ZTE 中兴通讯股份有限公司
ZTE CORPORATION

stock code : 000063.SZ 00763.HK

Important

1. The Board of Directors and 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 collectively and individually accept legal responsibility therefor.

2. This report has been considered and approved at the Twenty-first Meeting of the Tenth Session of the Board of Directors of the Company held on 6 March 2026. All directors have attended the meeting in person.

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

4. The annual financial reports of the Group for 2025 have been audited by Ernst & Young Hua Ming LLP, which has issued an unqualified auditors' report in connection therewith.

5. The Company's proposal for profit distribution for 2025 is as follows: distribution of RMB4.11 in cash (before tax) for every 10 shares to all shareholders based on the total share capital as at the record date for profit distribution and dividend payment. The aforesaid matter is subject to consideration and approval at the general meeting.

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 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.

Chair's Statement

Dear Shareholders:

I hereby present the 2025 annual report of ZTE on behalf of the Board of Directors of the Company and express sincere appreciation to all shareholders, global customers and partners and the public for their longstanding concern and support for ZTE!

Fang Rong
Chair
ZTE

In retrospect of 2025, the Company has taken solid steps in the implementation of its new strategy of "connectivity + computing", as our operating revenue were back on a growth track. In connection with the network business, we continued to make intensive efforts to consolidate its position as an "anchor" business of the Company. In the computing business, we were making breakthroughs with leading customers on an ongoing basis as this segment became a "new engine" for growth. In terms of the terminal business, the industry's first AI agent smartphone has been launched in association with our partners in a bid to investigate "new entry points" for applications. The Red Magic handset has achieved breakthroughs in the international market, maintaining its leading position in the e-sports segment. Meanwhile, we are well aware that profitability has been under pressure amidst the transition of industry cycles coupled with adjustments in the business structure. Our product competitiveness must be enhanced on an ongoing basis, as must our core competence in brand, channel and business ecosphere. Such are the challenges that the Company must tackle head-on.

As the Company remains firmly committed to its initial aspirations, its intelligent computing super node and "Co-Sight super AI agent" have been awarded the highest SAIL honour and the top position on the open-source league, respectively, as testimonies to the steadfast footprint left by its exceptionally strong effort in R&D. Our inclusion in the CDP Climate A List for leadership in combating climate change for three years in a row has also underpinned our tireless effort in green development. Year 2025 also marked the 20th anniversary of our charity project of caring for veteran soldiers from the Anti-Japanese War living in western Yunnan. Mr. Hou Weigui, founder of the Company, visited western Yunnan again during the year. This commitment to watch out for others which has lasted

through the years is a genuine manifestation of the deepest sense of responsibility and compassion in the DNA of ZTE.

Looking to 2026, we will be standing at the crossroad embracing restless times. The international environment is complex and volatile with notably increasing factors of uncertainty. In China, with the unfolding of the grand blueprint of the "15th Five Year Period", technological innovations such as AI and 5G-A will catalyse the birth of new business formats. Meanwhile, investment in networks will remain subject to the impact of industry cycles, while the formation of a commercial closed-loop for the intelligent computing business will take time. Given such challenges as well as opportunities, ZTE will remain committed to the philosophy of "seeking business prosperity through harmony and collaboration and profit growth through quality enhancement" to ensure stable and sustainable development.

"Seeking business prosperity through harmony and cooperation" is the source of strength for overcoming hurdles and difficulties. "Harmony and cooperation"is based on our fine cultural DNA of mutual respect. It is a wisdom shared by all inhabitants of this Earth, as the co-existence and co-prosperity of all is owed to the magnanimity of the spirit of "harmony in diversity". The Company will optimise its business portfolio and resource allocation in accordance with the principle of "large market capacity, high level of sophistication, high growth potential and good profitability". We are resolved to further focus on our core strategy, so that we could break bottlenecks in innovation with concerted efforts. We intend to incentivise and empower our junior-level staff teams, with a view to invigorating the organisation and unleashing potential for innovation. We will also seek to expand our "circle of friends", making improvements to the open ecosphere based on root technologies as the inner core and aspiring to make our way into the first quadrant of the intelligent computing business. Meanwhile, we will continue to operate in line with the principles of low-carbon green development and usher in the digital and intelligent future of sustainability in a joint effort, in firm adherence to our initial aspiration of using technologies for good causes.

"Profit growth through quality enhancement" is an unavoidable path for meaningful business breakthroughs. The overseas market continues to hold out immense potential. We need to make intensive efforts in our existing markets while seizing opportunities presented by big Ts of large nations and overseas business expansion of Chinese companies to achieve stable operation. In the domestic carriers' market, we must stabilise the network patten and identify further scenario demands in order to expand room for growth and increment. In the government and corporate market, we should seize opportunities associated with the development of intelligent computing whilst seeking balance in business scale and profitability. For the terminal business, we should advance our expansion in the overseas large-nation markets with resolute effort and enhance our capabilities in integrated operation and brand building. Domestically, we should develop AI technologies for the terminal with full-gear efforts and vigorously investigate new terminal forms. Innovation as business driver should be further enhanced, as the integration across different professions and academic disciplines has become a hallmark of the AI era. We should develop integrated solutions for the empowerment of customers, with a view to delivering value for all. We must firmly adhere to the primary principle of quality, seeking to enhance efficiency through quality and increase profitability through quality enhancement. We should steer through the period of cyclical transitions for the industry in stability and composure and respond well to the challenge of times.

Standing at the forefront of the onrushing trend, we will face the challenges head-on and race with determination towards the strategic goal of becoming a "leader in network connectivity and intelligent computing". The Company will live up to the times and explore pathways of development with undaunted vigour, staying focused on its strategic direction and drawing on resources from far and wide with open-mindedness. Together, we will embrace the digital and intelligent future for qualitative development!

Fang Rong
Chair
ZTE

CONTENTS

4 Definitions

5 Glossary

8 I. Corporate Information and Summary of Major Financial Data

12 II. Report of the Board of Directors

58 III. Corporate Governance, Environmental Performance and Social Responsibility

101 IV. Material Matters

111 V. Information on Bonds

116 VI. Financial Reports

264 Documents Available for Inspection

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
Company Law	Company Law of the People's Republic of China
Companies Ordinance	Companies Ordinance (Chapter 622 of the laws of Hong Kong)
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
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
Articles of Association	ZTE Corporation Articles of Association (April 2025)
The Reporting Period	1 January 2025 to 31 December 2025

Glossary

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

AAU	Active Antenna Unit, the principal equipment at a 5G base station mainly responsible for receiving and transmitting 5G radio frequency signals.
AI-UPF	Network element created by optimising and enhancing traditional UPF (User Plane Function) with AI technology, which is capable of deep identification of tasks and accurate measurement of task experience on the back of a built-in AI engine and model modulation, thereby providing a basis for upper-level business operation that aims to add value through differentiation.
AI Agent	Artificial intelligence agent (or intelligent agent) is a computer system or programme capable of sensing the environment, making decisions and taking actions to achieve specific goals.
AgentGuard	Execution of definitive closed-loop assurance based on compound assurance strategies generated through agent task identification facilitated by endogenous intelligence of 5G-A base station, which facilitates swift and smooth completion of tasks by the agent. Through the AgentGuard solution, the service model of traditional networks based on simple rules is transformed into an intelligent compound service model built around the task agent and capable of providing response as demanded.
Co-Sight	Super open-source AI agent platform launched by ZTE as the core carrier and intelligent automated infrastructure for vision coordination analysis, designed to provide solutions for intelligentised transformation and upgrade of corporations.
CPE	Customer Premise(s) Equipment, a connecting and handling equipment deployed on the customer end during the provision of service to users.
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 scenarios such as metropolitan area network and data centre interconnects.
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 processing, data security and computing acceleration, offering better performance than CPU in data IO (input/output) processing.
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.
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.

