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)

2026 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 2026. This announcement, containing the full text of the 2026 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 2026 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
21 August 2026

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 Thirty-third Meeting of the Tenth Session of the Board of Directors of the Company held on 21 August 2026. Director Mr. Zhu Weimin was unable to attend the meeting due to work reasons and has authorized Chair Ms. Fang Rong to vote on his behalf.

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 2026 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 2026.

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.

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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 2026 to 30 June 2026

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.
AIOS	Currently yet to be given a uniform and authoritative definition by the industry, the Group's AIOS is an operating system supported by AI agents as its core operating entity. It is designed to manage the life cycle, development and modulation, textual context memory, tooling permission, resource isolation and communication of large-model agents; at the base level it is responsible for integrating and managing various software and hardware resources required by the operation of the agent; at the upper level it supports the operation of various functions built around the agent.
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.
Chiplet	Multiple tiny chips each with independent functions created through the breaking of a monolithically integrated complex SoC, which are put to design, tape-out, testing and screening processes separately before being reintegrated into a single package through advanced packaging and shown as one complete chip.
CPE	Customer Premise(s) Equipment, a connecting and handling equipment deployed on the customer end during the provision of service to users.
Co-Claw	Co-Claw is a full-stack, secure and engineered enterprise-grade secure AI agent launched by ZTE based on OpenClaw, an open-source execution intelligent agent.
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.
DCO	Digital Coherent Optics, a long-distance and large-capacity data transmission technology enabled by the integrated coherent modulator and the digital signal processor, supporting speeds of 100G or above and widely used in metropolitan area network and data centre interconnection (DCI).
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

DSP	Digital Signal Processor, a special micro-processor designed for the execution of digital signal processing and computing capable of rapid and accurate computing of large volumes of digital signals through customised hardware architecture and command sets, allowing ultimate adaptation in computing efficiency, real-time response and power consumption control for signal processing scenarios.
DWDM	Dense Wavelength Division Multiplexing, optical fiber transmission technology that simultaneously transmits multiple optical signals by onto a single fiber-optic cable using laser light with different light wavelengths as an independent carrier wave in one single optical fibre.
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.
FTTR	FTTR (Fiber to The Room) is a networking mode connecting different indoor APs (Access Point) with the indoor all-optical node through optical fibre to achieve a 1000M+ coverage throughout the house.
NPU	Neural Processing Unit, a highly optimised special-purpose processor designed for neural network computing (AI inference and AI training) and a specialised AI acceleration chip featuring native adaptation of deep learning operators such as convolution, matrix multiplication, activation function and pooling on the hardware circuit.
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.
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.
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.
P2MP	Point-to-Multipoint, a topology/transmission model for one-to-many communication.
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.

SoC	System on Chip, or system-grade chip, is an integrated circuit with a designated purpose, comprising a complete system and all contents of embedded software.
TCO	Total Cost of Ownership.
TOPS	Tera Operations Per Second, a metric for measuring the computing throughput of AI processors (NPU, GPU, TPU), where 1 TOPS = 1 trillion operations per second.
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.
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.
Heterogeneous computing	Technology that allocates processing to accelerated hardware to reduce the burden of the Central Processing Unit, replacing software algorithm with hardware modules to achieve performance enhancement and cost optimisation. A computing structure that employs hardware acceleration is also known as heterogeneous computing.

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 Principal operations

The Company is a world-leading provider of integrated ICT solutions with a complete range of end-to-end ICT products and solutions integrating design, development, production, sales and services with a special focus on carriers' network, 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 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 Signing accountants: Liao Wenjia, He Suwei

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

☐Applicable √ N/A

1.2.3 Major accounting data and financial indicators of the Group

Unit: RMB in thousands

Item			
Operating results	**Six months ended 30 June 2026**	Six months ended 30 June 2025	Year-on-year change
Operating revenue	**78,025,359**	71,552,734	9.05%
Net profit attributable to shareholders of the listed company	**2,752,825**	5,057,571	(45.57%)
Net profit after extraordinary items attributable to shareholders of the listed company	**2,220,797**	4,103,900	(45.89%)
Net cash flows from operating activities	**(126,600)**	1,299,408	(109.74%)

Size	**30 June 2026**	31 December 2025	Year-on-year change
Total assets	**240,547,535**	217,739,375	10.47%
Total liabilities	**163,424,121**	142,098,134	15.01%
Owners' equity attributable to shareholders of the listed company	**76,976,307**	75,425,601	2.06%

I. Corporate Information and Summary of Major Financial Data

Per share basis (RMB/share)	**Six months ended 30 June 2026**	Six months ended 30 June 2025	Year-on-year change
Basic earnings per share[Note 1]	**0.58**	1.06	(45.28%)
Diluted earnings per share[Note 1]	**0.56**	1.06	(47.17%)
Basic earnings per share after extraordinary items[Note 1]	**0.46**	0.86	(46.51%)
Net cash flows from operating activities per share	**(0.03)**	0.27	(111.11%)
Net asset per share attributable to shareholders of the listed company[Note 1,2]	**15.83**	15.77	0.38%

Financial ratios (%)	**Six months ended 30 June 2026**	Six months ended 30 June 2025	Year-on-year change
Weighted average return on net assets[Note 1]	**3.65%**	6.85%	Decreased by 3.20 percentage points
Weighted average return on net assets after extraordinary items[Note 1]	**2.94%**	5.56%	Decreased by 2.62 percentage points
Gearing ratio[Note 2]	**67.94%**	65.26%	Increased by 2.68 percentage points

Note 1: The effect of interests on other equity instruments for the period and principal cum interests of other equity instruments has been deducted in the computation of basic earnings per share, diluted earnings per share, basic earnings per share after extraordinary items, net asset per share attributable to shareholders of the listed company, weighted average return on net assets and weighted average return on net assets after extraordinary items.

As the RMB3,584 MILLION USD SETTLED ZERO COUPON CONVERTIBLE BONDS DUE 2030 ("H-share convertible bonds") issued by the Company have given rise to 132,040 thousand shares of potentially dilutive ordinary shares for the six months ended 30 June 2026, diluted earnings per share has been calculated on the basis of basic earnings per share taking into account the said factor.

Note 2: Net asset per share attributable to shareholders of the listed company and gearing ratio presented above represent figures as at 30 June 2026 and 31 December 2025, respectively.

1.2.4 Extraordinary gains or losses items and amounts of the Group

Unit: RMB in thousands

Item	**Six months ended 30 June 2026**	Six months ended 30 June 2025
Gain from disposal of non-current assets	**3,713**	3,846
Investment gain from disposal of investment in associates and joints	**–**	75,791
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 non-financial enterprises, excluding the effective-value protection hedge business relating to ordinary businesses	**150,246**	385,680
Other income other than income from VAT refund on software products, refund of handling charge for personal tax and VAT add-on deductibles	**177,569**	106,543
Reversal of bad-debt provision for individually significant trade receivables for which provision was separately made	**3,105**	702
Net of other non-operating income and expenditure other than the above	**(1,578)**	45,949
Other gains or losses falling under the definition of extraordinary gain or loss	**292,772**	502,469
Less: Effect of income tax	**93,874**	168,147
Effect of non-controlling interest (after tax)	**(75)**	(838)
Total	**532,028**	953,671

Note: Details of the Company's extraordinary gains or losses items and amounts are set out in the Supplementary Information in the Notes to the Financial Statements.

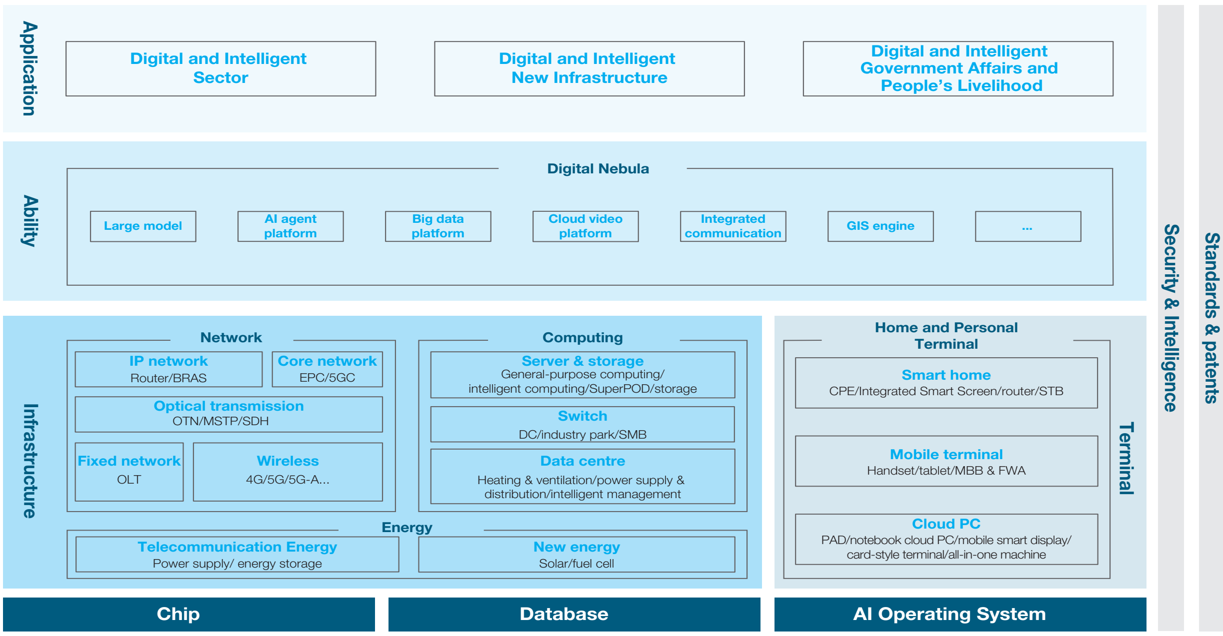
II. Report of the Board of Directors

In the first half of 2026, opportunities as well as challenges were present given the rapid development of AI and the growing sophistication of digitalisation, intelligentisation and low-carbon operation, while at the same time there were adjustments to investment mix driven by the transition of industry cycles. Nevertheless, the Group persisted in R&D investment and maintained its strategic focus on the dual drivers of “connectivity + computing” and maintained stable and sustainable operations amidst complicated conditions through technological innovation and business coordination. Technological leadership remains the cornerstone to the Group’s development. This chapter begins with a discussion of the innovation of the Group’s core technologies in the first half of 2026, followed by a detailed analysis of its operating results for the first half of 2026 and outlook for business development for the second half of 2026.

2.1 INNOVATIONS IN CORE TECHNOLOGIES IN THE FIRST HALF OF 2026

In view of rapid generational upgrades in AI technologies currently taking place, the Group has proposed the strategic principle of “All in AI, AI for All”. On the one hand, the Group has fully internalised the benefits of AI technologies by deeply embedding AI capabilities into the networks, computing and terminal segments to reshape communication networks as well as products and solutions catered to enterprises, households and consumers with AI-native concepts, thereby accelerating with full force the intelligent transformation of organisations. On the other hand, in view of the uncertainty involved and taking into full consideration the non-linear characteristics of generational upgrades in AI technologies, the Group has maintained flexibility and openness in architectural design in terms of the four principal aspects of opening and decoupling, flexible scalability, maximum coordination and scenario adaptation, allowing scope for dynamic adjustments in resource distribution as it seeks to construct an AI resilience regime characterised by “small but rapid steps and full-speed evolution”.

In future, the coordinated operation of computing, network, energy and algorithm will allow embedded AI applications in all aspects of social life. In anticipation of the new stage of “human-machine co-living”, the Group will remain committed to its ecological positioning of a value contributor, consistently making innovations and breakthroughs as it seeks to build a stronger and more prosperous positive ecology in collaboration with its global partners.



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 architecture and seal packaging design, advanced process technique design, core intellectual properties and digitalised efficient development platform since it started the R&D in chip in 1996, with a special focus on enhancing system-grade performance. We have achieved breakthroughs in key technologies, such as heterogeneous computing, Chiplet interlink, 3D stacking and sealed packaging and software/hardware coordination and optimisation, as an industry leader in terms of the ability to design the complete process for chip. On top of our 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. By creating a product regime meeting the core requirements of the diversified scenarios of “cloud, edge, terminal”, we have manufactured customised processor chip, DPU Dinghai chip, switch chip, smart gateway chip for full-mode integrated architecture, optical access processor chip (supporting 50G PON) and 800G coherent DSP chip, among others, on a proprietary basis, which have been dispatched to customers in various sectors such as carriers or Internet service providers to underpin our ongoing leading position in terms of competitiveness. In the meantime, the Group has extended the application of its chip capabilities to automobile electronics with the development of the centralised computing unit for cockpit-driving-control integration centralised computing SoC “Lanyue” A Series, centralised computing platform SoC “Hanyu” M Series and automobile specification-grade V-2X communication chip S Series and module solution in its “connectivity + computing” setup. The said products have been put to commercial application or designated for installation in the automobiles of FAW, SAIC and GAC.

2. *Database*

The Group has continued to introduce product innovation for its proprietary database product GoldenDB to form a full-scenario product matrix. The vector version of GoldenDB has been launched as an integrated database foundation for the AI era. Three of the Group’s GoldenDB products, GoldenDB V7, GoldenDB Lite V7 and GoldenDB EBASE V3, have passed national tests and assessments for product security and reliability. GoldenDB V7 has passed the class II assessment for distributed database, being the highest assessment rating for distributed database. GoldenDB has cemented its leading position in the financial and carrier sectors, having retained its prime position in the ranking of transactional database products for the financial and telecommunication sectors while topping the list for the government service sector for the first time, according to the CAICT China Database Industry Atlas (2026). The product is now among the frontrunning transactional databases employed by key industries such as transportation, energy, medical care, Internet and manufacturing.

3. *Operating systems*

Developed through proprietary research since 2002 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, security and intelligentisation, 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. In view of the enormous change in AI and the paradigm of human-machine interaction, the Group has launched Newstart AIOS, an AI operating system oriented towards AI agent services based on the integration of sophisticated engineering capabilities in traditional OS with large-scale system construction, full-scenario implementation and AI full-stack technologies to construct lightweight, efficient, secure and controllable operating systems providing an AI technological base for our complete range of products which has been put to large-scale commercial application in multiple scenarios.

Our operating systems have won the Class I Science and Technology Award of China Institute of Communications and the Fourth China Industry Award, and have attained the OSDL (Open Source Development Labs) Telecom-grade Linux accreditation, Tier-four Security Certification for Specialised Cybersecurity Products, Evaluation Assurance Level 4 (EAL4) enhanced accreditation for IT product information security, 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 for server operating system and class III (optimal grade) certification for software supply chain security.

2.1.2 Network: guided by technological innovation in the forging of high-speed networks with strong competitive edge

1. Wireless

On the back of our strong capabilities at base level built around chip, algorithm 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 have 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. **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 + 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. **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. On the back of our business philosophy of "First Class Programme" drawing upon capabilities in 5G-A x AI integration and innovation, we have made progress in multiple aspects such as traffic management, 5G-A main package management and 5G-A speed pack management.

- **5G-A evolution:** The Group has joined forces with carriers to speed up 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 and air — space — terrestrial integration, among others. In connection with **10G network**, we have been exploring the application of EasyOn solution, our 5G-A ultra-minimal private network, in multiples scenarios such as livestream, Meta-VR large space and robot — crowd cooperative computing. The EasyOn 5G-A-RobotNet solution developed in partnership with China Telecom has shared the GLOMO "Best Private Network Solution Award" and GSMA Foundry "Enterprise Innovation and New Revenue Model Award" with AGIBOT and DroidUp on the back of its technological breakthrough, commercial practice and business pioneering value in 5G-A private network and embodied intelligence integration. In connection with **communication and sensor integration**, we have launched the industry's first multi-mode integrated sensor and AI communication and sensor model for enhanced sensing accuracy and precision. We have started 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 commercial applications or trials runs have commenced at more than 100 projects in 27 provincial-level administration regions. A low-altitude industrial ecosphere platform has been launched in association with 35 enterprises to integrate upstream, midstream and downstream resources along the industry chain and build a coordinated low-altitude economic ecosystem 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 laboratory simulation and validation as well as general service carrier validation and test for China's first carrier NR-NTN low-orbit satellite, as well as validation of the industry's first NR-NTN+VoWiFi integrated network. Laboratory validation has been completed for real-time voice transmission by 3GPP handsets directly-linked with low-orbit satellites via NR-NTN. We have jointly launched a satellite-terrestrial collaboration unit with China Mobile as exclusive partner of the latter's regeneration project.

2. *Core network*

AIR Core, the AI native core network launched by the Group, facilitates the momentum transition of intelligent services in communication network from being "carried by channels" to being "driven by intention" for the systematic construction of a brand new regime of network capabilities in response to the multi-dimensional requirement of the AI era. In connection with our **existing voice services**, the new AI assistant voice communication device has been launched, whereby users can call upon the exclusive assistant as needed to handle and complete complicated tasks. In terms of **AI novel traffic**, a built-in large model has been installed to facilitate accurate identification of AI services and real-time measurement of the experience, whilst differentiated carriage is achieved through dynamic strategic adjustments in sub-seconds to safeguard the quality of AI services. In terms of **native agent communication**, ASN (agent service network) has been introduced to provide centralised ID management and authorisation, premium connectivity and dynamic and flexible mesh network. By integrating the four principal services of AI, computing, data and security, AIR Core has built a futuristic network across terminals and ecosystems to assist carriers in meeting diverse demands from individuals, households, Internet of Vehicles and massive volumes of new agents in the AI era.

3. Wireline

- **Fixed-line access:** Multiple ONU emergency 200G-PON prototype with an upload/download speed of 200Gbps, the first of its kind in the industry, has been launched. It has overcome the problem of integrating coherent technologies with the P2MP architecture of PON systems to ensure zero interference among multiple ONUs and provide critical technical support for the formulation of next-generation 200G-PON international standards. Meanwhile, the process of nationalised production of core optical components, chips and modules has been expedited. The AI OLT with a built-in 100 TOPS AI compute card has also been launched. It supports mainstream open-source large models and MaaS services, such as Qwen-7B/14B and DeepSeek-R1/V4, with the adoption of a heterogeneous integrated CPU+NPU structure and is adaptable to 50G-PON/10G-PON. The product embeds AI computing in optical access network to drive evolution of the optical network from a transmission channel to an integrated edge intelligent computing service platform. Elsewhere, the advanced version of a brand new generation of AI-driven integrated network gateway for government and corporate sectors featuring a built-in local large model and knowledge database has been launched in association with China Telecom. The agent ability of the default digital crew covers core service scenarios such as human resources, sales, legal affairs, procurement, warehouse, finance and management, offering security and controllability whilst significantly enhancing the work efficiency of enterprises. Test runs have commenced in Chengdu, Jinan and Suzhou, among others.

- **Optical transmission network:** We have completed the world's first C+L integrated 1.6Tbps live network test run in association with carriers, while the "world's first 12THz 1.6Tbps DWDM live network validation", "AI-based optical diagnosis system" and "pioneering innovation and practices in multi-scenario applications of HCF system" have garnered three Lightwave+BTR Annual Innovation Awards. The Group's optical packet platform (Core and Metro) product has maintained its highest rating with GlobalData Leader for 9 years in a row. According to the latest Omdia Report, the Group has ranked first globally in the dispatch of OTN 800G plug-in/unplug DCO ports for 8 quarters in a row.

- **IP network:** The Group's high-end router product with high performance and ultra-large capacity supporting high-density 400GE/800GE is the only enhanced definitive network (EDN) in the industry equipped with a built-in chip. The upgraded internal AI engine commanding high-level intelligence facilitates business stream-grade modulation and assurance, allowing dynamic energy saving by as much as 17% when not in use. In connection with 6G network, we have completed laboratory technical tests for 6G transmission in association with China Mobile and launched the 6G prototype unit. The Group's IP high-end router has been given the highest GlobalData Leader rating for two consecutive years.

2.1.3 Computing: active opening of the ecosphere for the development of full-stack, full-scenario intelligent computing solution

In connection with computing infrastructure, the Group has enhanced its R&D of 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 to meet the requirements of diverse AI scenarios. Through coordinated design, deep optimisation and acceleration in multiple dimensions such as “energy, chip, complete system, software algorithm and modulation platform”, TPS has been generally increased to achieve cost reduction and efficiency enhancement to assist customers’ construction of AI factories with optimal TCO.

1. *Server and storage*

The Group provides full-stack, all-domain solutions comprising SuperPOD, serialised intelligent computing servers, general-purpose computing servers, high-performance storage and integrated intelligent computing units meeting diverse requirements in the building of intelligent computing capacity from the centre to the edge.

The OEX SuperPOD launched by the Group, which supports flexible access and deep coordination for heterogeneous computing chip such as CPU, GPU and DPU through an open and coordinated multi-chip architecture, facilitates combinations on a meritorious and as-needed basis for the building of an open, accommodative and mutually beneficial industrial ecosystem. With a high-density integrated design, a single cabinet is capable of housing a maximum of 128 GPU in marked improvement of the space utilisation rate and notable reduction of space occupied and energy consumption by computing on a unit basis. The innovative 0-cable orthogonal, minimal interconnected architecture has solved the problems of malfunction points and signal reduction associated with traditional cabling to system-grade reliability and maximum cooling efficiency. The excellent horizontal scalability of the product allows smooth expansion to 16,000 cards to support the ongoing evolution of large model training and massive inference scenarios. The Group's intelligent computing SuperPOD product supports efficient upfront development of the complete system, as the process from confirmation of requirements to delivery of the complete system takes only 3~6 months, substantially reducing the lead-time for product launch in rapid response to the customisation requirements of customers. The product has won the SAIL (Supreme AI Leader) Award at the World Artificial Intelligence Conference for two years in a row.

2. *Switch*

The Group has continued to upgrade its nebula intelligent computing network solution with the launch of the full range of 12.8T/51.2T/115.2T/230.4T/460.8T intelligent box switch and the creation of 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 5μs fast adjustment and optimisation of traffic congestion within the intelligent computing centre to facilitate improvements in cluster computing efficiency. The products have been put to large-scale commercial application for 100/1,000,/10,000 card intelligent computing clusters in the carrier, Internet and power sectors.

3. *Data centre*

As the pioneering manufacturer of modularised data centre, the Group constructs data centres with high availability which is conducive to fast delivery, flexible adaptability, accommodative co-construction and smart energy conservation. 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 continued to enhance core competitiveness in proprietary products with the launch of innovative products and solutions such as integrated alternate/direct current electricity module, full-scenario AI energy efficiency modulation and optimisation and assembled data centre, among others. AIDC solutions have been developed to assist in the construction of AI factories with the integration of energy conservation technologies such as 800V high-pressure direct-current power supply and high-stack liquid cooling. The Group's data centre products have featured in more than 500 projects around the globe with the deployment of more than 400,000 racks over a total server room area in excess of 3.50 million square metres, garnering over 80 domestic or international industry awards.

4. AI software platform

The Group's AI Booster intelligent computing software platform provides one-stop AI solutions to customers. It supports software/hardware decoupling, model decoupling and training and inference decoupling with a special focus on translating engineering capabilities into effective tools, thereby increasing AI production efficiency and simplifying the use of AI to support intelligent transformation of enterprises. The platform features primarily the integration of three major core abilities.

- **Management for intelligent computing resources:** the platform accelerates hardware differentiation at the 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; it also supports distributed heterogeneous structure and flexible fault tolerance within the second to facilitate intelligent operational modulation characterised by multi-dimensional sensing of energy consumption, computing efficiency and service quality (QoS) and maximise the rate of resource utilisation and efficiency of task execution.

- **Model training and inference acceleration:** platform services afford sophisticated adaptability to 200+ mainstream AI models with sophisticated software/hardware coordination and optimisation, covering the service requirements of the full cycle of model construction, training, deployment and application and providing abilities for one-click deployment and seamless migration to substantially shorten the lead-time from model development to online operation.

- **Support for application development:** the platform comes with a multi-functional product pack that offers high-quality data synthesis, one-click rapid precision adjustment, intelligent generation of knowledge atlas, identification of implicit knowledge, agent construction by the minute and evolution of proprietary tools, allowing users to swiftly build and upgrade AI applications with lower development thresholds.

2.1.4 Energy: intensive development of digital energy to assist in the construction of the zero-carbon energy net

1. Communication energy

The Group provides global customers with 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 technologies in power conversion with intensive effort, maintaining a leading position in the industry in terms of rectifier efficiency and power density technical indicators. Our "All-in-one" full-product integrated solution featuring integrated operating capabilities for power source, batteries and energy with the aid of ultra-efficient communication power source products has made successful breakthroughs with a number of high-end customers. Our communication energy products have been supplied to 386 telecom carriers in over 160 countries and regions worldwide with the dispatch of more than 2.55 million sets of communication power source products providing power supply assurance for over 1.05 million 5G base stations around the world.

2. 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 global 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 30 energy storage projects for industrial and commercial sectors have been implemented, underpinning EPC (Engineering, Procurement and Construction) competence and credentials for new energy projects. The Group's move to establish its presence in the new energy business has shown initial success, as it has achieved breakthrough the three major scenarios of ground PV, PV storage integration and industrial/commercial energy storage.

2.1.5 Home and personal terminal: pioneering in the intelligent terminal revolution with the new paradigm of human-machine interaction

1. Smart home

The Group's capability to provide full-stack products from total solutions to terminal product series has enabled home users to experience the premium network and enabled it to consistently maintain a leading position. We have reported dispatch of more than 100 million units of home terminal products for two consecutive years. For PON CPE, we have ranked first in global market share for five years in a row, while also ranking first globally for the dispatch of IP set top box.

- **FTTR:** The FTTR + video integrated terminal which offers 1,000-M broadband, 4K ultra-HD movie-watching and all-optical mesh in one unit covering a diverse range of scenarios such as households, hotels and B&Bs. Deployment is simple requiring only one visit to the household to instantly connect multiple services, thereby significantly lowering equipment procurement, installation and maintenance costs and enhancing user loyalty as a result. Cooperations with domestic carriers have started in Hebei, Hunan and Shaanxi.

- **Smart medium screen:** the integrated design of AI medium screen and electronic photo frame has been fully renovated, as a centralised smart portal for daily living has been created, bringing seamless voice interaction, house-wide centralised equipment management and a diverse range of proactive AI services under one roof on the back of built-in 4 TOPS computing. The integrated provision of five primary home services, namely, smart housekeeper, health expert, learning companion, living assistant and cyber guard, has driven home AI from a passive responsive tool to a proactively caring agent. As at the end of June 2026, more than 3 million sets had been dispatched, making us the prime brand for proprietary smart medium screen in the domestic carrier market.

- **Wi-Fi router:** in the carrier market, we have launched the Wi-Fi 8 XGS-PON ONT, the first of its kind in the industry which integrates 10G optical access and Wi-Fi 8 technology to facilitate a full-link close-loop from FTTR to wireless 10G bandwidth. On the back of abilities facilitated by AI intelligent modulation, such as network proactive sensing, dynamic beam tracking and real-time counter-interference, reliability of the home network has been upgraded from a consumer level to the 99.999% industrial standard with doubled peak throughput and 75% reduction in latency, ushering in a new era of smart home connectivity with 10G maximum speed experience and telecom-grade stability and protection. In the consumer market, the Group's Wi-Fi router ranks TOP3 in the domestic appliance product category of the JD.com platform, while the market share of its Wi-Fi 7 router has exceeded 20%. Wentian BE7200, our high-end router which integrates Co-Claw, has become the first product to have passed TÜV Rheinland's certification for stability in full-scenario connectivity. Our nebula house-wide router has received the iF design award of Germany.

2. Mobile terminal

The Group continued to herald reforms in smart terminals under the principle of "AI for All", creating new paradigms in human-machine interaction on the back of large/medium/small screen AI terminals to build a "1+2+N" full-scenario smart ecosphere.

- **Handset and innovative terminal:** The Group has consistently guided the innovation and mass-market commercial application of frontier AI technologies with its "creativity + actionability". In this connection, we have launched Nubia NaviX Ultra, the world's first smartphone equipped with AI agent in the form of Beanbag the phone assistant facilitated by a system-grade Agent architecture. The product, which has radically reshaped the model of human-machine interaction, has been honoured with the SAIL Award at the 2026 Award at the World Artificial Intelligence Conference. Our Nubia Neo 5 Series is equipped with proactive air cooling, a flagship technology for esports which is now made available to cost-effective gaming phones. The Red Magic 11S Pro Series features the debut of Xiaolong 8 Supreme version chip + red chip R4, while it has broken down the platform barrier with a directly-linked PC simulator +Steam as the only esports handset in the industry capable of water/air dual cooling. iMoochi, the AI pet, is positioned as the "private emotional companion for users", opening up more possibilities for the use of AI for the purposes of emotional companionship.

- **Mobile Internet products:** The Group has continued to drive technological revolution in response to the connectivity requirement of full-scenario seamless interconnection in the AI era with the launch of ZTE G6 Ultra, the world's first AI+Wi-Fi 8 indoor CPE, ZTE G6 Max, an mmWave 5G-A outdoor CPE, ZTE U60 Pro Global, its flagship cross-border portable Wi-Fi, and ZTE TopFlow, a professional terminal for livestream aggregation. The Group has ranked first globally for five years in a row in terms of market share for 5G FWA & MBB.

3. Cloud computer

Further to its full range of AI cloud computer matrix comprising Yufeng, Fuyao and Xiaoyao, the Group has launched a heavyweight AI cloud computer featuring WorkBuddy, a native agent developed by Tencent. Deeply integrated with Tencent's cloud computing and Hunyuan large model capabilities, the product offers new-generation AI productivity to students, office workers, individual proprietors and small/micro teams. Meanwhile, the public edition of ZTE cloud computer has also been launched, as the Yufeng 10 Air cloud computer and the mobile smart display have come onstream via the full channels of the C-end market, available to consumers through the official online store, major e-commerce flagship stores and partnering offline retail outlets.

The Group has stayed atop in China's cloud terminal market for two consecutive years, having dispatched more than 7 million sets on a cumulative basis and served more than 1,000 customers in the government service, financial and large corporation sectors. In the first half of 2026, the Group maintained its top position in terms of cloud computer dispatch in the carrier market, as strong sales of its mobile smart display units were reported in various provinces providing effective assistance to carriers' Token operation. In the government and corporate market, the Group continued to engage in deep development efforts as breakthroughs were made with a number of leading companies in the manufacturing and financial sectors, including Yajiang Group, SAIC Group, Geely Auto, Luxshare, Bank of Jiangsu and Guangfa Bank, for the building of secure, efficient and intelligent cloud office systems.

2.1.6 Congregating core abilities for the building of a new ecosystem

In tandem with AIOS, our digital nebula has been simultaneously upgraded to 5.0. By enhancing ecological construction and management of Agent components, we have facilitated rapid development and autonomous evolution for the industrial Agent. As a technological base for the intelligent era, breakthroughs with the application of AIOS have been reported in the Group's three business aspects of personal terminal, home terminal and industrial scenarios, aiming at full-scenario and large-scale application with the construction of an intelligent ecosystem underpinned by "end — edge — cloud" coordination.

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 algorithm innovation, data engineering and efficient computing platform. We have also been engaged in the R&D innovation of AI agents for various sectors based on our proprietary large model to solve complicated scenario issues.

Co-Claw, an enterprise-grade AI agent platform launched by the Group on the basis of Newstart AIOS, has been designed to build AI productivity by forging core competitive strengths in four primary aspects: intelligent modulation, minimal interaction, full cycle security and corroboration, and sustainable evolution of the skills ecosystem. The first batch of products have passed the CAICT test on "Cloud OpenClaw Baselines Capability Requirements" in 2026. Currently the Group has commenced the large-scale internal application of Co-Claw to construct a skills ecosystem covering the high-value scenarios in major aspects such as office, R&D and operation, so as to achieve autonomous evolution and close-loop decision-making in business processes. Meanwhile, Co-Claw has been incorporated into products in the forms of integrated intelligent computing unit, smart home terminal, cloud computer and cloud services to provide enterprises of different sizes and different industrial scenarios with digital and intelligent construction services.

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

The Group has facilitated deep integration of Newstart AIOS with principal products to form an integrated intelligent solution featuring “software platform + hardware base + industrial solution”, teaming up with industrial partners to create a number of benchmark projects in the digital and intelligent sector, digital and intelligent new infrastructure, digital and intelligent government affairs and people’s livelihood services which have been selected for inclusion in “The New Shape of Intelligent Economy 2026: A Compilation of Practical Cases in AI Agent Innovation” published by MIIT whilst garnering honours such as the GSMA GLOMO Award for contributions to industrial upgrade through a paradigm of productivity reshaped by AIOS.

In the **digital and intelligent sector**, the Group has advanced intelligent upgrades in AI+ industrial manufacturing, as a new paradigm of intelligent operation based on Co-Claw and characterised by “universal sensing — intelligent anticipation — coordinated joint action — close-loop management” has been commissioned at Binjiang Intelligent Manufacturing Base in Nanjing. The Group has built an intelligent production hub by integrating AI into solutions for centralised control of metallurgical smelting, safe production and equipment maintenance, in a bid to drive qualitative development for the metallurgical smelting sector. The Group has teamed up with 60+ partners in the implementation of 600+ intelligent mining projects nationwide on the back of its proprietary products such as 5G private network, intelligent computing centre and Co-Claw. Our digital staff AI agent for mining has been upgraded from single-scenario operations to multiple agent coordination. In connection with **digital and intelligent new infrastructure**, the Group have facilitated remote unmanned duty shifts and efficient maintenance at power stations by developing practical solutions such as digital duty staff and work/R&D assistant through the integration of Co-Claw and embodied intelligent robot to support the digital and intelligent upgrade of industry leaders such as State Grid and Southern Power Grid. In connection with **digital and intelligent government affairs and people’s livelihood**, for the government affair sector, an emergency AI agent solution for safe production scenarios has been developed, while the Metropolitan AI Agent 2.0 solution covering multiple scenarios such as municipal governance, municipal infrastructure management, maintenance and operation, smart government service has been launched. AI agent solutions such as digital and intelligent water conservancy hub and automated irrigation modulation and control have also been developed. For the transportation sector, we have commissioned MetroClaw for Qingdao Metro based on Co-Claw to facilitate general efficiency enhancement at office and operation, while contributing to highway intelligentisation in various provinces by developing solutions in highway AI agent, large models for traffic accident sensing and highway holographic sensing. We have also participated in large-scale applications and innovative AI agent applications for China Railway Group, China Academy of Railway Sciences and various bureaus for road administration. For the medical sector, our integrated AI general medical examination unit developed to facilitate intelligent, standardised and efficient management of the physical examination procedure has received the GSMA GLOMO Award while being included in the annual AI for Good application cases selected by ITU. For the education sector, AI agent solutions applicable to the education sector have been launched by integrating vertical large models for education with Co-Claw, while our professional model for vocational education has been put to application at numerous tertiary vocational colleges.

