true, accurate and complete and that there is no false and misleading statement or material omission in this information disclosure.

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

§1 IMPORTANT

1.1 The Board of Directors, Supervisory Committee and the Directors, Supervisors and senior management of ZTE Corporation ("ZTE" or the "Company") warrant that the contents of this quarterly report are true, accurate and complete without false information, misleading statements or material omissions, and collectively and individually accept responsibility therefor.

1.2 This quarterly report has been considered and approved at the Seventh Meeting of the Ninth Session of the Board of Directors of the Company. Mr. Li Buqing, Director, was unable to attend the meeting due to work reasons and has authorised Mr. Zhu Weimin, Director, to vote on his behalf.

1.3 Mr. Li Zixue, Chairman of the Company, Ms. Li Ying, Chief Financial Officer of the Company and Mr. Xu Jianrui, Head of Finance Division of the Company, hereby declare that they warrant the truthfulness, accuracy and completeness of the financial statements contained in this quarterly report.

1.4 The financial statements contained in this quarterly report are unaudited. The financial information contained in this quarterly report has been prepared in accordance with PRC Accounting Standards for Business Enterprises ("PRC ASBEs").

1.5 China Securities Journal, Securities Times, Shanghai Securities News, http://www.cninfo.com.cn and http://www.hkexnews.hk are media for the Company's information disclosure. Investors are advised to be aware of the investment risks involved.

§ 2 MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

2.1 Major Accounting Data and Financial Indicators of the Company and its subsidiaries (the "Group")

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

□ Applicable √ N/A

Item	**Three months ended 30 September 2022**	Change compared with the same period last year	**Nine months ended 30 September 2022**	Change compared with the same period last year
Operating revenue *(RMB in thousands)*	**32,740,713**	6.46%	**92,559,013**	10.42%
Net profit attributable to holders of ordinary shares of the listed company *(RMB in thousands)*	**2,254,165**	27.05%	**6,819,991**	16.52%
Net profit after extraordinary items attributable to holders of ordinary shares of the listed company *(RMB in thousands)*	**1,825,378**	37.48%	**5,550,737**	55.30%
Net cash flows from operating activities *(RMB in thousands)*	**223,381**	(94.61%)	**3,723,015**	(66.67%)
Basic earnings per share *(RMB/share)* Note 1	**0.48**	26.32%	**1.44**	14.29%
Diluted earnings per share *(RMB/share)*	**0.48**	26.32%	**1.44**	14.29%
Weighted average return on net assets *(%)*	**3.96%**	Increased by 0.41 percentage point	**12.52%**	Decreased by 0.07 percentage point

Item	**As at the end of the reporting period (30 September 2022)**	As at the end of last year (31 December 2021)	Change as at the end of the reporting period compared with the end of last year
Total assets *(RMB in thousands)*	**181,163,386**	168,763,425	7.35%
Owners' equity attributable to holders of ordinary shares of the listed company *(RMB in thousands)*	**57,310,985**	51,482,089	11.32%
Total share capital *(thousand shares)* Note 2	**4,736,113**	4,730,796	0.11%

Note 1: Basic earnings per share have been calculated on the basis of the weighted average number of ordinary shares in issue as at the end of the respective periods;

Note 2: The total share capital of the Company was increased from 4,730,795,972 shares to 4,736,112,508 shares following the exercise of 5,316,536 A share options by scheme participants under the share option incentive scheme of the Company during the nine months ended 30 September 2022.

2.2 Extraordinary gains or losses items and amounts

Unit: RMB in thousands

Extraordinary gains or losses item	Amount Three months ended 30 September 2022	Nine months ended 30 September 2022
Gain from disposal of non-current assets	—	7,602
Investment gain from disposal of long-term equity investment	(17,893)	(10,448)
Gain/loss from fair-value change in derivative financial assets and derivative financial liabilities, and investment gain from disposal of derivative financial assets and derivative financial liabilities other than effective value protection hedge business relating to the Company's ordinary operation business *Note 2*	(38,090)	17,169
Write-back of provision for individually tested receivable impairment	79,663	152,568
Gain/loss from fair-value change of investment properties	—	(1,484)
Other gains other than income from software VAT rebate and income from handling charge for withholding personal tax	198,494	362,317
Net of other non-operating income and expenditure other than the above	11,962	(43,333)
Other gains/losses falling under the definition of extraordinary gain/loss	270,690	1,010,462
Less: Effect of income tax	75,724	224,228
Effect of non-controlling interest (after tax)	315	1,371
Total	428,787	1,269,254

Note 1: The Group recognised extraordinary items of gain or loss in accordance with provisions under the "Explanatory Announcement No. 1 for Information Disclosure by Public Issuer of Securities — Extraordinary Items" (CSRC Announcement [2008] No. 43. The following items, which are set out in the provisions as extraordinary items, have been categorised as recurring items:

Item	**Amount for the nine months ended 30 September 2022** *(RMB in thousands)*	**Reasons**
Income from VAT rebate for software products	1,119,047	In compliance with national policies and occurring on an ongoing basis
Income from handling charge for withholding personal tax	22,365	In compliance with national policies and occurring on an ongoing basis
Investment gain and gain/loss from fair-value change of Shenzhen ZTE Capital Management Company Limited ("ZTE Capital")	66,953	Business with the scope of operation of ZTE Capital

Note 2: The Company has entered into a series of forward exchange contracts. Subject to compliance with conditions for hedge accounting, the Company has elected not to apply hedge accounting. The gain/loss of hedging instruments was included in recurring gain/loss to the extent of the exchange gain/loss of the hedged items. The effective value protection hedge relating to the Company's ordinary business operations included in recurring gain/loss for the nine months ended 30 September 2022 amounted to RMB141,262,000, compared to RMB278,127,000 for the same period of last year.