Glossary

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.
MCP Server	The service end of a standardised intermediary unit in the Model Context Protocol which seals external capacities into three standardised interfaces (tools/resources/prompts), allowing the large language model (LLM) to modulate external functions and acquire real-time context without self-defining integration. It is a core component for the access of AI Agent to corporate systems.
NEF	Network Exposure Function, a core network element on the control plane of the 5G core network service architecture which provides access to the network capacity of 5G core networks to authorised applications through the standardised API (Application Programming Interface) and safety mechanism, while at the same time receiving in reverse strategic recommendations from the applications for transmission to the core network element to facilitate two-way coordination between the network and the applications.
NTN	Non-terrestrial Network, which facilitates 5G communication through satellites or high-altitude platform systems. NTN could cover remote areas, such as mountains, deserts and oceans, that terrestrial networks could not reach, hence further enhancing the coverage of 5G networks. NTN comprises IoT-NTN and NR-NTN. IoT-NTN supports satellite-based interconnection of IoT terminals, while NR-NTN adopts 5G NR which enables smartphones to be directly linked to satellites.
NWDAF	Network Data Analytics Function is network element for data sensing analysis as defined under the standardisation organisation 3GPP. It carries out automatic sensing and analysis of the network based on network data and is utilised in the full life cycle of network planning, construction, maintenance, optimisation and operation, so as to facilitate ease in the maintenance and control of the network and enhancement in the efficiency of network resource utilisation for improved user experience.
OCS	Optical Circuit Switching, direct switching of the optical signal pathway in the optical domain without photoelectric conversion to facilitate full-optical interconnection with low latency, high bandwidth and low power consumption. It is applied in high-bandwidth and low latency scenarios such as AI computing cluster, super computer and data centre.
OTN	Optical Transport Network, a network that facilitates reliable and efficient network communication and transmission within the optical zone organisational network based on DWDM 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.
RDMA	Remote Direct Memory Access is the direct access of the internally stored data of a computer by another computer via a network interface without the intervention of the operating system core, thereby reducing latency in network data transmission.
RRU	Radio Remote Unit. The base station is separated into two parts: the radio server and radio remote unit, the latter of which is installed at the antenna to process radio signals.

Glossary

Scale-Up	Vertical scalability, which refers to the improvement of the performance of a standalone unit through hardware upgrade of a standalone server and standalone node to support greater business loading. It is the "vertical enhancement" of the hardware layer.
Scale-Out	Horizontal scalability, which refers to the addition of new standalone servers, nodes or storage equipment to build a distributed cluster for the allocation of business loading, date storage and computing tasks to different nodes and facilitate expansion in overall performance and capacity.
SoC	System on Chip, an integrated circuit with a designated purpose, comprising a complete system and all contents of embedded software.
S+C+L	S+C+L wavelength (Short-wavelength band, Conventional band, and Long-wavelength band) refers to the three common wavelength division bands in the available wavelength of optical fibre. The facilitating of massive expansion of single fibre capacity and bandwidth by combining three wavelength bands with low loss rates represents a core direction in the evolution of optical communication towards ultra-broadband.
TCO	Total Cost of Ownership.
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.
Indirect evaporative cooling	A mode of heat exchange that utilises vaporised latent heat to facilitate the lowering of temperature without direct contact between cooled air and water/moist air such that heat transfer takes place without mass exchange. It is a type of evaporative cooling technology distinct from direct evaporative cooling (where water comes into direct contact with air, lowering temperature while increasing air humidity).
Cold-plate liquid cooling	A contactless liquid cooling technology using liquid as the heat transfer medium. As the liquid flows along the internal channel of the cold plate, heat transfer would facilitate cooling of the heat source.
Immersive liquid cooling	Full immersion of heating components into circulating and insulating cooling liquid, such that heat emitting from the equipment is directly transferred to the cooling liquid, while circulation and heat exchange of the cooling liquid is facilitated through natural convection or pump drive.
Digital Twin	Creation of a virtual and dynamic digital model for a physical reality (a product, equipment, system, process or even city) by building real-time connection and mirroring between the physical world and the virtual world.
Communication-sense integration	Network that offers both spatial sense and communication capabilities and acquires senses of targets or the environment by analysing the transmission of wireless signals.
Live network computing	Online data computing carried out simultaneously with the process of data transmission to reduce communication latency and increase overall computing efficiency.

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' networks, government and corporate business and consumer business. There was no significant change to the principal businesses of the Group during the Reporting Period.

1.1.3 Share-listing information

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

1.1.4 Contact persons and means 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 and accounting estimates and rectification of accounting errors

☐ Applicable √ N/A

1.2.3 Major accounting data and financial indicators of the Group for the past three years

Unit: RMB in millions

Item	2025	2024	Year-on-year change	2023
Operating results				
Operating revenue	**133,895.5**	121,298.8	10.38%	124,250.9
Net profit attributable to holders of ordinary shares of the listed company	**5,617.7**	8,424.8	(33.32%)	9,325.8
Net profit after extraordinary items attributable to holders of ordinary shares of the listed company	**3,370.4**	6,179.1	(45.45%)	7,399.6
Net cash flows from operating activities	**3,918.7**	11,479.8	(65.86%)	17,405.7
Size				
Total assets	**217,739.4**	207,323.2	5.02%	200,958.3
Total liabilities	**142,098.1**	134,212.9	5.88%	132,626.9
Owners' equity attributable to holders of ordinary shares of the listed company	**75,425.6**	72,808.5	3.59%	68,008.3
Per share basis (RMB/share)				
Basic earnings per share	**1.17**	1.76	(33.52%)	1.96
Diluted earnings per share [Note]	**1.16**	1.76	(34.09%)	1.96
Basic earnings per share after extraordinary items	**0.70**	1.29	(45.74%)	1.55
Net cash flows from operating activities per share	**0.82**	2.40	(65.83%)	3.64
Net asset per share attributable to holders of ordinary shares of the listed company	**15.77**	15.22	3.61%	14.22
Financial ratios (%)				
Weighted average return on net assets	**7.58%**	11.97%	Decreased by 4.39 percentage points	15.19%
Weighted average return on net assets after extraordinary items	**4.55%**	8.78%	Decreased by 4.23 percentage points	12.05%
Gearing ratio	**65.26%**	64.74%	Increased by 0.52 percentage point	66.00%

Note: 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 54,053 thousand shares of potentially dilutive ordinary shares for 2025, diluted earnings per share has been calculated on the basis of basic earnings per share taking into account the said factor.

1.2.4 The Group's major financial indicators for 2025 analysed by quarter

Unit: RMB in millions

Item	The first quarter of 2025	The second quarter of 2025	The third quarter of 2025	The fourth quarter of 2025
Operating revenue	32,968.2	38,584.5	28,966.9	33,375.9
Net profit attributable to holders of ordinary shares of the listed company	2,453.2	2,604.4	264.4	295.7
Net profit after extraordinary items attributable to holders of ordinary shares of the listed company	1,956.7	2,147.2	(224.9)	(508.6)
Net cash flows from operating activities	1,851.3	(551.9)	478.1	2,141.2

The above accounting data is consistent with relevant accounting data disclosed in the Group's quarterly reports and interim report.

