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: 00763)

2025 INTERIM RESULTS ANNOUNCEMENT

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.

The Board of Directors of ZTE Corporation (the "Company") hereby announces the unaudited results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2025. This announcement, containing the full text of the 2025 Interim Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcement of interim results.

Both the Chinese and English versions of this results announcement are available on the website of the Company (www.zte.com.cn) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The Company's 2025 Interim Report will be dispatched to holders of H shares and published on the website of the Company and The Stock Exchange of Hong Kong Limited in due course.

By Order of the Board
Fang Rong
Chair

Shenzhen, the PRC
28 August 2025

As at the date of this announcement, the Board of Directors of the Company comprises executive director, Xu Ziyang; non-executive directors, Fang Rong, Yan Junwu, Zhu Weimin, Zhang Hong; independent non-executive directors, Zhuang Jiansheng, Wang Qinggang, Tsui Kei Pang; and employee director, Li Miaona.

Important

1. The Board of Directors, the Directors and senior management of the Company confirm that the contents of this report are true, accurate and complete without any false information, misleading statements or material omissions, and individually and collectively accept legal responsibility therefor.

2. This report has been considered and approved at the Twelfth Meeting of the Tenth Session of the Board of Directors of the Company held on 28 August 2025. All Directors have attended the meeting in person.

3. Mr. Xu Ziyang, Legal Representative of the Company, Ms. Li Ying, Chief Financial Officer of the Company and Ms. Wang Xiuhong, Head of Finance Division of the Company, hereby declare that they warrant the truthfulness, accuracy and completeness of the financial reports contained in this report.

4. The interim financial reports of the Group for 2025 were prepared under PRC ASBEs and were unaudited.

5. No profit distribution or conversion of capital reserves will be implemented by the Company in respect of the interim period of 2025.

6. This report contains forward-looking statements in relation to subjects such as future plans and development strategies, which do not constitute any specific undertakings to investors by the Company. Investors' attention is drawn to the description of the potential risks inherent in the operations of the Company in this report and they are asked to beware of investment risks.

7. All monetary amounts set out in this report are denominated in RMB unless otherwise specified.

8. This report has been prepared in Chinese and English, respectively. In case of any ambiguity in meaning, the Chinese version shall prevail.

CONTENTS

Definitions

In this report, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section headed “Glossary.”

Company or ZTE	ZTE Corporation, a limited company incorporated in China, the shares of which are listed on the Shenzhen Stock Exchange and the Hong Kong Stock Exchange, respectively
Group	ZTE and its subsidiaries
CSRC	China Securities Regulatory Commission
Shenzhen Stock Exchange	The Shenzhen Stock Exchange
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Shenzhen Listing Rules	Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange
Hong Kong Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Articles of Association	ZTE Corporation Articles of Association (April 2025)
The Reporting Period	1 January 2025 to 30 June 2025

Glossary

This glossary contains definitions of certain technical terms used in this report as they relate to the Group. Some of these definitions may not correspond to standard industry definitions or usage.

AAU	Active Antenna Unit, the principal equipment at a 5G base station mainly responsible for receiving and transmitting 5G radio frequency signals.
AI-UPF	Network element created by optimising and enhancing traditional UPF (User Plane Function) with AI technology, which is capable of deep identification of tasks and accurate measurement of task experience on the back of a built-in AI engine and model modulation, thereby providing a basis for upper-level business operation that aims to add value through differentiation.
AI Agent	Artificial intelligence agent (or intelligent agent) is a computer system or programme capable of sensing the environment, making decisions and taking actions to achieve specific goals.
AgentGuard	Execution of definitive closed-loop assurance based on compound assurance strategies generated through agent task identification facilitated by endogenous intelligence of 5G-A base station, which facilitates swift and smooth completion of tasks by the agent. Through the AgentGuard solution, the service model of traditional networks based on simple rules is transformed into an intelligent compound service model built around the task agent and capable of providing response as demanded.
AGV	Automated Guided Vehicle, a vehicle equipped with an electromagnetic or optical automated guidance device enabling it to be driven along the stipulated way under guidance, providing safety protection and various transport functions.
CDN	Content Delivery Network, a network structure capable of redirecting on a real-time basis a user's request to the closest service node available to such user based on network flow and information of various service nodes such as connection, load, distance from the user and response time.
Co-Sight	Super open-source AI agent platform launched by ZTE as the core carrier and intelligent automated infrastructure for vision coordination analysis, designed to provide solutions for intelligentised transformation and upgrade of corporations.
C+L	C+L wavelength (Conventional band and long-wavelength band), the two commonly used wavelength-division frequency bands in the usable wavelengths of optical fibre. In the DWDM system, the C band has already been put to wide applications, while with the increasing demand for bandwidth, the L band has now also been put to trial runs for commercial applications.
DPU	Data Processing Unit, a specialised processor for the data centre providing functions such as SD network, SD storage and SD accelerator to solve loading required by protocol transaction, data security and computing acceleration, offering better performance than CPU in data IO (input/output) processing.

Glossary

EDN	Enhanced Deterministic Networking is a deterministic network technology catered to the increase in demand for large-scale network. It is capable of meeting diversified requirements for categorisation and classification and differentiated SLA (service level agreement) indicators and providing heterogeneous inter-connection across management areas as well as end-to-end deterministic assurance service.
EPC	Engineering, Procurement and Construction.
FTTR	FTTR (Fiber to The Room) is a networking mode connecting different indoor AP (Access Point) with the indoor all-optical node through optical fibre to achieve a 1000M+ coverage throughout the house.
IPC	IP Camera, a digital equipment based on network transmission featuring a network output interface directing connecting to the local LAN, in addition to the general composite video signal output interface.
Mesh	Wireless grid technology. Wireless routers with Mesh function form into a self-organised network by way of multi-hop interconnectivity to provide the network with better reliability, broader coverage of service and lower start-up cost.
NTN	Non-terrestrial Network, which facilitates 5G communication through satellites or High Altitude Platform Systems. NTN could cover remote areas, such as mountains, deserts and oceans, that terrestrial networks could not reach, hence further enhancing the coverage of 5G networks. NTN comprises IoT-NTN and NR-NTN. IoT-NTN supports satellite-based interconnection of IoT terminals, while NR-NTN adopts 5G NR which enables smartphones to be directly linked to satellites.
NWDAF	Network Data Analytics Function is network element for data sensing analysis as defined under 3GPP by the standardisation organisation. It carries out automatic sensing and analysis of the network based on network data and is utilised in the full life cycle of network planning, construction, maintenance, optimisation and operation, so as to facilitate ease in the protection and control of the network and enhancement in the efficiency of network resource utilisation for improved user experience.
OTN	Optical Transport Network, a network that facilitates reliable and efficient network communication and transmission within the optical zone organisational network based on WDM technology.
ONT	Optical Network Terminal.
PAV	Power Availability Value.
PON	Passive Optical Network, a network that provides optical access services to users through the use of passive optical network technology and facilitates conservation of optical fibre resources on the main line through the adoption of a point-to-multipoint topological structure. It also offers traffic management and security control functions.
RDMA	Remote Direct Memory Access is the direct access of the internally stored data of a computer by another computer via a network interface without the intervention of the operating system core, thereby reducing latency in network data transmission.

RRU	Radio Remote Unit. The base station is separated into two parts: the radio server and radio remote unit, the latter of which is installed at the antenna end to process radio signals.
SCP	ZTE Smart Cloud Platform. It enables visualised management of home or corporate network equipment, determines fault location and conducts remote optimization.
SoC	System on Chip, an integrated circuit with a designated purpose, comprising a complete system and all contents of embedded software.
SPN	Slicing Packet Network, a key technology in 5G network slicing that enables physical isolation and definitive low-latency transmission based on an ethernet transmission architecture and packet network.
STB	Set Top Box.
TCO	Total Cost of Ownership.
XR	A collective reference to AR (Augmented Reality), VR (Virtual Reality) and MR (Mixed Reality), which is an environment featuring the combination of reality and simulation and human-machine interaction enabled by computing technology and wearable device.
Intrinsic Safety Base Station	Mine Intrinsic Safety Base Station is suitable for use at a corrosive gas scene in coal mine wells where explosive mixtures such as methane and coal dust are present but where insulation is uncompromised. It does not require the addition of metal cases or fillings to avoid explosion, and the level of energy generated from sparks or thermal effect occurring during normal use or breakdown complies with national standards applicable to mines. It is an Internet access device that facilitates communication at critical locations in a coal mine well, characterised by its small size, light weight and high safety level.
Large Model	Machinery learning model with large-scale parameters and complex computing structures, usually formed by deep neutral networks with billions or hundred billions of parameters. Large Models are designed to enhance the expressive ability and estimate function of models, so that it can process more complex tasks and data.
Multi-mode	Multiple information sources or forms of expression, such as text, graphic, audio and video.
Digital Twin	Creation of a virtual and dynamic digital model for a physical reality (a product, equipment, system, process or even city) by building real-time connection and mirroring between the physical world and the virtual world.
Communication — sense integration	Network that offers both spatial sense and communication capabilities and acquires senses of targets or the environment by analysing the transmission of wireless signals.
Live network computing	Online data computing carried out simultaneously with the process of data transmission to reduce communication latency and increase overall computing efficiency.
Knowledge atlas	A technology that expresses knowledge in the form of graphics, connecting realities, concepts and their correlation through nodes and edges to form a vast and complex semantic network.

I. Corporate Information and Summary of Major Financial Data

1.1 CORPORATE INFORMATION

1.1.1 Information on the Company

Legal name (in Chinese)	中興通訊股份有限公司
Chinese abbreviation	中興通訊
Legal name (in English)	ZTE Corporation
English abbreviation	ZTE
Legal representative	Xu Ziyang
Registered and office address	ZTE Plaza, Keji Road South, Hi-Tech Industrial Park, Nanshan District, Shenzhen, Guangdong Province, The People's Republic of China
Postal code	518057
Uniform social credit code	9144030027939873X7
Website	http://www.zte.com.cn

1.1.2 Industry in which the Group operates and principal operations

The Group is engaged in communication equipment manufacturing and owns complete end-to-end products and solutions in the ICT industry, integrating design, development, production, sales and services with a special focus on carriers' networks, government and corporate business and consumer business. There was no significant change to the principal businesses of the Company during the Reporting Period.

1.1.3 Share-listing information

A shares	Listed on the main board of the Shenzhen Stock Exchange on 18 November 1997 Abbreviated name of stock: 中興通訊 Stock code: 000063
H shares	Listed on the main board of the Hong Kong Stock Exchange on 9 December 2004 Abbreviated name of stock: ZTE Stock code: 00763

1.1.4 Contact persons and method of contact

Authorised representative at Hong Kong Stock Exchange	Xu Ziyang, Ding Jianzhong
Secretary to the Board of Directors/ Company Secretary	Ding Jianzhong
Securities affairs representative	Qian Yu
Correspondence address	No. 55, Keji Road South, Shenzhen, Guangdong Province, The People's Republic of China
Telephone	0755 26770282
Facsimile	0755 26770286
E-mail	IR@zte.com.cn
Principal place of business in Hong Kong	31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong

1.1.5 Information disclosure and location

Media designated for information disclosure by the Company	China Securities Journal, Securities Times, Shanghai Securities News
Authorised websites for enquiries about this report	http://www.cninfo.com.cn http://www.hkexnews.hk
Place where this report is available for inspection	No. 55, Keji Road South, Shenzhen, Guangdong Province, The People's Republic of China

1.1.6 Intermediaries

Hong Kong share registrar and transfer office	Computershare Hong Kong Investor Services Limited Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Legal adviser in Mainland China	Beijing Jun He Law Offices 20th Floor, China Resources Building, 8 Jianguomen North Street, Beijing, The People's Republic of China
Hong Kong legal adviser	PAUL HASTINGS (HONG KONG) LLP 22/F, Bank of China Tower, 1 Garden Road, Hong Kong
Auditor	Ernst & Young Hua Ming LLP Level 17, Ernst & Young Tower, Oriental Plaza, No.1 East Chang An Avenue, Dongcheng District, Beijing, The People's Republic of China

1.2 SUMMARY OF MAJOR FINANCIAL DATA

1.2.1 Accounting standards adopted

The Company prepares its financial report and discloses relevant financial information in accordance with PRC ASBEs. Hence there is no difference in accounting data arising from the adoption of both domestic and international accounting standards.

1.2.2 Changes in accounting policies or accounting estimates and rectification of accounting errors

On 6 December 2024, the PRC Ministry of Finance published "ASBE Interpretation 18", ascertained amounts of provision arising from product quality warranties that do not fall within the category of standalone performance obligation should be accounted for as "operating cost of principal business" and "other business costs" and should cease to be included under "selling and distribution cost". For details, please refer to the "Overseas Regulatory Announcement" published by the Company on 28 February 2025. In accordance with the aforesaid accounting interpretation, the Company has adjusted its "operating cost" and "selling and distribution cost" on the financial statements for the first half of 2024 on a retrospective basis.

Save as disclosed above, there were no changes in the Company's accounting estimates or rectification of accounting errors.

I. Corporate Information and Summary of Major Financial Data

1.2.3 Major accounting data and financial indicators of the Group

Unit: RMB in thousands

Item	**Six months ended 30 June 2025**	Six months ended 30 June 2024	Year-on-year change
Operating results			
Operating revenue	**71,552,734**	62,487,098	14.51%
Net profit attributable to holders of ordinary shares of the listed company	**5,057,571**	5,732,446	(11.77%)
Net profit after extraordinary items attributable to holders of ordinary shares of the listed company	**4,103,900**	4,963,643	(17.32%)
Net cash flows from operating activities	**1,299,408**	7,000,399	(81.44%)

Size	**30 June 2025**	31 December 2024	Year-on-year change
Total assets	**216,310,325**	207,323,230	4.33%
Total liabilities	**141,200,521**	134,212,948	5.21%
Owners' equity attributable to holders of ordinary shares of the listed company	**74,838,209**	72,808,483	2.79%

Per share basis (RMB/share)	**Six months ended 30 June 2025**	Six months ended 30 June 2024	Year-on-year change
Basic earnings per share	**1.06**	1.20	(11.67%)
Diluted earnings per share	**1.06**	1.20	(11.67%)
Basic earnings per share after extraordinary items	**0.86**	1.04	(17.31%)
Net cash flows from operating activities per share	**0.27**	1.46	(81.51%)
Net asset per share attributable to holders of ordinary shares of the listed company	**15.64**	14.72	6.25%

Financial ratios (%)	**Six months ended 30 June 2025**	Six months ended 30 June 2024	Year-on-year change
Weighted average return on net assets	**6.85%**	8.28%	Decreased by 1.43 percentage points
Weighted average return on net assets after extraordinary items	**5.56%**	7.17%	Decreased by 1.61 percentage points
Gearing ratio[Note]	**65.28%**	64.74%	Increased by 0.54 percentage point

Note: The gearing ratios presented above represent the gearing ratios as at 30 June 2025 and 31 December 2024, respectively.

1.2.4 Extraordinary gains or losses items and amounts of the Group

Unit: RMB in thousands

Item	Six months ended 30 June 2025	Six months ended 30 June 2024
Gain from disposal of non-current assets	**3,846**	67,365
Investment gain from disposal of investment in associates and joints	**75,791**	1,000
Gains or losses from fair value change arising from financial assets and financial liabilities and gains or losses from disposal of financial assets and financial liabilities held by the Company, excluding the effective-value protection hedge business relating to the ordinary business of the Company	**385,680**	(141,560)
Gain from fair-value change of investment properties	**—**	(145,522)
Other income other than income from VAT refund on software products, refund of handling charge for personal tax and VAT add-on deductibles	**106,543**	185,922
Reversal of bad-debt provision for individually significant trade receivables for which provision was separately made	**702**	2,241
Net of other non-operating income and expenditure other than the above	**45,949**	(333)
Other gains or losses falling under the definition of extraordinary gain or loss	**502,469**	935,935
Less: Effect of income tax	**168,147**	135,757
Effect of non-controlling interest (after tax)	**(838)**	488
Total	**953,671**	768,803

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". The following items, which are set out in the provisions as extraordinary items, have been categorised as recurring items:

Unit: RMB in thousands

Item	Six months ended 30 June 2025	Reasons
Income from VAT rebate for software products	**1,632,360**	Operational on an ongoing basis
Income from refund of handling charge for withholding personal tax	**33,993**	Operational on an ongoing basis
Investment gain and gain from fair-value change of Shenzhen ZTE Capital Management Company Limited ("ZTE Capital")	**9,004**	Business with the scope of operation of ZTE Capital

II. Report of the Board of Directors

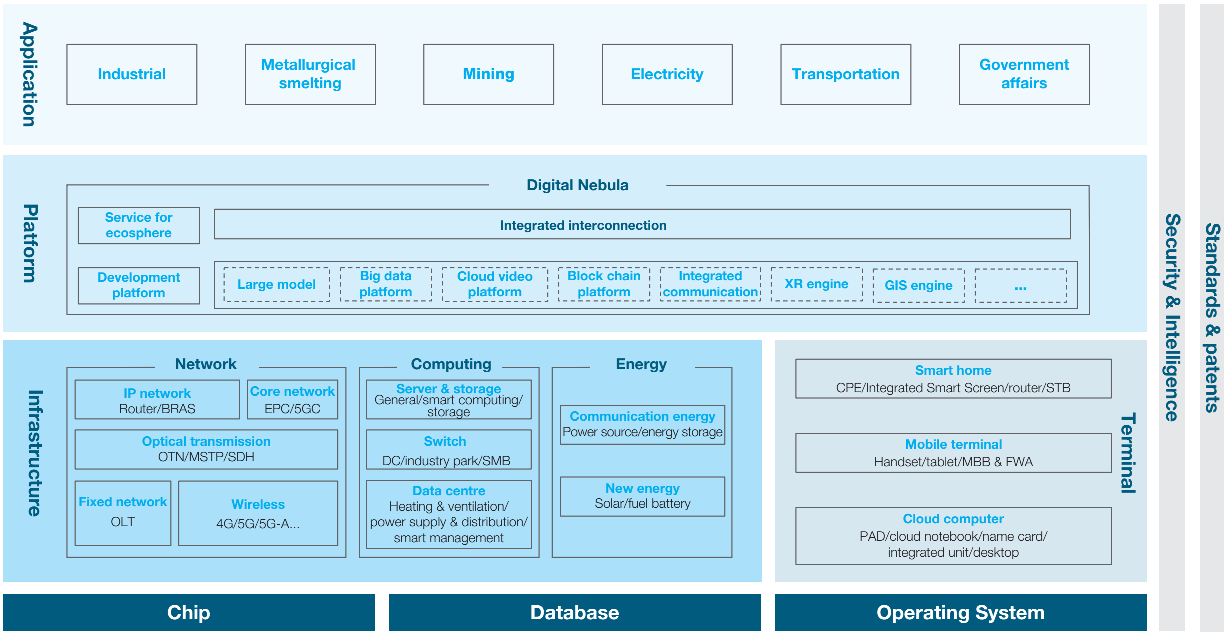
During the first half of 2025, technological innovation was driving accelerated development of digitalisation, intelligentisation and low-carbon operation. The Group persisted in R&D investment as it seized opportunities presented by the waves of AI development and deeply engaged itself in the construction of intelligent computing infrastructure facilities whilst solidifying its primary business of network connectivity, as it endeavoured to become a “leader in network connectivity and intelligent computing”. The Group’s development is founded on a technology-driven approach. This chapter begins with a discussion of the innovation of the Group’s core technologies in the first half of 2025, followed by a detailed analysis of its operating results for the first half of 2025 and business outlook for the second half of 2025.

2.1 INNOVATIONS IN CORE TECHNOLOGIES IN THE FIRST HALF OF 2025

Digital and intelligent transformation has become the dominant trend of the present day. First of all, that the digital economy is one of the core pillars of qualitative economic development has become a matter of general consensus. Secondly, increasing risks of uncertainty around the globe have also become a significant factor conversely obliging corporations and even the society in general to transform to digital and intelligent applications. More importantly, carbon neutrality has become a common basis for global survival and development, and digital and intelligent transformation represents one of the key pathways to rapid low-carbon development.

New scenarios and business formats are poised for vigorous development in the course of digital and intelligent transformation fueled by large model and generative AI. The world is undergoing an AI-driven industrial revolution, as AI is giving rise to profound impact on many aspects of production. Facing the development trends such as the explosive growth in data volume, diversification in application scenarios and exponential growth in the number of parameters for AI models, digital infrastructure facilities will more than ever be required to take into consideration the demand for ultra-minimalist, efficient and green features, while digital and intelligent capabilities are expected to enable greater flexibility and dexterity. On the back of its full-stack and all-round DICT technologies assembled over a span of four decades, the Group has been actively seizing opportunities presented by the digital tide and firmly adhered to its positioning as a “leader in network connectivity and intelligent computing”, persisting in extensive collaboration and an open and mutually beneficial approach as it endeavours to deliver value to customers, contribute its wisdom to the industry in a bid to generate mutual benefits with its partners and undertake due social responsibilities.

In line with the philosophy of being “customer-centred and ahead of the times” in technological development, the Group has been vigorously seizing significant opportunities presented by developments such as 5G and its future evolution, New Infrastructure, Digital and Intelligent Transformation, East-to-West Data Computing and Dual Carbon Economy, persisting in its objectives and leveraging its strengths as it seeks to position itself as a “leader in network connectivity and intelligent computing”, making ongoing efforts in “connectivity + computing + capacity + intelligence” to help customers and business partners forge an efficient and green foundation for digital and intelligent operations and integrated digital and intelligent solutions that meet scenario requirements, with a view to speeding up the process of digital and intelligent transformation and upgrade for the society as a whole. In the AI sector, the Group provides full-stack intelligent and computing solutions covering all scenarios ranging infrastructure facilities to applications and have stocked up a number of key technologies in high-speed Internet, live network computing, native computing, sensorless migration, data processing and computing optimisation, among others. Through ongoing enhancement of its competitiveness in a full range of end-to-end DICT products and digital and intelligent solutions, the Group has achieved steady growth in market share and further optimisation in market pattern.



2.1.1 Persisting in long-term investment and mastery of base-level core technologies

1. Chip

The Group has continued to increase investment in advanced process technique design, advanced architecture and seal packaging design, core intellectual properties and digitalised efficient development platform since it started the R&D in chip in 1996. We are an industry leader in terms of the ability to design the whole process for chip. On top of a solid foundation in the R&D of base-level technology for DICT chip, the Group has also constructed an ultra-efficient, green and intelligent full-stack computing network base pivoting on “data, computing and network” in line with developments in computing-network integration. The creation of a product regime meeting the core requirements of the diversified scenarios of “cloud, edge, terminal” has supported our ongoing leading position in terms of competitiveness.

2. Database

The Group’s proprietary database product GoldenDB has expedited the evolution of domestically manufactured database products from being “usable” to being “user-friendly” and “useful” and prospered the development of the ecosphere of domestically manufactured database. The recently launched integrated design can meet the full-scenario requirements of users and help users facilitate swift and smooth migration from previous database. Its deep integration with AI allows data management to become more intelligent, development more efficient and decision-making more accurate, to the benefit of product innovation. According to the “China Database Industry Atlas 2025” published by China Academy of Information and Communications Technology, GoldenDB ranked first in the finance and carrier sectors and among the top tier in key sectors such as government affairs, transportation and energy under the business database category.

3. Operating systems

Developed through proprietary research since 2001 underpinned by a range of positive results in core directions such as inner core, base library, virtualisation, intelligentisation and instrument chain, the Group's operating systems are at the forefront of the industry in terms of real-time performance, reliability and security, offering a complete range of solutions for operating systems of equipment types such as embedded device, server, desk-top system and terminal that have been extensively used in the communication, automobile, electricity, railway transportation and civil aviation sectors to provide global customers with safe and reliable base software platforms featuring robust functions and a sound ecosphere. Our products have won the Class I Science and Technology Award of China Institute of Communications and the Fourth China Industry Award. The Group's operating systems have attained the OSDL (Open Source Development Labs) Telecom-grade Linux accreditation, Tier-four National Information System Security accreditation, China Network Security Examination and Accreditation Centre EAL4 enhanced accreditation, ISO 26262 ASIL-D management accreditation and product accreditation for auto electronics, POSIX PSE52 accreditation of IEEE (Institute of Electrical and Electronics Engineers), safety and reliability assessment test of China Information Technology Security Evaluation Center for server operating system and class III (optimal grade) certification for software supply chain security.

2.1.2 Ongoing enhancement of product competitiveness driven by technological innovation

1. High-speed network

(1) Wireless

On the back of our strong capabilities at base level built around chip, computing and architecture, highly-efficient, intelligent and minimal and green mobile communication networks designed for carrier customers and industry customers have been constructed. The 5G scenarios have been further explored in greater detail, as we created product solutions with special features for scenarios such as the high-speed rail, indoor hotspots and scenic areas and constructed excellent networks offering multiple frequencies, multiple modes, high integration levels and high energy efficiency, working with carriers to continuously expand 5G-A innovations, applications and practices.

- **Wireless access: to address the requirements of minimal conversion of stations**, a number of ultra-high intensive radio frequency modules such as the 12-channel ultra-broadband RRU and six-in-one frequency RRU have been launched utilising the industry's most powerful Super-N 2.0 power magnification technology to achieve significant reduction in skyward space requirements for station sites and save energy by over 35%. **To address the high-speed evolution of the network**, a number of first-of-its-kind products in the industry have been launched, such as the 2.6GHz+4.9GHz dual-frequency 64TR AAU with a 20Gbps+ throughput volume, 1.6GHz bandwidth millimeter wave AAU with a 25Gbps+ throughput volume and medium-frequency pooling MiCell millimeter wave distributed mini-stations. **To address optimisation of network deployment**, we have also launched the 1.8GHz and 2.6GHz dual-frequency RRU which facilitates precise matching of RRU signals with rail coaches with the pioneering "power tag-along" solution to achieve one-stop 4/5G coverage in high-speed rail scenarios without the need for antenna upgrade and conversion in the live network. **To address refined 5G scenario operation**, we have launched the quadruple frequency QCell to meet the requirements of scenarios with a high indoor heat level. The Lingxi Unit qNCR innovative solution has also been launched to effectively strengthen network signals at enclosed scenarios with weak coverage, such as elevators and underground carparks.

- **AI integration:** The Group has launched the AIR RAN solution which features AIREngine, a base station intelligent computing engine capable of heterogeneous computing, as the intelligent hub. Complemented by system upgrades such as panning antenna, intelligent optical module and green intelligent power distribution unit, the solution is designed for the construction of infrastructure facilities featuring deep AI and RAN integration. The AgentGuard solution based on AIR RAN has also been launched to provide assurance for service agent and facilitate generalisation of the terminal business and ongoing evolution of intelligent group coordination in the age of mobile AI.

- **5G-A evolution:** The Group has joined forces with carriers to gain pace in the industrial application and sophistication of a range of products featuring innovative 5G-A technologies, such as double 10G+ maximum limit network, communication and sensor integration, air — space — terrestrial integration, among others. **In connection with 10G network**, we have diversified into new business sectors such as cultural activities and entertainment and programme production and broadcast. Our ultra-large capacity 5G-A distributed micro-station and private network solution with base-station grade computing capacity have provided service to the 2025 Chinese New Year Gala Show of CCTV, facilitating wireless ultra-HD video shooting through simple and flexibly interchangeable deployment of cameras. At the 2025 MWC, we teamed up with Mobile World Live to operate a 5G-A wireless livecast studio for interviews. We have provided support to the ultra-intensive concurrent scenario for users operating 100+ channels. **In connection with communication and sensor integration**, we have launched the industry's first large spread-angle 128TR AAU product to fulfill integrated communication and sensor capabilities at low altitudes of 0–600 meters, embarking on collaborations with carriers and industry partners in multiple areas, such as logistical distribution, low-altitude security defense, low-altitude smart industry park and security protection inspection and test for water bodies, as trials runs have been operated at more than 100 projects in 25 provinces, municipalities or autonomous regions. A low-altitude industrial ecosphere platform has been launched in association with 31 enterprises to integrate upstream, midstream and downstream resources along the industry chain and build a coordinated low-altitude economic ecospheric regime underpinned by "joint ventures in technologies, joint exploration of scenarios and mutual success in the market". **In connection with the integration of air, space and terrestrial applications**, we have completed verification of China's first carrier NR-NTN low-orbit satellite laboratory simulation and verification test for general service carrier, as well as verification of the industry's first NR-NTN+VoWiFi integrated network. New breakthroughs have been achieved in the experiment of orbiting technology for direct linking between terminals and low-orbit satellites as verification of NR-NTN real-time voice laboratory for directly-linked handsets and low-orbit satellites based on 3GPP standards has now been completed. We have also assisted China Telecom in its launch of the country's first IoT NTN carrier-grade commercial network.

(2) Core network

AIR Core, the first AI native core network launched by the Group, facilitates the transition from cloud native to “AI+ cloud native” with the aid of frontier AI technologies such as deep integrated large language model, communication large model and digital twin, constructing a creative three-tier AI agent coordination structure that breaks the boundary of the capability of traditional core networks. **In connection with business**, a speech AI agent integrating large language model (LLM), text-to-speech (TTS), speech synthesis and retrieval-augmented generation (RAG) has been launched. It upgrades the traditional dial pad to an “intent-driven interactive portal” in a reshaping of the paradigm for human-machine interaction. **In terms of connectivity**, a service assurance AI agent has been launched on the basis of three core capabilities, namely NWDAF, AI-UPF and communication large model to facilitate precise identification of services, real-time package recommendation, dynamic network assurance, experiential real-time perception, and end-to-end closed-loop for autonomous network optimisation. **In connection with maintenance,** a twin-simulated AI agent based on high-precision digital twin simulation and multi-dimensional small-model collaboration has been launched, which enables early identification and prevention of network risks or hidden hazards. The simulation accuracy rate reaches over 95%, and the turnover period is shortened from days to minutes, with a shift from passive protection to active prevention, thus enhancing the network’s risk resistance capability.

(3) Wireline

- **Fixed-line access:** We have launched 50G-PON featuring third-generation time division, the first of its kind in the industry, which solves the industry bottleneck relating to the compatibility of ITU 50G-PON and IEEE EPON by adopting first-of-its-kind technologies in the world to facilitate coordinated operation of systems from three generations, namely 50G-PON, 10G-EPON and EPON, on the same optical distribution network (ODN) at symmetric speed, paving the way for the smooth upgrade of carrier network. We have also developed an end-to-end ODN solution covering the full life cycle which shortens the regular downtime by more than 90% and offers 1-metre precision in the diagnosis of faulty optical links as well as 100% accuracy in resource identification. The Tbit full optical access platform has maintained its highest GlobalData Leader rating for 4 years in a row. Our complete product matrix for full optical industrial park affords flexible scalability catering to enterprises of varying sizes to help carriers develop new markets in an efficient manner. A four-in-one optical/video/computing/security product has been launched in association with China Mobile, featuring a 16-channel camera and 6T built-in computing compatible with multiple computing methods to meet SME’s requirements for intelligentisation. We have also teamed up with China Telecom in the development of a high-grade integrated gateway for the government and corporate sector featuring 133T built-in computing and an integrated DeepSeek model, designed to empower efficient operation of enterprises by helping them build local knowledge base and increase code efficiency. The “AI 10Gb Full Optical Industrial Park” solution featuring renovations in three principal aspects, namely ultra-broadband, ultra-integration and full AI, has been launched to facilitate a new cycle of evolution for the network infrastructure of industrial parks driven by AI and 10Gb full optical access.

- **Optical transmission network:** We have launched the world's first C+L full-frequency integrated optical module and completed the world's first C+L integrated 80x800G live network test run in partnership with carriers, setting the world record of 10,000 km+ transmission by single-wave IT optical signal based on hollow optical fibre. We have teamed up with international carriers to complete the world's first 1.6T live network test run based on 12THz spectral width. With our "Most Powerful C+L Full-frequency integrated optical module", "Hollow Optical Fibre Transmission System Breakthrough and Innovation", "800G plug-in/unplug OTN Solution" and "Automatic Activation of Intent-based OTN Service", we have won four innovation awards at the Lightwave+BTR Innovation Reviews. According to the latest Omdia Report, the Group ranked first globally in the dispatch of OTN 800G plug-in/unplug ports for 4 quarters in a row.

- **IP network:** The Group has launched the high-end router product with high performance and ultra-large capacity supporting high-density 400GE/800GE as the only enhanced definitive network (EDN) in the industry equipped with a built-in chip. We have upgraded the internal AI engine to high-level intelligence to facilitate business stream-grade modulation and assurance, allowing dynamic energy saving by as much as 17% when not in use. The Group has teamed up with Spanish carrier MASORANGE to jointly complete the commercial application of 800GE IP backbone network. In view of the dominant AI trend, we have launched the industry's first light-weight large-model integrated communication-sense-computing unit incorporating DeepSeek R1, which has completed a test run at ZTE Heyuan Plant. According to the latest report of GlobalData, the Group's IP high-end router has been given the highest Leader rating with the highest overall score among rated manufacturers.

2. Computing infrastructure

In connection with computing infrastructure, the Group has enhanced its R&D of infrastructure products relating to intelligent computing to address new opportunities afforded by the AI large model and launched a full stack of end-to-end intelligent computing solutions for all scenarios on the back of hardware such as proprietary chip and AI server as well as software capabilities such as AI tool chain and software/hardware coordination and optimisation, complemented by AI agent factory to meet the diverse requirements of AI scenarios.

(1) Server and storage

The Group provides a range of server products meeting the requirements of all scenarios, equipped with the mainstream CPU and GPU to provide users with diverse choices, whilst enhancing the performance and stability of intelligent computing resources through wide-area coordination of computing, storage and network.

- **Full range for all scenarios:** we provide high-performance training server, inference server with high cost effectiveness, ready-to-use intelligent computing unit (including: integrated training and inference unit, integrated inference unit and integrated application unit), full range of general-purpose computing server and high-performance document storage to meet diverse requirements in the development of intelligent computing capacity from the centre to the edge. The products have already been put to application by leading companies in the Internet, telecom, energy and transportation sectors.

- **Proprietary innovation:** Our proprietary Dinghai chip supports multiple forms such as RDMA card, smart network card and DPU card to provide high-performance and diversified computing acceleration hardware. We have teamed up with our industry partners to drive high-speed and open-ended interconnection standards for GPU and create new intelligent computing servers with interconnected super nodes.

(2) Switch

The Group has continued to upgrade its nebula intelligent computing network solution with the launch of the 576-port 800GE frame switch and the 32-port 400GE box switch, claiming the highest density and the strongest compactness, respectively, among peers. We have also created the end-to-end decoupling 400GE/800GE RoCE loss-free intelligent computing network, a leader among domestically manufactured peers which achieves zero-loss data transmission through triple innovative flow control technologies with 98% network throughput efficiency and 5us fast adjustment and optimisation of flow congestion within the intelligent computing centre to facilitate improvements in cluster computing efficiency. The domestically manufactured ultra-high density 230.4T frame switch and the full range of 51.2T/12.8T box switch, both industry leaders in terms of performance, have been put to large-scale commercial application in the 100/1K/10K — card intelligent computing clusters of the carrier, Internet and financial sectors. According to the latest report of GlobalData, the Group's data centre switch series has maintained the rating of "Very Strong", the highest among its domestic peers.

(3) Data centre

As the pioneering manufacturer of modularised data centre, the Group constructs data centres with high availability which is conducive to green energy conservation, quick and easy fabrication, flexible integration, smart management and security and reliability. A full range of prefabricated modularised solutions have been introduced to meet the varying requirements for new or converted full-scenario solutions ranging from ultra-large to micro sizes. We have fostered core competitiveness in proprietary products with the capability to manufacture full-stack data centre solution under the intelligent computing scenario and end-to-end delivery, whilst launching innovative products and solutions such as third-generation modularised indirect evaporative cooling air-conditioning, full-range liquid cooling, integrated alternate/direct current electricity module, full-scenario AI energy efficiency modulation and optimization and assembled data centre, among others. The Group's data centre products have featured in more than 450 projects around the globe with the deployment of more than 300,000 racks over a total server room area in excess of 2.80 million square metres, garnering over 70 domestic or international industry awards.

(4) Training and inference platform

The Group's AI Booster training and inference software platform provides one-stop AI training solutions to customers. In addition to commercial applications and ongoing maintenance support, AI computing training and inference also turns engineering capability and experience into tools to simplify customers' workload in AI innovation and lower the cost for large-scale migration.

- **Resource management:** accelerating hardware differentiation at off-screen shield-base heterogeneous structure and providing flexible modulation of diversified computing ability to offer a high-performance and highly reliable operating environment for model operation.

- **AI tool set:** provision of an end-to-end engineering tool set covering aspects from data processing, model development, training, optimization, assessment to deployment to meet the business requirements of the entire life cycle of the intelligent computing large model and significantly lower the barrier for development; provision of model migration tools to facilitate smooth migration of large models on the GPUs of different manufacturers.

- **Application development:** We have developed the open-source Co-Sight AI agent and launched the Co-Sight AI agent factory solution. Aided by the low-code platform and a modularised architecture, the developer and the corporate user are capable of swiftly customising and deploying AI agents in large scale to expedite the implementation of innovative AI applications.

3. Digital energy

- **Communication energy:** The Group provides end-to-end power supply solutions with a complete product range covering full scenarios and the full life cycle. On the back of key innovative technologies such as sPV, ultra-high-efficiency conversion, smart backup and storage, smart power distribution, smart temperature control and AI multi-energy scheduling, we have created the ultra "zero-carbon" energy net focused on implementation of ultra-minimal site, green server room, green industrial complex and energy operation, among others, underpinned by general improvements in network PAV and reduction in TCO towards digitalised energy supply. As a world leading communication energy supplier, the Group has continued to develop core capabilities in power conversion with intensive effort, maintaining a leading position in the industry in terms of rectifier efficiency and power density technical indicators. We have been leaders in the domestic market for communication energy in terms of market share whilst making breakthroughs in the overseas market for all product lines. Orders from international tower manufacturers have increased by more than 100%, year-on-year.

- **New energy:** The Group provides products and solutions for green power generation, smart energy storage, smart power consumption and energy management to facilitate smart and clean energy supply for carriers and customers in the government and corporate sector, helping them to conserve energy and reduce emission while lowering power bills and safeguarding power consumption. On a cumulative basis, more than 110 PV projects and smart micro-net projects and more than 20 energy storage projects for industrial and commercial sectors, underpinning EPC competence and credentials for new energy projects. During the first half of 2025, the Group reported initial results for its new energy business development, as Turkish telecom company Sivas signed up for a 128MW solar power station as the Group's first major contract in this category to provide a new engine for overseas business growth.

II. Report of the Board of Directors

4. Terminal

(1) Smart home

From total solutions to terminal product series, the Group has enabled home users to experience the premium network, consistently leading the market with global first ranking in the dispatch for PON CPE and IP set-top boxes according to the latest Omdia Report.

- **FTTR:** We have launched the RoomPON 6.0 product series, including the industry's first all-optical home smart-screen FTTR, to facilitate intelligent household control, house-wide security and viewable network control for the construction of an integrated smart home solution. The all-optical home smart cloud FTTR, meanwhile, could facilitate convenient storage and smart categorisation by combining computing with home storage. The end-to-end 10Gb FTTR main gateway equipped with an XGS-PON port, a standard 10GE network port and Wi-Fi7 has also been launched to position ourselves for the future 10Gb home business. We have launched the world's first integrated management platform SCP2.0 supporting the management of a variety of equipment, such as ONT/Mesh/FTTR/IPC/STB.

- **Integrated Smart Screen:** we have teamed up with China Mobile to forge a Integrated Smart Screen control for the home ecosphere and pioneered in the development of three major segments, namely, health and retirement care contents for smart homes, house-wide smart features and home security. Currently, pilot operations have been set up in Fujian, Yunan and Guangdong. We have teamed up with the digital life company under China Telecom to develop the China Telecom AI medium screen featuring a variety of AI vertical applications on the back of terminal-cloud AI capabilities, which has already been put to commercial applications in Shanghai, Jiangsu and Zhejiang. We have also collaborated with carriers in the debut of the Guanhai Integrated Smart Screen Series, the first brand of proprietary Integrated Smart Screen in the domestic carrier market.

- **Wi-Fi router:** in the carrier market, we have launched the world's first full-series, full-protocol Lingmiao Wi-Fi 7 router which boasts the world's fastest 14Gbps+ in test runs. The first Wi-Fi 7 router in China has been launched with the exclusive five-antenna technology, increasing reception by 25% versus the traditional four-antenna model. The Group's Wi-Fi router has claimed the largest market share in the domestic carrier market. In the consumer market, the Group's Wi-Fi router has become a TOP brand in this product category with rapid growth in sales revenue. In the domestic e-commerce market, our Wi-Fi routers ranked among the top three in sales.

(2) Mobile terminal

The Group is committed to putting the idea of “AI for All” into practice, as it continues to increase the extent and depth of AI application to the ecospheric regime of terminals such as handset, PC, tablet, mobile Internet product and smart wearing device, in order to expedite AI application for the benefit of all.

- **Handset and innovative terminal:** The Group pioneers with the idea of “AI Together” which calls for effective utilisation of outstanding large models on the back of full coordination. With the launch of new products such as our personalised flagship model Nubia Z70S Ultra Photographer’s Edition and Guomin Mini-foldable Nubia Flip 2, we have created a new paradigm of system-grade interaction and integration among multiple expert large models, whereby such expert large models are subject to intelligent modulation with the aid of the nebula engine, so that the handset is capable of automatically selecting the most appropriate expert for problem solving to ensure an AI experience underpinned by accuracy, efficiency and security. The Red Magic Series and the Nubia Neo Series, focused on high-end e-games players and game lovers respectively, provide a full coverage of the mobile game market. Nubia Tablet Pro, the debut tablet product of Nubia, is capable of meeting the diverse requirements of users in different scenarios such as work, study and entertainment.

- **Mobile Internet products:** With its AI-powered mobile Internet products based on the novel GIS (Green, Intelligence, Security) concept, the Group has continued to drive technological transformation for personal and home terminal, industrial Internet terminal, and terminals for Internet of vehicles and deliver intelligent connectivity services which are eco-friendly and secure. According to the latest TSR report, the Group had continued to rank first globally in market shares for 5G FWA & MBB for four years in a row. According to the latest ABI Research report, the Group’s 5G FWA CPE ranked first globally in terms of competitiveness.

(3) Cloud computer

Further to its full range of cloud computers comprising Yufeng, Fuyao, Linglong and Xiaoyao, the Group has launched its latest AI innovative terminal ZTE Free Screen, featuring a 27-inch HD touch screen that integrates multiple functions such as TV, ultra-large PAD and cloud computer. Equipped with core 5G and AI technologies, it has unveiled a new product pathway underpinned by the “N-in-one smart screen”. According to the latest IDC report, the Group continued to rank first in China’s desktop cloud terminal market.

In the first half of 2025, in the carrier market, the Group offered support to China Mobile's large-scale commercial application of cloud computers, as it won the bid on an exclusive basis for China Mobile's 40,000-concurrent user cloud computer project. We facilitated China Unicom's cloud computer service as it went officially online to assist in China Unicom's breakthrough in the cloud computer business. Sales of our innovative terminal, the two-in-one cloud PAD, exceeded 1 million sets for the first half of the year to drive growth in the cloud computer To C/H business. In the government and corporate market, we made breakthroughs with leading financial institutions such as Pudong Development Bank, Guotai Haitong Securities and PBOC Credit Reference Centre to confirm our market position as the prime brand name for the financial sector.

2.1.3 Construction of smart platform to congregate core abilities for internal as well as external empowerment

1. Digital Nebula

With the launch of Digital Nebula 4.0, the Group has made a major leap in data, scenario and computing methods to bridge up the final gap before AI implementation. We have fostered development capabilities for assembled products to provide a rich array of text corpus management tools and facilitate efficient data utilisation and management through the application of digital matrix and data lakehouse. Our development centre includes a one-stop AI development tool for the development and training of large models, whilst in connection with application development we have launched an open-source AI agent for the fabrication of AI agent factory which would assist industry users in the construction of "minute-grade" AI applications. Model libraries have been provided with the Nebula large model offering support for more modes to cover more task types. On the back of a formidable cloud network base and strong core capabilities, we have integrated advanced AI technologies into the digital and intelligent transformation of a wide range of industries with the creation of end-to-end intelligent solutions.

2. Large model

The Group has developed the proprietary ZTE Nebula Large Models, including a rudimentary large model and sector large models such as the R&D large model, communication large model and industrial large model, as it continues to invest in capacity enhancement in key aspects such as computing innovation, data engineering and efficient computing platform. **The rudimentary large model** includes large language models ranging from 2B to 80B, visual large models and multi-mode large models covering different deployment scenarios from the handset to edge and centre clouds. **The communication large model** improves inference of the mindset chain and AI agent coordination on an ongoing basis to substantially enhance accuracy in problem analysis and AI decision-making under communication scenarios. In connection with the high-grade self-intelligent scenario, the model facilitates swift access to L4 in high-value scenarios through the combination of strong inference model and knowledge atlas search. In the event of faulty wireless connection, the Co-Sight super AI agent could shorten the average fault recovery period by 17%. **Our R&D large model** ranked first in inference and second in total score in the SuperCLUE test and assessment conducted by authoritative domestic third-party agencies. Regarding R&D efficiency enhancement, R&D tools based on our R&D large model support connection of scenario processes such as demand, design, programming and testing, effectively increasing R&D efficiency as a whole. **Our industrial large model** which integrates language, visual and multi-mode abilities has been put to operation in the industrial, government, water works and transportation sectors. We have assisted in the construction of a research and analysis system for the unified administrative network of Jiangning District, Nanjing, enabling metropolitan governance to transition from an extensive to a detailed approach and improving the review score by 60%. The deployment of machine vision smoke and fire inspection and detection large model and applications at Taicang Port Modern Terminal in Suzhou has resulted in accurate filtering of 99% misreports and reduction of hardware cost by 60%.

3. XR

With the ongoing evolution of its core capability in the one-stop metaverse engine, the Group has launched an AI content generation algorithm supporting efficient 3D reconstruction of persons, objects and scenes. With the launch of immersive communication, 5G-A VR Mega Space Immersive Theatre, lightweight AR camera system, industrial metaverse platform and MR virtual live training solution on the basis of network media integration technologies in support of quality enhancement and innovation in metaverse applications, the Group has been named a five-star metaverse supplier in China. Our ZTE XRExplore and 5G-A VR Mega Space Immersive Theatre has been honoured with a Class I Award at the International Quality Innovation Contest. The Group continued to advance in sectors such as digital cultural tourism, education, research and academia, as it facilitated the launch of "Time Travel to the Bronze Age", China's first cinema-grade digital cultural expo VR mega-space project hosted by Hubei Provincial Museum and the 5G-A VR Mega Space Immersive Experience Base of Guangxi Xiying, among others.

4. Trusted security

The "Digital Matrix", a trusted data space solution launched by the Group, together with light-weight connector products launched at the same time have helped industry customers to overcome barriers and unleash the market value of data elements. We have also launched an AI application fire wall to provide a line of defense for corporate data security against novel cyber threats. As the member unit of a number of standardisation groups under the National Data Standardisation Technology Committee, the deputy group leader of the Data Resources Group and member unit of numerous groups under the Beijing Data Standardisation Technology Committee, we have been actively engaged in the development of data standards and the construction of trial projects for trusted data space in multiple locations.

2.1.4 Enabling industrial transformation in a joint effort with industries to add value

With a special focus on high-value scenarios, the Group has created more than 100 innovative solutions for industrial digitalisation and intelligentisation based on Digital Nebula 4.0. We have constructed system ecospheres that can accommodate up to 1,000 companies and implemented a range of benchmark projects in numerous sectors such as industrial manufacturing, government affairs, water works, transportation and energy, and have received several honours such as GSMA GLOMO and GTI Awards.

1. *Industrial*

The Group's Binjiang Intelligent Manufacturing Base in Nanjing has passed the assessment conducted by CAICT TL Certification Center and become the first five-star 5G manufacturing plant in China. with a special focus on sectors such as automobile manufacturing, solar lithium battery manufacturing and petroleum, gas and chemical. We have won the bid for Geely Group's annual AGV framework project with deepened cooperation in smart logistics. We have also assisted Benxi Tools in the construction of its 5G smart factory, for which we have been honoured with the GTI "Market Development and Business Value Award". Elsewhere, we have continued to deepen digital transformation in collaboration with enterprises such as Maotai Group, China Resources Building Materials Technology and Chint Group.

2. *Metallurgical smelting*

The Group has teamed up with its industry partners to explore deep integration of AI technologies with high-value scenarios. On the back of scenario-based solutions in centralised control for metallurgical smelting, safe production, digital mobile maintenance, smart energy management, intelligent computing and large models for metallurgical smelting industries and others, we have assisted in the digital and intelligent transformation of the metallurgical smelting industry. The Group has established Northen United Innovation Centre in association with Hesteel Group to launch the integrated intelligent computer unit for the steel industry sector and create a large model for the end-to-end steel manufacturing process. We have also launched a corporate-grade large model for the smelting industry based on DeepSeek in association with Yunan Shenhuo Group to develop efficient and cost-effective AI solutions. In the meantime, there have been ongoing project cooperations with leading enterprises such as Baowu Group and Ansteel Group.

3. *Mining*

The Group owns a diverse range of customised products and solutions, such as intrinsic safety base station, minimal core network, small-scale slice industrial ring network, mining industrial Internet platform, mining large model and integrated controls. We have also actively participated in the formulation of relevant standards and conventions led by National Energy Administration and China National Coal Association, with a special focus on high-value scenarios such as digital nebula intelligent coal wash and preparation, smart video for mining and AI digital and intelligent agent for mining, among others. We have teamed up with 60+ partners and 40+ industry-leading customers in the implementation of 500+ intelligent mining projects nationwide.

4. *Electricity*

The Group has launched a digital electric station solution for the completion of digital converter stations in Xiamen, Fujian and Yichang, Hubei in association with the State Grid and implementation of digital stations in Guizhou, Yunnan and Hainan in association with Southern Power Grid. In connection with power generation, the Group has entered into cooperation with leading enterprises such as State Power Investment, Jingneng Group and Huadian Group with a special focus on smart maintenance scenarios for power generation facilities such as solar power, wind power, thermal power and hydropower stations, as 5G+AI smart power plants have been commissioned in Liaoning, Hunan and Yunnan. Our digital power generation station solution has been selected as an outstanding solution for case study in the "2024 Smart Power Plant Industry Insight White Paper".

5. *Transportation*

The Group has developed a transport computing brain around the core of a cloud platform and the digital nebula with a digital intelligent base facilitated by large model. In connection with metropolitan railway, we have been engaged in the "Qingdao Metro Line United Innovative AI Agent" to facilitate the launch of the nation's first AI large model for the metro rail transportation sector. In connection with the highway sector, we have created innovative solutions for cloudified toll station, trusted data space for highways and holographic perception for highways in our involvement in highway intelligentisation in numerous provinces. In connection with the railway sector, we have participated in large-scale application test runs hosted by various railway bureau groups.

6. *Government affairs*

The Group provides the only solution in the industry that features a space, air and terrestrial drone emergency aid platform covering public as well as private sectors. We won the bids to supply our large-scale unmanned helicopter rescue platforms to 11 provinces under the air emergency category of the 2024 Special National Project for Improvement of Emergency Response to Natural Disasters. To serve the construction of the digital society, the Group has participated in the municipal governance projects of Nanjing and Shenzhen and the metro security projects of Nanjing, Kunshan, Changsha and Taiyuan. The communication safeguard system for extreme weather conditions at the gorge section of Yongding River built for our customer as part of the initiative for improving flood controls at Yongding River built on the back of the Group's digital twin-based water conservancy solution has been included in the "Promotional List of Achievements in Sophisticated and Applicable Hydrological Technologies" named by the Ministry of Water Resources. The "Jiupai" Large Model for Yangtze Hydrology launched in association with the Hydrographic Bureau under the Yangtze River Committee of the Ministry of Water Resources was selected for inclusion in the "Top 10 Events of the Year in the Hydrological Industry". We have also participated in the eastern line section of the South-North Water Transfer Project, contributing to cost reduction and efficiency enhancement for pump station management with the deployment of 5G+ smart patrol robots.