2.1.8 Extensive participation in standard formulation work while adding 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 2026, the Group had submitted approximately 98,000 global patent applications and owned over 50,000 authorised global patents, including approximately 6,100 patent applications and over 3,700 authorised patents in the chip sector. In the AI sector, the Group had close to 6,000 patent applications with over half of them having 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 have been serving in key roles such as chairman/vice chairman and reporter of leading international standardisation organisations, industry alliances, scientific associations and open-source communities.

2.2 BUSINESS REVIEW FOR THE FIRST HALF OF 2026

2.2.1 Industry development

1. Domestic market

In the first half of 2026 as the commencing year of the national "15th FYP", technological innovation was expediting the generation of new business forms, as the domestic ICT sector entered a new stage driven by intelligentised restructuring. In tandem with the general requirement for "pre-emptive construction of novel infrastructure as appropriate", the planning and construction of the "six nets", including the computing network and the new-generation communication network, was advancing in a continuous manner. In particular, developments associated with the new-generation communication network, as a key digital hub connecting the digital and physical realms as well as the present and the future, was rapidly shifting from expansion in scale to discovery of in-depth value. In the meantime, the focus of 5G network investment was further focused on existing network upgrade, generational technological upgrade and identification of scenario value, while computing infrastructure continued to expand in capacity and evolve at a swifter pace towards intelligent modulation, green inclusiveness and integrated coordination. Developments in the industry presented opportunities as well as challenges.

In the network segment, 5G network construction has currently entered a period of maturity, which is a period of in-depth operation for carrier network construction mainly characterised by scenario enhancements and user experience upgrades. In the meantime, carriers are actively rolling out large-scale commercial deployment of 5G-A technologies such as carrier aggregation, intelligentisation and high uplink in anticipation of future network evolution. Trial runs of 50G PON have been steadily advanced and implemented at a faster pace at residential estates, manufacturing facilities and industrial parks, while the 400G all-optical backbone network has been expanding on all fronts.

In the computing segment, the demand for computing capacity was prominent in four dimensions: training, inference, AI agent and application, whereas in the past it had primarily been required for model training. Domestic carriers were transitioning to Token-based operations, as computing service products charged on a Token basis were launched with more attention to the cost effectiveness of Token generation and emphasis on system-grade computing coordination and TCO optimisation. Internet enterprises increased their investment according to their AI strategies with a special focus on AI training/inference cluster and high-speed computing network, driving ongoing capacity expansion of computing infrastructure. Against such a backdrop, high-density computing architecture such as SuperPOD became a mainstay in the building of intelligent computing centres, as domestically manufactured computing chips and autonomous computing software ecosystems were accelerating towards maturity, while large-scale commercial application of green computing technologies, such as liquid-cooling and high-pressure direct-current power supply, was progressing at a faster pace.

In the terminal segment, the deep integration of AI into the hardware, software and ecosystems of smart terminals has reshaped a new paradigm for human-machine interaction. In connection with home terminal, the upgraded Wi-Fi 7 smart terminal and AI smart medium screen have provided a new direction in which the home terminal would be upgraded from a connecting device to a household intelligent centre. In connection with personal terminal, on the one hand, the deep integration of AI large models with operating systems, was driving evolution of the handset towards an “AI agent terminal”, as AI agent handsets became the focus for innovation in the industry. On the other hand, the rising prices of storage parts and components put pressure on the cost of completed units for the time being and the industry in general was anticipating pressure in product dispatch.

2. International market

In the first half of 2026, international carriers continued with structural adjustments to their capital expenditure. In view of the slowdown in user growth in a mature market, the peaking of value generated by traditional voice and data traffic services and the new cycle of infrastructure construction required by AI applications, the investment focus of global carriers was tilted towards areas such as value-added network upgrades, high-speed optical network, intelligent bearer, data centre and green energy conservation, as they sought to expand services underpinned by “optical network + computing integration” to support AI and digital transformation.

In the network segment, in connection with wireless network, the successive issuance of 5G frequency licenses in emerging markets such as the Asia Pacific, Latin America and Africa was driving further expansion of the global coverage of 5G networks with deep integration of AI into the communication network architecture. In the meantime, major economies, equipment makers and industrial alliances worldwide were expediting validation of frontier technologies such as integration of communication, sensor, computing and intelligence and integration of air, space and terrestrial applications, in order to hold sway in next-generation communication standards and ecosystems. In connection with wireline network, AI applications were driving growth in data traffic, compelling simultaneous upgrades of the access network and the transmission network in acceleration of optical-fibre conversion. On the access front, deployment of 10G PON for large-scale commercial application was materialised, while trial runs of 50G PON were extended to leading carriers. On the transmission front, growing investment in high-speed backbone networks at 400G or above supported interconnection of regional cloud networks, cross-area modulation of computing capacities and the development of corporate lease line services.

In the computing segment, the growing demand for AI training and inference worldwide was driving demand for intelligent computing centre, green data centre and their supporting energy infrastructure. Computing infrastructure was evolving from the traditional model of "machine room + servers" to high-density computing, liquid-cooling, intelligent power supply, energy storage peak regulation and the coordination and integration of computing and network. Meanwhile, the construction of green data centres was gaining pace, as technologies such as PUE optimisation, renewable energy access and high-pressure direct-current power supply became shared concerns for international carriers and cloud service providers alike. Elsewhere, the international business expansion of Chinese enterprises gave rise to a new pattern of multi-party coordination among Internet enterprises, telecommunications carriers, leading manufacturers and large central state-owned enterprises with a special focus on the Southeast Asian, Middle East, Central Asia and Latin American markets, which was driving new demands for computing infrastructure.

In the terminal segment, in connection with home terminal, the market was undergoing an early exploratory stage with a number of international carriers launching FTTR service packages. Meanwhile, the popular use of Wi-Fi 7 technologies was gradually driving commercial application of Wi-Fi 7 CPE in the European, Latin American and Asia Pacific markets. In connection with personal terminal, rising prices of storage parts and components contributed to greater advantage on the part of leading manufacturers, while shifting the product focus to mid-to-high-end machine types at a faster pace.

2.2.2 Business and Financial Analysis of the Group

In the first half of 2026, the Group constructed an end-to-end AI competence regime and formed a diversified pattern for development comprising network, computing, home and personal terminal on the back of the dual driver of "connectivity + computing" in persistent implementation of its strategic principle of "All in AI, AI for All". Operating revenue maintained growth whilst net profit attributable to the parent company was under pressure against the backdrop of transitioning industry cycles coupled with adjustments to the business structure.

For the first half of 2026, the Group reported operating revenue of RMB78,025,359 thousand, representing year-on-year growth of 9.05%. Net profit attributable to shareholders of the listed company amounted to RMB2,752,825 thousand, decreasing by 45.57%, year-on-year. Net profit attributable to the shareholders of the listed company after extraordinary items amounted to RMB2,220,797 thousand, decreasing by 45.89%, year-on-year.

II. Report of the Board of Directors

2.2.2.1 Operating revenue, costs and gross profit margin

1. Breakdown of operating revenue, costs and gross profit margin by industry, business and region

Unit: RMB in thousands

Operating revenue	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 computer, communication and other electronic equipment	78,025,359	100.00%	58,140,720	25.48%	9.05%	20.29%	(6.97)
Total	**78,025,359**	**100.00%**	**58,140,720**	**25.48%**	**9.05%**	**20.29%**	**(6.97)**
II. By business							
Carriers' network	31,765,129	40.71%	19,675,458	38.06%	(9.41%)	19.24%	(14.88)
Government and corporate business	27,631,306	35.41%	23,254,532	15.84%	43.51%	31.67%	7.57
Consumer business	18,628,924	23.88%	15,210,730	18.35%	8.09%	7.34%	0.57
Total	**78,025,359**	**100.00%**	**58,140,720**	**25.48%**	**9.05%**	**20.29%**	**(6.97)**
III. By region							
The PRC	50,153,816	64.28%	37,773,462	24.68%	(0.91%)	12.55%	(9.01)
Asia (excluding the PRC)	12,370,430	15.85%	9,213,410	25.52%	53.41%	58.32%	(2.31)
Africa	4,842,912	6.21%	3,118,210	35.61%	48.61%	54.68%	(2.53)
Europe, Americas and Oceania	10,658,201	13.66%	8,035,638	24.61%	10.87%	15.86%	(3.24)
Total	**78,025,359**	**100.00%**	**58,140,720**	**25.48%**	**9.05%**	**20.29%**	**(6.97)**

2. Analysed by market

(1) Domestic market

For the first half of 2026, the Group's operating revenue from the domestic market amounted to RMB50,153,816 thousand, decreasing by 0.91% year-on-year and accounting for 64.28% of its operating revenue. Gross profit margin was 24.68%, decreasing by 9.01 percentage points versus the same period last year.

In connection with carrier customers, reduction in the Company's revenue from wireless and wireline products was subject to pressure as domestic carriers' investment in communication infrastructure continued to decline, although the Company's position as a mainstream domestic supplier of network equipment remained solid. In view of the above, the Company enhanced its existing operations, whilst continuing to deploy frontier technologies such as 6G, T Bit optical network and 200G PON to ensure that it stayed ahead of its peers in terms of technical competitive strengths. Meanwhile, we vigorously seized opportunities presented by carriers' moves to build intelligent computing resource pools to drive rapid growth in revenue from the computing business. In connection with government and corporate customers, the Company continued to improve its capabilities in product solutions and supply chain, market presence and customer cooperation in a bid to seize the opportunity presented by intelligent computing investment in the domestic market, as it reported sizeable business deals with leading customers in the Internet, finance and power supply sectors for servers, storage and other computing products to drive rapid growth in revenue from its domestic government and corporate business. In connection with consumers, the Company continued to substantiate its AI terminal product matrix, reporting growth in revenue from its home terminal, handset and mobile Internet products to drive stable growth in revenue from its domestic consumer business.

(2) International market

For the first half of 2026, the Group's operating revenue from the international market amounted to RMB27,871,543 thousand, increasing by 33.13% year-on-year and accounting for 35.72% of its operating revenue. Gross profit margin was 26.92%, decreasing by 2.53 percentage points, year-on-year.

In connection with carrier customers, the Company continued with sophisticated exploration of the four major core regions of Asia Pacific, Europe, Latin America and Middle East/Africa in persistent adherence to the strategy of focusing on large nations and major telecom operators, driving 5G evolution of mobile networks and optical fibre conversion of broadband networks whilst deepening cooperation in segments such as wireless and optical fibre broadband to achieve an optimised market pattern and drive rapid growth in revenue from international carrier networks. In connection with government and corporate customers, the Company deepened cooperation with Chinese companies such as Internet enterprises, leading manufacturing groups and large-scale central state-owned enterprises in relation to their overseas business expansion, whilst accurately matching the computing requirements of overseas as well as local customers to benefit from the building of AI computing capacities and realise rapid growth in revenue from the international government and corporate business. In connection with consumers, the Company was focused on core products such as home terminal, handset and mobile Internet under the driver model of "carrier cooperation + branded direct sales", as it deepened cooperation with mainstream carriers in Europe and Latin America on the one hand while expanding channels through both online e-commerce stores and offline retail shops to enhance its global sales and brand influence on all fronts. Double-digit growth was reported in revenue from home terminal, handset and mobile Internet products.

3. Analysed by business segment

(1) Carriers' network

For the first half of 2026, the Group's operating revenue from carriers' network amounted to RMB31,765,129 thousand, decreasing by 9.41%, year-on-year, reflecting mainly the decrease in revenue from wireless products. Gross profit margin was 38.06%, decreasing by 14.88 percentage points, year-on-year, attributable mainly to the change in product revenue mix.

In connection with the **traditional carrier networks**, the Company's revenue from traditional networks for domestic carriers decreased in line with the ongoing decline in investment in communications infrastructure as 5G network construction in the domestic market entered a stage of maturity. In active response, the Company developed frontier technologies to build first-mover advantage for next-generation networks, while seizing opportunities for expansion in the international market to alleviate the pressure of declining domestic revenue. In connection with **wireless products** in the domestic market, we were advancing the commercial application of 5G-A whilst deepening preliminary research in 6G technologies and taking part in trials and validations for low-orbit satellite communication to drive evolution in network technologies. In the international market, the Company's market shares continued to increase in countries such as Vietnam, Sri Lanka and Côte d'Ivoire. For **wireline products**, the Company continued to consolidate its share in the domestic market for fixed-line network and optical transmission products, while reporting breakthroughs in countries such as Kazakhstan, Malaysia, Brazil and Mexico. Our core routers were put to application in China Mobile's high-end core router (second tier) project for which we had successfully bid, while we actively explored business with mainstream carriers in Pakistan, Egypt and Saudi Arabia for our IP routers.

In connection with **carriers' computing networks**, the Company supplied end-to-end AI solutions capable of meeting differentiated requirements in varying scenarios. In connection with **server and storage**, we maintained our leading position in the domestic market for the X86 general-purpose computing ecosystem and the CUDA-like intelligent computing ecosystem, as a number of intelligent computing resource pool projects were implemented. In connection with **data centre switch**, the Company won the bid for China Mobile's RoCE switch centralised procurement exercise while achieving growth in market shares in the new segment of public cloud general-purpose computing of domestic carriers. For **data centre**, steady increase in our share of East-to-West Computing nodes was reported.

(2) Government and corporate business

For the first half of 2026, the Group's operating revenue from the government and corporate business amounted to RMB27,631,306 thousand, increasing by 43.51%, year-on-year, reflecting mainly increase in revenue from server and storage. Gross profit margin was 15.84%, increasing by 7.57 percentage points, year-on-year, attributable mainly to improved gross profit margin for server and storage.

This business segment has become a core engine for the Company's revenue growth as large-scale operation and business deployment breakthroughs were achieved and rapid revenue growth was sustained on the back of intensive business development with leading customers in the Internet, finance and power supply sectors in persistent adherence to the driver of "technology + scenarios". In connection with **server and storage**, in the domestic market, the Company continued to win bids for large-scale businesses and implement projects for leading Internet enterprises, while making breakthroughs in intelligent computing products and winning large-scale bids for the supply of general-purpose computing products in connection with state-owned banks and joint-stock banks. In market segments such as power supply, transportation, government affairs and large corporation, breakthroughs or increase in market shares with key customers were reported. In the international market, the Company deepened its involvement in the overseas business expansion of Chinese enterprises to establish stable cooperation and continually increase the size of business with these companies. In connection with **data centre switch**, white-box switch projects with leading Internet companies were implemented. We made new breakthroughs in the financial sector with projects from domestic joint stock banks, while sustaining our leading position in the power sector. In connection with **data centre**, we continued to provide customisation services to leading Internet enterprises in the domestic market to increase our market shares. In the international market, our proprietary products were put to large-scale deployment with domestic Indonesian customers, while efforts to seek simultaneous expansion in new markets such as Malaysia, Thailand, Japan and Mexico were met with initial success.

(3) Consumer business

For the first half of 2026, the Group's operating revenue from the consumer business amounted to RMB18,628,924 thousand, increasing by 8.09%, year-on-year, reflecting mainly growth in revenue from home terminal and handset and mobile Internet products. Gross profit margin was 18.35%, increasing by 0.57 percentage point, year-on-year, attributable mainly to improved gross profit margin for home terminal.

In connection with the consumer business, we have developed a full-scenario matrix of AI terminal mainly comprising home terminal, handset and mobile Internet products and cloud computer. In connection with **home terminal**, we maintained our leading position in terms of market shares in the domestic carrier market for FTTR, home router and home camera, whilst our smart medium screen facilitated the construction of the carriers' Token-based home connection bases and applications to become the preferred brand in the carrier market. In the international market, we completed large-scale dispatch of our Wi-Fi 7 products with ongoing application by customers in Europe, Asia and Latin America in consolidation of our leading position in the global home terminal market. In connection with **handsets and mobile Internet products**, we vigorously addressed challenges in the industry. Product-wise, we deepened our deployment in "AI handset + gaming phone" as Nubia NaviX Ultra was unveiled at the World Artificial Intelligence Conferences. With Nubia Neo we introduced the gaming mindset, while the Red Magic series cemented its advantageous position in gaming phone. Efforts were also made at the development of external accessories such as phone cooler. In terms of market, we focused on key nations and the market of large carriers, and continued to explore lower-level channels and developments in the open market, as the 2C business became a new engine for revenue growth. In connection with **cloud computers**, we maintained our first-ranking position in the carrier market in terms of dispatch volume, as we continued to assist customers in the government and corporate sector in the building of secure, efficient and intelligent cloud office regimes.

2.2.2.2 Expenses

Unit: RMB in thousands

Item	**Six months ended 30 June 2026**	Six months ended 30 June 2025	Year-on-year increase/ decrease
R&D costs	**10,929,855**	12,664,812	(13.70%)
Selling and distribution costs	**3,998,678**	4,383,807	(8.79%)
Administrative expenses	**2,148,902**	2,130,082	0.88%
Finance costs	**11,015**	(444,697)	102.48%
Income tax	**352,811**	607,723	(41.95%)

The Group's research and development costs for the first half of 2026 amounted to RMB10,929,855 thousand, decreasing year-on-year by 13.70%, attributable mainly to the combined effect of a slower progress for R&D personnel performance costs compared with the same period of last year, as well as uneven incurrences of expenses for R&D materials and others. The Group's research and development costs accounted for 14.01% of operating revenue, a decrease by 3.69 percentage points, year on year.

The Group's selling and distribution costs for the first half of 2026 amounted to RMB3,998,678 thousand, decreasing year-on-year by 8.79%, attributable mainly to more focused and efficient input for sales initiatives, as a percentage of operating revenue decreasing by 1.01 percentage points to 5.12%, year-on year.

The Group's administrative expenses for the first half of 2026 amounted to RMB2,148,902 thousand, a 0.88% increase year-on-year which represented a level basically at par with the same period last year. As a percentage of operating revenue, administrative expenses decreased by 0.23 percentage point year-on-year to 2.75%.

The Group's finance costs for the first half of 2026 amounted to RMB11,015 thousand, increasing year-on-year by 102.48%, attributable mainly to the decrease in net interest income and exchange loss for the period arising from exchange rate volatility versus exchange gain for the same period last year.

The Group's income tax for the first half of 2026 amounted to RMB352,811 thousand, decreasing by 41.95%, year-on-year, attributable mainly to the decline in total profit.

2.2.2.3 R&D investment

Unit: RMB in thousands

Item	**Six months ended 30 June 2026**	Six months ended 30 June 2025	Year-on-year increase/ decrease
R&D investment amount	**11,750,739**	13,540,820	(13.22%)
Including: Amount accounted for as expense	**10,929,855**	12,664,812	(13.70%)
Amount accounted for as capitalised	**820,884**	876,008	(6.29%)
R&D investment as a percentage of operating revenue	**15.06%**	18.92%	Decreased by 3.86 percentage points
Capitalised R&D investment as a percentage of R&D investment	**6.99%**	6.47%	Increased by 0.52 percentage point

2.2.2.4 Other components in the profit mix

Unit: RMB in thousands

Item	**Six months ended 30 June 2026**	Six months ended 30 June 2025	Year-on-year increase/ decrease
Other income	**1,097,194**	1,792,903	(38.80%)
Investment income	**471,325**	150,909	212.32%
Gains from changes in fair values	**(159,220)**	159,402	(199.89%)
Credit impairment losses (loss indicated as a negative value)	**(404,867)**	(114,916)	252.32%
Asset impairment losses (loss indicated as a negative value)	**(119,804)**	(285,227)	(58.00%)
Gains from asset disposal	**3,713**	3,846	(3.46%)
Non-operating income	**111,868**	97,087	15.22%
Non-operating expenses	**113,446**	51,138	121.84%

The Group's other income for the first half of 2026 amounted to RMB1,097,194 thousand, decreasing by 38.80% year-on-year which was attributable mainly to the decrease in other income relating to ordinary operating activities for the period.

The Group's investment income for the first half of 2026 amounted to RMB471,325 thousand, increasing by 212.32% year-on-year which was attributable mainly to the increase in profit from associates and joint ventures for the period.

The Group's gains from changes in fair values for the first half of 2026 amounted to RMB-159,220 thousand, decreasing by 199.89% year-on-year, which was attributable mainly to the loss arising from end-of-period fair-value revaluation of derivative contracts for the period versus gain for the same period last year.

The Group's credit impairment losses for the first half of 2026 amounted to RMB404,867 thousand, increasing by 252.32% year-on-year which was attributable mainly to the increase in impairment charge for trade receivables for the period. The Group's asset impairment losses for the first half of 2026 amounted to RMB119,804 thousand, decreasing by 58.00% year-on-year which was attributable mainly to the decrease in inventory impairment provision charged for the period.

The Group's gains from asset disposal for the first half of 2026 amounted to RMB3,713 thousand, decreasing by 3.46% year-on-year.

The Group's non-operating income for the first half of 2026 amounted to RMB111,868 thousand, increasing by 15.22% year-on-year which was attributable mainly to the increase in non-operating income for the period.

The Group's non-operating expenses for the first half of 2026 amounted to RMB113,446 thousand, increasing by 121.84% 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 2026**	Six months ended 30 June 2025	Year-on-year increase/ decrease
Sub-total of cash inflows from operating activities	**81,797,281**	78,227,584	4.56%
Sub-total of cash outflows from operating activities	**81,923,881**	76,928,176	6.49%
Net cash flows from operating activities	**(126,600)**	1,299,408	(109.74%)
Sub-total of cash inflows from investing activities	**60,370,658**	64,708,107	(6.70%)
Sub-total of cash outflows from investing activities	**65,755,692**	72,375,836	(9.15%)
Net cash flows from investing activities	**(5,385,034)**	(7,667,729)	29.77%
Sub-total of cash inflows from financing activities	**51,978,447**	58,957,973	(11.84%)
Sub-total of cash outflows from financing activities	**49,126,123**	54,875,251	(10.48%)
Net cash flows from financing activities	**2,852,324**	4,082,722	(30.14%)
Net increase in cash and cash equivalents	**(2,818,530)**	(2,285,056)	(23.35%)

The Group's net cash flows from operating activities for the first half of 2026 decreased by 109.74% year-on-year, reflecting mainly the increase in cash paid for the purchase of goods and labour services as well as the decrease in net release of required reserve for ZTE Group Finance Company Limited. For the reasons underlying the difference between the Group's net cash flows from operating activities and net profit for the first half of 2026, please refer to "Note V. 60. Notes to major items in the cash flow statement to the Financial Statements" in this report.

The Group's net cash flows from investing activities for the first half of 2026 increased by 29.77% year-on-year, reflecting mainly the decrease in net expense for time-deposit products for the period.

The Group's net cash flows from financing activities for the first half of 2026 decreased by 30.14% year-on-year, reflecting mainly the decrease in net borrowing for the period.

Cash and cash equivalents of the Group as of 30 June 2026 amounted to RMB22,663,870 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 2026 Amount	30 June 2026 As a percentage of total assets	31 December 2025 Amount	31 December 2025 As a percentage of total assets	Year-on-year increase/ decrease as a percentage of total assets (percentage points)
Total assets	**240,547,535**	**—**	217,739,375	—	—
Currency cash	**24,647,410**	**10.25%**	33,751,116	15.50%	(5.25)
Trading financial assets	**25,972,742**	**10.80%**	17,396,415	7.99%	2.81
Trade receivables	**30,619,910**	**12.73%**	21,670,066	9.95%	2.78
Contract assets	**7,742,165**	**3.22%**	5,881,166	2.70%	0.52
Inventories	**54,645,606**	**22.72%**	47,017,122	21.59%	1.13
Non-current assets due within one year	**14,056,018**	**5.84%**	510,698	0.23%	5.61
Debt investment	**19,879,692**	**8.26%**	31,081,323	14.27%	(6.01)
Investment properties	**94,577**	**0.04%**	94,577	0.04%	—
Investment in associates and joints	**2,938,276**	**1.22%**	2,578,282	1.18%	0.04
Property, plant and equipment	**13,440,515**	**5.59%**	13,421,946	6.16%	(0.57)
Construction in progress	**845,733**	**0.35%**	798,207	0.37%	(0.02)
Right-of-use assets	**1,461,340**	**0.61%**	1,534,289	0.70%	(0.09)
Short-term loans	**3,847,434**	**1.60%**	3,628,665	1.67%	(0.07)
Bills payable	**25,088,855**	**10.43%**	15,270,429	7.01%	3.42
Trade payables	**26,791,776**	**11.14%**	18,766,840	8.62%	2.52
Contract liabilities	**16,348,849**	**6.80%**	15,600,702	7.16%	(0.36)
Employee benefits payable	**12,607,537**	**5.24%**	15,084,210	6.93%	(1.69)
Non-current liabilities due within one year	**11,625,422**	**4.83%**	7,900,409	3.63%	1.20
Long-term loans	**42,719,274**	**17.76%**	45,712,509	20.99%	(3.23)
Lease liabilities	**1,002,387**	**0.42%**	940,369	0.43%	(0.01)

As at 30 June 2026, the Group's trading financial assets amounted to RMB25,972,742 thousand, increasing by 49.30% compared to the previous year-end, which was mainly attributable to the increase in income-generating products purchased during the period.

As at 30 June 2026, the Group's trade receivables amounted to RMB30,619,910 thousand, increasing by 41.30% compared to the previous year-end, which was mainly attributable to the increase in domestic short-aged trade receivables for the period.

As at 30 June 2026, the Group's contract assets amounted to RMB7,742,165 thousand, increasing by 31.64% compared to the previous year-end, which was mainly attributable to the recognition of revenue from projects for the period.

As at 30 June 2026, the Group's non-current assets due within one year amounted to RMB14,056,018 thousand, increasing by 2,652.32% compared to the previous year-end, while debt investment amounted to RMB19,879,692 thousand, decreasing by 36.04% compared to the previous year-end, which was mainly attributable to the redesignation of maturity for large-amount certificates of deposit from over one year to under one year.

As at 30 June 2026, the Group's bills payable amounted to RMB25,088,855 thousand, increasing by 64.30% compared to the previous year-end, while trade payables amounted to RMB26,791,776 thousand, increasing by 42.76% compared to the previous year-end, which was mainly attributable to the increase in purchases of materials for the period.

As at 30 June 2026, the Group's non-current liabilities due within one year amounted to RMB11,625,422 thousand, increasing by 47.15% compared to the previous year-end, which was mainly attributable to the increase in long-term borrowing 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 2026, the carrying value of the Group's property, plant and equipment was RMB13,440,515 thousand, representing a 0.14% increase compared to the end of last year, attributable mainly to a new acquisition amount in excess of the amortisation amount for property, plant and equipment 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, financial assets and financial liabilities 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 2026.

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)	17,396,415	95,387	–	–	56,705,884	49,405,444	1,180,500	25,972,742
2. Derivative financial assets	235,612	238,107	–	–	–	–	(906)	472,813
3. Receivable financing	3,039,968	–	–	(321)	11,086,982	11,813,888	–	2,313,383
4. Other non-current financial assets	1,792,620	(33,547)	–	–	1,080,000	1,723	(988,862)	1,848,488
Sub-total of financial assets	22,464,615	299,947	–	(321)	68,872,866	61,221,055	190,732	30,607,426
Investment properties	94,577	–	–	–	–	–	–	94,577
Total	**22,559,192**	**299,947**	**–**	**(321)**	**68,872,866**	**61,221,055**	**190,732**	**30,702,003**
Financial liabilities	270,057	209,301	–	–	–	–	(57,539)	421,819

(4) Major overseas assets

☐Applicable √ N/A

(5) Charges on assets

As at 30 June 2026, the Group had no assets under charge.

(6) Contingent liabilities

For details of the Group's contingent liabilities as at 30 June 2026 required to be disclosed under the Hong Kong Listing Rules, please refer to "Note XII. 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 2026, the Group's development funds were financed mainly by cash generated from its operations, bank loans and bond 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. The current ratio and quick ratio for the first half of 2026 were 1.71 and 1.15, 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 2026 was 47.1%, increasing by 0.8 percentage point as compared to 46.3% as at 31 December 2025, which reflected mainly the increase in interest-bearing liabilities.

(3) Analysis of debt

For the first half of 2026, the Group's debt comprised primarily long-term and short-term bank loans and bonds payable mainly settled in RMB, USD and EUR without any notable seasonality. As at 30 June 2026, the Group's total bank loans, total balance of bonds payables amounted to RMB56,858,535 thousand and RMB10,213,683 thousand, respectively, which were applied mainly as working capital. All due debts had been settled. Bank loans and bonds payable subject to interests at fixed rates amounted to approximately RMB18,103,784 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 2026	31 December 2025
Bank loan		
Short-term bank loans	**14,139,261**	10,104,118
Long-term bank loans	**42,719,274**	45,712,509
Bond payable	**10,213,683**	7,809,677
Total	**67,072,218**	63,626,304

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 2026	31 December 2025
Bank loan		
Secured bank loans	**—**	15,637
Unsecured bank loans	**56,858,535**	55,800,990
Unsecured bond payable	**10,213,683**	7,809,677
Total	**67,072,218**	63,626,304

For details of the Group's bank loans and bonds payable as at 30 June 2026, please refer to "Note V. 24. Short-term loans, 32. Non-current liabilities due within one year, 33. Long-term loans and 34. Bonds payable to the Financial Statements" in this report.

For details of debt financing instruments of non-financial enterprises and H-share convertible bonds issued by the Company, please refer to "V. INFORMATION ON BONDS" 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 2026, the Group's total bank loans amounted to RMB56,858,535 thousand, increasing by RMB1,041,908 thousand compared to RMB55,816,627 thousand as at 31 December 2025, which was mainly applied towards working capital.

Unit: RMB in thousands

Item	30 June 2026	31 December 2025
Within 1 year	**14,139,261**	10,104,118
Within 2 years	**21,206,929**	22,633,766
Within 3-5 years	**21,512,345**	23,078,743
Beyond 5 years	**—**	—
Total	**56,858,535**	55,816,627

(5) Capital expenditure

For the first half of 2026, the Group's capital expenditure, used mainly for purchase of equipment assets, capitalisation of R&D investment and construction of office buildings for its own use, amounted to RMB2,490,573 thousand, compared to RMB2,087,438 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 or investment in and establishment of associates or joint ventures which have yet to be completed and have not been recognised in the financial statements.

Unit: RMB in thousands

Item	30 June 2026	31 December 2025
Contracted but not provided for		
Capital expenditure commitment	**3,097,563**	3,097,365
Investment commitment	**561,790**	439,790
Total	**3,659,353**	3,537,155

2.2.2.8 Shares

(1) Share capital and change

As at 30 June 2026, the total share capital of the Company in issue was 4,783,534,887 shares (including 24,558,211 treasury shares of A shares), comprising 4,028,032,353 A shares and 755,502,534 H shares. The total share capital of the Company remained unchanged compared to the end of the previous year.

(2) Repurchase, sale and redemption of securities

From January to June 2026 and from January 2026 to the date of the publication of this report, the Company had repurchased 24,558,211 and 28,659,411 A shares, respectively, by way of centralised price bidding via the stock trading system of Shenzhen Stock Exchange. For details, please refer to the section headed under "3.1.1.2 Shares (3) Repurchase of A shares". Other than disclosed above, neither the Company nor its subsidiaries repurchased, sold or redeemed any listed securities of the Company.

As at 30 June 2026 and the date of publication of this report, the Company held 24,558,211 and 28,659,411 treasury shares of A shares, respectively. Other than the aforesaid, the Company did not hold any other treasury shares.

2.2.2.9 Subsequent events

For details of the Company's events subsequent to the Reporting Period, please refer to "Note XIII. POST-BALANCE SHEET DATE EVENT to the Financial Statements" in this report.

2.2.3 Investment of the Group

(1) Equity investment

As at 30 June 2026, the Company's investment in associates and joints amounted to RMB2,938,276 thousand, representing increase of 13.96% compared to RMB2,578,282 thousand as at the previous year-end which was mainly attributable to the increase in profit from associates and joint ventures for the period. Other equity investments amounted to RMB948,417 thousand, representing increase of 23.59% compared to RMB767,388 thousand as at the previous year-end, which was attributable mainly to new investment in equity interests in non-listed companies and listed companies during the period.

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 2026.

(2) Principal subsidiaries and investee companies

For the first half of 2026, net profit of Shenzhen ZetaMatrix Co., Ltd. ("ZetaMatrix") 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
ZetaMatrix	Subsidiary	Software development	51,080	22,745,077	1,971,710	10,558,057	610,134	606,238

For details of other subsidiaries, associates and joint ventures of the Group, please refer to "Note VIII. INTERESTS IN OTHER ENTITIES and Note XV.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 2026 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/losses arising from fair value change for the period	Cumulative fair value change accounted for in equity	Amount purchased during the period	Amount disposed of during the period	Gains/losses for the Reporting Period	Book value at the end of the period	Shareholding at the end of the period (10,000 shares)
301587.SZ	Zhongrui[Note 1]	2,037.9	4,389.0	(2,351.1)	–	–	5,098.3	649.0	–	–
600734.SH	Start Group[Note 2]	–	3,557.8	(3,557.8)	–	–	2,210.7	(1,347.0)	–	–
TRIO	Trikomsel Oke Tbk[Note 3]	256.0	–	–	–	–	–	–	–	1,827.1
ENA:TSV	Enablence Technologies[Note 4]	3,583.3	684.4	1,154.4	–	–	–	1,154.4	1,838.8	79.2
09903.HK	ILUVATAR COREX[Note 4]	4,815.4	–	4,655.2	–	4,815.4	5,110.7	6,800.8	6,505.5	15.1
01879.HK	XIZHI TECH-P[Note 4]	2,943.2	–	1,763.0	–	2,943.2	–	1,733.7	4,676.9	18.4
Total		**13,635.8**	**8,631.2**	**1,663.7**	**–**	**7,758.6**	**12,419.7**	**8,990.9**	**13,021.2**	

Note 1: The Company and Changshu Changxing Venture Capital Management Co., Ltd., a wholly-owned subsidiary of Shenzhen ZTE Capital Management Company Limited (a subsidiary of the Company), held in aggregate 25.83% equity interests in Suzhou Zhonghe Chunsheng Partnership Fund III (Limited Partnership) ("Zhonghe Chunsheng Fund III"). Zhonghe Chunsheng Fund III is a partnership reported in the consolidated financial statements of the Company. Figures corresponding to 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. Investment in the aforesaid security was 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: PT. ZTE Indonesia ("ZTE Indonesia"), a wholly-owned subsidiary of the Company, held trade receivables with an amount of RMB2.56 million against 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.