1.2.5 Extraordinary gains or losses items and amounts of the Group for the past three years

Unit: RMB in millions

Item	2025	2024	2023
Gain from disposal of non-current assets	**5.0**	95.7	20.6
Investment gain from disposal of investment in associates and joints	**78.0**	155.2	96.0
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	**524.4**	(206.4)	(337.0)
Gain from fair-value change of investment properties	**(4.5)**	(150.4)	(211.6)
Other gains other than income from VAT refund on software products, refund of handling charge for personal tax and VAT add-on deductibles	**515.7**	326.7	343.8
Reversal of bad-debt provision for individually significant trade receivables for which provision was separately made	**13.1**	4.3	51.4
Net of other non-operating income and expenditure other than the above	**(58.9)**	(112.6)	(55.2)
Other gains or losses falling under the definition of extraordinary gain or loss	**1,567.9**	2,542.9	2,353.6
Less: Effect of income tax	**396.1**	398.3	339.2
Effect of non-controlling interest (after tax)	**(2.7)**	11.4	(3.8)
Total	**2,247.3**	2,245.7	1,926.2

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

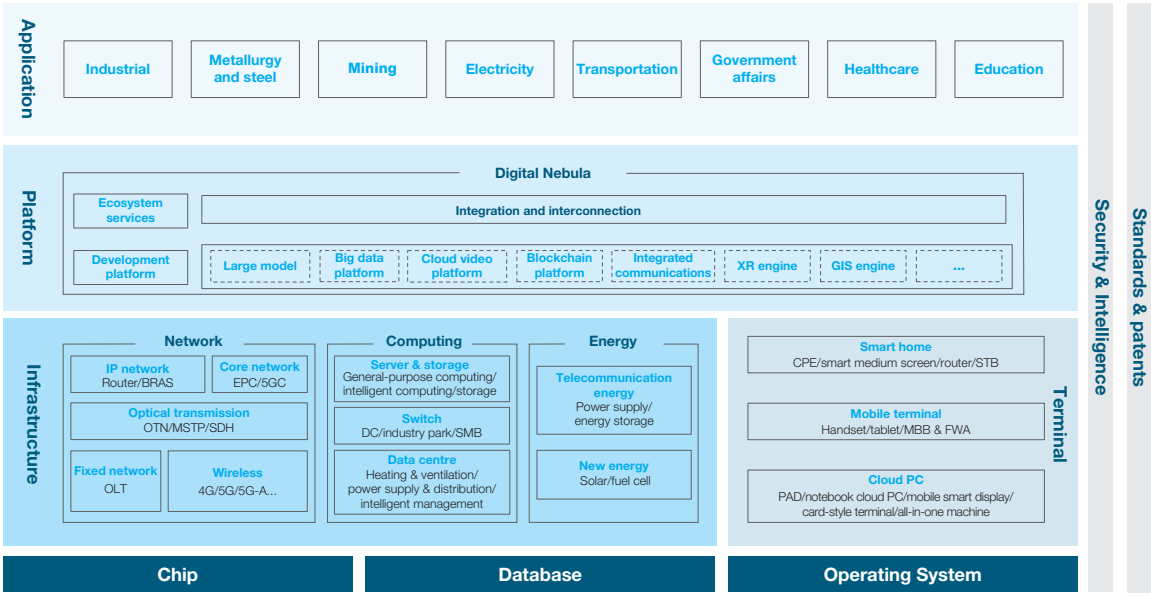
In 2025, opportunities as well as challenges were present given the rapid development of AI and the growing sophistication of digitalisation, intelligentisation and low-carbon operation, while at the same time there were adjustments to investment mix driven by the transition of industry cycles. Nevertheless, 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 2025, followed by a detailed analysis of its operating results in 2025 and outlook for business development in 2026.

2.1 INNOVATIONS IN CORE TECHNOLOGIES IN 2025

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

At present, intelligent computing is reshaping the industrial scene in an unprecedent speed, the core trends of which are represented by: explosive demand coupled with structural change in the proportion of training and inference, driving AI application for more precise scenario adaptation; accelerated transformation of computing infrastructure towards heterogenous integration and green and low-carbon operation, as technologies such as liquid cooling and modulisation become crucial pathways to reduction in energy consumption. "Computing-network integration" has become the new basis, as overall allocation of intelligent elements is facilitated through coordination between distributed computing and the network. On the back of its full-stack and all-round DICT technologies assembled over a span of four decades, the Group has been actively seizing opportunities presented by the digital tide and firmly adhered to its positioning as a "leader in network connectivity and intelligent computing", persisting in extensive collaboration and an open and mutually beneficial approach as it endeavours to deliver value to customers, contribute its wisdom to the industry, generate mutual benefits with its partners and undertake due social responsibilities.

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



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

1. Chip

The Group has continued to increase investment in advanced process technique design, advanced architecture and seal packaging design, core intellectual properties and digitalised efficient development platform since it started the R&D in chip in 1996. We are currently an industry leader in terms of the ability to design the complete process for chip. On top of a solid foundation in the R&D of base-level technology for DICT chip, the Group has also constructed an ultra-efficient, green and intelligent full-stack computing network base pivoting on “data, computing and network” in line with developments in computing-network integration. By creating a product regime meeting the core requirements of the diversified scenarios of “cloud, edge, terminal”, we have developed 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 products 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 SoC “Lanyue” A Series, centralised computing platform SoC “Hanyu” M Series and automobile specification-grade V-2X communication chip S Series and module solution. 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, covering product types such as distributed database, centralised database, integrated data backup machine, vector database, among others, which offer support for concurrent core service scenarios of an ultra-large scale while also being adaptable to light-load scenarios, thereby lowering the technical barrier for enterprises wishing to upgrade their databases. The Group has been actively promoting empowerment in both directions of "AI For DB" and "DB For AI" to achieve the native integration of data processing and AI competence.

In terms of market, GoldenDB has been deeply engaged in the core scenarios of multiple sectors covering more than 500 customers as its footprint has been expanded from the financial and carrier sectors to government service, transport, energy, healthcare, large corporations and overseas markets. In the financial sector, our core systems has reported stable operation for 6 years in a row, carrying over 10 billion transactions with a gross transaction amount exceeding RMB10 trillion on a daily basis and serving a clientele which comprises major state-owned banks, policy banks, joint stock banks and leading securities firms. In the telecommunication sector, we have provided full coverage of the domestic carriers' services, handling the billing of 900 million+ mobile users and 1,200 million+ IoT users daily. We have also entered into cooperation with the General Administration of Customs and the Ministry of Finance to support the transformation and upgrade of the databases of government ministries and commissions. In connection with the business ecosphere, GoldenDB has completed adaptations with over 600 partners and facilitated the accreditation of more than 12,000+ technical personnel. According to the "2024–2025 Annual Research Report on the PRC Platform Software Market" published by CCID Consulting, GoldenDB ranked first in China's market for distributed transactional database.

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. Our products have won the Class I Science and Technology Award of China Institute of Communications and the Fourth China Industry Award. The Group's operating systems have attained the OSDL (Open Source Development Labs) Telecom-grade Linux accreditation, Tier-four National Information System Security accreditation, 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 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, computing and architecture, highly-efficient, intelligent and minimal and green mobile communication networks designed for carrier customers and industry customers have been constructed. The 5G scenarios have been further explored in greater detail, as we 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 and save energy by over 35%. **To address the high-speed evolution of the network**, a number of first-of-its-kind products in the industry have been launched, such as the 2.6GHz+4.9GHz dual-frequency 64TR AAU with a 20Gbps+ throughput volume, 1.6GHz bandwidth millimeter wave AAU with a 25Gbps+ throughput volume and medium-frequency pooling MiCell millimeter wave distributed mini-stations. **To address optimisation of network deployment**, we have also launched the 1.8GHz + 2.6GHz dual-frequency RRU which facilitates precise matching of RRU signals with rail coaches with the pioneering "power tag-along" solution to achieve one-stop 4/5G coverage in high-speed rail scenarios without the need for antenna upgrade and conversion in the live network. **To address refined 5G scenario operation**, we have launched the quadruple frequency QCell to meet the requirements of scenarios with a high indoor heat level. The Lingxi Unit qNCR innovative solution has also been launched to effectively strengthen network signals at enclosed scenarios with weak coverage, such as elevators and underground carparks.