2.1.5 Extensive participation in standard formulation work while adding highly valuable patents to our portfolio

The Group is positioned within the first quadrant in terms of global patents as a major contributor and participant in the research and standard formulation for global 5G technology. As at 30 June 2025, the Group had submitted approximately 94,000 global patent applications and owned over 50,000 authorised global patents, including approximately 5,700 patent applications and over 3,700 authorised patents in the chip sector. In the AI sector, the Group had close to 5,500 patent applications and close to half of them had been authorised. The Group has continued to make ETSI disclosures on its 5G standard essential patents, ranking among the top five globally in terms of valid patent families. The Group has received 11 gold awards, 3 silver awards and 39 awards of excellence in the patent awards of China.

The Group is a member of more than 200 international standardisation organisations, industry alliances, scientific associations and open-source communities, such as ITU (International Telecommunication Union), 3GPP (third generation partnership programme), ETSI (European Telecommunications Standards Institute), NGMN (The Next Generation Mobile Networks), IEEE (Institute of Electrical and Electronics Engineers), CCSA (The China Communications Standards Association), 5GAIA (5G Applications Industry Array) and AII (Alliance of Industrial Internet) and a board member of numerous organisations such as GSA (Global Suppliers' Alliance) and ETSI (The European Telecommunications Standards Institute), while more than 100 specialists has been serving in key roles such as chairman/vice chairman and reporter of leading international standardization organisations, industry alliances, scientific associations and open-source communities.

2.2 BUSINESS REVIEW FOR THE FIRST HALF OF 2025

2.2.1 Industry development

1. Domestic market

In the first half of 2025, China's ICT market showcased strong resilience for development despite a complicated environment underpinned by the slowdown in global economic growth. The solid fundamentals of the traditional telecommunication business provided a stabilising factor for the market whilst the construction of computing infrastructure was gaining pace in general as AI was growing from a novel driving force into the "core engine" for the development of the industry.

In the basic communication sector, development of the communication industry was characterised by "stable existing business" and "optimised new business". According to statistics released by the MIIT, the telecommunications business earned revenue of RMB905.5 billion for the first half of 2025, representing a year-on-year growth of 1%. The total population of fixed-line broadband users and mobile phone users reached 684 million and 1,810 million, respectively. In the meantime, the strategic focus of network construction was shifting from "broad coverage" to "in-depth optimisation", as 5G network construction was focused on detail-specific areas scenario substantiation and indoor coverage enhancement. Evolution of the future-oriented network was gaining pace, as the construction of 400G optical transmission networks was introduced to provincial backbone networks. Domestic carriers were actively deploying key 5G-A technologies such as communication-sense integration, while prospective efforts to explore the commercialisation 10Gb scenarios were being made on the back of growing sophistication of 50G PON technologies.

In the AI sector, technological innovation was catalysing the structural transformation of the ICT industry. Large model technologies represented by DeepSeek provided a substantial drive taking AI applications beyond the stage of being "usable" to the new stage of being "user-friendly" and "practical". The leaping value of AI application was transforming into enormous demand for computing infrastructure and stimulated a new cycle of investment frenzy. No longer unrealistic ideas, AI technologies were providing a solid computing base for the digitalisation and intelligentisation of the society in general through deep integration with sectors of the real economy such as advanced manufacturing and medical care, among others.

In the smart terminal sector, the market was embracing a new age of revolutionised scenarios for the use of smart terminals fully empowered by AI. In connection with home terminal, the expedited deployment of FTTR in the first half of 2025 provided a vital network link for the launch of the smart household, clearing any obstacles for the large-scale roll-out of advanced applications such as HD video and smart house-wide devices. In connection with personal terminal, the AI handset became an industry benchmark as its core value was underlined no longer by the assembly of hardware, but by the native AI functions (such as real-time translation and smart deletion) provided through the large model on the end-side that offered personalised and differentiated experience in AI applications to the users. In connection with cloud computer, the AI-integrated cloud computer was transforming “tool-based applications” into “AI agent services”, as terminal-cloud coordination and multi-model aggregation offered precise matching with services commanding high computing and AI capabilities to extend the boundary of services to a whole new front.

2. International market

In the first half of 2025, there were signs of international telecom carriers picking up with their capital expenditure, as investment in computing base and new energy continued to increase, whilst steady recovery was reported for investment in network equipment. In the coming years, development in the industry will be driven by the deepened connectivity of 5G and optical networks and the growth of digital and intelligent businesses such as AI large model and computing.

In connection with wireless network, global 5G deployment was characterised by differentiated evolution, as the strategic focus in developed markets had shifted to 5G SA (standalone network) with a view to further realising the potential of 5G for more intensive development of industry applications with high value, while in emerging markets such as the Asia Pacific and Latin America developments were focused on expanding coverage of the 5G infrastructure in ongoing drive of worldwide deployment. As of the end of June 2025, more than 630 telecom carriers worldwide had invested in 5G and 354 5G commercial networks had been deployed. On this basis, 5G-A was becoming a crucial technology for leading carriers looking to reinforce their network capabilities, while network maintenance supported by deep AI empowerment was driving the development of wireless networks towards intelligentisation underpinned by self-optimisation and greater efficiency.

In connection with wireline network, the popular use of generative AI applications was providing a catalyst for driving data traffic and ongoing expansion of the fixed-line broadband market. Carriers were advancing network upgrade on two ends, “access” and “transmission”, in a synchronous manner. On the access side, the outreach of optical broadband technology continued to broaden as 10G PON has entered the mature phase of large-scale deployment, whilst some carriers were engaged in prospective investigation of the commercial application of 50G PON. On the transmission side, the modernising conversion of backbone networks towards 400G and above to fulfill the robust demand for computing and data was advancing on all fronts to solidify the foundation for the bearing capacities of networks.

In connection with new businesses, on the computing side, the exponential growth in the demand of intelligent computing was driving expedited construction of computing infrastructure facilities such as data centres and intelligent servers in various countries. Meanwhile, the high concentration of computing capacity presented a stern challenge in energy supply and green computing became mandatory instead of merely a value-added option. As such, relevant energy-saving technologies and data centre construction became the key to sustainable development for the industry. On the handset side, the international handset was undergoing a stable period in the first half of 2025 as growth rate slowed down following rapid recovery in 2024. Meanwhile, AI large model was generally regarded by the industry as the core impasse-breaking factor for empowering handsets and reshaping user experience.

Source: PRC Ministry of Industrial and Information Technology, GSA (Global Mobile Suppliers Association)

2.2.2 Business and Financial Analysis of the Group

In the first half of 2025, the Company persisted in an innovation-driven approach as it addressed the challenges as well as opportunities arising from the rapid development of AI and stepped up with the strategic upgrade from "connectivity" to "connectivity + computing" in active exploration of new growth engines to foster new driving force for the Company's long-term development as a leader in network connectivity and intelligent computing.

For the first half of 2025, the Group reported operating revenue of RMB71,552,734 thousand, representing year-on-year increase of 14.51%. Net profit attributable to the holders of ordinary shares of the listed company amounted to RMB5,057,571 thousand, a decrease by 11.77%, year-on-year. Net profit attributable to the holders of ordinary shares of the listed company after extraordinary items amounted to RMB4,103,900 thousand, a decrease by 17.32%, year-on-year.

2.2.2.1 Operating revenue, cost and gross profit margin

1. Breakdown of operating revenue, cost and gross profit margin by industry, business segment and geographical region

Unit: RMB in thousands

Operating revenue mix	Operating revenue for the Reporting Period	As a percentage of operating revenue	Operating costs for the Reporting Period	Gross profit margin for the Reporting Period	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	71,552,734	100%	48,333,217	32.45%	14.51%	29.86%	(7.99)
Total	**71,552,734**	**100%**	**48,333,217**	**32.45%**	**14.51%**	**29.86%**	**(7.99)**
II. By business segment							
Carriers' network	35,063,905	49.00%	16,500,879	52.94%	(5.99%)	(3.15%)	(1.38)
Government and corporate business	19,254,243	26.91%	17,661,629	8.27%	109.93%	146.17%	(13.50)
Consumer business	17,234,586	24.09%	14,170,709	17.78%	7.59%	8.95%	(1.03)
Total	**71,552,734**	**100%**	**48,333,217**	**32.45%**	**14.51%**	**29.86%**	**(7.99)**
III. By geographical region							
The PRC	50,616,777	70.74%	33,562,004	33.69%	17.55%	35.39%	(8.74)
Asia (excluding the PRC)	8,063,704	11.27%	5,819,537	27.83%	6.99%	20.00%	(7.83)
Africa	3,258,886	4.55%	2,015,922	38.14%	8.78%	35.76%	(12.29)
Europe, Americas and Oceania	9,613,367	13.44%	6,935,754	27.85%	8.10%	13.79%	(3.61)
Total	**71,552,734**	**100%**	**48,333,217**	**32.45%**	**14.51%**	**29.86%**	**(7.99)**

Note: Operating cost and gross profit margin for the same period last year has been retrospectively adjusted as a result of the change in accounting policy. Operating cost of consumer business in the PRC for the same period last year was adjusted with an increase of RMB20,568 thousand, while gross profit margin for the same period last year was adjusted from 40.47% to 40.44%, with gross profit margin for the domestic market being adjusted from 42.48% to 42.43% and gross profit margin for the consumer business being adjusted from 18.93% to 18.81%.

2. Analysed by market

(1) Domestic market

For the first half of 2025, the Group's operating revenue from the domestic market amounted to RMB50,616,777 thousand, an increase by 17.55% year-on-year and accounting for 70.74% of its operating revenue. Gross profit margin was 33.69%, a decrease by 8.74 percentage points versus the same period last year.

In connection with carrier customers, reduction in the Company's revenue from carriers' network narrowed while domestic carriers' investment continued to decline in a period of maturity for 5G network construction. In response, the Company continued to make deeper efforts with its wireless and wireline products to optimise its market pattern and secure its basic business with domestic carrier networks whilst pursuing intelligent computing data centre projects. In the meantime, we were actively planning for future technological directions, such as 10Gb access and others, to lay the foundation for the next phase of large-scale construction. In connection with government and corporate customers, the Company doubled its revenue from its government and corporate business with substantial growth in revenue from intelligent computing server as the Company deepened its market expansion effort and enlarged the scale of cooperation to seize opportunities arising from the move to increase investment in intelligent computing by leading domestic Internet companies and industry corporations. In connection with consumers, the Company maintained its market share for FTTR and reported breakthroughs with its mobile Internet products, as sales of the innovative two-in-one cloud PAD terminal exceeded 1 million sets for the first half of the year, combining to drive solid growth in revenue for the consumer business.

(2) International market

For the first half of 2025, the Group's operating revenue from the international market amounted to RMB20,935,957 thousand, an increase by 7.77% year-on-year and accounting for 29.26% of its operating revenue. Gross profit margin was 29.45%, a decrease by 6.57 percentage points, year-on-year.

In connection with carrier customers, the Company persisted in the strategy of focusing in large nations and big Ts (mainstream telecom carriers) and seized opportunities presented by network consolidations in the Asia Pacific, network modernisation and conversion in Africa and Latin America and optical network construction. On the back of our premium products and focused utilisation of resources, critical battles were won as we sustained stable operation with an enhanced market pattern. In connection with government and corporate customers, we closely tracked new opportunities arising from overseas expansion of Chinese enterprises coupled with expedited construction of computing infrastructure such as data centre, new energy and server by overseas large nations to expand business in the government and corporate as well as computing markets in large nations where we had already established our business, reporting rapid growth in revenue from the segment. In connection with consumers, the Company was focused on expansion in the public channel markets in Southeast Asia, Africa and the Middle East on the back of its dual brand strategy of ZTE+Nubia. Double-digit growth in revenue from handset sales was reported as our series of flip, video, music and game products were well received by users.

3. *Analysed by business segment*

(1) Carriers' network

For the first half of 2025, the Group's operating revenue from carriers' network amounted to RMB35,063,905 thousand, a decrease by 5.99%, year-on-year, reflecting mainly the combined effect of reduced revenue from wireless access products and growth in revenue from server and storage products. Gross profit margin was 52.94%, a decrease by 1.38 percentage points, year-on-year, attributable mainly to the decline in gross profit margin for digital energy products.

In connection with the traditional networks of carriers, the Company registered stable growth in market shares for its core wireless and wireline product. **In connection with wireless products in the domestic market,** we actively addressed the challenge of declining 5G investment by carriers and achieved breakthrough in certain key scenarios and provinces to fill the void of previously untapped markets to achieve an optimised market pattern, while deploying in key 5G-A technological directions in advance to lay the foundation for construction in the next phase. In the international market, the Company secured sound shares of the dual network integration project in Indonesia, whilst registering increment in market shares with the branch companies of big Ts in countries such as Cameroon and Tanzania. **For core network products,** we sustained our position in the domestic market duopoly, while internationally we reported new breakthroughs with the branch companies of big Ts in Mexico and various African nations. **For wireline products,** the Company maintained its global leadership in fixed-line network products with extensive deployment of PON OLT at the networks of more than 350 carriers in over 100 countries worldwide. In connection with next-generation technology, we were actively driving the commercial application of 50G PON through presentations to or test runs or trial operations with over 50 carriers worldwide. For optical transmission products, we were deeply involved in the 400G OTN construction of domestic carriers with increment in market shares. Internationally, we achieved breakthroughs with mainstream carriers in Thailand and Mexico with our 400G OTN products, whilst securing sizeable sales in the Korean market. We won the bid to supply core routers under China Mobile and China Unicom's respective centralised procurements, ranking second in terms of market shares.

In connection with carriers' computing networks, leveraging its capabilities in the R&D, design and integrated delivery of large-scale and complex software and hardware for intelligent computing, the Company has constructed full-stack, all-scenario intelligent computing solutions covering "computing, network, capacity, intelligent operation and application, terminal" to facilitate faster digitalised transformation and intelligentised upgrade for carriers. **In connection with server and storage,** the Company claimed leading market shares with domestic carriers for its general-purpose computing servers, whilst winning successive bids with domestic intelligent computing resource pool projects for the supply of intelligent computing servers. **In connection with data centre switch,** the Company won the bid for China Mobile's centralised procurement of data centre switch as the overall first-ranking supplier. **For data centre support,** the Company provides products such as end-to-end data centre solutions, proprietary liquid cooling cabinet, CDU (cooling capacity distribution unit) and prefabricated power modules, among others. In China, large-scale data centre projects have been implemented in the core regions under East-to-West Computing such as the Beijing-Tianjin-Hebei node, Horinger node and Zhongwei node.

(2) Government and corporate business

For the first half of 2025, the Group's operating revenue from the government and corporate business amounted to RMB19,254,243 thousand, increasing by 109.93%, year-on-year, attributable mainly to the growth in revenue from servers and storage products. Gross profit margin was 8.27%, reducing by 13.50 percentage points, year-on-year, attributable mainly to the decline in gross profit margin for servers and storage products and changes in the revenue mix.

In connection with the government and corporate market, the Company's effort to increase investment in the R&D and marketing of intelligent computing products was met with prominent results, as the government and corporate business seized opportunities arising from increasing investments in intelligent computing to report leaping revenue growth and become a core engine and driver for the Company's overall revenue growth. **In connection with server and storage,** the Company reported breakthrough progress for and substantial sales of its full range of intelligent computing servers in the domestic market as they met the intelligent computing requirements of leading Internet companies. Meanwhile, we sustained sizeable operations with large banks and insurance companies, while making breakthroughs in a number of key projects in the government and corporate market. In the international market, we deepened cooperation with Chinese enterprises engaged in overseas business development as well as local customers in the overseas, whilst establishing our presence in Asian and Latin American markets as we registered steady increase in market shares. **In connection with data centre switch,** our white-label switch continued to be put to large-scale commercial application in the Internet sector. In the financial sector we won the bid for the project of a major State-owned bank as the first-ranking supplier. In the electrical power sector we negotiated breakthrough in intelligent computing training cluster projects. **In connection with data centre support,** we were focused on high-value industry leaders in the domestic market, providing customised services to Internet companies while our proprietary products were shortlisted by major State-owned banks. In the international market, steady growth in business scale was reported as we continued to fortify our position in existing markets such as the Philippines and Indonesia, while successfully extending our reach to new markets such as Latin America, North Africa and Central Asia.

(3) Consumer business

For the first half of 2025, the Group's operating revenue from the consumer business amounted to RMB17,234,586 thousand, increasing by 7.59%, year-on-year, attributable mainly to the growth in revenue from handset products and cloud computers. Gross profit margin was 17.78%, reducing by 1.03 percentage points, year-on-year, attributable mainly to the decreased gross profit margin for home terminal.

The consumer business comprised mainly home terminal, handset, mobile Internet products and cloud computer. **In connection with home terminal,** we actively addressed market competition and maintained our leading position for FTTR products in the domestic market, as Wi-Fi 7 routers were put to commercial application by carriers. In the international market, we reported growth in market shares for Wi-Fi 7 routers in Europe, Latin America and Japan. **In connection with handsets and mobile Internet products,** we persisted in the strategy of innovation through differentiation and cost leadership for our handset products. Based on the "AI for All" product strategy and concept, new AI-powered products were launched in the domestic market including Flip 2, the first full-size foldable phone with embedded DeepSeek, Nubia Z70S Ultra Photographer Edition and Nubia Tablet Pro. In the international market, we started to market nubia Neo 3 Series, nubia Focus 2 Series and nubia Flip 2 Series. 5G FWA&MBB, our mobile Internet product, had maintained first ranking in global market share for four years in a row. **In connection with cloud computers,** as a pioneer in innovative cloud computer terminal, the Company enhanced its effort to expand in the financial and large-corporation sectors, while maintaining the largest market share in the domestic carrier market.

2.2.2.2 Expenses

Unit: RMB in thousands

Item	Six months ended 30 June 2025	Six months ended 30 June 2024[Note]	Year-on-year increase/ decrease
R&D costs	**12,664,812**	12,725,895	(0.48%)
Selling and distribution costs	**4,383,807**	4,166,612	5.21%
Administrative expenses	**2,130,082**	2,236,650	(4.76%)
Finance costs	**(444,697)**	46,305	(1,060.36%)
Income tax	**607,723**	566,793	7.22%

Note: As a result of change in accounting policy, selling and distribution costs for the six months ended 30 June 2024 was adjusted retrospectively, decreasing by RMB20,568 thousand from RMB4,187,180 thousand to RMB4,166,612 thousand for the six months ended 30 June 2024.

The Group's research and development costs for the first half of 2025 amounted to RMB12,664,812 thousand, decreasing by 0.48% year-on-year and largely at par with the same period last year, or by 2.67 percentage points to 17.70% as a percentage of operating revenue.

The Group's selling and distribution costs for the first half of 2025 amounted to RMB4,383,807 thousand, increasing year-on-year by 5.21% attributable mainly to the increased investment in marketing, and accounted for 6.13% of our operating revenue, a decrease by 0.54 percentage point year-on-year.

The Group's administrative expenses for the first half of 2025 amounted to RMB2,130,082 thousand, decreasing year-on-year by 4.76% attributable mainly to the improved management efficiency. As a percentage of operating revenue, administrative expenses decreased by 0.60 percentage point year-on-year to 2.98%.

The Group's finance costs for the first half of 2025 amounted to RMB-444,697 thousand, decreasing year-on-year by 1,060.36%, which reflected mainly the increase in net interest income for the period and exchange gain from exchange rate volatility for the period versus loss for the same period last year.

The Group's income tax for the first half of 2025 amounted to RMB607,723 thousand, increasing by 7.22%, year-on-year, reflecting mainly the increase in income tax expense for subsidiaries.

2.2.2.3 *Investment in research and development*

Unit: RMB in thousands

Item	**Six months ended 30 June 2025**	Six months ended 30 June 2024	Year-on-year increase/ decrease
Amount of R&D investment	**13,540,820**	13,428,930	0.83%
Including: Amount accounted for as expense	**12,664,812**	12,725,895	(0.48%)
Amount accounted for as capitalized	**876,008**	703,035	24.60%
R&D investment as a percentage of operating revenue	**18.92%**	21.49%	Decreased by 2.57 percentage points
Capitalised R&D investment as a percentage of R&D investment	**6.47%**	5.24%	Increased by 1.23 percentage points

2.2.2.4 *Other components in the profit mix*

Unit: RMB in thousands

Item	**Six months ended 30 June 2025**	Six months ended 30 June 2024	Year-on-year increase/ decrease
Other income	**1,792,903**	1,800,310	(0.41%)
Investment income	**150,909**	(183,125)	182.41%
Gains from changes in fair value	**159,402**	(416,539)	138.27%
Credit impairment loss (loss indicated as a negative value)	**(114,916)**	74,715	253.81%
Asset impairment loss (loss indicated as a negative value)	**(285,227)**	(600,582)	(52.51%)
Gains from asset disposal	**3,846**	67,365	(94.29%)
Non-operating income	**97,087**	35,078	176.77%
Non-operating expenses	**51,138**	35,411	44.41%

The Group's other income for the first half of 2025 amounted to RMB1,792,903 thousand, decreasing by 0.41% year-on-year, basically at par with the same period last year.

The Group's investment income for the first half of 2025 amounted to RMB150,909 thousand, increasing by 182.41% year-on-year which was attributable mainly to the increase in income from structured deposits and profit contribution from associates and joint ventures.

The Group's gains from changes in fair value for the first half of 2025 amounted to RMB159,402 thousand, increasing by 138.27% year-on-year, which was attributable mainly to the gain arising from closing fair-value revaluation of derivative contracts for the period versus loss for the same period last year.

The Group's credit impairment loss for the first half of 2025 amounted to RMB114,916 thousand, increasing by 253.81% year-on-year which was attributable mainly to the increase in impairment charge for trade receivables. The Group's asset impairment loss for the first half of 2025 amounted to RMB285,227 thousand, decreasing by 52.51% year-on-year which was attributable mainly to the decrease in provision for inventory impairment charged for the period.

The Group's gains from asset disposal for the first half of 2025 amounted to RMB3,846 thousand, decreasing by 94.29% year-on-year which was attributable mainly to the income from disposal of non-current assets for the same period last year.

The Group recorded non-operating income of RMB97,087 thousand for the first half of 2025, increasing by 176.77% year-on-year which was attributable mainly to the increase in non-operating income for the period.

The Group recorded non-operating expenses of RMB51,138 thousand for the first half of 2025, increasing by 44.41% year-on-year which was attributable mainly to the increase in non-operating loss for the period.

2.2.2.5 Cash flow

Unit: RMB in thousands

Item	**Six months ended 30 June 2025**	Six months ended 30 June 2024	Year-on-year increase/ decrease
Sub-total of cash inflows from operating activities	**78,227,584**	73,969,283	5.76%
Sub-total of cash outflows from operating activities	**76,928,176**	66,968,884	14.87%
Net cash flows from operating activities	**1,299,408**	7,000,399	(81.44%)
Sub-total of cash inflows from investing activities	**64,708,107**	26,301,631	146.02%
Sub-total of cash outflows from investing activities	**72,375,836**	37,685,028	92.05%
Net cash flows from investing activities	**(7,667,729)**	(11,383,397)	32.64%
Sub-total of cash inflows from financing activities	**58,957,973**	130,449,669	(54.80%)
Sub-total of cash outflows from financing activities	**54,875,251**	129,412,462	(57.60%)
Net cash flows from financing activities	**4,082,722**	1,037,207	293.63%
Net increase in cash and cash equivalents	**(2,285,056)**	(3,281,292)	30.36%

The Group's net cash flows from operating activities for the first half of 2025 decreased year-on-year, reflecting mainly the increase in cash paid for the purchase of goods and labour services. For the reasons underlying the difference between the net cash flow and net profit generated by the Group's operating activities for the first half of 2025, please refer to "Note V.59. Notes to Major Items in Cash Flow Statement to the Financial Statements" in this report.

The Group's net cash flows from investing activities for the first half of 2025 increased year-on-year, reflecting mainly the year-on-year decrease in the purchase of term deposit products for the period.

The Group's net cash flows from financing activities for the first half of 2025 increased year-on-year, reflecting mainly the increase in net borrowings for the period.

Cash and cash equivalents of the Group as of 30 June 2025 amounted to RMB25,741,361 thousand held mainly in RMB, with the remaining held in USD, EUR and other currencies.

2.2.2.6 *Assets and liabilities*

(1) Change in major assets and liabilities

Unit: RMB in thousands

Item	30 June 2025 Amount	30 June 2025 As a percentage of total assets	31 December 2024 Amount	31 December 2024 As a percentage of total assets	Year-on-year increase/ decrease as a percentage of total assets (percentage points)
Total assets	**216,310,325**	**100.00%**	207,323,230	100.00%	—
Currency cash	**39,470,343**	**18.25%**	43,885,348	21.17%	(2.92)
Trading financial assets	**14,460,985**	**6.69%**	13,768,781	6.64%	0.05
Trade receivables	**29,201,211**	**13.50%**	21,288,393	10.27%	3.23
Contract assets	**4,986,650**	**2.31%**	4,972,074	2.40%	(0.09)
Inventories	**42,056,940**	**19.44%**	41,257,657	19.90%	(0.46)
Other current assets	**12,199,180**	**5.64%**	8,899,348	4.29%	1.35
Debt investment	**29,586,919**	**13.68%**	25,068,445	12.09%	1.59
Investment properties	**99,045**	**0.05%**	99,045	0.05%	—
Investment in associates and joints	**2,340,069**	**1.08%**	2,333,836	1.13%	(0.05)
Property, plant and equipment	**13,812,275**	**6.39%**	14,178,419	6.84%	(0.45)
Construction in progress	**689,723**	**0.32%**	685,376	0.33%	(0.01)
Right-of-use assets	**1,412,397**	**0.65%**	1,551,573	0.75%	(0.10)
Short-term loans	**8,577,542**	**3.97%**	7,027,070	3.39%	0.58
Bills payable	**11,573,418**	**5.35%**	10,959,334	5.29%	0.06
Trade payables	**23,400,704**	**10.82%**	22,371,792	10.79%	0.03
Contract liabilities	**10,745,743**	**4.97%**	12,859,416	6.20%	(1.23)
Employee benefits payable	**15,411,897**	**7.12%**	16,991,686	8.20%	(1.08)
Non-current liabilities due within one year	**7,965,830**	**3.68%**	5,592,740	2.70%	0.98
Long-term loans	**46,358,614**	**21.43%**	44,058,915	21.25%	0.18
Lease liabilities	**946,641**	**0.44%**	972,943	0.47%	(0.03)

As at 30 June 2025, the Group recorded trade receivables amounting to RMB29,201,211 thousand, an increase by 37.17% compared to the end of last year, reflecting mainly the increase in domestic trade receivables with a short aging term for the period.

As at 30 June 2025, the Group recorded other current assets amounting to RMB12,199,180 thousand, an increase by 37.08% compared to the end of last year, reflecting mainly the increase in the purchase of fixed-income depositary receipts and credit tax available for set off for the period.

As at 30 June 2025, the Group recorded non-current liabilities due within one year amounting to RMB7,965,830 thousand, an increase by 42.43% compared to the end of last year, reflecting mainly the increase in long-term loans due within one year for the period.

For details of the Group's assets subject to restricted ownership or right of use, please refer to "Note V.23. Assets under restrictions on ownership or right of use to the Financial Statements" in this report.

(2) Change in property, plant and equipment

As at 30 June 2025, the carrying value of the Group's property, plant and equipment was RMB13,812,275 thousand, representing a 2.58% decrease compared to the end of last year, reflecting mainly the amount of amortization of property, plant and equipment for the period in excess of additional amounts for the period. Details of changes in property, plant and equipment are set out in "Note V.14. Property, plant and equipment to the Financial Statements" in this report.

(3) Assets and liabilities at fair value

Assets of the Group are stated at historical costs, except for derivative financial instruments, equity and debt investments at fair value through profit or loss, investment properties and receivables at fair value through other comprehensive income, which are measured at fair value. There was no material change to the measurement attributes of the principal assets of the Company during the first half of 2025.

Unit: RMB in thousands

Item	Opening balance	Gains/losses arising from fair value change for the Reporting Period	Cumulative fair value change dealt with in equity	Impairment charge for the Reporting Period	Amount purchased for the Reporting Period	Amount disposed of for the Reporting Period	Other change	Closing balance
Financial assets								
Including: 1. Trading financial assets (excluding derivative financial assets)	13,768,781	(14,528)	–	–	55,222,000	54,532,299	17,031	14,460,985
2. Derivative financial assets	173,439	65,146	–	–	–	–	3,825	242,410
3. Receivable financing	4,243,041	–	–	(2,431)	8,613,683	11,756,147	–	1,103,008
4. Other non-current financial assets	715,761	8,176	–	–	–	22,602	(718)	700,617
Sub-total of financial assets	18,901,022	58,794	–	(2,431)	63,835,683	66,311,048	20,138	16,507,020
Investment properties	99,045	–	–	–	–	–	–	99,045
Total	**19,000,067**	**58,794**	**–**	**(2,431)**	**63,835,683**	**66,311,048**	**20,138**	**16,606,065**
Financial liabilities	274,550	118,943	–	–	–	–	6,084	399,577

(4) Major overseas assets

☐ Applicable √ N/A

(5) Charges on assets

As at 30 June 2025, the carrying value of the Group's assets under charge was RMB552,217 thousand, which was applied mainly to acquire bank loans. For details, please refer to "Note V. 24. Short-term loans and 34. Long-term loans to the Financial Statements" in this report.

(6) Contingent liabilities

For details of the Group's contingent liabilities as at 30 June 2025 required to be disclosed under the Hong Kong Listing Rules, please refer to "Note XIII. 2 Contingent events to the Financial Statements" in this report.

2.2.2.7 Liquidity and capital structure

(1) Source and application of capital

In the first half of 2025, the Group's development funds were financed mainly by cash generated from its operations, bank loans, Super and Short-term Commercial Paper ("SCP") and medium-term note ("MTN") issues. The Group's cash requirements related primarily to production and operating activities, repayment of due liabilities, capital expenditure, interest and dividend payments and other contingent cash requirements. The Group has adopted a prudent capital management policy. For the first half of 2025, we reported a liquidity ratio and a quick ratio of 1.75 and 1.24, respectively. Sufficient funds are in place to meet its debt repayment obligations as due, capital expenditure and the requirements of normal production operations.

(2) Debt-equity ratio and the basis of calculation

Debt-equity ratio is calculated by dividing interest-bearing liabilities by the sum of interest-bearing liabilities and equity (including non-controlling interests).

The Group's debt-equity ratio as at 30 June 2025 was 47.4%, an increase by 3.1 percentage points as compared to 44.3% as at 31 December 2024.

(3) Analysis of debt

For the first half of 2025, the Group's debt comprised primarily long-term and short-term bank loans and SCPs and MTNs mainly settled in RMB, USD and EUR without any notable seasonality. As at 30 June 2025, the Group's bank loans in aggregate and the balance of MTNs amounted to RMB61,770,243 thousand and RMB4,377,055 thousand, respectively, which were applied mainly as working capital. All due debts had been settled. Bank loans, SCPs and MTNs subject to interests at fixed rates amounted to approximately RMB18,680,966 thousand, while the remaining portion was subject to floating interest rates, the main details of which are as follows:

Analysed by short-term/long-term

Unit: RMB in thousands

Item	**30 June 2025**	31 December 2024
Bank loan		
Short-term bank loans	**15,411,629**	11,475,033
Long-term bank loans	**46,358,614**	44,058,915
MTNs	**4,377,055**	1,004,880
Total	**66,147,298**	56,538,828

Short-term bank loans included short-term borrowings and long-term borrowings due within one year.

Analysed by security

Unit: RMB in thousands

Item	**30 June 2025**	31 December 2024
Bank loan		
Secured bank loans	**77,407**	112,850
Unsecured bank loans	**61,692,836**	55,421,098
Unsecured MTNs	**4,377,055**	1,004,880
Total	**66,147,298**	56,538,828

For details of the Group's bank loans and other borrowings as at 30 June 2025, please refer to "Note V. 24. Short-term loans, 26. Short-term bond payable, 33. Non-current liabilities due within one year, 34. Long-term loans and 35. Bonds payable to the Financial Statements" in this report.

During the Reporting Period, the loan agreements entered into by the Group did not contain any covenants relating to specific performance of the controlling shareholder of the Company. The Group was not in breach of any loan agreement for loans that had a material impact on the Group's business operation.

(4) Contractual obligations

As at 30 June 2025, the Group's total bank loans amounted to RMB61,770,243 thousand, increasing by RMB6,236,295 thousand compared to RMB55,533,948 thousand as at 31 December 2024, which was mainly applied towards working capital.

Unit: RMB in thousands

Item	**30 June 2025**	31 December 2024
Less than one year	**15,411,629**	11,475,033
Less than two years	**17,679,919**	14,272,614
Three to five years	**28,678,695**	29,786,301
Beyond five years	**—**	—
Total	**61,770,243**	55,533,948

(5) Capital expenditure

For the first half of 2025, the Group's capital expenditure amounted to RMB2,087,438 thousand, used mainly for purchase of equipment assets, capitalisation of R&D investment and construction of office buildings for its own use, compared to RMB2,357,420 thousand for the same period last year.

(6) Capital commitment

Capital commitment represented mainly contract amounts under the Group's contracts for acquisition and construction of long-term assets and investment in and establishment of associates and joint ventures of which performance had not yet been completed and which were not recognised in the financial statements.

Unit: RMB in thousands

Item	30 June 2025	31 December 2024
Contracted but not provided for		
Capital expenditure commitment	**3,206,440**	2,457,110
Investment commitment	**463,320**	463,320
Total	**3,669,760**	2,920,430

2.2.2.8 Shares

(1) Share capital and change

As at 30 June 2025, the total share capital of the Company was 4,783,534,887 shares (comprising 4,028,032,353 A shares and 755,502,534 H shares), unchanged compared to the end of the previous year.

(2) Repurchase, sale and redemption of securities

Neither the Company nor its subsidiaries repurchased, sold or redeemed any listed securities of the Company during the Reporting Period. The Company did not hold any treasury stocks.

2.2.2.9 Subsequent events

The Company published an announcement on 29 July 2025 in relation to the proposed issue of RMB3,584 million USD settled zero coupon H-share convertible bonds due 2030 under general mandate (the "Convertible Bonds") at an initial conversion price of HK$30.25 per H share (subject to adjustments). The issue of the Convertible Bonds was completed on 5 August 2025 and the Convertible Bonds were listed on the Hong Kong Stock Exchange on 6 August 2025. For details of the Convertible Bonds, please refer to the section headed "5.2 H-SHARE CONVERTIBLE BONDS" in this report.

2.2.3 Investment of the Group

(1) Equity investment

As at 30 June 2025, the Company's investment in associates and joints amounted to RMB2,340,069 thousand, representing a 0.27% increase compared to RMB2,333,836 thousand as at the previous year-end. Other equity investments amounted to RMB786,928 thousand, representing a decrease by 4.48% compared to RMB823,878 thousand as at the previous year-end, which was attributable mainly to the disposal of equity interests held in listed companies and non-listed companies by subsidiary fund partnership enterprises of ZTE Capital.

The Group did not acquire any material equity investments in subsidiaries, associates or joint ventures or conduct any material non-equity investments in the first half of 2025.

(2) Principal subsidiaries and investee companies

For the first half of 2025, net profit of Shenzhen Zhongxing Software Company Limited ("Zhongxing Software") accounted for more than 10% of net profit on the face of the Group's consolidated income statement.

Unit: RMB in thousands

Name of company	Corporate type	Principal operations	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Zhongxing Software	Subsidiary	Software development	51,080	18,118,534	3,649,306	11,380,598	1,148,995	1,146,632

For details of other subsidiaries, associates and joint ventures of the Group, please refer to "Note VIII. INTERESTS IN OTHER ENTITIES and Note XVI.5. Investment in associates, joints and subsidiaries to the Financial Statements" in this report. For details of the acquisition and disposal of subsidiaries by the Group in the first half of 2025 and its impact please refer to "Note VII. CHANGE TO THE SCOPE OF CONSOLIDATION to the Financial Statements" in this report.

(3) Structured entities under the control of the Company

There was no structured entity under the control of the Company within the meaning of "ASBEs No. 41 — Disclosure of Interests in Other Entities."

(4) Investment in securities

Details of shares in other listed companies held by the Group are as follows:

Unit: RMB in ten thousands

Stock code	Stock name	Initial investment	Book value at the beginning of the period	Gains arising from fair value change for the period	Cumulative fair value change accounted for in equity	Amount purchased for the Reporting Period	Amount disposed of for the Reporting Period	Gain/loss for the Reporting Period	Book value at the end of the period	Shareholding at the end of the period (10,000 shares)	Shareholding percentage at the end of the period
688630	Circuit Fabology[Note 1]	100.1	1,578.7	(1,478.5)	–	–	1,829.9	159.3	–	–	–
301587	Zhongrui[Note 1]	3,000.0	6,836.8	(820.9)	–	–	–	(722.5)	6,015.9	281.3	1.91%
600734	Start Group[Note 2]	–	2,396.2	219.0	–	–	–	219.0	2,615.2	948.2	0.44%
ENA:TSV	Enablence Technologies[Note 3]	3,583.3	501.7	(45.2)	–	–	–	(45.2)	456.5	79.2	4.13%
TRIO	Trikomsel Oke Tbk[Note 4]	256.0	–	–	–	–	–	–	–	1,827.1	0.07%
Total		**6,939.4**	**11,313.4**	**(2,125.6)**	**–**	**–**	**1,829.9**	**(389.4)**	**9,087.6**	**–**	**–**

Note 1: The Company and Changshu Changxing Venture Capital Management Co., Ltd., a wholly-owned subsidiary of Zhongxing Capital, held in aggregate 25.83% equity interests in Suzhou Zhonghe Chunsheng Partnership Investment Fund III (Limited Partnership) ("Zhonghe Chunsheng Fund III"). Zhonghe Chunsheng Fund III is the partnership reported in the consolidated financial statements of the Company. Figures corresponding to Circuit Fabology and Zhongrui are provided with Zhonghe Chunsheng Fund III as the accounting subject. The aforesaid shareholdings were measured at fair value and accounted for as trading financial assets. Investments in the aforesaid securities were funded by issue proceeds.

Note 2: Shenzhen Xingfei Technology Company Limited ("Xingfei") had been an investee company of the Company in which the Company had a 4.9% shareholding. In August 2015, Fujian Start Group Co., Ltd. ("Start Group") acquired the entire equity interests in Xingfei by way of cash and share issuance, in connection with which the Company received a consideration of RMB10 million in cash and 9,482,218 shares in Start Group, which were unlocked for listing on 14 June 2023. Such shares were measured at fair value and accounted for as trading financial assets.

Note 3: ZTE H.K. Limited ("ZTE HK"), a wholly-owned subsidiary of the Company, acquired a total of 95 million shares in Enablence Technologies in January 2015 and February 2016. Following the asset reorganisation and share consolidation of Enablence Technologies in 2021, ZTE HK held 791,700 shares in Enablence Technologies. Such shareholdings were measured at fair value and accounted for as other non-current financial assets. Investments in the aforesaid securities were funded by internal resources.

Note 4: PT. ZTE Indonesia ("ZTE Indonesia"), a wholly-owned subsidiary of the Company, held trade receivables with an amount of RMB2.56 million from its customer Trikomsel. Subsequently, Trikomsel underwent a debt restructuring and the court ruled to convert the aforesaid trade receivables into 18,271,000 Trikomsel shares, which are currently frozen by the Indonesia Stock Exchange. Such shares were measured at fair value and had a carrying value of zero as at the end of the period. They were accounted for as other non-current financial assets.

(5) Derivative trading

Exchange volatility risk and related hedge

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 and the volatility of exchange rates. Through ongoing enhancement of end-to-end exchange risk management throughout its business processes, the Group seeks to reduce exchange rate risk through the use of measures such as business strategic guidance, internal settlement management, financing mix optimisation and value-protected derivative products on exchange rates. The Group also strengthens liquidity risk management in countries practicing exchange control and facilitates RMB pricing and settlement for overseas projects to lower its exchange risks in the long term.

Derivative trading for the purpose of value protection

As considered and passed at the Forty-first Meeting of the Ninth Session of the Board of Directors of the Company held on 28 February 2025 and the 2024 Annual General Meeting held on held on 28 March 2025, the Group conducted derivative trading in foreign exchange derivatives for value-protection hedging purposes with its internal funds during the first half of 2025. Details are as follows:

Unit: RMB in ten thousands

Type of derivative trading	Initial trading amount	Opening balance[Note 1]	Fair-value gain/loss for the reporting period	Cumulative fair-value change included in equity for the reporting period	Investment gain	Amount purchased during the reporting period[Note 2]	Amount disposed of during the reporting period[Note 2]	Closing balance[Note 2]	Closing balance as a percentage of net assets at the end of the period[Note 2]
Foreign exchange derivative	–	3,218,368.6	(5,379.8)	–	(8,261.7)	10,676,964.9	9,897,742.7	3,997,590.8	53.42%

Item	Statement
Accounting policy and accounting audit principles	The Group accounted for its derivative trades in accordance with "ASBE No.22 — Recognition and measurement of financial instruments" and "ASBE No.24 — Hedge accounting".
Actual gain/loss for the first half of 2025 and effectiveness of value-protection hedging	The Group has recognised net gain of RMB145 million in aggregation after loss on derivative contracts used for hedging of RMB137 million and exchange gain for hedged items of RMB282 million for the first half of 2025. All derivative trades of the Group were aimed at hedging and value protection. The hedged items such as foreign exchange assets, foreign exchange liabilities and the hedging instruments were foreign exchange derivatives. The value movements in the hedge instruments effectively hedged the risk of value movements in the hedged item and basically achieved the expected goals in risk management.

II. Report of the Board of Directors

Item	Statement
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 Group recorded fair-value gain/loss from derivative trading included in profit or loss of RMB–54 million, investment gain of RMB–83 million and cumulative gain/loss from fair-value change included in equity of RMB0 for the first half of 2025. The calculation of the fair value was based on forward exchange rates quoted by Reuters on the balance sheet date in line with the maturity date of the product.
Risk analysis and control measures	1. Analysis of major risks: (1) Market risks: Gains or losses arising from the difference between the exchange rate for settlement of derivative trading 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 derivative. Effective gains or losses shall be represented by the cumulative gains or losses on revaluation on the maturity date; movements in the fair value of trade contracts provide a hedge against movements in the value of the corresponding risk assets, although there is still possibility that loss will be incurred. (2) Liquidity risks: The derivative trading was based on the budget of foreign exchange income and expenditure and foreign exchange exposure and these investments matched the actual foreign exchange income and expenditure to ensure sufficient fund for settlement on completion. Therefore, their impact on current assets was insignificant. (3) Credit risks: The counterparties of the derivative trading of the Group are financial institutions with sound credit ratings and long-standing business relationships with the Group therefore the transactions were basically free from performance risks. (4) Other risks: Failure of personnel in charge to operate derivative trading in accordance with stipulated procedures or fully understand information regarding derivatives in actual operation will result in operational risks; obscure terms in the trade contract will result in legal risks.

Item	Statement
	2. Control measures adopted for risk prevention The Group addressed legal risks by entering into contracts with clear and precise terms with financial institutions and strictly enforcing its risk management system. The Group 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.

Note 1: The opening balance represented the amount denominated in the original currency translated at the exchange rate prevailing at the end of the Reporting Period.

Note 2: The opening balance, closing balance, amounts of purchase and amounts of disposal for the Reporting Period are presented in the nominal principal amounts. Derivative trading incurred by the Group during the Reporting Period did not constitute discloseable transactions under Chapter 14 of the Hong Kong Listing Rules.

(6) Use of proceeds during the Reporting Period

☐ Applicable √ N/A

(7) Entrusted fund management

Subject to fulfillment of the Company's day-to-day working capital requirements, the Company utilises its internal funds to purchase financial products with a view to enhancing the efficiency of fund application and increasing investment gains from the Company's funds to procure higher returns for the Company and its shareholders.

Pursuant to the "Resolution on Proposed Application of Internal Funds in Entrusted Fund Management for 2025" considered and approved at the Forty-first Meeting of the Ninth Session of the Board held on 28 February 2025 and the 2024 Annual General Meeting of the Company held on 28 March 2025, it was approved that the Group be authorised to apply internal funds with a total amount of not more than RMB30 billion on a rolling basis for the subscription for financial products with a high level of security, good liquidity and a low/medium risk profile from financial institutions such as banks, securities companies and fund companies in 2025, whereby the transaction amount at any point of time during the period shall not exceed the aforesaid investment limit. The authorisation shall be effective for the period from the date on which the resolution was considered and approved at the 2024 Annual General Meeting of the Company to the date on which the 2025 Annual General Meeting of the Company is convened.

The Group applies its unutilised internal funds to entrusted fund management subject to assurance of its day-to-day operation and fund security, to the extent that the normal turnover of its day-to-day working capital requirements and the normal operation of its principal businesses are not affected. The Group conducts itself in strict accordance with the principle of prudent investment, choosing products issued by financial institutions with sound reputation, stringent risk control measures and the ability to safeguard fund security. The Group purchases financial products with a high level of security, good liquidity and a low/medium risk profile. Movements in the net value of such products are analysed and tracked on a real-time basis and relevant safeguarding measures are adopted in a timely manner whenever risks factors that might affect the Company's fund security are identified, in order to control investment risks and ensure fund security. The Company's Internal Audit Department is responsible for the audit of and supervision over its entrusted fund management activities whereby the operating process of fund management is subject to a vetting process.

Details of the financial products purchased by the Group during the Reporting Period are set out as follows:

Unit: RMB in ten thousands

Product type	Source of funds	Amount incurred[Note 1]	Outstanding balance	Overdue and unrecovered amount	Impairment amount provided for overdue and unrecovered financial products
Financial product	Internal funds	3,000,000	1,674,500	—	—
Total		**3,000,000**	**1,674,500**	**—**	**—**

Note 1: The amount incurred under entrusted fund management represents the maximum daily balance under a specific type of entrusted fund management during the Reporting Period, namely, the maximum value of the daily outstanding aggregate balance under such type of entrusted fund management during the Reporting Period.

Note 2: For the first half of 2025, the Group was not subject to any high-risk entrusted fund management with individually significant amounts, a low security level and poor liquidity, nor any default on principal repayment or conditions that might otherwise result in impairment.

As at 30 June 2025, the balance of the outstanding financial products purchased by the Group amounted to RMB16,745 million, accounting for 7.74% of the total assets of the Group. No financial products purchased from a single financial institution carried an outstanding balance (in aggregate) that exceeded 5% of the total asset value of the Group.

Other than the financial products disclosed in the announcements headed “DISCLOSEABLE TRANSACTION SUBSCRIPTION OF WEALTH MANAGEMENT PRODUCTS” published by the Company on 10 February 2025, 21 February 2025 and 30 April 2025, as at the date of publication of this report, no other financial products purchased by the Group constitute discloseable transactions under the provision of Rule 14.22 of the Hong Kong Listing Rules.

It is the intention of the Group to continue to purchase financial products with its unutilised internal funds in the future, subject to fulfilment of normal working capital requirements and assurance of funding security. The purchase of financial products does not have any material impact on the Group’s future operations.

(8) Plans for material investments or acquisition of capital assets

During the first half of 2025, the Group did not conduct material investment or acquisition of capital assets. The performance and prospects of the Group’s external investments have been disclosed in this chapter. The Group will arrange future plans for investment or acquisition of capital assets according to its strategic planning and the actual conditions of its operations.

(9) Material equity and asset disposal

The Group did not conduct any material equity disposal of subsidiaries, associates or joint ventures or material asset disposal during the first half of 2025.

2.2.4 Save as disclosed herein, there has been no material change in information compared to information disclosed in the 2024 Annual Report of the Company in relation to other matters required by Appendix D2 of the Hong Kong Listing Rules to be disclosed in an interim report. There were no other matters required to be disclosed in this report.

2.3 BUSINESS OUTLOOK AND RISK EXPOSURES FOR THE SECOND HALF OF 2025

The Group's business outlook and risk exposures for the second half of 2025 are set out in the following:

2.3.1 Business outlook for the second half of 2025

Looking to the second half of 2025, the Company will capitalise on market opportunities arising from the AI trend, to speed up development of its secondary-curve business represented by computing and handset on top of sustaining stable growth of market shares for its primary-curve business represented by wireless and wireline products in adherence to the principle of "seeking advancement while ensuring stability and pursuing innovation while assuring the principal business". The Company is confident that revenue will be back on a growth track and operations will remain stable for the full year of 2025.

In connection with **carrier's network,** in the domestic market, the Company will continue explore further potential in products for traditional networks of carriers. We will drive upgrades for 5G-A and 50G PON access, 400G OTN construction for provincial backbone networks and large-scale application of intelligent computing to facilitate upgrades of IP backbone network and metropolitan area network, as part of our effort to secure our basic business with domestic carrier networks by actively exploring new commercial models and opportunities from generational upgrades of new technologies. In the meantime, cooperation with carriers in computing network, cloud-network integration and intelligent network will be deepened, as we capitalise on opportunities presented by the transition of computing requirements from training to inference, while driving implementation of solutions for core products such as server and storage, data centre switch and data centre products. In the international market, the Company will remain committed to the major nations and big Ts strategy and procure sound operation with a special focus on its competitive products as it seizes opportunities presented by the modernisation and conversion of wireless networks and construction of optical networks.

In connection with **government and corporate business,** intelligent computing will remain the focus of investment for the Internet sector in view of the rapid development of AI applications. In the meantime, innovative substitution for IT applications and building of intelligent computing capabilities in the financial sector will be further expedited, whilst in the energy sector, digitalisation and intelligentisation of electric power supply will enter a new phase. In the transportation sector, high levels of investment will be sustained with the support of special treasury bonds with exceptionally long maturity. Focused on requirements of the aforesaid key sectors, the Company will: firstly, deepen strategic cooperation with leading customers in the Internet and financial sectors to drive large-scale application of products such as general-purpose computing, intelligent computing and innovative IT server, while deepening business deployment in key sectors such as power and transportation to further increase our market share for computing products; secondly, continue to drive the organisational agility model of "large enterprise-small teams" to improve our market response rate and customer service competence, while consolidating internal resources to foster consolidated strength; thirdly, seek resource sharing and complementary cooperation with openness and forge competitiveness for the ecospheric chain of the industry as a whole in joint effort with its partners.

In connection with the **consumer business**, the Company will seek breakthroughs in both the popular application and commercial value of technologies through the coordinated operation of its matrix of innovative products, such as AI home, AI handset, mobile Internet products and cloud computer, in line with its core strategy of "AI for All". In connection with home terminal, as the revolution in AI technology is shifting the traditional paradigm for smart home, the Company will expand its portfolio of AI home products and establish its business in the four principal categories of AI home network, AI home computing, AI intelligent home screen and AI home care robot to maintain its leading position in the market. In connection with handset and mobile Internet products, the Company will seek to realise synergies among its products, brand name and channels. In terms of products, competitive models will be launched on the back of technologies and innovative capabilities developed over the years. In terms of brand name, we will seek innovation through differentiation to enhance our brand reputation and influence. In terms of channels, we will continue to enhance our market through open channels and enlarge the scale of our marketing. In connection with cloud computer, we will seize opportunities arising from the rapid development of the market and leverage our first-mover advantage to expedite significant breakthrough in the carrier market, while actively expanding in the government and corporate sector to fortify our position in the industry.

In view of the historic opportunity presented by the latest cycle of technological revolution and industrial transformation, the Company will strive to achieve sound and sustainable long-term development and consistently deliver greater value to shareholders, customers and the society by solidifying its primary-curve business and driving its secondary-curve business whilst reinforcing the three major strategic cornerstones, namely "talent, compliance and internal control" with enhanced resilience in its endeavour to become a "leader in network connectivity and intelligent computing".

2.3.2 Risk exposures

(1) Country risks

Given the complex nature of international economic and political conditions and the presence of the Group's business and branch organisations in numerous countries and regions with differences in macro-economy, policy and regulation and political and social backgrounds, the Group will continue to be exposed to risks relating to laws and regulations, taxation, exchange rates and political developments (such as war and domestic unrest), which might affect the operations of the Group. For the possible impact of compliance risks on the operation of the Group, please refer to "Note XIII. COMMITMENTS AND CONTINGENT EVENTS 2. Contingent events 2.1 to the Financial Statements" in this report. The Group endeavours to ensure operational compliance through the establishment of a complete compliance management regime to identify and comply with the laws and regulations and trade and taxation policy requirements in the countries where it operates. We also work with professional third-party institutions to analyse and address country risks. For businesses operated in regions with higher assessed risk levels, we take out necessary export insurance and resort to financing means to reduce probable loss.