Note 4: Shares in Enablence Technologies held by the Group were measured at fair value and accounted for as "Other non-current financial assets". Shares in ILUVATAR COREX and XIZHI TECH-P held by the Group were measured at fair value and accounted for as "Trading financial assets". All aforesaid investments in securities were funded by internal resources.

Note 5: The Group adheres to the principle of prudent investment in its securities investment and meticulously implements its securities investment management regulations and internal measures relating to investment procedures, risk control and funding control. The Company's internal audit department is responsible for auditing and supervision of its securities investment on a regular basis, including examination of the internal control procedures and processes for securities investment.

The aforesaid securities investment conducted by the Group did not constitute discloseable transactions under Chapter 14 of the Hong Kong Listing Rules.

(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. The Group adopts ongoing measures to strengthen foreign exchange risk management covering the entire business process and 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 experiencing foreign exchange distress, whilst continuing to advance 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 Twenty-seven Meeting of the Tenth Session of the Board of Directors of the Company held on 25 May 2026 and the 2025 Annual General Meeting held on held on 17 June 2026, the Group conducted derivative trading in foreign exchange derivatives for value-protection hedging purposes with its internal funds during the first half of 2026. Details are as follows:

Unit: RMB ten thousands

Type of derivative trading	Initial trading amount	Opening balance	Fair-value gain/loss for the period	Cumulative fair-value change included in equity for the period	Investment gain for the period	Amount purchased during the period	Amount disposed of during the period	Closing balance	Closing balance as a percentage of net assets at the end of the period
Foreign exchange derivative	–	3,703,894.6	2,880.6	–	87,284.7	21,456,748.3	19,880,901.1	5,279,741.8	68.59%

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 2026 and effectiveness of value-protection hedging	The Company has recognised net loss of RMB155 million in aggregation after gain on derivative contracts used for hedging of RMB902 million and exchange loss on hedged currency exposures of RMB1,057 million for the first half of 2026. All derivative trades of the Group were aimed at hedging and value protection. The hedged items such as foreign exchange assets and 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 items and basically achieved the expected goals in risk management.

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	For the first half of 2026, fair-value gain/loss included in gain or loss of the derivative trading of the Group amounted to RMB29 million and investment gain amounted to RMB873 million. The calculation of the fair value was based on forward exchange rates quoted by Reuters on a balance sheet date in line with the maturity date of the product.
Risk analysis and control measures	1. Analysis of major risks: (1) Market risks Investment gains or losses arising from the difference between the exchange or interest rates for settlement of derivative trading contracts and the exchange or interest rates 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. Investment 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 Derivative trading is based on the Group's budget of foreign exchange income and expenditure and actual foreign currency loans. Derivative transactions either match the actual foreign exchange transactions to ensure sufficient fund for settlement on completion, or net derivative settlement is elected to reduce cashflow requirements on the maturity date to avert liquidity risk. (3) Contract fulfillment risks The counterparties of the derivative trading of the Group are banks or non-bank financial institutions with sound credit ratings and long-standing business relationships with the Group, therefore the transactions were basically free from performance risks.

Item	Statement
	(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. 2. Control measures adopted for risk prevention The Group's derivative trading is aimed at reducing the impact of exchange rate and interest rate movements on the Company. Risky speculative trading is prohibited. 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 trading will be effectively regulated and risks relating to derivative trading duly controlled. The Internal Audit Department of the Company conducts vetting and assessment of derivative trading on a semi-annual basis.

Note: The opening balance represented the amount denominated in the original currency translated at the exchange rate prevailing at the end of the Reporting Period. The opening balance, closing balance, amounts of purchase and amounts of disposal for the 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) Subscription for fund units

The Company has subscribed for Shaanxi Jianxing Zhanlu Equity Investment Partnership Enterprise (Limited Partnership) ("Jianxing Zhanlu Fund") with a capital contribution of RMB117 million in the capacity of limited partner. The size of Jianxing Zhanlu Fund is RMB300 million. Jianxing Zhanlu Fund has completed industrial and commercial registration and private investment fund registration procedures. For details, please refer to the "Overseas Regulatory Announcements" published by the Company on 2 February 2026 and 23 March 2026, respectively.

The Company has subscribed for Guangdong-Hong Kong-Macau Greater Bay Area Venture Investment Steering Fund Partnership Enterprise (Limited Partnership) ("GBA Fund") with a capital contribution of RMB200 million in the capacity of limited partner. The size of GBA Fund is RMB50.45 billion. The GBA Fund has completed the industrial and commercial registration change and private investment fund registration procedures. For details, please refer to the "Overseas Regulatory Announcements" published by the Company on 6 February 2026 and 2 March 2026, respectively.

(7) Entrusted fund management

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

Pursuant to the "Resolution on Proposed Application of Internal Funds in Entrusted Fund Management for 2026" considered and approved at the Twenty-first Meeting of the Tenth Session of the Board held on 6 March 2026 and the 2025 Annual General Meeting of the Company held on 17 June 2026, it was approved that the Company and its subsidiaries be authorised to apply internal funds with a total amount of not more than RMB40 billion for the subscription for financial products with controllable risks and appropriate liquidity in general from financial institutions such as banks, securities companies and fund companies in 2026. The authorisation shall be effective for the period from the date on which the resolution was considered and approved at the general meeting of the Company to the date on which the next annual general meeting of the Company is convened, during which the aforesaid investment limit will apply on a rolling basis, namely, the transaction amount at any point of time during the period shall not exceed such limit.

The Group applies its internal funds to entrusted fund management subject to assurance of its day-to-day operation, 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 premium investment products issued by financial institutions with solid capital strength, proper governance structures, comprehensive risk control regimes and regulated operational management through consolidated assessment of a wide range of institutions and products based on multi-dimensional factors such as underlying asset quality, risk rating, liquidity arrangements and yield rate. Investment directions of underlying assets and statuses of application are tracked on a continuous basis so that potential risks might be checked in a timely manner. The Company's internal audit department is responsible for the audit of and supervision over its entrusted fund management activities, including approval of investment activities and vetting of the operating process.

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

Product type	Risk profile	Balance of the amount incurred for the Reporting Period[Note 1]	Outstanding balance at the end of Reporting Period	Overdue and unrecovered amount
Financial product	Low/medium risk	33.024 billion	25.797 billion	—
Total		**33.024 billion**	**25.797 billion**	**—**

Note 1: The balance of the amount incurred under entrusted fund management for the Reporting Period 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 2026, the Group did not entrust as the sole appointor any financial institution to conduct asset management, nor enter into any high-risk entrusted fund management with low level of security or poor liquidity, nor was it subject to any situation of expected non-recovery of principal amount or situation that might otherwise result in impairment.

As at 30 June 2026, the balance of the outstanding financial products purchased by the Group amounted to RMB25.797 billion, accounting for 10.72% 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 assets of the Group.

For the Reporting Period, financial products purchased by the Group did not 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 internal funds in the future, subject to fulfilment of normal working capital requirements and control of funding risks. 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 2026, 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 2026.

(10) Use of proceeds

☐Applicable √ N/A

2.2.4 Save as disclosed herein, there has been no material change in information compared to information disclosed in the 2025 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 2026

The Group's business outlook and risk exposures for the second half of 2026 are set out in the following:

2.3.1 Business outlook for the second half of 2026

Looking to the latter half of 2026, the global AI industry will be embracing a new phase underpinned by coordinated development of training, inference, AI agent and application, which will drive sustained, rapid growth in the demand for computing capacity and expedite the commercial application of SuperPOD. However, the commercial closed-loop of the intelligent computing business will remain in an incubation stage, while uncertainty caused by fluctuating prices for raw materials such as storage will persist. Meanwhile, network investment by domestic carriers will remain subject to industry cycles. In view of the above, the Company will endeavour to become a "leader in network connectivity and intelligent computing" in persistent adherence to the business philosophy of "prospering through harmony and cooperation and growing profits through quality enhancement". On the basis of 6G, AI infrastructure, AI smart terminal, and fundamental root technologies such as chip, operating system and database as our core strategic anchors, we will forge a solid foundation for the long-term competitiveness of the enterprise, leveraging our advantage of differentiation afforded by our stock-up of technologies in full-stack technologies for all domains, advanced architectural design, leadership in terminal market fundamentals and AI innovation, global market presence and service delivery capabilities.

In connection with **carrier's network**, in the domestic market, the Company will vigorously advance the commercial deployment of 5G-A, introduce new AI features to the core network, expedite promotion of 50G PON commercial application and take 400G OTN construction to a deeper level, in order to expand room for growth. Meanwhile, we will continued to drive deployment in connection with frontier technologies such as 6G, T Bit optical network, 200G PON and Wi-Fi 8. In tandem with ongoing growth in the demand for SuperPOD, intelligent computing resource pool, inference computing capacity and cross-area modulation of computing capacity on the part of domestic carriers, the Company will actively participate in carriers' projects in relation to computing-network integration leveraging its stock-up of technologies in network equipment, optical transmission, and interconnected computing capacity, with a view to facilitating the upgrade from "connectivity" to integrated capabilities comprising "connectivity + modulation + coordination". In the international market, the Company will persist in the major nations and major telecom operators strategy with a special focus on the four major core regions of Asia Pacific, Europe, Latin America and the Middle East/Africa. In response to demands in connection with wireless network modernisation, mass-market application of optical fibre broadband, bearer network upgrades and construction of overseas computing infrastructure, the Company will enhance coordination of local deliveries and channels as well as customer management competence, with a view to increasing its market share and business resilience while sustaining revenue growth.

In connection with **government and corporate business**, the Company will develop the segment into a core engine for the Company's revenue growth according to the core principle of "chip + ecosystem", capitalising on opportunities presented by the explosive surge of demand for intelligent computing infrastructure, acceleration of computing — network integration and encouragement of domestic production. In the domestic market, we will step up with the large-scale application of proprietary computing chips and SuperPOD solutions, deepening collaborative innovation, joint scenario construction and project delivery in respect of leading Internet enterprises and key sectors such as finance, power and transportation to enhance our coverage of high-value customers and efficiency in project implementation. In the meantime, we will further bring into play our capabilities in proprietary core base technologies, large-scale procurement along the supply chain, coordination of full-stack products and engineering delivery to enhance product competitiveness and cost control, such that we will gradually transform from a product-based operation to ecosystem operation, thereby achieving balance in revenue and profit. In the international market, we will deepen cooperation with Chinese enterprises expanding overseas while continuing to expand the local market, aiming to accurately match global computing requirements on the back of our end-to-end full-stack AI infrastructure solutions.

In connection with the **consumer business**, the Company will continue to substantiate its "AI for All" strategy to drive intelligent upgrades of its terminal products and expand scenarios for their application. In connection with the home terminal, we will drive the evolution of the product from a traditional access device to a household intelligent centre, whilst enhancing the ability to integrate home network, home storage, home computing and home interaction, in order to enhance customer loyalty to products for the household scenario and the ability to create value. In connection with handset and mobile Internet products, in terms of products, the Company will fast-track the delivery of experiences in new-generation AI handsets, AI-native operating systems and multiple-terminal coordination with enhanced capabilities in AI assistant, content generation, task modulation and inter-device coordination for the personal terminal. In terms of brand, we will focus on "AI+ games" and resolutely advance implementation of the strategy. On the back of brand coordination between Nubia and Red Magic, as well as our complete product matrix covering professional esports as well as trendy entertainment, our brand awareness among young people worldwide will be enhanced. In terms of channels, we will expand by strengthening the driver model of "carrier cooperation + branded direct sales". In connection with cloud computer, the Company will expand the range of cloud computer applications to cover scenarios such as home office, lightweight productivity and remote office for government and corporations, with a view to building a more resilient business structure for the long term.

Currently, AI technologies are driving industrial revolution at unprecedented speed, consistently giving rise to new applications and business forms while imparting more rigorous requirements for the development ecological coordination of the intelligent computing sector. Persistently founded on technological innovation, guided by ecological coordination and focused on quality, the Company will continue to bolster its core competitive strengths amidst the complex environment and drive stable and sustainable development of the enterprise on the back of its advanced end-to-end integrated AI solutions.

2.3.2 Risk exposures

(1) Compliance risks

The Group has established business presences and branch organisations in numerous countries and regions worldwide, where different laws and regulations, regulatory policies and contexts for law enforcement are in force and subject to dynamic, ongoing evolvement, with increasingly stringent and complicated compliance requirements in the areas of export control, anti-business bribery, data protection and privacy, among others. This will increase complicatedness in compliance management and adaptation costs for the Group in relation to its global business operations, which could affect the Group's operations. For the possible impact of compliance risks on the operation of the Group, please refer to "Note XII. 2. Contingent events 2.1 to the Financial Statements" in this report. With a strong emphasis on compliance which is regarded as a strategic cornerstone, the Group has built a governance structure led by the Compliance Management Committee and complemented by a three-tier line of defense to create a pyramidal regime of rules covering export control, anti-business bribery and data protection, among others. On the back of our proprietary digital compliance systems capable of functions such as export control scanning and business partner screening, compliance control points have been embedded in sales, procurement, R&D and other business processes. Compliance training for all employees has been conducted on a regular basis whilst periodic audit and closed-loop supervision is implemented by the independent compliance audit department. Meanwhile, the Company has continued to strengthen its base-level core technologies and its ability to counter risks along the supply chain, with a view to enhancing its operational resilience and sustainability on all fronts.

(2) Risks associated with technological innovation

New-generation information technologies are undergoing a stage of rapid development, as technological updates and generational upgrades of products are taking place at an accelerated pace. While new technologies and new products are coming onstream thick and fast, they are also subject to uncertainty. Deviations from industry trends in the area of forward-looking technological innovation, insufficient R&D investment in critical technologies, or inability to develop new products catered to market demands on an ongoing basis will subject the Group to the risk of diminishing competitiveness and slowdown in development, resulting in adverse impact on its future operations. With a strong emphasis on technological innovation, the Group has continued to increase its R&D investment in frontier technologies, including the invention, identification, planning and commercialisation of such technologies, such that it would be able to enhance its technical and product competitiveness in terms of product innovation and product upgrade with a view to preemptively seizing market opportunities, in an active effort to address uncertainties in technological and market development and fulfill changing customer demands in the future to underpin sustainability.

(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 exclusive 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 affecting the operations of the Group. The Group adopts ongoing measures to strengthen foreign exchange risk management covering the entire business process and seeks to reduce exchange rate risk 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 continued to advance 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 a wide range of financial instruments, 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

Given the complex external environment and a large customer base with differing credit status, the Group's business will inevitably be affected to varying extents by the varied credit profiles of these customers. The Group seeks effective identification, assessment and dynamic management of credit risks through the systematic implementation of core mechanisms, such as customer credit search, credit rating and award, customer credit limit management and overall exposure risk control through the development of an intelligent customer credit management regime. On the basis of the aforesaid, a differentiated internal credit management strategy has been formulated and put into implementation, taking into account the different risk characteristics of key industries and emerging sectors. Meanwhile, financial instruments such as credit insurance and supply-chain financing are being actively employed to optimise the mechanism of risk allocation on an ongoing basis and enhance the Group's overall risk aversion ability.

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

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, Corporate Governance Standards for Listed Companies, Shenzhen Listing Rules and Hong Kong Listing Rules.

The Company has established a governance structure comprising the General Meeting of shareholders, the Board of Directors and the management, as well as a "4+1" duty performance platform under the Board of Directors, 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 with this report and the 2026 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 2026, there were 635,458 shareholders (comprising 635,176 holders of A shares and 282 holders of H shares).

III. Corporate Governance, Environmental Performance and Social Responsibility

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

As at 30 June 2026, 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	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 shares pledged, marked or frozen
1. Zhongxingxin Telecom Company Limited ("Zhongxingxin")Note 1	Domestic general corporation	20.09%	958,940,400	A share	–	–	Nil
			2,038,000	H share	–		
2. HKSCC Nominees LimitedNote 2	Foreign shareholder	15.73%	752,421,294	H share	+32,119	–	Unknown
3. ICBC Limited – Guotai CSI All Share Communications Equipment Traded Open-ended Index Securities Investment Fund	Others	1.27%	60,795,436	A share	+37,432,527	–	Nil
4. Hong Kong Securities Clearing Company LimitedNote 3	Foreign corporation	1.18%	56,615,735	A share	−6,837,412	–	Nil
5. Hunan Telecom Industry Group Company Limited	State-owned corporation	0.87%	41,516,065	A share	–	–	Nil
6. Hexie Health Insurance Co., Ltd. – Wanneng product	Others	0.81%	38,796,600	A share	–	–	Nil
7. Shanxi Communications Services Co., Ltd.	State-owned corporation	0.40%	19,073,940	A share	–	–	Nil
8. Hexie Health Insurance Co., Ltd. – Wanneng	Others	0.37%	17,930,000	A share	–	–	Nil
9. Li An Private Equity Fund Management (Beijing) Co., Ltd. – Li An Dong Yuan Private Equity Securities Investment Fund	Others	0.31%	15,001,807	A share	–	–	Nil
10. Zhou Bin	Domestic natural person	0.31%	15,000,000	A share	+10,456,141	–	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	N/A
Special statement on special repurchase account(s) maintained by the top 10 shareholders	As at the end of the Reporting Period, 24,558,211 A shares in the Company (shareholding percentage 0.51%) were held in the "ZTE Corporation Special Repurchase Securities Account". In accordance with pertinent provisions, shares held in the special repurchase account are excluded from the shareholdings of top 10 shareholders and top 10 shareholders not subject to lock-up shown above.
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	The 9th ranking shareholder Li An Private Equity Fund Management (Beijing) Co., Ltd. – Li An Dong Yuan Private Equity Securities Investment Fund held 15,001,807 A shares in the Company via a credit securities account; the 10th ranking shareholder Zhou Bin held 15,000,000 A shares in the Company via a credit securities account.

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 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: 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 compared to 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 2026, 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)
UBS Group AG	Interests of corporate controlled by you	59,591,126 H shares (L) 44,822,416 H shares (S)	1.25%(L) 0.94%(S)	7.89%(L) 5.93%(S)
BlackRock, Inc.	Interests of corporate controlled by you	53,126,937 H shares (L) 1,440,400 H shares (S)	1.11%(L) 0.03%(S)	7.03%(L) 0.19%(S)
Citigroup Inc.	Interests of corporate controlled by you, holder of assured entitlements to shares, approved lending agent	51,330,221 H shares (L) 34,686,068 H shares (S) 10,623,386 H shares (P)	1.07%(L) 0.73%(S) 0.22%(P)	6.79%(L) 4.59%(S) 1.41%(P)
JPMorgan Chase & Co.	Beneficial owner, investment manager, holder of assured entitlements to shares, approved lending agent	50,681,450 H shares (L) 21,632,331 H shares (S) 12,136,509 H shares (P)	1.06%(L) 0.45%(S) 0.25%(P)	6.71%(L) 2.86%(S) 1.61%(P)
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; (P) — Lending pool

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 (including treasury shares of A shares), comprising 4,028,032,353 A shares (including treasury shares of A shares) and 755,502,534 H shares, as at 30 June 2026.

For details of shares or debentures held by the Directors and chief executives of the Company as at 30 June 2026, please refer to the section headed "3.1.3.1 Shareholdings of Directors and Senior Management" in this report. Save as disclosed above, as at 30 June 2026, 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: shares

Class of shares	31 December 2025 Number of shares	31 December 2025 Percentage	Increase/decrease as a result of the change during the Reporting Period (+, −) New issue	Bonus issue	Transfer from capital reserve	Others	Sub-total	30 June 2026 Number of shares	30 June 2026 Percentage
I. Shares subject to lock-up	**411,121**	**0.01%**	**–**	**–**	**–**	**–**	**–**	**411,121**	**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 and senior management subject to lock-up	411,121	0.01%	–	–	–	–	–	411,121	0.01%
II. Shares not subject to lock-up	**4,783,123,766**	**99.99%**	**–**	**–**	**–**	**–**	**–**	**4,783,123,766**	**99.99%**
1. RMB ordinary shares	4,027,621,232	84.20%	–	–	–	–	–	4,027,621,232	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%**

(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 2025	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 2026	Reason for lock-up	Date of unlocking
1	Xu Ziyang	126,000	–	–	126,000	Shares held by Directors 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	Wang Xiyu	104,275	–	–	104,275		
3	Li Ying	71,625	–	–	71,625		
4	Xie Junshi	84,351	–	–	84,351		
5	Ding Jianzhong	24,870	–	–	24,870		
	Total	**411,121**	**–**	**–**	**411,121**		

(3) Repurchase of A shares

At the 2024 Annual General Meeting of the Company held on 28 March 2025, the "Resolution on the Application for Mandate of the Repurchase of A Shares for 2025" was considered and passed, whereby the Board of Directors was authorised by the General Meeting to determine the number of A shares to be repurchased within the authorised limit of 5% of the total A share capital of the Company in issue as at the date of the consideration and approval of such resolution at the General Meeting. To safeguard the long-term interest of investors, maximise shareholders' value, further enhance and improve the Company's long-term incentive and restraint mechanism, the "Resolution on the plan to repurchase A shares in the Company by way of centralised priced bidding" was considered and passed at the Seventeenth Meeting of the Tenth Session of the Board of Directors of the Company held on 12 December 2025, whereby it was approved that the Company shall repurchase its A shares by way of centralised price bidding using internal funds, which A shares will be allotted for the implementation the Company's employee share ownership schemes or share incentives. The total amount of the repurchase shall be not less than RMB1,000 million and not more than RMB1,200 million and the repurchase prices shall be not more than RMB63.09 per share. The share repurchase period shall be within 12 months from the date on which it was considered and approved by the Board of Directors. For details, please refer to the "Announcement on the plan and report of the repurchase of the Company's A share" published by the Company on 12 December 2025.

The Company conducted the first repurchase of A shares on 27 May 2026. As at 30 June 2026, the Company repurchased 24,558,211 A shares (accounting for 0.51% of the Company's total share capital) on a cumulative basis by way of centralised price bidding via the stock trading system of Shenzhen Stock Exchange with a paid total amount of RMB855,246,755.1 (excluding transaction fees). On 20 July 2026, the repurchase of A shares was completed with the Company's further repurchase of 4,101,200 A shares. The actual period during which the repurchase took place was from 27 May 2026 to 20 July 2026. The number of A shares repurchased in aggregate was 28,659,411 shares, accounting for 0.60% of the Company's total share capital. The highest traded price was RMB35.66 per share and lowest traded price of RMB34.44 per share. The total amount paid was RMB1,000,068,034.32 (excluding transaction fees). All A shares acquired under this repurchase exercise of the Company are currently placed in the Company's special share repurchase account. For details, please refer to the Overseas Regulatory Announcements published by the Company on 28 May and 20 July 2026, respectively.

The monthly report on A share repurchase is set out as follows:

Month of repurchase	Number of shares repurchased (share)	Price per A share		Total amount (RMB) (Excluding transaction fees)
		Highest (RMB/share)	Lowest (RMB/share)	
May 2026	19,259,118	34.98	34.44	670,055,180.30
June 2026	5,299,093	35.16	34.75	185,191,574.80
July 2026	4,101,200	35.66	34.90	144,821,279.22

At the beginning of the Reporting Period, the Company did not hold any treasury shares. As at 30 June 2026 and the date of the publication of this report, the Company held 24,558,211 and 28,659,411 treasury shares of A shares, respectively, which were intended to be used in connection with the Company's employee share ownership schemes or share incentive.

(4) 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 Super and Short-term Commercial Papers ("SCPs"), MTNs and perpetual notes during the Reporting Period, please refer to the section headed "5.1 DEBT FINANCING INSTRUMENTS OF NON-FINANCIAL ENTERPRISES" in this report.

The Company had no employees' shares or preferential shares.

(5) Public float

As at 30 June 2026, the Company's public float is in compliance with the minimum requirement for public float requirements for relevant classes of shares set out in Rule 19A.28B(2) under the Hong Kong Listing Rules.

3.1.1.3 Implementation of profit distribution

The "Profit Distribution Proposal for 2025" was considered and approved at the 2025 Annual General Meeting of the Company held on 17 June 2026. A dividend of RMB4.11 in cash (before tax) for every 10 shares was distributed to all shareholders based on the total share capital in issue as at the record date for profit distribution and dividend payment, equivalent to an actual distribution amount of approximately RMB1,950 million (before tax) based on the Company's total share capital of 4,754,875,476 shares representing the total share capital of 4,783,534,887 shares less 28,659,411 A shares repurchased. The dividend payment was completed in July 2026.

The aggregate profit distribution of the Company in the form of cash in 2023–2025 of RMB8,170 million accounted for 104.92% of the annual average net profit attributable to the shareholders of the listed company in the past three years of RMB7,790 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 2026.

3.1.1.4 Shareholder communication and investor reception

The Company is committed to driving investor relations initiatives and enhancing communications with its shareholders to increase investors' understanding of the Company. In addition to the periodic reports and interim announcements published by the Company, the Company also publishes on its official website corporate news and information and updates on the Company's solutions and products and social responsibility to provide investors with information of the Company's latest developments in a timely manner. The Company enables investors to fully express their views by setting up investors' hotline and e-mail and through the investors relations interactive platform of Shenzhen Stock Exchange and the requisition of investors' questions prior to results presentation.

To facilitate the Company's communication with investors, the Company reports its operating conditions and financial data as well as responds to investors' and analysts' questions through results presentation. The 2025 annual results presentation of the Company was held on 30 March 2026.

The Company's general meetings of shareholders provide an opportunity for the Directors and senior management to engage with the shareholders. The Directors and senior management members attend the meeting and answer the queries of shareholders on a best effort basis. The Company convened its 2025 Annual General Meeting on 17 June 2026. Resolutions considered and approved at the meeting included, among others, "2025 Annual Report" and "Proposal for Profit Distribution for 2025" For details, please refer to the "Announcement on Resolutions of the 2025 Annual General Meeting" published by the Company on 17 June 2026. The Directors and senior management of the Company attended the aforesaid meeting and communicated with the shareholders at the meeting.

Details of reception of investors by the Company in the first half of 2026:

Nature	Time	Location	Mode	Audience received	Key contents discussed	Information furnished
Results presentation	March 2026	Shenzhen	Internet livestream	Investors and securities analysts including Tianfeng Securities, China Merchants Securities, CITIC Securities, CSC, Guotai Haitong Securities, Nomura, PICC AMC, Citi Securities and CICC	Annual results and operating conditions of the Company	Published announcements and regular reports
External meeting	January to June 2026	Shenzhen	On-site meeting	Customers of Guotai Haitong Securities, Tianfeng Securities and Nomura	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 Listing Rules and Rule 3.10 (1) & (2) and Rule 3.10 (A) 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 AND SENIOR MANAGEMENT

3.1.3.1 Shareholdings by Directors and senior management

Name	Gender	Age	Title	Status of office	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	61	Chair	Incumbent	–	–	–	–	–	–
Xu Ziyang	Male	53	Director and President	Incumbent	168,000	–	–	168,000	0.0035%	0.0042%
Yan Junwu	Male	57	Director	Incumbent	–	–	–	–	–	–
Zhu Weimin	Male	59	Director	Incumbent	–	–	–	–	–	–
Zhang Hong	Male	47	Director	Incumbent	–	–	–	–	–	–
Zhuang Jiansheng	Male	60	Independent Non-executive Director	Incumbent	–	–	–	–	–	–
Wang Qinggang	Male	55	Independent Non-executive Director	Incumbent	–	–	–	–	–	–
Tsui Kei Pang	Male	65	Independent Non-executive Director	Incumbent	–	–	–	–	–	–
Li Miaona	Female	51	Employee Director	Incumbent	–	–	–	–	–	–
Senior management of the Company										
Wang Xiyu	Male	51	Executive Vice President	Incumbent	139,034	–	–	139,034	0.0029%	0.0034%
Li Ying	Female	48	Executive Vice President and Chief Financial Officer	Incumbent	95,500	–	–	95,500	0.0020%	0.0024%
Xie Junshi	Male	50	Executive Vice President	Incumbent	112,468	–	–	112,468	0.0024%	0.0028%
Ding Jianzhong	Male	49	Secretary to the Board of Directors	Incumbent	33,160	–	–	33,160	0.0007%	0.0008%
Total					**548,162**	**–**	**–**	**548,162**	**0.0115%**	**0.0136%**

Note 1: The term of appointment of Employee Director Ms. Li Miaona shall be from May 2025 to March 2028. The term of appointment of other Directors commences and ends concurrently with the term of appointment of the Company's Directors with the Tenth Session of the Board of Directors (March 2025 to March 2028); the term of appointment of the senior management commences and ends concurrently with the term of appointment of the Tenth Session of the Board of Directors (March 2025 to March 2028).

Note 2: All shareholdings in the Company held by the Directors and senior management of the Company were A shares and no H shares were held by them. The Directors 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 and senior management of the Company.

Save as disclosed above, as at 30 June 2026, none of the Directors 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 2026, the Company had not entered into any other arrangements that allow the Directors 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 of the Company confirmed that the Company has adopted the Model Code. Upon due enquiry with all Directors 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 during the Reporting Period.

3.1.3.2 Offices held by Directors and senior management

(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.

(2) Positions held at other entities

Name	Name of other entities	Position at other entities
Fang Rong	Xiazhi Technology Company Limited	Chairman
	Dalian HOLI Information Scientific and Technological Co., Ltd.	Director
	Beijing HOLI Health Information Scientific and Technological Co., Ltd.	Director
	ZTE Energy (Hubei) Co., Ltd.	Director
	Honghu Liuhe Aquatic Products Development Co., Ltd.	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 Co., Ltd.	Director
Zhu Weimin	Shenzhen ZTE International Investment Limited	Chairman
	Beijing United ZTE International Investment Limited	Chairman
	Sanya Zhongxing International Investment Co., Ltd.	Chairman
	Tianjin Zongheng Technology Co., Ltd.	Chairman
	Shenzhen Juxin Investment Management Co., Ltd.	Director
	Shenzhen Zhongxing WXT Company Limited	Director
	Shenzhen Xinyu Tengyue Electronics 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 Zhongxing Information Company Limited	Director
	Shenzhen Aerospace Industrial Technology Finance Co., Ltd.	Director

III. Corporate Governance, Environmental Performance and Social Responsibility

Name	Name of other entities	Position at other entities
Zhuang Jiansheng	Shanghai Huiye 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 and Development Company Limited	Chairman

(3) Position held at subsidiaries of the Company

Name	Name of subsidiaries	Position at subsidiaries
Fang Rong	Beijing ZTE Digital Nebula Technology Co., Ltd.	Chairman
Wang Xiyu	Sanechips Technology Co., Ltd.	Chairman
	Zhongxing Photonics Technology Co., Ltd.	Chairman
	JINZHUAN Information Technology Co., Ltd.	Vice-chairman
	Beijing LeapRise Technology Co., Ltd.	Chairman
	Beijing Leaplines Technology Co., Ltd.	Chairman
	Shanghai Puzhan Technology Co., Ltd.	Chairman
	SHANGHAI SHENQI JI YUAN INTELLIGENT TERMINAL CO., LTD.	Chairman
	Beijing XingYun Digital Technology Co., Ltd.	Chairman
	Beijing ZTE Digital Nebula Technology Co., Ltd.	Vice-chairman
	Shenzhen ZetaMatrix Co., Ltd.	Chairman
	Changsha Zhongxing Software Company Limited	Chairman
Li Ying	ZTE Group Finance Company Limited	Chairman
	ZTE (H.K.) Limited	Chairman
	Shenzhen Caixing Management Consulting Co., Ltd.	Chairman
	Sanechips Technology Co., Ltd.	Director
	INTELLIBRIGHT INTERCONNECT LIMITED	Director
	Beijing ZTE Digital Nebula Technology Co., Ltd.	Director
Xie Junshi	Shenzhen ZTE Technology & Service Company Limited	Chairman

(4) Changes in positions held

Ms. Fang Rong has been appointed as chairman of Beijing ZTE Digital Nebula Technology Co., Ltd. with effect from January 2026 and has ceased to be director of Zhongxing Green Energy (Hubei) Company Limited and Yangfan Bio-Engineering Company Limited as from as from February 2026 and June 2026, respectively.

Mr. Wang Xiyu has been appointed as chairman of Changsha Zhongxing Software Company Limited with effect from April 2026.

Ms. Li Ying has been appointed as director of Beijing ZTE Digital Nebula Technology Co., Ltd. with effect from January 2026.

3.1.3.3 Other information

For brief biographies of the Company's Directors and senior management and other information, please refer to the 2025 Annual Report published on 26 March 2026 by the Company. Save for the aforesaid 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 incentive 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 2026, the Group had 62,568 employees. For the Reporting Period, the aggregate amount of the Group's staff remuneration was approximately RMB15.5 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 study, case discussion, themed seminars, sand table drilling and project assignments, as well as online learning or remote learning. 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 proposed by the Political Bureau of the Central Committee calling for effort to "invigorate the capital market and boost investors' confidence" and that by the Executive Meetings of the State Council to "vigorously enhance the quality and investment value of listed companies and adopt more robust and effective measures to stabilise the market and reassure confidence" and with a view to safeguarding the interests of all shareholders and facilitating its 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") and published the "Overseas Regulatory Announcement" and relevant announcements of updates on 7 February 2024, 28 March 2025 and 6 March 2026, respectively.

In the first half of 2026, the Company sustained revenue growth as it constructed an end-to-end AI capability regime on the back of the dual driver of "connectivity + computility" in persistent implementation of the strategic principle of "All in AI，AI for All" to address the challenges as well as opportunities arising from the rapid development of artificial intelligence. In the meantime, the Company's net profit attributable to the parent company was under pressure against the backdrop of transitioning industry cycles coupled with adjustments to the business structure. The Company continued to improve its corporate governance structures and regimes with the formulation of the "Remuneration Management Rules for Directors and Senior Management". The Board of Directors actively carried out their duties with diligence and care and made decisions in a scientific manner, whilst the Independent Directors' amply fulfilled their role to "take part in decision-making, provide supervision and checks and offer professional opinions" in a solid effort to safeguard the interests of the Company and the minority shareholders. Obligations in information disclosure were fulfilled in strict accordance with regulatory rules for listed companies and improvements were made to our open, fair, transparent and multi-dimensional channel for investor communication. With a strong emphasis on its investment value, the Company formulated the "Market Value Management System" and rigorously implemented its requirements on an ongoing basis. In connection with returns for shareholders, the Company conducted A share repurchases in 2026 and, as at 20 July 2026, 28,659,411 A shares accounting for 0.60% of the Company's total share capital had been repurchased and the total amount paid for the repurchase was approximately RMB1,000 million. Profit distribution of approximately RMB1,950 million in aggregate (before tax), representing approximately 35% of the Company's net profit attributable to shareholders of the listed company for 2025, was made according to the 2025 profit distribution plan considered and approved at the 2025 Annual General Meeting. The Company's dividend distribution was completed in July 2026. The progress and effectiveness of the Company's Action Plan has been presented in this report.