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

Unit: RMB in thousands

Balance sheet

Item	30 September 2022	31 December 2021	Change	Analysis of reasons for changes
Trading financial assets	478,481	1,360,697	(64.84%)	Attributable mainly to the disposal of listed equities held by subsidiary fund partnership enterprises under ZTE Capital for the period
Receivable financing	106,202	200,992	(47.16%)	Attributable mainly to the increase in repayment of factored trade receivables upon maturity and the decrease in new factored trade receivables with recourse for the period
Right-of-use assets	1,101,401	815,346	35.08%	Attributable mainly to the renewal of long-term property lease contracts for the period
Bank advances on factored trade receivables	107,602	202,249	(46.80%)	Attributable mainly to the increase in repayment of factored trade receivables upon maturity and the decrease in new factored trade receivables with recourse for the period
Derivative financial liabilities	276,103	27,729	895.72%	Attributable mainly to the increase in loss on fair-value remeasurement at the end of the period of certain derivative contracts for the period
Non-current liabilities due within one year	2,121,799	977,336	117.10%	Attributable mainly to the increase in long-term borrowings due within one year for the period
Lease liabilities	842,334	531,983	58.34%	Attributable mainly to the renewal of long-term property lease contracts for the period
Deferred income	2,679,151	1,872,518	43.08%	Attributable mainly to the increase in deferred income received but not yet qualified for recognition for the period
Deferred tax liabilities	102,494	150,348	(31.83%)	Attributable mainly to the set-off of deferred tax liabilities by loss on fair-value remeasurement at the end of the period of derivative contracts for the period
Non-controlling interests	1,158,014	1,805,571	(35.86%)	Attributable mainly to the profit distribution by ZTE Capital for the period

Income Statement

Item	Nine months ended 30 September 2022	Nine months ended 30 September 2021	Change	Analysis of reasons for changes
Finance costs	304,475	790,912	(61.50%)	Attributable mainly to the decrease in net interest expenses and decrease in exchange loss due to exchange rate fluctuations for the period
Investment income	1,121,609	772,712	45.15%	Attributable mainly to the investment income from disposal of equities held by subsidiary fund partnership enterprises under ZTE Capital and investment income on settlement of derivative contracts for the period
Gains/(losses) from changes in fair values	(1,120,320)	822,677	(236.18%)	Attributable mainly to the transfer to investment income from gain/loss from fair-value change of disposal of listed equities held by subsidiary fund partnership enterprises under ZTE Capital for the period, versus income from fair-value change of equities held for the same period last year
Credit impairment losses (loss indicated as a negative value)	(396,516)	(168,909)	134.75%	Attributable mainly to increase in receivable impairment provision for the period
Asset impairment losses (loss indicated as a negative value)	(432,481)	(291,364)	48.43%	Attributable mainly to the charge of provision for dispatched good impairment for the period versus reversal for the same period last year
Gains from asset disposal	7,602	47,494	(83.99%)	Attributable mainly to the decrease in gain from disposal of non-current assets for the period

Item	Nine months ended 30 September 2022	Nine months ended 30 September 2021	Change	Analysis of reasons for changes
Non-operating income	145,271	226,564	(35.88%)	Attributable mainly to the decrease in compensatory income received from third parties for the period
Non-operating expenses	188,604	276,296	(31.74%)	Attributable mainly to the decrease in compensatory payment expenses for the period
Income tax	821,341	1,462,650	(43.85%)	Attributable mainly to the increase in deferred tax assets for the period
Non-controlling interests	(129,746)	337,556	(138.44%)	Attributable mainly to the increase in loss or decrease in profit reported by certain subsidiaries with a higher level of shareholdings by the Group for the period and the repurchase of non-controlling interests in certain subsidiaries with a higher level of shareholding for last year
Exchange differences on translation of foreign operations	(31,736)	216,331	(114.67%)	Attributable mainly to the Group's loss on translation of statements in foreign currency due to exchange rate fluctuations for the period versus gain on translation for the same period last year

Cash Flow Statement

Item	Nine months ended 30 September 2022	Nine months ended 30 September 2021	Change	Analysis of reasons for changes
Net cash flows from operating activities	3,723,015	11,171,178	(66.67%)	Attributable mainly to the increase in cash paid for the purchase of goods and labour services for the period
Net cash flows from investing activities	(6,968,438)	(11,521,443)	39.52%	Attributable mainly to the decrease in cash paid for investment for the period
Net cash flows from financing activities	119,102	10,600,787	(98.88%)	Attributable mainly to the increase in net borrowings for the same period last year
Effect of changes in foreign exchange rate on cash and cash equivalents	355,049	(186,227)	290.65%	Attributable mainly to gain on translation due to exchange rate fluctuations for the period versus loss on translation for the same period last year

§ 3 SHAREHOLDER INFORMATION

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

Total number of shareholders

As at 30 September 2022 There were 455,767 shareholders in total (comprising 455,457 holders of A shares and 310 holders of H shares).