- **5G-A evolution:** The Group has joined forces with carriers to gain pace in the industrial application and sophistication of a range of products featuring innovative 5G-A technologies, such as double 10G+ maximum limit network, communication and sensor integration, air — space — terrestrial integration, among others. **In connection with 10G network**, we provided service to the 2025 Chinese New Year Gala Show of CCTV with the EasyOn solution, our 5G-A ultra-minimal private network, facilitating wireless ultra-HD video shooting through simple and flexibly interchangeable deployment of cameras. At the 2025 MWC, we teamed up with Mobile World Live to operate a 5G-A wireless livecast studio for interviews. We have provided support to the ultra-intensive concurrent scenario for users operating 100+ channels. **In connection with communication and sensor integration**, we have launched the industry's first 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 trials runs or commercial applications have been operated at more than 100 projects in 25 provinces, municipalities or autonomous regions. A low-altitude industrial ecosphere platform has been launched in association with 35 enterprises to integrate upstream, midstream and downstream resources along the industry chain and build a coordinated low-altitude economic ecospheric regime underpinned by "joint ventures in technologies, joint exploration of scenarios and mutual success in the market". **In connection with the integration of air, space and terrestrial applications**, we have completed verification of China's first carrier NR-NTN low-orbit satellite laboratory simulation and verification test for general service carrier, as well as verification of the industry's first NR-NTN+VoWiFi integrated network. New breakthroughs have been achieved in the experiment of orbiting technology for direct linking between terminals and low-orbit satellites as verification of NR-NTN real-time voice laboratory for 3GPP handsets directly-linked to low-orbit satellites has been completed. We have also assisted China Telecom in its launch of the country's first IoT NTN carrier-grade commercial network.

2. Core network

AIR Core, the first AI native core network launched by the Group, facilitates the transition from cloud native to "AI+ cloud native" with the aid of frontier AI technologies such as deep integrated large language model, communication large model and digital twin, constructing a creative three-tier AI agent coordination structure "speech agent, connecting operation agent, and twin simulation agent" that breaks the boundary of the capability of traditional core networks and guides the leaping evolution of networks from a "connecting hub" to a "service enabling platform" and "value adding centre". **In connection with business**, a speech AI agent integrating large language model (LLM), text-to-speech (TTS), speech synthesis and retrieval-augmented generation (RAG) has been launched to support the acquisition of services by users using natural speech, which represents a radical change from "operating functions" to "understanding intent". **In terms of connectivity**, our connecting operation agent opens up the overall configuration of user intent and network resources on the back of intelligent components such as NEF+MCP Server, NWDAF, AI-UPF to support on-demand scheduling of scenario SLA (service level agreement) and provide assurance for certainty, thereby empowering the commercialisation model of "experience as service". **In connection with maintenance**, our twin-simulated AI agent based on high-precision digital twin preview and multi-agent coordinated decision making facilitates minute-fast network risk identification and proactive defense with a simulation accuracy rate of over 95% to shift the maintenance model from passive response to active protection, thereby significantly lowering OPEX and enhancing network reliability. In summary, AIR Core has systematically constructed a future network infrastructure for intent sensing, proactive service and value creation through the coordination of three-tier agents, offering carriers and industry partners a whole new prospect for value growth.

3. Wireline

- **Fixed-line access**: The symmetric 50G-PON Combo solution claiming the highest density among peers has been launched to meet the requirements of large-scale deployment. We have also launched the three generations time division 50G-PON, the first of its kind in the industry, which solves the industry bottleneck relating to the compatibility of ITU 50G-PON and IEEE EPON by adopting first-of-its-kind technologies in the world to facilitate coordinated operation of systems from three generations, namely 50G-PON, 10G-EPON and EPON, on the same optical distribution network (ODN) at symmetric speed, paving the way for the smooth upgrade of carrier network. We have launched the industry's first home broadband agent, which constructs the system for automatic diagnosis of home broadband malfunctioning and experience optimisation based on the AI OLT board/card to enhance operational and maintenance efficiency of home broadband systems. We have developed an end-to-end ODN solution for the full life cycle and process which shortens diagnostic lead-time by over 90%, diagnoses optical link malfunction with a precision range of 1 metre and identifies resources with a 100% accuracy rate. The Tbit full optical access platform has maintained its highest GlobalData Leader rating for 5 years in a row. Our complete product matrix for full optical industrial park affords flexible scalability catering to enterprises of varying sizes to help carriers develop new markets in an efficient manner. A four-in-one optical/video/computing/security product has been launched in association with China Mobile, featuring a 16-channel camera and 6T built-in computing compatible with multiple computing methods to meet SME's requirements for intelligentisation. We have also teamed up with China Telecom in the development of a high-grade integrated gateway for the government and corporate sector featuring 133T built-in computing and an integrated DeepSeek model, designed to empower efficient operation of enterprises by helping them build local knowledge base and increase coding efficiency.

- **Optical transmission network**: We have launched the world's first C+L full-frequency integrated optical module and completed the world's first C+L integrated 80x800G live network test run in partnership with carriers, setting the world record of 10,000 km+ transmission by single-wave 1T optical signal based on hollow optical fibre. We have also completed the world's first ultra-large capacity test of single-fibre 114.9Tb/s S+C+L multi-wavelength based on hollow optical fiber in a live network setting in the GBA, which has verified its "ultra-low latency, Tbit and multi-wavelength" transmission capability. Our 1.6T live network test based on a spectral width of 12THz, the first of its kind in the world, has received the "ICT China (2025) Case Study" Class I award. With our "Most Powerful C+L Full-frequency integrated optical module", "Hollow Optical Fibre Transmission System Breakthrough and Innovation", "800G plug-in/unplug OTN Solution" and "Automatic Activation of Intent-based OTN Service", we have won four innovation awards at the Lightwave+BTR Innovation Reviews. Our "C+L full frequency integration OTN" has been honoured with the Light Reading Annual Award. The Group's 5G Optical Transport product has maintained its highest rating with GlobalData Leader. According to the latest Omdia Report, the Group ranked first globally in the dispatch of OTN 800G plug-in/unplug DCO ports for 6 quarters in a row.

- **IP network**: The Group has launched the high-end router product with high performance and ultra-large capacity supporting high-density 400GE/800GE as the only enhanced definitive network (EDN) in the industry equipped with a built-in chip. We have upgraded the internal AI engine to high-level intelligence to facilitate business stream-grade modulation and assurance, allowing dynamic energy saving by as much as 17% when not in use. Whilst maintaining its leading position in the domestic market for IP backbone network, the Group has also been actively expanding its business in the international market, assisting in the IP backbone network modernisation upgrade projects of Spanish carrier MasOrange and Malaysian carrier SACOFA. In connection with the future network and vertical businesses, we have won on an exclusive basis the bid for China Mobile's 6G carrier system prototype sample machine, whilst launching the industry-grade CPE for power distribution networks, the first of its kind among peers. The "First domestic commercial application of orthogonal architecture green large-capacity core router" and "Creation of multi-agent system based on large models", developed in association with carriers, have received the "ICT China (2025) Case Study" Class I award. According to the latest report of GlobalData, the Group's IP high-end router has been given the highest Leader rating with the highest overall score among rated manufacturers.