3.2 ENVIRONMENTAL PERFORMANCE

The Company emphasises deep integration of technological innovation with sustainable development whilst embracing artificial intelligence, 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 reduced carbon emissions from its operations by practicing green operation which prioritised the ecology. The Company advocated the low-carbon office as part of its corporate culture, as it encouraged staff to practise green travelling and switch off power supply to equipment when they are not in use. With a special focus on major power consumption units such as the R&D laboratory and production lines, we consistently sought to identify new technologies, scenarios and models with potential for reducing emission through in-house R&D as well as collaboration with other parties. Moreover, the Company has announced the ZTE Green Development 15th FYP White Paper which sets out the green development goals by 2030 and paths for implementation.

In connection with **green supply chain**, the Company was driving low-carbon green upgrades of enterprises along the upstream and downstream industrial chains through critical measures such as: dual-carbon empowerment and audit for suppliers, carbon reduction measures and joint creative carbon reduction in association with suppliers, promotion of green manufacturing technologies and construction of "lights-out plants", demonstration lines for low-carbon logistics developed in association with logistics companies and customers, and the building of a new model of "dual-circulation" recycling through coordination between internal and external operations, in the four principal key segments of green procurement, green production, green logistics and resource recycling. Prominent results in energy conservation and consumption reduction have been achieved as electricity consumption per unit of production for the first half of 2026 decreased by 9.3%, year-on-year.

In connection with **green digital base**, the Company has built green digital and intelligent infrastructure of the highest quality to reduce the carbon footprint of its products throughout their full life cycle with its integrated AI capabilities by consistently increasing its R&D investment in efficient chips, intelligent power-saving algorithms, liquid cooling technologies and green renewable energy, among others, aiming to achieve excellence in "clean energy, premium ICT and intelligent network". Our relevant solutions have been selected for first-batch inclusion in the Guangdong Province Collection of Cases of Low-carbon Green Practices.

In connection with **green industry empowerment**, the Company facilitated scenario-specific smart applications, such as smart factory and green city rail, for key sectors such as the Internet, energy, transportation and manufacturing on the back of ICT technologies (such as 5G, cloud, AI, digital nebula platform), enhancing operational efficiency and the efficiency of resource utilisation for customers through digital means to fully unleash the green multiplying effect of ICT technologies and help the industries to achieve energy conservation, carbon reduction as well as quality and efficiency enhancement.

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 set out 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 2026, ZTE Charity Foundation launched services relating to education assistance, medical relief, low-carbon environmental protection and rural revitalisation in line with its vision of "Reaching out with goodwill to every corner" to fulfill the role of a channel for community welfare and drive sustainable development of the society.

In connection with the support of education, ZTE Charity Foundation continued to adopt an education assistance system characterised by "financial aid + companionship for formative age + aptitude development" underpinned by the operation of two major programmes: "ZTE Education Assistance for China" and "ZTE Angel Education Assistance Programme". In the first half of 2026, financial assistance was provided to 1,252 underprivileged high-school students and household visits were made to 69 families of aided students in regions such as Gansu, Qinghai, Hunan, Shaanxi and Anhui. In addition to the ongoing "Echo Programme" which provided companionship through letter writing and the "Q&A for the Young" counselling column, we have further launched training for psychological counselling entitled "Sunshine Campus for a Healthy Mind", covering 17 county-level high schools in 8 provinces including Gansu, Qinghai and providing professional counselling training to 142 front-line teachers, which would benefit more than 35,000 high school students as an endeavour to safeguard the psychological health of teenagers through two approaches: equipping teachers with skills and providing company for students.

In connection with support for medical relief, we continued to enhance the aid and relief system represented by "medical aid + counselling and companionship + policy advocate", as we advanced the implementation of programmes such as the Bright Babies ROP (retinopathy of prematurity) relief project, aid for refractory nephrotic syndrome, aid for immuno-deficiency and the Vcare facility to offer medical support to distressed pediatric patients throughout all stages, in a bid to contribute to healthcare in China with the power of community charity efforts. Meanwhile, the "Multicentric Research on ROP in Low-temperature Regions" project continued to operate 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. In the first half of 2026, our volunteers' team participated in the forestation initiatives in Bakeshiying Village in Luanping County, Hebei underneath the Great Wall, having planted close to ten thousand Chinese Red Pines to create 89 mu of green land in an effort to optimise the ecological systems and structures in the region and restore the servicing function of the ecosystem. Meanwhile, the third-stage field investigation exercise on beast and avian diversity was launched "ZTE Charity Forestry Area" in Lesser Khingan in partnership with College of Wildlife Resources of Northeast Forestry University, making records of 10 types of beasts (from 7 families under 4 orders) and 21 types of birds (from 14 families under 6 orders) in testimony to successful forest maintenance and ecological protection in the area, where the regional ecological environment was showing potential to support the survival of key species commanding a higher nutrition level.

In connection with rural revitalisation, ZTE Charity Foundation implemented accurately targeted assistance measures in close tandem with the actual needs of rural areas in various regions. Donation initiatives planned in previous periods were systematically implemented in Tianlin County in Guangxi, Muli County in Sichuan, Huanan County and Tangyuan County in Heilongjiang, and Maqin County in Qinghai, in an ongoing effort to assist in qualitative rural development.

In connection with staff voluntary services, we had 22,299 staff volunteers as at the end of June 2026. Through themed activities such as "Charity Run", "Protecting the Mountain Flowers" and "Do Something for My Homeland", 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 2026 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 2026, 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 important litigation and arbitration proceedings are set out as follows:

1. 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 disputes pertaining to a contract for cooperation in real estate development. Hunan ZICT Technology Co., Ltd. ("Hunan ZICT"), a subsidiary of the Company, 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 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, 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, Hunan ZICT was served with documents including a civil complaint, a summons and a notice of action.

   In October 2025, Jinliuyuan petitioned to Zhengxiang Court to demand for the payment by Hunan ZICT of depreciation loss on pledged housing properties in relation to the case amounting to RMB54,190,000. In November, Hunan ZICT submitted a counter-petition to Zhengxiang Court for the court to rule in favour of a payment for contract default amounting to RMB30 million by Jinliuyuan to Hunan ZICT and confirm, among others, the preferential rights to compensation of Hunan ZICT over amounts derived from the auction, sale and discounting of the pledged housing properties.

   In December 2025, the case was heard at the court and the claimant and defendant each stated their claim and defense. After court, Jinliuyuan and Hunan ZICT each submitted an application to Zhengxiang Court for the authentication of pricing for the completed work involved in the case. As the application for authentication by Jinliuyuan duplicated that by Hunan ZICT, Hunan ZICT withdrew its application. The case is now undergoing the stage of judicial authentication.

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

2. On 25 June 2026, ZXNE CORPORATION ("ZXNE"), a wholly-owned subsidiary of the Company, filed a litigation against Guiyang Municipal Construction and Investment Group Company Limited ("Guiyang Municipal Investment") with the Guiyang Intermediary People's Court ("Guiyang Intermediary Court") in connection with disputes relating to the contract "Project Order — Integrated Operations and Management Platform for Smart Car Park Power Charging" to petition for the settlement of payables, performance guarantee deposit and liquidated damages for the period of contract performance by Guiyang Municipal Investment amounting to approximately RMB44.45 million in aggregate.

   On 29 June 2026, Guiyang Municipal Investment filed a litigation against ZXNE as defendant with the Guanshan District People's Court of Guiyang ("Guanshan Court") to petition for (1) the rescindment of "Project Order — Integrated Operations and Management Platform for Smart Car Park Power Charging"; and (2) refund of paid amounts and payment of liquidated damages, interest loss, and authentication and litigation fees, among others, amounting to approximately RMB85.72 million in aggregate by ZXNE.

   Currently, trial of the aforesaid case has yet to commence.

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

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 2026, 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. In the first half of 2026, the Group had no material connected transactions arising from acquisitions or disposals of assets or equity interests, nor material connected transactions involving joint investment in third parties, nor material connected transactions giving rise to non-operating creditor-debtor relationships with connected parties, nor any connected finance companies. There were no deposits, lending, credit facilities or other financial transactions between the finance company controlled by the Company and connected parties.

Details of the Group's connected transactions with connected parties in the ordinary course of business in the first half of 2026 as considered and approved by the Board are set out as follows:

Unit: RMB in ten thousands

Counterparty	Nature of connection	Subject matter	Price	Transaction limit for 2026 approved by the Board	Transaction amount for the first half of 2026	As a percentage of similar transactions
Zhongxingxin and its subsidiaries and companies in which it holds equity interests of 30% or above	Controlling shareholder of the Company and its subsidiaries and companies in which it holds equity interests of 30% or above	Purchase of raw materials from the connected party	Wiring equipment: RMB0.5–5,000 per unit; optical patch cord: RMB0.5–3,000 per unit; optical cable components: RMB0.5–1,000 per piece; laser component flange and opto-isolator: RMB0.1–4,000 per piece; cabinet: RMB1–50,000 per unit; accessories of cabinet: RMB1–10,000 per unit; antenna rod: RMB100–2,000 per unit; metal alloy stamp and mould: RMB0.1–500,000 per set; solar spare parts: RMB10–120,000 per set; flexible printed circuit (FPC), rigid-flexible printed circuit (R-FPC) and components: RMB0.5–100 per piece; robot: RMB10,000–300,000 per set; industrial camera: RMB5,000–200,000 per unit; industrial light source: RMB1,000–100,000 per set; graphic processing controller: RMB5,000–150,000 per set; industrial light source controller: RMB500–50,000 per set; LiFePO4 battery: RMB1,000–8,000 per unit; battery accessories: RMB500–1,000 per unit	40,000	12,924.1	0.21%
Huatong Technology Company Limited ("Huatong")	Subsidiary of company for which a connected natural person of the Company acted as director	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	3,494.3	13.86%
Nanchang Zhongzhan Digital and Smart Technology Company Limited ("Zhongzhan Digital")	Subsidiary of company for which a connected natural person of the Company acted as director	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	3,570.1	14.16%
Shenzhen Shuzhigang Technology Industry Co., Ltd. ("Shuzhigang")	Subsidiary of company for which a connected natural person of the Company acted as director	Purchase of parts and components by the connected party on behalf of the Company	Prices of raw materials were based on market prices taking into account factors such as conditions of the projects, size of transaction and product costs. The rate of agency fees charged by the connected parties was mainly subject to factors such as payment methods, type of orders and operating modes, which would not exceed the rates charged by third-party agents of a similar type.	300,000	97,082.7	1.60%

The aforesaid connected parties were able to manufacture products required by the Group on a continuous basis and provide quality products and services at competitive prices. The Company considers trustworthy and cooperative partners as very important and beneficial to the Group's operations. 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 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 raw materials were purchased on behalf of the Group by connected parties were based on market prices taking into account factors such as conditions of the projects, size of transaction and product costs, among others. The rate of agency fees charged by the connected parties was mainly subject to factors such as payment methods, type of orders and operating modes, among others, which would not exceed the rates charged by third-party agents of a similar type.

4.3 MATERIAL CONTRACTS AND THEIR PERFORMANCE

In the first half of 2026, 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 2026 are as follows:

(1) Overview of guarantee for third parties as at the end of the Reporting Period

As at 30 June 2026, the balance of the Group's third-party guarantee amounted to approximately RMB1,875,557,600 in aggregate, accounting for 2.44% of the net assets attributable to holders of shares of the listed company as at 30 June 2026. Guarantee provided for parties with a gearing ratio of over 70% amounted to RMB723,721,800. 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 guarantee at the end of the Reporting Period
Provide to third parties outside the Group	—	—	—	—
Provided by the Company on behalf of subsidiaries	1,231,404.90	123,960.34	2,842,203.39	166,567.74
Provided by subsidiaries on behalf of fellow subsidiaries	78,022.90	20,988.02	78,022.90	20,988.02
Total	**1,309,427.80**	**144,948.36**	**2,920,226.29**	**187,555.76**

(2) Details of third-party guarantee as at the end of the Reporting Period

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	1 March 2025	USD100 million	N/A	–	Joint liability assurance	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	USD138,227,600	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 two-year period during which CRS has not ordered any manufacturing service from the supplier with no due and outstanding debt payment	No
ZTE KANGXUN TELECOM CO., LTD.	8 April 2025	USD1,500 million	15 May 2025	USD12,936,300	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
Beijing LeapRise Technology Co., Ltd.	29 August 2025	USD200 million	9 September 2025	USD31,544,500	Joint liability assurance	Commencing on the date on which the letter of guarantee comes into effect and ending upon the lapse of a three-year period from the maturity of the performance period for the last debt under the purchase contract	No
3. Provided by subsidiaries on behalf of fellow subsidiaries							
Netaş Bilişim Teknolojileri A.Ş.[Note 1]	7 March 2026	USD70 million	Note 1	USD8,820,100	Joint liability assurance	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 1]	7 March 2026	USD15 million	Note 1	USD2,993,100	Joint liability assurance	Ending on the date on which the repayment of debt relating to the guarantee is completed	No
NETAŞ TELEKOMÜNİKASYON A.Ş.[Note 1]	7 March 2026	USD25 million	Note 1	USD19,070,100	Joint liability assurance	Ending on the date on which the repayment of debt relating to the guarantee is completed	No
Netaş Telecom Limited Liability Partnership[Note 1]	7 March 2026	USD5 million	Note 1	USD51,500	Joint liability assurance	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 Twenty-first Meeting of the Tenth Session of the Board of Directors and the 2025 Annual General Meeting of the Company and by the board of directors of NETAŞ TELEKOMÜNİKASYON A.Ş. ("Netaş"), 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. Netaş and BDH Bilişim Destek Hizmetleri Sanayi ve Ticaret.A.ş. ("BDH") shall provide credit guarantee for Netaş Bilişim Teknolojileri A.Ş. ("Netaş Bilişim") within the guarantee limit and, as at the end of the Reporting Period, the balance of the actual guarantee amount was USD8,820,100. Netaş and Netaş Bilişim shall provide credit loan guarantee for BDH within the guarantee limit and, as at the end of the Reporting Period, the balance of the actual guarantee amount was USD2,993,100. Netaş Bilişim shall provide credit loan guarantee for Netaş within the guarantee limit and, as at the end of the Reporting Period, the balance of the actual guarantee amount was USD19,070,100. Netaş shall provide credit loan guarantee for Netaş Telecom Limited Liability Partnership within the guarantee limit and, as at the end of the Reporting Period, the balance of the actual guarantee amount was USD51,500.

Note 2: As considered and approved at the Twenty-first Meeting of the Tenth Session of the Board of Directors and the 2025 Annual General Meeting of the Company, the provision of sales business performance guarantee line of no more than USD600 million in aggregate for 7 subsidiaries, procurement business performance guarantee line of no more than USD350 million in aggregate for 5 subsidiaries and debt financing performance guarantee line of no more than USD656 million in aggregate for 4 subsidiaries by the Company was approved. As considered and approved at the Twenty-first Meeting of the Tenth Session of the Board of Directors of the Company, the provision of procurement business performance guarantee line of no more than USD200 million for GEE WIN TECH LIMITED and debt financing performance guarantee line of no more than USD9 million in aggregate for ZTE LANKA (PRIVATE) LIMITED and ZTE Nepal Private Limited by the Company was approved. The computations of the total amount of guarantee on behalf of subsidiaries approved during the Reporting Period and the total amount of guarantee on behalf of subsidiaries approved as at the end of the Reporting Period included the aforesaid USD1,815 million guarantee line in aggregate. As at the end of the Reporting Period, the aforesaid guarantee amount had yet to be applied.

Note 3: No guarantee liability or joint repayment liability has been incurred during the Reporting Period in relation to the outstanding guarantees.

Note 4: The guarantee amounts were translated at the book exchange rates of the Company as at 30 June 2026: USD1: RMB6.7846; EUR1:RMB7.7331; IDR1:RMB0.000379049.

(3) Guarantees incurred subsequent to the end of the Reporting Period

The Company and ZTE (H.K.) Limited ("ZTE HK"), its wholly-owned subsidiary, entered into a "NOVATION AGREEMENT" under the "Framework Agreement for Communication Network Equipment and Service Groups" with EMIRATES TELECOMMUNICATIONS GROUP COMPANY (ETISALAT GROUP) P.J.S.C. ("e& Group"), a mobile carrier in UAE, pursuant to which ZTE HK shall provide communication equipment and services such as wireless access network to e& Group. The Company shall provide joint liability assurance in respect of the performance obligations of ZTE HK under the "Framework Agreement for Communication Network Equipment and Service Groups" for an amount of not more than USD50 million for a term commencing on the date of issuance of the guarantee by the parent Company and ending on the date on which performance of the obligations of ZTE HK under the "Framework Agreement for Communication Network Equipment and Service Groups" has been completed. In the event that the relevant obligations are not performed as scheduled, the term of guarantee shall automatically be extended for 3 years.

The aforesaid guarantee falls within the scope of the sales business performance guarantee line of no more than USD600 million in aggregate provided to 7 subsidiaries including ZTE HK as considered and approved at the 2025 Annual General Meeting of the Company. The aforesaid guarantee came into effect on 30 July 2026. For details, please refer to the Overseas Regulatory Announcement published by the Company on 31 July 2026.

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 and future businesses of the Company in any form (including but not limited to sole ownership, equity joint venture or co-operative joint venture and direct or indirect ownership of equity or other interests in other companies or enterprises, other than through ZTE); in the event that Zhongxingxin and/or such subsidiaries are participating in or carrying on in any manner at any time, Zhongxingxin will immediately terminate and/or procure any of its subsidiaries to terminate the participation in, management or operation of any such competing businesses.

During the first half of 2026, 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 2026, 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

During the first half of 2026, there was no appropriation of non-operating capital of the Company by the controlling shareholder and other connected parties.

4.6 PUNISHMENT AND RECTIFICATION AND CREDIBILITY

During the first half of 2026, the Company, its Directors, senior management and controlling shareholder were subject to any 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; the Company, its Directors and senior management were not subject to enforcement by other competent authorities for alleged violation of laws and regulations affecting the performance of their duties.

During the first half of 2026, 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.

4.7 OTHER MATERIAL MATTERS

(1) Media reports

On 11 December 2025, the Company had noted media reports regarding an investigation into the Company's compliance with the Foreign Corrupt Practices Act of the United States and published an "INSIDE INFORMATION ANNOUNCEMENT" in connection with the aforesaid matter on the same date. The Company maintains communication with the United States Department of Justice regarding the aforesaid matter, and no material progress has been made to date.

(2) Audit-related matters

The 2025 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 2026 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 in the first half of 2026.

(3) No bankruptcy or reorganisation

The Company was not subject to bankruptcy or reorganisation in the first half of 2026.

Save as matters disclosed in this report, there were no other discloseable material matters occurring to the Company or its subsidiaries in the first half of 2026 that remained undisclosed.

V. Information on Bonds

Information on bonds issued by the Company is 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 consolidated registration with the National Association of Financial Market Institutional Investors ("NAFMII") for the 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, MTNs and perpetual notes during the effective term of registration without further application.

During the Reporting Period, 23 tranches of SCPs issued by the Company for an aggregate issue amount of RMB21.7 billion had been repaid upon maturity. Information on the Company's SCPs, MTNs and perpetual notes issued and outstanding as at the date of the publication 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							
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							
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 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 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%
2026							
2026 Tranche I MTN	26中興通訊MTN001	102680588	11 February 2026	12 February 2026	12 February 2029	3	1.69%
2026 Tranche II MTN	26中興通訊MTN002	102680587	11 February 2026	12 February 2026	12 February 2029	3	1.69%
2026 Tranche III MTN	26中興通訊MTN003	102680592	11 February 2026	12 February 2026	12 February 2029	3	1.69%
2026 Tranche IV Sci-Tech Innovation Bond[Note]	26中興通訊MTN004 (科創債)	102681865	21 May 2026	22 May 2026	No fixed maturity	5	1.82%
2026 Tranche V MTN	26中興通訊MTN005	102682271	17 June 2026	18 June 2026	18 June 2031	5	1.82%
2026 Tranche VI MTN	26中興通訊MTN006	102682276	17 June 2026	18 June 2026	18 June 2031	5	1.82%
2026 Tranche VII MTN	26中興通訊MTN007	102682267	17 June 2026	18 June 2026	18 June 2031	5	1.82%
2026 Tranche VIII Sci-Tech Innovation Bond[Note]	26中興通訊MTN008 (科創債)	102682338	24 June 2026	25 June 2026	No fixed maturity	10	1.81%

V. Information on Bonds

Bond name	Bond abbreviation	Bond code	Issue date	Accrual date	Maturity date	Bond balance	Interest rate
2026 Tranche XXIV SCP	26中興通訊SCP024	012681706	7 July 2026	8 July 2026	30 September 2026	10	1.36%
2026 Tranche XXV SCP	26中興通訊SCP025	012681709	7 July 2026	8 July 2026	30 September 2026	10	1.36%
2026 Tranche XXVI SCP	26中興通訊SCP026	012681681	7 July 2026	8 July 2026	30 September 2026	10	1.36%
2026 Tranche XXVII SCP	26中興通訊SCP027	012681796	15 July 2026	16 July 2026	30 September 2026	15	1.36%
2026 Tranche XXVIII SCP	26中興通訊SCP028	012681788	15 July 2026	16 July 2026	30 September 2026	15	1.36%
2026 Tranche XXIX SCP	26中興通訊SCP029	012681782	15 July 2026	16 July 2026	30 September 2026	10	1.37%
2026 Tranche XXX SCP	26中興通訊SCP030	012681794	15 July 2026	16 July 2026	30 September 2026	10	1.36%
2026 Tranche XXXI SCP	26中興通訊SCP031	012681804	15 July 2026	16 July 2026	30 September 2026	10	1.46%
2026 Tranche XXXII SCP	26中興通訊SCP032	012681783	15 July 2026	16 July 2026	30 September 2026	10	1.36%
2026 Tranche XXXIII SCP	26中興通訊SCP033	012681801	15 July 2026	16 July 2026	30 September 2026	10	1.36%
2026 Tranche XXXIV SCP	26中興通訊SCP034	012681792	15 July 2026	16 July 2026	30 September 2026	5	1.36%
2026 Tranche XXXV SCP	26中興通訊SCP035	012681791	15 July 2026	16 July 2026	30 September 2026	5	1.36%
Total	–	–	–	–	–	**202.5**	–

Note: 2026 Tranche IV Sci-Tech Innovation Bond and 2026 Tranche VIII Sci-Tech Innovation Bond are both perpetual notes not subject to any fixed maturity or mandatory principal payment obligation under their terms. The products are subject to fixed redemption dates on which the Company may voluntarily elect to redeem or renew such bonds.

The SCPs, MTNs and perpetual notes issued by the Company are 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. SCPs are repaid as due in one-off payments of principal and interest. MTN interests are payable annually and the principal amount is repaid upon maturity. For the perpetual notes, interests are payable annually unless the Company exercises the deferred payment option on the interest payment date. The perpetual notes do not have a designated principal repayment date; the principal amount and all outstanding interests are settled if the Company exercises its redemption right. All matured bonds of the Company have been repaid. There were no overdue bonds.

In the first half of 2026, there was no adjustment of the Company's corporate credit rating. The new 2026 Tranche IV Sci-Tech Innovation Bond and 2026 Tranche VIII Sci-Tech Innovation Bond both obtained an issue-specific rating of AAAsti. There was no trigger or exercise of issuer or investor option clause or investor protection clause, nor trigger of guarantees, debt repayment schemes and other debt repayment assurance measures.

5.2 H-SHARE CONVERTIBLE BONDS

(1) Issuance

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 RMB3,584 million USD settled zero coupon H-share convertible bonds due 2030. 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 of the bonds, the convertible bonds may be converted into H shares (of par value of RMB1.00 each) at an initial conversion price of HKD30.25 per H share. The Managers offered the convertible bonds to no less than six independent subscribers, each of which (and each of their respective ultimate beneficial owners) not being a connected person of the Company as defined under the Hong Kong Listing Rules. The issuance 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).

The net proceeds from the bond subscription, after deduction of fees, commissions and certain estimated offering expenses, are estimated to be approximately USD494 million, represented a net issue price of approximately HKD29.90 per conversion share based on the initial conversion price. Net proceeds from the issue of the bonds are applied to enhancing the Company's R&D investments in computility products.

The initial conversion price of HKD30.25 per H share represented: (i) a premium of approximately 15.90% over the closing price of HKD26.1 per H share as quoted on the Hong Kong Stock Exchange on 28 July 2025 (being the day on which the Subscription Agreement was entered into); and (ii) a premium of approximately 16.12% over approximately HKD26.05 per H share, being the average closing price per H share as quoted on the Hong Kong Stock Exchange for the last five consecutive trading days up to and including 28 July 2025.

Assuming full conversion of the bonds at the initial conversion price of HKD30.25 per H share, the bonds will be convertible into approximately 129,726,464 H shares, representing approximately 17.17% of the total issued H share capital of the Company and approximately 2.71% of the total issued share capital of the Company as at the date of the publication of this report, and approximately 14.65% of the enlarged total issued H share capital of the Company and approximately 2.64% of the enlarged total issued share capital of the Company resulting from the full conversion of the bonds.

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, "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.

(2) Adjustment of conversion price

Pursuant to the terms and conditions of the bonds, the conversion price will be subject to adjustments for, among others, capital distributions to the holders of H shares, and accordingly, the payment of the 2025 final dividend will result in an adjustment to the conversion price. In light of the above, the conversion price of the bonds will be adjusted from the initial conversion price of HKD30.25 per H share to HKD29.72 per H share (the "Adjusted Conversion Price") as a result of the distribution of the 2025 final dividend, with effect from 30 June 2026.

As at the date of publication of this report, the bonds with an aggregate principal amount of RMB3,584 million remain outstanding. Assuming full conversion of all bonds at the Adjusted Conversion Price of HKD29.72 per H share, the bonds will be converted into approximately 132,039,936 H shares, representing: (i) an increase of 2,313,472 conversion shares from the 129,726,464 conversion shares convertible based on the initial conversion price of HKD30.25 per H share; (ii) approximately 17.48% of the issued H share capital and approximately 2.76% of the total issued share capital of the Company as at the date of the publication of this report; (iii) approximately 14.88% of the enlarged issued H share capital and approximately 2.69% of the enlarged total issued share capital of the Company upon full conversion of all bonds.

For details, please refer to the announcement "ADJUSTMENT TO THE CONVERSION PRICE OF RMB3,584 MILLION ZERO COUPON USD SETTLED CONVERTIBLE BONDS DUE 2030" published by the Company on 29 June 2026.

(3) Use of proceeds

Net proceeds of USD494 million from the issue of convertible bonds was fully utilised in 2025 as investments in the R&D of computility products, which is consistent with the previously disclosed intended use of the net proceeds.

(4) Diluting effect on shareholding structure and earnings per share

As at 30 June 2026, no conversion rights under the convertible bonds had been exercised. Assuming the conversion rights under the convertible bonds were exercised in full at the Adjusted Conversion Price as at 30 June 2026, the diluting effect on the Company's then total number of shares in issue (excluding treasury shares) and its shareholding structure would have been as follows:

Shareholder	Class of shares	Before full exercise of conversion rights under convertible bonds		After full exercise of conversion rights under convertible bonds	
		Number of shares (excluding treasury shares)	As approximate percentage of total number of shares in issue	Number of shares (excluding treasury shares)	As approximate percentage of total number of shares in issue
Zhongxingxin	A share	958,940,400	20.15%	958,940,400	19.61%
	H share	2,038,000	0.04%	2,038,000	0.04%
Holders of convertible bonds	H share	—	—	132,039,936	2.70%
Other shareholders	A share and H share	3,797,998,276	79.81%	3,797,998,276	77.65%
Total		**4,758,976,676**	**100%**	**4,891,016,612**	**100%**

Note: The number of shares indicated above excludes 24,558,211 treasury shares of A shares of the Company as at 30 June 2026.

Upon the full conversion of the convertible bonds, the conversion shares that fall to be issued will have a diluting effect on earnings per share. For details please refer to "Note V.59. Earnings per share to the Financial Statements" in this report.

For holders of the convertible bonds, conversion into shares or redemption based on the inherent return rate of the convertible bonds in future when the Company's share price approximates the currently effective conversion price will be equally favourable in terms of economic benefit.

As at the date of the publication of this report, no conversion rights under the convertible bonds have been exercised.

(5) Redemption

As at the date of the publication of this report, the Company has yet to exercise its right of redemption. Taking into account the Group's financial and liquidity position, the Company expects that it will be able to fulfill its obligation for redemption under the convertible bonds.

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

Item	**30 June 2026**	31 December 2025	Year-on-year increase/decrease
Current ratio	**1.71**	1.76	(2.84%)
Quick ratio	**1.15**	1.16	(0.86%)
Gearing ratio	**67.94%**	65.26%	Increased by 2.68 percentage points

Item	**Six months ended 30 June 2026**	Six months ended 30 June 2025	Year-on-year increase/decrease
Net profit after extraordinary items attributable to shareholders of the listed company (RMB in thousands)	**2,220,797**	4,103,900	(45.89%)
Debt-to-EBITDA ratio	**7.15%**	11.99%	Decreased by 4.84 percentage points
Interest coverage ratio	**3.03**	3.80	(20.26%)
Cash interest coverage ratio	**1.31**	3.33	(60.66%)
EBITDA interest coverage ratio	**4.56**	4.97	(8.25%)
Loan repayment ratio	**100%**	100%	—
Interest repayment ratio	**100%**	100%	—

5.4 OTHER INFORMATION

In the first half of 2026, the Company did not report loss on the consolidated statement exceeding 10% of net assets at the end of last year.