Shareholdings of top 10 shareholders

Name of shareholders	Nature of shareholders	Percentage of shareholdings	Total number of shares held as at the end of the reporting period (shares)	Class of shares	Number of shares held subject to lock-up (shares)	Number of shares pledged, marked or frozen (shares)
1. Zhongxingxin Telecom Company Limited ("Zhongxingxin")	Domestic general corporation	21.28%	1,005,840,400 2,038,000 *Note 1*	A share H share	—	Nil
2. HKSCC Nominees Limited *Note 2*	Foreign shareholder	15.89%	752,348,100	H share	—	Unknown
3. Hong Kong Securities Clearing Company Limited *Note 3*	Foreign corporation	2.60%	123,142,222	A share	—	Nil
4. Shenzhen Nanshan Strategic New Industry Investment Company Limited	State-owned corporation	1.44%	68,030,180	A share	39,378,989	Nil
5. NSSF Portfolio #113	Others	1.02%	48,186,233	A share	—	Nil
6. Guangdong Hengjian Xinxin Investment Partnership Enterprise (Limited Partnership)	Domestic general corporation	0.97%	45,942,154	A share	45,942,154	Nil
7. Shenzhen Investment Holding Capital Co., Ltd. — Shenzhen Investment Holding Win-Win Equity Investment Fund Partnership (Limited)	Others	0.91%	43,032,108	A share	—	Nil
8. Central Huijin Asset Management Co., Ltd.	State-owned corporation	0.89%	42,171,534	A share	—	Nil
9. Hunan Nantian (Group) Co., Ltd	State-owned corporation	0.88%	41,516,065	A share	—	Nil
10. Basic Pension Insurance Fund Portfolio #802	Others	0.80%	37,777,409	A share	—	Nil

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

Name of shareholders		Number of shares not subject to lock-up (shares)	Class of shares
1.	Zhongxingxin	1,005,840,400	A share
		2,038,000	H share
2.	HKSCC Nominees Limited	752,348,100	H share
3.	Hong Kong Securities Clearing Company Limited	123,142,222	A share
4.	NSSF Portfolio #113	48,186,233	A share
5.	Shenzhen Investment Holding Capital Co., Ltd. — Shenzhen Investment Holding Win-Win Equity Investment Fund Partnership (Limited)	43,032,108	A share
6.	Central Huijin Asset Management Co., Ltd.	42,171,534	A share
7.	Hunan Nantian (Group) Co., Ltd	41,516,065	A share
8.	Basic Pension Insurance Fund Portfolio #802	37,777,409	A share
9.	NSSF Portfolio #111	37,273,484	A share
10.	New China Life Insurance Company Limited — New Traditional Products 2	35,332,471	A share
Descriptions of any connected party relationships or concerted party relationships among the above shareholders	1. Zhongxingxin was neither a connected party nor a concerted party of any of the top ten shareholders and top ten holders of shares that were not subject to lock-up set out in the table above. 2. Save for the above, the Company is not aware of any connected party relationships or concerted party relationships among the top ten shareholders and the top ten holders of shares that were not subject to lock-up.		
Description of top 10 shareholders' involvement in financing and securities lending businesses (if any)	N/A		

Note 1: 2,038,000 H shares in the Company held by Zhongxingxin were held by HKSCC Nominees Limited as nominee.

Note 2: Shares held by HKSCC Nominees Limited represented the sum of shares held in the accounts of the H shareholders of the Company traded on the trading platform of HKSCC Nominees Limited. To avoid repetition in counting, 2,038,000 H shares in the Company held by Zhongxingxin have been excluded from the number of shares held HKSCC Nominees Limited.

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

3.2 The Company had no preferential shares.

§ 4 OTHER MATERIAL MATTERS

4.1 Investment in securities

Unit: RMB in ten thousands

Type of securities	Stock code	Stock name	Initial investment	Accounting method	Book value at the beginning of the period	Gain/(loss) arising from fair value change for the period	Cumulative fair value change accounted for in equity	Amount purchased during the period	Amount disposed during the period	Gain/(loss) for the reporting period	Book value at the end of the period	Number of shares held at the end of the period (ten thousand shares)	Shareholding percentage	Accounting classification	Source of funds
Stock	002579	China Eagle Electronic Note 1	1,151.94		936.71	(0.41)	—	134.42	646.48	37.82	456.88	58.72	0.09%		
Stock	688639	Huaheng Biotech Note 1	2,396.88		69,929.88	(67,533.00)	—	—	75,314.66	1,600.76	—	—	—		
Stock	688019	Anji Technology Note 2	1,490.59		21,667.49	(12,189.87)	—	—	17,429.78	3,299.96	8,421.90	32.39	0.43%		
Stock	688630	Circuit Fabology Note 2	2,000.00	Fair-value measurement	31,963.38	(7,513.50)	—	—	10,641.19	2,114.09	23,886.68	359.20	2.97%	Trading financial assets	Issue funds
Stock	301160	Xianglou New Material Note 2	1,350.00		2,201.06	1,196.50	—	—	—	1,196.50	3,397.56	100	1.34%		
Stock	301319	Vital New Material Note 2	1,080.00		4,285.35	2,025.68	—	—	—	2,025.68	6,311.03	120	2.05%		
Stock	301000	Hajime Note 3	3,037.50		11,572.20	(4,970.42)	—	—	4,932.54	(799.04)	5,374.05	202.03	2.10%		
Stock	ENA:TSV	Enablence Technologies Note 4	3,583.26	Fair-value measurement	414.00	213.41	—	—	—	213.41	627.41	79.17	4.26%	Other non-current financial assets	Internal funds
Other securities investments held at the end of the period			—	—	—	—	—	—	—	—	—	—	—	—	—
Total			**16,090.17**	**—**	**142,970.07**	**(88,771.61)**	**—**	**134.42**	**108,964.65**	**9,689.18**	**48,475.51**	**—**	**—**	**—**	**—**