2.1.3 Opening up the ecosphere for the development of full-stack, full-scenario intelligent computing solution

1. Server and storage

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

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

- **Proprietary innovation**: Our proprietary DPU Dinghai chip supports multiple forms such as RDMA card, smart network card and DPU card to provide high-performance and diversified computing acceleration hardware. We have teamed up with our industry partners to drive high-speed and open-ended interconnection standards for GPU and create new intelligent computing servers with interconnected super nodes which support the dual scalability mode of Scale-Up and Scale-Out to claim leading position in the industry in terms of the level of integration and scalability. The "Innovative solution for the application of distributed OCS full optical interconnected chip and super node" developed by us in association with other parties have won the SAIL (Supreme AI Leader) Award, the top honour at the 2025 World Artificial Intelligence Conference.

2. Switch

The Group has continued to upgrade its nebula intelligent computing network solution with the launch of the 576-port 800GE frame switch and the 32-port 400GE box switch, claiming the highest density and the strongest compactness, respectively, among peers. We have also created the end-to-end decoupling 400GE/800GE RoCE loss-free intelligent computing network, a leader among domestically manufactured peers which achieves zero-loss data transmission through triple innovative flow control technologies with 98% network throughput efficiency and 5μs fast adjustment and optimisation of flow congestion within the intelligent computing centre to facilitate improvements in cluster computing efficiency. We claim a complete product matrix covering a full range of 2.4T~460.8T box switch and frame switch atop of its peers in terms of performance, which 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. Our "Proprietary R&D and large-scale application of programmable key gateway technologies" has received the "ICT China (2025) Case Study" Class I award.

3. Data centre

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

4. Training and inference platform

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

- **Resource management:** accelerating hardware differentiation at off-screen shield-base heterogeneous structure and providing flexible modulation of diversified computing ability to offer a high-performance and highly reliable operating environment for model operation.
- **AI tool set:** provision of an end-to-end engineering tool set covering aspects from data processing, model development, training, optimisation, assessment to deployment to meet the business requirements of the entire life cycle of the intelligent computing large model and significantly lower the barrier for development; provision of model migration tools to facilitate smooth migration of large models on the GPUs of different manufacturers.

2.1.4 Intensive development of digital energy to assist in the construction of the zero-carbon energy net

1 Telecommunication energy

The Group provides end-to-end power supply solutions with a complete product range covering full products, 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 telecommunication 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 supply, batteries and energy with the aid of ultra-efficient communication power supply products has made successful breakthroughs with a number of high-end customers. We have been leaders in the domestic market for telecommunication energy in terms of market share, while in the international market, we have achieved notable growth in market size following ongoing intensive efforts with big Ts in major nations, as we guide the green upgrade of the global telecommunication energy industry with hardcore technologies and premium services.

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 20 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 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. We have also ranked first globally for the dispatch of IP set top box.

- **FTTR:** We have maintained rapid generational replacement on a yearly basis with the launch of the RoomPON 7.0 series for building of a system comprising "1 home agent base + 2 main/subsidiary medium screens" to provide all-round smart services for scenarios such as digital partner, health protection, sensorless security and interactive entertainment, among others.

- **Smart medium screen:** The new-generation AI medium screen flagship product "Medium Screen Agent" has been launched, featuring deep terminal integration of the 1.5B model and cloud-end large model to create a new smart home portal integrating the housekeeping, entertainment and fitness, health and welling and study companion functions. More than 1 million sets have been dispatched throughout the year as it has been put to commercial application by China Mobile and China Telecom and become the prime brand name of proprietary smart medium screen in the domestic carriers' market. We have teamed up with China Unicom to launch the "Smart Home Communication", a medium computing host, which has been successfully put to application in 7 provinces domestically.

- **Wi-Fi router:** In the carrier market, the Group's Wi-Fi 7 router has made breakthroughs with the three leading domestic carriers ahead of its peers to capture more than half of the market shares. In the international market, breakthroughs with multinational carriers and mainstream carriers in Japan and Italy have been reported, with successful commercial applications in Spain, Italy, Japan and Brazil to establish a firm foothold in the first quadrant. In the consumer market, the Group's Wi-Fi router has become a TOP3 brand in the product category. In the domestic e-commerce market for routers, we ranked first on the JD platform in terms of growth rate and were the only brand to have been honoured with the JD Gold Quality Award (Router Products)

2. Mobile terminal

In 2025, 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's proprietary Nebula AIOS has been undergoing full evolution as it has continued with the construction of a smart hub for the provision of better solutions to users. In association with our partners, we have launched the industry's first smart agent phone featuring system-grade deep interaction and explorations of "new portals" for applications. Nubia flagship Z80 Ultra showcases balanced breakthroughs in imaging, screen, performance and gaming experience on the back of technological innovations such as the upgraded NeoVision Taishan AI Image 5.0 and the incorporation for the first time of Red Magic's CUBE Qingtian game engine. The Nubia Neo 3 series gaming phones provide consumers with the ultimate controlling experience in the same price range as the only model to feature trigger buttons, complemented by outstanding gaming functions and AI. The Red Magic 11 Pro series introduces several breakthroughs worthy of industry milestones, such as the first water and air dual cooling model, the industry's first visible water-cooling design, the debut of new screen materials of the BOE X10 off-screen camera and the first flagship handset equipped with an 8,000mAh large battery, claiming all-round advancements in cooling, performance, vision, gaming experience and battery life. We have also teamed up with carriers to manufacture customised AI handsets to allow AI features in phones of all price categories such that the mass market might benefit sooner from advanced technologies.

- **Mobile Internet products:** The Group has launched numerous products supported by latest AI, 5G-A and Wi-Fi 7 technologies based on the novel GIS (Green, Intelligence, Security) concept, including ZTE G5 Ultra, ZTE G5 Max Wi-Fi and ZTE U60 Pro, in an all-round effort to upgrade users' experience of the intelligent network. The Group ranked first globally in 2025 for five consecutive years, in terms of market share for 5G FWA & MBB according to the latest TSR report and in terms of 5G FWA CPE competitiveness according to the latest ABI Research report.

3. *Cloud PC*

Further to its full range of cloud PCs comprising Yufeng, Fuyao, Xiaoyao and Linglong, the Group has continued to launch innovative cloud PC terminal catered to market demands in line with its product philosophy of "AI excellence — enabled network and superior cloud terminal". Our 5G Mobile Smart Display has unveiled a new product segment underpinned by the "N-in-one smart screen", while the Xiaoyao 20 AI PAD (tablet cloud PC) showcases efficient integration of portability and productivity on the back of superiority in hardcore, light-weight and AI features. Meanwhile, Yufeng 10 Air offers users the brand new experience of a computer that is: never outdated in performance, never subject to data loss and protected by a 5-year extended warranty.

In 2025, the Group reported sales of over 2 million sets of cloud PC terminals to retain its top position in China's market for desktop cloud terminals. In the carrier market, the Group continued to support large-scale commercial application of cloud PCs by carriers in a joint effort to underpin the new smart home ecosphere and drive growth in the cloud PC To C/H business. In the government and corporate market, we helped financial institutions and large corporations, such as Ping An Group, Pudong Development Bank, Taikang Insurance, SAIC-GM, Wuhan Iron and Steel Group and Meishan Iron and Steel Group, to ensure safe office operations enabled by efficient intelligent applications.

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

1. Digital Nebula

In continuous enhancement of Digital Nebula, the Group has facilitated fast delivery and full-cycle management from corpus feeding, model training to application with the aid of its 3 major capability centres: high-quality corpus processing at the corpus workshop, assistance for industry users' assembly lines and minute-fast construction of AI agent applications at the AI agent factory, and the provision of integrated operational services for computing, model, data and AI agent applications at the operations centre.