(2) Risks associated with AI technology

Against the backdrop of accelerated competition and transformation in industries worldwide as a result of breakthroughs in AI technologies, the Group is well aware of the potential risks associated with this development, while cherishing the opportunities it presented: firstly, the outcome of AI models might deviate from expectations, and the effectiveness of AI technological applications is subject to uncertainty. Secondly, the truthfulness and safety of AI-generated content represents a prominent issue and increasingly stringent regulatory measures are being introduced worldwide. To effectively address such risks whilst seizing the opportunity, the Group has included the development of AI technology in its long-term strategy. We will apply AI technologies in a prudent manner in areas such as product intelligentisation development, operational efficiency enhancement, customer service interaction and support for data-driven decision-making in accordance with the principle of responsible innovation and applying AI for good purposes. Meanwhile, we will enhance technological integration and risk control through vetting in accordance with technology-related ethical principles to ensure compliance of our AI applications with regulatory requirements, such that we will be able to seize opportunities for development in the context of technological transformation.

(3) Risk associated with intellectual property rights

The Group has always attached great importance to product technology research and development as well as the protection and management of intellectual property rights. Trademarks of the Group's products and services, "ZTE" or "ZTE中興", are all protected by trademark registration, and intellectual property right protection in various forms, including but not limited to application for patent right or copyright, has been adopted wherever possible in respect of such products and services. While the Group has adopted highly stringent measures to protect its intellectual property rights, potential disputes over intellectual property rights between the Group and other telecommunications equipment manufacturers, franchisee companies and carriers under partnerships with the Group cannot be entirely avoided. The Group will continue to drive the solution of related issues with an open-minded, cooperative and mutually beneficial approach.

(4) Exchange rate risks

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 and the volatility of exchange rates, which might affect the operations of the Group. The Group adopts ongoing measures to strengthen foreign exchange risk management covering the entire business process and seeks to minimize exposures through initiatives such as business strategic guidance, internal settlement management, financing mix design and value-protected derivative exchange instruments. The Group has also strengthened liquidity risk management in countries with foreign exchange difficulties and endeavoured to facilitate RMB pricing and settlement for overseas projects to lower its exchange risks in the long term.

(5) Interest rate risk

The interest rate risk of the Group is mainly associated with interest-bearing liabilities. Fluctuations in the interest rates of RMB or 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 through control over the total amount and structured management of its interest-bearing liabilities. The total amount of interest-bearing liabilities is matched with the funding requirements of the Group's operational development. Control over the total amount of interest-bearing liabilities is mainly achieved by improving the cash turnover efficiency and increasing the free cash flow of the Group. Structured management of interest-bearing liabilities is achieved mainly by way of comprehensive control of interest rate risks through a mixed portfolio of long-term/short-term domestic and overseas loans denominated in RMB or foreign currencies with fixed or floating interests, complemented by derivative instruments such as interest rate swaps, sought from a diverse range of low-cost financing channels in the global market taking into account the trends of market changes.

(6) Customer credit risk

The Group provides one-stop communications solutions to its customers. With the rapid expansion of its business, the Group is serving a large customer base with differing credit status, and its business will inevitably be affected by the varied credit profiles of these customers. The Group seeks to mitigate the aforesaid impact mainly by identifying and managing credit risks through the adoption of internal credit management measures, such as customer credit search, customer credit rating and award, customer credit limit management, overall risk control and credit control against customers with faulty payment records, and by transferring credit risks through the purchase of credit insurance and appropriate financial instruments.

III. Corporate Governance, Environmental Performance and Social Responsibility

In persistent adherence to the principle of sustainability, the Company has incorporated sustainable development into its corporate strategy and sought in-depth understanding of the demands of stakeholders to facilitate environmental, social and governance ("ESG") implementation with reference to critical issues of substance. In this chapter, discussions will be provided in relation to three aspects: corporate governance, environmental performance and social responsibility.

3.1 CORPORATE GOVERNANCE OVERVIEW

The Company reviews its corporate governance systems and regimes on a regular basis to seek ongoing improvements in its corporate governance structure in accordance with regulatory requirements of the Company Law of the People's Republic of China, Corporate Governance Standards for Listed Companies, Shenzhen Listing Rules and Hong Kong Listing Rules.

Amendments to the Company's Articles of Association, Rules of Procedure for General Meetings of Shareholders and Rules of Procedure for Board Meetings in accordance with the Guidelines for the Articles of Associations of Listed Companies issued by the CSRC were considered and approved at the First Extraordinary General Meeting of 2025 held on 24 April 2025, the main details of which are as follows:

The Company's Supervisory Committee has been dissolved and clauses relating to the Supervisory Committee in the Articles of Association shall be removed, and the duties and powers of the Supervisory Committee have been exercised by the Audit Committee instead. The position of an Employee Director to be appointed through democratic elections by the Company's staff shall be created. The Chinese term for "general meeting of shareholders", where expressed as "股東大會", shall be changed to "股東會" for consistency purposes. For details of amendments to the Article of Association, please refer to the "Circular of the First Extraordinary General Meeting of 2025" published by the Company on 9 April 2025. The latest version of the Articles of Association is available for inspection on the https://www.cninfo.com.cn, the website of Hong Kong Stock Exchange and the Company's website.

Currently, the Company has established a governance structure comprising the general meeting of shareholders, the Board of Directors and the management each of which fulfils its specific functions, as well as a "4+1" fulfillment platform under the Board, namely, the Audit Committee, Nomination Committee, Remuneration and Evaluation Committee and Export Compliance Committee plus the Independent Directors' Meeting to support efficient decision-making at the Board level. In particular, the Audit Committee of the Company has discussed the accounting standards and practices adopted by the Group with the management and reviewed and approved this report and the 2025 interim financial report of the Group.

The Company was in full compliance with the principles and code provisions contained in the Corporate Governance Code set out in Appendix C1 of the Hong Kong Listing Rules during the Reporting Period.

3.1.1 SHAREHOLDERS AND GENERAL MEETING OF SHAREHOLDERS

3.1.1.1 Shareholders

(1) Total number of shareholders

As at 30 June 2025, there were 499,891 shareholders (comprising 499,598 holders of A shares and 293 holders of H shares).

(2) Shareholdings of top 10 shareholders and top 10 shareholders that were not subject to lock-up

As at 30 June 2025, all shares held by the top 10 shareholders of the Company were shares not subject to lock-up, namely the shareholdings of the top 10 shareholders and the shareholdings of the top 10 shareholders not subject to lock-up were identical, the details of which are as follows:

Unit: Share

Name of shareholders	Nature of shareholders	Percentage of shareholdings	Total number of shares held as at the end of the Reporting Period	Class of shares	Increase/ decrease during the Reporting Period	Number of shares held subject to lock-up	Number of pledged, marked or frozen shares
1. Zhongxingxin Telecom Company Limited ("Zhongxingxin")[Note 1]	Domestic general corporation	20.09%	958,940,400 2,038,000	A share H share	– –	–	Nil
2. HKSCC Nominees Limited[Note 2]	Foreign shareholder	15.73%	752,333,979	H share	+11,698	–	Unknown
3. Hong Kong Securities Clearing Company Limited[Note 3]	Foreign corporation	1.84%	88,219,883	A share	–30,952,834	–	Nil
4. ICBC Limited – Huatai Pinebridge CSI 300 Traded Open-ended Index Securities Investment Fund	Others	1.20%	57,267,105	A share	+1,704,100	–	Nil
5. Central Huijin Asset Management Co. Ltd.	State-owned corporation	0.88%	42,171,534	A share	–	–	Nil
6. Hunan Nantian (Group) Co. Ltd.[Note 4]	State-owned corporation	0.87%	41,516,065	A share	–	–	Nil
7. CCB Limited – eFund CSI 300 Traded Open-ended Index Securities Investment Fund By Way of Promotion	Others	0.86%	40,912,240	A share	+2,548,500	–	Nil
8. Hexie Health Insurance Co.,Ltd. – Wanneng Product	Others	0.81%	38,796,600	A share	+28,580,000	–	Nil
9. ICBC Limited – Huaxia CSI 300 Traded Open-ended Index Securities Investment Fund	Others	0.63%	30,003,382	A share	+4,495,400	–	Nil
10. BOC Limited – Harvest CSI 300 Traded Open-ended Index Securities Investment Fund	Others	0.54%	25,857,376	A share	+1,690,400	–	Nil

Descriptions of any connected party relationships or concerted actions among the above shareholders	Zhongxingxin was neither a connected party nor a party of concerted action of any of the top 10 shareholders. Save for the above, the Company is not aware of any connected party relationships or concerted party relationships among the top 10 shareholders.
Description of the above-mentioned shareholders' delegated/entrusted voting rights and waiver of voting rights	N/A
Strategic investor or general corporation becoming a top 10 shareholder as a result of new share placing (if any)	N/A
Special statement on special repurchase account(s) maintained by the top 10 shareholders (if any)	N/A
Whether top 10 shareholders conducted any agreed repurchases during the Reporting Period	No
Statement on top 10 shareholders' involvement in financing and securities lending businesses (if any)	N/A

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

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 by 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).

Note 4: Information of this shareholder is extracted from the shareholders' register available from China Securities Depository and Clearing Corporation. Hunan Nantian (Group) Co. Ltd. has been merged by way of absorption by its controlling shareholder Hunan Telecom Industry Group Company Ltd.

Note 5: Save as disclosed above, the Company had no other corporate shareholders holding 10% or above of the Company's shares.

(3) Loan-out of stocks under securities refinancing by shareholders holding 5% shares or above, top 10 shareholders and top 10 holders of shares not subject to lock-up

☐ Applicable √ N/A

(4) Change versus the previous period as a result of loan-out/return under securities refinancing by top 10 shareholders and top 10 holders of shares not subject to lock-up

☐ Applicable √ N/A

(5) Controlling shareholder

Zhongxingxin is the controlling shareholder of the Company and there had been no change during the Reporting Period.

(6) Interests of substantial shareholders of the Company in shares and underlying shares required to be disclosed under the SFO and Hong Kong Listing Rules

As at 30 June 2025, the following shareholders held interests or short positions in 5% or more in various classes of shares of the Company, as shown in the share register maintained by the Company in accordance with Section 336 of the SFO:

Name	Capacity	Number of shares held	Shareholding as an approximate percentage (%) of[Note]	
			Total share capital	Class shares
Zhongxingxin	Beneficial owner	958,940,400 A shares (L)	20.05%(L)	23.81%(L)
Shenzhen Zhongxing WXT Equipment Company Limited	Interests of corporate controlled by you	958,940,400 A shares (L)	20.05%(L)	23.81%(L)
Xi'an Microelectronics Technology Research Institute	Interests of corporate controlled by you	958,940,400 A shares (L)	20.05%(L)	23.81%(L)
China Aerospace Electronics Technology Research Institute	Interests of corporate controlled by you	958,940,400 A shares (L)	20.05%(L)	23.81%(L)
China Aerospace Science and Technology Corporation	Interests of corporate controlled by you	958,940,400 A shares (L)	20.05%(L)	23.81%(L)
BlackRock, Inc.	Interests of corporate controlled by you	48,289,266 H shares (L) 5,469,400 H shares (S)	1.01%(L) 0.11%(S)	6.39%(L) 0.72%(S)
Capital Research and Management Company	Investment manager	38,410,000 H shares (L)	0.80%(L)	5.08%(L)

(L) — Long position; (S) — Short position

Note: Shareholdings as percentage of total share capital and relevant class of shares was calculated on the basis of the Company's total share capital of 4,783,534,887 shares, comprising 4,028,032,353 A shares and 755,502,534 H shares, as at 30 June 2025.

For details of shares or debentures held by the Directors, Supervisors and chief executives of the Company as at 30 June 2025, please refer to the section headed "3.1.3.2 Shareholdings by Directors, Supervisors and Senior Management" in this report. Save as disclosed above, as at 30 June 2025, so far as the Directors and chief executives of the Company are aware, no other person had an interest or short position in the shares and underlying shares of the Company that was required to be recorded in the register maintained pursuant to Section 336 of the SFO.

3.1.1.2 Shares

(1) Changes in Shareholdings

Unit: share

Class of shares	31 December 2024 Number of shares	Percentage	Increase/decrease as a result of the change during the Reporting Period (+, -) New issue	Bonus issue	Transfer from capital reserve	Others[Note]	Sub-total	30 June 2025 Number of shares	Percentage
I. Shares subject to lock-up	**658,643**	**0.01%**	**–**	**–**	**–**	**+13,633**	**+13,633**	**672,276**	**0.01%**
1. State-owned shares	–	–	–	–	–	–	–	–	–
2. State-owned corporate shares	–	–	–	–	–	–	–	–	–
3. Other domestic shares	–	–	–	–	–	–	–	–	–
Comprising: Domestic non-state-owned corporate shares	–	–	–	–	–	–	–	–	–
Domestic natural person shares	–	–	–	–	–	–	–	–	–
4. Foreign shares	–	–	–	–	–	–	–	–	–
Comprising: Foreign corporate shares	–	–	–	–	–	–	–	–	–
Foreign natural person shares	–	–	–	–	–	–	–	–	–
5. Shares held by Directors, Supervisors and senior management subject to lock-up	658,643	0.01%	–	–	–	+13,633	+13,633	672,276	0.01%
II. Shares not subject to lock-up	**4,782,876,244**	**99.99%**	**–**	**–**	**–**	**−13,633**	**−13,633**	**4,782,862,611**	**99.99%**
1. RMB ordinary shares	4,027,373,710	84.20%	–	–	–	−13,633	−13,633	4,027,360,077	84.20%
2. Domestic-listed foreign shares	–	–	–	–	–	–	–	–	–
3. Overseas-listed foreign shares (H shares)	755,502,534	15.79%	–	–	–	–	–	755,502,534	15.79%
4. Others	–	–	–	–	–	–	–	–	–
III. Total number of shares	**4,783,534,887**	**100.00%**	**–**	**–**	**–**	**–**	**–**	**4,783,534,887**	**100.00%**

Note: Lock-up or release of shares held by Directors, Supervisors and senior management on a prorate basis in accordance with pertinent domestic regulations.

(2) Changes in shares subject to lock-up

Unit: shares

No.	Name of shareholders subject to lock-up	Number of A shares subject to lock-up as at 31 December 2024	Number of A shares unlocked during the Reporting Period	Increase in the number of A shares subject to lock-up during the Reporting Period	Number of A shares subject to lock-up as at 30 June 2025	Reason for lock-up	Date of unlocking
1	Xie Daxiong	209,327	−52,275	+52,351	209,403	Shares held by Directors, Supervisors and senior management subject to lock-up	In accordance with Shenzhen Stock Exchange Self-disciplinary Regulatory Guide for Listed Companies No. 10 — Administration of Movements in Shares.
2	Xu Ziyang	126,000	–	–	126,000		
3	Wang Xiyu	104,275	–	–	104,275		
4	Xie Junshi	84,351	–	–	84,351		
5	Li Ying	71,625	–	–	71,625		
6	Xia Xiaoyue	38,195	–	+12,732	50,927		
7	Ding Jianzhong	24,870	–	–	24,870		
8	Li Buqing	–	–	+825	825		
	Total	**658,643**	**−52,275**	**65,908**	**672,276**		

Note: In accordance with relevant domestic regulations, shares in the Company held by former Supervisors Mr. Xie Daxiong and Ms. Xia Xiaoyue and former Director Mr. Li Buqing were subject to lock-up on a pro-rata basis.

(3) Issue and listing of securities

During the reporting period, the Company did not issue any equity securities or sell treasury shares for cash.

For details of the Company's issuance of SCPs and MTNs during the Reporting Period, please refer to the section headed "5.1 DEBT FINANCING INSTRUMENTS OF NON-FINANCIAL ENTERPRISES" in this report.

For details of the Company's issuance of H-share Convertible Bonds subsequent to the Reporting Period, please refer to the section headed "5.2 H-SHARE CONVERTIBLE BONDS" in this report.

The Company had no employees' shares or preferential shares.

3.1.1.3 Implementation of profit distribution

The "Profit Distribution Proposal for 2024" was considered and approved at the 2024 Annual General Meeting of the Company held on 28 March 2025. A dividend of RMB6.17 in cash (before tax) for every 10 shares was distributed based on the total share capital in issue of 4,783,534,887 shares as at the record date for profit distribution and dividend payment, equivalent to a total distribution amount of approximately RMB2.95 billion (before tax). The dividend payment was completed in April 2025.

The aggregate profit distribution of the Company in the form of cash in 2022–2024 of RMB8,110 million accounted for 94.19% of the annual average net profit attributable to the holders of ordinary shares of the listed company in the past three years of RMB8,610 million, in compliance with The Shenzhen Stock Exchange Guidance for Self-regulation of Listed Companies No. 1 — Regulated Operation of Companies Listed on the Main Board and provisions of the Articles of Association.

The Company did not introduce any adjustments or changes to its profit distribution policy during the Reporting Period.

The Company does not propose any profit distribution or conversion of capital reserve to share capital for the six months ended 30 June 2025.

3.1.1.4 Shareholder communication and investor reception

The general meeting of shareholders of the Company provides an opportunity for its Directors and senior management to engage with investors. Our Directors and senior management members attend the meetings on a best effort basis and answer shareholders' queries at such meetings. During the Reporting Period, the Company's 2024 Annual General Meeting was held on 28 March 2025 to consider and approve the 2024 Annual Report, 2024 profit distribution proposal and resolutions on the election of non-independent Directors of the Tenth Session of the Board of Directors and election of Independent Non-executive Directors of the Tenth Session of the Board of Directors, among others. For details, please refer to the "Announcement on Resolutions of the 2024 Annual General Meeting" published by the Company on 28 March 2025. The First Extraordinary General Meeting of 2025 was held on 24 April 2025 to consider and approve resolutions on the amendment of relevant clauses in the Articles of Association, Rules of Procedure for General Meetings of Shareholders and Rules of Procedure for Board Meetings and on the Provision of Guarantee Limits for the Subsidiary by the Company. For details, please refer to the "Announcement on Resolutions of the First Extraordinary General Meeting of 2025" published by the Company on 24 April 2025. The Directors and senior management of the Company attended the aforesaid meetings and were engaged in dialogue with the shareholders at such meetings.

Details of reception of investors by the Company in the first half of 2025:

Nature	Time	Location	Mode	Audience received	Key contents discussed	Information furnished
Results presentation	March 2025	Shenzhen	Live Internet broadcast & On-site meeting	Investors and securities analysts including Dacheng Fund, Southern Fund, Guosen Securities, Haitong Securities, Citibank, Tianfeng Securities, Nomura, China Merchants Securities, Zheshang Securities, CICC, China Securities, CITIC Securities	Annual results and operating conditions of the Company	Published announcements and regular reports
External meeting	January to June 2025	Shenzhen, Hangzhou and others	On-site meeting	Customers of Morgan Stanley, China Securities, BofA Securities, Citibank, Guangfa Securities, Kaiyuan Securities	Day-to-day operations of the Company	Published announcements and regular reports

3.1.2 BOARD OF DIRECTORS

As at the end of the Reporting Period, the Tenth Session of the Board of Directors of the Company comprised nine Directors, including one Executive Director Mr. Xu Ziyang; four Non-executive Directors Ms. Fang Rong (Chair), Mr. Yan Junwu, Mr. Zhu Weimin and Mr. Zhang Hong; three Independent Non-executive Directors Mr. Zhuang Jiansheng, Mr. Wang Qinggang and Mr. Tsui Kei Pang; and one Employee Director Ms. Li Miaona.

The Company's Independent Non-executive Directors account for not less than one third of the Board membership and are professionally qualified and bring extensive experience in the financial, legal and compliance aspects. The composition of the Board of Directors was in compliance with pertinent provisions of the Shenzhen Stock Exchange and Rule 3.10 (1) and (2) of the Hong Kong Listing Rules.

The Audit Committee of the Tenth Session of the Board of Directors of the Company comprises five members, including Independent Non-executive Directors Mr. Wang Qinggang (convenor), Mr. Zhuang Jiansheng and Mr. Tsui Kei Pang and Non-executive Directors Mr. Zhu Weimin and Mr. Zhang Hong. The composition of the Audit Committee was in compliance with the provisions of Rule 4.2.13 of the Shenzhen Listing Rules and Rule 3.21 of the Hong Kong Listing Rules.

3.1.3 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

3.1.3.1 Changes in Directors, Supervisors and senior management

(1) Election of a new session of the Board

At the 2024 Annual General Meeting of the Company held on 28 March 2025 and the First Meeting of the Tenth Session of the Board of Directors held on 31 March 2025, the election of a new session of the Board and the Chair, Non-executive Directors, Executive Directors and Independent Non-executive Directors was completed:

Ms. Fang Rong, Mr. Yan Junwu, Mr. Zhu Weimin and Mr. Zhang Hong were elected as Non-executive Directors of the Tenth Session of the Board of Directors with Ms. Fang Rong as Chair; Mr. Xu Ziyang was elected as Executive Director of the Tenth Session of the Board of Directors; Mr. Zhuang Jiansheng, Mr. Wang Qinggang and Mr. Tsui Kei Pang were elected as Independent Non-executive Directors of the Tenth Session of the Board of Directors. As the Rules Governing Independent Directors of Listed Companies of the CSRC provide that "an independent director shall not hold office at a listed company for more than six years in consecutive appointments", the term of Mr. Zhuang Jiansheng as Independent Non-executive Directors of the Company, which commenced on 19 June 2020, will conclude on 18 June 2026. Other Directors shall serve a term of three years commencing on 28 March 2025 and ending on 27 March 2028.

The Employee Representative Congress of the Company completed the election of the Employee Director on 23 May 2025 and Ms. Li Miaona was elected as Employee Director of the Tenth Session of the Board of Directors for a term commencing on 23 May 2025 and ending on 27 March 2028.

(2) Abolishment of the Supervisory Committee

At the Company's First Extraordinary General Meeting of 2025 held on 24 April 2025, amendments to the Articles of Association were considered and approved, pursuant to which clauses in the Articles of Association relating to the Supervisory Committee were removed and the Company ceased to operate with a Supervisory Committee. The term of the Ninth Session of the Supervisory Committee concluded on 24 April 2025.

(3) Appointment of senior management

At the First Meeting of the Tenth Session of the Board of Directors of the Company held on 31 March 2025, the appointment of senior management for a new term was considered and approved. Mr. Xu Ziyang was re-appointed as President of the Company, Mr. Wang Xiyu, Ms. Li Ying and Mr. Xie Junshi were re-appointed as Executive Vice Presidents of the Company, Ms. Li Ying was re-appointed as Chief Financial Officer of the Company and Mr. Ding Jianzhong was re-appointed as the Secretary to the Board of the Company for a term commencing on 31 March 2025 and ending on 27 March 2028.

III. Corporate Governance, Environmental Performance and Social Responsibility

3.1.3.2 Shareholdings by Directors, Supervisors and senior management

Name	Gender	Age	Title	Status of office	Term of office commencing on[Note 1]	Term of office ending on[Note 1]	Number of shares held at beginning of the Reporting Period (shares)	Increase in the number of shares held during the Reporting Period (shares)	Decrease in the number of shares held during the Reporting Period (shares)	Number of shares held at the end of the Reporting Period (shares)	Shareholdings as a percentage of Total share capital	Shareholdings as a percentage of A share
Directors of the Company												
Fang Rong	Female	60	Chair	Incumbent	3/2025	3/2028	–	–	–	–	–	–
Xu Ziyang	Male	52	Director and President	Incumbent	3/2025	3/2028	168,000	–	–	168,000	0.0035%	0.0042%
Yan Junwu	Male	56	Director	Incumbent	3/2025	3/2028	–	–	–	–	–	–
Zhu Weimin	Male	58	Director	Incumbent	3/2025	3/2028	–	–	–	–	–	–
Zhang Hong	Male	46	Director	Incumbent	3/2025	3/2028	–	–	–	–	–	–
Zhuang Jiansheng	Male	59	Independent Non-executive Director	Incumbent	3/2025	6/2026	–	–	–	–	–	–
Wang Qinggang	Male	54	Independent Non-executive Director	Incumbent	3/2025	3/2028	–	–	–	–	–	–
Tsui Kei Pang	Male	64	Independent Non-executive Director	Incumbent	3/2025	3/2028	–	–	–	–	–	–
Li Miaona	Female	50	Employee Director	Incumbent	5/2025	3/2028	–	–	–	–	–	–
Li Zixue	Male	61	Chairman	Left office	3/2022	3/2025	–	–	–	–	–	–
Gu Junying	Male	58	Director and Executive Vice President	Left office	3/2022	3/2025	–	–	–	–	–	–
Supervisors of the Company												
Xie Daxiong	Male	62	Chairman of Supervisory Committee	Left office	3/2022	4/2025	209,403	–	–	209,403	0.0044%	0.0052%
Xia Xiaoyue	Female	50	Supervisor	Left office	3/2022	4/2025	50,927	–	–	50,927	0.0011%	0.0013%
Li Miaona	Female	50	Supervisor	Left office	3/2022	4/2025	–	–	–	–	–	–
Jiang Mihua	Female	48	Supervisor	Left office	3/2022	4/2025	–	–	–	–	–	–
Hao Bo	Male	36	Supervisor	Left office	3/2022	4/2025	–	–	–	–	–	–
Senior management of the Company												
Wang Xiyu	Male	50	Executive Vice President	Incumbent	3/2025	3/2028	139,034	–	–	139,034	0.0029%	0.0034%
Li Ying	Female	47	Executive Vice President and Chief Financial Officer	Incumbent	3/2025	3/2028	95,500	–	–	95,500	0.0020%	0.0024%
Xie Junshi	Male	49	Executive Vice President	Incumbent	3/2025	3/2028	112,468	–	–	112,468	0.0023%	0.0028%
Ding Jianzhong	Male	48	Secretary to the Board of Directors	Incumbent	3/2025	3/2028	33,160	–	–	33,160	0.0007%	0.0008%
Total							**808,492**	**–**	**–**	**808,492**	**0.0169%**	**0.0201%**

Note 1: The term of appointment of the incumbent Directors commences and ends concurrently with the term of appointment of the Company's Directors with the Tenth Session of the Board of Directors; the term of appointment of the incumbent senior management commences and ends concurrently with the term of appointment of the Tenth Session of the Board of Directors. The terms of Mr. Li Zixue and Mr. Gu Junying, commencing and ending concurrently with the term of appointment of the Ninth Session of the Board of Directors, concluded on 28 March 2025. The term of appointment of the Supervisors commences and ends concurrently with the term of appointment of the Ninth Session of the Supervisory Committee.

Note 2: All shareholdings in the Company held by the Directors, Supervisors and senior management of the Company were A shares and no H shares were held by them. The Directors, Supervisors and senior management of the Company did not hold any equity interests in the subsidiaries of the Company.

Note 3: There was no financial, business, familial or other material/connected relationships among the Directors, Supervisors and senior management of the Company.

Save as disclosed above, as at 30 June 2025, none of the Directors, Supervisors and chief executives 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 (the “Model Code”) as set out in Appendix C3 to the Hong Kong Listing Rules.

Save as disclosed above, at any time up to and as at 30 June 2025, the Company had not entered into any other arrangements that allow the Directors, Supervisors or the chief executives of the Company, or their respective spouses or children under the age of 18 to benefit from the right to subscribe for the share capital or debentures of the Company or its associated corporations, nor had they exercise any such rights.

The Directors and Supervisors of the Company confirmed that the Company has adopted the Model Code. Upon due enquiry with all Directors and Supervisors of the Company, the Company is not aware of any information that reasonably indicates non-compliance with code provisions set out in the Model Code by any Director or Supervisor during the Reporting Period.

3.1.3.3 Offices held by Directors and senior management

The offices held by the current Directors and senior management at shareholders and other entities are set out as follows:

(1) Position held at shareholder unit

Name	Name of shareholder	Position with the shareholder	Commencement of term of office	Conclusion of term of office
Zhu Weimin	Zhongxingxin	Director	May 2024	May 2027
Zhang Hong	Zhongxingxin	Supervisor	July 2024	May 2027

Note: The term of appointment for the aforesaid personnel commences and ends concurrently with the eleventh session of the board of directors and supervisory committee of Zhongxingxin.

III. Corporate Governance, Environmental Performance and Social Responsibility

(2) Positions held at other entities

Name	Name of other entities	Position in other entities
Fang Rong	Zhongxing Development Company Limited	Director
	Xiazhi Technology Company Limited	Chair
	Held positions in 6 subsidiaries or investees of Zhongxing Development Company Limited including Shenzhen ZTE Yangfan Bio-Engineering Company Limited	Director
	Shenzhen ZTE International Investment Limited	Director
	Beijing United ZTE International Investment Limited	Director
	Hainan Lianhe Investment Partnership Enterprise (Limited Partnership)	Executive partner
Yan Junwu	China Aerospace Electronics Technology Research Institute	Deputy dean
	China Aerospace Times Electronics Limited	Director
Zhu Weimin	Shenzhen ZTE International Investment Limited	Chairman
	Held positions in 4 subsidiaries of Shenzhen ZTE International Investment Limited including Beijing United ZTE International Investment Limited	Chairman/director
	Shenzhen Zhongxing WXT Company Limited	Director
	Shenzhen Xinyu Tengyue Electronics Co., Ltd.	Director
	Hainan Xinghang Technology Co., Ltd.	Director
Zhang Hong	Shenzhen Aerospace Industrial Technology Research Institute Limited	Chief accountant, chief legal adviser, chief compliance officer
	CASIC Shenzhen (Group) Company Limited	Director, chief accountant
	Shenzhen Aerospace Industrial Technology Finance Co., Ltd.	Director
	Shenzhen Zhongxing Information Company Limited	Director
Zhuang Jiansheng	Shanghai Huiyue Law Firm	Partner
Wang Qinggang	Zhongnan University of Economics and Law	Professor/tutor to doctoral students at the school of accounting
	Anhui Hongyu Wuzhou Medical Manufacturer Co Ltd.	Independent director
	Wuhan SZY Biotech Joint Stock Co., Ltd.	Independent director
Tsui Kei Pang	Anthony Siu & Co.	Partner
	CIMC Enric Holdings Ltd.	Independent non-executive director
Li Miaona	Shenzhen Zhongxing Yihe Investment Development Company Limited	Chair
Wang Xiyu	Sanechips Technology Co., Ltd.	Chairman
	Beijing LeapRise Technology Co., Ltd.	Chairman
	ZTE Photonics Technology Co.,Ltd.	Chairman
	JINZHUAN Information Technology Co., Ltd.	Vice-chairman
	Beijing Leaplines Technology Co., Ltd.	Chairman
	Shanghai Puzhan Technology Co., Ltd.	Chairman
	Beijing XingYun Digital Technology Co., Ltd.	Chairman
	Beijing ZTE Digital Nebula Technology Co., Ltd.	Vice-chairman
	SHANGHAI SHENQI JI YUAN INTELLIGENT TERMINAL CO., LTD.	Chairman
Li Ying	ZTE Group Finance Company Limited	Chair
	ZTE (H.K.) Limited	Chair
	Shenzhen Caixing Management Consulting Co., Ltd.	Chair
	Sanechips Technology Co., Ltd.	Director
Xie Junshi	Shenzhen ZTE Technology & Service Company Limited	Chairman

Notes: Changes in positions held by the Directors and senior management:

1. Mr. Wang Qinggang has ceased to be independent director of Wuhan Xingtu Xinke Electronics Co., Ltd. as from March 2025.

2. Mr. Wang Xiyu has ceased to be chairman of Guangdong Zhongxing Newstart Technology Co.,Ltd. as from March 2025 and has been appointed as chairman of SHANGHAI SHENQI JI YUAN INTELLIGENT TERMINAL CO., LTD. with effect from March 2025.

3. Mr. Xie Junshi has been appointed as chairman of Shenzhen ZTE Technology & Service Company Limited with effect from July 2025.

3.1.3.4 Bases for determination of remuneration for Directors and senior management

Allowances for Directors are based on recommendations made to the Board of Directors by the Remuneration and Evaluation Committee of the Board of Directors with reference to the duties of Directors at the Company and markets levels represented by other listed companies in the same industry and determined upon consideration and approval by the Board of Director and the general meeting of shareholders.

The remuneration for senior management personnel is based on the results of their annual performance appraisals conducted by the Remuneration and Evaluation Committee and determined upon consideration by the Board of Directors.

3.1.3.5 Other information

For brief biographies of the Company's current Directors and senior management and Directors and Supervisors leaving office during the Reporting Period and other information, please refer to the 2024 Annual Report, Proposed Re-election and Appointment of Directors of the Tenth Session of the Board and Announcement Resolutions of the First Meeting of the Tenth Session of the Board of Directors published on 6 March 2025, 11 March 2025 and 31 March 2025, respectively, by the Company. Other than such disclosures and information disclosed in this chapter, no further disclosure of other information is required under Rule 13.51B(1) of the Hong Kong Listing Rules.

3.1.4 SHARE SCHEMES

During the Reporting Period, the Company did not have any A Share-related share schemes (such as share option schemes) under implementation and did not implement any H Share-related share schemes. The subsidiaries of the Company did not operate any share schemes required to be disclosed under Chapter 17 of the Hong Kong Listing Rules.

3.1.5 STAFF OF THE GROUP

As at 30 June 2025, the Group had 66,790 employees. For the Reporting Period, the aggregate amount of the Group's staff remuneration was approximately RMB16.9 billion. The remuneration package for the Group's employees includes salary, bonuses and allowances. Our employees are also entitled to accident insurance, business travel insurance, housing allowance, retirement and other benefits. In accordance with relevant regulations of countries where the employees are located, the Group also participates in social insurance plans organised by the relevant government authorities, under which the Group makes contributions towards each employee's social insurance fund in an amount equivalent to a specified percentage of his/her monthly salaries. Meanwhile, to develop a long-term incentive and check mechanism, the Group has adopted share option incentive schemes and a management stock ownership scheme in a timely manner to motivate the management and key personnel.

Staff training provided by the Group includes induction training, leadership training, job-specific business skill training and compliance training for all staff. Such training sessions are conducted in the forms of classroom lessons, public lectures, shared book studies, case discussion, themed seminars, sand table drilling and project assignments, as well as online learning or remote learning via PC or mobile terminals. Training programmes will be arranged for new employees upon their induction according to their job positions, and instructors will be assigned to provide supervision. In-service staff may take part in group training, workshops or project assignment organised by the Group based on their job requirements, qualifications required for various positions and aptitude assessment results, or engage in online and offline self-learning based on their personal career planning. For management officers, the Group provides a combination of online and offline training comprising reading groups, close-ended training, guided reading and online learning, among others.

3.1.6 IMPLEMENTATION OF ACTION PLAN TO ACHIEVE DUAL ENHANCEMENT IN PROFITABILITY AS WELL AS QUALITY

In response to and implementation of the guiding principle of the Political Bureau of the Central Committee calling for effort to "invigorate the capital market and boost investors' confidence" and that of the Executive Meetings of the State Council calling for "strong efforts to enhance the quality and investment value of listed companies and adopt more robust and efficient measures to stabilise the market and reassure confidence", and with a view to protecting the interests of all shareholders and procuring the sound and sustainable long-term development, the Company has formulated an action plan for achieving dual enhancement in profitability as well as quality (the "Action Plan"). For detailed measures of the Action Plan, please refer to the "Overseas Regulatory Announcements" published by the Company on 7 February 2024 and 28 March 2025, respectively.

In the first half of 2025, the Company vigorously implemented the Action Plan, as it persisted in R&D innovation to expedite development from "connectivity" towards "connectivity + computing" and strived to get back on track for revenue growth. Meanwhile, we conducted reviews of our corporate governance systems and regimes on a regular basis with ongoing standardisation, introduced amendments to our Articles of Association, Rules of Procedure for General Meetings of Shareholders and Rules of Procedure for Board Meetings. Our Independent Non-executive Directors duly played their role of "taking part in decision-making, providing supervision and checks and offering professional consultation". We fulfilled our obligations in information disclosure in strict accordance with regulatory rules for listed companies and improved our open, fair, transparent and multi-dimensional channel for investor communication. In active response to policy requirements with a strong emphasis on its own investment value, the Company formulated the "Market Value Management System" in accordance with regulatory requirements, which was considered and approved at the Forty-first Meeting of the Ninth Session of the Board of Directors held on 28 February 2025. In ongoing fulfillment of requirements under the "Market Value Management System", the Company emphasised return for investors and rewarded its investors by way of cash dividend. Profit distribution of approximately RMB2.95 billion in aggregate (before tax), representing 35% of the Company's net profit attributable to holders of ordinary shares of the listed company for 2024, was made according to the Company's 2024 profit distribution plan considered and approved at the 2024 Annual General Meeting. The Company's dividend distribution was completed in April 2025. The progress and effectiveness of the Company's Action Plan has been presented in this report.

3.2 ENVIRONMENTAL PERFORMANCE

The Company emphasizes deep integration of technological innovation with sustainable development as it strives to build the "Digital Shade Path" through four major aspects: green corporate operation, green supply-chain, green digital and intelligent bases and green industry empowerment.

In connection with **green corporate operation**, the Company seeks reduction of operating emissions at the boundaries of its corporate institutions and within its business premises. We advocate the corporate culture of low-carbon office and encourage cloud-based office and green travelling. With a special focus on units accounting for more significant percentages of energy consumption and carbon emission (such as R&D laboratories and production lines, among others), we consistently explore potentials for reducing emissions in new technologies, scenarios and models through in-house research as well as collaboration with third parties. Ongoing improvements were reported in the overall energy efficiency of our operations, underpinned by a cumulative year-on-year decrease in electricity consumption per unit of production by more than 10% for the first half of 2025.

In connection with **green supply chain**, the Company's practice comprises the end-to-end process of raw materials import, product manufacturing, product delivery, product recycling, processing and reuse. Taking into account external as well as internal conditions, we strive to construct the ZTE green supply chain in collaboration with our business partners through crucial measures such as energy conservation and carbon reduction training camps for suppliers, creation of templates for green materials in collaboration with logistics companies and customers and trials of new recycling and reuse models, in a joint effort to expedite green transformation across the supply chain at upstream as well as downstream segments.

In connection with **green digital and intelligent base**, the Company constructs ICT infrastructure with maximum efficiency through innovative technologies and solutions such as the new-generation proprietary low power consumption chip, deep sleep, smart shutdown and flexible power distribution with the aim of achieving the highest level in clean energy, ICT excellence and network intelligence, in order to supply green digital and intelligent bases to the industry and other public sectors that would reduce carbon footprints at all stages throughout the life cycle of its products.

In connection with **green industry empowerment**, we have continued to make in-depth explorations of crucial scenarios in digital life through the integration with traditional sectors of a range of sophisticated technologies, such as cloud network facilities, Internet of Things, Big Data and artificial intelligence, in order to further refine our Digital Nebula platform, a cutting-edge tool for empowering digital transformation, as we seek to facilitate green development across various industries so that business growth as well as goals in energy conservation and emission reduction could both be achieved.

One subsidiary of the Group was included in the list of enterprises required to disclose environmental information under the law, the details of which are described as follows:

Company name	Enquiry index for environmental information reports published in accordance with the law
ZTE (Nanjing) Company Limited	System for disclosure of corporate environmental information in accordance with the law (Jiangsu) http://ywxt.sthjt.jiangsu.gov.cn:18181/spsarchive-webapp/web/viewRunner.html?viewId=http://ywxt.sthjt.jiangsu.gov.cn:18181/spsarchive-webapp/web/sps/views/yfpl/views/yfplHomeNew/index.js

3.3 SOCIAL RESPONSIBILITY

In the first half of 2025, ZTE Charity Foundation was actively engaged in service relating to education assistance, medical relief, low-carbon and environmental protection initiatives as well as rural revitalisation in line with its vision of "goodwill reaching out to every corner", bringing into full play its role as a social welfare facilitator to drive sustainable development of the society.

In connection with the support of education, ZTE Charity Foundation continued to implement its education assistance system characterised by "financial aid + companionship for formative age + aptitude development" through the operation of "ZTE Education Assistance for China" and "ZTE Angel Education Assistance Programme". In the first half of 2025, direct financial assistance was provided to 1,107 underprivileged high-school students as we paid visits to 22 households of aided students in Gansu, Qinghai, Hunan, Shaanxi and Anhui. We organised 31 talks and 9 forums for students on the subjects of communication and psychology, serving more than 9,500 high-school students in aggregate. In the meantime, we continued to offer support for teenage growth through the delivery of more than 1,000 handwritten letters and the introduction of a new "Q&A for the Young" counselling column.

In connection with support for medical relief, ZTE Charity Foundation continued to enhance the Bright Babies retinopathy of prematurity (ROP) relief project, as a welfare relief programme for ROP child patients in Gansu Province was introduced in collaboration with No. 1 Hospital of Lanzhou University. Meanwhile, the "Multicentric Research on ROP in Low-temperature Regions" was launched with the aim of forming a qualitative expert consensus through clinical research to fill the void in research on ROP in low-temperature regions in China.

In connection with support for low-carbon environmental initiatives, ZTE Charity Foundation reported improvements in terms of both green public welfare development and staff participation. Our volunteers' team participated in the forestation initiatives at the forest sites in Xiaobazixiang, Fengning in Hebei and Baihuahe, Yichun in Heilongjiang, planting a total of 19,830 treelings of Mongolica Scotch Pine and Korean Pine to create 435.54 mu of green land, driving structural and functional enhancement of the ecosystem. Meanwhile, a survey and investigation exercise on beast and avian diversity was launched in partnership with College of Wildlife Resources of Northeast Forestry University to provide support in terms of scientific data for the multi-functional sustainable maintenance of forests.

In connection with rural revitalisation, ZTE Charity Foundation conducted itself in active response to the actual needs of rural areas. In addition to ongoing charitable donation initiatives, we hosted for the first time a special activity in the Greater Bay Area under the "Rural Revitalisation and Innovation Forum" with a special focus on the two critical areas of "assistance through technology" and "assistance in consumer spending". Innovative pathways for rural revitalisation were explored through the presentation of typical cases in assistance (covering directions for implementation such as smart agriculture, digital infrastructure and manufacturing — marketing matching) to contribute to the driving force for rural development.

In connection with staff voluntary services, we had 18,682 staff volunteers who had served for 48,290.5 hours as at the end of June 2025. During the first half of 2025, 244 sessions of voluntary services were organised with 4,244 volunteers participating. Through themed activities such as "Charity Run", "Protecting the Mountain Flowers", "Do Something for My Homeland" and "International Blood Donation Day", social needs were met with precision in a positive interaction between corporate resources for charitable causes and community needs.

IV. Material Matters

The Group's material matters during the first half of 2025 included litigation and arbitration, connected transactions, third-party guarantees and performance of undertakings, the details of which are set out as follows:

4.1 MATERIAL LITIGATION AND ARBITRATION

In the first half of 2025, the Group did not incur any material litigation or arbitration as defined under the Shenzhen Listing Rules and Hong Kong Listing Rules. For the benefit of sufficiency in information disclosure, the Group's non-material litigation and arbitration proceedings are set out as follow:

On 7 July 2025, Hengyang Jinliuyuan Real Estate Development Co., Ltd ("Jinliuyuan") filed a lawsuit with Zhengxiang District People's Court, Hengyang ("Zhengxiang Court") in relation to a contract for cooperation in real estate development. Hunan ZICT Technology Co., Ltd. ("Hunan ZICT") was named as defendant and Hengyang ICT Real-Estate Co., Ltd., Hunan Southern China Manufacturing Group Co., Ltd and Hengyang Jinyu Real Estate Co., Ltd were named as third parties. Jinliuyuan petitioned that the "Agreement for Cooperation in Project Development" and "Supplemental Agreement" previously entered into be ruled to be rescinded and that Hunan ZICT be ruled to make a repayment to Jinliuyuan of cash cooperation funds, funds invested in infrastructure construction and losses and projected interest loss, among others, amounting to approximately RMB300 million in aggregate.

On 11 July 2025, Zhengxiang Court ruled that properties under the name of Hunan ZICT shall be frozen and seized up to a limit of RMB200 million. On 15 July 2025, Hunan ZICT was served with documents including a civil complaint, a summons and a notice of action.

The aforesaid case will not have any material adverse impact on the financial conditions and operating results of the Group for the current period.

4.2 MATERIAL CONNECTED TRANSACTIONS

Material connected transactions of the Group as defined under Shenzhen Listing Rules are set out as follows:

In the first half of 2025, the Group did not enter into any material connected transactions with a single connected party with an aggregate transaction amount of over RMB30 million and representing more than 5% of the Company's latest audited net assets. The Group had no significant connected transactions arising from acquisitions or disposals of assets or equity interests, nor connected transactions involving joint investment in third parties, nor creditors or debtors with connected parties of a non-operating nature, nor any connected financial companies. In the first half of 2025, there were no deposits, lending, credit facilities or other financial transactions between the financial company controlled by the Company and connected parties.

IV. Material Matters

Details of the Group's connected transactions with connected parties in the ordinary course of business in the first half of 2025 as considered and approved by the Board are set out as follows:

RMB in ten thousands

Counterparty	Nature of connection	Subject matter	Price	Transaction limit for 2025 approved by the Board	Transaction amount in the first half of 2025	As a percentage of similar transactions (%)
Zhongxingxin and its subsidiaries and companies in which it held equity interests of 30% or above	Controlling shareholder of the Company and its subsidiaries and companies in which it held equity interests of 30% or above	Purchase of raw materials by the Company from the connected party	Cabinets: RMB1-RMB50,000 per unit; cabinet accessories: RMB1–10,000 per unit; antenna poles: RMB200–2,000 per unit; metallurgical press tools and moulds: RMB0.5–30,000 per set; solar power spart part: RMB10–120,000 per set; FPC, R-FPC and components: RMB0.5–100 per piece; LiFePO4 battery: RMB8,500 per unit; battery accessories: RMB500–1,000 per unit; wiring equipment: RMB50–400 per unit; optical patch cord: RMB0–3,000 per unit; optical cable components: RMB0–500 per unit; laser flange and optical coupler: RMB0.2–4,000 per unit; robot: RMB10,000–300,000 per set; industrial cameras: RMB5,000–200,000 per unit; industrial light source: RMB1,000–100,000 per set; graphic processing controllers: RMB5,000–150,000 per set; industrial light source controller: RMB500–50,000 per set; visual processing system: RMB2,000–600,000 per set; motion control system: RMB2,000–200,000 per set; industrial temperature test system: RMB10,000–200,000 per set; data collection system: RMB50,000–5,000,000 per set; smart patrolling system: RMB50,000–1,000,000 per set; smart factory construction sub-system: RMB100,000–1,000,000 per set; edge controller: RMB2,000–50,000 per set; intelligent quality management cloud platform: RMB100,000–1,000,000 per set.	40,000	12,339.0	0.27%
Huatong Technology Company Limited ("Huatong Technology")	Company Chair Ms. Fang Rong acted as director of ZTE Development Company Limited, parent company of Huatong Technology	Purchase of personnel hiring and project outsourcing services by the Company from the connected party	Special-grade engineer ranging from RMB693–1,350 per head/day; supervisory engineer ranging from RMB560–1,029 per head/day; senior engineer ranging from RMB397–867 per head/day; common engineer ranging from RMB350–633 per head/day; technician ranging from RMB292–475 per head/day.	8,500	3,128.4	17.56%
Nanchang Zhongzhan Digital and Smart Technology Company Limited ("Zhongzhan Digital")	Company Chair Ms. Fang Rong acted as director of ZTE Development Company Limited, parent company of Zhongzhan Digital	Purchase of personnel hiring and project outsourcing services by the Company from the connected party	Special-grade engineer ranging from RMB693–1,350 per head/day; supervisory engineer ranging from RMB560–1,029 per head/day; senior engineer ranging from RMB397–867 per head/day; common engineer ranging from RMB350–633 per head/day; technician ranging from RMB292–475 per head/day.	9,700	3,349.0	18.80%
航天歐華信息技術有限公司 ("航天歐華")	Company Director Mr. Zhang Hong acted as chief accountant of Shenzhen Aerospace Industrial Technology Research Institute Limited, and 航天歐華 had previously been a subsidiary of Shenzhen Aerospace Industrial Technology Research Institute Limited during the past 12 months	Sale of full range of government and enterprise products by the Company to the connected party	Based on market prices and not lower than prices at which similar products of similar quantities were purchased by third parties from the Company, taking into consideration factors relating to the specific transactions such as conditions of the projects, size of transaction and product costs.	120,000	11,338.4	0.59%

The aforesaid connected parties were able to manufacture products required by the Group and provide quality products and services at competitive prices. The Company considers trustworthy and cooperative partners as very important and beneficial to the Group's operations. The Group was not dependent on the connected parties and the connected transactions incurred would not affect the independence of the Group.

Connected parties from which the Company made purchases were selected through the Company's accreditation and bidding or negotiation procedures. Prices at which the purchase orders were entered into by the two parties were determined through arm's length negotiations and on the basis of normal commercial terms. Transaction prices at which products and services were sold and provided by the Group to connected parties were based on market prices and were not lower than prices at which similar products and services of similar quantities were purchased by third parties from the Group, taking into consideration of factors relating to the specific transactions such as conditions of the projects, size of transaction and product costs.

4.3 MATERIAL CONTRACTS AND THEIR PERFORMANCE

In the first half of 2025, the Group did not have any trust, contract management or lease of a material nature, entrusted loans, loans to third parties or financial assistance or guarantee for associates or joint ventures. Third-party guarantees provided by the Group in the first half of 2025 are as follows:

(1) Overview of guarantee for third parties

As at 30 June 2025, the balance of the Group's third-party guarantee amounted to approximately RMB2,696,680,700, accounting for 3.60% of the Company's net assets attributable to holders of ordinary shares in the listed company as at 30 June 2025. Guarantee provided for parties with a gearing ratio of over 70% amounted to RMB719,438,900. There was no guarantee for connected parties or guarantee in violation of regulations. An overview of the third-party guarantees is set out as follows:

Unit: RMB in ten thousands

	Guarantee approved during the Reporting Period	Guarantee incurred during the Reporting Period	Guarantee approved at the end of the Reporting Period	Balance of actual guarantee at the end of the Reporting Period
Provide to third parties outside the Group	—	—	—	—
Provided by the Company on behalf of subsidiaries	1,863,836.00	205,917.17	2,349,052.59	252,615.76
Provided by subsidiaries on behalf of fellow subsidiaries	89,607.50	17,052.31	89,607.50	17,052.31
Total	**1,953,443.50**	**222,969.48**	**2,438,660.09**	**269,668.07**

IV. Material Matters

(2) Details of third-party guarantee

Guaranteed party	Date of domestic announcement	Amount guaranteed	Date incurred	Actual amount guaranteed	Type of guarantee	Duration	Whether completed
1. Guarantee provided to third parties outside the Group: Nil							
2. Provided by the Company on behalf of subsidiaries							
PT. ZTE Indonesia	19 February 2021	USD40 million	30 June 2021	USD40 million	Joint liability guarantee	Commencing on the date of issuance of the guarantee letter of the Company and ending upon the date on which performance of obligations of ZTE Indonesia under the "Equipment Purchase Contract" and "Technical Support Contract" is completed	No
		IDR400 billion	30 June 2021	IDR400 billion	Joint liability guarantee	Effective term of 3 years and 6 months or the date on which performance of obligations of ZTE Indonesia under the "Equipment Purchase Contract" and "Technical Support Contract" is completed, whichever is later	No
PT. ZTE Indonesia	11 October 2022	IDR8,100 million	4 November 2022	IDR8,100 million	Joint liability guarantee	Commencing on the date of issuance of the guarantee letter of the Company and ending upon the date on which performance of obligations of ZTE Indonesia under the "Private Network Equipment Purchase and Technical Support Contract" and "Agricultural Network Equipment Purchase and Technical Support Contract" are completed	No
ZTE France SASU	14 December 2011	EUR10 million	N/A	–	Assurance	From maturity to the date on which performance of obligations of ZTE France under the "SMS Contract" and "PATES Contract" expires or terminates (whichever is later)	N/A
9 overseas subsidiaries involved in the MTN Group project[Note 1]	1 March 2025	USD100 million	N/A	–	Joint liability guarantee	Commencing on the date of issuance of the certificate of guarantee to MTN Group and ending upon the date on which the "Framework Agreement" terminates	N/A
CRS Technology Co., Ltd.	25 June 2022	USD500 million	27 June 2022	USD275,819,800	Joint liability assurance	Commencing on the date on which the letter of guarantee comes into effect and ending upon on the conclusion of a consecutive 2-year period during which CRS has not ordered any manufacturing service from the supplier with no due and outstanding debt payment.	No
ZTE Kangxun Telecommunications Ltd.[Note 2]	8 April 2025	USD1,500 million	15 May 2025	USD11,429,000	Joint liability assurance	Commencing on the date on which the letter of guarantee comes into effect and ending upon on the cessation of ZTE Kangxun's purchases from the supplier with no due and outstanding debt payment.	No
3. Provided by subsidiaries on behalf of fellow subsidiaries							
Netaş Bilişim Teknolojileri A.Ş.[Note3]	1 March 2025	USD70 million	Note 3	USD9,349,600	Joint liability guarantee	Ending on the date on which the repayment of debt relating to the guarantee is completed.	No
BDH Bilişim Destek Hizmetleri Sanayi ve Ticaret.A.Ş.[Note 3]	1 March 2025	USD15 million	Note 3	USD1,858,500	Joint liability guarantee	Ending on the date on which the repayment of debt relating to the guarantee is completed.	No
NETAŞ TELEKOMÜNİKASYON A.Ş.[Note 3]	1 March 2025	USD25 million	Note 3	USD12,502,700	Joint liability guarantee	Ending on the date on which the repayment of debt relating to the guarantee is completed.	No
Netaş Telecom Limited Liability Partnership[Note 3]	1 March 2025	USD5 million	Note 3	USD76,700	Joint liability guarantee	Ending on the date on which the repayment of debt relating to the guarantee is completed.	No

Note 1: As considered and approved at the Forty-first Meeting of the Ninth Session of the Board of Directors of the Company and the 2024 Annual General Meeting, the provision of performance guarantee of no more than USD100 million in aggregate in respect of obligations under the Framework Agreement of 9 subsidiaries involved in the MTN Group projects. As at the end of the Reporting Period, the aforesaid guarantee had yet to come into effect.