Note 1: The Company and Jiaxing Xinghe Capital Management Company Limited, a wholly-owned subsidiary of ZTE Capital, held in aggregate 31.79% equity interests in Jiaxing Xinghe Equity Investment Partnership (Limited Partnership) ("Jiaxing Fund"), a partnership reported in the consolidated financial statements of the Company. Figures corresponding to Huizhou China Eagle Electronic Technology Inc. ("China Eagle Electronic") and Anhui Huaheng Biotechnology Co., Ltd. ("Huaheng Biotech") are provided with Jiaxing Fund as the accounting subject. During the third quarter of 2022, The China Eagle Electronic convertible bonds held by Jiaxing Fund were converted into 166,000 shares.

Note 2: The Company and Changshu Changxing Capital Management Company Limited, a wholly-owned subsidiary of ZTE Capital, held in aggregate 25.83% equity interests in Suzhou Zhonghe Chunsheng Partnership Investment Fund III (Limited Partnership) ("Zhonghe Chunsheng Fund III"), a partnership reported in the consolidated financial statements of the Company. Figures corresponding to Anji Microelectronics Technology (Shanghai) Co., Ltd. ("Anji Technology"), Circuit Fabology Microelectronics Equipment Co., Ltd. ("Circuit Fabology"), Suzhou Xianglou New Material Co., Ltd. ("Xianglou New Material", listed on GEM of Shenzhen Stock Exchange on 6 June 2022) and Shenzhen Vital New Material Company Limited ("Vital New Material", listed on GEM of Shenzhen Stock Exchange on 29 September 2022) are provided with Zhonghe Chunsheng Fund III as the accounting subject.

Note 3: Figures corresponding to Shanghai Hajime Advanced Material Technology Co., Ltd ("Hajime") are provided with Jiaxing Fund and Zhonghe Chunsheng Fund III as the accounting subject.

Note 4: ZTE (H.K.) Limited ("ZTE HK"), a wholly-owned subsidiary of the Company, entered into a Subscription Agreement with Enablence Technologies Inc. ("Enablence Technologies") on 4 December 2014. ZTE HK subscribed for 18 million shares issued by Enablence Technologies on 6 January 2015 for a total investment of CAD2.70

million, equivalent to approximately RMB13,931,000 based on the Company's foreign currency statement book exchange rate (CAD1: RMB5.15963) on 31 January 2015. ZTE HK entered into a Subscription Agreement with Enablence Technologies on 27 January 2016. On 2 February 2016, ZTE HK subscribed for 77 million shares issued by Enablence Technologies for a total investment of CAD4.62 million, equivalent to approximately RMB21,901,600 based on the Company's foreign currency statement book exchange rate (CAD1: RMB4.74060) on 29 February 2016. In 2021, Enablence Technologies underwent an asset reorganisation, including share consolidation (120 shares into 1 share), debt-to-share conversion, additional share issue and issue of options. As at the end of the reporting period, ZTE HK held 791,700 shares (following share consolidation under the asset reorganisation of Enablence Technologies) in Enablence Technologies, accounting for 4.26% of its total share capital with a book value of approximately HKD6,912,600, equivalent to approximately RMB6,274,100 based on the Company's foreign currency statement book exchange rate (HKD1: RMB0.90763) on 30 September 2022.

4.2 Derivative Investments

Unit: RMB in ten thousands

Name of party operating the derivative investment	Connected relationship	Whether a connected transaction	Type of derivative investment [Note 1]	Initial investment amount in the derivative investment	Start date	End date	Opening balance of investment amount [Note 2]	Amount purchased during the period	Amount disposed during the period	Impairment provision amount (if any)	Closing balance of investment amount	Closing balance of investment amount as a percentage of net assets [Note 3] of the Company at the end of the period (%)	Actual profit or loss for the reporting period
Financial institution	N/A	No	Foreign exchange derivative	—	2021/10/11	2023/7/27	761,386.89	3,125,697.72	2,554,176.87	—	1,332,907.74	23.26%	15,836.41
Financial institution	N/A	No	Interest rate derivative	—	2022/6/26	2022/12/26	1,622.86	—	811.43	—	811.43	0.01%	6.74
Total				**—**	**—**	**—**	**763,009.75**	**3,125,697.72**	**2,554,988.30**	**—**	**1,333,719.17**	**23.27%**	**15,843.15**