2. Large model and AI agents

The Group has developed the proprietary ZTE Nebula Large Models, including a rudimentary large model and sector large models such as the R&D large model, communication large model and industrial large model, as it continues to invest in capacity enhancement in key aspects such as computing innovation, data engineering and efficient computing platform. 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. The **rudimentary large model** includes large language models ranging from 2B to 80B, visual large models and multi-mode large models covering different deployment scenarios from the handset to edge and centre clouds. The **communication large model** improves inference of the mindset chain and AI agent coordination on an ongoing basis to accelerate the evolution of AI agents from an auxiliary aid for analysis to autonomous decision-making. In connection with the high-grade self-intelligent scenario, we have built the digital/intelligent human expert catered to maintenance processes and the digital/intelligent human assistant catered to frontline maintenance engineers, facilitating fast access to L4 of high-value scenarios. The "Joint Innovation+" self-intelligence network laboratory launched in collaboration with China Mobile has enabled more than 91% accuracy in determining the location of the cause of wireless malfunctioning position through the application of mapping model and AI agents. Our **R&D large model** ranked first in inference and second in total score in the test and assessment conducted by SuperCLUE, an authoritative domestic third-party agency. Our R&D tools based on large model has effectively enhanced overall R&D efficiency for the end-to-end full process from supporting AI efficiency enhancement evolution of high-frequency scenarios to demand analysis, scheme design, development fulfillment and test delivery scenarios. Multi-agents have been launched based on research on how to improve end-to-end turnover efficiency, the first batch of development agents of which have obtained the highest-level CAICT accreditation. Our **industry large model** integrating language, vision and multi-mode capabilities have been put to application in the industrial, energy, transport and government service sectors. The Group's Nanjing Binjiang Intelligent Manufacturing Base has implemented 300+ smart scenario application based on industrial AI agent and achieved an overall dark factory rate of 85%, whilst the production labour rate of all staff has increased by 258%. We have assisted Balasu Coal Mine Lamp in Yanchang Mining to develop the first mining AI agent in China to advance safe mining and management efficiency enhancement. We have also assisted the launch of China's first AI large model for urban railway in Qingdao to develop a multi-scenario agent for maintenance, servicing and management which will lower maintenance labour costs and increase the efficiency of exceptional handling. In association with the Bureau of Hydrology, Changjiang Water Resources Commission, we have put online the hydrographic model of the "Jiupai Basin" river region for public use nationwide to assist in the implementation of the "Four Preventions" system in river region governance of river coastal regions.

The innovative Co-Sight AI agent factory solution launched by the Group has adopted a factory model of "preset atomic functions + visible orchestration" which significantly lowers the development cost and barrier of AI agents and facilitates "AI generation of AI" to support swift customisation and application by corporations and developers to meet the explosive growth in demand for AI agents. Co-Sight endeavours to solve difficulties relating to trust, memory and security in the large-scale implementation of AI agents by providing a commercial version as well as an open-source super agent in a double effort to expedite the large-scale development of the AI agent ecosphere. In 2025, new-generation versions of Co-Sight were launched and frequently came out on top of authoritative global league tables, such as the authoritative GAIA benchmark test in connection with which Co-Sight ranked first in the open-source framework category.

3. Data factors

The "Digital Matrix", a trusted data space solution launched by the Group, has been adopted by data space construction projects in Wuhan, Xi'an and Wenzhou. As the member unit of a number of standardisation groups under the National Data Standardisation Technology Committee, the deputy group leader of the Data Resources Group and member unit of numerous groups under the Beijing Data Standardisation Technology Committee, we have been actively engaged in the development of standards for national data infrastructure. We have implemented data governance projects for the government service and industrial sectors and received the "Data factor-enabled digital government construction" Class I award in the Data Factor Application Innovation Contest and Class I award for industrial intelligent manufacturing in Jiangsu and Hunan under the "Data Factor X" Contest.

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

With a special focus on high-value scenarios, the Group has created the "1+3+N" integrated solution featuring 1 open decoupling intelligent computing base + Digital Nebula centre for 3 principal capabilities + N scenario AI agents to provide the industry with an AI+ engine. AI+ benchmark projects have been launched in association with our industry partners in numerous sectors, such as industrial manufacturing, transportation, government affairs, power, steel production, mining, medical care and education, for which we have received several honours such as GSMA GLOMO and GTI Awards.

In the **industrial sector**, the Group's Binjiang Intelligent Manufacturing Base in Nanjing has been upgraded from "5G Binjiang" to "Intelligent Binjiang" and included in the list of "Outstanding Intelligent Factory" named by the Ministry of Industry and Information Technology. Our focus has been on sectors such as automobile manufacturing, solar lithium battery manufacturing and petroleum, gas and chemical. We have teamed up with Geely Group for deeper cooperation in smart logistics. We have also assisted Benxi Tools in the construction of its 5G smart factory, Elsewhere, we have continued to roll out construction of digital and intelligent development in collaboration with enterprises such as Maotai Group, China Merchants Group and Tianshui Huatian Technology Co., Ltd., among others.

In connection with **metallury and steel**, the Group have assisted in the digital and intelligent transformation of the steel making industry on the back of scenario-based solutions in centralised control for metallury and steel, safe production and smart energy management. We have launched an integrated intelligent computing unit for the iron and steel sector and created a large model for the end-to-end steel manufacturing process in collaboration with Hesteel Group. We have also teamed up with Yunan Shenhuo Group in the creation of a corporate-grade large model for the smelting industry based on DeepSeek. In the meantime, there have been ongoing project cooperations with leading enterprises such as Baowu Group and Ansteel Group.

In connection with **mining**, the Group owns a diverse range of customised products and solutions, such as mining industrial Internet platform, mining large model, intelligent computing centre, 5G private network, slicing industrial ring network and integrate control. We have teamed up with 60+ partners and 40+ industry-leading customers in the implementation of 500+ intelligent mining projects nationwide.

In connection with the **electricity sector**, the Group digital electric station solution focused on the core maintenance scenario for electrical sites, such as power stations, converter stations and substations, has facilitated remote unmanned guard and efficient maintenance at electrical stations. We have also completed the construction of digital converter stations in more than ten provinces in collaboration with State Grid, whilst being deeply involved in the digital station projects of Southern Power Grid in numerous provinces. The Group has also entered into cooperation with leading enterprises such as China Energy Group, Jingneng Group, Huadian Group and Huaneng Group to advance the implementation of AI smart power plants.

In the **transportation sector**, in connection with metropolitan railway, we have assisted Xiamen Metro to increase the efficiency of fault diagnosis with the aid of our large model for metro railway communication maintenance. In connection with highways, we have created innovative solutions for cloudified toll station, trusted data space for highways and holographic perception for highways in our engagement in highway intelligentisation in numerous provinces. In connection with railways, we have participated in large-scale application test runs hosted by various railway bureau groups. We have also developed the core capability of “intelligent visual identification for railway cargo inspection” in association with Shenyang Railway Bureau to enhance the safety standard of railway cargo freight.

In connection with **government affairs**, our large-scale unmanned helicopter rescue platform, an emergency rescue platform solution, has been deployed as part of the flood season preventive measures in numerous provinces in 2025. Our emergency intelligent computing solution has won the bid for the integrated training and inference unit project at the Big Data Centre under the Ministry of Emergency Management. In connection with metropolitan digitalisation for cities, we participated in the municipal governance project of Nanjing, “cloud hall” government service of Nanshan District, Shenzhen and metro security project of Taiyuan. In connection with metro AI agent solutions, we have built a metro AI agent platform in Wuzhen, Zhejiang based on heterogenous resource pool.

In the **medical sector**, the Group’s large model for the medical examination scenario has been implemented at various hospital projects including Heping Ancillary Hospital of Shanxi Changzhi Medical School and Shanghai People’s Hospital No. 10. We have also an integrated AI general examination device in association with Shanchen Group to facilitate standardised and efficient intelligent management of the physical examination process.