VI. FINANCIAL REPORTS

Consolidated Balance Sheet

30 June 2026
(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 2026 (Unaudited)	31 December 2025 (Audited)
Current assets			
Currency cash	1	24,647,410	33,751,116
Trading financial assets	2	25,972,742	17,396,415
Derivative financial assets	3	472,813	235,612
Trade receivables	4A	30,619,910	21,670,066
Factored trade receivables	4A	10,553	9,070
Receivable financing	4B	2,313,383	3,039,968
Prepayments	5	3,879,544	1,443,440
Other receivables	6	2,636,199	2,392,560
Inventories	7	54,645,606	47,017,122
Contract assets	8	7,742,165	5,881,166
Non-current assets due within one year	21	14,056,018	510,698
Other current assets	22	10,838,741	10,586,629
Total current assets		177,835,084	143,933,862
Non-current assets			
Debt investment	9	19,879,692	31,081,323
Long-term receivables	10	1,078,379	1,198,005
Factored long-term receivables	10	1,759	3,628
Investment in associates and joints	11	2,938,276	2,578,282
Other non-current financial assets	12	1,848,488	1,792,620
Investment properties	13	94,577	94,577
Property, plant and equipment	14	13,440,515	13,421,946
Construction in progress	15	845,733	798,207
Right-of-use assets	16	1,461,340	1,534,289
Intangible assets	17	6,645,968	6,016,651
Development costs	18	1,285,904	2,112,171
Goodwill	19	—	—
Deferred tax assets	20	5,279,015	5,165,677
Other non-current assets	22	7,912,805	8,008,137
Total non-current assets		62,712,451	73,805,513
TOTAL ASSETS		240,547,535	217,739,375

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

Consolidated Balance Sheet

30 June 2026
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
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Liabilities	Note V	**30 June 2026 (Unaudited)**	31 December 2025 (Audited)
Current liabilities			
Short-term loans	24	**3,847,434**	3,628,665
Bank advances on factored trade receivables	4A	**10,553**	9,070
Derivative financial liabilities	25	**383,152**	179,247
Bills payable	26A	**25,088,855**	15,270,429
Trade payables	26B	**26,791,776**	18,766,840
Contract liabilities	27	**16,348,849**	15,600,702
Employee benefits payable	28	**12,607,537**	15,084,210
Taxes payable	29	**1,160,312**	1,128,338
Other payables	30	**4,403,363**	2,828,768
Provisions	31	**1,529,965**	1,584,443
Non-current liabilities due within one year	32	**11,625,422**	7,900,409
Total current liabilities		**103,797,218**	81,981,121
Non-current liabilities			
Long-term loans	33	**42,719,274**	45,712,509
Bank advances on factored long-term trade receivables	10	**1,759**	3,628
Bonds payable	34	**10,213,683**	7,809,677
Lease liabilities	16	**1,002,387**	940,369
Long-term employee benefits payable	28	**137,822**	141,685
Deferred income		**1,818,320**	1,638,224
Deferred tax liabilities	20	**46,998**	107,910
Other non-current liabilities	35	**3,686,660**	3,763,011
Total non-current liabilities		**59,626,903**	60,117,013
Total LIABILITIES		**163,424,121**	142,098,134

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

Consolidated Balance Sheet

30 June 2026
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

Shareholders' equity	Note V	30 June 2026 (Unaudited)	31 December 2025 (Audited)
Shareholders' equity			
Share capital	36	4,783,535	4,783,535
Other equity instruments	37	1,627,497	126,956
Capital reserve	38	27,501,804	27,474,428
Less: treasury shares	39	855,375	—
Other comprehensive income	40	(2,615,148)	(2,673,180)
Special reserve	41	145,858	121,392
Surplus reserve	42	3,053,523	3,053,523
Retained profits	43	43,334,613	42,538,947
Total equity attributable to shareholders of the parent		76,976,307	75,425,601
Non-controlling interests		147,107	215,640
Total shareholders' equity		77,123,414	75,641,241
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		240,547,535	217,739,375

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

These financial statements are undersigned by the following persons:

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

Consolidated Income Statement

Six months ended 30 June 2026
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

	Note V	Six months ended 30 June 2026 (Unaudited)	Six months ended 30 June 2025 (Unaudited)
Operating revenue	44	78,025,359	71,552,734
Less: Operating costs	44	58,140,720	48,333,217
Taxes and surcharges	45	545,088	574,073
Selling and distribution costs	46	3,998,678	4,383,807
Administrative expenses	47	2,148,902	2,130,082
Research and development costs	48	10,929,855	12,664,812
Finance costs	50	11,015	(444,697)
Including: Interest expense		1,543,856	2,022,872
Interest income		1,690,748	2,552,107
Add: Other income	51	1,097,194	1,792,903
Investment income	52	471,325	150,909
Including: Gains from investment in associates and joint ventures		373,455	51,875
Losses from derecognition of financial assets at amortised cost		(151,758)	(165,135)
Gains from changes in fair values	53	(159,220)	159,402
Credit impairment losses	54	(404,867)	(114,916)
Asset impairment losses	55	(119,804)	(285,227)
Gains from asset disposal	56	3,713	3,846
Operating profit		3,139,442	5,618,357
Add: Non-operating income	57	111,868	97,087
Less: Non-operating expenses	57	113,446	51,138
Total profit		3,137,864	5,664,306
Less: Income tax	58	352,811	607,723
Net profit		2,785,053	5,056,583
Analysed by continuity of operations			
Net profit from continuing operations		2,785,053	5,056,583
Analysed by ownership			
Shareholders of the parent		2,752,825	5,057,571
Non-controlling interests		32,228	(988)

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

Consolidated Income Statement

Six months ended 30 June 2026
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

	Note V	Six months ended 30 June 2026 (Unaudited)	Six months ended 30 June 2025 (Unaudited)
Other comprehensive income, net of tax		58,320	(95,402)
Other comprehensive income attributable to shareholders of the parent company, net of tax	40	58,032	(95,063)
Other comprehensive income that cannot be reclassified as 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		4,295	–
Exchange differences on translation of foreign operations and others		53,737	(95,063)
		58,032	(95,063)
Other comprehensive income attributable to non-controlling interests, net of tax		288	(339)
Total comprehensive income		2,843,373	4,961,181
Attributable to:			
Shareholders of the parent		2,810,857	4,962,508
Non-controlling interests		32,516	(1,327)
Earnings per share (RMB/share)			
Basic	59	RMB0.58	RMB1.06
Diluted	59	RMB0.56	RMB1.06

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 2026
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

	Six months ended 30 June 2026 (Unaudited)										
	Equity attributable to shareholders of the parent										
	Share capital	Other equity instruments	Capital reserve	Less: treasury shares	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	126,956	27,474,428	–	(2,673,180)	3,053,523	121,392	42,538,947	75,425,601	215,640	75,641,241
II. Changes during the period											
(I) Total comprehensive income	–	–	–	–	58,032	–	–	2,752,825	2,810,857	32,516	2,843,373
(II) Shareholder's capital injection and capital reduction											
1. Ordinary share injection from shareholders	–	–	–	–	–	–	–	–	–	–	–
2. Equity settled payments charged to equity	–	–	–	–	–	–	–	–	–	–	–
3. Acquisition of non-controlling interest	–	–	27,376	–	–	–	–	–	27,376	(36,969)	(9,593)
4. Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	–
5. Issue of perpetual bond	–	1,499,321	–	–	–	–	–	–	1,499,321	–	1,499,321
6. Others	–	–	–	855,375	–	–	–	–	(855,375)	–	(855,375)
(III) Profit appropriation											
1. Allocation to surplus reserve	–	–	–	–	–	–	–	–	–	–	–
2. Distribution to shareholder	–	–	–	–	–	–	–	(1,955,939)	(1,955,939)	(64,080)	(2,020,019)
3. Others	–	1,220	–	–	–	–	–	(1,220)	–	–	–
(IV) Special reserve											
1. Allocated for the period	–	–	–	–	–	–	59,434	–	59,434	–	59,434
2. Utilised for the period	–	–	–	–	–	–	(34,968)	–	(34,968)	–	(34,968)
III. Closing balance for the period	4,783,535	1,627,497	27,501,804	855,375	(2,615,148)	3,053,523	145,858	43,334,613	76,976,307	147,107	77,123,414

	Six months ended 30 June 2025 (Unaudited)								
	Equity attributable to shareholders 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 payment charged to equity	–	–	–	–	–	–	–	–	–
3. Acquisition of non-controlling interest	–	–	–	–	–	–	–	–	–
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

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

Consolidated Cash Flow Statement

Six months ended 30 June 2026
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

	Note V	Six months ended 30 June 2026 (Unaudited)	Six months ended 30 June 2025 (Unaudited)
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		75,313,694	72,025,821
Refunds of taxes		4,233,838	4,241,444
Other cash received in relation to operating activities	60	2,249,749	1,960,319
Sub-total of cash inflows from operating activities		81,797,281	78,227,584
Cash paid for goods and services		55,573,146	50,061,114
Cash paid to and on behalf of employees		15,809,047	17,371,260
Cash paid for various types of taxes		3,309,835	4,331,162
Other cash paid in relation to operating activities	60	7,231,853	5,164,640
Sub-total of cash outflows from operating activities		81,923,881	76,928,176
Net cash flows from operating activities	60	(126,600)	1,299,408
II. Cash flows from investing activities			
Cash received from sale of investments		57,107,989	63,715,215
Cash received from return on investment		1,750,519	960,994
Net cash received from the disposal of property, plant and equipment, intangible assets and other long-term assets		12,150	31,898
Net cash received from the disposal of subsidiaries and other operating units		—	—
Other cash received in relation to investing activities	60	1,500,000	—
Sub-total of cash inflows from investing activities		60,370,658	64,708,107
Cash paid to acquisition of property, plant and equipment, intangible assets and other long-term assets		2,014,662	2,100,284
Cash paid for acquisition of investments		61,688,887	70,275,552
Net cash paid for acquisition of subsidiaries and other operating units, net		—	—
Other cash paid in relation to investing activities	60	2,052,143	—
Sub-total of cash outflows from investing activities		65,755,692	72,375,836
Net cash flows from investing activities		(5,385,034)	(7,667,729)
III. Cash flows from financing activities			
Cash received from capital contributions		1,499,550	—
Including: Capital contributions into subsidiaries by minority shareholders		—	—
Cash received from borrowings		50,478,877	58,957,973
Other cash received in relation to financing activities	60	20	—
Sub-total of cash inflows from financing activities		51,978,447	58,957,973
Cash repayment of borrowings		47,074,964	50,949,588
Cash payments for distribution of dividends, profits and for interest expenses		819,811	3,736,803
Including: Distribution of dividends, profits by subsidiaries to minority shareholders		62,186	28,877
Other cash paid in relation to financing activities	60	1,231,348	188,860
Sub-total of cash outflows from financing activities		49,126,123	54,875,251
Net cash flows from financing activities		2,852,324	4,082,722
IV. Effect of changes in foreign exchange rate on cash and cash equivalents		(159,220)	543
V. Net increase in cash and cash equivalents		(2,818,530)	(2,285,056)
Add: Balance of cash and cash equivalents at the beginning of the period		25,482,400	28,026,417
VI. Net balance of cash and cash equivalents at the end of the period	60	22,663,870	25,741,361

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

Balance Sheet

30 June 2026
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

Assets	Note XV	30 June 2026 (Unaudited)	31 December 2025 (Audited)
Current assets			
Currency cash	1	9,666,481	20,157,122
Trading financial assets		23,926,144	17,352,525
Derivative financial assets		448,520	229,125
Trade receivables	2	56,930,906	44,303,372
Factored trade receivables		10,553	9,070
Receivable financing		1,844,762	2,423,862
Prepayments		1,184,719	50,348
Other receivables	3	36,083,497	33,711,594
Inventories		14,789,705	16,850,693
Contract assets		3,242,719	2,594,216
Non-current assets due within one year		10,731,293	—
Other current assets		3,502,542	3,684,282
Total current assets		162,361,841	141,366,209
Non-current assets			
Debt investment		13,291,792	22,239,348
Long-term receivables	4	4,560,063	3,996,767
Factored long-term trade receivables		1,759	3,628
Investment in associates, joints and subsidiaries	5	19,545,765	19,136,136
Other non-current financial assets		1,810,842	1,736,221
Property, plant and equipment		4,914,915	5,260,455
Construction in progress		407,531	381,304
Right-of-use assets		415,037	474,301
Intangible assets		2,033,498	2,187,369
Development costs		584,753	420,844
Deferred tax assets		2,761,380	2,543,299
Other non-current assets		4,503,647	4,557,307
Total non-current assets		54,830,982	62,936,979
TOTAL ASSETS		217,192,823	204,303,188

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

Balance Sheet

30 June 2026
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

Liabilities and shareholders' equity	Note XV	**30 June 2026 (Unaudited)**	31 December 2025 (Audited)
Current liabilities			
Short-term loans		**110,274**	—
Bank advances on factored trade receivables		**10,553**	9,070
Derivative financial liabilities		**380,441**	151,713
Bills payable		**20,871,818**	14,984,696
Trade payables		**45,787,300**	47,231,428
Contract liabilities		**13,405,134**	12,913,242
Employee benefits payable		**6,856,384**	7,602,792
Taxes payable		**100,512**	112,792
Other payables		**14,005,229**	8,996,237
Provisions		**480,989**	554,110
Non-current liabilities due within one year		**2,716,402**	4,982,861
Total current liabilities		**104,725,036**	97,538,941
Non-current liabilities			
Long-term loans		**33,246,373**	31,857,556
Bank advances on factored long-term trade receivables		**1,759**	3,628
Bond payable		**10,213,683**	7,809,677
Lease liabilities		**385,569**	306,496
Long-term employee benefits payable		**137,822**	141,685
Deferred income		**130,457**	166,588
Other non-current liabilities		**2,019,660**	1,989,766
Total non-current liabilities		**46,135,323**	42,275,396
TOTAL LIABILITIES		**150,860,359**	139,814,337
Shareholders' equity			
Share capital		**4,783,535**	4,783,535
Other equity instruments		**1,627,497**	126,956
Capital reserve		**27,328,685**	27,328,685
Less: treasury shares		**855,375**	—
Other comprehensive income		**430,641**	408,601
Special reserve		**102,792**	83,893
Surplus reserve		**2,391,767**	2,391,767
Retained profits		**30,522,922**	29,365,414
Total shareholders' equity		**66,332,464**	64,488,851
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**217,192,823**	204,303,188

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

Income Statement

Six months ended 30 June 2026
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

	Note XV	Six months ended 30 June 2026 (Unaudited)	Six months ended 30 June 2025 (Unaudited)
Operating revenue	6	80,841,099	76,515,619
Less: Operating costs	6	73,634,191	65,462,401
Taxes and surcharges		124,891	144,130
Selling and distribution costs		2,569,342	3,196,596
Administrative expenses		1,220,110	1,622,834
Research and development costs		3,654,764	3,860,315
Finance costs		1,329,167	(673,869)
Including: Interest expense		1,080,356	887,014
Interest income		1,035,655	1,119,508
Add: Other income		119,478	43,481
Investment income	7	4,852,149	674,841
Including: Gains from investment in associates and joint ventures		346,914	53,537
Losses from derecognition of financial assets at amortised cost		(75,584)	(112,508)
Gains from changes in fair values		81,508	(200,055)
Credit impairment losses		(207,275)	(125,239)
Asset impairment losses		(79,635)	(113,556)
Gains from asset disposal		8,622	393
Operating profit		3,083,481	3,183,077
Add: Non-operating income		6,768	596,673
Less: Non-operating expenses		83,504	35,907
Total profit		3,006,745	3,743,843
Less: Income tax		(107,922)	181,769
Net profit		3,114,667	3,562,074
Including: net profit from continuing operations		3,114,667	3,562,074
Other comprehensive income, net of tax		22,040	9,147
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		4,295	–
Exchange differences on translation of foreign operations and others		17,745	9,147
Total comprehensive income		3,136,707	3,571,221

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

Statement of Changes in Equity

Six months ended 30 June 2026
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

	Six months ended 30 June 2026 (Unaudited)								
	Share capital	Other equity instrument	Capital reserve	Less: treasury shares	Other comprehensive income	Surplus reserve	Special reserve	Retained profits	Total shareholders' equity
I. Opening balance for the period	4,783,535	126,956	27,328,685	–	408,601	2,391,767	83,893	29,365,414	64,488,851
II. Changes during the period									
(I) Total comprehensive income	–	–	–	–	22,040	–	–	3,114,667	3,136,707
(II) Shareholder's capital injection and capital reduction									
1. Shareholder's ordinary share capital injection	–	–	–	–	–	–	–	–	–
2. Equity settled payments charged to equity	–	–	–	–	–	–	–	–	–
3. Issue of perpetual bond	–	1,499,321	–	–	–	–	–	–	1,499,321
4. Others	–	–	–	855,375	–	–	–	–	(855,375)
(III) Profit appropriation									
1. Allocation to surplus reserve	–	–	–	–	–	–	–	–	–
2. Distribution to shareholders	–	–	–	–	–	–	–	(1,955,939)	(1,955,939)
3. Others	–	1,220	–	–	–	–	–	(1,220)	–
(IV) Special reserve									
1. Allocated for the period	–	–	–	–	–	–	37,540	–	37,540
2. Utilised for the period	–	–	–	–	–	–	(18,641)	–	(18,641)
III. Closing balance for the period	4,783,535	1,627,497	27,328,685	855,375	430,641	2,391,767	102,792	30,522,922	66,332,464

	Six months ended 30 June 2025 (Unaudited)						
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Special reserve	Retained profits	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
II. Changes during the period							
(I) Total comprehensive income	–	–	9,147	–	–	3,562,074	3,571,221
(II) Shareholder's capital injection and capital reduction							
1. Shareholder's ordinary share capital injection	–	–	–	–	–	–	–
2. Equity settled payments charged to equity	–	–	–	–	–	–	–
3. Others	–	–	–	–	–	–	–
(III) Profit appropriation							
1. Allocation to surplus reserve	–	–	–	–	–	–	–
2. Distribution to shareholders	–	–	–	–	–	(2,951,441)	(2,951,441)
(IV) Special reserve							
1. Allocated for the period	–	–	–	–	35,579	–	35,579
2. Utilised for the period	–	–	–	–	(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

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

Cash Flow Statement

Six months ended 30 June 2026
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

		Six months ended 30 June 2026 (Unaudited)	Six months ended 30 June 2025 (Unaudited)
I.	**Cash flows from operating activities**		
	Cash received from sale of goods or rendering of services	78,929,902	76,162,226
	Refunds of taxes	3,220,168	2,247,942
	Other cash received in relation to operating activities	441,919	599,701
	Sub-total of cash inflows from operating activities	82,591,989	79,009,869
	Cash paid for goods and services	77,853,499	68,978,312
	Cash paid to and on behalf of employees	4,487,586	5,396,977
	Cash paid for various types of taxes	357,623	762,501
	Other cash paid in relation to operating activities	3,598,078	3,849,731
	Sub-total of cash outflows from operating activities	86,296,786	78,987,521
	Net cash flows from operating activities	(3,704,797)	22,348
II.	**Cash flows from investing activities**		
	Cash received from sale of investments	54,517,317	61,028,265
	Cash received from return on investments	643,171	2,010,203
	Net cash received from the disposal of property, plant and equipment, intangible assets and other long-term assets	208,795	359,124
	Other cash received in relation to investing activities	31,681	2,212,726
	Sub-total of cash inflows from investing activities	55,400,964	65,610,318
	Cash paid to acquisition of property, plant and equipment, intangible assets and other long-term assets	659,937	828,654
	Cash paid for acquisition of investments	58,134,741	66,971,651
	Other cash paid in relation to investing activities	63,030	2,428,875
	Sub-total of cash outflows from investing activities	58,857,708	70,229,180
	Net cash flows from investing activities	(3,456,744)	(4,618,862)
III.	**Cash flows from financing activities**		
	Cash received from capital contributions	1,499,550	—
	Cash received from borrowings	36,115,700	47,667,538
	Other cash received in relation to financing activities	6,214,976	12,153,137
	Sub-total of cash inflows from financing activities	43,830,226	59,820,675
	Cash repayment of borrowings	34,072,988	42,963,987
	Cash payments for distribution of dividends and profits or for interest expenses	531,984	3,449,715
	Other cash paid in relation to financing activities	7,383,683	10,404,473
	Sub-total of cash outflows from financing activities	41,988,655	56,818,175
	Net cash flows from financing activities	1,841,571	3,002,500
IV.	**Effect of changes in foreign exchange rate on cash and cash equivalents**	(78,329)	24,794
V.	**Net increase in cash and cash equivalents**	(5,398,299)	(1,569,220)
	Add: Balance of cash and cash equivalents at the beginning of the period	14,340,671	15,604,627
VI.	**Net balance of cash and cash equivalents at the end of the period**	8,942,372	14,035,407

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

Notes to Financial Statements

Six months ended 30 June 2026
(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 21 August 2026.

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 the charge of bad-debt provisions for trade receivables, inventory pricing, inventory impairment provision, government grants, revenue recognition and measurement, deferred development costs, depreciation of property, plant and equipment, amortisation of intangible assets and measurement of investment properties among others.

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 2026 and their results of operations and cash flows for the six months ended 30 June 2026 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 31 December.

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.

Notes to Financial Statements

Six months ended 30 June 2026
(Prepared in accordance with PRC ASBEs)
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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 write-off of material receivables	Individual 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

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 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
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.

Notes to Financial Statements

Six months ended 30 June 2026
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
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III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

5. Business combination (continued)

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.

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 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 without loss of control is accounted for as equity transaction.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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.

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 spot exchange rate prevailing on the date of the 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 loans for asset acquisition or construction eligible for the capitalisation which shall be dealt with according to the principle of capitalisation of borrowing costs, are recognised in current 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.

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

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Foreign currency translation (continued)

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.

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.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

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

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.

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 currency 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.

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III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

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

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

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.

(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 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;

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

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

i. Financial liabilities at fair value through profit or loss (continued)

(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.

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.

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III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

(4) Impairment of financial instruments (continued)

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 expected credit loss 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.

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 recognising 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.

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.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

(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.

(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.

(8) Convertible bonds

Upon the issuance of convertible bonds, the Group determines according to the terms of issuance whether such convertible bonds contain both debt and equity components. Where convertible bonds are issued with both debt and equity components, the debt component and the equity component is segregated upon initial recognition and dealt with separately. Upon segregation, the fair value of the debt component is first ascertained and adopted as the initially recognised amount. The initially recognised amount of the equity component is then determined by deducting the initially recognised amount of the debt component from the overall issue price of the convertible bonds. Transaction costs are allocated between the debt component and the equity component according to their respective relative fair value. The debt component is presented under liabilities and subsequently measured at amortised cost until cancellation, conversion or redemption of the bonds. The equity component is presented under equity and shall not be subject to subsequent measurement.

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 or specific identification 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.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

11. Inventories (continued)

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.

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.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

12. Investment in associates and joints (continued)

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 initial cost 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.

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 net 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.

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III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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 cost of the property, plant and equipment if the above recognition criteria are met, and the carrying value of the replaced part is derecognised; otherwise, such 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.

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

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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 capitalisation 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.

During the period of capitalisation, the amount of capitalised 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
Patented technology	2–10 years	Term/estimated useful life of patent, whichever shorter
Software	2–5 years	Actual useful life/estimated useful period in life cycle of product, whichever shorter
Franchise	2–10 years	Term/estimated useful life of franchise, whichever shorter
Development Costs	3–5 years	Actual useful life/estimated useful period in 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.

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III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

17. Intangible assets (continued)

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.

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 vesting period.

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 vesting 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.

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.

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III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

20. Revenue from customer contracts (continued)

(2) Accounting policies relevant to ascertaining and allocating 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.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

20. Revenue from customer contracts (continued)

(2) Accounting policies relevant to ascertaining and allocating 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. After 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.

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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 non-current 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.

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.

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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 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 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 recognised 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 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 recognising 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.

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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 at year-end 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.

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. The following changes in net obligations of defined benefits are recognised as operating costs and administration expenses in the income statement: service costs including current services costs, past service costs and settlement of profit or loss; and net interest including 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.

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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 (excluding foreign exchange risk);

(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 an exchange rate 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.

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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. 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.

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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, intangible assets and development expenditure 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. Net fair value less disposal costs is determined with reference to prices under sales agreement or observable market prices less incremental costs directly attributable to the disposal of such assets. This requires the Group to make 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 write-down 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. 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.

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.

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IV. TAXATION (continued)

2. Tax concession

Company name	Concessionary tax rate	Applicable period
ZTE Corporation*	15% (National-grade hi-tech enterprise)	2023–2025
Shenzhen ZetaMatrix Co., Ltd.*	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 Zhongxing Telecom Technology & Service Company Limited	15% (National-grade hi-tech enterprise)	2025–2027
Shenzhen Zhongxing Mobile Telecom Software Co., Ltd.	15% (National-grade hi-tech enterprise)	2025–2027
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
Wuhan Zhongxing Software Company Limited	15% (National-grade hi-tech enterprise)	2025–2027
JINZHUAN Information Technology Co., Ltd.*	15% (National-grade hi-tech enterprise)	2023–2025
Shenzhen Zhongxing Zhiping Technology Co., Ltd	15% (National-grade hi-tech enterprise)	2025–2027
Beijing Zhongxing Guangtai Software Company Limited*	15% (National-grade hi-tech enterprise)	2023–2025
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 Seecom Tech. Co., Ltd.	15% (National-grade hi-tech enterprise)	2024–2026
Sanya Zhongxing Software Company Limited*	15% (National-grade hi-tech enterprise)	2023–2025
ZTE (Chengdu) Company Limited	15% (National-grade hi-tech enterprise)	2025–2027
ZICT TECHNOLOGY CO., LTD.*	15% (National-grade hi-tech enterprise)	2023–2025
Changsha Zhongxing Software Company Limited	15% (National-grade hi-tech enterprise)	2025–2027

Note: Income tax for the six months ended 30 June 2026 was computed and paid at a 15% tax rate on a provisional basis. Registration for the 2026 preferential tax rate shall be completed before aggregated tax computation and payment for 2026.

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Currency cash

	30 June 2026	31 December 2025
Cash on hand	1,125	1,552
Bank Deposit	23,717,056	32,731,857
Other cash	929,229	1,017,707
Total	24,647,410	33,751,116
Including: total amount of offshore funds	3,431,973	2,897,883

As at 30 June 2026, the Group's currency cash placed overseas and subject to remittance restrictions amounted to RMB8,266,000 (31 December 2025: RMB23,054,000).

2. Trading financial assets

	30 June 2026	31 December 2025
Investment in equity instruments at fair value through current profit or loss	111,824	79,467
Financial assets at fair value through current profit or loss	25,860,918	17,316,948
Total	25,972,742	17,396,415

3. Derivative financial assets

	30 June 2026	31 December 2025
Fair-value hedging instrument (Note IX.3)	272,232	235,175
Cashflow hedging instrument (Note IX.3)	–	–
Derivative financial assets at fair value through current profit or loss	200,581	437
Total	472,813	235,612

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 set out as follows:

	30 June 2026	31 December 2025
Not overdue	23,171,151	15,431,985
Within 1 year	7,458,090	5,913,812
1 year to 2 years	796,146	1,054,696
2 years to 3 years	636,506	596,550
Over 3 years	5,200,053	4,995,971
	37,261,946	27,993,014
Less: bad debt provision for trade receivables	6,642,036	6,322,948
Total	30,619,910	21,670,066

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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 2026

	Book balance		Bad debt provision		Carrying value
	Amount	Percentage	Amount	Percentage	
Standalone provision for impairment	1,851,790	4.97%	1,851,790	100.00%	–
Recognition of provision for impairment by group with credit risk characteristics	35,410,156	95.03%	4,790,246	13.53%	30,619,910
Total	37,261,946	100.00%	6,642,036	17.83%	30,619,910

31 December 2025

	Book balance		Bad debt provision		Carrying value
	Amount	Percentage	Amount	Percentage	
Standalone provision for impairment	1,867,602	6.67%	1,867,602	100.00%	–
Recognition of provision for impairment by group with credit risk characteristics	26,125,412	93.33%	4,455,346	17.05%	21,670,066
Total	27,993,014	100.00%	6,322,948	22.59%	21,670,066

As at 30 June 2026, bad debt provisions for trade receivables on a group basis were as follows:

	Book balance	Provision for impairment	Percentage of provision
Not overdue	23,168,131	155,973	0.67%
Within 1 year	7,454,515	392,616	5.27%
1–2 years	746,740	272,353	36.47%
2–3 years	620,103	548,637	88.48%
Over 3 years	3,420,667	3,420,667	100.00%
Total	35,410,156	4,790,246	13.53%

(3) Movements in bad debt provisions for trade receivables

	Opening balance	Charge/(reversal) for the period	Write-off for the period	Effect of exchange rate	Closing balance
30 June 2026	6,322,948	410,887	(17,587)	(74,212)	6,642,036

For the six months ended 30 June 2026, RMB3,105,000 (six months ended 30 June 2025: RMB702,000) was reversed for trade receivables which were individually significant and for which bad-debt provision had been made separately. Write-off in respect of trade receivables which were individually significant and for which bad-debt provision had been made separately amounted to RMB10,248,000 (six months ended 30 June 2025: Nil).

RMB'000

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

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

(4) Top 5 accounts of trade receivables and contract assets as at 30 June 2026

	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	3,600,572	1,988,261	5,588,833	12.35%	43,078
Customer 2	1,340,092	2,001,058	3,341,150	7.38%	207,485
Customer 3	2,862,942	168,061	3,031,003	6.70%	56,096
Customer 4	2,365,155	626,218	2,991,373	6.61%	28,522
Customer 5	2,189,191	692,301	2,881,492	6.37%	44,243
Total	12,357,952	5,475,899	17,833,851	39.41%	379,424

(5) Transfer of trade receivables

Transfer of trade receivables that did not qualify for derecognition is separately reflected in "Factored trade receivables" and "Bank advances on factored trade receivables". As at 30 June 2026, factored trade receivables amounted to RMB10,553,000 (31 December 2025: RMB9,070,000); and bank advances on factored trade receivables amounted to RMB10,553,000 (31 December 2025: RMB9,070,000). For details of the transfer of trade receivables, please refer to Note IX.4.

(a) Factored trade receivables

	30 June 2026			31 December 2025		
	Book balance	Bad debt provision	Carrying value	Book balance	Bad debt provision	Carrying value
Factored trade receivables	10,553	—	10,553	9,070	—	9,070

(b) Movements in bad provision for factored trade receivables

	Opening balance	Charge/ (reversal) for the period	Write-off for the period	Effect of exchange rate	Closing balance
30 June 2026	—	—	—	—	—

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

4B. Receivable financing

	30 June 2026	31 December 2025
Commercial acceptance bills	2,169,496	2,669,765
Bank acceptance bills	143,887	370,203
Total	2,313,383	3,039,968

The endorsing or discounting of bills receivable and the disposal of trade receivables are measured at amortised cost if they 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; 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 were as follows:

	30 June 2026		31 December 2025	
	Derecognised	Not derecognised	Derecognised	Not derecognised
Commercial acceptance bills	6,145,388	–	3,521,732	–
Bank acceptance bills	750,386	–	1,025,832	–
Total	6,895,774	–	4,547,564	–

(2) Movements in bad debt provision for receivable financing were set out as follows:

	Opening balance	Charge/ (reversal) for the period	Write-off for the period	Closing balance
30 June 2026	2,776	(321)	–	2,455

5. Prepayments

(1) Aging analysis of prepayments was set out as follows:

	30 June 2026		31 December 2025	
	Book balance	Percentage	Book balance	Percentage
Within 1 year	3,855,227	99.37%	1,414,817	98.02%
Over 1 year	24,317	0.63%	28,623	1.98%
Total	3,879,544	100.00%	1,443,440	100.00%

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

5. Prepayments (continued)

(2) Top 5 accounts of prepayments as at 30 June 2026 were set out as follows:

Supplier	Amount	As a percentage of total amounts of prepayments
Supplier 1	1,291,322	33.29%
Supplier 2	654,600	16.87%
Supplier 3	425,058	10.96%
Supplier 4	209,952	5.41%
Supplier 5	205,232	5.29%
Total	2,786,164	71.82%

6. Other receivables

	30 June 2026	31 December 2025
Other receivables	2,636,199	2,392,560

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

	30 June 2026	31 December 2025
Within 1 year	2,432,616	2,470,839
1 year to 2 years	295,393	15,188
2 years to 3 years	12,220	5,048
Over 3 years	295,487	302,666
	3,035,716	2,793,741
Less: Bad debt provision for other receivables	399,517	401,181
Total	2,636,199	2,392,560

(2) Book balance of other receivables analysed by nature was set out as follows:

	30 June 2026	31 December 2025
Employee advances	31,390	23,633
Transactions with third parties	3,004,326	2,770,108
Total	3,035,716	2,793,741

(3) Charge of bad debt provisions

30 June 2026

	Book balance		Bad debt provision		Carrying value
	Amount	Percentage	Amount	Percentage	
Recognition of provision for impairment by group with credit risk characteristics	3,035,716	100.00%	399,517	13.16%	2,636,199

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

6. Other receivables (continued)

(3) Charge of bad debt provisions (continued)

30 June 2026 (continued)

As at 30 June 2026, bad debt provisions for other receivables on a group basis were as follows:

	Book balance	Provision for impairment	Percentage of provision
Aging risk portfolio	3,035,716	399,517	13.16%

Movements in the respective bad debt provisions for other receivables based on expected credit losses in the next 12 months and expected credit losses during the entire life were set out as follows:

	Stage 1	Stage 2	Stage 3	
	Expected credit losses in the next 12 months	Expected credit losses during the entire life (credit losses not incurred)	Financial assets with credit impairment occurred (credit losses incurred)	Total
Opening balance	7,895	–	393,286	401,181
Charge for the period	3,005	–	38,569	41,574
Reversal for the period	–	–	(41,374)	(41,374)
Write-off for the period	–	–	(193)	(193)
Exchange rate effect	–	–	(1,671)	(1,671)
Closing balance	10,900	–	388,617	399,517

Movements in bad debt provisions for other receivables were set out as follows:

	Opening balance	Charge/ (reversal) for the period	Write-off for the period	Exchange rate movement	Closing balance
Aging risk portfolio	401,181	200	(193)	(1,671)	399,517

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

6. Other receivables (continued)

(4) As at 30 June 2026, top five accounts of other receivables were 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	1,182,269	38.95%	Transactions with third parties	Within 1 year	2,956
Third-party entity 2	116,623	3.84%	Transactions with third parties	Over 3 years	116,623
Third-party entity 3	92,000	3.03%	Transactions with third parties	Over 3 years	92,000
Third-party entity 4	78,971	2.60%	Transactions with third parties	Within 1 year	134
Third-party entity 5	16,484	0.54%	Transactions with third parties	Over 1 year	16,484
Total	1,486,347	48.96%			228,197

7. Inventories

(1) Classification of inventories

	30 June 2026			31 December 2025		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Raw materials and materials under subcontract processing	36,638,105	3,543,349	33,094,756	28,540,603	3,552,961	24,987,642
Work in progress	3,478,827	38,670	3,440,157	2,420,453	44,698	2,375,755
Inventory	4,646,573	349,548	4,297,025	3,895,567	355,883	3,539,684
Dispatch of goods	7,304,594	609,285	6,695,309	8,505,971	827,524	7,678,447
Contract fulfilment costs	7,873,794	755,435	7,118,359	8,962,966	527,372	8,435,594
Total	59,941,893	5,296,287	54,645,606	52,325,560	5,308,438	47,017,122

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

7. Inventories (continued)

(2) Provision for impairment of inventory

(a) Movements in provision for impairment of inventory were set out as follows:

	Opening balance	Charge/ (reversal) for the period	Write-off for the period	Others	Closing balance
Raw materials and materials under subcontract processing	3,552,961	(5,285)	(4,321)	(6)	3,543,349
Work in progress	44,698	(6,034)	—	6	38,670
Inventories	355,883	6,910	(4,082)	(9,163)	349,548
Dispatch of goods and contract fulfilment cost	1,354,896	42,030	(22,289)	(9,917)	1,364,720
Total	5,308,438	37,621	(30,692)	(19,080)	5,296,287

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 inventory impairment provision upon completion of commodity sales.

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

	30 June 2026			31 December 2025		
	Book balance	Provision for impairment	Percentage of provision	Book balance	Provision for impairment	Percentage of provision
Terminal	8,510,598	376,698	4.43%	5,656,127	338,503	5.98%
Non-terminal						
Raw materials	31,723,132	3,306,795	10.42%	26,337,406	3,345,988	12.70%
Work in progress	2,794,332	27,349	0.98%	1,652,196	35,753	2.16%
Inventory	2,222,239	222,261	10.00%	1,585,121	235,019	14.83%
Dispatch of goods and contract fulfilment cost	14,691,592	1,363,184	9.28%	17,094,710	1,353,175	7.92%
Total	59,941,893	5,296,287	8.84%	52,325,560	5,308,438	10.15%

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.

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

8. Contract assets

(1) Information on contract assets

	30 June 2026			31 December 2025		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Contract assets	7,980,479	238,314	7,742,165	6,091,610	210,444	5,881,166

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.

(2) Analysed by method of charging provision for impairment of contract assets

30 June 2026

	Book balance		Provision for impairment		Carrying value
	Amount	Percentage	Amount	Percentage	
Standalone provision for impairment	101,264	1.27%	101,264	100.00%	–
Recognition of provision for impairment by group with credit risk characteristics	7,879,215	98.73%	137,050	1.74%	7,742,165
Total	7,980,479	100.00%	238,314	2.99%	7,742,165

31 December 2025

	Book balance		Provision for impairment		Carrying value
	Amount	Percentage	Amount	Percentage	
Standalone provision for impairment	102,629	1.68%	102,629	100.00%	–
Recognition of provision for impairment by group with credit risk characteristics	5,988,981	98.32%	107,815	1.80%	5,881,166
Total	6,091,610	100.00%	210,444	3.45%	5,881,166

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

8. Contract assets (continued)

(2) Analysed by method of charging provision for impairment of contract assets (continued)

(a) Contract assets for which provision for impairments were individually made were set out as follows:

	30 June 2026				31 December 2025	
	Book balance	Provision for impairment	Percentage of provision	Reason	Book balance	Provision for impairment
Customer 1	42,789	42,789	100%	Significant financial difficulty experienced by the debtors	42,792	42,792
Customer 2	34,738	34,738	100%	Significant financial difficulty experienced by the debtors	35,792	35,792
Others	23,737	23,737	100%	Significant financial difficulty experienced by the debtors	24,045	24,045
Total	101,264	101,264			102,629	102,629

(b) As at 30 June 2026, 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	7,879,215	137,050	1.74%

(3) Movements in provision for impairment of contract assets were set out as follows:

	Opening balance	Provisions/ (reversal) for the period	Write-off for the period	Exchange rate movements	Closing balance
30 June 2026	210,444	37,785	(270)	(9,645)	238,314

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

9. Debt investment

	30 June 2026			31 December 2025		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Large-amount certificates of deposit with a term of over one year	18,722,888	–	18,722,888	30,879,577	–	30,879,577
Others	1,156,804	–	1,156,804	201,746	–	201,746
Total	19,879,692	–	19,879,692	31,081,323	–	31,081,323

Note: Large-amount certificates of 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 of 30 June 2026, debt investments held by the Group basically consisted of large-amount certificates of deposit with maturity of over 1 year.