Source of funds for derivative investment	Internal funds
Litigation (if applicable)	Not involved in any litigation
Date of announcement of the Board of Directors in respect of the approval of derivative investments (if any)	"Announcement Resolutions of the Thirty-third Meeting of the Eighth Session of the Board of Directors" and "Overseas Regulatory Announcement Announcement on the Application for Derivative Investment Limits for 2021", both dated 16 March 2021, and "Announcement Resolutions of the Forty-fifth Meeting of the Eighth Session of the Board of Directors" and "Overseas Regulatory Announcement Announcement on the Application for Derivative Investment Limits for 2022", both dated 8 March 2022.
Date of announcement of the general meeting in respect of the approval of derivative investments (if any)	"Announcement on Resolutions of the 2020 Annual General Meeting" dated 25 June 2021 and "Announcement on Resolutions of the 2021 Annual General Meeting" dated 21 April 2022.
Risk analysis and control measures (including but not limited to market risks, liquidity risks, credit risks, operational risks and legal risks) in respect of derivative positions during the reporting period	1. Analysis of major risks: (1) Market risks: Gains or losses arising from the difference between the exchange rate for settlement of value protection derivative investment contracts and the exchange rate prevailing on the maturity date will be accounted for as gains or losses on revaluation for each accounting period during the effective period of the value-protection derivative investments. Effective gains or losses shall be represented by the accumulative gains or losses on revaluation on the maturity date; (2) Liquidity risks: The value-protection derivative investments of the Company were based on the Company's budget of foreign exchange income and expenditure and foreign exchange exposure and these investments were matched with the Company's actual foreign exchange income and expenditure to ensure sufficient fund for settlement on completion. Therefore, their impact on the Company's current assets was insignificant; (3) Credit risks: The counterparties of the derivative investment trades of the Company are banks with sound credit ratings and long-standing business relationships with the Company and therefore the transactions were basically free from performance risks; (4) Other risks: Failure of personnel in charge to operate derivative investments in accordance with stipulated procedures or fully understand information regarding derivatives in actual operation may result in operational risks; obscure terms in the trade contract may result in legal risks; 2. Control measures adopted to counter risks: The Company addressed legal risks by entering into contracts with clear and precise terms with counterparty banks and strictly enforcing its risk management system. The Company has formulated the "Risk Control and Information Disclosure System relating to Investments in Derivatives" that contains specific provisions for the risk control, approval procedures and subsequent management of derivative investments, so that derivative investments will be effectively regulated and risks relating to derivative investments duly controlled.
Changes in the market prices or fair values of invested derivatives during the reporting period, including the specific methods, assumptions and parameters adopted in the analysis of the fair values of the derivatives	The Company has recognised gains/losses from investments in derivatives during the reporting period. Total gains recognised for the reporting period amounted to RMB158 million, comprising loss from fair-value change of RMB241 million and recognised investment gain of RMB399 million. The calculation of the fair value was based on forward exchange rates quoted by Reuters on a balance sheet date in line with the maturity date of the product.
Statement on whether the accounting policy and accounting audit principles for derivatives for the reporting period were significantly different from the previous reporting period	There was no significant change in the Company's accounting policy and accounting audit principles for derivatives for the reporting period as compared to that of the previous reporting period.

Note 1: Derivative investments are classified according to the types of such derivative investments. Foreign exchange derivatives included general and structured forward foreign exchange and foreign exchange swap; interest rate derivative included interest rate swap contracts;

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

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

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

§ 5 QUARTERLY FINANCIAL STATEMENTS

5.1 Balance Sheet (unaudited) (Please see the attached)

5.2 Income Statement (unaudited) (Please see the attached)

5.3 Cash Flow Statement (unaudited) (Please see the attached)

BALANCE SHEET

RMB in thousands

Asset	30 September 2022 Consolidated (Unaudited)	30 September 2022 Company (Unaudited)	31 December 2021 Consolidated (Audited)	31 December 2021 Company (Audited)
Current assets:				
Cash	**52,196,024**	**33,386,111**	50,713,310	26,959,247
Trading financial assets	**478,481**	**—**	1,360,697	—
Derivative financial assets	**218,666**	**183,482**	209,352	208,877
Trade receivables	**19,878,591**	**27,025,535**	17,509,059	20,970,487
Receivable financing	**5,274,018**	**4,996,469**	5,196,458	4,943,204
Factored trade receivables	**106,202**	**107,107**	200,992	169,613
Prepayments	**661,239**	**45,356**	606,781	41,618
Other receivables	**1,511,335**	**34,526,151**	1,353,779	28,772,253
Inventories	**45,647,727**	**17,102,507**	36,316,753	17,333,958
Contract assets	**5,955,633**	**4,485,828**	6,585,307	5,127,209
Other current assets	**7,370,417**	**2,288,345**	7,818,597	2,634,789
Total current assets	**139,298,333**	**124,146,891**	127,871,085	107,161,255
Non-current assets:				
Long-term receivables	**2,357,260**	**6,607,304**	2,356,413	6,200,183
Factored long-term receivables	**197,304**	**202,831**	243,701	222,746
Long-term equity investments	**1,639,780**	**15,847,505**	1,684,909	16,957,563
Other non-current financial assets	**1,109,873**	**649,086**	1,175,249	627,848
Investment properties	**2,012,443**	**1,612,516**	2,013,927	1,614,000
Fixed assets	**11,464,779**	**5,773,806**	11,437,011	5,937,863
Construction in progress	**1,752,559**	**582,137**	1,372,869	490,891
Right-of-use assets	**1,101,401**	**533,642**	815,346	246,209
Intangible assets	**8,036,159**	**2,761,087**	8,094,542	3,085,517
Development costs	**2,164,500**	**424,407**	2,453,275	307,740
Deferred tax assets	**3,432,960**	**1,184,410**	3,194,741	1,289,485
Other non-current assets	**6,596,035**	**4,771,702**	6,050,357	4,558,759
Total non-current assets	**41,865,053**	**40,950,433**	40,892,340	41,538,804
Total assets	**181,163,386**	**165,097,324**	168,763,425	148,700,059