Note 2: As considered and approved at the Second Meeting of the Tenth Session of the Board of Directors of the Company, the provision of guarantee line of no more than USD1,500 million in respect of the procurement business of ZTE Kangxun Telecommunications Ltd. ("ZTE Kangxun"). On 15 May 2025, the Company issued a letter of guarantee to the supplier with a guarantee amount of USD1,500 million for a term commencing on the date on which the letter of guarantee comes into effect and ending upon on the cessation of purchases by ZTE Kangxun from the supplier with no due and outstanding debt payment. As at the end of the Reporting Period, the actual guarantee amount was USD11,429,000.

Note 3: As considered and approved at the Forty-first Meeting of the Ninth Session of the Board of Directors of the Company, the 2024 Annual General Meeting and the Netaş board of directors, it was approved that a reciprocal joint-liability guarantee would be effected among Netaş and its subsidiaries in respect of composite credit facilities sought from financial institutions for an amount of not more than USD115 million. Each of the guaranteed entity shall apply to the financial institution for credit facilities, including loan, guarantee letter and reverse supply-chain financing, for a valid period commencing on the date on which the resolution was considered and approved at the 2024 Annual General Meeting and ending on the date on which the 2025 Annual General Meeting will be convened. Netaş and BDH shall provide credit guarantee for Netaş Bilişim within the guarantee limit. As at the end of the Reporting Period, the balance of actual guarantee was USD9,349,600. Netaş and Netaş Bilişim shall provide credit loan guarantee for BDH within the guarantee limit. As at the end of the Reporting Period, the balance of actual guarantee was USD1,858,500. Netaş Bilişim shall provide credit loan guarantee for Netaş within the guarantee limit. As at the end of the Reporting Period, the balance of actual guarantee was USD12,502,700. Netaş shall provide credit loan guarantee for Netaş Telecom Limited Liability Partnership within the guarantee limit. As at the end of the Reporting Period, the balance of actual guarantee was USD76,700.

Note 4: As considered and approved at the Forty-first Meeting of the Ninth Session of the Board of Directors of the Company and the 2024 Annual General Meeting, the provision of sales business performance guarantee line of no more than USD600 million in aggregate for 8 subsidiaries and procurement business performance guarantee line of no more than USD500 million in aggregate for 2 subsidiaries and ZTE Kangxun by the Company was approved. The computations of the total amount of guarantee provided by the Company on behalf of subsidiaries approved during the Reporting Period and the total amount of guarantee provided by the Company on behalf of subsidiaries approved as at the end of the Reporting Period included the aforesaid USD1,100 million guarantee line in aggregate. The provision of sales business performance guarantee line of no more than USD10 million by Netaş for its subsidiary Netaş Bilişim was approved. The computations of the total amount of guarantee provided by subsidiaries on behalf of fellow subsidiaries approved during the Reporting Period and the total amount of guarantee provided by subsidiaries on behalf of fellow subsidiaries approved as at the end of the Reporting Period included the aforesaid USD10 million guarantee line in aggregate. As at the end of the Reporting Period, the aforesaid guarantee amount had yet to be applied.

Note 5: No guarantee liability or potential joint repayment liability has been incurred during the Reporting Period in relation to the outstanding guarantees.

Note 6: The guarantee amounts were translated at the book exchange rates of the Company as at 30 June 2025: USD1:RMB7.1686; EUR1:RMB8.402; IDR1:RMB0.00044166.

4.4 PERFORMANCE OF UNDERTAKINGS

Undertakings of the controlling shareholder of the Company are set out as follows:

(1) Undertaking to avoid competition in same business

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

During the first half of 2025, the undertaking was under normal performance and there was no instance of non-completion of the performance of undertaking after the end of the relevant period.

(2) Undertaking on sell-down of shares

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

During the first half of 2025, the aforesaid undertaking was under normal performance and there was no instance of non-completion of the performance of undertaking after the end of the relevant period.

4.5 APPROPRIATION OF NON-OPERATING FUNDS AND CREDIBILITY

During the first half of 2025, there was no appropriation of non-operating capital of the Company by the controlling shareholder and other connected parties. The Company and its controlling shareholder had no unfulfilled obligation ascertained by valid legal documents issued by the court or due and outstanding debt of a substantial amount.

4.6 PUNISHMENT AND RECTIFICATION

During the first half of 2025, there was no enforcement and criminal punishment in accordance with the law on alleged crimes, case investigation by CSRC or administrative penalty by CSRC or material administrative penalty by other competent authorities for alleged violations of laws and regulations, detainment for alleged material violations of discipline and law or crime in office by disciplinary authorities affecting the performance of their duties, or enforcement by other competent authorities for alleged violation of laws and regulations affecting the performance of their duties against the Company, its Directors, Supervisors, senior management or controlling shareholder.

4.7 OTHER MATERIAL MATTERS

The 2024 financial report of the Group has been audited by Ernst & Young Huaming LLP, who has furnished a standard audit report without qualified opinion. The interim financial report for 2025 is unaudited. Therefore the Board of Directors is not required to furnish any statement pertaining to “non-standard audit report”.

The Company did not dismiss or change its accounting firm, nor was it subject to bankruptcy or reorganisation in the first half of 2025. Save as matters disclosed in this report, there were no other discloseable material matters occurring to the Company or its subsidiaries or material social security issues that remained undisclosed.

V. Information on Bonds

Information on the bonds issued by the Company are set out as follows:

5.1 DEBT FINANCING INSTRUMENTS OF NON-FINANCIAL ENTERPRISES

As considered and approved at the General Meeting of the Company, it was approved that the Company would seek the consolidated registration with the National Association of Financial Market Institutional Investors ("NAFMII") for issuance of multiple types of debt financing instruments, including SCPs, short-term commercial paper, MTNs, perpetual note and asset-backed note. NAFMII has accepted the Company's registration of multiple types of debt financing instruments as aforesaid. The Company has issued SCPs and MTNs notes during the effective term of registration without further application.

During the Reporting Period, 21 tranches of SCPs issued by the Company for an aggregate issue amount of RMB26.5 billion had been repaid upon maturity. The 4 tranches of MTNs issued by the Company for an aggregate issue amount of RMB3,350 million had yet to mature. There were no debt financing instruments which had been issued prior to and were due during the Reporting Period.

Information on the Company's SCPs and MTNs issued and outstanding as at the date of this report is set out as follows:

Unit: RMB100 million

Bond name	Bond abbreviation	Bond code	Issue date	Accrual date	Maturity date	Bond balance	Interest rate
2024 Tranche I MTN (Sci-Tech Innovation Note)	24中興通訊MTN001 (科創票據)	102483530	14 August 2024	16 August 2024	16 August 2029	5	2.25%
2024 Tranche II MTN (Sci-Tech Innovation Note)	24中興通訊MTN002 (科創票據)	102485311	5 December 2024	9 December 2024	9 December 2029	5	2.18%
2025 Tranche I MTN (Sci-Tech Innovation Note)	25中興通訊MTN001 (科創票據)	102580635	18 February 2025	19 February 2025	19 February 2030	10	1.93%
2025 Tranche II MTN (Sci-Tech Innovation Note)	25中興通訊MTN002 (科創票據)	102581654	16 April 2025	17 April 2025	17 April 2030	10	1.98%
2025 Tranche III MTN (Sci-Tech Innovation Bond)	25中興通訊MTN003 (科創債)	102582645	25 June 2025	26 June 2025	26 June 2030	10	1.79%
2025 Tranche IV MTN (Sci-Tech Innovation Bond)	25中興通訊MTN004 (科創債)	102582670	26 June 2025	27 June 2025	27 June 2030	3.5	1.90%
2025 Tranche XXII SCP	25中興通訊SCP022	012581690	16 July 2025	17 July 2025	26 September 2025	5	1.45%
2025 Tranche XXIII SCP	25中興通訊SCP023	012581693	16 July 2025	17 July 2025	26 September 2025	10	1.45%
Total	–	–	–	–	–	**58.5**	–

The SCPs and MTNs issued by the Company were traded on the inter-bank bond market and subject to the inter-bank bond market trading mechanism. There was no risk of termination of listing and trading.

In the first half of 2025, there was no adjustment of ratings by credit rating agencies, nor trigger of issuer or investor option clause or investor protection clause. SCPs issued by the Company had been repaid as due in one-off payments of principal and interest. For MTNs issued by the Company, interests are payable on an annual basis and principal is repayable upon maturity. All bonds had been repaid as due. There were no overdue bonds, nor were any guarantees, debt repayment schemes and other debt repayment assurance measures triggered.

V. Information on Bonds

5.2 H-SHARE CONVERTIBLE BONDS

To optimise the capital structure, diversify funding sources, improve the liquidity position and reduce the financing costs of the Group, the Company entered into a subscription agreement with CLSA Limited and China Securities (International) Corporate Finance Company Limited, the Managers, on 28 July 2025 for the issuance of USD settled zero coupon H-share convertible bonds due 2030 in an amount of RMB3,584 million (the "Convertible Bonds"). The issue price of the Convertible Bonds was equivalent to 100% of the principal amount of the bonds. The Convertible Bonds were issued in registered form in the specified denomination of RMB2,000,000 each and integral multiples of RMB1,000,000 in excess thereof. Subject to and upon compliance with the Terms and Conditions, the Convertible Bonds may be converted into H shares (of par value of RMB1.00 each) at an initial conversion price of HK$30.25 per H Share (subject to adjustments). The Managers offered the Convertible Bonds to no less than six independent subscribers, each (and each of their respective ultimate beneficial owners) of which is not a connected person of the Company as defined under the Hong Kong Listing Rules. The issue of the Convertible Bonds was completed on 5 August 2025 and the maturity date is 5 August 2030. The Convertible Bonds were listed on the Hong Kong Stock Exchange on 6 August 2025 (Debt Stock Code: 85046).

For details, please refer to the announcements of the Company, including "PROPOSED ISSUE OF RMB3,584 MILLION USD SETTLED ZERO COUPON CONVERTIBLE BONDS DUE 2030 UNDER GENERAL MANDATE" dated 29 July 2025, "NOTICE OF LISTING ON THE STOCK EXCHANGE OF HONG KONG LIMITED — ZTE CORPORATION — RMB3,584 Million U.S. Dollar Settled Zero Coupon Convertible Bonds due 2030" and "COMPLETION OF ISSUE OF RMB3,584 MILLION ZERO COUPON USD SETTLED CONVERTIBLE BONDS DUE 2030" dated 5 August 2025 and "PUBLICATION OF THE OFFERING CIRCULAR — ZTE CORPORATION — RMB3,584 Million U.S. Dollar Settled Zero Coupon Convertible Bonds due 2030" dated 6 August 2025.

5.3 KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE GROUP FOR THE PAST TWO YEARS

Item	**30 June 2025**	31 December 2024	Year-on-year increase/decrease
Current ratio	**1.75**	1.72	1.74%
Quick ratio	**1.24**	1.21	2.48%
Gearing ratio	**65.28%**	64.74%	Increased by 0.54 percentage point

Item	**Six months ended 30 June 2025**	Six months ended 30 June 2024	Year-on-year increase/decrease
Net profit after extraordinary gain/loss attributable to holders of ordinary shares of the listed company (RMB in thousands)	**4,103,900**	4,963,643	(17.32%)
Debt-to-EBITDA ratio	**11.99%**	14.52%	Decreased by 2.53 percentage points
Interest coverage ratio	**3.80**	3.63	4.68%
Cash interest coverage ratio	**3.33**	7.20	(53.75%)
EBITDA interest coverage ratio	**4.97**	4.70	5.74%
Loan repayment ratio	**100.00%**	100.00%	—
Interest repayment ratio	**100.00%**	100.00%	—

5.4 OTHER INFORMATION

For the first half of 2025, there was no loss reported in consolidated statement exceeding 10% of net assets at the end of last year.

VI. Financial Reports

Consolidated Balance Sheet

30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

Note: Items in the notes to the financial statements marked with # are additional disclosures provided in compliance with the Companies Ordinance of Hong Kong and the Listing Rules of the Hong Kong Stock Exchange.

Assets	Note V	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Current assets			
Currency cash	1	39,470,343	43,885,348
Trading financial assets	2	14,460,985	13,768,781
Derivative financial assets	3	242,410	173,439
Trade receivables	4A	29,201,211	21,288,393
Factored trade receivables	4A	852	6,498
Receivable financing	4B	1,103,008	4,243,041
Prepayments	5	758,886	692,097
Other receivables	6	1,970,536	2,597,585
Inventories	7	42,056,940	41,257,657
Contract assets	8	4,986,650	4,972,074
Non-current assets due within one year	21	3,121	3,085
Other current assets	22	12,199,180	8,899,348
Total current assets		146,454,122	141,787,346
Non-current assets			
Debt investment	9	29,586,919	25,068,445
Long-term receivables	10	1,209,943	833,972
Factored long-term receivables	10	639	8,664
Investment in associates and joints	11	2,340,069	2,333,836
Other non-current financial assets	12	700,617	715,761
Investment properties	13	99,045	99,045
Property, plant and equipment	14	13,812,275	14,178,419
Construction in progress	15	689,723	685,376
Right-of-use assets	16	1,412,397	1,551,573
Intangible assets	17	7,258,905	7,159,200
Development costs	18	1,500,935	1,594,563
Goodwill	19	14,425	14,425
Deferred tax assets	20	4,532,204	4,396,088
Other non-current assets	22	6,698,107	6,896,517
Total non-current assets		69,856,203	65,535,884
TOTAL ASSETS		216,310,325	207,323,230

The notes to the financial statements appended hereto form part of these financial statements.

Consolidated Balance Sheet

30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

Liabilities	Note V	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Current liabilities			
Short-term loans	24	8,577,542	7,027,070
Bank advances on factored trade receivables	4A	852	6,498
Derivative financial liabilities	25	325,880	200,853
Short-term bonds payable	26	—	—
Bills payable	27A	11,573,418	10,959,334
Trade payables	27B	23,400,704	22,371,792
Contract liabilities	28	10,745,743	12,859,416
Employee benefits payable	31	15,411,897	16,991,686
Taxes payable	29	1,171,177	1,205,018
Other payables	30	2,798,254	3,236,993
Provisions	32	1,545,323	2,184,073
Non-current liabilities due within one year	33	7,965,830	5,592,740
Total current liabilities		83,516,620	82,635,473
Non-current liabilities			
Long-term loans	34	46,358,614	44,058,915
Bank advances on factored long-term trade receivables	10	639	8,664
Bonds payable	35	4,377,055	1,004,880
Lease liabilities	16	946,641	972,943
Long-term employee benefits payable	31	150,012	153,647
Deferred income		1,914,897	1,496,556
Deferred tax liabilities	20	106,031	90,651
Other non-current liabilities	36	3,830,012	3,791,219
Total non-current liabilities		57,683,901	51,577,475
Total liabilities		141,200,521	134,212,948

The notes to the financial statements appended hereto form part of these financial statements.

Consolidated Balance Sheet

30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

Shareholder's equity	Note V	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Shareholder's equity			
Share capital	37	4,783,535	4,783,535
Capital reserves	38	27,476,099	27,476,099
Other comprehensive income	39	(2,560,594)	(2,465,531)
Special reserve	41	106,873	88,214
Surplus reserve	40	3,053,523	3,053,523
Retained profits	42	41,978,773	39,872,643
Total equity attributable to holders of ordinary shares of the parent		74,838,209	72,808,483
Non-controlling interests		271,595	301,799
Total shareholders' equity		75,109,804	73,110,282
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		216,310,325	207,323,230

These financial statements are undersigned by the following persons:

Legal Representative:	Chief Financial Officer:	Head of Finance Division:
Xu Ziyang	Li Ying	Wang Xiuhong

The notes to the financial statements appended hereto form part of these financial statements.

Consolidated Income Statement

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

	Note V	Six months ended 30 June 2025 (Unaudited)	Six months ended 30 June 2024 (Unaudited) (Restated)
Operating revenue	43	71,552,734	62,487,098
Less: Operating costs	43	48,333,217	37,218,921
Taxes and surcharges	44	574,073	557,343
Selling and distribution costs	45	4,383,807	4,166,612
Administrative expenses	46	2,130,082	2,236,650
Research and development costs	47	12,664,812	12,725,895
Finance costs	49	(444,697)	46,305
Including: Interest expense		2,022,872	2,382,497
Interest income		2,552,107	2,581,583
Add: Other income	50	1,792,903	1,800,310
Investment income	51	150,909	(183,125)
Including: Gains from investment in associates and joint ventures		51,875	(25,507)
Losses from derecognition of financial assets at amortised cost		(165,135)	(183,974)
Gains from changes in fair values	52	159,402	(416,539)
Credit impairment losses	53	(114,916)	74,715
Asset impairment losses	54	(285,227)	(600,582)
Gains from asset disposal	55	3,846	67,365
Operating profit		5,618,357	6,277,516
Add: Non-operating income	56	97,087	35,078
Less: Non-operating expenses	56	51,138	35,411
Total profit		5,664,306	6,277,183
Less: Income tax	57	607,723	566,793
Net profit		5,056,583	5,710,390
Analysed by continuity of operations			
Net profit from continuing operations		5,056,583	5,710,390
Analysed by ownership			
Holders of ordinary shares of the parent		5,057,571	5,732,446
Non-controlling interests		(988)	(22,056)

The notes to the financial statements appended hereto form part of these financial statements.

Consolidated Income Statement

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

	Note V	Six months ended 30 June 2025 (Unaudited)	Six months ended 30 June 2024 (Unaudited) (Restated)
Other comprehensive income, net of tax		(95,402)	34,114
Other comprehensive income attributable to holders of ordinary shares of the parent company, net of tax	39	(95,063)	33,668
Other comprehensive income that cannot be reclassified to profit or loss			
Changes arising from the re-measurement of defined benefit plans		–	–
		–	–
Other comprehensive income that will be reclassified to profit or loss			
Effective portion of hedge instruments		–	2,715
Exchange differences on translation of foreign operations and others		(95,063)	30,953
		(95,063)	33,668
Other comprehensive income attributable to non-controlling interests, net of tax		(339)	446
Total comprehensive income		4,961,181	5,744,504
Attributable to:			
Holders of ordinary shares of the parent		4,962,508	5,766,114
Non-controlling interests		(1,327)	(21,610)
Earnings per share (RMB/share)			
Basic	58	RMB1.06	RMB1.2
Diluted	58	RMB1.06	RMB1.2

The notes to the financial statements appended hereto form part of these financial statements.

Consolidated Statement of Changes in Equity

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

	Six months ended 30 June 2025 (Unaudited)								
	Equity attributable to holders of ordinary shares of the parent								
	Share capital	Capital reserves	Other comprehensive income	Surplus reserve	Special reserve	Retained profits	Sub-total	Non-controlling interests	Total shareholders' equity
I. Opening balance for the period	4,783,535	27,476,099	(2,465,531)	3,053,523	88,214	39,872,643	72,808,483	301,799	73,110,282
II. Changes during the period									
(I) Total comprehensive income	–	–	(95,063)	–	–	5,057,571	4,962,508	(1,327)	4,961,181
(II) Shareholder's capital injection and capital reduction									
1. Ordinary share injection from shareholders	–	–	–	–	–	–	–	–	–
2. Equity settled share expenses charged to equity	–	–	–	–	–	–	–	–	–
3. Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	–
4. Disposal of subsidiaries	–	–	–	–	–	–	–	–	–
5. Others	–	–	–	–	–	–	–	–	–
(III) Profit appropriation									
1. Allocation to surplus reserve	–	–	–	–	–	–	–	–	–
2. Distribution to shareholders	–	–	–	–	–	(2,951,441)	(2,951,441)	(28,877)	(2,980,318)
(IV) Special reserve									
1. Allocated for the period	–	–	–	–	52,040	–	52,040	–	52,040
2. Utilised for the period	–	–	–	–	(33,381)	–	(33,381)	–	(33,381)
III. Closing balance for the period	4,783,535	27,476,099	(2,560,594)	3,053,523	106,873	41,978,773	74,838,209	271,595	75,109,804

	Six months ended 30 June 2024 (Unaudited)								
	Equity attributable to holders of ordinary shares of the parent								
	Share capital	Capital reserves	Other comprehensive income	Surplus reserve	Special reserve	Retained profits	Sub-total	Non-controlling interests	Total shareholders' equity
I. Opening balance for the period	4,783,252	27,603,291	(2,199,965)	3,053,382	53,394	34,714,953	68,008,307	323,138	68,331,445
II. Changes during the period									
(I) Total comprehensive income	–	–	33,668	–	–	5,732,446	5,766,114	(21,610)	5,744,504
(II) Shareholder's capital injection and capital reduction									
1. Ordinary share injection from shareholders	–	(135,666)	–	–	–	–	(135,666)	135,666	–
2. Equity settled share expenses charged to equity	–	–	–	–	–	–	–	–	–
3. Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	–
4. Disposal of subsidiaries	–	–	–	–	–	–	–	–	–
5. Others	–	–	–	–	–	–	–	–	–
(III) Profit appropriation									
1. Allocation to surplus reserve	–	–	–	–	–	–	–	–	–
2. Distribution to shareholders	–	–	–	–	–	(3,266,961)	(3,266,961)	(71,828)	(3,338,789)
(IV) Special reserve									
1. Allocated for the period	–	–	–	–	51,312	–	51,312	–	51,312
2. Utilised for the period	–	–	–	–	(27,774)	–	(27,774)	–	(27,774)
III. Closing balance for the period	4,783,252	27,467,625	(2,166,297)	3,053,382	76,932	37,180,438	70,395,332	365,366	70,760,698

The notes to the financial statements appended hereto form part of these financial statements.

Consolidated Cash Flow Statement

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

	Note V	Six months ended 30 June 2025 (Unaudited)	Six months ended 30 June 2024 (Unaudited)
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		72,025,821	67,891,107
Refunds of taxes		4,241,444	2,722,191
Other cash received in relation to operating activities		1,960,319	3,355,985
Sub-total of cash inflows from operating activities		78,227,584	73,969,283
Cash paid for goods and services		50,061,114	37,325,868
Cash paid to and on behalf of employees		17,371,260	17,609,231
Cash paid for various types of taxes		4,331,162	4,079,475
Other cash paid in relation to operating activities		5,164,640	7,954,310
Sub-total of cash outflows from operating activities		76,928,176	66,968,884
Net cash flows from operating activities	59	1,299,408	7,000,399
II. Cash flows from investing activities			
Cash received from sale of investments		63,715,215	25,250,854
Cash received from return on investment		960,994	804,377
Net cash received from the disposal of property, plant and equipment, intangible assets and other long-term assets		31,898	246,400
Net cash received from the disposal of subsidiaries and other operating units		–	–
Sub-total of cash inflows from investing activities		64,708,107	26,301,631
Cash paid to acquisition of property, plant and equipment, intangible assets and other long-term assets		2,100,284	1,879,826
Cash paid for acquisition of investments		70,275,552	35,805,202
Other cash paid in relation to investing activities		–	–
Sub-total of cash outflows from investing activities		72,375,836	37,685,028
Net cash flows from investing activities		(7,667,729)	(11,383,397)
III. Cash flows from financing activities			
Cash received from capital injection		–	364,555
Including: Capital injection into subsidiaries by minority shareholders		–	364,555
Cash received from borrowings		58,957,973	130,085,114
Other cash received in relation to financing activities	59	–	–
Sub-total of cash inflows from financing activities		58,957,973	130,449,669
Cash repayment of borrowings		50,949,588	127,820,087
Cash payments for distribution of dividends, profits and for interest expenses		3,736,803	1,384,490
Including: Distribution of dividends, profits by subsidiaries to minority shareholders		28,877	140,640
Other cash paid in relation to financing activities	59	188,860	207,885
Sub-total of cash outflows from financing activities		54,875,251	129,412,462
Net cash flows from financing activities		4,082,722	1,037,207
IV. Effect of changes in foreign exchange rate on cash and cash equivalents		543	64,499
V. Net increase in cash and cash equivalents		(2,285,056)	(3,281,292)
Add: cash and cash equivalents at the beginning of year		28,026,417	51,013,167
VI. Net balance of cash and cash equivalents at the end of period	59	25,741,361	47,731,875

The notes to the financial statements appended hereto form part of these financial statements.

Balance Sheet

30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

Assets	Note XVI	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Current assets			
Currency cash	1	21,296,061	27,683,894
Trading financial assets		14,400,826	13,684,626
Derivative financial assets		116,033	170,471
Trade receivables	2	47,021,694	35,851,072
Factored trade receivables		852	6,498
Receivable financing		740,222	4,032,164
Prepayments		60,572	45,130
Other receivables	3	32,407,101	33,183,991
Inventories		14,517,285	15,376,654
Contract assets		2,696,943	3,077,266
Non-current assets due within one year		3,116	3,081
Other current assets		4,503,604	2,347,996
Total current assets		137,764,309	135,462,843
Non-current assets			
Debt investment		19,835,020	12,768,949
Long-term receivables	4	4,063,059	3,682,681
Factored long-term trade receivables		639	8,664
Investment in associates and joints	5	19,423,757	18,317,291
Other non-current financial assets		636,376	650,001
Property, plant and equipment		5,492,630	5,674,552
Construction in progress		356,147	338,098
Right-of-use assets		853,878	975,283
Intangible assets		2,389,613	2,357,285
Development costs		206,634	341,722
Deferred tax assets		1,719,019	1,825,573
Other non-current assets		4,553,181	4,627,124
Total non-current assets		59,529,953	51,567,223
TOTAL ASSETS		197,294,262	187,030,066

The notes to the financial statements appended hereto form part of these financial statements.

Balance Sheet

30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

Liabilities and shareholders' equity	Note XVI	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Current liabilities			
Short-term loans		—	2,690,394
Bank advances on factored trade receivables		852	6,498
Derivative financial liabilities		321,906	173,045
Short-term bond payable		—	—
Bills payable		14,510,446	15,167,898
Trade payables		43,776,301	36,840,535
Contract liabilities		9,431,554	10,929,399
Employee benefits payable		9,541,835	9,861,785
Taxes payable		118,857	148,754
Other payables		10,286,600	9,835,567
Provisions		589,052	679,084
Non-current liabilities due within one year		5,342,750	4,085,673
Total current liabilities		93,920,153	90,418,632
Non-current liabilities			
Long-term loans		31,644,439	28,855,124
Bank advances on factored long-term trade receivables		639	8,664
Bond payable		4,377,055	1,004,880
Lease liabilities		554,265	600,761
Long-term employee benefits payable		150,012	153,647
Deferred income		152,492	173,536
Other non-current liabilities		2,016,068	1,970,166
Total non-current liabilities		38,894,970	32,766,778
Total liabilities		132,815,123	123,185,410
Shareholders' equity			
Share capital		4,783,535	4,783,535
Capital reserves		27,330,356	27,330,356
Other comprehensive income		420,998	411,851
Special reserve		71,144	56,441
Surplus reserve		2,391,767	2,391,767
Retained profits		29,481,339	28,870,706
Total shareholders' equity attributable to holders of ordinary shares		64,479,139	63,844,656
Total shareholders' equity		64,479,139	63,844,656
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		197,294,262	187,030,066

The notes to the financial statements appended hereto form part of these financial statements.

Income Statement

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

	Note XVI	Six months ended 30 June 2025 (Unaudited)	Six months ended 30 June 2024 (Unaudited) (Restated)
Operating revenue	6	76,515,619	68,939,202
Less: Operating costs	6	65,462,401	57,484,117
Taxes and surcharges		144,130	136,522
Selling and distribution costs		3,196,596	2,938,304
Administrative expenses		1,622,834	1,813,374
Research and development costs		3,860,315	3,463,184
Finance costs		(673,869)	(233,973)
Including: Interest expense		887,014	1,173,602
Interest income		1,119,508	1,519,985
Add: Other income		43,481	477,579
Investment income	7	674,841	2,175,379
Including: Gains from investment in associates and joint ventures		53,537	(37,457)
Losses from derecognition of financial assets at amortised cost		(112,508)	(100,517)
Gains from changes in fair values		(200,055)	12,887
Credit impairment losses		(125,239)	(42,809)
Asset impairment losses		(113,556)	(175,233)
Gains from asset disposal		393	61,924
Operating profit		3,183,077	5,847,401
Add: Non-operating income		596,673	9,034
Less: Non-operating expenses		35,907	4,124
Total profit		3,743,843	5,852,311
Less: Income tax		181,769	264,028
Net profit		3,562,074	5,588,283
Including: net profit from continuing operations		3,562,074	5,588,283
Analysed by ownership			
Attributable to holders of ordinary shares		3,562,074	5,588,283
Other comprehensive income, net of tax		9,147	(17,016)
Other comprehensive income that cannot be reclassified to profit and loss			
Change arising from the re-measurement of defined benefit plans		–	–
Other comprehensive income that will be reclassified to profit and loss			
Effective portion of hedge instruments		–	2,715
Exchange differences on translation of foreign operations and others		9,147	(19,731)
Total comprehensive income		3,571,221	5,571,267
Attributable to:			
Holders of ordinary shares		3,571,221	5,571,267

The notes to the financial statements appended hereto form part of these financial statements.

Statement of Changes in Equity

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

	Six months ended 30 June 2025 (Unaudited)							
	Share capital	Capital reserves	Other comprehensive income	Surplus reserve	Special reserve	Retained profits	Total equity of holders of ordinary shares	Total shareholders' equity
I. Opening balance for the period	4,783,535	27,330,356	411,851	2,391,767	56,441	28,870,706	63,844,656	63,844,656
II. Changes during the period								
(I) Total comprehensive income	–	–	9,147	–	–	3,562,074	3,571,221	3,571,221
(II) Shareholder's capital injection and capital reduction								
1. Shareholder's ordinary share capital injection	–	–	–	–	–	–	–	–
2. Equity settled share expenses charged to equity	–	–	–	–	–	–	–	–
3. Others	–	–	–	–	–	–	–	–
(III) Profit appropriation								
1. Allocation to surplus reserve	–	–	–	–	–	–	–	–
2. Distribution to shareholders	–	–	–	–	–	(2,951,441)	(2,951,441)	(2,951,441)
(IV) Special reserve								
1. Allocated for the period	–	–	–	–	35,579	–	35,579	35,579
2. Utilised for the period	–	–	–	–	(20,876)	–	(20,876)	(20,876)
III. Closing balance for the period	4,783,535	27,330,356	420,998	2,391,767	71,144	29,481,339	64,479,139	64,479,139

	Six months ended 30 June 2024 (Unaudited)							
	Share capital	Capital reserves	Other comprehensive income	Surplus reserve	Special reserve	Retained profits	Total equity of holders of ordinary shares	Total shareholders' equity
I. Opening balance for the period	4,783,252	27,685,429	768,139	2,391,626	37,173	25,221,168	60,886,787	60,886,787
II. Changes during the period								
(I) Total comprehensive income	–	–	(17,016)	–	–	5,588,283	5,571,267	5,571,267
(II) Shareholder's capital injection and capital reduction								
1. Shareholder's ordinary share capital injection	–	(364,556)	–	–	–	–	(364,556)	(364,556)
2. Equity settled share expenses charged to equity	–	–	–	–	–	–	–	–
3. Others	–	–	–	–	–	–	–	–
(III) Profit appropriation								
1. Allocation to surplus reserve	–	–	–	–	–	–	–	–
2. Distribution to shareholders	–	–	–	–	–	(3,266,961)	(3,266,961)	(3,266,961)
(IV) Special reserve								
1. Allocated for the period	–	–	–	–	36,238	–	36,238	36,238
2. Utilised for the period	–	–	–	–	(20,487)	–	(20,487)	(20,487)
III. Closing balance for the period	4,783,252	27,320,873	751,123	2,391,626	52,924	27,542,490	62,842,288	62,842,288

The notes to the financial statements appended hereto form part of these financial statements.

Cash Flow Statement

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

	Six months ended 30 June 2025 (Unaudited)	Six months ended 30 June 2024 (Unaudited)
I. Cash flows from operating activities		
Cash received from sale of goods or rendering of services	76,162,226	83,548,406
Refunds of taxes	2,247,942	1,393,927
Other cash received in relation to operating activities	599,701	1,109,423
Sub-total of cash inflows from operating activities	79,009,869	86,051,756
Cash paid for goods and services	68,978,312	73,958,480
Cash paid to and on behalf of employees	5,396,977	5,586,936
Cash paid for various types of taxes	762,501	637,468
Other cash paid in relation to operating activities	3,849,731	3,457,401
Sub-total of cash outflows from operating activities	78,987,521	83,640,285
Net cash flows from operating activities	22,348	2,411,471
II. Cash flows from investing activities		
Cash received from sale of investments	61,028,265	21,762,194
Cash received from return on investments	2,010,203	5,289,313
Net cash received from the disposal of property, plant and equipment, intangible assets and other long-term assets	359,124	249,026
Other cash received in relation to investing activities	2,212,726	571,289
Sub-total of cash inflows from investing activities	65,610,318	27,871,822
Cash paid to acquisition of property, plant and equipment, intangible assets and other long-term assets	828,654	775,781
Cash paid for acquisition of investments	66,971,651	26,278,110
Other cash paid in relation to investing activities	2,428,875	6,044,466
Sub-total of cash outflows from investing activities	70,229,180	33,098,357
Net cash flows from investing activities	(4,618,862)	(5,226,535)
III. Cash flows from financing activities		
Cash received from capital injection	–	–
Cash received from borrowings	47,667,538	72,452,712
Other cash received in relation to financing activities	12,153,137	1,702,648
Sub-total of cash inflows from financing activities	59,820,675	74,155,360
Cash repayment of borrowings	42,963,987	83,477,487
Cash payments for distribution of dividends and profits or for interest expenses	3,449,715	861,051
Other cash paid in relation to financing activities	10,404,473	1,110,695
Sub-total of cash outflows from financing activities	56,818,175	85,449,233
Net cash flows from financing activities	3,002,500	(11,293,873)
IV. Effect of changes in foreign exchange rate on cash and cash equivalents	24,794	61,267
V. Net increase in cash and cash equivalents	(1,569,220)	(14,047,670)
Add: cash and cash equivalents at the beginning of the year	15,604,627	36,863,970
VI. Net balance of cash and cash equivalents at the end of the period	14,035,407	22,816,300

The notes to the financial statements appended hereto form part of these financial statements.

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

I. CORPORATE BACKGROUND

ZTE Corporation (the "Company") was a joint stock limited liability company incorporated in Guangdong Province, the People's Republic of China. The Company's A shares were listed on the main board of the Shenzhen Stock Exchange following an initial public offering in November 1997. It became the first A share company to be listed on the Main Board of the Hong Kong Stock Exchange following an initial public offering of H shares in December 2004.

The Company is a world-leading provider of integrated telecommunications and IT solutions with a full range of end-to-end ICT products and solutions integrating design, development, production, sales and services with a special focus on carriers' networks, government and corporate business and consumer business.

The controlling shareholder and ultimate controlling shareholder of the Group is Zhongxingxin Telecom Company Limited, a company incorporated in the PRC.

The financial statements were approved by the Board of Directors of the Company by way of resolution on 28 August 2025.

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

These financial statements have been prepared in accordance with the "Accounting Standards for Business Enterprises — Basic Standards" promulgated by the Ministry of Finance of the PRC and the specific accounting standards, interpretations and other relevant regulations subsequently announced and revised (collectively "ASBEs"). In addition, these financial statements have also presented financial information disclosure in accordance with "Rules for the Preparation of Information Disclosure by Companies with Publicly Issued Securities No. 15 — General Provisions for Financial Reporting".

The financial statements are prepared on a going concern basis.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The specific accounting policies and accounting estimation prepared by the Group based on actual production and operation characteristics mainly include provisions for trade receivables and bad debts, inventory pricing, inventory provision for impairment, government grants, revenue recognition and measurement, deferred development costs, depreciation of property, plant and equipment, amortisation of intangible assets and measurement of investment properties.

1. Statement of compliance

The financial statements represent a true and complete reflection of the financial position of the Company and the Group as at 30 June 2025 and their results of operations and cash flows for the six months ended 30 June 2025 in compliance with the requirements of ASBEs.

2. Accounting period

The accounting period of the Group is based on the calendar year, namely, from 1 January to 30 June.

3. Reporting currency

The Company's reporting currency and the currency used in preparing the financial statements were Renminbi. The amounts in the financial statements were denominated in thousands of Renminbi, unless otherwise stated.

The Group's subsidiaries, jointly-controlled entities and associates determine their reporting currency according to the major economic environment in which they operate the business, and translate into Renminbi when preparing the financial statements.

RMB'000

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

4. Methods for determining criteria of materiality and bases for election adopted in the disclosure of financial statements

	Criteria of materiality
Material receivables for which bad debt provision is made individually	Individual provision amount accounting for more than 10% of the total amount of bad debt provision for various receivables and with an amount exceeding RMB100 million
Material bad debt provision for receivables recovered or reversed	Individual amount recovered or reversed accounting for more than 10% of the total amount of various receivables and with an amount exceeding RMB100 million
Effective verified write-off of material receivables	Individual verified write-off amount accounting for more than 10% of the total amount of bad debt provision for receivables and with an amount exceeding RMB100 million
Material change to carrying value of contract assets	Individual amount of change accounting for more than 30% of the opening balance of contract assets
Material debt investment	Individual item accounting for more than 5% of the Group's net assets and with an amount exceeding RMB1,000 million
Material contract liabilities aged over one year	Individual item accounting for more than 10% of the total amount of contract liabilities aged over 1 year and with an amount exceeding RMB100 million
Material change in carrying value of contract liabilities	Change in carrying value of contract liabilities representing more than 30% of the opening balance of contract liabilities
Material trade payables and other payables	Individual item accounting for more than 10% of the total amount of trade payables/other payables aged over 1 year and with an amount exceeding RMB100 million
Material construction in progress	Individual item with a budget amount exceeding RMB500 million
Material provisions	Individual provision item accounting for more than 10% of the total amount of provision and with an amount exceeding RMB300 million
Subsidiary with material non-controlling interest	Net assets of the subsidiary accounting for more than 5% of the Group's net assets or non-controlling interests in an individual subsidiary accounting for more than 1% of the Group's net assets and with an amount exceeding RMB1,000 million
Material capitalized R&D project	Closing balance of individual project accounting for more than 10% of closing balance of development expenditure and with an amount exceeding RMB500 million
Material research project in progress externally acquired	Individual project accounting for more than 10% of the total amount of R&D investment
Material change to contract	Varied/adjusted amount accounting for 30% or more of the original contract amount and accounting for 1% or more of the total amount of income for the current period

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

4. Methods for determining criteria of materiality and bases for election adopted in the disclosure of financial statements (continued)

	Criteria of materiality
Material investing activities	Individual investing accounting for more than 10% of the total amount of cash inflow or outflow received or paid in relation to investing activities and with an amount exceeding RMB1,000 million
Material joint ventures or associates	Carrying value of long-term investment in an individual investee accounting for more than 5% of the Group's net assets and with an amount exceeding RMB1,000 million, or investment income or loss of long-term equity investment under equity method exceeding 10% of the Group's consolidated net profit
Material subsidiaries	Net assets of subsidiary accounting for more than 5% of the Group's net assets or net profit of subsidiary accounting for more than 10% of the Group's consolidated net profit
Material activities not involving current cash income and expenditure	Activities not involving current cash income and expenditure and having effect on current statements of more than 10% of net assets or expected to have an impact on future cashflow of more than 10% of corresponding total cash inflow or outflow

5. Business combination

Business combinations are classified into business combinations involving entities under common control and business combinations not involving entities under common control.

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. Assets and liabilities obtained by combining party in the business combination involving entities under common control (including goodwill arising from the acquisition of the merged party by the ultimate controller) are recognised on the basis of their carrying amounts at the combination date recorded on the financial statements of the ultimate controlling party. The difference between the carrying amount of the consideration paid for the combination (or aggregate face values of the shares issued) and the carrying amount of the net assets obtained is adjusted to capital reserves. If the capital reserve is not sufficient to absorb the difference, any excess is adjusted to retained profits.

A business combination not involving entities under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date. The excess of the combination cost over the share of the attributable net identifiable assets of the acquiree, measured at fair value, was recognised as goodwill, which is subsequently measured at cost less cumulative impairment loss. In case the combination cost is less than the fair value of the share of the attributable net identifiable assets of the acquiree, a review of the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities and the combination cost is conducted. If the review indicates that the combination cost is indeed less than the fair value of the share of the attributable net identifiable assets of the acquiree, the difference is recognised in current profit or loss.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

6. Consolidated financial statements

The consolidation scope for consolidated financial statement is determined based on the concept of control, including the Company and all subsidiaries' financial statements are those enterprises or entities which the Company has control over (including enterprises, separable components of investee units and structured entities controlled by the Company). An investor is considered having control over the investee if, and only if, the following three factors are present: the investor: exercises power over the investee; is entitled to realisable return for participation in relevant activities of the investee; is capable of exercising power over the investee in a manner affecting the amount of its return.

Where the accounting policies or accounting periods of subsidiaries are inconsistent with those adopted by the Company, the financial statements of the subsidiaries are adjusted as necessary to conform with the Company's accounting policies and accounting period. All assets, liabilities, equities, income, costs and cash flows arising from intercompany transactions, and dividends are eliminated on consolidation.

The excess of current loss attributable to minority shareholders of a subsidiary over their entitlements to the opening balance of shareholders' equity shall be charged to minority interests.

For subsidiaries obtained through a business combination not involving entities under common control, the operating results and cash flows of the acquirees will be recognised in consolidated financial statements from the date the Group effectively obtains the control until the date that control is terminated. When consolidated financial statement is prepared, the subsidiaries' financial statements will be adjusted based on the fair values of the identifiable assets, liabilities and contingent liabilities at the acquisition date.

For subsidiaries obtained through a business combination involving entities under common control, the operating result and cash flow of the party being combined will be recognised in consolidated financial statement from the beginning of the period during which the combination occurs. In preparing the comparative consolidated financial statements, adjustments were made to relevant items in financial statements in previous periods as if the reporting entity formed after the consolidation had been in existence since the ultimate controlling party started to exercise effective control.

In the event of the change in one or more elements of control as a result of changes in relevant facts and conditions, the Group reassesses whether it has control over the investee.

Change in non-controlling interest as a result of loss of control is accounted for as equity transaction.

7. Classification of joint venture arrangements and joint operation

Joint venture arrangements are in the form of joint operation or joint venture enterprise. A joint operation is a joint venture arrangement under which the joint venture parties are entitled to assets and undertake liabilities under the arrangement. A joint venture enterprise is a joint venture arrangement under which the joint venture parties are only entitled to the net assets under such arrangement.

The following items should be recognised by a joint venture party in relation to its share of profit in the joint operation: solely held assets, as well as jointly held assets according to its share; solely assumed liabilities, as well as jointly assumed liabilities according to its share; income derived from its entitled share of production of the joint operation; income derived from the sales of production of production of the joint operation according to its share; solely incurred expenses, as well as expenses incurred by the joint operation according to its share.

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

8. Cash and cash equivalents

Cash comprises cash on hand and deposits readily available for payments. Cash equivalents represent short-term highly liquid investments which are readily convertible to known amounts of cash, and subject to an insignificant risk of changes in value.

9. Foreign currency translation

For foreign currency transactions, the Group translates the foreign currency into its functional currency.

Upon initial recognition, foreign currency transactions are translated into the functional currency using the median exchange rate published by the PBOC at the beginning of the month in which transactions occur, provided that foreign currency capital committed by investors shall be translated at the spot exchange rate prevailing on the date of transaction. At the balance sheet date, foreign currency monetary items are translated using the spot exchange rate at the balance sheet date. The translation differences arising from the settlement and foreign currency monetary items, except those relating to foreign currency monetary items eligible for the capitalisation shall be dealt with according to the principle of capitalisation of borrowing costs, are recognised in profit or loss. Foreign currency non-monetary items measured at historical cost continue to be translated using the exchange rate at initial recognition without changing the carrying amount in functional currency. Foreign currency non-monetary items measured at fair value are translated using the spot exchange rate at the record date for the fair value. The differences arising from the above translations are recognised in current profit or loss or other comprehensive income according to the nature of the non-monetary items.

The Group translates the functional currencies of foreign operations into Renminbi when preparing the financial statements. Asset and liability items in the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date. Shareholders' equity items, except for retained profits, are translated at the spot exchange rates at the date when such items arose. Income and expense items in the income statement are translated using the average exchange rate for the periods when transactions occur (unless the adoption of such exchange rate is considered inappropriate owing to exchange rate fluctuations, in which case the spot exchange rate prevailing on the date of transaction shall be adopted). Translation differences arising from the aforesaid translation of financial statements denominated in foreign currency shall be recognised as other comprehensive income. When foreign operations are disposed, other comprehensive income relating to the foreign operation is transferred to current profit or loss. Partial disposal shall be recognized on a pro-rata basis.

Cash flows denominated in foreign currencies and foreign subsidiaries' cash flows are translated using the average exchange rate for the period when cash flows occur (unless the adoption of such exchange rate is considered inappropriate owing to exchange rate fluctuations, in which case the spot exchange rate prevailing on the date on which the cash flow is incurred shall be adopted). The impact on cash by the fluctuation of exchange rates is presented as a separate line item of reconciliation in the cash flow statement.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments

Financial instruments refer to the contracts which give rise to a financial asset in one entity and a financial liability or equity instrument in another entity.

(1) Recognition and derecognition of financial instruments

The Group recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the financial instrument.

A financial asset (or part of it, or a part of a group of similar financial asset) is derecognised when one of the following criteria is met, that is, when a financial asset is written off from its balance sheet:

(1) The right of receiving the cash flow generated from the financial asset has expired;

(2) The right of receiving cash flow generated by the financial assets is transferred, or an obligation of paying the full amount of cash flow received to third parties in a timely manner has been undertaken under "pass-through" agreements, where substantially all risks and rewards of the ownership of such type of financial assets have been transferred, or control over such type of financial assets has not been retained even though not substantially all risks and rewards of the ownership of such type of financial assets have been transferred or retained.

If the obligation of financial liability has been fulfilled, cancelled or expired, the financial liability is derecognised. If the present financial liability is substituted by the same debtor with another liability with substantially different terms or the terms of the present liability have been substantially modified, such substitution or modification is treated as derecognition of a present liability and recognition of a new liability with any arising differences recognized in profit or loss.

Conventional dealings in financial assets are recognised or derecognised under the trade day accounting method. Conventional dealings refer to the purchase or sale of financial assets in accordance with contracts which stipulates the delivery of financial assets within periods customarily determined by the law or according to market practices. The trade day is the date on which the Group undertakes to buy or sell a financial asset.

(2) Classification and measurement of financial assets

At initial recognition, the Group classifies its financial assets into: financial assets at amortised cost, or financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss according to the Group's business model for managing financial assets and the contract cash flow characteristics of the financial assets. Such financial assets will only be reclassified if the Group modifies its business model for managing financial assets, to the extent the said financial assets are affected.

Financial assets are measured at fair value at initial recognition, provided that trade receivables or bills receivable arising from sale of goods or services and not containing significant financing components or for which financing components of not more than one year are not taken into consideration shall be measured at their transaction prices at initial recognition.

For financial assets at fair value through profit or loss, the relevant transaction costs are directly recognised in profit or loss; for other financial assets, the relevant transaction costs are recognised in their initial recognition amount.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

(2) Classification and measurement of financial assets (continued)

The subsequent measurement of financial assets is dependent on its classification:

i. Debt instruments at amortised cost

Financial assets fulfilling all of the following conditions are classified as financial assets at amortised cost: the objective of the Group's business management model in respect of such type of financial assets is to generate contract cash flow; the contract terms of such type of financial assets provide that cash flow generated on specific dates represents interest payment in relation to principal amounts based on outstanding principal amounts only. Interest income from such type of financial assets are recognised using the effective interest rate method, and any profit or loss arising from derecognition, amendments or impairment shall be charged to current profit or loss. Such type of financial assets includes mainly cash, trade receivables, factored trade receivables, other receivables and long-term receivables.

ii. Debt instrument at fair value through other comprehensive income

Financial assets fulfilling all of the following conditions are classified as financial assets at fair value through other comprehensive income: the objective of the Group's business management model in respect of such type of financial assets is both to generate contract cash flow and to sell such type of financial assets; the contract terms of such type of financial assets provide that cash flow generated on specific dates represents interest payment in relation to principal amounts based on outstanding principal amounts only. Interest income from this type of financial assets are recognised using the effective interest rate method. Other than interest income, impairment loss and exchange differences which shall be recognised as current profit or loss, other fair value changes shall be included in other comprehensive income. Upon derecognition of the financial assets, the cumulative gains or losses previously included in other comprehensive income shall be transferred from other comprehensive income to current profit or loss. Such type of financial assets shall be classified as receivable financing.

iii. Financial assets at fair value through current profit or loss

Other than financial assets measured at amortised cost and financial assets at fair value through other comprehensive income as aforementioned, all financial assets are classified as financial assets at fair value through current profit or loss, which are subsequently measured at fair value, other than those relating to hedge accounting, and any changes of which are recognised in current profit or loss.

Financial assets may only be designated as financial assets at fair value through current profit or loss at initial measurement if such designation at initial recognition can eliminate or significantly reduce accounting mismatch.

A financial asset which has been designated as financial asset at fair value through current profit or loss upon initial recognition cannot be reclassified as other types of financial assets; neither can other types of financial assets be redesignated, after initial recognition, as financial assets at fair value through current profit or loss.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

(3) Classification, recognition and measurement of financial liabilities

Other than financial liabilities constituted by financial guarantee contracts in force, loan pledge granted at interest rate lower than the market level, transfer of financial assets not qualifying for derecognition and transferred financial assets subject to continuous involvement, the Group classifies its financial liabilities at initial recognition: financial liabilities at fair value through profit or loss and financial liabilities at amortised cost. For financial liabilities at fair value through profit or loss, the relevant transaction costs are directly recognised in profit or loss; for financial liabilities at amortised cost, the relevant transaction costs are recognised in their initial recognition amount.