In the **education sector**, the Group has created a specialised model for vocational education catered to professions such as communication, intelligent manufacturing and computing in collaboration with the Vocational Education Development Centre Under the Ministry of Education, which has come online and put into application at Wenzhou Vocational Technical Institute. We have also won the bids for a number of projects with Baotou Vocational Technical Institute and Yellow River Water Conservancy Vocational Technical Institute, among others.

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

The Group is positioned within the first quadrant in terms of global patents as a major contributor and participant in the research and standard formulation for global 5G technology. As at 31 December 2025, the Group had submitted approximately 95,000 global patent applications and owned over 50,000 authorised global patents, including approximately 5,900 patent applications and over 3,700 authorised patents in the chip sector. In the AI sector, the Group had close to 5,500 patent applications with nearly 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 2025

2.2.1 Industry development

1. Domestic market

In 2025, despite a complicated environment underpinned by lacklustre global economic growth, China's ICT market showcased strong resilience and entered a crucial period of changing momentum. 5G network construction was generally shifting from "large deployment" to "sophisticated optimisation, quality and efficiency enhancement and upgrade in experience". In the meantime, breakthroughs in technological innovation continued as novel infrastructure, computing networks, AI and next-generation network technologies were set to inject new growth momentum for the ICT sector, driving the industry to explore in faster pace new opportunities for development represented by AI and digitalisation.

In the basic communication sector, the domestic telecommunications business earned revenue of RMB1,750 billion for 2025, representing a year-on-year growth of 0.7%. Optimisation and upgrades of the industry mix continued, as revenue from traditional business declined marginally whilst the novel businesses became the main driver for revenue growth in the industry. In 2025, the strategic focus of network construction was shifting from "broad coverage" to "in-depth quality enhancement" and an emphasis on value. 5G network construction was pinpointedly focused on scenario enhancement, improvement of rural area coverage and in-depth indoor coverage, among others. Meanwhile, network evolution continued to advance towards greater sophistication, as carriers were actively driving the commercial deployment of 5G-A to identify greater value in networks on the back of critical technologies such as communication-sense integration, carrier aggregation and RedCap, whilst the adoption of 400G optical transmission network for inter-provincial backbone networks was gaining pace. Trial runs of 10Gb optical networks were being conducted in the three typical scenarios of residential district, industrial complex and hi-tech industrial park on the back of growing sophistication in 50G PON technologies.

In the AI sector, with the deployment of advanced computing units such as the "super node", the industry has achieved leaping advancement in computing density and interconnected bandwidth to provide a solid foundation for large-scale parameter training and inference. Meanwhile, leading Internet companies shifted their strategic focus from the stacking of technologies to the creation of value.

In the smart terminal sector, the smart terminal reshaped the uses' experience. In connection with home terminal, with the sophistication of Wi-Fi 7 technologies, carriers were rolling out Wi-Fi 7 home network terminals which include the home gateway, FTTR and high-performance routers, while the coverage of 1Gb networks was further expanded to forge a firm foundation of ultra-broadband for "full AI intelligentisation at home". In connection with personal terminal, speech comprehension, multi-mode sensing, intent identification and emotional interaction empowered by large model were reshaping the base-level logic of terminal hardware in a profound manner to catalyse the revolution of the terminal sector. In connection with cloud PC, the product was swiftly becoming the core carrier for digitalised transformation of the industry and personal experience of smart living on the back of its advantage of differentiation through "computing cloudification, lightweight equipment, data security assurance, cross-system coordination and full-scenario adaptation".

2. International market

In 2025, the level of capital expenditure by international telecom carriers was improving, whilst structural adjustment was also imminent. The global deployment of 5G networks continued to deepen, while the demand for computing capacities was rapidly growing as telecom carriers embraced AI technologies on all fronts in an expedited strategic transition from traditional telecom service providers to technology companies.

In connection with wireless network, global 5G deployment was showing characteristics of an evolutionary echelon. Whilst developed markets were undergoing a period of intensive search for value with a special focus on the large-scale commercial application of 5G SA (standalone networks) and 5G-A technologies to provide core capacity support for differentiated application scenarios, emerging markets such as the Asia Pacific and Latin America were focused on further expanding the coverage of their 5G networks. Meanwhile, the deep integration of AI into the communication network architecture has facilitated network self-optimisation and intelligent resource allocation to drive the evolution of wireless access networks towards a higher level of intelligence and efficiency.

In connection with wireline network, AI applications were driving rapid growth in global data traffic, compelling wireline networks to evolve towards ultra-broadband, low latency and high reliability. On the access side, the generational upgrades of optical broadband technologies continued as 10G PON entered the phase of sophisticated deployment. Some carriers were commencing trial deployment of 50G PON ahead of their peers given gradual sophistication of 50G PON standards. On the transmission side, carriers were increasing their investment in high-speed backbone networks such as 400G in a gradual advancement towards faster speeds.

In connection with new businesses, the demand for AI training and inference was driving exponential growth in the scale of intelligent computing on the computing side, compelling traditional data centres to expedite their evolution into large-scale intelligent computing centres. While stimulating demand for the construction of intelligent computing servers and data centre infrastructure, this trend also presented the challenge in energy consumption by high-density computing, as a result of which green computing became a critical pathway for development, and the large-scale application of conservation technologies as well as construction of green data centres became crucial measures for sustainability. In connection with terminals, the deep coupling of AI technologies with hardware was empowering multi-mode comprehension, real-time translation, intelligent writing and precise scenario-specific recommendations, among other functions, in a process of radical transformation of the handset into an "AI agent terminal".

Source: PRC Ministry of Industry and Information Technology

2.2.2 Business and Financial Analysis of the Group

In 2025, faced with the challenges and opportunities brought by the rapid development of artificial intelligence, the Group persisted in innovation and pioneering as initial success was noted for an upgraded strategy of "connectivity + computing", underpinned by a return to growth in operating revenue. In the meantime, net profit attributable to the parent company was subject to pressure given the backdrop of the transition of industry cycles coupled with adjustments to the business mix.

For 2025, the Group report operating revenue of RMB133,895.5 million, representing year-on-year growth of 10.38%. Net profit attributable to the holders of ordinary shares of the listed company amounting to RMB5,617.7 million, decreasing by 33.32%, year-on-year. Net profit attributable to the holders of ordinary shares of the listed company after extraordinary items amounted to RMB3,370.4 million, decreasing by 45.45%, year-on-year.

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 millions

Operating revenue mix	Operating revenue for 2025	As a percentage of operating revenue	Operating costs for 2025	Gross profit margin for 2025	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	**133,895.5**	100%	**93,391.3**	**30.25%**	10.38%	24.01%	(7.66)
Total	**133,895.5**	**100%**	**93,391.3**	**30.25%**	**10.38%**	**24.01%**	**(7.66)**
II. By business							
Carriers' network	**62,857.0**	46.94%	**32,628.1**	**48.09%**	(10.62%)	(5.50%)	(2.81)
Government and corporate business	**37,222.1**	27.80%	**33,138.5**	**10.97%**	100.49%	110.80%	(4.36)
Consumer business	**33,816.4**	25.26%	**27,624.7**	**18.31%**	4.35%	10.22%	(4.35)
Total	**133,895.5**	**100%**	**93,391.3**	**30.25%**	**10.38%**	**24.01%**	**(7.66)**
III. By region							
The PRC	**89,734.1**	67.02%	**61,664.8**	**31.28%**	9.42%	32.35%	(11.90)
Asia (excluding the PRC)	**17,803.0**	13.29%	**12,619.4**	**29.12%**	15.68%	15.74%	(0.04)
Africa	**6,934.6**	5.18%	**4,429.8**	**36.12%**	7.97%	4.60%	2.06
Europe, Americas and Oceania	**19,423.8**	14.51%	**14,677.3**	**24.44%**	11.12%	8.07%	2.14
Total	**133,895.5**	**100%**	**93,391.3**	**30.25%**	**10.38%**	**24.01%**	**(7.66)**

2. *Analysed by market*

(1) Domestic market

For 2025, the Company's operating revenue from the domestic market amounted to RMB89,734.1 million, growing by 9.42% year-on-year and accounting for 67.02% of its operating revenue. Gross profit margin was 31.28%, a year-on-year decrease by 11.90 percentage points.