Legal Representative: Li Zixue

Chief Financial Officer: Li Ying

Head of Finance Division: Xu Jianrui

RMB in thousands

Liabilities and shareholders' equity	30 September 2022 Consolidated (Unaudited)	30 September 2022 Company (Unaudited)	31 December 2021 Consolidated (Audited)	31 December 2021 Company (Audited)
Current liabilities:				
Short-term loans	**10,331,236**	**5,310,000**	8,946,935	2,865,000
Bank advances on factored trade receivables	**107,602**	**107,602**	202,249	170,822
Derivative financial liabilities	**276,103**	**275,905**	27,729	27,625
Bills payable	**11,656,654**	**16,053,598**	11,557,376	15,474,186
Trade payables	**20,781,798**	**31,612,067**	21,717,267	32,865,858
Contract liabilities	**18,495,810**	**14,566,292**	16,101,652	12,141,684
Salary and welfare payables	**12,685,963**	**7,709,263**	11,691,423	7,267,864
Taxes payable	**1,223,080**	**171,407**	1,216,334	215,423
Other payables	**3,046,058**	**5,693,478**	3,505,419	7,402,014
Provisions	**2,611,850**	**2,004,176**	2,741,536	1,796,414
Non-current liabilities due within one year	**2,121,799**	**1,422,135**	977,336	247,572
Total current liabilities	**83,337,953**	**84,925,923**	78,685,256	80,474,462
Non-current liabilities:				
Long-term loans	**31,402,650**	**26,771,095**	29,908,441	19,463,550
Bank advances on factored long-term trade receivables	**204,079**	**204,079**	250,452	229,500
Lease liabilities	**842,334**	**432,207**	531,983	137,135
Provision for retirement benefits	**143,789**	**143,789**	147,539	147,539
Deferred income	**2,679,151**	**246,991**	1,872,518	136,962
Deferred tax liabilities	**102,494**	**—**	150,348	—
Other non-current liabilities	**3,981,937**	**1,874,361**	3,929,228	1,812,185
Total non-current liabilities	**39,356,434**	**29,672,522**	36,790,509	21,926,871
Total liabilities	**122,694,387**	**114,598,445**	115,475,765	102,401,333
Shareholders' equity:				
Share capital	**4,736,113**	**4,736,113**	4,730,796	4,730,796
Capital reserves	**25,816,526**	**25,835,343**	25,359,964	25,387,579
Other comprehensive income	**(2,318,757)**	**728,416**	(2,287,021)	714,191
Surplus reserve	**3,027,154**	**2,365,398**	3,027,154	2,365,398
Retained profits	**26,049,949**	**16,833,609**	20,651,196	13,100,762
Total equity attributable to holders of ordinary shares of the parent	**57,310,985**	**50,498,879**	51,482,089	46,298,726
Non-controlling interests	**1,158,014**	**—**	1,805,571	—
Total shareholders' equity	**58,468,999**	**50,498,879**	53,287,660	46,298,726
Total liabilities and shareholders' equity	**181,163,386**	**165,097,324**	168,763,425	148,700,059

INCOME STATEMENT

RMB in thousands

Item	Nine months ended 30 September 2022 Consolidated (Unaudited)	Nine months ended 30 September 2022 Company (Unaudited)	Nine months ended 30 September 2021 Consolidated (Unaudited)	Nine months ended 30 September 2021 Company (Unaudited)
1. Operating revenue	**92,559,013**	**90,567,973**	83,825,169	81,190,040
Less: Operating costs	**57,918,023**	**74,431,811**	52,959,990	66,242,859
Taxes and surcharges	**591,392**	**165,915**	539,758	125,002
Selling and distribution costs	**6,864,248**	**3,916,129**	6,431,809	3,644,904
Administrative expenses	**3,901,599**	**3,346,594**	4,079,439	3,391,575
Research and development costs	**16,107,980**	**4,163,772**	14,171,179	3,641,152
Finance costs	**304,475**	**(1,199,339)**	790,912	472,193
Including: Interest expenses	**1,478,481**	**988,604**	1,082,270	766,379
Interest income	**1,749,837**	**1,318,991**	992,190	672,325
Add: Other income	**1,503,729**	**260,831**	1,668,153	396,620
Investment income	**1,121,609**	**261,206**	772,712	1,744,266
Including: Share of profits and losses of associates and joint ventures	**(34,151)**	**(58,881)**	(66,063)	(60,639)
Loss on derecognition of financial assets at amortised cost	**(154,532)**	**(68,366)**	(162,079)	(79,028)
Gains/(Losses) from changes in fair values	**(1,120,320)**	**(242,064)**	822,677	237,966
Credit impairment losses	**(396,516)**	**(469,050)**	(168,909)	(100,021)
Asset impairment losses	**(432,481)**	**(227,052)**	(291,364)	443,818
Gains from asset disposal	**7,602**	**4,521**	47,494	47,494
2. Operating profit	**7,554,919**	**5,331,483**	7,702,845	6,442,498
Add: Non-operating income	**145,271**	**174,533**	226,564	157,223
Less: Non-operating expenses	**188,604**	**131,393**	276,296	56,153
3. Total profit	**7,511,586**	**5,374,623**	7,653,113	6,543,568
Less: Income tax	**821,341**	**221,562**	1,462,650	738,589