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

(1) *Long-term receivables*

	30 June 2026			31 December 2025			Range of discount rate
	Book Balance	Bad debt provision	Carrying value	Book Balance	Bad debt provision	Carrying value	
Installment payments for the provision of telecommunication system construction projects and financing lease payments	1,105,261	26,882	1,078,379	1,230,669	32,664	1,198,005	3.10%–7.05%

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

	Opening balance	Charge/(reversal) for the period	Write-off for the period	Effect of exchange rate	Closing balance
30 June 2026	32,664	(5,899)	–	117	26,882

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 2.43%.

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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

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". As at 30 June 2026, factored trade receivables amounted to RMB1,759,000 (31 December 2025: RMB3,628,000) and bank advances on factored trade receivables amounted to RMB1,759,000 (31 December 2025: RMB3,628,000). For details of the transfer of long-term receivables, please refer to Note IX.4.

Factored long-term receivables

	30 June 2026			31 December 2025		
	Book balance	Bad debt provision	Carrying value	Book balance	Bad debt provision	Carrying value
Factored long-term receivables	1,759	–	1,759	3,628	–	3,628

11. Investment in associates and joints

(1) Information on investment in associates and joint

		30 June 2026	31 December 2025
Equity method			
Joint ventures	(i)	1,661,276	1,250,822
Associates	(ii)	1,402,921	1,444,718
Less: provision for impairment of investment in associates and joints		125,921	117,258
Total		2,938,276	2,578,282

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

11. Investment in associates and joints (continued)

(1) Information on investment in associates and joint (continued)

(i) Joint Ventures

				Movement during the period								
	Shareholding percentage	Carrying value at the beginning of the period	Impairment provision at the beginning of the period	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	Carrying value at the end of the period	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%	37,187	–	–	–	(3,597)	–	–	–	–	33,590	–
Shaanxi Zhongtou Zhanlu Phase I Equity Investment Partnership Enterprise (Limited Partnership)	40.00%	56,960	–	–	–	1,999	–	–	–	–	58,959	–
Shaanxi Zhongtou Zhanlu Phase II Equity Investment Partnership Enterprise (Limited Partnership)	40.25%	110,391	–	–	–	24,616	–	–	–	–	135,007	–
Zhuhai Hongtu Zhanlu Equity Investment Partnership Enterprise (Limited Partnership)	40.00%	929,996	–	–	–	387,949	–	–	–	–	1,317,945	–
Beijing Shunyi Jianguang Zhanlu Emerging Industry Equity Investment Partnership (Limited Partnership)	58.75%	115,081	–	–	–	(513)	–	–	–	–	114,568	–
		1,250,822	–	–	–	410,454	–	–	–	–	1,661,276	–

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

11. Investment in associates and joints (continued)

(1) Information on investment in associates and joint (continued)

(ii) Associates

				Movement during the period								
	Shareholding percentage	Opening book balance	Provision for impairment at the beginning of the period	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
Shaanxi Jianxing Zhanlu Equity Investment Partnership (Limited Partnership)	39.00%	–	–	117,000	–	–	–	–	–	–	117,000	–
HENGYANG ICT REAL-ESTATE CO., LTD	30.00%	–	(52,446)	–	–	–	–	–	–	–	–	(52,446)
WHALE CLOUD TECHNOLOGY CO., LTD.	27.62%	1,138,006	–	–	–	(36,530)	–	–	–	–	1,101,476	–
Xingyun Times Technology Co., Ltd.	23.26%	115,822	–	–	(115,822)	–	–	–	–	–	–	–
Qingdao Hongtu Zhanlu Phase II Private Equity Investment Fund Partnership (Limited Partnership)	33.33%	58,389	–	–	–	(394)	–	–	–	–	57,995	–
Other investments		15,243	(64,812)	–	(5,976)	(75)	–	–	–	(8,663)	529	(73,475)
		1,327,460	(117,258)	117,000	(121,798)	(36,999)	–	–	–	(8,663)	1,277,000	(125,921)

12. Other non-current financial assets

	30 June 2026	31 December 2025
Investment in equity instruments at fair value through current profit or loss	836,593	687,921
Financial assets at fair value through current profit or loss	1,011,895	1,104,699
Total	1,848,488	1,792,620

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

13. Investment properties

	Buildings and land-use rights
Opening balance	94,577
Fair value change	–
Acquisition	–
Other transfers	–
Closing balance	94,577

As at 30 June 2026, there were no investment properties (31 December 2025: Nil) that had yet to obtain title registration certificates.

14. Property, plant and equipment

	Buildings and structures	Freehold land	Electronic equipment	Machinery equipment	Vehicles	Other equipment	Total
Cost							
Opening balance	12,845,884	31,249	9,922,521	3,094,564	220,037	420,998	26,535,253
Acquisitions	22,994	–	550,051	85,361	8,534	16,586	683,526
Transfer from construction in progress/others	391,091	–	–	–	–	–	391,091
Disposal or retirement	(25,346)	–	(211,651)	(48,959)	(6,558)	(7,248)	(299,762)
Exchange rate adjustments	(2,169)	892	(11,916)	(10,504)	(1,093)	(8,619)	(33,409)
Closing balance	13,232,454	32,141	10,249,005	3,120,462	220,920	421,717	27,276,699
Cumulative depreciation							
Opening balance	3,955,656	–	6,567,306	2,111,348	134,752	316,316	13,085,378
Charge	258,472	–	619,110	92,353	7,116	20,429	997,480
Disposal or retirement	(17,073)	–	(178,843)	(39,889)	(6,180)	(3,942)	(245,927)
Exchange rate adjustments	(1,639)	–	(10,343)	(8,107)	(1,004)	(7,179)	(28,272)
Closing balance	4,195,416	–	6,997,230	2,155,705	134,684	325,624	13,808,659
Provision for impairment							
Opening balance	20,775	–	1,565	5,511	–	78	27,929
Provision	–	–	–	–	–	–	–
Disposal or retirement	–	–	–	–	–	–	–
Exchange rate adjustments	–	–	(404)	–	–	–	(404)
Closing balance	20,775	–	1,161	5,511	–	78	27,525
Carrying value							
As at the end of the period	9,016,263	32,141	3,250,614	959,246	86,236	96,015	13,440,515
As at the beginning of the period	8,869,453	31,249	3,353,650	977,705	85,285	104,604	13,421,946

As at 30 June 2026, 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 carrying value of approximately RMB4,194,198,000 (31 December 2025: RMB4,320,173,000).

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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 2026 were set out as follows:

	Budget	Opening balance	Increase during the period	Transfer to property, plant and equipment during the period	Other reduction	Provision for impairment	Closing balance	Source of funds	Construction contribution as a percentage of budget	Work progress
Shenzhen Super Headquarters Project	692,147	374,297	18,569	–	–	–	392,866	Internal funds	57%	Under construction
ZTE Southwest Technological Innovation Centre project	870,600	69,012	48,412	–	–	–	117,424	Internal funds	13%	Under construction
Others		354,898	371,636	391,091	–	–	335,443	Internal funds		Under construction
		798,207	438,617	391,091	–	–	845,733			

As at 30 June 2026, there was no capitalised interest in the balance of the construction in progress (31 December 2025: 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 2026	Six months ended 30 June 2025
Interest expense on lease liabilities	40,789	49,516
Short-term leases through current profit or loss using simplified approach	35,311	50,276
Total cash outflow relating to leases	336,765	188,860

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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	2,314,977	86,741	925,668	3,327,386
Increase	244,171	1,295	2,293	247,759
Decrease	—	—	—	—
Exchange rate adjustment	(9,212)	(2,239)	2,136	(9,315)
Closing balance	2,549,936	85,797	930,097	3,565,830
Cumulative depreciation				
Opening balance	1,442,677	62,191	288,229	1,793,097
Charge	216,305	2,621	97,832	316,758
Decrease	—	—	—	—
Exchange rate adjustment	(5,500)	(1,607)	1,742	(5,365)
Closing balance	1,653,482	63,205	387,803	2,104,490
Carrying value				
As at the end of the period	896,454	22,592	542,294	1,461,340
As at the beginning of the period	872,300	24,550	637,439	1,534,289

(b) *Lease liabilities*

Lease liabilities due within one year are show under Non-current liabilities due within one year, amounting to RMB633,595,000 as at 30 June 2026 (31 December 2025: RMB732,813,000).

Long-term lease liabilities were set out as follows:

	30 June 2026	31 December 2025
Lease liabilities	1,002,387	940,369

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

16. Leases (continued)

(2) As lessor

(a) Finance leasing:

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

	Six months ended 30 June 2026	Six months ended 30 June 2025
Within 1 year	1,182,270	1,182,270
Over 1 year	300,000	300,000
Less: unrealised finance income	–	41,927
Lease investment, net	1,482,270	1,440,343

(b) Operating lease:

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

	Six months ended 30 June 2026	Six months ended 30 June 2025
Lease income	61,350	57,452

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

	Six months ended 30 June 2026	Six months ended 30 June 2025
Within 1 year (including 1 year)	113,420	105,775
1 to 2 years (including 2 years)	80,209	82,317
2 to 3 years (including 3 years)	57,192	64,717
3 to 4 years (including 4 years)	37,787	50,476
4 to 5 years (including 5 years)	34,066	35,724
More than 5 years	128,880	172,882
Total	451,554	511,891

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

17. Intangible assets

	Software	Technology know-how	Land use right	Franchise	Development costs	Total
Cost						
Opening balance	2,023,341	496,042	2,862,257	2,231,946	22,471,922	30,085,508
Acquisition	182,804	–	85,875	31,108	–	299,787
In-house R&D	–	–	–	–	1,647,151	1,647,151
Disposal or retirement	(24,957)	–	(58,789)	(67)	(175,324)	(259,137)
Exchange rate adjustments	(19,299)	–	–	(24,111)	–	(43,410)
Closing balance	2,161,889	496,042	2,889,343	2,238,876	23,943,749	31,729,899
Cumulative amortisation						
Opening balance	1,356,484	406,420	680,100	1,667,475	18,626,082	22,736,561
Provision	200,136	5,139	120,846	19,522	741,450	1,087,093
Disposal or retirement	(18,373)	–	(15,137)	(67)	–	(33,577)
Exchange rate adjustments	(15,648)	(1)	–	(16,327)	–	(31,976)
Closing balance	1,522,599	411,558	785,809	1,670,603	19,367,532	23,758,101
Provision for impairment						
Opening balance	90,316	81,359	–	548,658	611,963	1,332,296
Provision	–	–	–	–	–	–
Disposal or retirement	–	–	–	–	–	–
Exchange rate adjustments	(3,012)	–	–	(3,454)	–	(6,466)
Closing balance	87,304	81,359	–	545,204	611,963	1,325,830
Carrying value						
As at the end of the period	551,986	3,125	2,103,534	23,069	3,964,254	6,645,968
As at the beginning of the period	576,541	8,263	2,182,157	15,813	3,233,877	6,016,651

As at 30 June 2026, the Group was in the process of obtaining the land use right certificate of land blocks located in Beijing in the PRC with a carrying value of approximately RMB84,801,000 (31 December 2025: RMB84,302,000).

As at 30 June 2026, intangible assets formed through internal research and development accounted for 60% (31 December 2025: 54%) of the carrying value of intangible assets as at the end of the period.

18. Deferred development cost

Please refer to Note VI.2.

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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	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
Carrying value	–	–	–	–	–

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, NETAS TELEKOMUNIKASYON A.S. asset group and ZTE Hotel Shenzhen Investment & Management Company Limited 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 in previous years.

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

20. Deferred tax assets/liabilities

(1) Deferred tax assets which were not offset:

	30 June 2026		31 December 2025	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
Unrealised profits arising on consolidation	2,526,659	429,532	2,991,629	508,577
Provision for impairment of inventory and bad-debt provision	7,822,325	1,511,586	6,073,264	1,255,583
Estimated construction contract losses	863,852	129,578	942,504	141,376
Amortisation of development costs	4,195,838	624,653	4,137,415	607,731
Provision for warranties and returned goods	187,753	43,183	197,154	45,345
Long-term employee benefits payable	137,822	31,699	141,685	32,588
Deductible tax losses	3,745,297	580,063	4,697,220	730,236
Deferred income	1,143,438	272,814	980,100	228,341
Accruals and contract liabilities	11,382,199	1,790,328	10,986,740	1,735,182
Lease liabilities	1,635,982	245,397	1,673,182	250,977
Total	33,641,165	5,658,833	32,820,893	5,535,936

(2) Deferred tax liabilities which were not offset:

	30 June 2026		31 December 2025	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Deferred tax liabilities				
Revaluation gain of investment properties	240,558	37,529	256,241	39,881
Investment in financial instruments through profit or loss at fair value	359,328	50,898	379,155	56,168
Fair-value adjustment of business combination not under common control	36,720	5,508	36,720	5,508
Rights-of-use assets	1,461,340	250,310	1,534,289	267,904
Others	550,473	82,571	724,718	108,708
Total	2,648,419	426,816	2,931,123	478,169

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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 2026		31 December 2025	
	Amount of set-off	Amount after set-off	Amount of set-off	Amount after set-off
Deferred tax assets	379,818	5,279,015	370,259	5,165,677
Deferred tax liabilities	379,818	46,998	370,259	107,910

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

	30 June 2026	31 December 2025
Deductible temporary differences	10,894,953	11,804,660
Deductible losses	24,675,475	21,176,657
Total	35,570,428	32,981,317

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

	30 June 2026	31 December 2025
2026	336,101	374,613
2027	914,520	930,433
2028	1,284,386	1,349,442
2029	1,152,639	1,214,841
Beyond 2030	20,987,829	17,307,328
Total	24,675,475	21,176,657

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.

21. Non-current assets due within one year

	30 June 2026	31 December 2025
Debt investment	14,056,018	510,698

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

22. Other current assets/other non-current assets

(1) Other current assets

	30 June 2026	31 December 2025
Credit tax available for set off	10,572,569	10,417,873
Others	266,172	168,756
Total	10,838,741	10,586,629

(2) Other non-current assets

	30 June 2026			31 December 2025		
	Book balance	Impairment provision	Carrying value	Book balance	Impairment provision	Carrying value
Prepayments for projects, equipment and land	414,585	–	414,585	635,131	–	635,131
Risk compensation fund	–	–	–	1	–	1
Guarantee deposit	22,614	–	22,614	22,614	–	22,614
Restricted cash (Note 1)	3,304,569	–	3,304,569	3,348,726	–	3,348,726
Prepaid income tax	258,061	–	258,061	294,075	–	294,075
Property projects (Note 2)	1,516,604	356,270	1,160,334	1,516,604	356,270	1,160,334
Others	2,777,034	24,392	2,752,642	2,569,486	22,230	2,547,256
Total	8,293,467	380,662	7,912,805	8,386,637	378,500	8,008,137

Note 1: Restricted funds represented deposits in an escrow account. For details, please refer to Note XII.2.

Note 2: In view of changes in the property market, impairment tests have been conducted for the properties held. The recoverable amounts are determined based on the present value of estimated future cash flow.

	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
Property project	1,516,604	1,160,334	356,270	20	Recoverable amount based on calculation of present value of future cash flow	Growth rate for the estimation period 2.5%–4.5% Discount rate 6% Perpetual growth rate 2%	Estimated cashflow based on 20-year cashflow projection approved by the Company management

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

23. Assets under restrictions on ownership or right of use

30 June 2026

	Book balance	Carrying value	Type of restriction	Status of restriction
Currency Cash	929,229	929,229	Note 1	Note 1
Property, plant and equipment	61,024	36,869	Freeze	Note 2
Intangible assets	1,531	1,360	Freeze	Note 3
Other non-current assets – restricted cash	3,304,569	3,304,569	Note 4	Note 4
Total	4,296,353	4,272,027		

31 December 2025

	Book balance	Carrying value	Type of restriction	Status of restriction
Currency Cash	1,017,707	1,017,707	Guarantee deposits and statutory deposit reserves, among others.	Subject to restrictions
Property, plant and equipment	506,837	411,178	Security	Subject to restrictions
Intangible assets	160,790	131,580	Security	Subject to restrictions
Other non-current assets – restricted cash	3,348,727	3,348,727	Escrow account	Subject to restrictions
Total	5,034,061	4,909,192		

Note 1: As at 30 June 2026, the Group's cash subject to ownership or right-of-use restriction amounted to RMB929,229,000, including guarantee of RMB239,763,000, dues from the People's Bank of China of RMB682,963,000 and others of RMB6,503,000.

Note 2: As at 30 June 2026, property, plant and equipment with a total carrying value of RMB36,869,000 have been frozen pursuant to a court order; no property, plant and equipment were pledged for the purposes of asset acquisition.

Note 3: As at 30 June 2026, intangible assets with a total carrying value of RMB1,360,000 have been frozen pursuant to a court order; no intangible assets were pledged for the purposes of asset acquisition.

Note 4: As at 30 June 2026, restricted funds represented a RMB3,304,569,000 deposit in an escrow account, the details of which are set out in Note XII.

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

24. Short-term loans

		30 June 2026		31 December 2025	
		Original currency	RMB equivalent	Original currency	RMB equivalent
Credit loans	RMB	91,049	91,049	511,099	511,099
	USD	102,190	693,319	42,329	295,898
	EUR	23,288	180,086	24,051	197,352
	KZT	—	—	450,000	6,259
Bills discounting loans	RMB	1,396,719	1,396,719	4,781	4,781
Letter of credit loans	RMB	1,486,261	1,486,261	2,597,639	2,597,639
Secured loans	RMB	—	—	15,637	15,637
Total			3,847,434		3,628,665

As at 30 June 2026, there was no overdue borrowing.

25. Derivative financial liabilities

	30 June 2026	31 December 2025
Fair-value hedge instrument (Note IX.3)	106,699	172,319
Cash flow hedge instrument (Note IX.3)	—	6,812
Derivative Financial liabilities at fair value through current profit or loss	276,453	116
Total	383,152	179,247

26A. Bills payable

	30 June 2026	31 December 2025
Bank acceptance bills	15,037,567	6,144,476
Commercial acceptance bills	10,051,288	9,125,953
Total	25,088,855	15,270,429

As at 30 June 2026, there were no bills payable due and unsettled (31 December 2025: Nil).

26B. Trade payables

The aging of trade payables is based on the time of recognising the purchase of materials and equipment or accepting services and are normally settled within one year.

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

	30 June 2026	31 December 2025
Within 6 months	25,895,103	17,997,700
6 to 12 months	417,885	282,299
1 year to 2 years	147,021	218,295
2 years to 3 years	105,451	39,402
Over 3 years	226,316	229,144
Total	26,791,776	18,766,840

As at 30 June 2026, there were no material trade payables aged over 1 year or overdue (31 December 2025: Nil).

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

27. Contract liabilities

	30 June 2026	31 December 2025
Contracted consideration received	16,348,849	15,600,702

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.

28. 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	14,440,691	12,626,563	(14,910,473)	12,156,781
Retirement benefits (defined contribution scheme)	302,854	1,063,204	(1,089,854)	276,204
Termination benefits	340,665	424,911	(591,024)	174,552
Total	15,084,210	14,114,678	(16,591,351)	12,607,537

(a) Short-term remuneration was analysed as follows:

	Opening balance	Increase during the period	Decrease during the period	Closing balance
Salary, bonus and allowance	11,463,103	11,141,834	(13,520,213)	9,084,724
Staff welfare	12,229	8,795	(10,363)	10,661
Social insurance	80,727	630,051	(614,762)	96,016
Including: Medical	75,626	588,300	(572,663)	91,263
Work injuries	2,271	21,342	(21,477)	2,136
Maternity	2,830	20,409	(20,622)	2,617
Housing funds	62,650	477,647	(483,783)	56,514
Labour union fund and employee education fund	2,821,982	368,236	(281,352)	2,908,866
Total	14,440,691	12,626,563	(14,910,473)	12,156,781

(b) Defined contribution plans were analysed as follows:

	Opening balance	Increase during the period	Decrease during the period	Closing balance
Pension insurance	298,885	1,023,137	(1,049,616)	272,406
Unemployment insurance	3,969	40,067	(40,238)	3,798
Total	302,854	1,063,204	(1,089,854)	276,204

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

28. Employee benefits payable/Long-term employee benefits payable (continued)

(2) Long-term employee benefits payable

	30 June 2026	31 December 2025
Net liabilities from defined benefit plan	137,822	141,685

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.

29. Tax payable

	30 June 2026	31 December 2025
Value-added tax	368,061	378,250
Enterprise income tax	527,827	416,220
Including: PRC tax	149,238	137,242
Overseas tax	378,589	278,978
Personal income tax	125,252	197,734
City maintenance and construction tax	32,008	28,420
Education surcharge	25,521	17,728
Other taxes	81,643	89,986
Total	1,160,312	1,128,338

30. Other payables

	30 June 2026	31 December 2025
Dividend payables	1,955,939	–
Other payables	2,447,424	2,828,768
Total	4,403,363	2,828,768

(1) Dividend payables

	30 June 2026	31 December 2025
Dividend payable on ordinary shares	1,955,939	–

As at 30 June 2026, there were no dividend payables overdue for more than 1 year.

(2) Other payables

	30 June 2026	31 December 2025
Accruals	807,809	1,069,607
Deferred income from staff housing	34,175	34,143
Payables to external parties	913,271	1,116,177
Deposits	293,689	309,646
Others	398,480	299,195
Total	2,447,424	2,828,768

As at 30 June 2026, there were no other payables of a material nature aged over 1 year or overdue.

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

31. Provisions

	Opening balance	Increase during the period	Decrease during the period	Closing balance
Expected contract loss (Note)	942,504	415,051	(493,703)	863,852
Outstanding litigation	444,785	78,223	(44,648)	478,360
Provision for warranties	197,154	529	(9,930)	187,753
Total	1,584,443	493,803	(548,281)	1,529,965

Note: Contracts for which unavoidable cost for performance of contract obligations was in excess of their expected economic benefits.

32. Non-current liabilities due within one year

	30 June 2026	31 December 2025
Long-term loans due within one year	10,291,827	6,475,453
Lease liabilities due within one year	633,595	732,813
Other non-current liabilities due within one year	700,000	692,143
Total	11,625,422	7,900,409

33. Long-term loans

		30 June 2026		31 December 2025	
		Original currency	RMB equivalent	Original currency	RMB equivalent
Credit loans	RMB	42,674,279	42,674,279	45,691,759	45,691,759
	USD	6,632	44,995	2,968	20,750
Total			42,719,274		45,712,509

As at 30 June 2026, the annual interest rate for the aforesaid loans was 1.65%–9.50% (31 December 2025: 1.53%–10.24%).

Aging analysis of bank loans

	30 June 2026	31 December 2025
Shown as:		
Bank loan repayable:		
Within 1 year	14,139,261	10,104,118
Within 2 years	21,206,929	22,633,766
Within 3–5 years, inclusive	21,512,345	23,078,743
Beyond 5 years	—	—
Total bank loans	56,858,535	55,816,627

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

34. Bonds payable

	30 June 2026	31 December 2025
Medium-term notes (MTNs)	6,783,704	4,398,159
Convertible bonds (Note 1)	3,429,979	3,411,518
Total	10,213,683	7,809,677

The balance of bonds payable as at 30 June 2026 was 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%	5,579	–	509,802	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 Note)	1,000,000	2025/2/18	1826 days	1,000,000	1,016,656	–	1.93%	9,571	19,300	1,006,927	No
25 ZTE MTN002 (Sci-Tech Innovation Note)	1,000,000	2025/4/16	1826 days	1,000,000	1,013,996	–	1.98%	9,818	19,800	1,004,014	No
25 ZTE MTN003 (Sci-Tech Innovation Bond)	1,000,000	2025/6/25	1826 days	1,000,000	1,009,220	–	1.79%	8,876	17,900	1,000,196	No
25 ZTE MTN004 (Sci-Tech Innovation Bond)	350,000	2025/6/26	1826 days	350,000	353,407	–	1.90%	3,298	6,650	350,055	No
26 ZTE MTN001	300,000	2026/2/11	1096 days	300,000	–	300,000	1.69%	1,917	–	301,917	No
26 ZTE MTN002	300,000	2026/2/11	1096 days	300,000	–	300,000	1.69%	1,917	–	301,917	No
26 ZTE MTN003	300,000	2026/2/11	1096 days	300,000	–	300,000	1.69%	1,917	–	301,917	No
26 ZTE MTN005	500,000	2026/6/17	1826 days	500,000	–	500,000	1.82%	299	–	500,299	No
26 ZTE MTN006	500,000	2026/6/17	1826 days	500,000	–	500,000	1.82%	299	–	500,299	No
26 ZTE MTN007	500,000	2026/6/17	1826 days	500,000	–	500,000	1.82%	299	–	500,299	No
H-share Convertible Bond	3,584,000	2025/8/5	1826 days	3,584,000	3,411,518	–	0.00%	18,461	–	3,429,979	No

Note 1: As approved by the Hong Kong Stock Exchange, ZTE Corporation ("ZTE") issued to professional investors overseas convertible bonds which are convertible to ZTE H shares subject to specified conditions on 5 August 2025. The convertible bonds were issued in the specified denomination of RMB2,000,000 each and integral multiples of RMB1,000,000 in excess thereof. The total issue amount was RMB3,584,000,000. The debt portion of the issue of convertible bonds valued at RMB3,434,639,468 was included in bonds payable. The equity portion valued at RMB149,360,532 was included in other equity instruments. Other issue expenses paid amounted to RMB40,106,640 (before tax). Net issue proceeds amounted to RMB3,543,893,360.

The H-share convertible bonds were zero-coupon bonds with a term of 5 years. The share conversion period shall commence on or after the 41st day after the issue date (5 August 2025) and end at the close of business on the date falling 7 days prior to the maturity date of the convertible bonds, namely from 15 September 2025 to 25 July 2030, during which holders may apply for conversion into shares. As a result of ZTE's payment of its 2025 final dividend, the conversion price of the H-share convertible bonds was adjusted from HK$30.25 per H share to HK$29.72 per H share. As at 30 June 2026, no H-share convertible bonds were redeemed or converted.

35. Other non-current liabilities

	30 June 2026	31 December 2025
Long-term payable	3,647,993	3,724,344
Financial liabilities through current profit or loss at fair value	38,667	38,667
Total	3,686,660	3,763,011

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

36 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	411	—	—	—	411
Unrestricted shares	4,783,124	—	—	—	4,783,124
Total number of shares	4,783,535	—	—	—	4,783,535

Note: As at 30 June 2026, the Company did not issue any additional share capital during the period.

37. Other equity instruments

	Opening balance	Increase during the period	Decrease during the period	Closing balance
H-share convertible bonds — equity portion	126,956	—	—	126,956
26 ZTE MTN004 (Sci-Tech Innovation Bond) (Note 1)	—	500,746	—	500,746
26 ZTE MTN008 (Sci-Tech Innovation Bond) (Note 1)	—	999,795	—	999,795
Total	126,956	1,500,541	—	1,627,497

Note 1: The Company issued medium-term notes ("MTNs") for a gross principal amount of RMB1,500,000,000 during the period from May to June 2026. Pursuant to the terms of such MTNs, the coupon interest rate for the initial period shall represent the initial benchmark rate plus the initial spread. For subsequent periods, the coupon rate shall be adjusted by adding 300 basis points to the current benchmark plus the initial spread. The maximum coupon interest will not exceed the average interest rate level for similar instruments issued by peers in the same industry during the same period. The Company may elect, upon each interest payment date for the MTN, to defer the payment of current interest and all interests and their accruals deferred pursuant to this clause to the next interest payment date without being subject to any limitation to the frequency of payment deferrals. At each coupon rate reset date, the Company is entitled to elect to redeem the current MTN at par value plus interest payable (including all interests and their accruals deferred for payment). The MTN shall be subordinate to the common debt of the issuer in the order of settlement in the event of bankruptcy and liquidation. Pursuant to the aforesaid clause, the Company does not have a contractual obligation to deliver cash or other financial assets, hence the Company is of the view that this MTN does not fall under the definition of financial liability. The balance of RMB1,499,321,000 representing the total issue amount less issue expenses amounting RMB679,000 shall be included in other equity instruments. During the Reporting Period, the perpetual MTN accrued interests of RMB1,220,000 and the book balance as at the end of the period amounted to RMB1,500,541,000.

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	78,329	27,376	—	105,705
Total	27,474,428	27,376	—	27,501,804

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

39. Treasury shares

	Opening balance	Increase during the period	Decrease during the period	Closing balance
Treasury shares	–	855,375	–	855,375

Pursuant to the "Resolution on the plan to repurchase A shares in the Company by way of centralised priced bidding" considered and passed at the Seventeenth Meeting of the Tenth Session of the Board of Directors of the Company held on 12 December 2025, it was approved that the Company shall repurchase its A shares by way of centralised price bidding using internal funds for the implementation the Company's employee share ownership schemes or share incentives. On 27 May 2026, the Company conducted its first repurchase of A shares. As at 30 June 2026, the Company had repurchased 24,558,211 shares and recognised treasury shares amounting to RMB855,375,000 (including transaction fees) in aggregate.

40. 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	(70,076)	–	(70,076)
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	(72,277)	4,295	(67,982)
Differences arising from foreign currency translation and others	(2,575,177)	53,737	(2,521,440)
Total	(2,673,180)	58,032	(2,615,148)

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

40. 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	5,053	–	–	758	4,295	–
Differences arising from foreign currency translation and others	54,025	–	–	–	53,737	288
Total	59,078	–	–	758	58,032	288

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

41. Special reserve

	Opening balance	Increase during the period	Decrease during the period	Closing balance
Safe production cost	121,392	59,434	(34,968)	145,858

42. Surplus reserves

	Opening balance	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.

43. Retained profits

	30 June 2026	31 December 2025
Retained profits at the beginning of the period	42,538,947	39,872,643
Net profit attributable to shareholders of the parent	2,752,825	5,617,745
Surplus reserve	—	—
Cash dividend on ordinary shares payable	(1,955,939)	(2,951,441)
Interests for distribution to other holders of equity instruments	(1,220)	—
Retained profits at the end of the period	43,334,613	42,538,947

Profit distribution

	30 June 2026	31 December 2025
Dividend payable on ordinary shares approved, declared and distributed during the year	1,955,939	2,951,441
Proposed dividend payable on ordinary shares for 2025	—	1,966,033

Pursuant to the 2025 Profit Distribution Proposal considered and approved at the 2025 General Meeting of the Company held on 17 June 2026, a cash dividend of RMB4.11 (before tax) per 10 shares or RMB0.411 per share (before tax) shall be paid to all shareholders based on the total share capital in issue as at the record date for profit distribution and dividend payment. Based on 4,758,976,676 shares, representing the Company's total share capital of 4,783,534,887 shares as at 30 June 2026 less 24,558,211 shares in the special share repurchase account, the total amount of profit distribution shall be RMB1,955,939,413.84 (before tax). In July 2026, an additional repurchase of 4,101,200 shares was made. The Company completed the dividend distribution in July 2026. The finalised amount of profit distribution was RMB1,954,253,820.64 (before tax).

For the interim period of 2026, the Company will not conduct any profit distribution (six months ended 30 June 2025: Nil).

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

44. Operating revenue and operating costs

(1) Information on operating revenue and operating costs

	Six months ended 30 June 2026		Six months ended 30 June 2025	
	Revenue	Cost	Revenue	Cost
Principal business	75,474,815	56,356,679	69,314,571	46,562,830
Other business	2,550,544	1,784,041	2,238,163	1,770,387
Total	78,025,359	58,140,720	71,552,734	48,333,217

Operating revenue was shown as follows:

	Six months ended 30 June 2026	Six months ended 30 June 2025
Revenue from customer contract	77,964,009	71,495,282
Rental income — operating leases	61,350	57,452
Total	78,025,359	71,552,734

(2) Breakdown of operating revenue:

	Six months ended 30 June 2026	Six months ended 30 June 2025
Types of products		
Sale of products	28,043,010	26,252,485
Provision of service	5,457,450	4,994,652
Telecommunications system contracts with customers	44,463,549	40,248,145
Total	77,964,009	71,495,282
Operating area		
PRC	50,092,466	50,559,325
Asia (excluding PRC)	12,370,430	8,063,704
Africa	4,842,912	3,258,886
Europe, America and Oceania	10,658,201	9,613,367
Total	77,964,009	71,495,282
Timing of transfer		
Transferred at a point in time	72,506,559	66,500,630
Transferred over a period	5,457,450	4,994,652
Total	77,964,009	71,495,282

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

44. Operating revenue and operating costs (continued)

(3) Breakdown of operating cost (disclosure of operating cost breakdown for the current period only):

	Six months ended 30 June 2026
Types of products	
Sale of products	21,804,174
Provision of service	3,611,793
Telecommunications system contracts with customers	32,724,753
Total	58,140,720
Operating area	
PRC	37,773,462
Asia (excluding PRC)	9,213,410
Africa	3,118,210
Europe, America and Oceania	8,035,638
Total	58,140,720
Timing of transfer	
Transferred at a point in time	54,528,927
Transferred over a period	3,611,793
Total	58,140,720

(4) Performance obligations

Recognised income arising from:

	Six months ended 30 June 2026	Six months ended 30 June 2025
Revenue included in the opening book value of contract liabilities recognised for the period	9,131,397	8,092,737

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

44. Operating revenue and operating costs (continued)

(4) Performance obligations (continued)

Information pertaining to the Group's performance of contract obligations was 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	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.