The subsequent measurement of financial liabilities is dependent on its classification:

i. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include mainly trading financial liabilities (comprising derivatives classified as financial liabilities) and financial liabilities designated at initial recognition to be measured at fair value through current profit or loss. Trading financial liabilities (comprising derivatives classified as financial liabilities) are subsequently measured at fair value and all changes, other than those relating to hedge accounting, are recognised in current period's profit or loss. Financial liabilities at fair value through current profit or loss are subsequently measured at fair value. Other than fair value changes arising from the change in the Group's inherent credit risk which are included in other comprehensive income, other fair value changes are included in current profit or loss. If the inclusion of fair value changes arising from the change in the Group's inherent credit risk in other comprehensive income will result in or increase the accounting mismatch in profit or loss, the Group will include all fair value changes (including amounts arising from change in its inherent credit risk) in current profit or loss.

Financial liabilities may only be designated as financial liabilities at fair value through profit or loss at initial measurement if such financial liabilities meet one of the following conditions at initial recognition:

(1) such designation can eliminate or significantly reduce accounting mismatch;

(2) it has been stated in the official documentation for risk management or investment strategy that such financial instrument group shall be managed, assessed and reported to key management personnel on the basis of fair value;

(3) they represent hybrid instruments that include one or more embedded derivatives, unless the embedded derivatives do not materially change the cashflow of the hybrid instrument, or it is evident that the embedded instrument should not be separated from the hybrid instrument;

(4) they represent hybrid instruments that include embedded instruments requiring separation but which cannot be individually measured upon acquisition or at subsequent balance sheet dates.

A financial liability which has been designated as financial liability at fair value through current profit or loss upon initial recognition cannot be reclassified as other types of financial liabilities; neither can other types of financial liabilities be redesignated, after initial recognition, as financial liabilities at fair value through current profit or loss.

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

(3) Classification, recognition and measurement of financial liabilities (continued)

ii. Financial liabilities at amortised cost

Subsequent measurement of these financial liabilities are carried at amortised cost using the effective interest method.

(4) Impairment of financial instruments

Determination and accounting treatment of expected credit losses.

The Group performs impairment treatment on financial assets at amortised cost, debt instruments at fair value through other comprehensive income and contract assets based on expected credit losses and recognises provision for losses.

For receivables, contract assets and bills receivable under other current assets that do not contain significant financing components, the Group adopts a simplified measurement method to measure provision for losses based on an amount equivalent to expected credit losses for the entire period.

For trade receivables and contract assets that contain a significant financing component, the Group chooses the simplified approach to measure provision for losses based on an amount equivalent to expected credit losses for the entire period.

For financial assets other than those measured with simplified valuation methods, the Group evaluates at each balance sheet date whether its credit risk has significantly increased since initial recognition. The period during which credit risk has not significantly increased since initial recognition is considered the first stage, at which the Group shall measure loss provision based on the amount of expected credit loss for the next 12 months and shall compute interest income according to the book balance and effective interest rate. The period during which credit risk has significantly increased since initial recognition although no credit impairment has occurred is considered the second stage, at which the Group shall measure loss provision based on the amount of expected credit loss for the entire valid period and shall compute interest income according to the book balance and effective interest rate. The period during which credit impairment has occurred after initial recognition is considered the third stage, at which the Group shall measure loss provision based on the amount of expected credit loss for the entire period and shall compute interest income according to the amortised cost and effective interest rate. For financial instruments with relatively low credit risk at the balance sheet date, the Group assumes its credit risk has not significantly increase since initial recognition.

For the Group's criteria for judging whether credit risks have significantly increased, the definition of assets subjected to credit impairment, please refer to Note IX.1.

Factors reflected in the Group's method of measuring ECL of financial instruments include: unbiased weighted average amount through assessment of a range of possible outcomes, currency time value, and reasonable and substantiated information on past events, current conditions and projected future economic conditions obtainable at the balance sheet date without undue excessive cost or effort.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

(4) Impairment of financial instruments (continued)

Classification of and bases for determining provision for impairment according to credit risk characteristic groups

The Group considers the credit risk features of different customers and estimates the expected credit loss of financial instruments by aging group/overdue aging group based on common risk characteristics. The Group analyses the groups into aging group and overdue aging group.

Calculation of aging for the purpose of recognizing credit risk characteristic groups based on age

The Group determines the age of an overdue amount according to the date of payment agreed in the contract.

Criteria for making standalone charge for the purpose of individually charged bad-debt provision for impairment

If the credit risk characteristics of a counterparty is significantly different from other counterparties in the group, loss provision in respect of the amount owed by such counterparty shall be individually charged.

Verified write-off of provision for impairment

When the Group no longer reasonably expects to be able to fully or partially recover the contract cash flow of financial assets, the Group directly writes down the book balance of such financial assets.

(5) Offsetting of financial instruments

Financial assets and financial liabilities may be offset against one another and presented as a net amount in the balance sheet if all of the following conditions are met:

(a) there is a presently exercisable statutory right to offset recognised amount;

(b) there is a plan to conduct net settlement or to realise the financial asset and settle the financial liability at the same time.

(6) Financial guarantee contracts

A financial guarantee contract is a contract under which the issuer shall indemnify the contract holder suffering losses with a specified amount in the event that the debtor fails to repay its debt in accordance with the terms of the debt instrument. Financial guarantee contracts are measured at fair value at initial recognition, other than financial guarantee contracts designated as financial liabilities at fair value through current profit or loss, other financial guarantee contracts shall be subsequently measured at the higher of the amount of provision for expected credit loss determined as at the balance sheet date after initial recognition and the amount at initial recognition less the cumulative amortised amount determined in accordance with revenue recognition principles.

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

(7) Derivative financial instruments

The Group uses derivative financial instruments such as forward currency contracts. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Other than to the extent related to hedge accounting, profit or loss arising from changes in the fair value of derivative instruments shall be directly recognised in current profit or loss.

11. Inventories

Inventories include raw materials, materials sub-contracted for processing, work-in-progress, finished goods, dispatched goods, contract fulfillment cost and data resources.

Inventories are initially recorded at costs. Inventories' costs include purchasing costs, processing costs and other costs. Actual costs of goods delivered are recognised using the weighted moving average method. Turnover materials include low-value consumables and packaging materials, which are amortised on a one-off or 50–50 basis according to their useful life and value.

Inventories are valued using the perpetual inventories stock-take system.

Inventories at the balance sheet date are stated at the lower of cost or net realisable value. Provision for impairment of inventories is made and recognised in profit or loss when the net realisable value is lower than cost.

Net realisable values represent estimated selling prices less any estimated costs to be incurred to completion, estimated selling expenses and relevant tax amounts. Provision for impairment of inventories is made on the basis of individual items in the case of terminal products or inventory category in the case of non-terminal products. For inventories relating to product series manufactured and sold in the same region or having identical or similar end use or purpose of which separate measurement from other items is impracticable, provision for impairment shall be recognised on a combined basis.

The net realisable value of terminal products is determined on the basis of the estimated selling prices of different models. For non-terminal products, the net realisable value of the inventories is determined according to empirical data on estimated net realisable value analysed by inventory age bands and categories on the basis of historic loss and business risks, taking into consideration of the risk associated with slow-moving or obsolete products in different inventory categories and the risk relating to future market demand and generational replacement of products and project modifications.

Contract costs classified as current assets are shown under inventories.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

12. Investment in associates and joints

Investment in associates and joints include equity investments in subsidiaries, joint ventures and associates.

Upon acquisition, investment in associates and joints is initially measured at initial investment cost. For investment in associates and joints acquired through the business combination of entities under common control, the initial investment cost shall be the share of carrying value of the owners' equity of the merged party at the date of combination as stated in the consolidated financial statements of the ultimate controlling party. Any difference between the initial investment cost and the carrying value of the consideration for the combination shall be dealt with by adjusting the capital reserve (if the capital reserve is insufficient for setting off the difference, such difference shall be further set off against retained profits). For investment in associates and joints acquired through the business combination of entities not under common control, the initial investment cost shall be the cost of combination (for business combinations of entities not under common control achieved in stages through multiple transactions, the initial investment cost shall be the sum of the carrying value of the equity investment in the acquired party held at the date of acquisition and new investment cost incurred as at the date of acquisition). The initial investment cost of investment in associates and joints other than those acquired through business combination shall be recognised in accordance with the following: For those acquired by way of cash payments, the initial investment cost shall be the consideration actually paid plus expenses, tax amounts and other necessary outgoings directly related to the acquisition of the investment in associates and joints. For investment in associates and joints acquired by way of the issue of equity securities, the initial investment cost shall be the fair value of the equity securities issued.

In the financial statements of the Company, the cost method is used for long term equity investments in investees over which the Company exercises control. Control is defined as the power exercisable over the investee, the entitlement to variable return through involvement in the activities of the investee and the ability to influence the amount of return using the power over the investee.

When the cost method is used, investment in associates and joints are measured at initial cost on acquisition. When additional investments are made or investments are recouped, the cost of investment in associates and joints shall be adjusted. Cash dividend or profit distribution declared by the investee shall be recognised as investment gains for the period.

The equity method is used to account for investment in associates and joints when the Group can jointly control or has significant influence over the invested entity. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence means having the authority to take part in the decision over the financial and operational policies but not the authority to control or jointly control with other parties the formulation of such policies.

Under the equity method, any excess of the initial investment cost over the Company's share of the net fair value of the investment's identifiable assets and liabilities is included in the initial investment cost of the investment in associates and joints. When the carrying amount of the investment is less than the Company's share of the fair value of the investment's identifiable net assets, the difference is recognised in profit or loss of the current period and debited to investment in associates and joints.

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

12. Investment in associates and joints (continued)

Under the equity method, after the investment in associates and joints are acquired, investment gains or losses and other comprehensive income are recognised according to the entitled share of net profit or loss and other comprehensive income of the investee and the carrying amount of the investment in associates and joints is adjusted accordingly. When recognising the Group's share of the net profit or loss of the invested entity, the Group makes adjustments to investee's net profits based on fair values of the investees' identifiable assets at the acquisition date in accordance with the Group's accounting policy and accounting period, eliminating pro-rata profit or loss from internal transactions with associates and joint ventures attributable to investor (except that loss from inter-group transactions deemed as asset impairment loss shall be fully recognised), provided that invested or sold assets constituting businesses shall be excluded. When the invested enterprise declares profit appropriations or cash dividends, the carrying amount of investment is adjusted down by the Group's share of the profit appropriations and dividends. The Group shall discontinue recognising its share of the losses of the investee after the investment in associates and joints together with any long-term interests that in substance forms part of the Group's net investment in the investee are reduced to zero, except to the extent that the Group has incurred obligations to assume additional losses. The Group also adjusts the carrying amount of investment in associates and joints for other changes in owner's equity of the investees (other than the net-off of net profits or losses, other comprehensive income and profit allocation of the investee), and includes the corresponding adjustment in equity.

13. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties of the Group included houses and buildings and land use rights leased to other parties.

Investment properties are initially measured at cost. Subsequent expenses relating to the investment properties are charged to investment property costs if there is a probable inflow of economic benefits relating to the asset and its cost can be reliably measured; otherwise, those expenditure are recognised in profit or loss as incurred.

Investment properties of the Group represented owned properties reclassified to investment properties measured at fair value. The amount of fair value in excess of the carrying value as at the date of reclassification is included in the other comprehensive income. After initial recognition, investment properties will be subsequently measured and presented in fair value. The difference between the fair value and the original carrying value shall be included in current profit or loss. Fair values are assessed and determined by independent valuers based on open market prices of properties of the same or similar nature and other relevant information.

14. Property, plant and equipment

Property, plant and equipment is recognised when, and only when, it is probable that future economic benefits that are associated with the property, plant and equipment will flow to the Group and the cost can be measured reliably. Subsequent expenditures related to property, plant and equipment are recognised in the carrying amount of the property, plant and equipment if the above recognition criteria are met, and the carrying value of the replaced part is derecognised; otherwise, those expenditures are recognised in profit or loss as incurred.

Property, plant and equipment are initially recognised at cost taking into account the impact of expected future disposal expenditure. Cost of purchased property, plant and equipment includes purchasing price, relevant taxes, and any directly attributable expenditure for bringing the asset to working conditions for its intended use.

RMB'000

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

14. Property, plant and equipment (continued)

Other than those formed from safe production expense already provided for, property, plant and equipment are depreciated on a straight-line basis, and the respective estimated useful lives, estimated residual values and annual depreciation rates are as follows:

	Useful life	Estimated residual value ratio	Annual depreciation rate
Freehold land	Indefinite	—	No depreciation
Buildings	30–50 years	5%	1.90%–3.17%
Electronic equipment	3–5 years	5%	19%–31.67%
Machinery equipment	5–10 years	5%	9.5%–19%
Motor vehicles	5–10 years	5%	9.5%–19%
Other equipment	5 years	5%	19%

The Group reviews, at least at each year end, useful lives, estimated residual values and depreciation methods of property, plant and equipment and makes adjustments if necessary.

15. Construction in progress

Construction in progress is measured at the actual construction expenditures, including necessary project work expenses incurred during the period while construction is in progress, borrowing costs subject to capitalisation before they can be put into use and other related fees.

Construction-in-progress is transferred into property, plant and equipment when it is ready for its intended use according to the following criteria:

	Criteria for transfer to property, plant and equipment
Buildings	Commencement of actual use/delivery upon completion and inspection, whichever earlier
Machinery equipment	Commencement of actual use/delivery upon completion of installation and inspection, whichever earlier

16. Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of assets qualified for capitalisation are capitalised as part of the cost of those assets. Other borrowing costs are charged to current profit or loss.

The capitalization of borrowing costs commences when the capital expenditure and borrowing cost have already been incurred and the acquisition or production activities required for the asset to reach its usable or sellable state have commenced.

When the asset qualified for capitalisation so acquired or produced reaches its usable or sellable state, borrowing costs should cease to be capitalized and subsequent borrowing costs shall be charged to current profit or loss.

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

16. Borrowing costs (continued)

During the period of capitalization, the amount of capitalized interest for each accounting period is determined in the following manner: for specific loans, the amount shall be based on the actually incurred interest expense less interim deposit interest income or investment income; for general loans appropriated, the amount shall be based on the weighted average asset expenditure representing cumulative asset expenditure in excess of the specific loan multiplied by the weighted average interest rate for the general loans appropriated.

Except for expected suspension under normal situation of qualifying assets, capitalisation should be suspended during periods in which abnormal interruption has lasted for more than 3 months during the process of acquisition, construction or production. The borrowing cost incurred during interruption should be recognised as expenses and recorded in current profit or loss until the acquisition, construction or production resumes.

17. Intangible assets

Intangible assets are amortised using the straight-line method over their useful lives as follows:

	Estimated useful life	Basis
Land use rights	30–70 years	Term of land use right
Patents	2–10 years	Term/estimated useful life of patent, whichever shorter
Software	2–5 years	Actual useful life/estimated useful life of software, whichever shorter
Franchise	2–10 years	Term/estimated useful life of franchise, whichever shorter
Development expenses	3–5 years	Generational cycle of technology/life cycle of product, whichever shorter

The Group classifies the expenses for internal research and development as research costs and development costs. R&D investment is the expense directly related to R&D activities, including remuneration of R&D staff, R&D materials, depreciation cost, technological cooperation fee and assessment and testing fee, etc. Research costs are charged to the current profit or loss as incurred. Development cost is capitalised only when all of the following conditions are met: the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and use or sell the asset, how the asset will generate economic benefits (including demonstration that the product derived from the intangible asset or the intangible asset itself will be marketable or, in the case of internal use, the usefulness of the intangible asset as such), the availability of sufficient technical, financial and other resources to complete the project and the ability to use or sell the intangible asset, and the ability to measure reliably the expenditure attributable to development cost. Product development expenditure which does not meet these criteria is expensed in current profit or loss when incurred.

Capitalisation of a project of the Group commences when it progresses into the development phase after fulfillment of the above conditions, satisfaction of technical feasibility and economic feasibility studies, project listing upon assessment.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

18. Provisions

Other than contingent consideration and contingent liabilities assumed in business combination not under common control, the Group recognises as provision an obligation that is related to contingent matters when the obligation is a present obligation of the Group that would probably result in an outflow of economic benefits from the Group and could be reliably measured.

Provisions are initially valued according to the best estimate of expenses on fulfilling the current liabilities, in connection with the risk, uncertainty and timing value of the currency. The carrying value of the provisions would be reassessed on every balance sheet date and adjusted as appropriate to reflect the current best estimated value.

19. Share-based payments

Share-based payments can be distinguished into equity-settled share-based payments and cash-settled share-based payments. Equity-settled share-based payments are transactions of the Group settled through the payment of shares or other equity instruments in consideration for receiving services.

Equity-settled share-based payments made in exchange for services rendered by employees are measured at the fair value of equity instruments granted to employees. Instruments which are vested immediately upon the grant are charged to relevant costs or expenses at the fair value on the date of grant and the capital reserve is credited accordingly. Instruments of which vesting is conditional upon completion of services or fulfillment of performance conditions are measured by recognising services rendered during the period in relevant costs or expenses and crediting the capital reserve accordingly at the fair value on the date of grant according to the best estimates of the volume of exercisable equity instruments at each balance sheet date during the pending period. The fair value of equity instruments is determined using the binomial option pricing model. For details see Note XII. Share-based payment.

Where the terms of an equity-settled share-based payment are modified, as a minimum, services obtained are recognised as if the terms had not been modified. In addition, an expense is recognised for any modification which increases the total fair value of the instrument granted, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. Where employees or other parties are permitted to choose to fulfill non-vesting conditions but have not fulfilled during the pending period, equity-settled share-based payments are deemed cancelled. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the new awards are treated as if they were a modification of the original award.

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

20. Revenue from customer contracts

The Group recognises its revenue upon the fulfilment of contractual performance obligations under a contract, namely, when the customer obtains control over the relevant products or services. The acquisition control over relevant products or services shall mean the ability to direct the use of the products or the provision of the services and receive substantially all economic benefits derived therefrom.

(1) The Group's accounting policies for different types of income are as follows:

(a) Contract for the sales of products

The product sales contract between the Group and its customers typically includes contractual performance obligations for the transfer of products. The Group typically recognises its revenue at the time of delivery and acceptance upon inspection taking into account the following factors: the acquisition of the current right to receive payments for the products, the transfer of major risks and rewards of ownership, the transfer of the legal title of the products, the transfer of the physical assets of the products, and customers' acceptance of the products.

(b) Contract for the rendering of services

The service contract between the Group and its customers includes contractual performance obligations for maintenance service, operational service and engineering service. As the customer is able to forthwith obtain and consume the economic benefits brought by the Group's contractual performance when the Group performs a contract, or is able to control the assets in progress during the course of the Group's performance, the Group considers such contractual performance obligations to be obligations performed over a period of time, and revenue shall be recognised according to the progress of performance. For contracts with specific output indicators, such as contracts for maintenance service and operational service, the Group determines the progress of performance of the service according to the output method. For a small number of contracts which do not specify output indicators, the progress of performance is determined using the input method.

(c) Telecommunication system construction contract

The Group's Telecommunication system construction contract typically includes a range of contractual performances, such as equipment sales and installation service and their combinations. Equipment sales and installation service that are distinctly separable are accounted for standalone contractual performances. Combinations of equipment sales and installation services that are not individually separable are accounted for as standalone contractual performances, as customer can benefit from the individual use of such combinations or their use together with other readily available resources and such combinations among themselves are distinctly separable from one another. As the control of such combination of equipment and installation service is transferred to the customer upon acceptance by the customer, revenue of each standalone contractual performance is recognised after the fulfillment of such standalone contractual obligation corresponding to each combination of equipment sales and installation service.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

20. Revenue from customer contracts (continued)

(2) Accounting policies relevant to the ascertaining and allocation and transaction prices by the Group:

(a) Standalone selling price

For contracts containing two or more performance obligations, the Group allocates the transaction price to the respective standalone performance obligations and measures revenue according to the transaction price allocated to such standalone performance obligations according to a relative percentage of the standalone price for the commodity or service pledged under the respective standalone performance obligations on the date of inception of the contract.

Where there is definitive evidence showing contract discounts relate to one or more (but not all) performance obligations under a contract, the contract discount is allocated to the one or more relevant performance obligations.

(b) Variable consideration

Certain contracts between the Group and its customers contain cash discount and price guarantee clauses which will give rise to variable consideration. Where a contract contains variable consideration, the Group determines the best estimates on the variable consideration based on expected values or the most probable amount, provided that transaction prices including variable consideration shall not exceed the cumulative amount of recognised revenue upon the removal of relevant uncertainties in connection with which a significant reversal is highly unlikely.

(c) Consideration payable to customers

Where consideration is payable by the Group to a customer, such consideration payable shall be deducted against the transaction price, and against current revenue upon the recognition of revenue or the payment of (or the commitment to pay) the consideration to the customer (whichever is later), save for consideration payable to the customer for the purpose of acquiring from the customer other clearly separable products.

(d) Return clauses

In connection with sales with a return clause, revenue is recognised according to the amount of consideration it expects to be entitled to for the transfer to a customer when the customer acquires control of the relevant. Amounts expected to be refunded for the return of sales are recognised as liabilities. At the same time, the balance of the carrying value of the product expected to be returned upon transfer less expected costs for the recall of such product (including impairment loss of the recalled product) shall be recognised as an asset (i.e. cost of return receivables), and the net amount of the carrying value of the transferred product upon the transfer less the aforesaid asset cost shall be transferred to cost. At each balance sheet date, the Group reassess the future return of sales and remeasured the above assets and liabilities.

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

20. Revenue from customer contracts (continued)

(2) Accounting policies relevant to the ascertaining and allocation and transaction prices by the Group: (continued)

(e) Significant financing component

Where a contract contains a significant financing component, the Group determines transaction prices based on amounts payable assumed to be settled in cash by customers immediately upon the acquisition of control over the products. The difference between such transaction price and contract consideration is amortised over the contract period using the effective interest rate method based on a ratio that discounts the nominal contractual consideration to the current selling price of the products.

The Group shall not give consideration to any significant financing component in a contract if the gap between the customer's acquisition of control over the products and payment of consideration is expected to be less than one year.

(f) Warranty clauses

The Group provides quality assurance for products sold and assets built in accordance with contract terms and laws and regulations. The accounting treatment of quality assurance in the form of warranty assuring customers products sold are in compliance with required standards is set out in Note III.18. Where the Group provides a service warranty for a standalone service in addition to the assurance of compliance of products with required standards, such warranty is treated as a standalone contractual performance obligation, and a portion of the transaction price shall be allocated to the service warranty based on a percentage of the standalone price for the provision of product and service warranty and recognised upon the customer obtaining control of the service. When assessing whether a warranty is rendering a standalone service in addition to providing guarantee to customers that all sold goods are in compliance with required standards, the Group will consider whether or not such warranty is a statutory requirement, the term of the warranty and the nature of the Group's undertaking to perform its obligations.

21. Contract assets and contract liabilities

The Group presents contract assets or contract liabilities on the balance sheet according to the relationship between contractual performance obligations and customer payments. Contract assets and contract liabilities under the same contract are set off and presented on a net basis.

(1) Contract assets

The right to receive consideration following the transfer of products to customers which is dependent on factors other than the passage of time is recognised as contract assets before the actual payment of the contract consideration by customers or such consideration or such consideration becomes due and payable. Afte such right to receive consideration subsequently becomes unconditional, it shall be reclassified as amount receivables.

For details of the Group's determination and accounting treatment of expected credit losses from contract assets, please refer to Note III.10.

(2) Contract liabilities

The obligation to pass products or services to customers in connection with customer consideration received or the unconditional right to receive able is recognised as contract liabilities before such passing of products or services to customers.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

22. Assets relating to contract cost

The Group's assets relating to contract costs include the contract acquisition costs and contract performance costs, presented respectively under inventories, other current assets and other noncurrent assets.

Where the Group expects the incremental costs for acquiring a contract to be recoverable, such contract acquisition costs are recognised as an asset (unless the amortisation period of the asset is not more than one year).

Costs incurred by the Group for the performance of a contract are recognised as an asset as contract performance costs if they do not fall under the scope of the relevant standards for inventories, property, plant and equipment or intangible assets but meet all the following conditions:

(1) they are directly related to a current or anticipated contract, including direct labour, direct materials, manufacturing expenses (or similar expenses), to be borne by customers as specifically stipulated, and otherwise incurred solely in connection with the contract;

(2) they will increase the resources to be utilised in the Company's future performance of its contractual obligations;

(3) they are expected to be recoverable.

The Group amortises assets relating contract costs on the same basis as that for the recognition of revenue relating to such assets and recognises the amortised assets in current profit or loss.

For assets relating to contract costs whose carrying value is higher than the difference between the following two items, the Group makes provision for impairment for the excess to be recognised as asset impairment losses:

(1) The remaining consideration expected to be obtained as a result of the transfer of goods relating to such assets;

(2) Estimated costs to be incurred in connection with the transfer of relevant goods.

23. Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. The grant is measured as the amount received or receivable where it takes the form of a cash asset, or at fair value where it is not a cash asset. Where the fair value cannot be reliably obtained, it should be measured at the nominal value.

In accordance with the stipulations of the government instruments, government grants applied towards acquisition or formation in other manners of long-term assets are asset-related government grants; where the instruments are not specific, judgement should be exercised based on the basic conditions required for receiving the grant, whereby grants designated to be used for acquisition or formation in other manners of long-term assets as a basic condition are recognised as asset-related government grants. All other grants are recognised as income-related government grants.

Government grants relating to income and applied to make up for related costs or losses in future periods shall be recognised as deferred income, and shall be recognised in current profit or loss or written off against related costs of the period for which related costs or loss are recognised. Government grants specifically applied for the reimbursement of incurred related costs and expenses shall be directly set off against related costs.

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

23. Government grants (continued)

Government grants relating to assets shall be written off against the carrying value of the asset concerned or, if the asset concerned is disposed of, transferred, retired or damaged prior to the end of its useful life, the balance of the deferred income yet to be allocated shall be transferred to current profit or loss.

Loans extended to the Group by borrowing banks at favourable interest rates mandated by government policies under which the borrowing banks receive interest rate subsidies from the financial authorities shall be recognised based on the actual amount of loans received, and borrowings costs shall be recognised based on the principal amount of the loan and the policy-mandated favourable interest rates. Where discounted interest funds are paid to the Group directly by financial authorities, the corresponding discounted interest is charged against relevant borrowing costs.

24. Deferred tax

The Group recognises deferred tax based on temporary differences between the carrying amount of assets or liabilities in the balance sheet and their tax base on the balance sheet date, as well as differences between the carrying values and tax bases of items not recognised as assets or liabilities where the tax base can be calculated according to the relevant tax regulations, using the balance sheet liability method.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

(1) where the taxable temporary difference arises from the following: initial recognition of goodwill or initial recognition of an asset or liability in a standalone transaction that: is not a business combination, at the time of the transaction affects neither the accounting profit nor the taxable profit or deductible loss, and gives rise to initial recognition of assets and liabilities which have not resulted in taxable temporary difference and deductible temporary difference of an equivalent amount;

(2) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax losses and unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax losses and unused tax credits can be utilised except:

(1) where the deductible temporary difference arises from an individual transaction that: is not a business combination, at the time of the transaction affects neither the accounting profit nor the taxable profit or deductible loss, and gives rise to initial recognition of assets and liabilities which have not resulted in taxable temporary difference and deductible temporary difference of an equivalent amount;

(2) deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures are recognised when it is probable that the temporary differences will reverse in the foreseeable future and taxable profit against the deductible temporary differences will be available.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

24. Deferred tax (continued)

As at balance sheet date, deferred tax assets and liabilities are measured in accordance with relevant tax laws at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and reflects the tax consequences that would follow the manner in which the Group expects, at the balance sheet date, to recover the assets or settle its liabilities.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset and presented as a net amount if all of the following conditions are met: the Group has the legal right to set off current tax assets current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, provided that the taxable entity concerned intends either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

25. Leases

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease. If one party to the contract conveys a right to control the use of one or more identified assets for a period of time in exchange for consideration, such contract is, or contains, a lease.

(1) As a lessee

With the exception of short-term lease and low-value asset lease, the Group recognises right-of-use assets and lease liabilities in connection with lease through the following accounting method:

At the inception of a lease term, the right to use lease assets during the lease term is recognised as right-of-use assets and is initially measured at cost. The cost of right-of-use assets include: the initially measured amount of lease liabilities; the lease payment incurred at or prior to the lease inception date, less the lease incentive amount received where applicable; initial direct expenses incurred by the lessee; estimated cost to be incurred by the lessee for demolishing and removing lease assets, restoring the premises at which the lease assets are located or restoring the lease assets to the agreed state under the lease terms. Where Group remeasures the lease liabilities owing to changes in the lease payment amount, the carrying value of the right-of-use assets should be adjusted accordingly. In subsequent measurement, the Group provides depreciation of the right-of- use assets using the averaging method over the lease term. Where it can be reasonably ascertained that the ownership over the lease assets can be obtained upon the conclusion of the lease term, depreciation is provided over the remaining useful life of the lease assets. Where the acquisition of the ownership over the lease assets upon the conclusion of the lease term cannot be reasonably ascertained, depreciation is provided over the lease term or the remaining useful life of the lease assets, whichever shorter.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

25. Leases (continued)

(1) As a lessee (continued)

At the inception of the lease period, the Group recognised the present value of outstanding lease payments as lease liabilities, other than short-term leases and low-value asset lease. Lease payment amounts include fixed payments and the amount of substantial fixed payments less rental incentives, variable lease payment amounts depending on indices or ratios, estimated amounts payable based on the remaining value of guarantees, as well as amounts payable for the exercise price of buying option or termination of lease renewal option, provided that the Group reasonably ascertains that the option will be exercised or the lease period reflects that the Group will terminate the renewal option. Variable lease payments not included in lease liabilities are charged to current profit or loss as and when incurred, other than those otherwise required to be included in relevant asset cost. Where there are changes in the substantial fixed payment amount, changes in amounts payable expected of the remaining value of guarantees, changes in the index or ratio used to determine lease payment amounts, and changes in the assessment outcome relating to or actual exercise of the call option, renewal option and termination option, the Group re-measures the lease liabilities based on present value of the modified lease payment.

A lease with a term of not more than 12 months at the inception of the lease term and without any call option is recognised as a short-term lease; lease comprising an individual lease asset worth not more than RMB30,000 in brand new conditions is recognized as a low-value asset lease. If the Group sub-leases or expects to sub-lease such lease assets, the original lease shall not be recognised as a low-value asset lease. For short-term leases and low-value asset leases, the Group elects not to recognise right-of-use assets and lease liabilities, which are instead charged to relevant asset cost or current profit or loss over the respective periods during the lease term on a straight-line basis, while contingent rental is charged to current profit or loss as and when incurred.

(2) As a lessor

Other than leases that transfer substantially all risk and reward relating to the ownership of lease assets at inception which are recognised as finance leases, all leases are recognised as operating leases. As a sub-leasing lessor, the Group classifies the sub-leases based on the right-of-use assets of the original leases.

(Applicable to operating lease) Lease income from operating lease is recognised as current profit or loss on a straight line basis for the periods over the lease term. Variable lease payments not included in the amount of lease receipt are charged to current profit or loss as and when incurred. Initial direct cost is allocated over the lease period in accordance with the same bases for recognizing rental income and included in current profit or loss for each period.

(Applicable to financing lease) At the inception of the lease term, finance lease receivables are recognised in respect of finance lease, while financing lease assets are derecognised. At initial measurement, the carrying value of finance lease receivables are recognised as the net amount of lease investment, which is in turn the sum of the unsecured residual value and the lease payments yet to be received at the commencement of the lease term discounted to their present value using the implicit interest rate of the lease, including initial direct expenses. Interest income over the respective periods of the lease term are computed and recognised based on fixed cyclical interest rates. Variable lease payments not included in the net amount of lease investment are charged to current profit or loss as and when incurred.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

26. Impairment

Impairment of assets other than inventories, investment properties measured at fair value, deferred tax assets, contract assets and financial assets is determined using the methods described below: The Group assesses at each balance sheet date whether there is an indication that a non-financial asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount and performs a test of impairment for the asset. For goodwill generated from business consolidation and intangible assets with indefinite useful lives or which are not yet ready for use are tested at least annually regardless of whether there are indications of impairment.

Recoverable amount is the higher of the asset's fair value less costs to sell and its present value of estimated future cash flows. The Group estimates recoverable value for individual assets. When it is difficult to estimate individually, the recoverable value of the cash generating units which the asset belongs to will be estimated. The definition of cash generating units is determined on the basis of whether the cash generating units generate cash flows which are largely independent of those from other cash generating units.

Where the carrying amount of an asset or a cash generating unit exceeds its recoverable amount, the asset or cash generating unit is considered impaired and is written down to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised in the current period's profit or loss and provision for impairment is made accordingly.

In connection with impairment tests for goodwill, the carrying value of goodwill is allocated to relevant cash generating units ("CGU") or CGU group. A relevant CGU or CGU group is defined as one which can benefit from the synergies of the business combination and is not larger than the business segments determined by the Group.

The carrying value and recoverable amount of CGUs or CGU groups that comprise goodwill should be compared. Where the recoverable amount is lower than the carrying value, the impairment loss should first be offset against the carrying value of the goodwill allocated to CGUs or CGU groups and then against assets in the CGUs or CGU groups other than goodwill in proportion to the weighting of these assets.

Previously recognised impairment losses are not reversed in subsequent periods.

27. Employee remuneration

Employee remuneration includes all kinds of rewards or compensation (other than share-based payments) incurred by the Group in exchange for service rendered by employees or in the termination of employment. Employee remuneration includes short-term remuneration, retirement benefits, termination benefits and other long-term employees' benefits.

(1) Short-term remuneration

For accounting periods during which services are rendered by employees, short-term remuneration that will incur is recognised as liability and included in current profit and loss or related capital costs.

(2) Retirement benefit (defined deposit scheme)

Employees of the Group participated in pension insurance and unemployment insurance schemes managed by the local government. The contribution costs are charged as asset cost or to current profit or loss when incurred.

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

27. Employee remuneration (continued)

(3) Retirement benefit (defined benefit scheme)

The Group operates a defined benefit pension scheme. No funds have been injected into the scheme. The cost of benefits provided under the defined benefit scheme is calculated using the expected benefit accrual unit approach. Remeasurement arising from defined benefit pension schemes, including actuarial gains or losses, changes in the asset cap effect (deducting amounts included in net interest) and return on scheme assets (deducting amounts included in net interest) are instantly recognised in the balance sheet and charged to shareholders' equity through other comprehensive income for the period during which it is incurred. It will not be reversed to profit and loss in subsequent periods. Previous service costs are recognised as current expenses when: the defined benefit scheme is revised, or relevant restructuring costs or termination benefits are recognised by the Group, whichever earlier. Net interest is arrived at by multiplying net liabilities or net assets of defined benefits with a discount rate. Changes in net obligations of defined benefits are recognised as operating costs and administration expenses in the income statement. Service costs included current services costs, past service costs and settlement of profit or loss. Net interest included interest income from scheme assets, interest expenses for scheme obligations and interest of the asset cap effect.

(4) Termination benefits

Where termination benefits are provided to employees, liabilities in employee remuneration are recognised and charged to current profit and loss when: the company is not in a position to withdraw termination benefits provided under termination plans or redundancy plans, or costs or expenses relating to the restructuring exercise which involves the payment of termination benefits are recognised, whichever earlier.

(5) Other long-term employees' benefits

Other long-term employees' benefits provided to employees shall be recognised and measured as net liabilities or net assets where provisions regarding post-employment benefits are applicable. Changes shall be included in current profit and loss or related capital costs.

28. Fair value measurement

The fair value hierarchy to which an asset or liability measured or disclosed in the financial statements at fair value will be determined on the basis of the lowest level of input which is significant for the fair value measurement as a whole. Input at the first level represents unadjusted quoted prices in an active market for the acquisition of the same asset or liability on the measurement date. Input at the second level represents directly or indirectly observable assets or liabilities apart from input at the first level. Input at the third level represents unobservable input for the asset or liability.

At each balance sheet date, the Group reassesses assets and liabilities measured at fair value on an ongoing basis recognised in the financial statements to determine whether the level of fair value measurement should be changed.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

29. Safe production cost

Safe production cost provided in accordance with relevant regulations is charged to relevant product cost or current profit or loss and at the same to the special reserve. In application, it should be distinguished whether property, plant and equipment are formed: cost of an expense nature should be directly set off against the special reserve. Cost that contributes to the formation of property, plant and equipment should be aggregated and recognised as property, plant and equipment when such assets arrive at the state of intended use, at which time an equivalent amount should be set off against the special reserve and cumulative depreciation of an equal value should be recognised.

30. Hedge accounting

For the purpose of hedge accounting, hedges are classified as

(1) fair-value hedges when hedging the exposure to variability in fair value that is either attributable to a particular risk associated with a recognised asset or liability or an unrecognised firm commitment;

(2) cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship, the risk management objective and its risk management strategy. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness. Hedge effectiveness is the extent to which the changes in fair value or cash flows of the hedging instruments offset changes in the fair value or cash flow of hedged items caused by the hedged risk. Such hedges are assessed on an ongoing basis for their effectiveness at the initial date of designation and in subsequent periods.

If the hedging instrument expires or is sold, terminated or exercised (provided that the rollover or replacement of part of a hedging instrument under the hedging strategy is not treated as an expiration or a contract termination), or the hedging relationship no longer meets the risk management objective due to a change in the risk management objective, or when the hedging no longer meets other conditions of the hedge accounting method, the Group terminates the use of hedge accounting.

Where the hedging relationship no longer meets the hedging effectiveness requirements due to the hedging ratio, but the risk management objectives for the designated hedging relationship have not changed, the Group rebalances the hedging relationship.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

30. Hedge accounting (continued)

Hedges which meet the criteria for hedge accounting are accounted for as follows:

(1) Fair-value hedge

The gains or losses arising from the hedging instrument are recognised in profit or loss for the current period. The gain or loss of the hedged item arising from risk exposure is recognised in profit or loss for the current period. The book value of the hedged item that is not measured at fair value is adjusted accordingly.

For fair value hedge relating to debt instruments carried at amortised cost, the adjustments on the carrying amount of the hedged items are amortised to profit or loss over the remaining term of the hedge using the effective interest method. Amortisation using the effective interest rate may begin upon the adjustment of the carrying amount but no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. The hedged item is recognised as debt instrument at fair value through other comprehensive income. Cumulative hedge profit or loss recognised is amortised to profit or loss in the same manner, except the carrying value of the financial asset will not be adjusted. In the event of the derecognition of the hedged item, fair value unamortised shall be recognised as current profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with the corresponding gain or loss recognised in profit or loss for the current period. The fair value changes of hedging instruments are also recognised in profit or loss for the current period.

(2) Cash flow hedges

Profit or loss from a hedge instrument attributable to the effective portion of a hedge is directly recognised as other comprehensive income. Profit or loss from a hedge instrument attributable to the non-effective portion of a hedge is recognised in current profit or loss.

If the anticipated transaction under hedge is subsequently recognised as non-financial assets or non-financial liabilities, or if the anticipated transaction of non-financial assets or non-financial liabilities forms a firm commitment to which fair value hedge is applicable, the cash flow hedge reserve amount previously recognised as other comprehensive income is transferred to the amount of initial recognition of such assets or liabilities. For the remaining cash flow hedge, if the anticipated sales occurs during the same period when profit or loss is affected by expected cash flow under hedge, cash flow hedge reserve previously recognised in other comprehensive income is transferred to current profit or loss.

When the Group ceases to apply hedge accounting in respect of cash flow hedge, if the hedged future cash flow is still expected to occur, the amount previously recognised in other comprehensive income will not be transferred until the anticipated transaction actually occurs or the firm commitment is fulfilled. If the hedged future cash flow is no longer expected to occur, the cumulative cash flow hedge reserve amount is transferred from other comprehensive income to current profit or loss.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

31. Significant accounting judgements and estimates

The preparation of financial statements requires judgement and estimation of the management. Such judgement and estimation will affect the reported amounts of revenue, expenses, assets and liabilities and their disclosure, as well as the disclosure of contingent liabilities as at the balance sheet date. However, the consequence arising from the uncertain nature of such assumptions and estimations may result in significant adjustment to the carrying value of the asset or liability affected in the future.

(1) Judgement

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

(a) Determination of standalone contractual performance obligations under telecommunication system construction contracts

The Group's telecommunication system construction contract typically includes a range of pledged performance, such as equipment sales and installation service or a combination of both. The Group determines whether the equipment sales and installation service and their combination are distinctly separable based on the correlation between the equipment sold and the installation service and the contract terms, among other factors. Where the customer can benefit from the individual use of such products or services or their use together with other readily available resources, the standalone equipment sales and installation service are accounted for as standalone contractual performances. Such standalone equipment sales and installation service are considered individual separable if: (1) the customer can receive the equipment pledged under the contract without the provision of significant installation service by the Group; (2) each of the equipment sales and the installation service do not constitute any modification or customisation to the other, nor will they modify or customise other equipment or installation service pledged under the contract; (3) such equipment sales and installation service are not significantly correlated to other equipment or installation pledged under the contract. Each of the aforesaid combinations of equipment sales and installation services that is not individually separable and not significantly correlated to other combinations and that enable the customer to benefit from its individual use or use together with other readily available resources is accounted for as a standalone contractual performances. The comprehensive application of the aforesaid judgement is significant for the determination of standalone contractual performance obligations under telecommunication system construction contracts.

(b) Performance of obligation at a point of time

For the Group's performance obligations in respect of communication system equipment and terminals under contracts with customers, as well as obligations in respect of installation services under contract and communication system equipment sold in a block together with installation, as the customer is unable to obtain and consume the economic benefits brought by the Group's performance of obligation at the same time as such obligations are performed or control goods in progress during the course of the Group's performance, the Group is not entitled to collect progress billing according to work completed to-date during the entire contract period. Hence, such performance is treated as performance at a point of time. Specifically, revenue corresponding to such standalone contractual performance is recognised upon acceptance by the customer after the performance of each standalone obligation.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

31. Significant accounting judgements and estimates (continued)

(1) Judgement (continued)

(c) Business model

The classification of financial assets at initial recognition is dependent on the Group's business model for managing the assets. Factors considered by the Group in judging the business model include enterprise valuation, the method of reporting the results of financial assets to key management members, risks affecting the results of financial assets and the method for managing such risks, as well as the form of remuneration received by the management personnel of the businesses concerned. In assessing whether the business model is aimed at receiving contract cash flow, the Group is required to analyse and exercise judgment in respect of the reasons, timing, frequency and values of any disposals prior to maturity.

(d) Characteristics of contract cash flow

The classification of financial assets at initial recognition is dependent on the characteristics of the contract cash flow of such type of financial assets. Judgement is required to determine whether the contract cash flow represents interest payment in relation to principal amounts based on outstanding principal amounts only, including judgement of whether it is significantly different from the benchmark cash flow when assessing modifications to the time value of currencies, and judgement of whether the fair value of early repayment features is minimal where the financial assets include such early repayment features.

(e) Deferred tax liabilities relating to subsidiaries, associates and joint ventures

The Group is required to recognise deferred tax liabilities for taxable temporary differences relating to investments in certain subsidiaries, associates and joint ventures, unless two conditions are met as follows: the Group is able to control the timing of the reversal of the temporary difference and such temporary difference is not likely to be reversed in the foreseeable future, in which case the recognition of deferred tax liabilities is not required. The Group is of the view that it is able to fully control the timing of the reversal of the temporary difference arising from dividend distribution of the subsidiary and that the subsidiary will not make any profit distribution in the foreseeable future. Therefore, the Group is not required to recognise any deferred income tax liability. Whether the temporary difference related to investments in associates and joint ventures will be reversed in the foreseeable future is dependent on the expected method of recouping the investment, and the Group is required to exercise significant judgement in respect of the method of recouping the investment.

(f) Derecognition of financial assets

Where the Group has transferred the right to receive cash flow arising from an asset but has not transferred or has retained substantially all risks and rewards associated with such asset, or has not transferred the controlling right in such asset, such asset shall be recognised and accounted for so long as the Group continues to be involved in such asset. If the Group has not transferred or has retained substantially all risks and rewards associated with the asset or transferred the controlling right in the asset, the exercise of significant judgment is often required, and estimations need to be made as to the extent of the Group's continued involvement in the asset.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

31. Significant accounting judgements and estimates (continued)

(2) Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that might cause a material adjustment to the carrying amounts of assets and liabilities in subsequent accounting years, are discussed below.

(a) Impairment of investment in associates and joints, property, plant and equipment, construction in progress and intangible assets

The Group assesses at each balance sheet date whether there is an indication that investment in associates and joints, property, plant and equipment, construction in progress and intangible assets may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount and performs a test of impairment for the asset. The recoverable amount is measured at the net amount of the fair value of the asset less disposal costs or the present value of the estimated future cash flow of the asset, whichever is higher. This requires an estimate of the expected future cash flows from the asset or the cash generating unit to which the asset was allocated and also the selection of a suitable discount rate in order to calculate the present value of those cash flows.

An impairment loss is recognised when the carrying amount of property, plant and equipment, construction in progress and intangible assets exceeds the recoverable amount. The carrying amount is written down to the recoverable amount and the writedown is charged to current profit or loss, while corresponding provision for asset impairment is also made.

(b) Impairment of financial instruments

The Group has adopted the expected credit loss model to evaluate the impairment of financial instruments. The application of the expected credit model requires significant judgement and estimates and the consideration of all reasonable and soundly based information, including forward-looking information. In making such judgement and estimates, the Group estimates the projected movements of the debtor's credit risk according to past repayment records, economic policies, macro-economic indicators and industry risks.

(c) Depreciation and amortisation

The Group depreciates items of property, plant and equipment and amortises items of intangible assets on the straight line basis over their estimated useful lives from the date on which the asset reaches a usable state, and after taking into account their estimated residual value, commencing from the date the items of property, plant and equipment are placed into productive use. It reflects the management's estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment and intangible assets.

(d) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, to the extent that it is likely that taxable profit will be available to utilise these unused tax losses. Significant judgments are needed from management to estimate the timing and amount of taxable profit in the future, with the aid of tax planning strategies, to determine the amount of the deferred tax assets that should be recognised.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

31. Significant accounting judgements and estimates (continued)

(2) Estimation uncertainty (continued)

(e) Estimated standalone selling price

The standalone selling price refers to the price at which the Group may independently sell pledged goods or service. Observable prices for goods or services sold to similar customers under similar circumstance on a standalone basis is the best evidence for standalone selling prices. An estimation of standalone selling prices is required if such prices cannot be directly obtained. The Group has adopted cost plus pricing according the characteristics of the goods or services and its related price and cost and the level of difficulty in obtaining it. Cost plus pricing is a method for determining standalone selling prices by adding a reasonable profit margin to the estimated cost of a product. This method is mainly concerned with internal factors and requires adjustments to profit according to different products, customers and differences in other variables. It is a more appropriate method when the direct cost for performance of obligation can be ascertained.

(f) Provision for inventory impairment

The impairment of inventory to its net realisable value is based on the marketability and net realisable value of the inventory. The determination of the impairment value requires the acquisition of conclusive evidence by the management, who should also take into account factors such as the purpose of stocking the inventory and the impact of post-balance sheet date events before making judgments and estimates. The difference between the actual outcome and the original estimates shall affect the carrying value of the inventory and charge or reversal of provision for impairment for the period during which the estimates were revised.

(g) Warranty

The Group makes reasonable estimates on warranty fee rates in respect of contract groups with similar characteristics based on the historic data and current conditions of warranty, taking into consideration all relevant information such as product improvements and market changes, among others. The Group reassesses the warranty fee rates at least annually at each balance sheet date and determines its estimated liabilities based on the reassessed warranty fee rates.

(h) Fair value estimates of investment properties

The best evidence of fair value is given by current prices in an active market for similar lease and other contracts. In the absence of relevant information, the management shall determine the relevant amount within the range of reasonable fair value estimates. The management's judgment will be based on market rental prices of similar properties under current leases in an active market and discounted cash flow projections based on reliable estimates of future cash flows using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. Principal assumptions adopted by the Group in estimating fair values include market rents for similar properties at the same location and under the same conditions, discount rates, vacancy rates, projected future market rent and maintenance cost. For details, please refer to Note V.13.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

31. Significant accounting judgements and estimates (continued)

(2) Estimation uncertainty (continued)

(i) Fair value of non-listed equity investment

Fair value of non-listed equity investment at fair value through profit or loss is estimated using the market-based method. It requires the Group to determine comparable listed companies, elect market multiples and make estimates of liquidity discount and therefore involves uncertainty. The market-based valuation method is adopted to arrive at the fair value of non-listed equity investment at fair value through profit or loss. The assumptions on which it is based are unobservable input. The estimation requires the management to determine comparable public companies (peers) based on industry, scale, gearing and strategy and compute appropriate price multiples, such as enterprise value to EBIT ("EV/EBIT"), price to book ("P/B") or price to earnings ("P/E"), etc., in respect of each identified comparable company. Such multiples are measured and arrived at based on the relevant data of the comparable companies and discounted by a percentage for the lack of liquidity. The discounted multiple shall be used for the measurement of the profit or asset of the non-listed equity investment to arrive at its fair value. The management believes that the estimated fair value (as recorded in the balance sheet) and changes in fair value (as recorded in profit or loss) arrived at using the aforesaid valuation method were reasonable and represented the most appropriate value as the end of the reporting period. For details, please refer to Note X.3.

(j) Incremental loan interest rate of lessee

For leases where the interest rate embedded in the lease cannot be determined, the Group uses the lessee's incremental loan interest rate as the discount rate to calculate the present value of the lease payments. In determining the incremental loan interest rate, the Group uses the observable interest rate as the reference basis for determining the incremental loan interest rate according to the prevailing economic conditions. On this basis, the reference rate is adjusted to arrive at the applicable incremental loan interest rate in accordance with its own circumstances, the condition of the subject asset, the lease term and the amount of the lease liability and other specific circumstances of the leasing business.

32. Change in accounting policies and accounting estimates

Change in accounting policies

In accordance with ASBE Interpretations No. 18 published by the PRC Ministry of Finance on 6 December 2024, provisions for product and service quality warranty not falling under in standalone performance obligations shall be presented under "Operating costs of principal business" and "Other operating cost" based on ascertained amounts, instead of being presented under "Selling and distribution costs". In accordance with the aforesaid ASBE Interpretation, the Company revised its previous accounting policy and adjusted the comparative figures under "Operating cost" and "Selling and distribution cost" in the financial statements on a retrospective basis.

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

IV. TAXATION

1. Principal tax items and tax rates

Value-added tax ("VAT")	—	Output tax is payable at a tax rate of 13% on income generated from domestic sales of products and equipment repair services or 5%, 6% and 9% on income from sales service and intangible assets, and VAT is payable on the difference after deduction of tax credit available for offsetting for the current period.
City maintenance and construction tax	—	In accordance with relevant PRC tax regulations and local regulations, city maintenance and construction tax is payable according to rates stipulated by the State based on individual situations of the branches and subsidiaries of the Group.
Education surcharge	—	In accordance with relevant PRC tax regulations and local regulations, education surcharge is payable according to rates stipulated by the State based on individual situations of the branches and subsidiaries of the Group.
Stamp duty	—	Payable based on taxable amounts recorded on tax evidence and applicable tax rates.
Overseas tax	—	Overseas taxes are payable in accordance with tax laws of various countries and regions.
Enterprise income tax	—	In accordance with the Law on Enterprise Income Tax of the People's Republic of China promulgated on 1 January 2008, enterprise income tax is payable by the Group on its taxable income.