RMB in thousands

Item	**Nine months ended 30 September 2022**		Nine months ended 30 September 2021	
	Consolidated (Unaudited)	**Company (Unaudited)**	Consolidated (Unaudited)	Company (Unaudited)
4. Net profit	**6,690,245**	**5,153,061**	6,190,463	5,804,979
Analysed by continuity of operations				
Net profit from continuing operations	**6,690,245**	**5,153,061**	6,190,463	5,804,979
Analysed by ownership				
Attributable to holders of ordinary shares of the parent	**6,819,991**	**5,153,061**	5,852,907	5,804,979
Non-controlling interests	**(129,746)**	**—**	337,556	—
5. Other comprehensive income, net of tax	**(37,788)**	**14,225**	211,658	20,081
Other comprehensive income attributable to holders of ordinary shares of the parent, net of tax	**(31,736)**	**14,225**	216,331	20,081
Other comprehensive income that will be reclassified to profit or loss				
Exchange differences on translation of foreign operations	**(31,736)**	**14,225**	216,331	20,081
	(31,736)	**14,225**	216,331	20,081
Other comprehensive income item net of tax	**(31,736)**	**14,225**	216,331	20,081
Other comprehensive income attributable to non-controlling interests, net of tax	**(6,052)**	**—**	(4,673)	—
6. Total comprehensive income	**6,652,457**	**5,167,286**	6,402,121	5,825,060
Attributable to holders of ordinary shares of the parent	**6,788,255**	**5,167,286**	6,069,238	5,825,060
Attributable to non-controlling interests	**(135,798)**	**—**	332,883	—
7. Earnings per share				
(1) Basic earnings per share	**RMB1.44**		RMB1.26	
(2) Diluted earnings per share	**RMB1.44**		RMB1.26	

RMB in thousands

Item	Three months ended 30 September 2022		Three months ended 30 September 2021	
	Consolidated (Unaudited)	Company (Unaudited)	Consolidated (Unaudited)	Company (Unaudited)
1. Operating revenue	**32,740,713**	**34,661,675**	30,754,199	30,299,406
Less: Operating costs	**20,255,129**	**26,756,460**	19,067,208	23,537,744
Taxes and surcharges	**203,985**	**58,488**	154,087	15,936
Selling and distribution costs	**2,440,700**	**1,433,514**	2,262,005	1,300,326
Administrative expenses	**1,368,903**	**1,182,175**	1,535,901	1,323,346
Research and development costs	**5,956,480**	**2,228,628**	5,309,773	2,042,991
Finance costs	**730**	**(710,569)**	310,210	135,988
Including: Interest expenses	**528,901**	**363,795**	417,141	302,120
Interest income	**608,350**	**447,380**	330,590	266,337
Add: Other income	**602,143**	**178,423**	400,447	43,372
Investment income	**450,386**	**176,081**	69,603	850,504
Including: Share of profits of associates and joint ventures	**22,413**	**(5,428)**	4,714	6,440
Loss on derecognition of financial assets at amortised cost	**(46,367)**	**(15,568)**	(56,004)	(32,276)
Gains/(Losses) from changes in fair values	**(728,086)**	**(271,108)**	(51,984)	41,685
Credit impairment losses	**(279,604)**	**(320,337)**	(43,660)	(39,363)
Asset impairment losses	**(271,710)**	**(94,514)**	(332,292)	19,865
2. Operating profit	**2,287,915**	**3,381,524**	2,157,129	2,859,138
Add: Non-operating income	**45,958**	**106,479**	83,390	48,038
Less: Non-operating expenses	**33,996**	**91,031**	114,382	13,429
3. Total profit	**2,299,877**	**3,396,972**	2,126,137	2,893,747
Less: Income tax	**156,284**	**212,310**	486,300	302,405
4. Net profit	**2,143,593**	**3,184,662**	1,639,837	2,591,342
Analysed by continuity of operations				
Net profit from continuing operations	**2,143,593**	**3,184,662**	1,639,837	2,591,342
Analysed by ownership				
Attributable to holders of ordinary shares of the parent	**2,254,165**	**3,184,662**	1,774,294	2,591,342
Non-controlling interests	**(110,572)**	**—**	(134,457)	—