(5) Apportioned to remaining performance obligations

As at 30 June 2026, the estimated timing for the recognition of income in respect of performance obligation yet to be performed or yet to be completed was as follows:

	Six months ended 30 June 2026	Six months ended 30 June 2025
Within 1 year	15,647,525	12,561,474
Over 1 year	8,057,974	9,470,251
Total	23,705,499	22,031,725

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

45. Taxes and surcharges

	Six months ended 30 June 2026	Six months ended 30 June 2025
City maintenance and construction tax	142,814	170,794
Education surcharge	101,727	124,161
Property tax	59,155	49,678
Stamp duty	152,288	139,921
Others	89,104	89,519
Total	545,088	574,073

46. Selling and distribution costs

	Six months ended 30 June 2026	Six months ended 30 June 2025
Wages, welfare and bonuses (Note)	2,190,155	2,727,099
Advertising and promotion expenses	417,693	344,263
Service charges	118,557	147,414
Travelling expenses	428,600	394,843
Office expense	138,347	101,453
Others	705,326	668,735
Total	3,998,678	4,383,807

Note: Comprising primarily wages, welfare and bonuses for marketing and sales employees and customer service employees.

47. Administrative expenses

	Six months ended 30 June 2026	Six months ended 30 June 2025
Wages, welfare and bonuses	1,244,298	1,154,207
Office expenses	65,669	59,735
Amortisation and depreciation charges	295,258	239,204
Travelling expenses	27,354	36,723
#Audit firm/Audit fees	6,318	6,750
Others	510,005	633,463
Total	2,148,902	2,130,082

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

48. Research and development costs

	Six months ended 30 June 2026	Six months ended 30 June 2025
Wages, welfare and bonuses	7,868,130	9,083,629
Amortisation and depreciation charges	1,244,758	1,448,092
Technical cooperation fee	565,227	612,841
Direct material costs	400,899	577,084
Office expenses	233,727	224,479
Others	617,114	718,687
Total	10,929,855	12,664,812

49. Expenses by nature

Supplementary information of the Group's operating costs, selling and distribution costs, administrative expenses and research and development costs by nature was set out as follows:

	Six months ended 30 June 2026	Six months ended 30 June 2025
Cost of goods and services	55,309,418	45,095,871
Staff remuneration	13,496,164	15,706,257
Depreciation and amortisation	2,361,688	2,373,300
Rental not included in the measurement of lease liabilities	35,311	50,276
Others	4,015,574	4,286,214
Total	75,218,155	67,511,918

50. Finance costs

	Six months ended 30 June 2026	Six months ended 30 June 2025
Interest expenses	1,543,856	2,022,872
Less: Interest income	1,690,748	2,552,107
Loss/(gain) on foreign currency exchange	92,389	(12,376)
Bank charges	65,518	96,914
Total	11,015	(444,697)

51. Other income

	Six months ended 30 June 2026	Six months ended 30 June 2025
Other income related to daily operating activities	1,056,559	1,747,657
Others	40,635	45,246
Total	1,097,194	1,792,903

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

52. Investment income

	Six months ended 30 June 2026	Six months ended 30 June 2025
Income from investment in associates and joints under equity method	373,455	51,875
Investment income from financial assets at amortised cost and financial assets at fair value through profit or loss during the period of holding	4,088	21,182
Investment income/(loss) from disposal of derivative investment	25,330	(20,162)
Investment income arising from disposal of financial assets at fair value through profit or loss	264,496	242,687
Investment income from disposal of investment in associates and joints	–	75,791
Loss on derecognition of financial assets at amortised cost and financial assets at fair value through other comprehensive income	(196,044)	(220,464)
Total	471,325	150,909

53. Gain from changes in fair values

	Six months ended 30 June 2026	Six months ended 30 June 2025
Financial assets at fair value through current profit or loss	61,840	(6,352)
Derivative financial instruments	(221,060)	165,754
Total	(159,220)	159,402

54. Credit impairment losses

	Six months ended 30 June 2026	Six months ended 30 June 2025
Impairment loss of trade receivables	410,887	134,311
Impairment (reversal) of receivable financing	(321)	(2,431)
Impairment loss/(reversal) of other receivables	200	(8,643)
Impairment (reversal) of long-term receivables	(5,899)	(8,321)
Total	404,867	114,916

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

55. Asset impairment losses

	Six months ended 30 June 2026	Six months ended 30 June 2025
Impairment loss of inventories	37,621	335,527
Impairment loss/(reversal) of contract assets	37,785	(53,646)
Impairment loss of prepayment	33,573	3,431
Impairment loss/(reversal) of other non-current assets	2,162	(85)
Impairment loss of investment in associates and joints	8,663	—
Total	119,804	285,227

56. Gains from asset disposal

	Six months ended 30 June 2026	Six months ended 30 June 2025
Gains from disposal of right-of-use assets	—	393
Gains from disposal of property, plant and equipment	—	2,808
Gains from disposal of intangible assets	3,713	645
Total	3,713	3,846

57. Non-operating income/non-operating expenses

(1) Non-operating income

	Six months ended 30 June 2026	Six months ended 30 June 2025	Amount of extraordinary gain/loss recognised for six months ended 30 June 2026
Income from contract penalty and reward	6,152	8,787	6,152
Others	105,716	88,300	105,716
Total	111,868	97,087	111,868

(2) Non-operating expenses

	Six months ended 30 June 2026	Six months ended 30 June 2025	Amount of extraordinary gain/loss recognised for six months ended 30 June 2026
Compensation and indemnity	76,425	(2,662)	76,425
Others	37,021	53,800	37,021
Total	113,446	51,138	113,446

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

58. Income tax

	Six months ended 30 June 2026	Six months ended 30 June 2025
Current income tax	551,967	730,869
Deferred income tax	(199,156)	(123,146)
Total	352,811	607,723

Correlation between income tax and total profit was set out as follows:

	Six months ended 30 June 2026	Six months ended 30 June 2025
Total profit	3,137,864	5,664,306
Tax at statutory tax rate (Note)	784,466	1,416,077
Effect of different tax rates applicable to subsidiaries	(274,525)	(489,481)
Effect of adjustment to income tax for previous periods	35,557	(70,316)
Effect of non-taxable income	(61,717)	(19,663)
Effect of add-on deductibles on R&D costs and non-deductible cost, expense and loss	(555,360)	(583,465)
Effect of utilization of deductible loss from unrecognised deferred tax asset of previous periods	(116,944)	(156,942)
Effect of deductible temporary difference from unrecognised deferred tax asset of the current period or effect of deductible loss	541,334	511,513
Tax charge at the Group's effective rate	352,811	607,723

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.

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

59. Earnings per share

	Six months ended 30 June 2026 (RMB/share)	Six months ended 30 June 2025 (RMB/share)
Basic earnings per share		
Continuous operation	0.58	1.06
Diluted earnings per share		
Continuous operation	0.56	1.06

Basic earnings per share was arrived at by dividing net profit for the period attributable to ordinary shareholders of the Company by the adjusted weighted average number of ordinary shares in issue (excluding treasury shares).

Calculations of basic and diluted earnings per share were set out as follows:

	Six months ended 30 June 2026	Six months ended 30 June 2025
Earnings		
Net profit for the period attributable to shareholders of the Company		
Continuing operation	2,752,825	5,057,571
Less: attributable to holders of other equity instruments	1,220	—
Interest on dilutive potential ordinary shares recognised as expense for the period	15,692	—
Adjusted net profit for the period attributable to ordinary shareholders of the Company	2,767,297	5,057,571
Attributable to:		
Continuing operation	2,767,297	5,057,571
Shares		
Weighted average number of ordinary shares of the Company in issue (excluding treasury shares) ('000 shares)	4,779,853	4,783,535
Diluting effect — weighted average number of ordinary shares ('000 shares)		
Convertible bonds	132,040	—
Adjusted weighted average number of ordinary shares of the Company in issue (excluding treasury shares) ('000 shares)	4,911,893	4,783,535

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

60. Notes to major items in cash flow statement

(1) Cash relating to operating activities

	Six months ended 30 June 2026	Six months ended 30 June 2025
Cash received in connection with other operating activities:		
Including: interest income	**659,491**	867,981
Cash paid in connection with other operating activities:		
Including: Expense for the period	**5,045,420**	4,999,612

(2) Cash relating to investing activities

	Six months ended 30 June 2026	Six months ended 30 June 2025
Receipt of material cash relating to investing activities		
Release of time deposit of over three months and large-amount certificate of deposit and maturity of structured deposit, etc	**53,747,154**	60,065,951
Payment of material cash relating to investing activities		
New time deposit of over three months and large-amount certificate of deposit and new structured deposit, etc	**57,119,881**	63,341,154
Cash received in relation to other investing activities:		
Repayment of interbank funds lent by Finance Company	**1,500,000**	–
Cash paid in relation to other investing activities:		
Interbank funds lent by Finance Company	**2,000,000**	–
Others	**52,143**	–

(3) Cash relating to financing activities

	Six months ended 30 June 2026	Six months ended 30 June 2025
Cash paid in relation to other financing activities:		
Cash payment of principal of lease	**336,765**	188,860
Expense of share repurchase amounts	**855,375**	–
Others	**39,208**	–

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

60. Notes to major items in cash flow statement (continued)

(3) Cash relating to financing activities (continued)

Movements in liabilities from financing activities were as follows:

	Opening balance	Movement during the period: Cash movement	Movement during the period: Non-cash movement	Closing balance
Short-term bond payable	–	(64,279)	64,279	–
Short-term loan	3,628,665	165,953	52,816	3,847,434
Dividend payable	–	(62,186)	2,018,125	1,955,939
Bonds payable	7,809,677	2,336,350	67,656	10,213,683
Long-term loan (including non-current liabilities due within one year)	52,187,962	208,264	614,875	53,011,101
Other non-current liabilities (financing-related)	378,987	–	–	378,987
Lease liabilities (including non-current liabilities due within one year)	1,673,182	(336,765)	299,565	1,635,982
	65,678,473	2,247,337	3,117,316	71,043,126

(4) Supplemental information on cash flow statement

(a) Reconciliation of net profit to cash flows from operating activities:

	Six months ended 30 June 2026	Six months ended 30 June 2025
Net profit	2,785,053	5,056,583
Add: Credit impairment losses	404,867	114,916
Asset impairment losses	119,804	285,227
Depreciation of property, plant and equipment	989,933	1,009,448
Depreciation of right-of-use assets	316,758	250,192
Amortisation of intangible assets	1,054,997	1,113,660
Gain on disposal of property, plant and equipment, intangible assets and other long-term assets	14,022	(3,846)
Loss/(gain) from changes in fair value	159,220	(159,402)
Finance costs	575,554	340,306
Investment income	(667,369)	(372,410)
(Increase) in deferred tax assets	(113,338)	(136,116)
(Decrease)/increase in deferred tax liabilities	(60,912)	15,380
(Increase) in inventories	(7,666,105)	(1,134,810)
(Increase) in operating receivables	(12,842,817)	(5,424,044)
Increase/(decrease) in operating payables	14,715,255	(743,844)
Decrease in cash not readily available for payments	88,478	1,088,168
Net cash flow from operating activities	(126,600)	1,299,408

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

60. Notes to major items in cash flow statement (continued)

(4) Supplemental information on cash flow statement (continued)

(b) Net change in cash and cash equivalents:

	30 June 2026	31 December 2025
Cash balance at the end of the period	1,125	1,552
Less: cash balance at the beginning of the period	1,552	1,453
Add: cash equivalents at the end of the period	22,662,745	25,480,848
Less: cash equivalents at the beginning of the period	25,480,848	28,024,964
Net increase in cash and cash equivalents	(2,818,530)	(2,544,017)

(5) Cash and cash equivalents

	30 June 2026	31 December 2025
Cash		
Including: Cash on hand	1,125	1,552
Bank deposit readily available for payment	22,662,745	25,480,848
Balance of Cash and cash equivalents at end of period	22,663,870	25,482,400
Including: restricted cash and cash equivalents utilized by the Company or intra-group subsidiaries	125,135	54,869

(6) Presented as cash and cash equivalents despite restrictions in scope of application

	30 June 2026	30 June 2025	Reason
Specific funds for specific use only	125,135	1,159	Subject to restrictions in application only but not frozen, pledged or subject to other encumbrances, therefore still considered cash and cash equivalents

(7) Currency cash not considered cash and cash equivalents

	30 June 2026	30 June 2025	Reason
Deposit and interest from time deposit of three months or above	1,054,311	12,627,849	Low liquidity, not easily realisable, not readily available for payment
Security deposit	239,763	575,006	
Dues from the People's Bank of China	682,963	497,618	
Others	6,503	28,509	
Total	1,983,540	13,728,982	

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

60. 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 the 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. Suppliers entering into factoring would be able to receive in advance 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 for the settlement of purchase payments within 180 days after payments are made to suppliers by the bank. 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 was set out as follows:

	30 June 2026			
	Carrying amount	Including: amount received by suppliers	Range of due date	Comparable range of due date for trade payables
Short-term loans	38,289	37,910	Within 180 days from the payment of relevant amounts to the suppliers by the financing party	30 to 90 days after issuance of invoice or receipt of goods upon inspection

	31 December 2025			
	Carrying amount	Including: Amount received by suppliers	Range of due date	Comparable range of due date for trade payables
Short-term loan	37,719	37,345	Within 180 days after payment of relevant amounts by financing party to supplier	30 to 90 days after invoice issuance or acceptance into warehouse upon inspection

As a result of the aforesaid supplier financing arrangement, the Group derecognised trade payables for the six months ended 30 June 2026 and at the same time recognised short-term loans of RMB23,586,000 (six months ended 30 June 2025: RMB1,577,390,000).

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

61. Monetary items in foreign currencies

The Group's major monetary items in foreign currencies:

		30 June 2026		
		Original currency	Exchange rate	RMB equivalent
Currency Cash	USD	713,343	6.7846	4,839,745
	EUR	152,590	7.7331	1,179,993
	IDR	1,520,269,810	0.0004	576,257
	JPY	3,798,910	0.0418	158,832
	MXN	243,289	0.3884	94,487
Trade receivables	USD	742,416	6.7846	5,036,995
	EUR	290,521	7.7331	2,246,631
	IDR	4,606,743,451	0.0004	1,746,182
	MYR	223,325	1.6629	371,366
	BRL	218,697	1.3106	286,630
Other receivables	USD	24,096	6.7846	163,482
	IDR	242,407,447	0.0004	91,884
	EUR	6,160	7.7331	47,634
	LYD	26,180	0.8001	20,946
	PKR	355,435	0.0244	8,665
Trade payables	USD	881,732	6.7846	5,982,198
	INR	2,035,684	0.0717	146,001
	EUR	17,118	7.7331	132,372
	IDR	209,088,708	0.0004	79,255
	HKD	84,224	0.8651	72,861
Other payables	USD	23,388	6.7846	158,678
	EUR	10,525	7.7331	81,394
	MXN	114,375	0.3884	44,420
	CLP	1,765,559	0.0074	12,987
	GBP	736	8.9794	6,611
Short-term loan	USD	102,190	6.7846	693,319
	EUR	23,288	7.7331	180,086
Non-current liabilities due within one year	USD	11,486	6.7846	77,929
Long-term loan	USD	6,632	6.7846	44,995

The Group's principal places of business overseas include Indonesia, Italy and Mexico, among others. Its operating entities in these countries adopt their respective principal currency for conducting business as their functional currencies.

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VI. R&D EXPENDITURE

1. Analysed by nature as follows:

	Six months ended 30 June 2026	Six months ended 30 June 2025
Wages, benefits and bonuses	8,486,644	9,754,591
Amortisation and depreciation	1,266,353	1,469,171
Technical cooperation fees	616,737	719,731
Direct materials	526,957	649,235
Office expenses	233,727	224,479
Others	620,321	723,613
Total	11,750,739	13,540,820
Including: R&D expenditure as cost	10,929,855	12,664,812
R&D expenditure capitalised	820,884	876,008

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	2,112,171	820,884	(1,647,151)	1,285,904

VII. CHANGES TO THE SCOPE OF CONSOLIDATION

Name	Reason	Date of inclusion into/exclusion from consolidated statements
ZTE MACEDONIA DOOEL Skopje	Deregistration with industrial and commercial authorities	March 2026
ZTE (Italia) Innovation and Research SRL	Deregistration with industrial and commercial authorities	April 2026
Shanghai Win More Technology Co., Ltd.	New incorporation	March 2026
ZTE GABON SUARL ZTE (Gabon) Company Limited	New incorporation	April 2026
Beijing Xingyun Digital Tech Cloud Computing Company Limited	New incorporation	June 2026

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VIII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

Particulars of the major subsidiaries of the Group were as below:

Type of subsidiary	Place of registration/ principal places of business	Nature of business	Registered capital	Percentage of shareholding	
				Direct	Indirect
Subsidiaries acquired by way of incorporation or investment					
Shenzhen ZTE Kangxun Telecom Company Limited*	Shenzhen	Manufacturing	RMB1,755 million	100%	–
ZTE (H.K.) Limited	Hong Kong	Information technology	HKD2,483,747,800	100%	–
Shenzhen ZetaMatrix Co., Ltd.*	Shenzhen	Servicing	RMB51.08 million	100%	–
Xi'an ZTE Terminal Technology Co., Ltd.*	Xi'an	Manufacturing	RMB300 million	100%	–
Sanechips Technology Co., Ltd.*	Shenzhen	Manufacturing	RMB131,578,900	87.22%	12.78%
ZTE (Nanjing) Co.,Ltd.*	Nanjing	Manufacturing	RMB1,000 million	100%	–
Shenzhen Zhongxing Telecom Technology & Service Company Limited*	Shenzhen	Telecommunications services	RMB200 million	90%	10%
CRS Technology Co., Ltd.*	Xi'an	Manufacturing	RMB1,000 million	–	100%

* 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 set out summarized financial information of insignificant joint ventures and associates of the Group:

	30 June 2026	31 December 2025
Joint ventures		
Aggregate carrying value of investments	1,661,276	1,250,822

	Six months ended 30 June 2026	Six months ended 30 June 2025
Aggregate amounts of the following attributable to shareholdings:		
Net gain	410,454	87,690
Other comprehensive income	–	–
Total comprehensive income	410,454	87,690

	30 June 2026	31 December 2025
Associates		
Aggregate carrying value of investments	1,277,000	1,327,460

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VIII. INTERESTS IN OTHER ENTITIES (continued)

2. Interests in joint ventures and associates (continued)

	Six months ended 30 June 2026	Six months ended 30 June 2025
Aggregate amounts of the following attributable to shareholdings:		
Net gain	(36,999)	(35,815)
Other comprehensive income	–	1,576
Total comprehensive income	(36,999)	(34,239)

As at 30 June 2026, there were no contingent liabilities associated with the investments in joint ventures and associates (31 December 2025: 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.

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 2026, the Group was subject to specific credit risk concentration, as 10% (31 December 2025: 15%) and 33% (31 December 2025: 37%) 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.

IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

1. Risks of financial instruments (continued)

(1) Credit risk (continued)

(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 if 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 an individually identifiable 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 matrix model is shown in Notes V.4A, V.8 and Note V.6 is provided.

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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.

A summarised analysis of the maturity profile of financial liabilities based on undiscounted contractual cash flow was set out as follows:

30 June 2026

	Within 1 year	1–2 years	2–3 years	Over 3 years	Total
Bank loans	15,304,958	22,021,722	21,169,410	598,117	59,094,207
Lease liabilities	636,219	480,864	284,550	297,922	1,699,555
Derivative financial liabilities	383,152	–	–	–	383,152
Bills payable	25,088,855	–	–	–	25,088,855
Trade payables	26,791,776	–	–	–	26,791,776
Bond payable	128,310	128,310	128,310	10,474,400	10,859,330
Bank advances on factored trade receivables and long-term receivables	10,553	1,759	–	–	12,312
Other payables (excluding accruals and staff housing fund contributions)	1,605,440	–	–	–	1,605,440
Other non-current liabilities	700,000	1,490,795	12,763	2,314,393	4,517,951
Total	70,649,263	24,123,450	21,595,033	13,684,832	130,052,578

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IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

1. Risks of financial instruments (continued)

(2) Liquidity risk (continued)

31 December 2025

	Within 1 year	1–2 years	2–3 years	Over 3 years	Total
Bank loans	11,208,007	23,302,886	21,288,410	2,056,374	57,855,677
Lease liabilities	750,538	261,335	282,542	611,203	1,905,618
Derivative financial liabilities	179,247	—	—	—	179,247
Bills payable	15,270,429	—	—	—	15,270,429
Trade payables	18,766,840	—	—	—	18,766,840
Bonds payable	85,800	85,800	85,800	8,083,450	8,340,850
Bank advances on factored trade receivables and long-term receivables	9,070	3,628	—	—	12,698
Other payables (excluding accruals and staff housing fund contributions)	1,725,018	—	—	—	1,725,018
Other non-current liabilities	692,143	1,490,795	12,763	2,420,639	4,616,340
Total	48,687,092	25,144,444	21,669,515	13,171,666	108,672,717

(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 2026, the bank loans of the Group and the Company included fixed rate debts and floating debts based on LPR ("Loan Prime Rate"), SOFR ("Secured Overnight Financing 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 0.04% and 10.24%. Approximately 13.88% (31 December 2025: 16.58%) of the Group's interest bearing borrowings were subject to interests at fixed rates.

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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 RMB, 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 2026	**25**	**(103,978)**	**–**	**(103,978)**
	(25)	**103,978**	**–**	**103,978**
Six months ended 30 June 2025	25	(100,866)	–	(100,866)
	(25)	100,866	–	100,866

(b) Exchange rate 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.

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IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

1. Risks of financial instruments (continued)

(3) Market risk (continued)

(b) Exchange rate 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 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 2026				
Weaker RMB against USD	**5%**	**289,146**	**–**	**289,146**
Stronger RMB against USD	**(5%)**	**(289,146)**	**–**	**(289,146)**
Six months ended 30 June 2025				
Weaker RMB against USD	5%	226,323	–	226,323
Stronger RMB against USD	(5%)	(226,323)	–	(226,323)

	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 2026				
Weaker RMB against EUR	**5%**	**133,154**	**–**	**133,154**
Stronger RMB against EUR	**(5%)**	**(133,154)**	**–**	**(133,154)**
Six months ended 30 June 2025				
Weaker RMB against EUR	5%	119,924	–	119,924
Stronger RMB against EUR	(5%)	(119,924)	–	(119,924)

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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 2026.

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 is set out as follows:

	30 June 2026	31 December 2025
Interest-bearing bank borrowings	56,858,535	55,816,627
Lease liabilities	1,635,982	1,673,182
Bonds payable	10,213,683	7,809,677
Bank advances on factored trade receivables and long-term receivables	12,312	12,698
Total interest-bearing liabilities	68,720,512	65,312,184
Owners' equity	77,123,414	75,641,241
Total equity and interest-bearing liabilities	145,843,926	140,953,425
Gearing ratio	47.1%	46.3%

3. Hedge

(1) Conducting 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

Time distribution of nominal amounts of hedging instruments and average exchange rates were set out as follows:

30 June 2026

	Within 6 months	6–12 months	After 1 year	Total
Nominal amount of foreign currency forward contract	–	–	–	–
Average RMB to foreign currency exchange rate (USD)	–	–	–	–

31 December 2025

	Within 6 months	6–12 months	After 1 year	Total
Nominal amount of foreign currency forward contract	55,924	–	–	55,924
Average RMB to foreign currency exchange rate (USD)	6.99	–	–	6.99

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IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

3. Hedge (continued)

(2) Conducting qualifying hedge transactions and applying hedge accounting (continued)

Carrying value and fair-value change of hedging instruments were set out as follows:

30 June 2026

	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		
Cashflow hedge					
Exchange rate risk — foreign currency forward exchange contracts	–	–	–	N/A	(4,640)
Fair-value hedge					
Exchange rate risk — foreign currency forward exchange contracts	35,802,538	272,232	106,699	Derivative financial assets/derivative financial liabilities	906,965

31 December 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		
Cashflow hedge					
Exchange rate risk — foreign currency forward exchange contracts	55,924	–	6,812	Derivative financial liabilities	1,800
Fair-value hedge					
Exchange rate risk — foreign currency forward exchange contracts	37,777,226	235,175	172,319	Derivative financial assets/derivative financial liabilities	158,878

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IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

3. Hedge (continued)

(2) Conducting qualifying hedge transactions and applying hedge accounting (continued)

Carrying value of hedged items and related adjustments were set out as follows:

30 June 2026

	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			
Cashflow hedge Exchange rate risk — future expense of foreign currency settlement	–	–	–	–	N/A	6,855	5,053
Fair-value hedge Exchange rate risk — foreign currency exposure	23,169,675	8,219,382	52,421	1,149,805	Trade receivables, other receivables, trade payables and other payables	(1,097,384)	N/A

31 December 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			
Cashflow hedge Exchange rate risk — future expense of foreign currency settlement	=	=	=	=	N/A	16,884	(5,053)
Fair-value hedge Exchange rate risk — foreign currency exposure	11,572,177	11,708,358	419,409	471,891	Trade receivables, other receivables, trade payables and other payables	(52,482)	N/A

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IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

3. Hedge (continued)

(2) Conducting qualifying hedge transactions and applying hedge accounting (continued)

Fair-value change in hedging instruments recognised in current profit or loss and other comprehensive income were set out as follows:

Six months ended 30 June 2026

Cashflow hedge	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	(4,640)	–	Gain on fair-value change	(9,693)	Administrative expense

Fair-value hedge	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	(15,240)	Gain on fair-value change

Six months ended 30 June 2025

Cashflow hedge	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 on fair-value change	2,833	Finance cost

Fair-value hedge	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 on fair-value change

RMB'000

IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

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	Receivable financing	10,029,277	Derecognised	Substantially all risks and rewards had been transferred
Factoring	Trade receivables	2,768,094	Derecognised	Substantially all risks and rewards had been transferred
Letter of credit	Trade receivables	143,766	Derecognised	Substantially all risks and rewards had been transferred
Total		12,941,137		

For the six months ended 30 June 2026, financial assets derecognised as a result of transfer were as follows:

	Means of transfer	Amount of financial assets derecognised	Profit or loss relating to derecognition
Receivable financing	Bill discounting	10,029,277	(41,462)
Trade receivables	Factoring	2,768,094	(151,758)
Trade receivables	Letter of credit	143,766	(2,826)
Total		12,941,137	(196,046)

As at 30 June 2026, 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	10,553	10,553
Long-term receivables	Factoring	1,759	1,759
Total		12,312	12,312

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X. DISCLOSURE OF FAIR VALUES

1. Assets and liabilities measured at fair value

30 June 2026

	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	—	472,813	—	472,813
Trading financial assets	—	25,860,918	111,824	25,972,742
Other non-current financial assets	—	1,011,895	836,593	1,848,488
Receivable financing	—	2,313,383	—	2,313,383
Investment properties				
Leased buildings and land	—	—	94,577	94,577
Total	—	29,659,009	1,042,994	30,702,003
Derivative financial liabilities	—	(383,152)	—	(383,152)
Other non-current liabilities	—	—	(38,667)	(38,667)
Total	—	(383,152)	(38,667)	(421,819)

31 December 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	—	235,612	—	235,612
Trading financial assets	43,890	17,316,948	35,577	17,396,415
Other non-current financial assets	—	1,104,699	687,921	1,792,620
Receivable financing	—	3,039,968	—	3,039,968
Investment properties				
Leased buildings and land	—	—	94,577	94,577
Total	43,890	21,697,227	818,075	22,559,192
Derivative financial liabilities	—	(179,247)	—	(179,247)
Other non-current liabilities	—	—	(38,667)	(38,667)
Total	—	(179,247)	(38,667)	(217,914)

X. DISCLOSURE OF FAIR VALUES (continued)

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. 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.

(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 (if 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.

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X. DISCLOSURE OF FAIR VALUES (continued)

3. Unobservable inputs

Below was a summary of the significant unobservable inputs to the fair value measurement of Level 3:

30 June 2026

	Fair value at the end of the period	Valuation techniques	Unobservable inputs	Range
Commercial properties	RMB94,577,000	Discounted cash flow method	Estimated rental value (per sq. m. and per month)	RMB67
			Rent growth (p.a.)	(3.5%)–0%
			Discount rate	7%
Equity instrument investment	RMB948,417,000	Market method	Liquidity discount rate	10%–40%
			P/E	13.39
			P/B	2.18–3.47
Other non-current liabilities	RMB38,667,000	Binomial tree option pricing model	Risk-free interest rate	1.85%
			Volatility rate	44.38%
			Dividend rate	—
			Exercise probability	60%

31 December 2025

	Fair value at the end of the year	Valuation techniques	Unobservable inputs	Range
Commercial properties	RMB94,577,000	Discounted cash flow method	Estimated rental value (per sq. m. and per month)	RMB67
			Rent growth (p.a.)	(3.5%)–0%
			Discount rate	7%
Equity instrument investment	RMB723,498,000	Market method	Liquidity discount rate	30%–40%
			P/E	16.92
			P/B	1.39–2.06
Other non-current liabilities	RMB38,667,000	Binomial tree option pricing model	Risk-free interest rate	1.85%
			Volatility rate	44.38%
			Dividend rate	—
			Exercise probability	60%

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X. DISCLOSURE OF FAIR VALUES (continued)

4. Fair value measurement adjustment

Reconciliation of continuous fair value measurements categorised within Level 3 of the fair value hierarchy:

30 June 2026

	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 the end of the period included under unrealised gain for the period in profit or loss
Investment properties	94,577	–	–	–	–	–	94,577	–
Trading financial assets	35,577	–	–	71,875	77,586	(73,214)	111,824	28,605
Other non-current financial assets	687,921	–	–	(51,404)	201,798	(1,722)	836,593	(40,713)
Other non-current liabilities	38,667	–	–	–	–	–	38,667	–

31 December 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 the end of the period included under unrealised gain for the period in profit or loss
Investment properties	99,045	–	–	(4,468)	–	–	94,577	(4,468)
Trading financial assets	92,330	–	(43,890)	9,682	12	(22,557)	35,577	11,616
Other non-current financial assets	715,761	–	–	(5,238)	–	(22,602)	687,921	(3,969)
Other non-current liabilities	73,697	–	(52,143)	17,113	–	–	38,667	17,113

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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 assets and non-financial assets were analyzed as follows:

	Six months ended 30 June 2026 Relating to financial assets	Six months ended 30 June 2025 Relating to financial assets
Total profit included in current profit and loss	20,471	1,439
Change in assets held at the end of the period included in unrealised profit or loss for the period	(12,108)	10,366

	Six months ended 30 June 2026 Relating to non-financial assets	Six months ended 30 June 2025 Relating to non-financial assets
Total profit included in current profit or loss	–	–
Change in assets held at the end of the period included in unrealised gain	–	–

In the continuous fair value measurement at Level 3, profit and loss included in current profit and loss relating to financial liabilities were set out as follows:

	Six months ended 30 June 2026 Relating to financial liabilities	Six months ended 30 June 2025 Relating to financial liabilities
Total profit included in current profit or loss	–	–
Change in liabilities held at the end of the period included in unrealised gain	–	–

During the period, there were no transfers of fair value measurements between Level 1 and Level 2.

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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%

The Company's controlling shareholder is Zhongxingxin Telecom Company Limited.

2. Subsidiaries

Details of significant subsidiaries are set out in Note VII and Note VIII.1.

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

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
Shenzhen Zhongxing New Cloud Service Company Limited	Subsidiary of the Company's controlling shareholder
Maanshan Sindi Technology Company Limited	Subsidiary of the Company's controlling shareholder
Shenzhen Zhongxing Xinli Precision M&E Technology Company Limited	Subsidiary of the Company's controlling shareholder
Shenzhen Xingkai Communication Equipment Limited	Subsidiary of the Company's controlling shareholder
Shenzhen New Video Smart Technology Company Limited	Subsidiary of the Company's controlling shareholder
Pylon Technologies Co., Ltd.	Subsidiary of the Company's controlling shareholder
Beijing Zhongxingxin Telecom Company Limited	Subsidiary of the Company's controlling shareholder
Shenzhen Zhongxingxu Technology Company Limited	Company controlled by a connected natural person of the Company

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XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

4. Other related parties (continued)

	Relationship
LONGi Green Energy Technology Co., Ltd.	Company controlled by a connected natural person of the Company
LONGi Solar Technology Co., Ltd.	Subsidiary of company controlled by a connected natural person of the Company
Xi'an Microelectronics Technology Research Institute	Institute for which a connected natural person of the Company acted as head
Xiazhi Technology Company Limited	Company for which a connected natural person of the Company acted as chairman
Shenzhen ZTE International Investment Company Limited	Company for which a connected natural person of the Company acted as chairman
Tianjin ZTE International Investment Company Limited	Subsidiary of a 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
ZTE Development Company Limited	Company for which a connected natural person of the Company acted as director
Shenzhen Zhongxing WXT Equipment Company Limited	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
Huatong Technology Co., Ltd.	Subsidiary of a company for which a connected natural person of the Company acted as director
Beijing Zhongxing Xieli Technology Company Limited	Subsidiary of a company for which a connected natural person of the Company acted as director
Xi'an Xieli Chaoyue 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
Shenzhen Aerospace Guangyu Industrial Company Limited	Subsidiary of a company for which a connected natural person of the Company acted as director
Shenzhen Shuzhigang Technology Industry Co., Ltd.	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
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

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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
Beijing Shidai Minxin Technology Co., Ltd.	Subsidiary of a company for which a connected natural person of the Company acted as director
Shenzhen Techrise Electronics Co., Ltd.	Subsidiary of a company for which a connected natural person of the Company acted as director
Beijing Changrui Time Technology Limited	Ceased to be a related party of the Company as from April 2026, disclosure under related-party transactions represented balance of receivables and payables as at 31 March 2026
航天歐華信息技術有限公司	Ceased to be a related party of the Company as from April 2026, disclosure under related-party transactions represented amount for January to March 2026 and balance of receivables and payables as at 31 March 2026
Shenzhen Zhongxing Energy Conservation & Environmental Service Company Limited.	Ceased to be a related party of the Company as from May 2025, disclosure under related-party transactions represented balance of receivables and payables as at 30 April 2025
Shenzhen Zhongxing Tenglang Eco-Tech Company Limited	Ceased to be a related party of the Company as from May 2025, disclosure under related-party transactions represented amount for January to April 2025 and balance of receivables and payables as at 30 April 2025
Zhongxing Intelligent Technology (Wuhu) Company Limited	Ceased to be a related party of the Company as from May 2025, disclosure under related-party transactions represented amount for January to April 2025
Tianhao Investment Co., Ltd.	Ceased to be a related party of the Company as from October 2025, disclosure under related-party transactions represented amount for January to June 2025

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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 2026	Six months ended 30 June 2025
Transactions with controlling shareholder and its subsidiaries:		
Pylon Technologies Co., Ltd.	4,717	3,774
Shenzhen Zhongxing New Cloud Service Company Limited	1,061	128
Zhongxingxin Telecom Company Limited	—	7
Sindi Technologies Co., Ltd.	—	3
Shenzhen Xinyu Tengyue Electronics Co., Ltd.	21	—
Maanshan Sindi Technology Company Limited	5,975	—
	11,774	3,912
Transactions with companies where connected natural persons held office or exercised control and their subsidiaries:		
航天歐華信息技術有限公司	170,502	113,384
Tianhao Investment Co., Ltd.	—	35,646
ZTE Development Company Limited	9	14
Xiazhi Technology Company Limited	12,645	—
Nanchang Zhongzhan Digital Smart Technology Company Limited	1	—
	183,157	149,044
Transactions relating to associates and joint ventures of the Company and their subsidiaries:		
Puxing Mobile Telecom Equipment Co., Ltd.	—	221
WHALE CLOUD TECHNOLOGY CO., LTD	15,296	3,409
Shaanxi Zhongtou Zhanlu Phase I Equity Investment Partnership Enterprise (Limited Partnership)	292	401
Shaanxi Zhongtou Zhanlu Phase II Equity Investment Partnership Enterprise (Limited Partnership)	1,425	1,522
	17,013	5,553
	211,944	158,509

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 2026	Six months ended 30 June 2025
Transactions with controlling shareholder and its subsidiaries:		
Sindi Technologies Co., Ltd.#	958	7,814
Shenzhen Xinyu Tengyue Electronics Co., Ltd#	10,116	9,763
Shenzhen Zhongxing Xinli Precision M&E Technology Company Limited#	50,417	58,940
Maanshan Sindi Technology Company Limited#	67,750	46,873
	129,241	123,390
Transactions with companies where connected natural persons held office or exercised control and their subsidiaries:		
GD Ouke Air-conditioning & Refrigeration Company Limited	—	7,231
Xi'an Xieli Chaoyue Technology Company Limited	2,249	2,913
Huatong Technology Co., Ltd.	34,943	31,284
Nanchang Zhongzhan Digital Smart Technology Company Limited	35,701	33,490
Shenzhen Shuzhigang Technology Industry Co., Ltd.	970,827	273,954
ZTE Hotel Harbourview Hotel Investment Development Company Limited	—	65
Xiazhi Technology Company Limited	2,232	150
Shenzhen Zhongxing Tenglang Eco-Tech Company Limited	—	5,551
Shenzhen Zhongxing Information Company Limited	30	—
Shenzhen Aerospace Guangyu Industrial Company Limited	9	—
Shenzhen Techrise Electronics Co., Ltd.	8	—
LONGi Solar Technology Corporation	1,128	—
	1,047,127	354,638
Transactions relating to associates and joint ventures of the Company and their subsidiaries:		
Jetflow Technologies Co., Ltd.	1,846	2,525
WHALE CLOUD TECHNOLOGY CO., LTD	85,220	175,014
	87,066	177,539
	1,263,434	655,567

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.