2. Tax concession

Company name	Concessionary tax rate	Applicable period
ZTE Corporation	15% (National-grade hi-tech enterprise)	2023–2025
Shenzhen Zhongxing Software Company Limited	15% (National-grade hi-tech enterprise)	2023–2025
Shanghai Zhongxing Software Company Limited	15% (National-grade hi-tech enterprise)	2023–2025
Xi'an Zhongxing New Software Company Limited	15% (National-grade hi-tech enterprise)	2023–2025
Zonson Smart Auto Corporation	15% (National-grade hi-tech enterprise)	2024–2026
Sanechips Technology Co., Ltd.	15% (National-grade hi-tech enterprise)	2023–2025
Chongqing Zhongxing Software Company Limited	15% (National-grade hi-tech enterprise)	2023–2025
Guangdong Zhongxing Newstart Technology Co., Ltd.	15% (National-grade hi-tech enterprise)	2023–2025
Shenzhen ZTE Technology & Service Company Limited*	15% (National-grade hi-tech enterprise)	2022–2024
Xi'an ZTE Terminal Technology Limited	15% (Concessions under the West China Development Policy)	2021–2030
CRS Technology Co., Ltd.	15% (National-grade hi-tech enterprise)	2024–2026
Nanjing Zhongxing Software Company Limited	15% (National-grade hi-tech enterprise)	2023–2025
Nanjing Zhongxing New Software Company Limited	15% (National-grade hi-tech enterprise)	2024–2026

RMB'000

IV. TAXATION (continued)

2. Tax concession (continued)

Company name	Concessionary tax rate	Applicable period
Wuhan Zhongxing Software Company Limited*	15% (National-grade hi-tech enterprise)	2022–2024
JINZHUAN Information Technology Co., Ltd.	15% (National-grade hi-tech enterprise)	2023–2025
Xi'an ZTE IoT Terminal Co., Ltd.	15% (Concessions under the West China Development Policy)	2021–2030
Beijing Zhongxing Guangtai Software Company Limited	15% (National-grade hi-tech enterprise)	2023–2025
ZXCLAA Technology (SuZhou) Co., Ltd.*	15% (National-grade hi-tech enterprise)	2022–2024
Nanjing Zhongxing Jinyi Digital Technology Co., Ltd	15% (National-grade hi-tech enterprise)	2024–2026
Nubia Technology Co.,Ltd.	15% (National-grade hi-tech enterprise)	2023–2025
Shenzhen Zhongxing Mobile Telecom Software Co., Ltd.*	15% (National-grade hi-tech enterprise)	2022–2024
ShenZhen Zhongxing Seecom Tech. Co., Ltd.	15% (National-grade hi-tech enterprise)	2024–2026
ZICT TECHNOLOGY CO., LTD.	15% (National-grade hi-tech enterprise)	2023–2025
Changsha Zhongxing Software Company Limited*	15% (National-grade hi-tech enterprise)	2022–2024

Note:* Income tax for the six months ended 30 June 2025 was provisionally calculated at a 15% tax rate. Registration of preferential tax rate for 2025 will be completed before the aggregated settlement for 2025.

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Currency Cash

	30 June 2025	31 December 2024
Cash	1,578	1,453
Bank Deposit	38,367,632	41,694,594
Other cash	1,101,133	2,189,301
Total	39,470,343	43,885,348
Including: total amount of offshore funds	2,592,931	2,181,928

As at 30 June 2025, the Group's funds placed overseas and subject to remittance restrictions amounted to RMB30,353,000 (31 December 2024: RMB32,746,000).

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Trading financial assets

	30 June 2025	31 December 2024
Investment in equity instrument at fair value through current profit or loss	86,311	108,117
Financial products	14,374,674	13,660,664
Total	14,460,985	13,768,781

3. Derivative financial assets

	30 June 2025	31 December 2024
Fair-value hedging instrument (Note IX.3)	240,908	166,082
Cashflow hedging instrument (Note IX.3)	–	73
Derivative financial assets at fair value through current profit or loss	1,502	7,284
Total	242,410	173,439

4A. Trade receivables/factored trade receivables

Trade receivables are recognised according to the payment schedules agreed under contracts, typically with a credit period of 0–90 days, which may be extended to a maximum of 1 year depending on the credit records of customers. No interest is accrued on trade receivables.

(1) Aging analysis of trade receivables based on due dates was as follows:

	30 June 2025	31 December 2024
Not overdue	19,966,020	14,143,256
Within 1 year	8,620,669	6,761,054
1 year to 2 years	1,390,905	1,207,776
2 years to 3 years	880,453	705,094
Over 3 years	5,001,171	4,982,337
	35,859,218	27,799,517
Less: bad debt provision for trade receivables	6,658,007	6,511,124
Total	29,201,211	21,288,393

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4A. Trade receivables/factored trade receivables (continued)

(2) *Analysed by method of bad-debt provision*

30 June 2025

	Book balance		Bad debt provision		Book value
	Amount	Percentage	Amount	Percentage	
Standalone provision for impairment	1,917,842	5.35%	1,917,842	100.00%	–
Recognition of provision for impairment by credit risk group	33,941,376	94.65%	4,740,165	13.97%	29,201,211
Total	35,859,218	100.00%	6,658,007	18.57%	29,201,211

31 December 2024

	Book balance		Bad debt provision		Book value
	Amount	Percentage	Amount	Percentage	
Standalone provision for impairment	1,892,338	6.81%	1,892,338	100.00%	–
Recognition of provision for impairment by credit risk group	25,907,179	93.19%	4,618,786	17.83%	21,288,393
Total	27,799,517	100.00%	6,511,124	23.42%	21,288,393

As at 30 June 2025, bad debt provisions for trade receivables on a group basis were as follows:

	Book balance	Provision for impairment	Percentage of provision
Not overdue	19,966,020	107,640	0.54%
Within 1 year	8,528,776	373,007	4.37%
1–2 years	1,386,279	472,175	34.06%
2–3 years	863,262	590,304	68.38%
Over 3 years	3,197,039	3,197,039	100.00%
Total	33,941,376	4,740,165	13.97%

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4A. Trade receivables/factored trade receivables (continued)

(3) Movement in bad debt provisions for trade receivables was as follows:

	Opening balance	Charge/ (reversal) for the period	Verified write-off for the period	Effect of exchange rate	Closing balance
30 June 2025	6,511,124	134,311	(11,868)	24,440	6,658,007

For the six months ended 30 June 2025, RMB702,000 (six months ended 30 June 2024: RMB2,241,000) was reversed for trade receivables which were individually significant and for which bad-debt provision had been made separately. There was no verified write-off in respect of trade receivables which were individually significant and for which bad-debt provision had been made separately (six months ended 30 June 2024: RMB146,000).

Top 5 accounts of trade receivables and contract assets as at 30 June 2025 were as follows:

	Closing balance of trade receivables	Closing balance of contract assets	Closing balance of trade receivables and contract assets	As a percentage of total closing balance of trade receivables and contract assets	Closing balance of bad-debt provision for trade receivables and provision for impairment of contract assets
Customer 1	5,201,171	1,266,767	6,467,938	15.76%	39,394
Customer 2	5,288,163	624,267	5,912,430	14.41%	48,200
Customer 3	2,463,220	488,753	2,951,973	7.19%	19,457
Customer 4	1,913,501	—	1,913,501	4.66%	19,135
Customer 5	982,268	—	982,268	2.39%	9,847
Total	15,848,323	2,379,787	18,228,110	44.41%	136,033

(4) Transfer of trade receivables

The transfer of trade receivables that did not qualify for derecognition was separately reflected in "Factored trade receivables" and "Bank advances on factored trade receivables". As at 30 June 2025, factored trade receivables amounted to RMB852,000 (31 December 2024: RMB6,498,000); and bank advances on factored trade receivables amounted to RMB852,000 (31 December 2024: RMB6,498,000). For details of the transfer of trade receivables, please refer to Note IX.4.

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4A. Trade receivables/factored trade receivables (continued)

(4) Transfer of trade receivables (continued)

(a) Factored trade receivables

	30 June 2025			31 December 2024		
	Book balance	Bad debt provision	Carrying value	Book balance	Bad debt provision	Carrying value
Factored trade receivables	852	–	852	6,498	–	6,498

(b) Movement in bad provision for factored trade receivables

	Opening balance	Charge/ (reversal) for the period	Verified write-off for the period	Effect of exchange rate	Closing balance
30 June 2025	–	–	–	–	–

4B. Receivable financing

	30 June 2025	31 December 2024
Commercial acceptance bills	1,070,010	3,971,445
Bank acceptance bills	32,998	271,596
Total	1,103,008	4,243,041

If the endorsing or discounting of bills receivable and the disposal of trade receivables only take place occasionally or their value, whether individual or aggregated, is minimal, and the objective of their business model remains the collection of contract cash flow, they are measured at amortised cost; if the enterprise's business model for bills receivable and trade receivables is aimed at both the collection of contract cash flow and disposal, they are classified as financial assets at fair value through other comprehensive income and reported as receivable financing.

(1) Bills receivable which were discounted but not due as at the balance sheet date are as follows:

	30 June 2025		31 December 2024	
	Derecognised	Not derecognised	Derecognised	Not derecognised
Commercial acceptance bills	4,980,619	–	1,578,773	–
Bank acceptance bills	1,205,098	–	981,970	–
Total	6,185,717	–	2,560,743	–

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4B. Receiving financing (continued)

(2) Movement in bad debt provision for receivable financing are set out as follows:

	Opening balance	Charge/ (reversal) for the period	Write-off for the period	Closing balance
30 June 2025	3,013	(2,431)	–	582

5. Prepayments

(1) Aging analysis of prepayments was as follows:

	30 June 2025		31 December 2024	
	Book balance	Percentage	Book balance	Percentage
Within 1 year	758,886	100.00%	692,097	100.00%

(2) Top 5 accounts of prepayments as at 30 June 2025 were as follows:

Supplier	Amount	As a percentage of total amounts of prepayments
Supplier 1	190,922	25.16%
Supplier 2	126,650	16.69%
Supplier 3	55,198	7.27%
Supplier 4	35,966	4.74%
Supplier 5	31,145	4.10%
Total	439,881	57.96%

6. Other receivables

	30 June 2025	31 December 2024
Other receivables	1,970,536	2,597,585

(1) Aging analysis of other receivables was as follows:

	30 June 2025	31 December 2024
Within 1 year	2,001,482	2,625,903
1 year to 2 years	76,016	64,439
2 years to 3 years	14,208	137,606
Over 3 years	307,257	204,137
	2,398,963	3,032,085
Less: Bad debt provision for other receivables	428,427	434,500
Total	1,970,536	2,597,585

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Other receivables (continued)

(2) Book balance of other receivables analysed by nature were as follows:

	30 June 2025	31 December 2024
Staff loans	14,803	11,581
Transactions with third parties	2,384,160	3,020,504
Total	2,398,963	3,032,085

30 June 2025

	Book balance		Bad debt provision		Book value
	Amount	Percentage	Amount	Percentage	
Recognition of provision for impairment by credit risk group	2,398,963	100%	428,427	17.86%	1,970,536

As at 30 June 2025, bad debt provisions for other receivables on a group basis were as follows:

	Book balance	Impairment provision	Percentage of charge
Aging risk portfolio	2,398,963	428,427	17.86%

(3) Change in provisions for bad debt in respect of other receivables based on expected credit losses in the next 12 months and expected credit losses during the entire life, respectively, was as follows:

	Stage 1 Expected credit losses in the next 12 months	Stage 2 Expected credit losses during the entire life (credit losses not incurred)	Stage 3 Financial assets with credit impairment occurred (credit losses incurred)	Total
Opening balance	5,122	–	429,378	434,500
Charge for the period	2,384	–	36,422	38,806
Reversal for the period	–	–	(47,449)	(47,449)
Verified write-off for the period	–	–	(6)	(6)
Exchange rate effect	–	–	2,576	2,576
Closing balance	7,506	–	420,921	428,427

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Other receivables (continued)

(4) Change in bad debt provisions for other receivables were as follows:

	Opening balance	Charge/ (reversal) for the period	Verified write-off for the period	Exchange rate movement	Closing balance
Aging risk portfolio	434,500	(8,643)	(6)	2,576	428,427

(5) As at 30 June 2025, top five accounts of other receivables are as follows:

	Closing balance	As a percentage of the total amount of other receivables	Nature	Age	Closing balance of bad debt provision
Third-party entity 1	1,084,100	45.19%	Transactions with third parties	Within 1 year	2,710
Third-party entity 2	116,623	4.86%	Transactions with third parties	Over 3 years	116,623
Third-party entity 3	92,000	3.83%	Transactions with third parties	Over 3 years	92,000
Third-party entity 4	20,980	0.87%	Transactions with third parties	Within 1 year	36
Third-party entity 5	19,537	0.81%	Transactions with third parties	Within 1 year	115
Total	1,333,240	55.58%			211,484

7. Inventories

	30 June 2025			31 December 2024		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Raw materials and materials under subcontract processing	27,728,671	3,868,805	23,859,866	26,549,462	3,747,848	22,801,614
Work in progress	2,663,982	56,344	2,607,638	2,942,300	50,466	2,891,834
Inventory	4,150,600	303,507	3,847,093	3,170,755	321,697	2,849,058
Dispatch of goods	7,647,101	767,363	6,879,738	7,985,425	664,133	7,321,292
Contract fulfilment costs	5,492,613	630,008	4,862,605	5,919,759	525,900	5,393,859
Total	47,682,967	5,626,027	42,056,940	46,567,701	5,310,044	41,257,657

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Inventories (continued)

(1) Movement in provision for impairment of inventory was as follows:

	Opening balance	Charge/ (reversal) for the period	Write-off for the period	Others	Closing balance
Raw materials and materials under subcontract processing	3,747,848	124,939	(4,041)	59	3,868,805
Work in progress	50,466	5,884	—	(6)	56,344
Inventory	321,697	(47,670)	(940)	30,420	303,507
Dispatch of goods and contract fulfilment cost	1,190,033	252,374	(45,835)	799	1,397,371
Total	5,310,044	335,527	(50,816)	31,272	5,626,027

The reversal or write-off of provision for impairment of inventory for the period was attributable to the increase in net realisable value or the write-off of corresponding provision for impairment of inventory upon completion of commodity sales.

(2) Inventory provision for impairment of inventory on a group basis as follows:

	30 June 2025			31 December 2024		
	Book balance	Provision for impairment	Percentage of provision	Book balance	Provision for impairment	Percentage of provision
Terminal	4,275,363	247,245	5.78%	3,828,634	311,861	8.15%
Non-terminal						
Raw materials	25,958,896	3,719,160	14.33%	25,150,320	3,566,426	14.18%
Work in progress	2,181,566	47,827	2.19%	2,430,627	40,865	1.68%
Inventory	2,270,838	214,424	9.44%	1,435,269	200,859	13.99%
Dispatch of goods and contract fulfilment cost	12,996,304	1,397,371	10.75%	13,722,851	1,190,033	8.67%
Total	47,682,967	5,626,027	11.80%	46,567,701	5,310,044	11.40%

The specific basis for the net realizable value of the terminal products is the estimated selling price less further processing costs and estimated selling expenses and related taxes. For raw materials of non-terminal products, work in progress and finished products, the net realizable value of the relevant inventories is comprehensively assessed with reference to the risk of historical obsolescence and future market demand and product replacement risk, taking into account the inventory age. At the same time, based on the principle of prudence, full provision is made for raw materials aged over 5 years, work in progress aged over 1 year, and finished products aged over 2 years. The net realizable value of delivered goods and contract fulfilment costs is determined based on inventory age, historical empirical data and business risk estimates.

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Contract assets

	30 June 2025			31 December 2024		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Contract assets	5,176,843	190,193	4,986,650	5,215,711	243,637	4,972,074

Contract assets refer to the right to receive consideration for commodities that have been transferred to customers. Contract assets arise when the performance of contract obligations is ahead of the payment schedule agreed under the contract. Contract assets are transferred to receivables when the right to receive payment becomes unconditional under the terms of the contract.

30 June 2025

	Book balance		Provision for impairment		Book value
	Amount	Percentage	Amount	Percentage	
Standalone provision for impairment	103,835	2.01%	103,835	100.00%	–
Recognition of provision for impairment by credit risk group	5,073,008	97.99%	86,358	1.70%	4,986,650
Total	5,176,843	100.00%	190,193	3.67%	4,986,650

31 December 2024

	Book balance		Provision for impairment		Book value
	Amount	Percentage	Amount	Percentage	
Standalone provision for impairment	105,401	2.02%	105,401	100.00%	–
Recognition of provision for impairment by credit risk group	5,110,310	97.98%	138,236	2.71%	4,972,074
Total	5,215,711	100.00%	243,637	4.67%	4,972,074

RMB'000

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Contract assets (continued)

(1) Contract assets for which provision for impairments were individually made were as follows:

	30 June 2025				31 December 2024	
	Book balance	Provision for impairment	Percentage of provision	Reason	Book balance	Provision for impairment
Customer 1	42,745	42,745	100.00%	Significant financial difficulty experienced by the debtors	42,745	42,745
Customer 2	36,704	36,704	100.00%	Significant financial difficulty experienced by the debtors	37,351	37,351
Others	24,386	24,386	100.00%	Significant financial difficulty experienced by the debtors	25,305	25,305
Total	103,835	103,835			105,401	105,401

(2) As at 30 June 2025, contract assets for which provision for impairments were made on a group basis were follows:

	Book balance	Provision for impairment	Percentage of provision
Contract assets	5,073,008	86,358	1.70%
Total	5,073,008	86,358	

(3) Movement in provision for impairment of contract assets was as follows:

	Opening balance	Provisions/ (reversal) for the period	Write-off for the period	Exchange rate movements	Closing balance
30 June 2025	243,637	(53,646)	–	202	190,193

9. Debt investment

	30 June 2025			31 December 2024		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Large-amount deposit with a term of over one year	29,586,919	–	29,586,919	25,068,445	–	25,068,445
Total	29,586,919	–	29,586,919	25,068,445	–	25,068,445

Note: Large-amount deposit represents a large-amount deposit certificate issued by financial institutions engaged in banking deposit business to individuals, non-financial enterprises and organisations, which is a type of bank deposit product. As at 30 June 2025, the Group's debt investment consisted primarily of large-amount deposits held for terms of 2–3 years.

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. Long-term receivables/factored long-term receivables

(1) *Long-term receivables*

	30 June 2025			31 December 2024			Range of discount rate
	Book Balance	Bad debt provision	Carrying value	Book Balance	Bad debt provision	Carrying value	
Receipt of instalment payments and finance lease payments	1,253,342	43,399	1,209,943	885,890	51,918	833,972	3.10%–7.05%

(2) *Movement in bad debt provision for long-term trade receivables were as follows:*

	Opening balance	Charge/ (reversal) for the period	Verified write-off for the period	Effect of exchange rate	Closing balance
30 June 2025	51,918	(8,321)	–	(198)	43,399

Bad-debt provision for long-term receivables takes into account the credit characteristics of different customers and is based on expected credit loss during the entire life. All long-term trade receivables were not due and the rate of expected credit loss was 3.46%.

(3) *Transfer of long-term receivables*

Transfer of long-term trade receivables that did not qualify for derecognition was separately classified as "Factored long-term trade receivables" and "Bank advances on factored long-term trade receivables". For 2025, factored trade receivables amounted to RMB639,000 (2024: RMB8,664,000) and bank advances on factored trade receivables amounted to RMB639,000 (2024: RMB8,664,000). For details of the transfer of long-term receivables, please refer to Note IX.4.

RMB'000

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. Long-term receivables/factored long-term receivables (continued)

(3) Transfer of long-term receivables (continued)

(a) Factored long-term receivables

	30 June 2025			31 December 2024		
	Book balance	Bad debt provision	Carrying value	Book balance	Bad debt provision	Carrying value
Factored long-term receivables	639	–	639	8,664	–	8,664

(b) Movement in bad-debt provision for factored long-term receivables

	Opening balance	Charge/ (reversal) for the period	Verified write-off for the period	Effect of exchange rate	Closing balance
30 June 2025	–	–	–	–	–

11. Investment in associates and joints

		30 June 2025	31 December 2024
Equity method			
Joint ventures	(1)	1,108,310	1,025,780
Associates	(2)	1,349,017	1,425,314
Less: provision for impairment of investment in associates and joints		117,258	117,258
Total		2,340,069	2,333,836

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Investment in associates and joints (continued)

(1) Joint Ventures

			Movement during the period								
	Shareholding percentage	Opening book balance	Increase of investment	Decrease of investment and other outgoing transfer	Investment gains/losses under equity method	Other comprehensive income	Other equity movement	Cash dividend	Charge of provision for impairment	Closing book balance	Provision for impairment as at the end of the period
Puxing Mobile Telecom Equipment Co., Ltd.	33.85%	1,207	–	–	–	–	–	–	–	1,207	–
DataService Technology Co., Ltd.	49.00%	39,742	–	–	(710)	–	–	–	–	39,032	–
Shaanxi Zhongtou Zhanlu Phase I Equity Investment Partnership Enterprise (Limited Partnership)	40.00%	63,400	–	(5,160)	(1,203)	–	–	–	–	57,037	–
Shaanxi Zhongtou Zhanlu Phase II Equity Investment Partnership Enterprise (Limited Partnership)	40.25%	104,871	–	–	(573)	–	–	–	–	104,298	–
Zhuhai Hongtu Zhanlu Equity Investment Partnership Enterprise (Limited Partnership)	40.00%	724,012	–	–	90,673	–	–	–	–	814,685	–
Beijing Shunyi Jianguang Zhanlu Emerging Industry Equity Investment Partnership (Limited Partnership)	58.75%	92,548	–	–	(497)	–	–	–	–	92,051	–
		1,025,780	–	(5,160)	87,690	–	–	–	–	1,108,310	–

(2) Associates

			Movement during the period								
	Shareholding percentage	Opening book balance	Increase of investment	Decrease of investment and other outgoing transfer	Investment gains/losses under equity method	Other comprehensive income	Other equity movement	Cash dividend	(Charge)/transfer out of provision for impairment	Closing book balance	Provision for impairment as at the end of the period
HENGYANG ICT REAL-ESTATE CO., LTD	30.00%	–	–	–	–	–	–	–	–	–	(52,446)
WHALE CLOUD TECHNOLOGY CO., LTD.	27.62%	1,081,396	–	–	(36,848)	1,576	–	–	–	1,046,124	–
Jetflow Technologies Co., Ltd	31.69%	3,710	–	–	1,965	–	–	–	–	5,675	(19,877)
Xingyun Times Technology Co., Ltd.	23.26%	115,138	–	–	(593)	–	–	–	–	114,545	–
Zhongxing (Wenzhou) Urban Rail Transportation Communication Technical Co. Ltd.	45.9%	42,058	–	(42,058)	–	–	–	–	–	–	–
Qingdao Hongtu Zhanlu Phase II Private Equity Investment Fund Partnership (Limited Partnership)	33.33%	59,339	–	–	(453)	–	–	–	–	58,886	–
Other investments*		6,415	–	–	114	–	–	–	–	6,529	(44,935)
		1,308,056	–	(42,058)	(35,815)	1,576	–	–	–	1,231,759	(117,258)

RMB'000

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Investment in associates and joints (continued)

(3) Provision for impairment of investment in associates and joints:

	Opening balance	Increase during the period	Decrease during the period	Closing balance
HENGYANG ICT REAL-ESTATE CO., LTD	52,446	–	–	52,446
Jetflow Technologies Co., Ltd	19,877	–	–	19,877
Other investments	44,935	–	–	44,935
	117,258	–	–	117,258

12. Other non-current financial assets

	30 June 2025	31 December 2024
Financial assets at fair value through current profit or loss	700,617	715,761

13. Investment properties

	Buildings and land-use rights
Opening balance	99,045
Fair value change (Note V.52)	–
Closing balance	99,045

During the period, the Group leased buildings of the investment properties to related parties and other non-related parties by way of operating lease.

As at 30 June 2025, there were no investment properties (31 December 2024: Nil) that had yet to obtain title registration certificates.

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Property, plant and equipment

	Buildings and structures	Freehold land	Electronic equipment	Machinery equipment	Vehicles	Other equipment	Total
Cost							
Opening balance	12,766,761	27,499	9,505,981	3,107,538	223,534	418,856	26,050,169
Acquisitions	57,442	–	642,631	75,452	1,496	16,409	793,430
Transfer from construction in progress/others	44,989	–	–	–	–	–	44,989
Disposal or retirement	(108,276)	–	(392,588)	(66,603)	(4,917)	(21,393)	(593,777)
Exchange rate adjustments	9,444	3,164	17,790	631	187	1,866	33,082
Closing balance	12,770,360	30,663	9,773,814	3,117,018	220,300	415,738	26,327,893
Cumulative depreciation							
Opening balance	3,474,097	–	5,869,444	2,080,956	132,213	287,630	11,844,340
Charge	227,952	–	675,205	99,975	8,265	19,130	1,030,527
Disposal or retirement	(712)	–	(351,637)	(53,100)	(4,363)	(2,019)	(411,831)
Exchange rate adjustments	7,498	–	15,863	(1,095)	308	1,911	24,485
Closing balance	3,708,835	–	6,208,875	2,126,736	136,423	306,652	12,487,521
Provision for impairment							
Opening balance	20,775	–	1,046	5,511	–	78	27,410
Charge	–	–	–	–	–	–	–
Disposal or retirement	–	–	–	–	–	–	–
Exchange rate adjustments	–	–	687	–	–	–	687
Closing balance	20,775	–	1,733	5,511	–	78	28,097
Book value							
As at the end of the period	9,040,750	30,663	3,563,206	984,771	83,877	109,008	13,812,275
As at the beginning of the period	9,271,889	27,499	3,635,491	1,021,071	91,321	131,148	14,178,419

As at 30 June 2025, the Group was in the process of applying for property ownership certificate for buildings in Shenzhen, Shanghai and Nanjing, among others, in China with a net book value of approximately RMB4,414,516,000 (31 December 2024: RMB4,508,863,000).

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Construction in progress

Changes in major construction in progress as at 30 June 2025 were as follows:

	Budget	Opening balance	Increase during the period	Transfer to property, plant and equipment	Other reduction	Provision for impairment	Closing balance	Source of funds	Construction contribution as a percentage of budget (%)	Work progress
Shenzhen Super Headquarters Project	688,251	338,099	18,011	–	–	–	356,110	Internal funds	52%	Under construction
Others		347,277	31,325	44,989	–	–	333,613	Internal funds		Under construction
		685,376	49,336	44,989	–	–	689,723			

As at 30 June 2025, there was no capitalised interest in the balance of the construction in progress (31 December 2024: Nil).

16. Leases

(1) As lessee

Lease assets rented by the Group included buildings and structures, transportation equipment and other equipment required in the course of business. Buildings and structures are typically leased for terms of 1 year to 10 years, transportation equipment and other equipment are typically leased for terms of 1 to 5 years, and other equipment are typically leased for terms of 1 to 5 years. Some lease contracts provide for options of renewal and termination.

	Six months ended 30 June 2025	Six months ended 30 June 2024
Interest expense on lease liabilities	49,516	35,353
Short-term leases through current profit or loss using simplified approach	50,276	101,746
Total cash outflow relating to leases	188,860	207,885

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. Leases (continued)

(1) As lessee (continued)

(a) Rights-of-use assets

	Buildings and structures	Vehicles	Other equipment	Total
Cost				
Opening balance	2,147,849	85,435	594,974	2,828,258
Increase	108,502	734	2,200	111,436
Decrease	(779)	—	—	(779)
Exchange rate adjustment	1,330	(139)	300	1,491
Closing balance	2,256,902	86,030	597,474	2,940,406
Cumulative depreciation				
Opening balance	1,099,589	56,948	120,148	1,276,685
Charge	185,702	3,815	60,675	250,192
Decrease	(584)	—	—	(584)
Exchange rate adjustment	1,539	(358)	535	1,716
Closing balance	1,286,246	60,405	181,358	1,528,009
Book value				
As at the end of the period	970,656	25,625	416,116	1,412,397
As at the beginning of the period	1,048,260	28,487	474,826	1,551,573

(b) Lease liabilities

Lease liabilities due within one year are show under Non-current liabilities due within one year, amounting to RMB531,743,000 as at 30 June 2025 (31 December 2024: RMB544,777,000).

Long-term lease liabilities are set out as follows:

	30 June 2025	31 December 2024
Lease liabilities	946,641	972,943

RMB'000

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. Leases (continued)

(2) As lessor

(a) Finance leasing:

Profit or loss relating to finance leases is set out as follows:

	Six months ended 30 June 2025	Six months ended 30 June 2024
Interest income from finance leases	–	34,634

According to the lease contract signed with the lessees, minimum lease payments falling due are as follows:

	Six months ended 30 June 2025	Six months ended 30 June 2024
Within 1 year	1,182,270	500,000
Over 1 year	300,000	1,182,270
Less: unrealised finance income	41,927	74,214
Lease investment, net	1,440,343	1,608,056

(b) Operating lease:

Profit or loss relating to operating leases is set out as follows:

	Six months ended 30 June 2025	Six months ended 30 June 2024
Lease income	57,452	49,119

According to the lease contract signed with lessee, minimum lease payments falling due are as follows:

	Six months ended 30 June 2025	Six months ended 30 June 2024
Within 1 year (including 1 year)	105,775	92,406
1 to 2 years (including 2 years)	82,317	74,238
2 to 3 years (including 3 years)	64,717	51,092
3 to 4 years (including 4 years)	50,476	47,908
4 to 5 years (including 5 years)	35,724	35,568
More than 5 years	172,882	185,742
	511,891	486,954

The Group entered into operating property lease contracts with the lessees for terms ranging from 1 to 15 years.

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. Intangible assets

	Software	Technology know-how	Land use right	Franchise	Deferred development costs	Total
Cost						
Opening balance	1,824,316	460,093	2,874,912	2,188,414	21,269,472	28,617,207
Acquisition	209,901	35,920	–	11,407	–	257,228
In-house R&D	–	–	–	–	969,636	969,636
Disposal or retirement	(51,176)	–	(11,841)	–	–	(63,017)
Exchange rate adjustments	5,548	–	–	40,769	–	46,317
Closing balance	1,988,589	496,013	2,863,071	2,240,590	22,239,108	29,827,371
Cumulative amortization						
Opening balance	986,106	362,412	609,738	1,622,480	16,947,558	20,528,294
Charge	156,486	32,783	36,527	32,359	873,516	1,131,671
Disposal or retirement	(46,012)	–	(2,292)	–	–	(48,304)
Exchange rate adjustments	6,290	2	–	15,005	–	21,297
Closing balance	1,102,870	395,197	643,973	1,669,844	17,821,074	21,632,958
Provision for impairment						
Opening balance	92,657	81,359	–	544,221	211,476	929,713
Charge	–	–	–	–	–	–
Disposal or retirement	–	–	–	–	–	–
Exchange rate adjustments	(79)	–	–	5,874	–	5,795
Closing balance	92,578	81,359	–	550,095	211,476	935,508
Book value						
As at the end of the period	793,141	19,457	2,219,098	20,651	4,206,558	7,258,905
As at the beginning of the period	745,553	16,322	2,265,174	21,713	4,110,438	7,159,200

As at 30 June 2025, the Group was in the process of obtaining the land use right certificate of land blocks located in Nanjing in the PRC with a carrying value of approximately RMB85,070,000 (31 December: RMB85,838,000).

As at 30 June 2025, intangible assets formed through internal research and development accounted for 58% (31 December: 57%) of the book value of intangible assets as at the end of the period.

18. Deferred development cost

Please refer to Note VI.2.

RMB'000

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. Goodwill

	Zhuhai Guangtong Bus Co., Ltd.	Suzhou Laxense Technology Co., Ltd.	NETAS TELEKOMUNIKASYON A.S.	ZTE Hotel Shenzhen Investment & Management Company Limited	Total
At cost					
Opening balance	186,206	33,500	89,763	14,425	323,894
Increase during the period	–	–	–	–	–
Decrease during the period	–	–	–	–	–
Exchange rate movement	–	–	–	–	–
	186,206	33,500	89,763	14,425	323,894
Provision for impairment					
Opening balance	186,206	33,500	89,763	–	309,469
Increase during the period	–	–	–	–	–
Decrease during the period	–	–	–	–	–
Exchange rate movement	–	–	–	–	–
	186,206	33,500	89,763	–	309,469
Carrying value	–	–	–	14,425	14,425

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. Goodwill (continued)

Information on the asset group or combined asset group relating to goodwill:

	Composition and basis of the asset group or combined asset group	Business segment and basis	Whether consistent with previous year
ZTE Hotel Shenzhen Investment & Management Company Limited	Hotel management business generating cash inflow which is basically independent from cash inflow generated by other assets or asset groups.	For internal management purposes, this combined asset group was allocated to the government and corporate business segment.	YES

Recoverable amount determined on the basis of the present value of estimated future cashflow:

	Carrying value	Recoverable amount	Impairment amount	Duration of budget/forecast period	Key parameters of budget/forecast period	Key parameters of stability period	Basis for determining key parameters of stability period
ZTE Hotel Shenzhen Investment & Management Company Limited	78,344	81,517	–	5	Recoverable amount is calculated on the basis of present value of future cash flow	Growth rate for the forecast period 4%–8.84% Discount rate 10% Perpetual growth rate 1.97%	Estimated cash flow is based on 5-year cash flow estimates approved by Company management

Goodwill arising from business combination was allocated to the Zonson Smart Auto Corporation asset group (Zhuhai Guangtong Bus Co., Ltd.), Suzhou Laxense Technology Co., Ltd. asset group and NETAS TELEKOMUNIKASYON A.S. asset group for impairment test. On the basis of the results of such impairment test, full provision for impairment was made in respect of the goodwill arising from such asset groups.

RMB'000

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. Deferred tax assets/liabilities

(1) Deferred tax assets which are not offset:

	30 June 2025		31 December 2024	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
Unrealised profits arising on consolidation	2,702,265	459,385	1,692,118	287,660
Provision for impairment for inventory and bad-debt provision of inventory	6,618,487	1,377,467	6,541,696	1,325,920
Estimated construction contract losses	1,045,166	156,775	1,631,655	244,748
Amortisation of development costs	4,338,153	638,617	4,261,206	627,239
Provision for warranties and returned goods	177,692	40,869	188,425	43,338
Long-term employee benefits payable	150,012	34,503	153,647	35,339
Deductible tax losses	988,882	169,258	3,403,202	535,406
Deferred income	1,302,492	310,374	966,677	221,395
Accruals	8,624,104	1,376,398	7,310,187	1,171,479
Lease liabilities	1,478,384	221,758	1,517,720	227,658
Total	27,425,637	4,785,404	27,666,533	4,720,182

(2) Deferred tax liabilities which are not offset:

	30 June 2025		31 December 2024	
	Deductible temporary differences	Deferred tax liabilities	Deductible temporary differences	Deferred tax liabilities
Deferred tax liabilities				
Revaluation gain of investment properties	273,948	42,740	289,632	45,092
Investment in financial instruments through profit or loss at fair value	78,614	10,095	282,341	40,833
Fair-value adjustment of business combination not under common control	49,558	7,434	63,026	9,454
Rights-of-use assets	1,412,397	194,880	1,551,573	225,989
Others	693,880	104,082	622,513	93,377
Total	2,508,397	359,231	2,809,085	414,745

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. Deferred tax assets/liabilities (continued)

(3) The net amount of deferred tax assets and deferred tax liabilities after set-off:

	30 June 2025		31 December 2024	
	Amount of set-off	Amount after set-off	Amount of set-off	Amount after set-off
Deferred tax assets	253,200	4,532,204	324,094	4,396,088
Deferred tax liabilities	253,200	106,031	324,094	90,651

(4) Deductible temporary differences and deductible losses of unrecognised deferred tax assets:

	30 June 2025	31 December 2024
Deductible temporary differences	9,077,313	10,453,634
Deductible losses	21,390,552	17,525,460
	30,467,865	27,979,094

(5) Deductible losses of unrecognised deferred tax assets expiring in:

	30 June 2025	31 December 2024
2025	172,834	210,616
2026	350,688	446,463
2027	953,721	1,069,920
2028	1,306,937	1,368,520
2029 and beyond	18,606,372	14,429,941
Total	21,390,552	17,525,460

As it is not probable that the company incurring the aforesaid loss is expected to report profit in future, there is no profit available to offset the loss and the Group did not recognize deferred tax asset in respect of the aforesaid tax loss.

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. Non-current assets due within one year

	30 June 2025	31 December 2024
Debt investment	3,121	3,085
Total	3,121	3,085

22. Other current assets/other non-current assets

(1) Other current assets

	30 June 2025	31 December 2024
Prepaid output tax and credit tax available for set off	9,624,850	8,698,292
Others	2,574,330	201,056
Total	12,199,180	8,899,348

(2) Other non-current assets

	30 June 2025	31 December 2024
Prepayments for projects, equipment and land	573,762	612,635
Risk compensation fund	1	41,003
Guarantee deposit	22,624	22,585
Restricted cash (Note)	3,367,159	3,357,328
Prepaid income tax	146,750	227,299
Property projects	1,160,334	1,160,334
Others	1,427,477	1,475,333
Total	6,698,107	6,896,517

Note: Restricted funds represented deposits in an escrow account. For details, please refer to Note XIII.2.

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. Assets under restrictions on ownership or right of use

30 June 2025

	Book balance	Carrying value	Type of restriction	Status
Cash	1,101,133	1,101,133	Note 1	Note 1
Property, plant and equipment	506,837	419,154	Secured	Note 2
Intangible assets	160,790	133,063	Secured	Note 3
Other non-current assets — restricted cash and risk compensation fund	3,367,160	3,367,160	Note 4	Note 4
Total	5,135,920	5,020,510		

31 December 2024

	Book balance	Carrying value	Type of restriction	Status
Cash	2,189,301	2,189,301	Note 1	Note 1
Property, plant and equipment	506,837	427,130	Secured	Note 2
Intangible assets	160,790	134,796	Secured	Note 3
Other non-current assets — restricted cash and risk compensation fund	3,398,331	3,398,331	Note 4	Note 4
Total	6,255,259	6,149,558		

Note 1: As at 30 June 2025, the Group's cash subject to ownership or right-of-use restriction amounted to RMB1,101,133,000 (31 December 2024: RMB2,189,301,000), including guarantee of RMB575,006,000 (31 December 2024: RMB541,046,000), dues from the People's Bank of China of RMB497,618,000 (31 December 2024: RMB1,619,625,000) and others of RMB28,509,000 (31 December 2024: RMB28,630,000).

Note 2: As at 30 June 2025, property, plant and equipment with a total carrying value of RMB419,154,000 (31 December 2024: RMB427,130,000) were pledged to secure bank borrowing. No property, plant and equipment were pledged in connection with asset acquisitions (31 December 2024: Nil). The depreciation charge for six months ended 30 June 2025 of property, plant and equipment under security was RMB7,976,000 (six months ended 30 June 2024: RMB7,970,000).

Note 3: As at 30 June 2025, intangible assets with a total carrying value of RMB133,063,000 (31 December 2024: RMB134,796,000) were pledged to secure bank borrowing. No intangible assets were pledged for the purposes of asset acquisition (31 December 2024: Nil). The amortisation charge for the six months ended 30 June 2025 of property, plant and equipment under security was RMB1,733,000 (six months ended 30 June 2024: RMB1,608,000).

Note 4: As at 30 June 2025, restricted funds represented a RMB3,367,159,000 (31 December 2024: 3,357,328,000) deposit in an escrow account, the details of which are set out in Note XIII. The risk compensation fund under the arrangements for loans and factored trade receivables to be released after one year amounted to RMB1,000 (31 December 2024: RMB41,003,000).

Under the loan or factored trade receivables agreements between the Group and certain domestic banks, provisions are being made for a risk compensation fund at a mutually determined percentage based on the risk profile of the facilities concerned. The risk compensation fund shall be released on a pro-rata basis in respect of the facilities if there is no overdue principal or interest payment at the agreed final payment date, or when the principal and interest of the banking facilities have been fully settled.

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. Short-term loans

			30 June 2025		31 December 2024	
			Original currency	RMB equivalent	Original currency	RMB equivalent
Credit loans		RMB	110,112	110,112	80,346	80,346
		USD	53,342	382,385	50,205	366,248
		EUR	16,944	142,361	18,527	140,780
Bills discounting loans		RMB	522,533	522,533	2,515,316	2,515,316
Letter of credit loans		RMB	7,409,253	7,409,253	3,917,399	3,917,399
Secured loans	Note 1	RMB	10,898	10,898	6,981	6,981
Total				8,577,542		7,027,070

As at 30 June 2025, there was no overdue borrowing.

Note 1: For details of collaterals backing the secured loans, please refer to Note 1 of Note 34 Long-term loans.

25. Derivative financial liabilities

	30 June 2025	31 December 2024
Fair-value hedge instrument (Note IX.3)	314,799	199,355
Cash flow hedge instrument (Note IX.3)	936	1,481
Financial liabilities at fair value through current profit or loss	10,145	17
Total	325,880	200,853

26. Short-term bond payable

	30 June 2025	31 December 2024
SCPs	–	–

As at 30 June 2025, there was no short-term bond payable.

27A. Bills payable

	30 June 2025	31 December 2024
Bank acceptance bills	2,959,509	3,423,564
Commercial acceptance bills	8,613,909	7,535,770
Total	11,573,418	10,959,334

As at 30 June 2025, there were no bills payable due and unsettled (31 December 2024: Nil).

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

27B. Trade payables

An aging analysis of the trade payables were set out as follows:

	30 June 2025	31 December 2024
0 to 6 months	22,550,792	21,472,734
6 to 12 months	284,994	346,905
1 year to 2 years	176,471	161,867
2 years to 3 years	154,503	137,877
Over 3 years	233,944	252,409
Total	23,400,704	22,371,792

As at 30 June 2025, there were no material trade payables aged over 1 year or overdue (2024: Nil).

28. Contract liabilities

	30 June 2025	31 December 2024
Contracted consideration received	10,745,743	12,859,416

Contract liabilities refer to the obligation to transfer goods to customers in consideration of payments received or receivable from customers. Contract liabilities are incurred when the payment schedule agreed under the contract is ahead of the performance of contract obligations.

29. Taxes payable

	30 June 2025	31 December 2024
Value-added tax	321,807	423,641
Enterprise income tax	572,717	428,610
Including: PRC tax	300,518	217,756
Overseas tax	272,199	210,854
Personal income tax	138,871	192,740
City maintenance and construction tax	38,177	35,189
Education surcharge	31,039	27,629
Other taxes	68,566	97,209
Total	1,171,177	1,205,018

RMB'000

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. Other payables

	30 June 2025	31 December 2024
Dividend payables	—	—
Other payables	2,798,254	3,236,993
Total	2,798,254	3,236,993

(1) Dividend payables

	30 June 2025	31 December 2024
Dividend payables to minority shareholders	—	—

As at 30 June 2025, there were no dividend payables overdue for more than 1 year.

(2) Other payables

	30 June 2025	31 December 2024
Accruals	1,073,504	1,286,335
Deferred income from staff housing	26,620	25,464
Payables to external parties	1,231,361	1,388,630
Deposits	271,856	319,760
Others	194,913	216,804
Total	2,798,254	3,236,993

As at 30 June 2025, there were no other payables of a material nature aged over 1 year or overdue.

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. Employee benefits payable/Long-term employee benefits payable

(1) Employee benefits payable

	Opening balance	Increase during the period	Decrease during the period	Closing balance
Short-term remuneration	16,260,255	15,268,016	(16,623,427)	14,904,844
Retirement benefits (defined contribution scheme)	302,489	1,109,203	(1,117,221)	294,471
Termination benefits	428,942	—	(216,360)	212,582
Total	16,991,686	16,377,219	(17,957,008)	15,411,897

(a) Short-term remuneration analysed as follows:

	Opening balance	Increase during the period	Decrease during the period	Closing balance
Salary, bonus and allowance	13,077,484	13,706,533	(15,245,002)	11,539,015
Staff welfare	4,504	9,451	(9,483)	4,472
Social insurance	83,691	627,581	(616,821)	94,451
Including: Medical	79,073	583,907	(573,249)	89,731
Work injuries	1,889	22,324	(21,905)	2,308
Maternity	2,729	21,350	(21,667)	2,412
Housing funds	53,992	470,388	(468,175)	56,205
Labour union fund and employee education fund	3,040,584	454,063	(283,946)	3,210,701
Total	16,260,255	15,268,016	(16,623,427)	14,904,844

(b) Defined contribution plans are analysed as follows:

	Opening balance	Increase during the period	Decrease during the period	Closing balance
Pension insurance	298,701	1,069,427	(1,077,593)	290,535
Unemployment insurance	3,788	39,776	(39,628)	3,936
Total	302,489	1,109,203	(1,117,221)	294,471

RMB'000

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. Employee benefits payable/Long-term employee benefits payable (continued)

(2) Long-term employee benefits payable

	30 June 2025	31 December 2024
Net liabilities from defined benefit plan	150,012	153,647

The Group operates for all qualifying employees a defined benefit plan that has yet to receive capital injection. Under the plan, an employee is entitled to retirement benefits ranging from 0% to 50% of his/her last salary at retirement age.

The scheme is subject to interest rate risks and the risk of change in the life expectancy of the pension beneficiaries.

32. Provisions

	Opening balance	Increase during the period	Decrease during the period	Closing balance
Expected contract loss (Note 1)	1,631,655	577,998	(1,164,487)	1,045,166
Outstanding litigation (Note 2)	363,993	12,999	(54,527)	322,465
Provision for warranties	188,425	6,239	(16,972)	177,692
Total	2,184,073	597,236	(1,235,986)	1,545,323

Note 1: Unavoidable cost for the performance of contract in excess of expected economic benefits of the contract.

Note 2: Probable amount of compensation assessed on the basis of the legal opinion furnished by legal counsels engaged by the Company and the progress of the case and provision made according thereto.

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

33. Non-current liabilities due within one year

	30 June 2025	31 December 2024
Long-term loans due within one year	6,834,087	4,447,963
Lease liabilities due within one year	531,743	544,777
Other non-current liabilities due within one year	600,000	600,000
Total	7,965,830	5,592,740

34. Long-term loans

			30 June 2025		31 December 2024	
			Original currency	RMB equivalent	Original currency	RMB equivalent
Credit loans		RMB	46,308,044	46,308,044	44,005,921	44,005,921
		USD	3,162	22,673	2,165	15,791
Secured loans	Note 1	RMB	27,897	27,897	37,203	37,203
Total				46,358,614		44,058,915

As at 30 June 2025, the annual interest rate for the aforesaid loans was 1.53%–10.24% (31 December 2024: 1.65%–8.45%).

Note 1: The secured loan comprised mainly the balance of RMB77,407,000 (31 December 2024: RMB112,850,000) of a loan extended to Zonson Smart Auto Corporation secured by land use rights and property, plant and equipment with carrying values of RMB133,063,000 and RMB419,154,000, respectively, including balance of short-term loan amounting to RMB10,898,000, balance of long-term loan due within one year amounting to RMB38,612,000 and balance of long-term loan amounting to RMB27,897,000. For details of the properties subject to the secured loan and their carrying value, please refer to Note V.23.

Maturity profile of bank loans

	30 June 2025	31 December 2024
Shown as:		
Bank loan repayable:		
Within 1 year	15,411,629	11,475,033
Within 2 years	17,679,919	14,272,614
Within 3–5 years, inclusive	28,678,695	29,786,301
Beyond 5 years	—	—
Total bank loans	61,770,243	55,533,948

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

35. Bonds payable

	30 June 2025	31 December 2024
MTNs	4,377,055	1,004,880

The balance of bonds payable as at 30 June 2025 is set out as follows:

Bond name	Nominal value	Issue date	Term	Amount	Opening balance	Issued during the period	Annual interest rate	Interest charged for the period	Repayment during the period	Closing balance	Whether in default
24 ZTE MTN001 (Sci-Tech Innovation Note)	500,000	2024/8/14	1826 days	500,000	504,223	–	2.25%	5,578	–	509,801	No
24 ZTE MTN002 (Sci-Tech Innovation Note)	500,000	2024/12/5	1826 days	500,000	500,657	–	2.18%	5,405	–	506,062	No
25 ZTE MTN001 (Sci-Tech Innovation Bond)	1,000,000	2025/2/18	1826 days	1,000,000	–	1,000,000	1.93%	6,927	–	1,006,927	No
25 ZTE MTN002 (Sci-Tech Innovation Bond)	1,000,000	2025/4/16	1826 days	1,000,000	–	1,000,000	1.98%	4,014	–	1,004,014	No
25 ZTE MTN003 (Sci-Tech Innovation Bonds)	1,000,000	2025/6/25	1826 days	1,000,000	–	1,000,000	1.79%	196	–	1,000,196	No
25 ZTE MTN004 (Sci-Tech Innovation Bonds)	350,000	2025/6/26	1826 days	350,000	–	350,000	1.90%	55	–	350,055	No

36. Other non-current liabilities

	30 June 2025	31 December 2024
Deferred income relating to staff housing	7,651	7,720
Long-term payable	3,748,664	3,709,802
Financial liabilities through current profit or loss at fair value	73,697	73,697
Total	3,830,012	3,791,219

37. Share capital

	Opening balance ('000 shares)	Increase/decrease during the period ('000 shares)			Closing balance ('000 shares)
		Issue of new share	Others	Sub-total	
Restricted shares	658	–	14	14	672
Unrestricted shares	4,782,877	–	(14)	(14)	4,782,863
Total number of shares	4,783,535	–	–	–	4,783,535

Note: As at 30 June 2025, the Company did not have any new increase in capital for the period. Shares held by Directors, Supervisors and senior management were locked up or released on a prorate basis in accordance with pertinent domestic regulations.

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

38. Capital reserves

	Opening balance	Increase during the period	Decrease during the period	Closing balance
Share premium	26,279,290	–	–	26,279,290
Share-based payment	1,116,809	–	–	1,116,809
Other capital investments	80,000	–	–	80,000
Total	27,476,099	–	–	27,476,099

39. Other comprehensive income

Cumulative balance of other comprehensive income attributable to shareholders of the parent company on the face of the consolidated balance sheet:

	Opening balance	Increase/ decrease	Closing balance
Other comprehensive income that cannot be reclassified as profit or loss			
Changes in net liabilities arising from the re-measurement of defined benefit plans	(77,230)	–	(77,230)
Share of investee results in other comprehensive income under equity method which cannot be reclassified to profit or loss	44,350	–	44,350
Other comprehensive income that will be reclassified as profit or loss			
Effective portion of hedging instruments	(67,982)	–	(67,982)
Differences arising from foreign currency translation and others	(2,364,669)	(95,063)	(2,459,732)
Total	(2,465,531)	(95,063)	(2,560,594)

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

39. Other comprehensive income (continued)

Amount of other comprehensive income:

	Pre-tax amount	Less: transfer of amount included in other comprehensive income in previous period to current profit or loss	Less: transfer of amount included in other comprehensive income in previous period to current retained profit	Less: income tax	Attributable to shareholders of the parent company	Attributable to non-controlling interest
Other comprehensive income that cannot be reclassified as profit or loss						
Changes in net liabilities arising from the re-measurement of defined benefit plans	–	–	–	–	–	–
Share of investee results in other comprehensive income under equity method which cannot be reclassified to profit or loss	–	–	–	–	–	–
Other comprehensive income that will be reclassified as profit or loss						
Effective portion of hedging instruments	–	–	–	–	–	–
Differences arising from foreign currency translation and others	(95,402)	–	–	–	(95,063)	(339)
Total	(95,402)	–	–	–	(95,063)	(339)

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

40. Surplus reserve

	Opening balance	Opening balance as adjusted	Increase during the period	Decrease during the period	Closing balance
Statutory surplus reserves	3,053,523	–	–	–	3,053,523

In accordance with the Company Law of the PRC and the articles of associations, the Company is required to allocate 10% of their profit after tax to the statutory surplus reserve, until the accumulated statutory surplus reserve has reached 50% of the registered capital of the Company.

The Company may further allocate to the discretionary surplus reserve after the statutory surplus reserve allocation. The discretionary surplus reserve can be applied towards making up losses of the previous years, or capitalized as the Company's share capital.

41. Special reserve

	Opening balance	Increase during the period	Decrease during the period	Closing balance
Safe production cost	88,214	52,040	(33,381)	106,873

42. Retained profits

	30 June 2025	31 December 2024
Retained profits at the beginning of the period	39,872,643	34,714,953
Net profit attributable to shareholders of the parent	5,057,571	8,424,792
Surplus reserve	–	(141)
Distributions to shareholders	(2,951,441)	(3,266,961)
Retained profits at the end of the period	41,978,773	39,872,643

Profit distribution

	30 June 2025	31 December 2024
Dividend payable on ordinary shares approved, declared and distributed during the year	2,951,441	3,266,961
Proposed dividend payable on ordinary shares for 2024	–	2,951,441

On 28 February 2025, pursuant to the 2024 Profit Distribution Proposal recommended by the Board, a cash dividend of RMB6.17 (before tax) per 10 shares or RMB0.617 per share (before tax) shall be paid based on the total share capital in issue as at the record date for profit distribution and dividend payment. The aforesaid matter has been considered and approved at the general meeting. Based on the Company's total share capital of 4,783,534,887 shares in issue as at 28 February 2025, the total amount of actual profit distribution shall be RMB2,951,441,025.28. The dividend distribution of the Company was completed in April 2025.