RMB in thousands

Item	**Three months ended 30 September 2022**		Three months ended 30 September 2021	
	Consolidated (Unaudited)	**Company (Unaudited)**	Consolidated (Unaudited)	Company (Unaudited)
5. Other comprehensive income, net of tax	**(33,331)**	**10,891**	199,210	8,358
Other comprehensive income attributable to holders of ordinary shares of the parent, net of tax	**(29,090)**	**10,891**	199,006	8,358
Other comprehensive income that will be reclassified to profit or loss				
Exchange differences on translation of foreign operations	**(29,090)**	**10,891**	199,006	8,358
	(29,090)	**10,891**	199,006	8,358
Other comprehensive income item net of tax	**(29,090)**	**10,891**	199,006	8,358
Other comprehensive income attributable to non-controlling interests, net of tax	**(4,241)**	**—**	204	—
6. Total comprehensive income	**2,110,262**	**3,195,553**	1,839,047	2,599,700
Attributable to holders of ordinary shares of the parent	**2,225,075**	**3,195,553**	1,973,300	2,599,700
Attributable to non-controlling interests	**(114,813)**	**—**	(134,253)	—
7. Earnings per share				
(1) Basic earnings per share	**RMB0.48**		RMB0.38	
(2) Diluted earnings per share	**RMB0.48**		RMB0.38	

CASH FLOW STATEMENT

RMB in thousands

Item	Nine months ended 30 September 2022 Consolidated (Unaudited)	Nine months ended 30 September 2022 Company (Unaudited)	Nine months ended 30 September 2021 Consolidated (Unaudited)	Nine months ended 30 September 2021 Company (Unaudited)
1. Cash flows from operating activities				
Cash received from sale of goods or rendering of services	**100,718,594**	**97,910,261**	86,268,184	83,633,184
Refunds of taxes	**5,675,199**	**1,833,588**	3,880,623	1,948,097
Cash received relating to other operating activities	**3,745,489**	**1,574,761**	3,336,771	1,003,272
Sub-total of cash inflows	**110,139,282**	**101,318,610**	93,485,578	86,584,553
Cash paid for goods and services	**73,042,774**	**87,279,196**	52,878,162	68,055,714
Cash paid to and on behalf of employees	**20,457,259**	**6,283,414**	17,206,866	5,371,973
Cash paid for various types of taxes	**6,222,220**	**1,130,155**	5,559,797	1,016,133
Cash paid relating to other operating activities	**6,694,014**	**4,917,196**	6,669,575	3,675,495
Sub-total of cash outflows	**106,416,267**	**99,609,961**	82,314,400	78,119,315
Net cash flows from operating activities	**3,723,015**	**1,708,649**	11,171,178	8,465,238
2. Cash flows from investing activities				
Cash received from sale of investments	**6,465,791**	**5,018,298**	6,962,295	6,941,526
Cash received from return on investment	**778,943**	**7,299,057**	269,848	1,686,845
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets	**16,152**	**427,485**	17,912	23,122
Net cash received from the disposal of subsidiaries and other operating units	**89,100**	**—**	1,043,652	—
Cash received relating to other investing activities	**—**	**255,175**	202,570	1,120,000
Sub-total of cash inflows	**7,349,986**	**13,000,015**	8,496,277	9,771,493
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	**3,631,550**	**1,670,483**	4,399,642	1,983,077
Cash paid for acquisition of investments	**10,613,686**	**12,977,924**	15,618,078	14,459,181
Cash paid relating to other investing activities	**73,188**	**3,810,319**	—	606,000
Sub-total of cash outflows	**14,318,424**	**18,458,726**	20,017,720	17,048,258
Net cash flows from investing activities	**(6,968,438)**	**(5,458,711)**	(11,521,443)	(7,276,765)

RMB in thousands

Item	Nine months ended 30 September 2022 Consolidated (Unaudited)	Company (Unaudited)	Nine months ended 30 September 2021 Consolidated (Unaudited)	Company (Unaudited)
3. Cash flows from financing activities				
Cash received from investments	**146,231**	**109,583**	470,113	450,011
Including: Capital injection into subsidiaries by minority shareholders	**36,650**	**—**	20,000	—
Cash received from borrowings	**102,088,001**	**73,135,835**	43,764,616	29,422,685
Cash received relating to other financing activities	**—**	**3,030,670**	—	—
Sub-total of cash inflows	**102,234,232**	**76,276,088**	44,234,729	29,872,696
Cash repayment of borrowings	**98,531,365**	**62,261,367**	31,250,162	22,275,295
Cash payments for distribution of dividends or for interest expenses	**3,303,792**	**2,289,240**	2,058,931	1,615,211
Including: Distribution of dividends and profits by subsidiaries to minority shareholders	**475,023**	**—**	171,751	—
Cash paid relating to other financing activities	**279,973**	**3,186,823**	324,849	137,260
Sub-total of cash outflows	**102,115,130**	**67,737,430**	33,633,942	24,027,766
Net cash flows from financing activities	**119,102**	**8,538,658**	10,600,787	5,844,930
4. Effect of changes in foreign exchange rate on cash and cash equivalents	**355,049**	**154,287**	(186,227)	(116,294)
5. Net increase in cash and cash equivalents	**(2,771,272)**	**4,942,883**	10,064,295	6,917,109
Add: cash and cash equivalents at the beginning of the period	**39,070,583**	**17,381,816**	31,403,056	20,097,442
6. Net balance of cash and cash equivalents at the end of the period	**36,299,311**	**22,324,699**	41,467,351	27,014,551

By Order of the Board
Li Zixue
Chairman

Shenzhen, the PRC
26 October 2022

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