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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 2026 Lease income	Six months ended 30 June 2025 Lease income
Transactions with controlling shareholder and its subsidiaries:			
Shenzhen Zhongxing New Cloud Service Company Limited	Office	1,507	1,718
		1,507	1,718
Transactions with companies where connected natural persons held office and their subsidiaries			
Zhongxing Intelligent Technology (Wuhu) Company Limited	Office	–	49
Shenzhen ZTE International Investment Company Limited	Office	63	68
Huatong Technology Co., Ltd.	Office	34	35
ZTE Software Technology (Ji'nan) Company Limited	Office	51	34
		148	186
Transactions relating to associates and joint ventures of the Company and their subsidiaries:			
Jetflow Technologies Co., Ltd.	Office	131	175
		131	175
		1,786	2,079

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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	Lease 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	–	5,628	448	26,834
Transactions with companies where connected natural persons held office and their subsidiaries:						
Chongqing Zhongxing Development Company Limited	Office	439	–	2,936	409	–
Chongqing Zhongxing Zhongtou Property Service Company Limited	Office	209	–	–	–	–
Sanhe Zhongxing Property Service Company Limited	Office	1,858	–	–	–	–
Sanhe Zhongxing Development Company Limited	Office	–	–	7,334	921	–
Tianjin ZTE International Investment Company Limited	Office	760	–	2,541	391	–
		3,373	–	18,439	2,169	26,834

Note: The Group recognised lease income of RMB1,786,000 (Six months ended 30 June 2025: RMB2,079,000) for the period according to the lease contracts for the lease of office and equipment to the aforesaid related parties.

The Group recognised rental expense based on simplified short term lease and low value asset lease of RMB3,373,000 and paid rental of RMB18,439,000 (Six months ended 30 June 2025: recognised rental expense based on simplified short term lease and low value asset lease of RMB3,593,000 and paid rental of RMB17,091,000) for the period according to the lease contracts for the lease of office from the aforesaid related parties.

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XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

5. Transactions with related parties (continued)

(3) Remuneration of key management personnel

	Six months ended 30 June 2026	Six months ended 30 June 2025
Short-term staff remuneration	5,064	6,048
Retirement benefit	167	180
Total	5,231	6,228

(4) Other connected transactions

Pursuant to the "Resolution on the Establishment of Beijing Xingyun Digital Tech Cloud Computing Company Limited by way of Joint Venture by Beijing XingYun Digital Technology Co., Ltd." considered and passed at the Twenty-fourth Meeting of the Tenth Session of the Board of Directors convened by the Company in April 2026, it was approved that Beijing XingYun Digital Technology Co., Ltd, a wholly-owned subsidiary of the Company, would make a capital contribution of RMB5.10 million by way of cash for the establishment of Beijing Xingyun Digital Tech Cloud Computing Company Limited in joint venture with Beijing Zhongxingxin Company Limited, a related party of the Company.

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XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

6. Balances of amounts due from/to related parties

Item	Related party	30 June 2026 Book balance	30 June 2026 Bad debt provision	31 December 2025 Book balance	31 December 2025 Bad debt provision
Receivable financing	航天歐華信息技術有限公司	–	–	7,232	–
	Jetflow Technologies Co., Ltd.	–	–	166	–
		–	–	7,398	–
Trade receivables	WHALE CLOUD TECHNOLOGY CO., LTD	12,138	150	1,621	16
	Tiejian Union (Beijing) Technology Co., Ltd.	696	696	696	696
	Shenzhen Xingkai Communication Equipment Limited	22,060	22,060	22,060	22,060
	Shenzhen Zhongxing Information Company Limited	–	–	80	3
	Sindi Technologies Co., Ltd.	–	–	1	–
	Beijing Changrui Time Technology Limited	–	–	258	258
	LONGi Green Energy Technology Corporation	–	–	414	4
	Jetflow Technologies Co., Ltd.	438	438	318	304
	航天歐華信息技術有限公司	204	8	–	–
	Shenzhen Xinyu Tengyue Electronics Co., Ltd.	24	1	–	–
	Maanshan Sindi Technology Company Limited	10	–	–	–
		35,570	23,353	25,448	23,341
Prepayments	航天歐華信息技術有限公司	–	–	82	1
	LONGi Solar Technology Co., Ltd.	879	–	–	–
		879	–	82	1
Other receivables	Sanhe Zhongxing Property Service Company Limited	10	–	10	–
	Sanhe Zhongxing Development Company Limited	71	–	71	–
		81	–	81	–

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XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

6. Balances of amounts due from/to related parties (continued)

Item	Related party	30 June 2026	31 December 2025
Bills payable	WHALE CLOUD TECHNOLOGY CO., LTD	3,127	3,122
	Shenzhen Xinyu Tengyue Electronics Co., Ltd.	6,629	6,917
	Sindi Technologies Co., Ltd.	853	1,187
	Shenzhen Zhongxing Xinli Precision M&E Technology Company Limited	45,843	55,071
	Shenzhen New Video Smart Technology Company Limited	–	11
	Shenzhen Zhongxing Tenglang Eco-Tech Company Limited	–	3,536
	Jetflow Technologies Co., Ltd.	360	2,756
	Xiazhi Technology Company Limited	2,527	680
	Shenzhen Shuzhigang Technology Industry Co., Ltd.	844,003	48,272
	Maanshan Sindi Technology Company Limited	62,402	48,847
	Beijing Shidai Minxin Technology Co., Ltd.	99	–
		965,843	170,399
Trade payables	Shenzhen Xinyu Tengyue Electronics Co., Ltd.	2,411	1,522
	Sindi Technologies Co., Ltd.	482	182
	Shenzhen Zhongxing WXT Equipment Company Limited	50	50
	Shenzhen Zhongxing Information Company Limited	155	155
	Shenzhen Zhongxing Xinli Precision M&E Technology Company Limited	15,841	18,427
	WHALE CLOUD TECHNOLOGY CO., LTD	213,011	209,525
	Pylon Technologies Co., Ltd.	1,994	1,994
	航天歐華信息技術有限公司	1,987	1,987
	Maanshan Sindi Technology Company Limited	15,879	22,124
	Shenzhen Shuzhigang Technology Industry Co., Ltd.	52,707	31,562
	Xiazhi Technology Company Limited	17	17
		304,534	287,545

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XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

6. Balances of amounts due from/to related parties (continued)

Item	Related party	30 June 2026	31 December 2025
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	1,736	171,402
	Zhongxing Software Technology (Shenyang) Company Limited	3	3
	Shenzhen Zhongxingxu Technology Company Limited	30	30
	Shaanxi Zhongtou Zhanlu Phase I Equity Investment Partnership Enterprise (Limited Partnership)	309	61
	Shaanxi Zhongtou Zhanlu Phase II Equity Investment Partnership Enterprise (Limited Partnership)	1,511	–
	WHALE CLOUD TECHNOLOGY CO., LTD	113	–
		10,804	178,598
Other payables	Zhongxingxin Telecom Company Limited	10	323
	INTLIVE TECHNOLOGIES (PRIVATE) LIMITED	5,136	5,265
	ZHONGSHAN YOUSHUN PROPERTY COMPANY LIMITED	2,000	2,000
	ZTE Software Technology (Ji'nan) Company Limited	13	13
	HENGYANG ICT REAL-ESTATE CO., LTD.	198	198
	Shenzhen Zhongxing New Cloud Service Company Limited	407	466
	Shenzhen Zhongxing Energy Conservation & Environmental Service Company Limited.	–	200
	Shenzhen ZTE International Investment Company Limited	26	26
	Huatong Technology Co., Ltd.	1,686	723
	Puxing Mobile Telecom Equipment Co., Ltd.	113	1,483
	WHALE CLOUD TECHNOLOGY CO., LTD	–	1,806
	Shenzhen Zhongxing Information Company Limited	–	2
		9,589	12,505

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XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

6. Balances of amounts due from/to related parties (continued)

Item	Related party	30 June 2026	31 December 2025
Lease liabilities	Sanhe Zhongxing Development Company Limited	34,430	40,843
	Tianjin ZTE International Investment Company Limited	15,209	17,359
	Zhongxingxin Telecom Company Limited	21,654	6,760
	Chongqing Zhongxing Development Company Limited	15,888	18,415
		87,181	83,377

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 within 1 year.

7. Commitments of the Group with related parties

(1) Information on purchases with related parties in 2026 of the Group as purchaser was set out as follows:

Supplier	Subject of purchase	Date	Duration	Estimated purchase
Zhongxingxin Telecom Company Limited and its subsidiaries	Raw materials	December 2025	One year	400,000
Shenzhen Shuzhigang Technology Industry Co., Ltd.	Raw materials	December 2025	One year	3,000,000
Huatong Technology Co., Ltd.	Personnel hiring and project outsourcing	December 2024	Two years	85,000
Nanchang Zhongzhan Digital Smart Technology Company Limited	Personnel hiring and project outsourcing	December 2024	Two years	97,000
Total				3,582,000

Note: For details of purchases occurring during the period, please refer to Note XI. 5 (1) (b).

(2) Information on leases of the Group (as lessor) with related parties in 2026–2027 was set out as follows:

Lessee	Estimated lease income 2026	2027
Transactions with controlling shareholder and its subsidiaries	2,814	2,809
Transactions with companies for which connected natural persons held offices and their subsidiaries	296	275
Transactions relating to associates and joint ventures of the Company and their subsidiaries	182	102
Total	3,292	3,186

Note: For details of lease income occurring during the period, please refer to Note XI. 5 (2) (a).

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XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

7. Commitments of the Group with related parties (continued)

(3) Information on leases of the Group (as lessee) with related parties in 2026–2027 was set out as follows:

Lessor	Estimated lease expense 2026	2027
Transactions with controlling shareholder and its subsidiaries	10,721	10,721
Transactions with companies for which connected natural persons held offices and their subsidiaries	28,936	26,645
Total	39,657	37,366

Note: For details of lease expense occurring during the period, please refer to Note XI. 5 (2) (b).

XII. COMMITMENTS AND CONTINGENT EVENTS

1. Material commitments

	30 June 2026	31 December 2025
Contracted but not provided of		
Capital expenditure commitments	**3,097,563**	3,097,365
Investment commitments	**561,790**	439,790
Including: investment commitment to joint ventures	**382,940**	382,940
	3,659,353	3,537,155

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.

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XII. COMMITMENTS AND CONTINGENT EVENTS (continued)

2. Contingent events (continued)

2.1 (continued)

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.

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.

XII. COMMITMENTS AND CONTINGENT EVENTS (continued)

2. Contingent events (continued)

2.1 (continued)

In the first half of 2026, 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 2026 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.

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 disputes pertaining to a contract for cooperation in real estate development. Hunan ZICT Technology Co., Ltd. ("Hunan ZICT"), a subsidiary of the Company, 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 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.

In October 2025, Jinliuyuan petitioned to the Zhengxiang Court to demand for the payment by Hunan ZICT of depreciation loss on pledged housing properties in relation to the case amounting to RMB54,190,000. In November 2025, Hunan ZICT submitted a counter-petition to the Zhengxiang Court for the court to rule in favour of a payment for contract default amounting to RMB30 million by Jinliuyuan to Hunan ZICT and confirm, among others, the preferential rights to compensation of Hunan ZICT over amounts derived from the auction, sale and discounting of the pledged housing properties.

In December 2025, the case was heard at the court and the claimant and defendant each stated their claim and defense. After court, Jinliuyuan and Hunan ZICT each submitted an application to the Zhengxiang Court for the authentication of pricing for the completed work involved in the case. As the application for authentication by Jinliuyuan duplicated that by Hunan ZICT, Hunan ZICT withdrew its application. The case is now undergoing the stage of judicial authentication.

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

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XII. COMMITMENTS AND CONTINGENT EVENTS (continued)

2. Contingent events (continued)

2.3 On 25 June 2026, ZXNE CORPORATION ("ZXNE"), a wholly-owned subsidiary of the Company, filed a litigation against Guiyang Municipal Construction and Investment Group Company Limited ("Guiyang Municipal Investment") with the Guiyang Intermediary People's Court ("Guiyang Intermediary Court") in connection with disputes relating to the contract "Project Order — Integrated Operations and Management Platform for Smart Car Park Power Charging" to petition for the settlement of payables, performance guarantee deposit and liquidated damages for the period of contract performance by Guiyang Municipal Investment amounting to approximately RMB44.45 million in aggregate.

On 29 June 2026, Guiyang Municipal Investment filed a litigation against ZXNE as defendant with the Guanshanhu District People's Court of Guiyang ("Guanshanhu Court") to petition for (1) the rescindment of "Project Order — Integrated Operations and Management Platform for Smart Car Park Power Charging"; and (2) refund of paid amounts and payment of liquidated damages, interest loss, and authentication and litigation fees, among others, amounting to approximately RMB85.72 million in aggregate by ZXNE.

Currently, trial of the aforesaid case has yet to commence.

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

2.4 As at 30 June 2026, an amount of RMB10,956,202,000 (31 December 2025: RMB10,230,093,000) was outstanding under the bank guarantee letters issued by the Group.

XIII. POST-BALANCE SHEET DATE EVENT

Repurchase of A shares subsequent to the balance sheet date:

Pursuant to the "Resolution on the plan to repurchase A shares in the Company by way of centralised priced bidding" considered and passed at the Seventeenth Meeting of the Tenth Session of the Board of Directors of the Company held on 12 December 2025, it was approved that the Company shall repurchase its A shares by way of centralised price bidding using internal funds for the implementation the Company's employee share ownership schemes or share incentives. In July 2026, the Company repurchased 4,101,200 A shares by way of centralised price bidding via the stock trading system of Shenzhen Stock Exchange and recognised treasury shares amounting to RMB144,843,000 (including transaction fees).

XIV. 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, smartphones, 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, research and development costs, asset impairment loss, 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.

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XIV. OTHER SIGNIFICANT MATTERS (continued)

1. Segment reporting (continued)

(1) Operating segment (continued)

Six months ended 30 June 2026

	Carriers' network	Consumer business	Government and corporate business	Total
Segment revenue				
Six months ended 30 June 2026				
Revenue from customer contracts	31,765,129	18,628,924	27,569,956	77,964,009
Rental income	—	—	61,350	61,350
Sub-total	31,765,129	18,628,924	27,631,306	78,025,359
Segment results	10,239,846	2,333,349	2,767,678	15,340,873
Unallocated revenue				1,209,062
Unallocated cost				(13,615,291)
Finance costs				(11,015)
Gain from changes in fair values				(159,220)
Investment gain under equity method				373,455
Total profit				3,137,864
Total assets				
30 June 2026				
Segment assets	40,276,661	22,561,263	35,035,171	97,873,095
Unallocated assets				142,674,440
Sub-total				240,547,535
Total liabilities				
30 June 2026				
Segment liabilities	5,160,448	2,100,291	4,488,882	11,749,621
Unallocated liabilities				151,674,500
Sub-total				163,424,121
Supplemental information				
Six months ended 30 June 2026				
Depreciation and amortisation expenses	961,474	563,864	836,350	2,361,688
Capital expenditure	1,013,944	594,636	881,993	2,490,573
Asset impairment losses	(48,775)	(28,604)	(42,425)	(119,804)
Credit impairment losses	(164,827)	(96,664)	(143,376)	(404,867)

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XIV. 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 under equity method				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 losses	(56,314)	(27,679)	(30,923)	(114,916)

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XIV. OTHER SIGNIFICANT MATTERS (continued)

1. Segment reporting (continued)

(2) Geographic Information

Total revenue

	Six months ended 30 June 2026	Six months ended 30 June 2025
The PRC	50,153,816	50,616,777
Asia (excluding the PRC)	12,370,430	8,063,704
Africa	4,842,912	3,258,886
Europe, America and Oceania	10,658,201	9,613,367
	78,025,359	71,552,734

Total non-current assets

	30 June 2026	30 June 2025
The PRC	20,514,390	22,157,984
Asia (excluding the PRC)	1,561,474	1,321,343
Africa	583,022	463,297
Europe, America and Oceania	1,115,151	830,656
	23,774,037	24,773,280

Non-current assets, excluding debt investment, long-term receivables, factored long-term receivables, investment in associates and joints, other non-current financial assets, deferred tax assets and other non-current assets, are analysed by geographic locations where the assets are located.

(3) Information of major customers

Operating revenue of RMB11,960,967,000 was derived from carriers' network and consumer business revenue from one major customer (Six months ended 30 June 2025: RMB16,482,162,000 from one major customer).

2. #Net current assets/(liabilities)

	30 June 2026 Group	31 December 2025 Group	30 June 2026 Company	31 December 2025 Company
Current assets	177,835,084	143,933,862	162,361,841	141,366,209
Less: current liabilities	103,797,218	81,981,121	104,725,036	97,538,941
Net current assets/(liabilities)	74,037,866	61,952,741	57,636,805	43,827,268

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XIV. OTHER SIGNIFICANT MATTERS (continued)

3. #Total assets less current liabilities

	30 June 2026 Group	31 December 2025 Group	30 June 2026 Company	31 December 2025 Company
Total assets	240,547,535	217,739,375	217,192,823	204,303,188
Less: current liabilities	103,797,218	81,981,121	104,725,036	97,538,941
Total assets less current liabilities	136,750,317	135,758,254	112,467,787	106,764,247

4. Other material matters

On 11 December 2025, the Company had noted media reports regarding an investigation into the Company's compliance with the Foreign Corrupt Practices Act of the United States and published an "INSIDE INFORMATION ANNOUNCEMENT" in connection with the aforesaid matter on the same date. The Company maintains communication with the United States Department of Justice regarding the aforesaid matter, and no material progress has been made to date.

XV. MAJOR ITEMS IN THE FINANCIAL STATEMENTS

1. Currency cash

	30 June 2026	31 December 2025
Cash on hand	385	769
Bank deposit	5,199,620	5,597,157
Other currency cash	151,763	181,503
Amounts placed with the Group Finance Company	4,314,713	14,377,693
	9,666,481	20,157,122
Including: total amount of offshore funds	145,132	327,386

As at 30 June 2026, the Company's currency cash placed overseas and subject to restrictions amounted to RMB111,000 (31 December 2025: RMB98,000).

2. Trade receivables

(1) Aging analysis of trade receivables was set out as follows:

	30 June 2026	31 December 2025
Not overdue	19,142,409	14,718,394
Within 1 year	29,874,590	21,147,307
1–2 years	4,464,102	5,345,815
2–3 years	1,895,163	1,289,583
Over 3 years	7,569,925	7,617,270
	62,946,189	50,118,369
Less: bad debt provision for trade receivables	6,015,283	5,814,997
Total	56,930,906	44,303,372

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XV. MAJOR ITEMS IN THE FINANCIAL STATEMENTS (continued)

2. Trade receivables (continued)

(2) Analysed by method of charging provision for bad debt

30 June 2026

	Book balance		Bad debt provision		Carrying value
	Amount	Percentage	Amount	Percentage	
Standalone provision for impairment	1,658,914	2.64%	1,658,914	100.00%	–
Recognition of provision for impairment by group with credit risk characteristics	61,287,275	97.36%	4,356,369	7.11%	56,930,906
Total	62,946,189	100.00%	6,015,283	9.56%	56,930,906

31 December 2025

	Book balance		Bad debt provision		Carrying value
	Amount	Percentage	Amount	Percentage	
Standalone provision for impairment	1,666,626	3.33%	1,666,626	100.00%	–
Recognition of provision for impairment by group with credit risk characteristics	48,451,743	96.67%	4,148,371	8.56%	44,303,372
Total	50,118,369	100.00%	5,814,997	11.60%	44,303,372

As at 30 June 2026, bad debt provisions for trade receivables on a group basis were as follows:

	Book balance	Provision for impairment	Percentage of provision
Not overdue	19,142,409	121,759	0.64%
Within 1 year	29,872,207	183,389	0.61%
1–2 years	4,416,995	123,948	2.81%
2–3 years	1,878,898	254,258	13.53%
Over 3 years	5,976,766	3,673,015	61.45%
Total	61,287,275	4,356,369	7.11%

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XV. MAJOR ITEMS IN THE FINANCIAL STATEMENTS (continued)

2. Trade receivables (continued)

(3) Movements in bad debt provisions for trade receivables were as follows:

	Opening balance	Charge/ (reversal) for the period	Write-off for the period	Effect of exchange rate	Closing balance
30 June 2026	5,814,997	214,653	(13,474)	(893)	6,015,283

As at 30 June 2026, RMB2,761,000 (Six months ended 30 June 2025: RMB296,000) was reversed for trade receivables which were individually significant and for which bad-debt provision had been made separately. Write-off in respect of trade receivables which were individually significant and for which bad-debt provision had been made separately amounted to RMB10,248,000 (Six months ended 30 June 2025: RMB0).

(4) Top 5 accounts of trade receivables and contract assets as at 30 June 2026 were set out 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	3,366,175	1,579,384	4,945,559	7.46%	32,470
Customer 2	2,826,762	—	2,826,762	4.26%	28,957
Customer 3	2,233,903	535,681	2,769,584	4.18%	14,279
Customer 4	2,016,282	154,952	2,171,234	3.27%	26,268
Customer 5	1,634,466	385,026	2,019,492	3.05%	37,881
Total	12,077,588	2,655,043	14,732,631	22.22%	139,855

Transfer of trade receivables that did not qualify for derecognition was separately classified as "Factored trade receivables" and "Bank advances on factored trade receivables".

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XV. MAJOR ITEMS IN THE FINANCIAL STATEMENTS (continued)

3. Other receivables

	30 June 2026	31 December 2025
Dividend receivable	3,823,753	23,753
Other receivables	32,259,744	33,687,841
Total	36,083,497	33,711,594

(1) Aging analysis of other receivables:

	30 June 2026	31 December 2025
Within 1 year	17,966,514	20,163,897
1–2 years	2,594,230	2,950,265
2–3 years	2,995,445	1,881,090
Over 3 years	9,044,240	8,944,193
	32,600,429	33,939,445
Less: bad-debt provision	340,685	251,604
Total	32,259,744	33,687,841

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

	30 June 2026	31 December 2025
Employee advances	43,259	4,711
Current transactions	32,557,170	33,934,734
Total	32,600,429	33,939,445

(3) Charge of bad debt provision

30 June 2026

	Book balance		Bad debt provision		Carrying value
	Amount	Percentage	Amount	Percentage	
Charge of bad debt provision by group with credit risk characteristics	32,600,429	100.00%	340,685	1.05%	32,259,744

As at 30 June 2026, bad debt provisions for other receivables on a group basis were as follows:

	Book balance	Provision for impairment	Percentage of provision
Aging risk portfolio	32,600,429	340,685	1.05%

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XV. MAJOR ITEMS IN THE FINANCIAL STATEMENTS (continued)

3. Other receivables (continued)

(3) Charge of bad debt provision (continued)

Movements in bad debt provisions for other receivables were set out as follows:

	Opening balance	Charge/ (reversal) for the period	Write-off for the period	Exchange rate movement	Closing balance
Aging risk portfolio	251,604	89,042	–	39	340,685

4. Long-term receivables

	30 June 2026	31 December 2025
Loans granted to subsidiaries (Note 1)	3,537,452	2,874,706
Installment payments for the provision of telecommunication system construction projects	1,047,914	1,153,253
	4,585,366	4,027,959
Less: Bad debt provision for long-term receivables	25,303	31,192
Total	4,560,063	3,996,767

Note 1: Loans granted to subsidiaries set out above were interest-free, unsecured and planned for recovery in the foreseeable future. The management are of the view that the advances effectively constituted net investments in offshore business operations.

Movements in bad debt provision for long-term receivables during the period were set out as follows:

	Opening balance	Charge/ (reversal) for the period	Closing balance
30 June 2026	31,192	(5,889)	25,303
31 December 2025	36,700	(5,508)	31,192

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".

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XV. MAJOR ITEMS IN THE FINANCIAL STATEMENTS (continued)

5. Investment in associates, joints and subsidiaries

		30 June 2026	31 December 2025
Equity method			
Joint Ventures	(1)	1,467,311	1,083,471
Associates	(2)	1,053,923	1,089,671
Less: Provision for impairment of investment in associates and joints		8,664	–
Sub-total		2,512,570	2,173,142
Cost method			
Subsidiaries	(3)	17,639,311	17,569,110
Less: Provision for impairment of investment in associates and joints	(4)	606,116	606,116
Sub-total		17,033,195	16,962,994
Total		19,545,765	19,136,136

(1) Joint Ventures

				Movement during the period								
	Shareholding percentage	Opening book balance	Provision for impairment at the beginning of period	Increase of investment	Decrease of investment and other outgoing transfer	Investment gains/losses under equity method	Other comprehensive income	Other equity movement	Cash dividend declared	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%	37,187	–	–	–	(3,597)	–	–	–	–	33,590	–
Zhuhai Hongtu Zhanlu Equity Investment Partnership Enterprise (Limited Partnership)	40.00%	929,996	–	–	–	387,949	–	–	–	–	1,317,945	–
Beijing Shunyi Jianguang Zhanlu Emerging Industry Equity Investment Partnership (Limited Partnership)	58.75%	115,081	–	–	–	(512)	–	–	–	–	114,569	–
		1,083,471	–	–	–	383,840	–	–	–	–	1,467,311	–

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XV. MAJOR ITEMS IN THE FINANCIAL STATEMENTS (continued)

5. Investment in associates, joints and subsidiaries (continued)

(2) Associates

	Shareholding percentage	Opening book balance	Provision for impairment at the beginning of the period	Movement during the period: Increase of investment	Decrease of investment and other outgoing transfer	Investment gains/losses under equity method	Other comprehensive income	Other equity movement	Cash dividend declared	Charge of provision for impairment	Closing book balance	Provision for impairment as at the end of the period
WHALE CLOUD TECHNOLOGY CO., LTD.	27.62%	906,796	–	–	–	(36,531)	–	–	–	–	870,265	–
Xingyun Times Technology Co., Ltd.	23.26%	115,822	–	–	(115,822)	–	–	–	–	–	–	–
Qingdao Hongtu Zhanlu Phase II Private Equity Investment Fund Partnership (Limited Partnership)	33.33%	58,389	–	–	–	(395)	–	–	–	–	57,994	–
Shaanxi Jianxing Zhanlu Equity Investment Partnership (Limited Partnership)	39.00%	–	–	117,000	–	–	–	–	–	–	117,000	–
*Other investment		8,664	–	–	–	–	–	–	–	(8,664)	–	(8,664)
		1,089,671	–	117,000	(115,822)	(36,926)	–	–	–	(8,664)	1,045,259	(8,664)

(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
Shenzhen ZetaMatrix Co., Ltd.	263,293	263,293	–	263,293	100%	100%	2,600,000
Shenzhen ZTE Kangxun Telecom Company Limited	580,000	580,000	–	580,000	100%	100%	–
Sanechips Technology Co., Ltd.	2,702,784	2,702,784	–	2,702,784	87%	87%	–
Shenzhen Zhongxing Telecom Technology & Service Company Limited	45,000	45,000	–	45,000	100%	100%	–
Xi'an Zhongxing New Software Company Limited	340,000	340,000	–	340,000	100%	100%	800,000
ZTE (H.K.) Limited	2,226,963	2,226,963	–	2,226,963	100%	100%	–
ZTE (Heyuan) Company Limited	500,000	500,000	–	500,000	100%	100%	–
ZTE Group Finance Co., Ltd.	1,000,000	1,000,000	–	1,000,000	100%	100%	–
Zhongxing 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%	–
Nubia Technology Limited	–	1,124,402	(1,124,402)	–	–	–	–
Shenzhen Renxing Technology Co., Ltd.	720,000	720,000	–	720,000	100%	100%	–
ZTE Intelligent Technology (Nanjing) Co., Ltd.	1,343,332	1,343,332	–	1,343,332	100%	100%	–
Zonson Smart Auto Corporation	790,500	790,500	–	790,500	86%	86%	–
** Suzhou Zhonghe Chunsheng No.3 Investment Centre (Limited Partnership)	–	–	–	–	–	**	21,600
ZXNE CORPORATION	232,360	232,360	–	232,360	100%	100%	–
SHANGHAI SHENQI JI YUAN INTELLIGENT TERMINAL CO., LTD.	927,000	172,000	755,000	927,000	100%	100%	–
INTELLIBRIGHT INTERCONNECT LIMITED	407,903	18,300	389,603	407,903	100%	100%	–
Other investment	3,560,176	3,510,176	50,000	3,560,176	–	–	414,266
Total	17,639,311	17,569,110	70,201	17,639,311	–	–	3,835,866

** 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.

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XV. MAJOR ITEMS IN THE FINANCIAL STATEMENTS (continued)

5. Investment in associates, joints and subsidiaries (continued)

(4) Provision for Investment in associates and joints

	Opening balance	Increase/ decrease during the period	Closing balance
Shenzhen Zhongxing Telecom Technology & Service Company Limited	9,656	–	9,656
ZXNE CORPORATION	232,360	–	232,360
Other investment	364,100	8,664	372,764
Total	606,116	8,664	614,780

6. Operating revenue and costs

	Six months ended 30 June 2026		Six months ended 30 June 2025	
	Revenue	Cost	Revenue	Cost
Principal operations	72,062,112	73,470,119	65,937,769	65,245,651
Other businesses	8,778,987	164,072	10,577,850	216,750
Total	80,841,099	73,634,191	76,515,619	65,462,401

7. Investment income

	Six months ended 30 June 2026	Six months ended 30 June 2025
Investment income from investment in associates and joints under equity method	346,914	53,537
Investment income from investment in associates and joints under cost method	3,835,866	696,925
Investment income from financial assets at amortised cost and financial assets at fair value through profit or loss during the period of holding	2,713	17,736
Investment gain from disposal of investment in associates and joints	(409,356)	2,829
Investment income/(loss) from disposal of derivative investment	955,993	(146,848)
Investment income from disposal of financial assets at fair value through current profit or loss	235,605	218,163
Loss on derecognition of financial assets at amortised cost and financial assets at fair value through other comprehensive income	(115,586)	(167,501)
Total	4,852,149	674,841

Supplementary Information

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1. BREAKDOWN OF EXTRAORDINARY GAINS/LOSSES

	Six months ended 30 June 2026
Gain from disposal of non-current assets	3,713
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 non-financial enterprises, excluding the effective-value protection hedge business relating to the ordinary business	150,246
Other income other than VAT refund on software products, refund of handling charge for personal tax and VAT add-on deductibles	177,569
Reversal of bad-debt provision for individually significant trade receivables for which provision was separately made	3,105
Net of other non-operating income and expenses other than the above	(1,578)
Other gains or losses falling under the definition of extraordinary gain or loss	292,772
	625,827
Effect of income tax	(93,874)
Effect of non-controlling interests (net of tax)	75
Total	532,028

Note 1: 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). Items set out as extraordinary gain/(loss) and items under "Explanatory Announcement for Information Disclosure by Issuers of Public Securities No. 1 Extraordinary Items" but defined herein as recurring gain/(loss) items were as follows:

	Six months ended 30 June 2026	Reason
Investment gain and gain from fair-value change of Shenzhen ZTE Capital Management Company Limited	(18,265)	Within the scope of business

2. RETURN RATIO ON NET ASSETS AND EARNINGS PER SHARE

	Weighted average return on net assets	Earnings per share Basic	Earnings per share Diluted
Net profit attributable to ordinary shareholders of the Company	3.65%	RMB0.58	RMB0.56
Net profit after extraordinary items attributable to ordinary shareholders of the Company	2.94%	RMB0.46	RMB0.46

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.

ZTE CORPORATION
21 August 2026