For the interim period of 2025, the Company will not conduct any profit distribution (six months ended 30 June 2024: nil).

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

43. Operating revenue and operating costs

	Six months ended 30 June 2025		Six months ended 30 June 2024	
	Revenue	Cost	Revenue	Cost (Restated)
Principal business	69,314,571	46,562,830	60,031,271	35,379,637
Other business	2,238,163	1,770,387	2,455,827	1,839,284
Total	71,552,734	48,333,217	62,487,098	37,218,921

(1) Operating revenue is analysed as follows:

	Six months ended 30 June 2025	Six months ended 30 June 2024
Revenue from customer contract	71,495,282	62,437,979
Rental income — operating leases	57,452	49,119
Total	71,552,734	62,487,098

(2) Breakdown of revenue from customer contracts:

	Six months ended 30 June 2025	Six months ended 30 June 2024
Types of key products		
Sale of products	26,252,485	22,980,975
Provision of service	4,994,652	5,605,868
Telecommunications system contracts with customers	40,248,145	33,851,136
Total	71,495,282	62,437,979
Operating area		
PRC	50,559,325	43,011,742
Asia (excluding PRC)	8,063,704	7,536,916
Africa	3,258,886	2,995,895
Europe, America and Oceania	9,613,367	8,893,426
Total	71,495,282	62,437,979
Timing of transfer		
Transferred at a point in time	66,500,630	56,832,111
Transferred over a period	4,994,652	5,605,868
Total	71,495,282	62,437,979

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

43. Operating revenue and operating costs (continued)

(2) Breakdown of revenue from customer contracts: (continued)

Breakdown of operating cost for the period as follows:

	Six months ended 30 June 2025
Types of key products	
Sale of products	21,750,656
Provision of service	2,127,936
Telecommunications system contracts with customers	24,454,625
Total	48,333,217
Operating area	
PRC	33,562,004
Asia (excluding PRC)	5,819,537
Africa	2,015,922
Europe, America and Oceania	6,935,754
Total	48,333,217
Timing of transfer	
Transferred at a point in time	46,205,281
Transferred over a period	2,127,936
Total	48,333,217

(3) Revenue included in the opening book value of contract liabilities recognised for the period is set out as follows:

	Six months ended 30 June 2025	Six months ended 30 June 2024
Revenue included in the opening book value of contract liabilities recognised for the period	8,092,737	8,234,310

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

43. Operating revenue and operating costs (continued)

(4) Information pertaining to the Group's performance of contract obligations is as follows:

	Timing of performance	Material payment terms	Nature of commodities under commitment to transfer	Whether the principal responsible party	Expected refund to customer committed	Type of quality assurance offered and relevant obligation
Sales of commodity	Upon delivery	Payment upon receipt	Mainly sales of communication equipment	Yes	Nil	Statutory quality assurance, service-based quality assurance
Provision of service	Over the period of service	Payment upon inspection and acceptance of service progress	Mainly sales of repair, maintenance and technical services relating to communication equipment	Yes	Nil	Nil
Network construction — sales of equipment	Upon delivery	Payment upon receipt	Mainly sales of communication equipment	Yes	Nil	Statutory quality assurance, service-based quality assurance
Network construction — installation service	Upon completion of installation	Payment upon initial inspection and acceptance; Payment upon final inspection and acceptance	Mainly sales of installation services relating to communication equipment	Yes	Nil	Nil
Network construction — equipment sales and installation service that cannot be separately distinguished	Upon delivery	Payment upon delivery; Payment upon initial inspection and acceptance; Payment upon final inspection and acceptance	Mainly sales of integrated communication network solution	Yes	Nil	Service-based quality assurance

The contract payment is typically due within one year without any significant financing component. Certain contracts may offer variable consideration such as cash discount and price guarantee. Estimation on variable consideration is typically not subject to restrictions.

As at 30 June 2025, the estimated timing for performance obligation yet to be performed or yet to be completed which has been recognised as income is as follows:

	Six months ended 30 June 2025
Within 1 year	12,561,474
Over 1 year	9,470,251
Total	22,031,725

RMB'000

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

44. Taxes and surcharges

	Six months ended 30 June 2025	Six months ended 30 June 2024
City maintenance and construction tax	170,794	179,579
Education surcharge	124,161	128,382
Property tax	49,678	51,037
Stamp duty	139,921	125,643
Others	89,519	72,702
Total	574,073	557,343

45. Selling and distribution costs

	Six months ended 30 June 2025	Six months ended 30 June 2024 (Restated)
Wages, welfare and bonuses (Note)	2,727,099	3,003,574
Service charges	147,414	108,239
Travelling expenses	394,843	389,379
Advertising and promotion expenses	344,263	98,286
Office expense	101,453	97,929
Entertainment and other expenses	668,735	469,205
Total	4,383,807	4,166,612

Note: comprising primarily wages, welfare and bonuses for marketing personnel and customer service personnel.

46. Administrative expenses

	Six months ended 30 June 2025	Six months ended 30 June 2024
Wages, welfare and bonuses	1,154,207	1,102,382
Office expenses	59,735	108,774
Amortization and depreciation charges	239,204	293,568
Travelling expenses	36,723	38,078
Audit fees#	6,750	8,281
Others	633,463	685,567
Total	2,130,082	2,236,650

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

47. Research and development expenses

	Six months ended 30 June 2025	Six months ended 30 June 2024
Wages, welfare and bonuses	**9,083,629**	9,481,419
Amortization and depreciation charges	**1,448,092**	1,505,336
Technical cooperation fee	**612,841**	457,315
Direct material costs	**577,084**	427,280
Office expenses	**224,479**	224,708
Others	**718,687**	629,837
Total	**12,664,812**	12,725,895

48. Expenses by nature

Supplementary information of the Group's operating costs, selling and distribution costs, administrative expenses and research and development expenses by nature were as follows:

	Six months ended 30 June 2025	Six months ended 30 June 2024
Cost of goods and services	**45,095,871**	33,843,874
Staff remuneration	**15,706,257**	16,419,401
Depreciation and amortization	**2,373,300**	2,527,383
Rental not included in the measurement of lease liabilities	**50,276**	101,747
Others	**4,286,214**	3,455,673
Total	**67,511,918**	56,348,078

49. Finance costs

	Six months ended 30 June 2025	Six months ended 30 June 2024
Interest expenses	**2,022,872**	2,382,497
Less: Interest income	**2,552,107**	2,581,583
Loss/(gain) on foreign currency exchange	**(12,376)**	106,680
Bank charges	**96,914**	138,711
Total	**(444,697)**	46,305

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

50. Other income

	Six months ended 30 June 2025	Six months ended 30 June 2024
Refund of VAT on software products (Note)	1,632,360	1,115,629
Refund of handling charges for personal tax	33,993	33,045
Others	126,550	651,636
Total	1,792,903	1,800,310

Note: Refund of VAT on software products represents the refund of the portion of tax payment in respect of software product sales by some subsidiaries of the Company under an effective tax rate in excess of 3% pursuant to the principles of the State Council document entitled "Certain Policies to Further Encourage the Development of Software Enterprise and the IC Industry" and the approval reply of the state taxation authorities.

51. Investment income

	Six months ended 30 June 2025	Six months ended 30 June 2024
(Loss)/income from investment in associates and joints under equity method	51,875	(25,507)
Investment income from financial assets at fair value through profit or loss during the period of holding	21,182	4,905
Investment income/(loss) from disposal of derivative investment	(20,162)	33,373
Investment income arising from disposal of financial assets at fair value through profit or loss	242,687	65,419
Investment income/(loss) from disposal of investment in associates and joints	75,791	1,000
Loss on derecognition of financial assets at amortised cost and financial assets at fair value through other comprehensive income	(220,464)	(262,315)
Total	150,909	(183,125)

52. Gains from changes in fair values

	Six months ended 30 June 2025	Six months ended 30 June 2024
Financial assets at fair value through profit or loss	(6,352)	(112,974)
Derivative financial instruments	165,754	(158,043)
Investment properties at fair value	—	(145,522)
Total	159,402	(416,539)

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

53. Credit impairment losses

	Six months ended 30 June 2025	Six months ended 30 June 2024
Impairment loss/(reversal) of trade receivables	134,311	(44,613)
Impairment reversal of receivable financing	(2,431)	(2,185)
Impairment reversal of other receivables	(8,643)	(34,067)
(Reversal)/loss of impairment of long-term receivables	(8,321)	6,132
Impairment loss of factored trade receivables	–	99
Impairment reversal of impairment of long-term factored receivables	–	(81)
Total	114,916	(74,715)

54. Asset impairment losses

	Six months ended 30 June 2025	Six months ended 30 June 2024
Inventories impairment loss	335,527	474,862
Impairment reversal of contract assets	(53,646)	(18,577)
Prepayment impairment loss	3,431	9,303
(Reversal)/loss of impairment of other non-current assets	(85)	134,994
Total	285,227	600,582

55. Gains from asset disposal

	Six months ended 30 June 2025	Six months ended 30 June 2024
Gains from disposal of right-of-use assets	393	5,389
Gains from disposal of property, plant and equipment	2,808	53,965
Gains from disposal of intangible assets	645	8,011
Total	3,846	67,365

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

56. Non-operating income/non-operating expenses

(1) Non-operating income

	Six months ended 30 June 2025	Six months ended 30 June 2024	Amount of extraordinary gain/loss recognised for six months ended 30 June 2025
Income from contract penalty and reward	8,787	5,450	8,787
Others	88,300	29,628	88,300
Total	97,087	35,078	97,087

(2) Non-operating expenses

	Six months ended 30 June 2025	Six months ended 30 June 2024	Amount of extraordinary gain/loss recognised for six months ended 30 June 2025
Compensation and indemnity	(2,662)	10,344	(2,662)
Others	53,800	25,067	53,800
Total	51,138	35,411	51,138

RMB'000

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

57. Income tax

	Six months ended 30 June 2025	Six months ended 30 June 2024
Current income tax	730,869	601,100
Deferred income tax	(123,146)	(34,307)
Total	607,723	566,793

Reconciliation between income tax and total profit was as follows:

	Six months ended 30 June 2025	Six months ended 30 June 2024
Total profit	5,664,306	6,277,183
Tax at statutory tax rate (Note)	1,416,077	1,569,296
Effect of different tax rates applicable to subsidiaries	(489,481)	(679,475)
Effect of adjustment to income tax for previous periods	(70,316)	6,888
Effect of non-taxable income	(19,663)	(9,607)
Effect of add-on deductibles on R&D expense and non-deductible cost, expense and loss	(583,465)	(840,984)
Effect of utilization of deductible loss from unrecognised deferred tax asset of previous periods	(156,942)	(52,405)
Effect of deductible temporary difference from unrecognised deferred tax asset of the current period or effect of deductible loss	511,513	573,080
Tax charge at the Group's effective rate	607,723	566,793

Note: The Group's income tax has been provided at the rate on the estimated taxable profits and applicable tax rates arising in the PRC. Taxes on taxable profits elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

58. Earnings per share

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

	Six months ended 30 June 2025	Six months ended 30 June 2024
Earnings		
Net profit attributable to ordinary shareholders of the Company for the period	5,057,571	5,732,446
Shares		
Weighted average number of ordinary shares of the Company ('000 shares)	4,783,535	4,783,252
Diluted effect — weighted average number of ordinary shares ('000 shares)	—	—
Adjusted weighted average number of ordinary shares of the Company in issue ('000 shares)	4,783,535	4,783,252
Basic/diluted earnings per share (Note)	1.06	1.20

Note: The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. 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.

59. Notes to major items in cash flow statement

(1) Cash relating to operating activities

	Six months ended 30 June 2025	Six months ended 30 June 2024
Cash received in connection with other operating activities:		
Including: interest income	867,981	1,355,497
Cash paid in connection with other operating activities:		
Including: Expense for the period	4,999,612	5,598,953

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

59. Notes to major items in cash flow statement (continued)

(2) Cash relating to investing activities

	Six months ended 30 June 2025	Six months ended 30 June 2024
Receipt of material cash relating to investing activities:		
Release of time deposit of over three months and large-amount certificate of deposit	7,456,951	22,966,779
Maturity of structured deposit	52,609,000	—
Payment of material cash relating to investing activities:		
New time deposit of over three months and large-amount certificates of deposit	10,374,154	30,092,591
New structured deposit	52,967,000	3,900,000

(3) Cash relating to financing activities

	Six months ended 30 June 2025	Six months ended 30 June 2024
Cash paid in relation to other financing activities:		
Cash payment of principal of lease	188,860	207,885

Movements in liabilities from financing activities were as follows:

	Opening balance	Movement during the period		Closing balance
		Cash movement	Non-cash movement	
Short-term bonds payable	—	(91,626)	91,626	—
Short-term loans	7,027,070	(136,433)	1,686,905	8,577,542
Dividend payable	—	(2,982,719)	2,982,719	—
Bonds payable	1,004,880	3,350,000	22,175	4,377,055
Long-term loans (including non-current liabilities due within one year)	48,506,878	4,132,361	553,462	53,192,701
Other non-current liabilities (related to financing)	384,770	—	11,548	396,318
Lease liabilities (including non-current liabilities due within one year)	1,517,720	(188,860)	149,524	1,478,384
	58,441,318	4,082,723	5,497,959	68,022,000

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

59. Notes to major items in cash flow statement (continued)

(4) Supplemental information on cash flow statement

(a) Reconciliation of net profit to cash flows from operating activities:

	Six months ended 30 June 2025	Six months ended 30 June 2024
Net profit	5,056,583	5,710,390
Add: Credit impairment losses	114,916	(74,715)
Asset impairment losses	285,227	600,582
Depreciation of property, plant and equipment	1,009,448	1,085,396
Depreciation of right-of-use assets	250,192	223,050
Amortisation of intangible assets	1,113,660	1,218,937
Gain on disposal of property, plant and equipment, intangible assets and other long-term assets	(3,846)	(67,365)
(Gain)/loss from changes in fair value	(159,402)	416,539
Finance costs	340,306	679,922
Investment income	(372,410)	(79,190)
(Increase) in deferred tax assets	(136,116)	(31,580)
Increase/(decrease) in deferred tax liabilities	15,380	(2,295)
(Increase) in inventories	(1,134,810)	(297,388)
(Increase)/decrease in operating receivables	(5,424,044)	2,270,069
(Decrease) in operating payables	(743,844)	(4,008,307)
Decrease/(increase) in cash not readily available for payments	1,088,168	(643,646)
Net cash flow from operating activities	1,299,408	7,000,399

(b) Net change in cash and cash equivalents:

	30 June 2025	31 December 2024
Cash balance at end of period	1,578	1,453
Less: cash balance at beginning of period	1,453	2,034
Add: cash equivalents at end of period	25,739,783	28,024,964
Less: cash equivalents at beginning of period	28,024,964	51,011,133
Net increase in cash and cash equivalents	(2,285,056)	(22,986,750)

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

59. Notes to major items in cash flow statement (continued)

(5) Cash and cash equivalents

	30 June 2025	31 December 2024
Cash		
Including: Cash on hand	1,578	1,453
Bank deposit readily available for payment	25,739,783	28,024,964
Cash and cash equivalents at end of period	25,741,361	28,026,417
Including: restricted cash and cash equivalents utilized by the Company or intra-group subsidiaries	1,159	1,167

(6) Presented as cash and cash equivalents despite restrictions in scope of application

	30 June 2025	30 June 2024	Reason
Specific funds for specific use only	1,159	21,773	Subject to restrictions in application only but not frozen, pledged or subject to other encumbrances, therefore still considered cash and cash equivalents

(7) Funds not considered cash and cash equivalents

	30 June 2025	30 June 2024	Reason
Deposit and interest from time deposit of three months or above	12,627,849	21,279,423	Low liquidity, not easily realisable, not readily available for payment
Security deposit	575,006	827,496	
Dues from the People's Bank of China	497,618	1,075,969	
Others	28,509	28,703	
	13,728,982	23,211,591	

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

59. Notes to major items in cash flow statement (continued)

(8) Financing arrangements with suppliers

The Group was engaged in reverse factoring service through third-party financial institutions to provide factoring service to relevant suppliers in respect of trade payables of the Group within its credit limit, whereby the bank agreed to the assignment to the bank of trade receivables owed by the Group to designated suppliers for the sales of goods and rendering of services to the Group, while at the same time providing financing service to the relevant suppliers. Participating suppliers would be able to receive the total amount of trade payables from the bank. According to the agreement between the Group and the bank, trade payables shall be paid to the bank within 180 days from the payment of relevant amounts to the suppliers by the financing party. The payment terms between the Group and the suppliers did not change as a result of the reverse factoring arrangement, nor did the Group provide any guarantee to the bank.

Information on financial liabilities relating to suppliers' financing is set out as follows:

	30 June 2025			
	Carrying amount	Including: amount received by suppliers	Range of due date	Comparable range of due date for trade payables
Short-term loans	71,625	70,816	Within 180 days from the payment of relevant amounts to the suppliers by the financing party	30–90 days after issuance or admission to warehouse upon inspection

As a result of the aforesaid suppliers' financing arrangement, the Group derecognised trade payables for the six months ended 30 June 2025 and at the same time recognised short-term loans of RMB1,577,390,000 (2024: RMB0).

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

60. Monetary items in foreign currencies

The Group's major monetary items in foreign currencies:

		30 June 2025		
		Original currency	Exchange rate	RMB equivalent
Cash	USD	297,077	7.1686	2,129,629
	EUR	114,255	8.4020	959,974
	IDR	399,548,529	0.0004	176,465
	MXN	270,342	0.3806	102,902
	INR	826,911	0.0838	69,295
Trade receivables	USD	619,256	7.1686	4,439,197
	EUR	187,600	8.4020	1,576,212
	IDR	2,680,440,313	0.0004	1,183,846
	MXN	1,039,801	0.3806	395,786
	MYR	164,930	1.7007	280,503
Other receivables	USD	27,729	7.1686	198,781
	IDR	244,960,771	0.0004	108,190
	EUR	9,126	8.4020	76,679
	IRR	148,216,014	0.0002	25,298
	AOK	1,599,685	0.0079	12,575
Trade payables	USD	990,648	7.1686	7,101,561
	EUR	25,662	8.4020	215,609
	INR	1,972,345	0.0838	165,283
	IDR	233,390,757	0.0004	103,080
	MXN	155,666	0.3806	59,252
Other payables	USD	19,282	7.1686	138,227
	MXN	284,050	0.3806	108,120
	EUR	11,601	8.4020	97,474
	RSD	177,409	0.0718	12,733
	THB	56,916	0.2205	12,550
Short-term loan	USD	53,342	7.1686	382,385
	EUR	16,944	8.4020	142,361
Long-term loan	USD	3,162	7.1686	22,673

The Group's principal places of business overseas include Indonesia, Italy and Turkey, among others. Its operating entities in these countries adopt their respective principal currency for conducting business as their functional currencies.

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

VI. R&D EXPENDITURE

1. Analysed by nature as follows:

	Six months ended 30 June 2025	Six months ended 30 June 2024
Wages, benefits and bonuses	9,754,591	10,124,580
Amortisation and depreciation	1,469,171	1,505,401
Technical cooperation fees	719,731	463,804
Direct materials	649,235	478,027
Office	224,479	224,708
Others	723,613	632,410
Total	13,540,820	13,428,930
Including: R&D expenditure as cost	12,664,812	12,725,895
R&D expenditure capitalised	876,008	703,035

2. Expenditure of R&D projects qualifying for capitalization as follows:

	Opening balance	Increase in in-house development for the period	Decrease in recognition of intangible assets for the period	Closing balance
System products	1,594,563	876,008	(969,636)	1,500,935

VII. CHANGES TO THE SCOPE OF CONSOLIDATION

Name	Reason	Date of inclusion into/exclusion from consolidated statements
SHANGHAI SHENQI JIYUAN INTELLIGENT TERMINAL CO., LTD	New incorporation	April 2025
ZTE DE VENEZUELA,C.A.	Deregistration with industrial and commercial administration	January 2025
ZHONGXING CORPORATION EL SALVADOR, S.A. DE C.V.	Deregistration with industrial and commercial administration	March 2025
ZTE (USA) INC.	Deregistration with industrial and commercial administration	June 2025
ZTE (TX) INC.	Deregistration with industrial and commercial administration	June 2025
ZTE HAITI S.A	Deregistration with industrial and commercial administration	June 2025

RMB'000

VIII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

Particulars of the major subsidiaries of the Group are as below:

Type of subsidiary	Place of registration/ principal places of business	Nature of business	Registered capital	Percentage of shareholding% Direct	Percentage of shareholding% Indirect
Subsidiaries acquired by way of incorporation or investment					
ZTE Kangxun Telecommunications Ltd.*	Shenzhen	Manufacturing	RMB1,755 million	100.00%	–
ZTE (H.K.) Limited	Hong Kong	Information technology	HKD2,483,747,800	100.00%	–
Shenzhen Zhongxing Software Company Limited*	Shenzhen	Servicing	RMB51.08 million	100.00%	–
Xi'an ZTE Terminal Technology Co., Ltd.*	Xi'an	Manufacturing	RMB300 million	100.00%	–
Sanechips Technology Co., Ltd.*	Shenzhen	Manufacturing	RMB131,578,900	87.22%	12.78%
ZTE (Nanjing) Co.,Ltd.*	Nanjing	Manufacturing	RMB1,000 million	100.00%	–
Shenzhen Zhongxing Telecom Technology & Service Company Limited*	Shenzhen	Telecommunications services	RMB200 million	90.00%	10.00%
CRS Technology Co., Ltd.*	Xi'an	Manufacturing	RMB1,000 million	–	100.00%

* Such subsidiaries are companies with limited liability incorporated under the laws of the PRC.

2. Interests in joint ventures and associates

During the Reporting Period, the Group had no subsidiaries with significant minority interests nor individual material joint ventures or associates which had a significant influence on the Group.

The following table sets out summarized financial information of insignificant joint ventures and associates of the Group:

	30 June 2025	31 December 2024
Joint ventures		
Aggregate carrying value of investments	1,108,310	1,025,780

	Six months ended 30 June 2025	Six months ended 30 June 2024
Aggregate amounts of the following attributable to shareholdings:		
Net gain	87,690	48,927
Other comprehensive income	–	–
Total comprehensive income	87,690	48,927

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

VIII. INTERESTS IN OTHER ENTITIES (continued)

2. Interests in joint ventures and associates (continued)

	30 June 2025	31 December 2024
Associates		
Aggregate carrying value of investments	1,231,759	1,308,056

	Six months ended 30 June 2025	Six months ended 30 June 2024
Aggregate amounts of the following attributable to shareholdings:		
Net income/(loss)	(35,815)	(74,434)
Other comprehensive income	1,576	(5,166)
Total comprehensive income	(34,239)	(79,600)

As at 30 June 2025, there were no contingent liabilities associated with the investments in joint ventures and associates (31 December 2024: Nil).

IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

1. Risks of financial instruments

The Group's daily activities expose it to the risk of a variety of financial instruments, mainly including credit risk, liquidity risk and market risk (including currency risk and interest rate risk). The Group's risk management policy to address these risks are described as follows.

(1) Credit risk

The Group only trades with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis to ensure that the Group is not exposed to significant bad debts. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the special approval of the credit control department of the Group.

Since cash and bank balances, bank acceptance bills receivable and derivative financial instruments are placed with the well-established banks with high credit ratings, the credit risk of these financial instruments is relatively low.

IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

1. Risks of financial instruments (continued)

(1) Credit risk (continued)

The Group's other financial assets comprise commercial acceptance bills receivable, trade receivables and other receivables. The credit risk associated with such financial assets and contract assets arises from default of the counterparty, with a maximum exposure equal to the carrying value of these instruments.

The Group does not require collaterals as it only conducts transactions with approved third parties with sound credit standing. Credit risk concentration is managed according to customers/counterparties, geographic region and industry. As at 30 June 2025, the Group was subject to specific credit risk concentration, as 15% (31 December 2024: 15%) and 44% (31 December 2024: 39%) of the Group's trade receivables were attributable to the largest customer and top five customers, respectively, in terms of trade receivable balance. The Group did not hold any collateral or other credit enhancement in respect of such trade receivable balances.

(a) Criteria for judging significant increases in credit risk

The Company assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each balance sheet date. The principal criteria of the Group for making the judgment that a credit risk has significantly increased is an overdue by more than 30 days and significant change in one of more of the indicators set out below: material adverse change in the debtor's business conditions, internal or external credit rating, actual or estimated operating results, among others.

(b) Definition of credit-impaired assets

The main criterion adopted by the Group in determining the occurrence of credit impairment is an overdue of more than 90 days, although the Group will also consider that credit impairment has occurred under certain circumstances if internal or external information indicates that it may not be able to collect a contract amount in full before consideration is given to any credit enhancement held.

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event.

(c) Credit risk exposure

For trade receivables, contract assets and other receivables for which provision for impairment for expected credit loss for the entire period has been made, a risk matric model is shown in Note V.4A, V.6 and Note V.8 is provided.

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

1. Risks of financial instruments (continued)

(2) Liquidity risk

The Group's objective is to maintain balance between the continuity and flexibility of financing through the use of a variety of financing means. Funds raised by the Group through operations and borrowings are considered operational financing.

The maturity profile of financial liabilities based on undiscounted contractual cash flow is summarised as follows:

30 June 2025

	Within 1 year	1–2 years	2–3 years	Over 3 years	Total
Bank loans	16,653,391	19,374,655	22,911,282	5,351,909	64,291,237
Lease liabilities	531,743	193,100	207,608	545,933	1,478,384
Derivative financial liabilities	325,880	–	–	–	325,880
Bills payable	11,573,418	–	–	–	11,573,418
Trade payables	23,400,704	–	–	–	23,400,704
Bond payable	–	–	–	4,377,055	4,377,055
Bank advances on factored trade receivables and long-term receivables	852	426	213	–	1,491
Other payables (excluding accruals and staff housing fund contributions)	1,698,130	–	–	–	1,698,130
Other non-current liabilities	600,000	71,277	1,500,757	2,250,327	4,422,361
Total	54,784,118	19,639,458	24,619,860	12,525,224	111,568,660

RMB'000

IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

1. Risks of financial instruments (continued)

(2) Liquidity risk (continued)

31 December 2024

	Within 1 year	1–2 years	2–3 years	Over 3 years	Total
Bank loans	12,611,046	15,051,966	23,175,297	7,107,227	57,945,536
Lease liabilities	544,777	198,465	213,376	561,102	1,517,720
Derivative financial liabilities	200,853	—	—	—	200,853
Bills payable	10,959,334	—	—	—	10,959,334
Trade payables	22,371,792	—	—	—	22,371,792
Bonds payable	—	—	—	1,004,880	1,004,880
Bank advances on factored trade receivables and long-term receivables	6,498	4,332	4,332	—	15,162
Other payables (excluding accruals and staff housing fund contributions)	1,925,194	—	—	—	1,925,194
Other non-current liabilities	600,000	70,372	362	3,712,765	4,383,499
Total	49,219,494	15,325,135	23,393,367	12,385,974	100,323,970

(3) Market risk

(a) Interest rate risk

The Group's exposure to risk of changes in market interest rates relates primarily to the Group's long-term liabilities with floating interest rates. The Group manages its interest rate risk by closely monitoring interest rate changes and reviewing its borrowings on a regular basis.

As at 30 June 2025, the bank loans of the Group and the Company included fixed rate debts and floating debts based on LIBOR ("London Inter-Bank Offered Rate") and Euribor ("Euro Interbank Offered Rate").

The Group's interest risk policy is to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The Group's policy is to maintain the fixed interest rate between 2.10% to 10.46%. Approximately 23.16% (31 December 2024: 12.19%) of the Group's interest bearing borrowings were subject to interests at fixed rates.

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

1. Risks of financial instruments (continued)

(3) Market risk (continued)

(a) Interest rate risk (continued)

Interest-bearing borrowings with floating interest rate were mainly denominated in USD and EUR. The sensitivity analysis of interest rate risks is set out in the following table, reflecting the impact of reasonable and probable change in interest rates on net profit or loss (through the impact on floating rate loans) and other comprehensive income (net of tax) assuming that other variables remain constant.

	Increase/ (decrease) in basis points	Increase/ (decrease) in net profit or loss	Increase/ (decrease) in other comprehensive income net of tax	Increase/ (decrease) in total shareholders' equity
Six months ended 30 June 2025	**25**	**(100,866)**	**–**	**(100,866)**
	(25)	**100,866**	**–**	**100,866**
Six months ended 30 June 2024	25	(105,644)	–	(105,644)
	(25)	105,644	–	105,644

(b) Foreign currency risk

The Group is exposed to trading exchange rate risks. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currency.

The increase or decrease in value of assets or liabilities priced in foreign currency held by the Group owing to exchange rate volatility will affect the Group's operating results. Based on the risk exposure of monetary assets and liabilities and estimates of future foreign currency income and expenditure, the Group adopts forward exchange contracts to offset exchange rate risks. The Group conducts hedging transactions in respect of exchange rate risk exposure according to annual caps for foreign exchange derivative trades approved and authorized by the Board and the General Meeting. Derivative trades of the Group companies are centrally managed by the Derivative Investment Committee which will adjust the foreign exchange hedging strategy according to market movements. A Derivative Investment Work Group has been established under the said committee to be in charge of specific transactions.

RMB'000

IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

1. Risks of financial instruments (continued)

(3) Market risk (continued)

(b) Foreign currency risk (continued)

The following table sets out a sensitivity analysis of exchange rate risks that demonstrates the impact of a reasonably possible change in USD and EUR exchange rates on the Group's net profit or loss and other comprehensive income (net of tax), with all other variables held constant.

	Increase/ (decrease) in USD exchange rate	Increase/ (decrease) in net profit or loss	Increase/ (decrease) in other comprehensive income net of tax	Increase/ (decrease) in total shareholders' equity
Six months ended 30 June 2025				
Weaker RMB against USD	5%	226,323	–	226,323
Stronger RMB against USD	(5%)	(226,323)	–	(226,323)
Six months ended 30 June 2024				
Weaker RMB against USD	5%	306,855	–	306,855
Stronger RMB against USD	(5%)	(306,855)	–	(306,855)

	Increase/ (decrease) in EUR exchange rate	Increase/ (decrease) in net profit or loss	Increase/ (decrease) in other comprehensive income net of tax	Increase/ (decrease) in total shareholders' equity
Six months ended 30 June 2025				
Weaker RMB against EUR	5%	119,924	–	119,924
Stronger RMB against EUR	(5%)	(119,924)	–	(119,924)
Six months ended 30 June 2024				
Weaker RMB against EUR	5%	83,055	–	83,055
Stronger RMB against EUR	(5%)	(83,055)	–	(83,055)

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

2. Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group makes adjustments in the light of changes in economic conditions and in the risk profiles of relevant assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the current period ending 30 June 2025.

The Group manages capital using the financial gearing ratio, which is the ratio of interest-bearing liabilities to the sum of owners' equity and interest-bearing liabilities. The financial gearing ratio of the Group as at the balance sheet dates was as follows:

	30 June 2025	31 December 2024
Interest-bearing bank borrowings	61,770,243	55,533,948
Lease liabilities	1,478,384	1,517,720
Short-term bonds payable	—	—
Bonds payable	4,377,055	1,004,880
Bank advances on factored trade receivables and long-term receivables	1,491	15,162
Total interest-bearing liabilities	67,627,173	58,071,710
Owners' equity	75,109,804	73,110,282
Total equity and interest-bearing liabilities	142,736,977	131,181,992
Gearing ratio	47.4%	44.3%

3. Hedge

(1) Conducing hedge transactions for the purpose of risk management

	Relevant risk management strategy and objectives	Qualitative and quantitative information of hedged risks	Economic correlation between the hedged item and relevant hedging tools	Effective fulfillment of expected risk management objectives	Impact of relevant hedging activities on risk exposure
Foreign exchange risk management	To effectively avert exchange rate risk by conducting value-protection hedge transactions, taking advantage of the risk aversion and value protection features of forward exchange contracts	Qualitative: foreign exchange risk Quantitative: Gain/loss from exchange rate movements of foreign currency exposure	Fair-value change of forward exchange contract can set off gain/loss from exchange rate volatility of hedged items caused by foreign exchange risk	Basically fulfilled	Risk basically hedged

RMB'000

IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

3. Hedge (continued)

(2) Conducting qualifying hedge transactions and applying hedge accounting

Cash flow hedge

The Group designates foreign currency forward exchange contracts as hedging instruments against exchange risks arising from future expenses to be priced and settled in foreign currencies, for which the Group has made definitive commitment. The balance of such foreign currency forward exchange contracts varies according to changes in the scale of anticipated foreign currency expenses and movements in forward exchange rates. Through qualitative analysis, the Group has determined a 1:1 ratio between the quantity of hedging instruments and the quantity of hedged items. The ineffective portion of hedge arose primarily from differences in forward exchange rate. The amount of ineffective hedge recognised for the period was insignificant.

Time distribution of nominal amounts of hedging instruments and average exchange rates are set out as follows:

30 June 2025

	Within 6 months	**6–12 months**	**After 1 year**	**Total**
Nominal amount of foreign currency forward contract	**57,349**	**–**	**–**	**57,349**
Average RMB to foreign currency exchange rate	**7.17**	**–**	**–**	**7.17**

31 December 2024

	Within 6 months	6–12 months	After 1 year	Total
Nominal amount of foreign currency forward contract	60,017	–	–	60,017
Average RMB to foreign currency exchange rate	0.05	–	–	0.05

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

3. Hedge (continued)

(2) Conducting qualifying hedge transactions and applying hedge accounting (continued)

Cash flow hedge (continued)

Carrying value and fair-value change of hedging instruments are set out as follows:

30 June 2025

	Nominal amount of hedging instruments	Carrying value of hedging instruments		Balance sheet items including hedged instruments	Fair-value change of hedging instruments adopted as basis for recognition of ineffective hedge portion during the period
		Assets	Liabilities		
Exchange rate risk — foreign currency forward exchange contract	**57,349**	**–**	**936**	**Derivative financial liabilities**	**5,774**

31 December 2024

	Nominal amount of hedging instruments	Carrying value of hedging instruments		Balance sheet items including hedged instruments	Fair-value change of hedging instruments adopted as basis for recognition of ineffective hedge portion during the period
		Assets	Liabilities		
Exchange rate risk — foreign currency forward exchange contract	60,017	73	1,481	Derivative financial assets/derivative financial liabilities	(55,107)

IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

3. Hedge (continued)

(2) Conducting qualifying hedge transactions and applying hedge accounting (continued)

Cash flow hedge (continued)

Carrying value of hedged items and related adjustments are set out as follows:

30 June 2025

	Carrying value of hedged item		Cumulative amount of fair-value hedge adjustment of hedged item (charged to carrying value of hedged item)		Balance sheet item under which the hedged item is included	Fair-value change of the hedged item adopted for the period as basis for recognising ineffective portion of hedge	Cash flow hedge reserve
	Asset	Liability	Asset	Liability			
Exchange rate risk — future expense of foreign currency settlement	–	–	–	–	N/A	1,472	–

31 December 2024

	Carrying value of hedged item		Cumulative amount of fair-value hedge adjustment of hedged item (charged to carrying value of hedged item)		Balance sheet item under which the hedged item is included	Fair-value change of the hedged item adopted for the period as basis for recognising ineffective portion of hedge	Cash flow hedge reserve
	Asset	Liability	Asset	Liability			
Exchange rate risk — future expense of foreign currency settlement	–	–	–	–	N/A	46,761	703

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

3. Hedge (continued)

(2) Conducting qualifying hedge transactions and applying hedge accounting (continued)

Cash flow hedge (continued)

Fair-value change in hedging instruments recognised in current profit or loss and other comprehensive income are set out as follows:

Six months ended 30 June 2025

	Fair-value change in hedging instruments recognised in other comprehensive income	Ineffective portion of hedge recognised in current profit or loss	Profit or loss items including recognised ineffective portion of hedge	Amount reclassified from cash flow hedge reserve to current profit or loss	Profit or loss items including reclassification adjustments
Exchange rate risk — foreign currency forward exchange contract	2,833	2,941	Gain/loss from fair-value change	2,833	Finance cost

Six months ended 30 June 2024

	Fair-value change in hedging instruments recognised in other comprehensive income	Ineffective portion of hedge recognised in current profit or loss	Profit or loss items including recognised ineffective portion of hedge	Amount reclassified from cash flow hedge reserve to current profit or loss	Profit or loss items including reclassification adjustments
Exchange rate risk — foreign currency forward exchange contract	(57,311)	(491)	Gain or loss from fair-value change	(59,802)	Administrative expense, finance cost

Fair-value hedge

The Group hedges against exchange risks arising from exchange rate fluctuations by conducting forward exchange contracts. The Company upholds the risk-neutral principle in its derivative transactions and refrains from making any judgement on market conditions. Appropriate value-protection products and hedge ratios are selected to hedge against relevant risks based on our normal import and export business and foreign currency loans. The Group has designated forward exchange contracts as the hedging instrument for the Group's exchange risks arising from its foreign currency exposures, which are recognized assets or liabilities. The Group has determined, through qualitative analysis, the volume ratio of hedging instruments to hedged items to be 1: 1. The ineffective portion of hedge is primarily derived from forward exchange rate spread. The amounts of ineffective hedge recognised for the year and the previous year were insignificant. On the face of the financial statements, gain or loss in the fair value of the hedged item arising from hedged risks is recognised in current profit or loss. Fair-value change in the hedging instrument is also recognised in current profit or loss.

RMB'000

IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

3. Hedge (continued)

(2) Conducting qualifying hedge transactions and applying hedge accounting (continued)

Fair-value hedge (continued)

Carrying value and fair-value change of hedging instruments are set out as follows:

30 June 2025

	Nominal amount of hedging instruments	Carrying value of hedging instruments		Balance sheet items including hedged instruments	Fair-value change of hedging instruments adopted as basis for recognition of ineffective hedge portion during the year
		Assets	Liabilities		
Exchange rate risk — foreign currency forward exchange contract	35,763,438	240,908	314,799	Derivative financial liabilities/Derivative financial assets	(106,136)

Carrying value and adjustments to hedged items are set out as follows:

30 June 2025

	Carrying values of hedged items		Cumulative amount of fair-value adjustments to hedged items (included in carrying values of hedged items)		Balance sheet items including hedged items	Fair-value change of hedged items adopted as basis for recognition of ineffective hedge portion during the year
	Assets	Liabilities	Assets	Liabilities		
Exchange rate risk — foreign currency exposures	10,782,559	7,877,819	406,672	127,943	Trade receivables, other receivables, trade payables, other payables	285,277

Note 1: The hedged item represents assets or liabilities arising from transactions with counterparties, and exchange gain or loss arising from the currency elements in such transactions cannot be set off in the consolidated financial statements. An enterprise may designate such items as hedged items at the level of the consolidated statements.

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

3. Hedge (continued)

(2) Conducting qualifying hedge transactions and applying hedge accounting (continued)

Fair-value hedge (continued)

Ineffective portion of hedge in fair-value change of hedging instruments are set out as follows:

Six months ended 30 June 2025

	Ineffective portion of hedge recognised in current profit or loss	Profit or loss items including ineffective portion of hedge
Exchange rate risk —foreign currency forward exchange contract	129,355	Gain or loss from fair-value change

4. Transfers of financial assets

Means of transfer	Nature of financial assets transferred	Amount of financial assets transferred	Derecognition status	Bases of judgement for derecognition
Bill discounting	Bill receivables	9,748,892	Derecognised	Substantially all risks and rewards had been transferred
Factoring	Trade receivables	3,150,661	Derecognised	Substantially all risks and rewards had been transferred
Letter of credit	Trade receivables	272,663	Derecognised	Substantially all risks and rewards had been transferred
Total		13,172,216		

RMB'000

IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

4. Transfers of financial assets (continued)

For the six months ended 30 June 2025, financial assets derecognised as a result of transfer in were as follows:

	Means of transfer	Amount of financial assets derecognised	Profit or loss relating to derecognition
Bills receivable	Bill discounting	9,748,892	(46,300)
Trade receivables	Factoring	3,150,661	(165,135)
Trade receivables	Letter of credit	272,663	(10,065)
Total		13,172,216	(221,500)

As at 30 June 2025, transferred financial assets under continuous involvement were as follows:

	Means of transfer	Amount of assets under continuous involvement	Amount of liability arising from continuous involvement
Trade receivables	Factoring	852	852
Long-term receivables	Factoring	639	639
Total		1,491	1,491

X. DISCLOSURE OF FAIR VALUES

1. Assets and liabilities measured at fair value

30 June 2025

	Input applied in the measurement of fair value			
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
Continuous measurement of fair value				
Derivative financial assets	—	242,410	—	242,410
Trading financial assets	60,159	14,374,674	26,152	14,460,985
Other non-current financial assets	—	—	700,617	700,617
Receivable financing	—	1,103,008	—	1,103,008
Investment properties				
Leased buildings and land	—	—	99,045	99,045
Total	60,159	15,720,092	825,814	16,606,065
Derivative financial liabilities	—	(325,880)	—	(325,880)
Other non-current liabilities	—	—	(73,697)	(73,697)
Total	—	(325,880)	(73,697)	(399,577)

RMB'000

X. DISCLOSURE OF FAIR VALUES (continued)

1. Assets and liabilities measured at fair value (continued)

31 December 2024

	Input applied in the measurement of fair value			
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
Continuous measurement of fair value				
Derivative financial assets	—	173,439	—	173,439
Trading financial assets	15,787	13,660,664	92,330	13,768,781
Other non-current financial assets	—	—	715,761	715,761
Receivable financing	—	4,243,041	—	4,243,041
Investment properties				
Leased buildings and land	—	—	99,045	99,045
Total	15,787	18,077,144	907,136	19,000,067
Derivative financial liabilities	—	(200,853)	—	(200,853)
Other non-current liabilities	—	—	(73,697)	(73,697)
Total	—	(200,853)	(73,697)	(274,550)

2. Estimation of fair value

(1) Level-1 fair value measurement

The fair value of investment in listed equity instruments not subject to lock-up periods is determined based on quoted prices in active markets.

(2) Level-2 fair value measurement

The Group determines the fair value of receivable financing using the present value of cash flow model according to which the fair value approximates the carrying value.

The Group has entered into derivative financial instrument contracts with a number of counterparties (who are mainly financial institutions with sound credit rating). Derivative financial instruments include forward exchange contracts and are measured using valuation techniques similar to forward pricing, model interchange and the present value method. The valuation model covers a number of inputs observable in the market, such as the credit quality of the counterparty, spot and forward exchange rates and interest rate curves. The carrying value of a forward exchange contract or an interest rate swap is identical with its fair value. As at 30 June 2025, the mark-to-market value of the derivative financial assets represents the net value after offsetting credit valuation adjustments attributable to the risk of counterparty default. Changes in the credit risk associated with the counterparties had no material impact on the assessment of the effectiveness of designated derivative hedge in hedging relationships and other financial instruments measures at fair value.

RMB'000

X. DISCLOSURE OF FAIR VALUES (continued)

2. Estimation of fair value (continued)

(3) Level-3 fair value measurement

Fair value of non-listed equity investment is estimated using the market-based method. The assumptions on which it is based are unobservable market prices or interest rate assumptions. The Group is required determine comparable listed companies based on industry, scale, gearing and strategy and compute appropriate price multiples in respect of each identified comparable listed company, such as enterprise value (E/V) multiple and price to earnings ("P/E") multiple, which are adjusted based on specific facts and conditions of the company, taking into account differences in liquidity and scale between the Group and such comparable listed companies.

The fair values of equity investments in listed companies during the lock-up period are arrived at based on quotations in an active market discounted at a percentage reflecting the lack of liquidity during lock-up.

Fair value of equity sell-back options in other non-current liabilities is measured using the binomial tree model.

The Group considers information from a variety of sources in measuring the fair value of investment properties, including: (a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences; (b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and (c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

3. Unobservable inputs

Below is a summary of the significant unobservable inputs to the fair value measurement of Level 3:

30 June 2025

	Fair value at end of year	Valuation techniques	Unobservable inputs	Range
Commercial properties	RMB99,045,000	Discounted cash flow method	Estimated rental value (per sq. m. and per month)	RMB40–RMB250
			Rent growth (p.a.)	2%–5%
			Discount rate	7.25%–8%
Equity instrument investment	RMB786,928,000	Market method	Liquidity discount rate	30%–40%
			P/E	16.41
			P/B	1.3–2.2
Other non-current liabilities	RMB73,697,000	Binomial tree option pricing model	Risk-free interest rate	1.03%–1.32%
			Volatility rate	44.4%–51.8%
			Dividend rate	–
			Exercise probability	0%–40%

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

X. DISCLOSURE OF FAIR VALUES (continued)

3. Unobservable inputs (continued)

31 December 2024

	Fair value at end of year	Valuation techniques	Unobservable inputs	Range
Commercial properties	RMB99,045,000	Discounted cash flow method	Estimated rental value (per sq. m. and per month)	RMB40–RMB250
			Rent growth (p.a.)	2%–5%
			Discount rate	7.25%–8%
Equity instrument investment	RMB808,091,000	Market method	Liquidity discount rate	8.10%–40%
			P/E	16.41
			P/B	0.90–2.45
Other non-current liabilities	RMB73,697,000	Binomial tree option pricing model	Risk-free interest rate	1.03%–1.32%
			Volatility rate	44.38%–51.78%
			Dividend rate	–
			Exercise probability	0%–40%

4. Fair value measurement adjustment

Reconciliation of continuous fair value measurements categorised within Level 3 of the fair value hierarchy:

30 June 2025

	Opening balance	Transfer into Level 3	Transfer out of Level 3	Through profit or loss	Acquisition	Disposal	Closing balance	Change in assets/ liabilities held at year-end included under unrealised gain for the period in profit or loss
Investment properties	99,045	–	–	–	–	–	99,045	–
Trading financial assets	92,330	–	(60,159)	(6,019)	–	–	26,152	2,190
Other non-current financial assets	715,761	–	–	7,458	–	(22,602)	700,617	8,176
Other non-current financial liabilities	73,697	–	–	–	–	–	73,697	–

RMB'000

X. DISCLOSURE OF FAIR VALUES (continued)

4. Fair value measurement adjustment (continued)

31 December 2024

	Opening balance	Transfer into Level 3	Transfer out of Level 3	Through profit or loss	Acquisition	Disposal	Closing balance	Change in assets/ liabilities held at year-end included under unrealised gain for the period in profit or loss
Investment properties	1,473,823	–	(1,224,400)	(150,378)	–	–	99,045	(1,151)
Trading financial assets	24,227	53,659	–	14,444	–	–	92,330	14,444
Other non-current financial assets	831,930	–	(53,659)	(59,003)	9,704	(13,211)	715,761	(60,654)
Other non-current financial liabilities	43,148	–	–	30,549	–	–	73,697	30,549

In the continuous fair value measurement at Level 3, profit and loss included in current profit and loss relating to financial assets and non-financial assets is analyzed as follows:

	Six months ended 30 June 2025 Relating to financial assets	Six months ended 30 June 2024 Relating to financial assets
Total profit or loss for the period included in profit and loss	1,439	(34,787)
Change in assets held at year-end included in unrealised profit or loss for the period	10,366	(34,787)

	Six months ended 30 June 2025 Relating to non-financial assets	Six months ended 30 June 2024 Relating to non-financial assets
Total profit included in current profit or loss	–	(145,522)
Change in assets held at year-end included in unrealised gain	–	(145,522)

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

X. DISCLOSURE OF FAIR VALUES (continued)

4. Fair value measurement adjustment (continued)

In the continuous fair value measurement at Level 3, profit and loss included in current profit and loss relating to financial liabilities is set out as follows:

	Six months ended 30 June 2025 Relating to financial liabilities	Six months ended 30 June 2024 Relating to financial liabilities
Total profit included in current profit or loss	–	–
Change in liabilities held at year-end included in unrealised gain	–	–

During the period, there were no transfers of fair value measurements between Level 1 and Level 2.

XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES

1. Controlling shareholder

Name of controlling shareholder	Place of registration	Nature of business	Registered capital	Percentage of shareholding (%)	Percentage of voting rights (%)
Zhongxingxin Telecom Company Limited	Shenzhen, Guangdong	Manufacturing	RMB100 million	20.09%	20.09%

According to Shenzhen Stock Exchange Listing Rules, the Company's controlling shareholder is Zhongxingxin Telecom Company Limited.

2. Subsidiaries

Details of significant subsidiaries are set out in Note VIII.1.

XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

3. Joint ventures and associates

	Relationship
Puxing Mobile Telecom Equipment Co., Ltd.	Joint venture of the Company
Shaanxi Zhongtou Zhanlu Phase I Equity Investment Partnership Enterprise (Limited Partnership)	Joint venture of the Company
Shaanxi Zhongtou Zhanlu Phase II Equity Investment Partnership Enterprise (Limited Partnership)	Joint venture of the Company
WHALE CLOUD TECHNOLOGY CO., LTD	Associate of the Company
Jetflow Technologies Co., Ltd	Associate of the Company
Tiejian Union (Beijing) Technology Co., Ltd	Associate of the Company
ZHONGSHAN YOUSHUN PROPERTY COMPANY LIMITED	Associate of the Company
HENGYANG ICT REAL-ESTATE CO., LTD.	Associate of the Company
INTLIVE TECHNOLOGIES (PRIVATE) LIMITED	Associate of the Company
Jiangxi Guotou Information Technology Co., Ltd.	Ceased to be the Group's associate as from June 2024. Disclosure of related-party transactions represents amounts incurred from January to May 2024
ZTE Hotel Shenzhen Investment & Management Company Limited ZTE Hotel Nanjing Management Company Limited ZTE Hotel Xi'an Management Company Limited ZTE Hotel Shanghai Investment & Management Company Limited	Ceased to be the Group's associate and became the Group's subsidiaries as from September 2024. Disclosure of related-party transactions represents amounts incurred from January to August 2024 and balance of receivables and payables as at 31 August 2024.

4. Other related parties

	Relationship
Sindi Technologies Co., Ltd.	Subsidiary of the Company's controlling shareholder
Shenzhen Xinyu Tengyue Electronics Co., Ltd	Subsidiary of the Company's controlling shareholder
Pylon Technologies Co., Ltd.	Subsidiary of the Company's controlling shareholder
Shenzhen Zhongxing Xinli Precision M&E Technology Company Limited	Subsidiary of the Company's controlling shareholder
Maanshan Sindi Technology Company Limited#	Subsidiary of the Company's controlling shareholder
Shenzhen New Video Smart Technology Company Limited	Subsidiary of the Company's controlling shareholder
Shenzhen Zhongxing New Cloud Service Company Limited	Subsidiary of the Company's controlling shareholder
Shenzhen Xingkai Communication Equipment Limited	Subsidiary of the Company's controlling shareholder
Beijing Changrui Time Technology Limited	Company controlled by a connected natural person of the Company during the past 12 months

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

4. Other related parties (continued)

	Relationship
Shenzhen Zhongxingxu Technology Company Limited	Company controlled by a connected natural person of the Company
Xi'an Microelectronics Technology Research Institute	Entity for which a connected natural person of the Company acted as head
Shenzhen Zhongxing WXT Equipment Company Limited	Company for which a connected natural person of the Company acted as director
Shenzhen ZTE International Investment Company Limited	Company for which a connected natural person of the Company acted as chairman
Shenzhen Zhongxing Information Company Limited	Company for which a connected natural person of the Company acted as chairman
Shenzhen Zhongxing Energy Conservation & Environmental Service Company Limited.	Ceased to be the Company's related party as from May 2025. Disclosure of related-party transactions represents amounts incurred from January to April 2025
Zhongxing Intelligent Technology (Wuhu) Company Limited	Ceased to be the Company's related party as from May 2025. Disclosure of related-party transactions represents amounts incurred from January to April 2025
Shenzhen Zhongxing Tenglang Eco-Tech Company Limited	Ceased to be the Company's related party as from May 2025. Disclosure of related-party transactions represents amounts incurred from January to April 2025
Beijing Zhongxing Xieli Technology Company Limited	Subsidiary of a company for which a connected natural person of the Company acted as director
Xi'an Zhongxing Xieli Technology Company Limited	Subsidiary of a company for which a connected natural person of the Company acted as director
Tianjin ZTE International Investment Company Limited	Subsidiary of a company for which a connected natural person of the Company acted as chairman
ZTE Development Company Limited	Company for which a connected natural person of the Company acted as director
Huatong Technology Co., Ltd	Subsidiary of a company for which a connected natural person of the Company acted as director
Nanchang Zhongzhan Digital Smart Technology Company Limited	Subsidiary of a company for which a connected natural person of the Company acted as director
ZTE Hotel Harbourview Hotel Investment Development Company Limited	Subsidiary of a company for which a connected natural person of the Company acted as director
Chongqing Zhongxing Development Company Limited	Subsidiary of a company for which a connected natural person of the Company acted as director
Chongqing Zhongxing Zhongtou Property Service Company Limited	Subsidiary of a company for which a connected natural person of the Company acted as director

RMB'000

XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

4. Other related parties (continued)

	Relationship
Sanhe Zhongxing Property Service Company Limited	Subsidiary of a company for which a connected natural person of the Company acted as director
Sanhe Zhongxing Development Company Limited	Subsidiary of a company for which a connected natural person of the Company acted as director
Zhongxing Software Technology (Shenyang) Company Limited	Subsidiary of a company for which a connected natural person of the Company acted as director
Shenzhen Digital AI Port Technology Industry Company Limited	Subsidiary of a company for which a connected natural person of the Company acted as director
Zhongxing Software Technology (Ji'nan) Company Limited	Subsidiary of a company for which a connected natural person of the Company acted as director
Xiazhi Technology Company Limited	Company for which a connected natural person of the Company acted as chairman
航天歐華信息技術有限公司	Subsidiary of a company for which a connected natural person of the Company acted as senior management during the past 12 months
Tianhao Investment Co., Ltd.	Subsidiary of a company for which a connected natural person of the Company acted as senior management during the past 12 months
GD Ouke Air-conditioning & Refrigeration Company Limited	Ceased to be the Group's associate and became the Group's subsidiaries as from April 2024. Disclosure of related-party transactions represents amounts incurred from January to March 2024 and balance of receivables and payables as at 31 March 2024.
Shanghai Zhongxing Keyuan Industrial Company Limited	Ceased to be the Group's associate and became the Group's subsidiaries as from August 2024. Disclosure of related-party transactions represents amounts incurred from January to July 2024 and balance of receivables and payables as at 31 July 2024.
Shenzhen Aerospace Property Management Co., Ltd	Ceased to be the Group's associate and became the Group's subsidiaries as from November 2024. Disclosure of related-party transactions represents amounts incurred from January to October 2024 and balance of receivables and payables as at 31 October 2024.

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

5. Transactions with related parties

(1) Transaction of goods with related parties

(a) Sales of goods and services to related parties

	Six months ended 30 June 2025	Six months ended 30 June 2024
Transactions with controlling shareholder and its subsidiaries:		
Pylon Technologies Co., Ltd.	**3,774**	—
Shenzhen Zhongxing New Cloud Service Company Limited	**128**	—
Zhongxingxin Telecom Company Limited	**7**	43
Sindi Technologies Co., Ltd.	**3**	—
	3,912	43
Transactions with companies where connected natural persons held office and their subsidiaries:		
航天歐華信息技術有限公司	**113,384**	225,379
Tianhao Investment Co., Ltd.	**35,646**	14,713
ZTE Development Company Limited	**14**	42
	149,044	240,134
Transactions relating to associates and joint ventures of the Company and their subsidiaries:		
ZTE Hotel Shenzhen Investment & Management Company Limited	**—**	27
ZTE Hotel Nanjing Management Company Limited	**—**	368
ZTE Hotel Xi'an Management Company Limited	**—**	1,352
ZTE Hotel Shanghai Investment & Management Company Limited	**—**	799
Puxing Mobile Telecom Equipment Co., Ltd.	**221**	811
WHALE CLOUD TECHNOLOGY CO., LTD	**3,409**	4,583
Shaanxi Zhongtou Zhanlu Phase I Equity Investment Partnership Enterprise (Limited Partnership)	**401**	931
Jiangxi Guotou Information Technology Co., Ltd.	**—**	75
Shaanxi Zhongtou Zhanlu Phase II Equity Investment Partnership Enterprise (Limited Partnership)	**1,522**	1,174
	5,553	10,120
	158,509	250,297

RMB'000

XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

5. Transactions with related parties (continued)

(1) Transaction of goods with related parties (continued)

(b) Purchases of goods and services from related parties

	Six months ended 30 June 2025	Six months ended 30 June 2024
Transactions with controlling shareholder and its subsidiaries:		
Sindi Technologies Co., Ltd.#	**7,814**	57,432
Shenzhen Xinyu Tengyue Electronics Co., Ltd#	**9,763**	6,893
Shenzhen Zhongxing Xinli Precision M&E Technology Company Limited#	**58,940**	58,145
Maanshan Sindi Technology Company Limited#	**46,873**	—
	123,390	122,470
Transactions with companies where connected natural persons held office or exercised control and their subsidiaries:		
Shenzhen Aerospace Property Management Co., Ltd	**—**	141
GD Ouke Air-conditioning & Refrigeration Company Limited	**7,231**	290
Beijing Zhongxing Xieli Technology Company Limited	**—**	2,989
Xi'an Zhongxing Xieli Technology Company Limited	**2,913**	—
Huatong Technology Co., Ltd	**31,284**	20,767
Nanchang Zhongzhan Digital Smart Technology Company Limited	**33,490**	26,898
Shenzhen Digital AI Port Technology Industry Company Limited	**273,954**	—
ZTE Hotel Harbourview Hotel Investment Development Company Limited	**65**	568
Xiazhi Technology Company Limited	**150**	—
Shenzhen Zhongxing Tenglang Eco-Tech Company Limited	**5,551**	—
	354,638	51,653
Transactions relating to associates and joint ventures of the Company and their subsidiaries:		
ZTE Hotel Shenzhen Investment & Management Company Limited	**—**	10,792
ZTE Hotel Nanjing Management Company Limited	**—**	4,989
ZTE Hotel Xi'an Management Company Limited	**—**	2,978
ZTE Hotel Shanghai Investment & Management Company Limited	**—**	2,698
Jetflow Technologies Co., Ltd	**2,525**	88
WHALE CLOUD TECHNOLOGY CO., LTD	**175,014**	102,410
	177,539	123,955
	655,567	298,078

Continuing connected transaction subject to annual reporting under the Hong Kong Listing Rules.

Note: For the period, the Group conducted commodity trade with related parties based on market prices.

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

5. Transactions with related parties (continued)

(2) Leasing with related parties

(a) As lessor

	Type of lease asset	Six months ended 30 June 2025 Lease income	Six months ended 30 June 2024 Lease income
Transactions with controlling shareholder and its subsidiaries:			
Shenzhen Zhongxing New Cloud Service Company Limited	Office	1,718	1,729
		1,718	1,729
Transactions with companies where connected natural persons held office and their subsidiaries:			
Zhongxing Intelligent Technology (Wuhu) Company Limited	Office	49	73
Shenzhen ZTE International Investment Company Limited	Office	68	67
Huatong Technology Co., Ltd	Office	35	17
Shanghai Zhongxing Keyuan Industrial Company Limited	Office	–	218
Shenzhen Zhongxing Energy Conservation & Environmental Service Company Limited	Office	–	148
Zhongxing Software Technology (Ji'nan) Company Limited	Office	34	–
		186	523
Transactions relating to associates and joint ventures of the Company and their subsidiaries:			
ZTE Hotel Shenzhen Investment & Management Company Limited	Property and equipment & facilities	–	5,481
ZTE Hotel Nanjing Management Company Limited	Property and equipment & facilities	–	3,292
ZTE Hotel Xi'an Management Company Limited	Property and equipment & facilities	–	8,781
ZTE Hotel Shanghai Investment & Management Company Limited	Property and equipment & facilities	–	7,863
Jetflow Technologies Co., Ltd	Office	175	307
		175	25,724
		2,079	27,976

RMB'000

XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

5. Transactions with related parties (continued)

(2) Leasing with related parties (continued)

(b) As lessee

	Type of lease asset	Rental expense based on simplified short term lease and low value asset lease	Variable lease payment not included in the measurement of lease liabilities	Rental paid	Lease liability interest expense assumed	Right of use assets added
Transactions with controlling shareholder and its subsidiaries:						
Zhongxingxin Telecom Company Limited	Office	107	–	5,696	361	–
Transactions with companies where connected natural persons held office and their subsidiaries:						
Chongqing Zhongxing Development Company Limited	Office	439	–	3,024	552	–
Chongqing Zhongxing Zhongtou Property Service Company Limited	Office	209	–	–	–	–
Sanhe Zhongxing Property Service Company Limited	Office	1,625	–	–	–	–
Sanhe Zhongxing Development Company Limited	Office	–	–	6,445	1,215	–
Tianjin ZTE International Investment Company Limited	Office	1,213	–	1,926	484	–
		3,593	–	17,091	2,612	–

Note: The Group recognised lease income of RMB2,079,000 (Six months ended 30 June 2024: RMB27,976,000) for the period according to the lease contracts for the lease of office and equipment to the aforesaid related parties.

The Group recognized lease expense of RMB23,296,000 (Six months ended 30 June 2024: RMB15,792,000) for the period according to the lease contracts for the lease of office from the aforesaid related parties.

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

5. Transactions with related parties (continued)

(3) Other major related transactions

Remuneration of key management personnel

	Six months ended 30 June 2025	Six months ended 30 June 2024
Short-term staff remuneration	6,048	6,069
Retirement benefit	180	165
Total	6,228	6,234

Note: No share-based payment expense was required to be recognised for the six months ended 30 June 2025 in respect of share option incentives granted to key management personnel of the Company as the vesting period had ended (Six months ended 30 June 2024: RMB0). For details, please refer to Note XII.1.

6. Commitments of the Group with related parties

(1) Information on purchases with related parties in 2025–2026 of the Group as purchaser was as follows:

Supplier	Subject of purchase	Date of agreement	Duration of agreement	Estimated purchase 2025	Estimated purchase 2026
Zhongxingxin Telecom Company Limited and its subsidiaries	Raw materials	December 2024	1 year	400,000	–
Huatong Technology Co., Ltd	Software outsourcing	December 2024	2 years	85,000	85,000
Nanchang Zhongzhan Digital Smart Technology Company Limited	Software outsourcing	December 2024	2 years	97,000	97,000
Total				582,000	182,000

Note: For details of purchases occurring during the period, please refer to Note XI.5(1).

(2) Information on sales with related parties in 2025 of the Group as seller was as follows:

Customer	Subject of sales	Date of agreement	Duration of agreement	Estimated sales 2025
航天歐華信息技術有限公司	Full range of government and corporate business products	December 2024	1 year	1,200,000

Note: For details of sales occurring during the period, please refer to Note XI.5(1).

XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

6. Commitments of the Group with related parties (continued)

(3) Information on leases of the Group (as lessor) with related parties in 2025–2026 was as follows:

Lessee	Estimated lease income	
	2025 (RMB'000)	2026 (RMB'000)
Transactions with controlling shareholder and its subsidiaries	3,396	—
Transactions with companies for which connected natural persons held offices and their subsidiaries	339	17
Transactions relating to associates and joint ventures of the Company and their subsidiaries	395	—
	4,130	17

Note: For details of lease income occurring during the period, please refer to Note XI.5(2).

(4) Information on leases of the Group (as lessee) with related parties in 2025–2026 was as follows:

Lessor	Estimated lease expense	
	2025 (RMB'000)	2026 (RMB'000)
Transactions with controlling shareholder and its subsidiaries	11,888	11,888
Transactions with companies for which connected natural persons held offices and their subsidiaries	30,434	30,843
	42,322	42,731

Note: For details of rental expense occurring during the period, please refer to Note XI.5(2).

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

7. Balances of amounts due from/to related parties

Item	Related party	30 June 2025 Book balance	30 June 2025 Bad debt provision	31 December 2024 Book balance	31 December 2024 Bad debt provision
Bills receivable	Jetflow Technologies Co., Ltd	155	—	—	—
Trade receivables	WHALE CLOUD TECHNOLOGY CO., LTD	395	390	460	392
	Tiejian Union (Beijing) Technology Co., Ltd.	696	696	696	696
	ZTE Hotel Shenzhen Investment & Management Company Limited	—	—	46,348	28,370
	ZTE Hotel Xi'an Management Company Limited	—	—	30,000	10,069
	ZTE Hotel Nanjing Management Company Limited	—	—	4,706	151
	ZTE Hotel Shanghai Investment & Management Company Limited	—	—	72,198	45,922
	Shenzhen Xingkai Communication Equipment Limited	22,060	22,060	22,060	22,060
	Shenzhen Zhongxing Information Company Limited	80	1	80	1
	Sindi Technologies Co., Ltd.	1	—	—	—
	Jetflow Technologies Co., Ltd	—	—	306	33
	Beijing Changrui Time Technology Limited	258	258	263	263
		23,490	23,405	177,117	107,957
Other receivables	Jetflow Technologies Co., Ltd	302	191	—	—
	Sanhe Zhongxing Property Service Company Limited	10	—	10	—
	Sanhe Zhongxing Development Company Limited	71	—	71	—
		383	191	81	—

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

7. Balances of amounts due from/to related parties (continued)

Item	Related party	30 June 2025	31 December 2024
Bills payable	Shenzhen Xinyu Tengyue Electronics Co., Ltd	7,208	6,646
	Sindi Technologies Co., Ltd.	16,170	38,687
	WHALE CLOUD TECHNOLOGY CO., LTD	–	1,187
	Shenzhen Zhongxing Xinli Precision M&E Technology Company Limited	54,367	55,066
	GD Ouke Air-conditioning & Refrigeration Company Limited	–	2,144
	Pylon Technologies Co., Ltd.	276	–
	Shenzhen Zhongxing Tenglang Eco-Tech Company Limited	–	8,891
	Jetflow Technologies Co., Ltd	196	–
	Shenzhen New Video Smart Technology Company Limited	21	–
	Xiazhi Technology Company Limited	170	–
	Shenzhen Digital AI Port Technology Industry Company Limited	15,671	–
	Maanshan Sindi Technology Company Limited	31,567	–
		125,646	112,621
Trade payables	Shenzhen Xinyu Tengyue Electronics Co., Ltd	1,574	1,535
	Sindi Technologies Co., Ltd.	1,259	16,552
	Shenzhen Zhongxing WXT Equipment Company Limited	327	327
	Shenzhen Zhongxing Information Company Limited	155	277
	Shenzhen Zhongxing Xinli Precision M&E Technology Company Limited	23,827	23,719
	GD Ouke Air-conditioning & Refrigeration Company Limited	1,590	–
	WHALE CLOUD TECHNOLOGY CO., LTD	247,279	219,523
	Pylon Technologies Co., Ltd.	1,994	2,207
	航天歐華信息技術有限公司	1,987	1,987
	Shenzhen Zhongxing Tenglang Eco-Tech Company Limited	–	933
	Shenzhen New Video Smart Technology Company Limited	–	74
	Jetflow Technologies Co., Ltd.	–	100
	Maanshan Sindi Technology Company Limited	20,628	–
	Shenzhen Digital AI Port Technology Industry Company Limited	17,093	–
		317,713	267,234

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

7. Balances of amounts due from/to related parties (continued)

Item	Related party	30 June 2025	31 December 2024
Contract liabilities	Nanchang Zhongzhan Digital Smart Technology Company Limited	5,327	5,327
	Xi'an Microelectronics Technology Research Institute	1,620	1,620
	Beijing Zhongxing Xieli Technology Company Limited	155	155
	航天歐華信息技術有限公司	21,723	1,793
	Zhongxing Software Technology (Shenyang) Company Limited	3	3
	Shaanxi Zhongtou Zhanlu Phase I Equity Investment Partnership Enterprise (Limited Partnership)	1,600	—
	Shaanxi Zhongtou Zhanlu Phase II Equity Investment Partnership Enterprise (Limited Partnership)	425	78
	Shenzhen Zhongxingxu Technology Company Limited	30	30
	ZTE Development Company Limited	2	—
		30,885	9,006
Other payables	Zhongxingxin Telecom Company Limited	10	10
	Shenzhen Zhongxing WXT Equipment Company Limited	—	12
	INTLIVE TECHNOLOGIES (PRIVATE) LIMITED	5,377	5,457
	ZHONGSHAN YOUSHUN PROPERTY COMPANY LIMITED	2,000	2,000
	Zhongxing Software Technology (Ji'nan) Company Limited	12	—
	HENGYANG ICT REAL-ESTATE CO., LTD.	198	198
	Shenzhen Zhongxing Energy Conservation & Environmental Service Company Limited.	200	229
	Shenzhen ZTE International Investment Company Limited	26	26
	Huatong Technology Co., Ltd	149	6
	Shenzhen Aerospace Property Management Co., Ltd	30	30
	Puxing Mobile Telecom Equipment Co., Ltd.	3,003	4,523
	Zhongxing Intelligent Technology (Wuhu) Company Limited	—	26
	WHALE CLOUD TECHNOLOGY CO., LTD	9,035	5,111
		20,040	17,628

RMB'000

XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

7. Balances of amounts due from/to related parties (continued)

Item	Related party	30 June 2025	31 December 2024
Lease liabilities	Sanhe Zhongxing Development Company Limited	47,385	53,813
	Tianjin ZTE International Investment Company Limited	19,325	21,151
	Zhongxingxin Telecom Company Limited	12,782	18,663
	Chongqing Zhongxing Development Company Limited	22,017	24,400
		101,509	118,027

Other than lease liabilities, other amounts due from/to related parties were interest-free, unsecured and had no fixed term of repayment. Amounts receivables from related parties were interest-free and unsecured with a usual credit term of 0–90 days, which may be extended to up to 1 year.

XII. SHARE-BASED PAYMENT

1. Share option incentive schemes

(1) 2020 Share Option Incentive Scheme — initial grant

Pursuant to the "Resolution on Matters pertaining to the grant of shares options under the 2020 Share Option Incentive Scheme" considered and passed at the Twenty-seventh Meeting of the Eighth Session of the Board of Directors and the Twentieth Meeting of the Eighth Session of the Supervisory Committee held on 6 November 2020, it was confirmed that 158,472,000 would be granted to 6,123 participants under the first grant. In accordance with ASBE 11 — Share-based Payment, the date of grant should be the date of approval of the share-based payment agreement. Hence, the date of grant for the first grant of the share option incentive scheme was set for 6 November 2020. The scheme participants of the Share Incentive Scheme were the directors and senior management of the Company and key staff of the Company who have a direct impact or outstanding contributions to the Company's overall business results and ongoing development, excluding Independent Non-executive Directors and Supervisors, substantial shareholders holding 5% or more of the Company's shares, separately or in aggregate, or the effective controller of the Company and their spouses, parents or children.

The share options under the initial grant shall be valid for a period of 4 years from the date of grant. After the expiry of a 1-year vesting period from the date of grant, one-third of the options shall become exercisable in each of the three subsequent exercise periods, namely, the first, second and third exercise periods, subject to the fulfilment of conditions relating to business performance. The share options not exercisable due to failure to fulfil conditions relating to business performance or those currently not exercised after the end of the exercise period shall forthwith become null and void and be repurchased without consideration and cancelled by the Company.

The performance indicator for the exercise of the share options: net profit attributable to holders of ordinary shares of the listed company.

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

XII. SHARE-BASED PAYMENT (continued)

1. Share option incentive schemes (continued)

(1) 2020 Share Option Incentive Scheme — initial grant (continued)

The detailed conditions for the exercise of the share options:

The conditions for the exercise of the granted share options for each exercise period:

Exercise period	Percentage of options exercisable	Duration	Conditions for exercise
First exercise period ("First Period")	1/3	2021.11.6–2022.11.5	Net Profit for 2020 shall be no less than RMB3.0 billion
Second exercise period ("Second Period")	1/3	2022.11.6–2023.11.5	Cumulative net profit for 2020 and 2021 shall be no less than RMB6.47 billion
Third exercise period ("Third Period")	1/3	2023.11.6–2024.11.5	Cumulative net profit for 2020, 2021 and 2022 shall be no less than RMB10.23 billion

For the six months ended 30 June 2025, no share-based payment expense in relation to the vesting period was recognized because the vesting period had expired.

(2) 2020 Share Option Incentive Scheme — reserved options

Pursuant to the "Resolution on Matters pertaining to the Grant of Reserved Share Options under the 2020 Share Option Incentive Scheme" considered and passed at the Fortieth Meeting of the Eighth Session of the Board of Directors of the Company and the Thirty-first Meeting of the Eighth Session of the Supervisory Committee held on 23 September 2021, 5,000,000 reserved share options shall be granted to 410 participants. In accordance with ASBE No. 11 — Share-based payment, the date of grant shall be the date on which the agreement governing the share-based payment is approved. Therefore, the date of grant for the reserved share options under the share option incentive scheme shall be 23 September 2021. Participants in the reserved share options shall be key business personnel who have a direct impact or outstanding contributions to the Company's overall business results and ongoing development.

The reserved share options shall be valid for a period of 3 years subject to a 1-year vesting period from the date of grant. Thereafter, one half of the options shall become exercisable in each of the two exercise periods, namely, the first and the second exercise periods, subject to the fulfilment of conditions relating to business performance. The share options not exercisable due to failure to fulfil the business performance conditions or those currently not exercised after the end of the exercise period shall forthwith become null and void and be repurchased without consideration and cancelled by the Company.

Business performance indicator for the exercise of the share options: net profit attributable to holders of ordinary shares of the listed company.

RMB'000

XII. SHARE-BASED PAYMENT (continued)

1. Share option incentive schemes (continued)

(2) 2020 Share Option Incentive Scheme — reserved options (continued)

Conditions for the exercise of share options:

Exercise period	Percentage of options exercisable	Duration	Conditions for exercise
First exercise period ("First Period")	1/2	2022.9.23–2023.9.22	Cumulative net profit for 2020 and 2021 shall be no less than RMB6.47 billion
Second exercise period ("Second Period")	1/2	2023.9.23–2024.9.22	Cumulative net profit for 2020, 2021 and 2022 shall be no less than RMB10.23 billion

For the six months ended 30 June 2025, no share-based payment expense in relation to the vesting period was recognized because the vesting period had expired.

(3) Equity instruments granted are as follows:

No grants were made and no share-based payment expenses were incurred for the period.

(4) Equity instruments issued and outstanding at the end of the period are as follows:

The exercise periods for share options under the initial grant and the reserve grant ended in November 2024 and September 2024, respectively (with exercise prices ranging from RMB34.47–34.92). There was no equity instrument issued and outstanding as at 30 June 2025.

(5) Details of equity-settled share-based payments are as follows:

	30 June 2025
Method of determining fair value of equity instruments as at date of grant	**Binomial tree model**
Material parameters for fair value of equity instruments as at date of grant	**Expected dividend, historical volatility rate, risk-free interest rate**
Basis for determining the volume of exercisable equity instruments	**Best estimate of expected exercisable volume at year-end**
Reason for material difference between estimate for the period and estimate for the previous year	**Nil**
Cumulative amount of equity-settled share-based payment charged to capital reserve	**1,116,809**

(6) Share-based payment expenses incurred during the period are as follows:

No grants were made and no share-based payment expenses were incurred for the period.

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

XIII. COMMITMENTS AND CONTINGENT EVENTS

1. Material commitments

	30 June 2025	31 December 2024
Contracted but not provided of		
Capital expenditure commitments	3,206,440	2,457,110
Investment commitments	463,320	463,320
Including: investment commitment to joint ventures	406,470	406,470
	3,669,760	2,920,430

2. Contingent events

2.1 On 15 April 2018, the U.S. Department of Commerce's Bureau of Industry and Security ("BIS") signed an order activating a previously suspended 7-year denial order (commencing on 15 April 2018 and ending on 13 March 2025) (the "15 April 2018 Denial Order"). The 15 April 2018 Denial Order restricted and prohibited the Company and ZTE Kangxun Telecommunications Ltd. (its wholly-owned subsidiary) (collectively "ZTE") from participating in any way, whether directly or indirectly, in any transaction involving any commodity, software, or technology exported or to be exported from the United States that is subject to the U.S. Export Administration Regulations ("EAR"), or any other activities subject to control under EAR. The full text of the 15 April 2018 Denial Order was published in the United States Federal Register (Federal Register Vol. 83, p. 17644) on 23 April 2018.

In June 2018, ZTE and BIS entered into a superseding settlement agreement ("2018 Superseding Settlement Agreement") to supersede the settlement agreement signed between ZTE and BIS in March 2017 ("2017 Settlement Agreement"). The 2018 Superseding Settlement Agreement came into effect via a superseding order relating to ZTE on 8 June 2018 (the "8 June 2018 Order"). In accordance with the 2018 Superseding Settlement Agreement, the Company had paid civil monetary penalties totalling USD1.4 billion, including a lump sum payment of USD1 billion and an additional penalty of USD0.4 billion placed in an escrow account with a U.S. bank suspended during the period of ten years from the issuance of the 8 June 2018 Order(the "Probationary Period") (The USD0.4 billion penalty will be waived after the end of Probationary Period if ZTE complies with the probationary conditions set forth in the Agreement and the 8 June 2018 Order during the Probationary Period). ZTE was required to comply with all applicable terms and conditions of the 2018 Superseding Settlement Agreement, including but not limited to: a new denial order (the "New Denial Order") for a period of ten years from the issuance of the 8 June 2018 Order that would, among other things, restrict and prohibit ZTE from applying for, obtaining, or using any license, license exception, or export control document, and participating in any way in any transaction involving any commodity, software, or technology that is subject to EAR, provided that such New Denial Order shall be suspended during the Probationary Period and thereafter be waived subject to ZTE's compliance with the 2018 Superseding Settlement Agreement and the 8 June 2018 Order. For details of other terms and conditions, please refer to the "INSIDE INFORMATION ANNOUNCEMENT AND RESUMPTION OF TRADING" published by the Company on 12 June 2018.

To fulfill the obligations under the 2018 Superseding Settlement Agreement and 2017 Settlement Agreement, the Company is required to provide and implement a comprehensive and updated export control compliance programme that covers all levels of ZTE.

XIII. COMMITMENTS AND CONTINGENT EVENTS (continued)

2. Contingent events (continued)

2.1 (continued)

In the event of the Company's violation of obligations under the 2018 Superseding Settlement Agreement or 2017 Settlement Agreement, (i) the suspended New Denial Order might be activated, which would, among other things, restrict and prohibit ZTE from applying for, obtaining, or using any license, license exception, or export control document, and participating in any transaction involving any commodity, software, or technology that is subject to the EAR; (ii) the USD0.4 billion placed in an escrow account with a U.S. bank shall become payable immediately and shall be paid in full or in part.

The Company has established the Export Compliance Committee of the Board of Directors, which includes the Company's executive directors, non-executive directors and independent non-executive directors; built a team led by Chief Export Compliance Officer and composed of export control compliance team members with global coverage and engaged a number of counsels and consultants; established and enhanced the Company's export control compliance management structure, system and procedure; introduced and implemented SAP Global Trade Services (GTS) System, self-developed the Enterprise Compliance Service System (ECSS) and achieved integration with key business systems, to automate key aspects of export compliance management; carried out Export Control Classification Number ("ECCN") Publication Project, which makes available to its customers and business partners the applicable ECCN information and other export control information for products subject to the EAR via a public website; continued to provide online and offline export compliance training for senior management, subsidiaries, compliance liaisons, account managers and new employees; cooperated with the special compliance coordinator to conduct various monitoring and compliance audits; and made continuous investment on the work on export control compliance.

In the first half of 2025, the Company has complied with all local rules and regulations, as applicable, including restrictions under economic sanctions and export control laws and regulations, of the countries in which it operates its businesses. Complying with ZTE's Export Compliance Program and the regulations on which it is based is an essential requirement for ZTE's employees, contract employees, and businesses.

Compliance not only protects value, but it also creates value. The Company attaches significant importance to the work on export control compliance, regarding compliance as a foundation for the Company's strategy and condition and bottom-line for the Company's operations. The Company will continually build its value for its customers, shareholders, and employees, and build a compliant and healthy business environment with customers and partners through the dedication and vigilance to export compliance of every employee.

During the period from 1 January 2025 to the date of publication of this report, to the best of the Company's knowledge, the aforesaid contingent events will not have any material adverse impact on the current financial conditions and operating results of the Group.

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

XIII. COMMITMENTS AND CONTINGENT EVENTS (continued)

2. Contingent events (continued)

2.2 On 7 July 2025, Hengyang Jinliuyuan Real Estate Development Co., Ltd ("Jinliuyuan") filed a lawsuit with Zhengxiang District People's Court, Hengyang ("Zhengxiang Court") in relation to a contract for cooperation in real estate development. Hunan ZICT Technology Co., Ltd. ("Hunan ZICT") was named as defendant and Hengyang ICT Real-Estate Co., Ltd., Hunan Southern China Manufacturing Group Co., Ltd and Hengyang Jinyu Real Estate Co., Ltd were named as third parties. Jinliuyuan petitioned that the "Agreement for Cooperation in Project Development" and "Supplemental Agreement" previously entered into be ruled to be rescinded and that Hunan ZICT be ruled to make a repayment to Jinliuyuan of cash cooperation funds, funds invested in infrastructure construction and losses and projected interest loss, among others, amounting to approximately RMB300 million in aggregate.

On 11 July 2025, Zhengxiang Court ruled that properties under the name of Hunan ZICT shall be frozen and seized up to a limit of RMB200 million. On 15 July 2025, Hunan ZICT was served with documents including a civil complaint, a summons and a notice of action.

Based on the progress of the case, the Company is currently unable to make reliable estimations on the outcome of the lawsuit.

2.3 As at 30 June 2025, an amount of RMB10,211,096,000 (31 December 2024: RMB10,403,552,000) was outstanding under the bank guarantee letters issued by the Group.

XIV. POST-BALANCE SHEET DATE EVENT

The Company published an announcement on 29 July 2025 in relation to the proposed issue of RMB3,584 million USD settled zero coupon H-share convertible bonds due 2030 under general mandate (the "Convertible Bonds") at an initial conversion price of HK$30.25 per H share (subject to adjustments). The issue of the Convertible Bonds was completed on 5 August 2025 and the Convertible Bonds were listed on the Hong Kong Stock Exchange on 6 August 2025.

XV. OTHER SIGNIFICANT MATTERS

1. Segment reporting

(1) Operating segment

For management purposes, the Group is organised into business units based on its products and services and has 3 reportable operating segments as follows:

(a) Carriers' network is focused on meeting carries' requirements in network evolution with the provision of wireless access, wireline access, bearer systems, core networks, server and storage and other innovative technologies and product solutions;

(b) The Consumer Business is focused on bringing experience in smart devices to customers while also catering to the requirements of industry clients through the development, production and sale of products such as home information terminal, smart phones, mobile Internet terminals, innovative fusion terminals, as well as the provision of related software application and value-added services;

(c) The Government and Corporate Business is focused on meeting requirements of government and corporate clients, providing informatisation solutions for the government and corporations through the application of products such as "communications networks, IOT, Big Data and cloud computing".

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted total profit from continuing operations, which is consistent with the Group's total profit from continuing operations, except for the exclusion of finance costs, other income, non-operating income, fair value gains from financial instruments, investment income and head office expenses.

Segment assets exclude derivative financial instruments, deferred tax assets, currency cash, investment in associates and joints, other receivables, other unallocated head office assets as these assets are managed on a group basis.

Segment liabilities exclude derivative financial instruments, borrowings, other payables, short-term bonds payable, tax payable, deferred tax liabilities, and other unallocated head office liabilities as these liabilities are managed on a group basis.

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

XV. OTHER SIGNIFICANT MATTERS (continued)

1. Segment reporting (continued)

(1) Operating segment (continued)

Six months ended 30 June 2025

	Carriers' network	Consumer business	Government and corporate business	Total
Segment revenue				
Six months ended 30 June 2025				
Revenue from customer contracts	35,063,905	17,234,586	19,196,791	71,495,282
Rental income	–	–	57,452	57,452
Sub-total	35,063,905	17,234,586	19,254,243	71,552,734
Segment results	16,133,453	1,869,695	258,489	18,261,637
Unallocated revenue				1,889,990
Unallocated cost				(15,143,295)
Finance costs				444,697
Gain from changes in fair values				159,402
Investment gain from associates and joint ventures				51,875
Total profit				5,664,306
Total assets				
30 June 2025				
Segment assets	39,582,769	18,653,236	21,735,635	79,971,640
Unallocated assets				136,338,685
Sub-total				216,310,325
Total liabilities				
30 June 2025				
Segment liabilities	6,220,425	2,057,699	3,415,751	11,693,875
Unallocated liabilities				129,506,646
Sub-total				141,200,521
Supplemental information				
Six months ended 30 June 2025				
Depreciation and amortisation expenses	1,163,019	571,646	638,635	2,373,300
Capital expenditure	1,022,934	502,792	561,712	2,087,438
Asset impairment losses	(139,774)	(68,701)	(76,752)	(285,227)
Credit impairment loss	(56,314)	(27,679)	(30,923)	(114,916)

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

XV. OTHER SIGNIFICANT MATTERS (continued)

1. Segment reporting (continued)

(1) Operating segment (continued)

Six months ended 30 June 2024

	Carriers' network	Consumer business	Government and corporate business	Total
Segment revenue				
Six months ended 30 June 2024				
Revenue from external transactions	37,296,344	16,018,963	9,122,672	62,437,979
Rental income	—	—	49,119	49,119
Sub-total	37,296,344	16,018,963	9,171,791	62,487,098
Segment results	17,427,241	1,816,261	1,300,720	20,544,222
Unallocated revenue				1,835,388
Unallocated cost				(15,614,076)
Finance costs				(46,305)
Loss from changes in fair values				(416,539)
Investment gain from associates and joint ventures				(25,507)
Total profit				6,277,183
Total assets				
30 June 2024				
Segment assets	42,914,375	17,700,252	10,553,358	71,167,985
Unallocated assets				134,339,791
Sub-total				205,507,776
Total liabilities				
30 June 2024				
Segment liabilities	9,043,332	3,006,582	2,223,905	14,273,819
Unallocated liabilities				120,473,259
Sub-total				134,747,078
Supplemental information				
Six months ended 30 June 2024				
Depreciation and amortisation expenses	1,508,506	647,910	370,967	2,527,383
Capital expenditure	1,407,061	604,340	346,019	2,357,420
Asset impairment losses	(358,466)	(153,963)	(88,153)	(600,582)
Credit impairment loss	44,595	19,154	10,966	74,715

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

XV. OTHER SIGNIFICANT MATTERS (continued)

1. Segment reporting (continued)

(2) Geographic Information

Total revenue

	Six months ended 30 June 2025	Six months ended 30 June 2024
The PRC	50,616,777	43,060,861
Asia (excluding the PRC)	8,063,704	7,536,916
Africa	3,258,886	2,995,895
Europe, America and Oceania	9,613,367	8,893,426
	71,552,734	62,487,098

Total non-current assets

	30 June 2025	30 June 2024
The PRC	22,157,984	23,606,820
Asia (excluding the PRC)	1,321,343	1,387,241
Africa	463,297	489,899
Europe, America and Oceania	830,656	397,822
	24,773,280	25,881,782

Non-current assets, excluding long-term receivables, factored long-term receivables, investment in associates and joints, other non-current financial assets, deferred tax assets, goodwill and other non-current assets, are analysed by geographic locations where the assets are located.

(3) Information of major customers

Operating revenue of RMB16,482,162,000 was derived from carriers' network and consumer business revenue from one major customer (Six months ended 30 June 2024: RMB17,647,222,000 from one major customer).

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

XV. OTHER SIGNIFICANT MATTERS (continued)

2. # Net current assets/(liabilities)

	30 June 2025 Group	31 December 2024 Group	30 June 2025 Company	31 December 2024 Company
Current assets	146,454,122	141,787,346	137,764,309	135,462,843
Less: current liabilities	83,516,620	82,635,473	93,920,153	90,418,632
Net current assets/(liabilities)	62,937,502	59,151,873	43,844,156	45,044,211

3. # Total assets less current liabilities

	30 June 2025 Group	31 December 2024 Group	30 June 2025 Company	31 December 2024 Company
Total assets	216,310,325	207,323,230	197,294,262	187,030,066
Less: current liabilities	83,516,620	82,635,473	93,920,153	90,418,632
Total assets less current liabilities	132,793,705	124,687,757	103,374,109	96,611,434

XVI. MAJOR ITEMS IN THE FINANCIAL STATEMENTS

1. Currency cash

	30 June 2025	31 December 2024
Cash on hand	708	821
Bank deposit	13,150,508	17,554,839
Other currency cash	464,439	317,009
Amounts placed with the Group Finance Company	7,680,406	9,811,225
	21,296,061	27,683,894
Including: Total amount of cash placed overseas	335,695	325,535

As at 30 June 2025, the Group's cash placed overseas and subject to restrictions amounted to RMB247,000 (31 December 2024: RMB131,000).

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

XVI. MAJOR ITEMS IN THE FINANCIAL STATEMENTS (continued)

2. Trade receivables

(1) *Aging analysis of trade receivables is set out as follows:*

	30 June 2025	31 December 2024
Not overdue	19,216,770	13,834,404
Within 1 year	19,673,750	14,621,494
1–2 years	4,340,747	3,657,452
2–3 years	1,575,971	1,678,076
Over 3 years	8,232,104	7,928,661
	53,039,342	41,720,087
Less: bad debt provision for trade receivables	6,017,648	5,869,015
Total	47,021,694	35,851,072

30 June 2025

	Book balance		Bad debt provision		Book value
	Amount	Percentage	Amount	Percentage	
Standalone provision for impairment	1,729,083	3.26%	1,729,083	100.00%	–
Recognition of provision for impairment by group with credit risk characteristics	51,310,259	96.74%	4,288,565	8.36%	47,021,694
Total	53,039,342	100.00%	6,017,648	11.35%	47,021,694

RMB'000

XVI. MAJOR ITEMS IN THE FINANCIAL STATEMENTS (continued)

2. Trade receivables (continued)

(1) Aging analysis of trade receivables is set out as follows: (continued)

31 December 2024

	Book balance		Bad debt provision		Book value
	Amount	Percentage	Amount	Percentage	
Standalone provision for impairment	1,703,304	4.08%	1,703,304	100.00%	–
Recognition of provision for impairment by group with credit risk characteristics	40,016,783	95.92%	4,165,711	10.41%	35,851,072
Total	41,720,087	100.00%	5,869,015	14.07%	35,851,072

As at 30 June 2025, bad debt provisions for trade receivables on a group basis were as follows:

	Book balance	Provision for impairment	Percentage of provision (%)
Not overdue	19,216,771	126,746	0.66%
Within 1 year	19,581,870	199,397	1.02%
1–2 years	4,339,244	242,143	5.58%
2–3 years	1,558,780	322,044	20.66%
Over 3 years	6,613,594	3,398,235	51.38%
Total	51,310,259	4,288,565	8.36%

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

XVI. MAJOR ITEMS IN THE FINANCIAL STATEMENTS (continued)

2. Trade receivables (continued)

(2) Movements in bad debt provisions for trade receivables is as follows:

	Opening balance	Charge/ (reversal) for the period	Verified write-off for the period	Effect of exchange rate	Closing balance
30 June 2025	5,869,015	146,084	(10,868)	13,417	6,017,648

For the six months ended 30 June 2025, RMB296,000 (Six months ended 30 June 2024: RMB2,225,000) was reversed for trade receivables which were individually significant and for which bad-debt provision had been made separately. Verified write-off in respect of trade receivables which were individually significant and for which bad-debt provision had been made separately amounted to RMB0 (Six months ended 30 June 2024: RMB0).

Top 5 accounts of trade receivables and contract assets as at 30 June 2025 were as follows:

	Closing balance of trade receivables	Closing balance of contract assets	Closing balance of trade receivables and contract assets	As a percentage of total closing balance of trade receivables and contract assets	Closing balance of bad-debt provision for trade receivables and provision for impairment of contract assets
Customer 1	4,936,986	992,340	5,929,326	10.62%	28,527
Customer 2	4,983,084	507,142	5,490,226	9.83%	29,801
Customer 3	2,088,870	261,704	2,350,574	4.21%	16,389
Customer 4	1,913,501	—	1,913,501	3.43%	19,135
Customer 5	445,279	20,638	465,917	0.83%	26,256
Total	14,367,720	1,781,824	16,149,544	28.92%	120,108

Transfer of trade receivables that did not qualify for derecognition was separately classified as “Factored trade receivables” and “Bank advances on factored trade receivables”.

RMB'000

XVI. MAJOR ITEMS IN THE FINANCIAL STATEMENTS (continued)

3. Other receivables

	30 June 2025	31 December 2024
Dividend receivable	23,753	1,473,237
Other receivables	32,383,348	31,710,754
Total	32,407,101	33,183,991

(1) Other receivables

Aging analysis of other receivables:

	30 June 2025	31 December 2024
Within 1 year	17,992,857	17,983,566
1–2 years	2,588,345	2,108,442
2–3 years	796,969	1,504,428
Over 3 years	11,209,091	10,338,254
	32,587,262	31,934,690
Bad-debt provision	203,914	223,936
Total	32,383,348	31,710,754

(2) Book balance of other receivables are analysed by nature as follows:

	30 June 2025	31 December 2024
Current transactions	32,587,262	31,934,690

30 June 2025

	Book balance		Bad debt provision		Book value
	Amount	Percentage	Amount	Percentage	
Charge of bad debt provision by group with credit risk characteristics	32,587,262	100%	203,914	0.63%	32,383,348

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

XVI. MAJOR ITEMS IN THE FINANCIAL STATEMENTS (continued)

3. Other receivables (continued)

30 June 2025 (continued)

As at 30 June 2025, bad debt provisions for other receivables on a group basis were as follows:

	Book balance	Provision for impairment	Percentage of provision (%)
Aging risk portfolio	32,587,262	203,914	0.63%

Movements in bad debt provisions for other receivables were as follows:

	Opening balance	Charge/ (reversal) for the period	Verified write-off for the period	Closing balance
Aging risk portfolio	223,936	(20,022)	–	203,914

4. Long-term receivables

	30 June 2025	31 December 2024
Loans granted to subsidiaries (Note)	2,937,876	2,954,807
Receipt of instalment payments and finance lease payments	1,165,203	764,574
	4,103,079	3,719,381
Less: Bad debt provision for long-term receivables	40,020	36,700
	4,063,059	3,682,681

Note: Loans granted to subsidiaries set out above were interest-free, unsecured and not planned for recovery in the foreseeable future. The management are of the view that the advances effectively constituted net investments in overseas business operations.

RMB'000

XVI. MAJOR ITEMS IN THE FINANCIAL STATEMENTS (continued)

4. Long-term receivables (continued)

Movements in bad debt provision for long-term receivables during the period were as follows:

	Opening balance	Charge/ (reversal) for the period	Closing balance
30 June 2025	**36,700**	**3,320**	**40,020**
31 December 2024	25,099	11,601	36,700

The interest rate of long-term receivables ranged from 3.10%–7.05%.

Transfer of long-term receivables that did not qualify for derecognition was separately classified as "Factored long-term trade receivables" and "Bank advances on factored long-term trade receivables".

5. Investment in associates, joints and subsidiaries

		30 June 2025	31 December 2024
Equity method			
Joint Ventures	(1)	**946,975**	857,509
Associates	(2)	**989,112**	1,063,225
Less: Provision for impairment of investment in associates and joints		**—**	—
Total		**1,936,087**	1,920,734
Cost method			
Subsidiaries	(3)	**18,101,196**	17,010,083
Less: Provision for impairment of investment in associates and joints	(4)	**613,526**	613,526
Total		**17,487,670**	16,396,557
Total		**19,423,757**	18,317,291

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

XVI. MAJOR ITEMS IN THE FINANCIAL STATEMENTS (continued)

5. Investment in associates, joints and subsidiaries (continued)

(1) Joint Ventures

		Movements during the period								
	Opening book balance	Increase of investment	Decrease of investment	Investment gains/losses under equity method	Other Comprehensive income	Other equity movements	Cash Dividend declared	Charge of provision for impairment	Closing book balance	Provision for impairment at the end of the period
Puxing Mobile Telecom Equipment Co., Ltd.	1,207	–	–	–	–	–	–	–	1,207	–
DataService Technology Co., Ltd.	39,742	–	–	(710)	–	–	–	–	39,032	–
Zhuhai Hongtu Zhanlu Equity Investment Partnership Enterprise (Limited Partnership)	724,012	–	–	90,673	–	–	–	–	814,685	–
Beijing Shunyi Jianguang Zhanlu Emerging Industry Equity Investment Partnership (Limited Partnership)	92,548	–	–	(497)	–	–	–	–	92,051	–
Total	857,509	–	–	89,466	–	–	–	–	946,975	–

(2) Associates

		Movements during the period									
	Opening book balance	Increase of investment	Decrease of investment	Investment gains/losses under equity method	Other Comprehensive income	Other equity movements	Cash Dividend declared	Charge of provision for impairment	Others	Closing book balance	Provision for impairment at the end of the period
Whale Cloud Technology Co., Ltd.	850,186	–	–	(36,848)	1,576	–	–	–	–	814,914	–
Jetflow Technologies Co., Ltd	(1,198)	–	–	1,965	–	–	–	–	–	767	–
Xingyun Times Technology Co., Ltd.	115,138	–	–	(593)	–	–	–	–	–	114,545	–
Qingdao Hongtu Zhanlu Phase II Private Equity Investment Fund Partnership (Limited Partnership)	59,339	–	–	(453)	–	–	–	–	–	58,886	–
Zhongxing (Wenzhou) Urban Rail Transportation Communication Technical Co. Ltd.	39,760	–	(39,760)	–	–	–	–	–	–	–	–
Total	1,063,225	–	(39,760)	(35,929)	1,576	–	–	–	–	989,112	–

RMB'000

XVI. MAJOR ITEMS IN THE FINANCIAL STATEMENTS (continued)

5. Investment in associates, joints and subsidiaries (continued)

(3) Subsidiaries

	Investment cost	Opening balance	Increase/ decrease during the period	Closing balance	Percentage of shareholding	Percentage of voting rights	Cash dividend for the period
Sanechips Technology Co., Ltd.	2,702,784	2,702,784	–	2,702,784	87%	87%	–
ZTE (H.K.) Limited	2,226,963	2,226,963	–	2,226,963	100%	100%	–
ZTE Smart Technology Nanjing Co., Ltd.	1,343,332	1,000,000	343,332	1,343,332	100%	100%	–
Nubia Technology Limited	1,124,402	1,124,402	–	1,124,402	78%	78%	–
ZTE Group Finance Co., Ltd	1,000,000	1,000,000	–	1,000,000	100%	100%	–
ZTE Photonics Technology Co., Ltd.	1,000,000	1,000,000	–	1,000,000	100%	100%	–
ZTE (Nanjing) Co., Ltd.	1,000,000	1,000,000	–	1,000,000	100%	100%	–
Zonson Smart Auto Corporation	790,500	790,500	–	790,500	86%	86%	–
Shenzhen Renxing Technology Co., Ltd.	720,000	720,000	–	720,000	100%	100%	–
ZTE Kangxun Telecommunications Ltd.	580,000	580,000	–	580,000	100%	100%	–
ZTE (Heyuan) Company Limited	500,000	500,000	–	500,000	100%	100%	–
ZTE (Chengdu) Co., Ltd.	500,000	500,000	–	500,000	100%	100%	–
Xi'an Zhongxing New Software Company Limited	340,000	340,000	–	340,000	100%	100%	–
Shenzhen Zhongxing Software Company Limited	263,293	263,293	–	263,293	100%	100%	–
ZXNE CORPORATION	232,360	232,360	–	232,360	100%	100%	–
Shenzhen ZTE Technology & Service Company Limited	45,000	45,000	–	45,000	100%	100%	–
Suzhou Zhonghe Chunsheng No.3 Investment Centre (Limited Partnership)*	–	–	–	–	–	*	–
Other investment	3,732,562	2,984,781	747,781	3,732,562	–	–	–
Total	18,101,196	17,010,083	1,091,113	18,101,196	–	–	–

* The subsidiary was a limited partnership enterprise in which the Company had a shareholding of less than 50%. However, the general partner exercising management and control of such limited partnership was a company controlled by the Company, hence the Group was in a position to control such company.

(4) Provision for Investment in associates and joints

	Opening balance	Increase/ decrease during the period	Closing balance
Shenzhen ZTE Technology & Service Company Limited	9,656	–	9,656
ZXNE CORPORATION	232,360	–	232,360
Other investment	371,510	–	371,510
Total	613,526	–	613,526

Notes to Financial Statements

Six months ended 30 June 2025
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

XVI. MAJOR ITEMS IN THE FINANCIAL STATEMENTS (continued)

6. Operating revenue and costs

	Six months ended 30 June 2025		Six months ended 30 June 2024	
	Revenue	Cost	Revenue	Cost (Restated)
Principal operations	65,937,769	65,245,651	58,585,164	57,385,194
Other businesses	10,577,850	216,750	10,354,038	98,923
Total	76,515,619	65,462,401	68,939,202	57,484,117

7. Investment income

	Six months ended 30 June 2025	Six months ended 30 June 2024
Investment (loss)/income from investment in associates and joints under equity method	53,537	(37,457)
Investment income from investment in associates and joints under cost method	696,925	2,560,060
Investment income earned during the period of holding financial assets at fair value through profit or loss for the period	17,736	1,572
Investment loss from disposal of investment in associates and joints	2,829	—
Investment loss from disposal of derivative investment	(146,848)	(170,346)
Investment income from disposal of financial assets at fair value through current profit or loss	218,163	407
Loss on derecognition of financial assets at amortised cost and financial assets at fair value through other comprehensive income	(167,501)	(178,857)
Total	674,841	2,175,379

Supplementary Information

Six months ended 30 June 2025
Prepared under PRC ASBEs
(English translation for reference only)
RMB'000

1. BREAKDOWN OF EXTRAORDINARY GAINS/LOSSES

	Six months ended 30 June 2025
Gain from the disposal of non-current assets	3,846
Investment gain from the disposal of investment in associates and joints	75,791
Gain/loss from fair-value change arising from financial assets and financial liabilities, and gain/loss from the disposal of financial assets and financial liabilities other than effective value-protection hedge relating to the normal operation of the Company	385,680
Other income (other than software VAT refund, refund of handling charge for personal tax and VAT add-on deductibles)	106,543
Reversal of bad-debt provision for individually significant trade receivables for which provision was separately made	702
Net amount of other non-operating income and expenses other than the above	45,949
Other gains or loss items meeting the criteria for extraordinary gain or loss	502,469
	1,120,980
Effect of income tax	168,147
Effect of non-controlling interests (net of tax)	(838)
	953,671

Note: The Group recognises extraordinary items in accordance with "Explanatory Announcement for Information Disclosure by Issuers of Public Securities No. 1 Extraordinary Items" (Revised 2023) (CSRC Announcement [2023] No. 65). The extraordinary gain/(loss) items within the definition of extraordinary gain/(loss) and items set out as extraordinary gain/(loss) but defined as recurring gain/(loss) items are as follows:

	Six months ended 30 June 2025	Reason
Refund of VAT on software products	1,632,360	In line with national policies and received on an ongoing basis
Refund of handling charge for withholding personal tax	33,993	In line with national policies and received on an ongoing basis
Investment gain and gain from fair-value change of ZTE Capital Company Limited ("ZTE Capital")	9,004	Within the scope of business of ZTE Capital

2. RETURN RATIO ON NET ASSETS AND EARNINGS PER SHARE

	Weighted average return on net assets	Earnings per share	
		Basic	Diluted
Net profit attributable to ordinary shareholders of the Company	6.85%	RMB1.06	RMB1.06
Net profit after extraordinary items attributable to ordinary shareholders of the Company	5.56%	RMB0.86	RMB0.86

Documents Available for Inspection

- Financial statements duly signed under the hand and seal of the Company's Legal Representative, Chief Financial Officer and Head of Finance Division;
- Original copies of all of the Company's documents and announcements published during the Reporting Period; and
- Articles of Association.

By order of the Board
Fang Rong
Chair
28 August 2025