In connection with carrier customers, reduction in the Company's revenue from carriers' network was subject to pressure as domestic carriers' investment continued to decline in a period of maturity for 5G network construction. In response, the Company continued to make deeper efforts with its wireless and wireline products to reinforce their role as the business anchor, whilst actively pursuing the intelligent computing data centre projects of carriers. In the meantime, we were making prospective plans in connection with evolutionary technologies such as the integration of air, space and terrestrial applications, self-intelligent networks, 10Gb optical network, among others, with a view to forging a solid foundation for the next stage of network construction. In connection with government and corporate customers, the Company doubled revenue from its government and corporate business as it continued to make breakthroughs with leading customers for servers and other computing products, leveraging opportunities arising from the move to increase investment in intelligent computing by leading domestic Internet companies and industry corporations. In connection with consumers, the Company maintained stable market shares for its home terminals as it actively addressed competition in the market. We reported rapid growth in the sales of mobile Internet products, while sales of our cloud PC terminal exceeded 2 million sets. All in all, the consumer business has maintained steady performance.

(2) International market

For 2025, the Company's operating revenue from the international market amounted to RMB44,161.4 million, growing by 12.39% year-on-year and accounting for 32.98% of its operating revenue. Gross profit margin was 28.16%, increasing by 1.25 percentage points, year-on-year.

In connection with carrier customers, the Company continued to be engaged in in-depth development and innovation to enhance operation in its existing markets in persistent adherence to the strategy of focusing in large nations and big Ts (mainstream telecom carriers), while capitalising on market opportunities presented by 5G and optical fibre construction to expand and drive relatively rapid growth in revenue from international carriers' network. In connection with government and corporate customers, the Company deepened cooperation with Chinese enterprises engaged in overseas expansion and completed large-scale deployment in a number of countries and regions in response to overseas demand for the construction of computing infrastructure such as server, data centre and new energy, driving rapid growth in revenue from the government and corporate business. In connection with consumers, the Company was focused on key large nations as it enhanced brand building for Nubia handsets, while vigorously expanding in the public channel markets of Southeast Asia, the Middle East, Africa, Europe and Latin America to strengthen the development of retail fronts. Double-digit growth in revenue from handset sales was reported as a result.

3. *Analysed by business segment*

(1) Carriers' network

For 2025, the Company's operating revenue from carriers' network amounted to RMB62,857.0 million, a decrease by 10.62%, year-on-year, reflecting mainly decrease in revenue from products such as wireless access and fixed network. Gross profit margin was 48.09%, a decrease by 2.81 percentage points, year-on-year, attributable mainly to the decline in gross profit margin for wireless access products.

In connection with the **traditional networks of carriers**, the Company registered stable growth in market shares for its core wireless and wireline products. In connection with **wireless products** in the domestic market, we actively addressed the challenge of declining 5G investment by carriers and maintained stability in our market pattern, whilst planning for the future by advancing commercial 5G-A deployment and tapping into preliminary research of 6G technologies. In the international market, the Company secured significant shares of the dual network integration project in Indonesia, while securing successful launch of its 5G products in the Vietnamese market. We have also reported increment in market shares in numerous countries including the Philippines, Myanmar, Bangladesh, Kazakhstan, Cameroon and Tanzania. For **core network products**, we sustained our position in the domestic market duopoly, while internationally we reported stable operation in the existing markets underpinned by new breakthroughs with the branch companies of big Ts in various African and Latin American nations. For **wireline products**, the Company maintained its undisputed global leadership in fixed network products with extensive global deployment of PON OLT, while actively driving the commercial application of 50G PON. In connection with optical transmission products, we registered continuous increase in market shares for the 400G OTN capacity expansion projects of domestic carriers. Internationally, we have optimised our market presence in Indonesia and Malaysia, while making breakthroughs with mainstream carriers in Thailand, Mexico and Chile as well as securing sizeable sales in the Korean market. We won the bid to supply core routers under China Mobile, China Telecom and China Unicom's respective centralised procurements, ranking second in terms of market shares.

In connection with **carriers' computing networks**, the Company's full-stack, all-scenario intelligent computing solutions are capable of fulfilling the differentiating requirements under a variety of scenarios. In connection with **server and storage**, our intelligent computing servers continued to deployed at domestically-manufactured regional intelligent computing nodes and resource pool projects, whilst winning the bid for China Mobile's centralised procurement of quasi-CUDA ecospheric servers with the largest market share. In connection with **data centre switch**, the Company reported growth in market shares for China Mobile's centralised procurement. For **data centre**, the Company seized opportunities arising from investments and construction under East-to-West Computing, reporting large-scale breakthroughs in the eight major nodes of East-to-West Computing to secure a more extensive presence.

(2) Government and corporate business

For 2025, the Company's operating revenue from the government and corporate business amounted to RMB37,222.1 million, increasing by 100.49%, year-on-year, attributable mainly to the growth in revenue from server and storage. Gross profit margin was 10.97%, decreasing by 4.36 percentage points, year-on-year, attributable mainly to changes in the revenue mix.

In connection with the government and corporate market, the Company reported leaping growth in revenue as it seized opportunities arising from increasing investment in intelligent computing with a special focus on the dual driver of "technology + scenarios", which has become a new engine driving the Company's revenue growth. In connection with **server and storage**, in the domestic market, the Company boasted full coverage of leading enterprises in the Internet sector while maintaining sizeable business and optimized pattern with large banks, securities firms and insurance companies. Domestically manufactured 1,000-card intelligent computing resource pools were created for power companies, while breakthroughs were made in a number of key projects in the government and corporate market. In the international market, the Company entered into large-scale cooperation with leading domestic Internet companies in connection with their overseas business expansion, whilst continuing to expand its clientele of overseas local customers, as steady increase in market shares were registered in core countries in Asia, Europe, Africa and Latin America. In connection with **data centre switch**, ongoing breakthroughs were made in the domestic financial, power and Internet sectors, as we won the bid for the high-end switch project of a major State-owned bank as the first-ranking supplier, while overseeing large-scale commercial application of intelligent computing projects in the power sector. In the Internet sector, our white-box switch were put to large-scale commercial application at leading Internet companies. In connection with **data centre**, we strengthened cooperation with leading Internet companies to increase our market shares in line with our focus on high-value customers in the domestic market, as we won the bids for the disaster recovery centre projects of four major State-owned banks. In the international market, we fortified our position in the Southeast Asian market and expanded our presence in the African, European and Latin American markets, with business debuts in a number of high-end markets underlining our sound operation.

(3) Consumer business

For 2025, the Company's operating revenue from the consumer business amounted to RMB33,816.4 million, increasing by 4.35%, year-on-year, attributable mainly to the growth in revenue from handset and mobile Internet products and cloud PCs. Gross profit margin was 18.31%, decreasing by 4.35 percentage points, year-on-year, attributable mainly to the decline in gross profit margin for home terminals.

In connection with the consumer business, we have developed a full-scenario matrix of AI terminal comprising mainly home terminals, handsets, mobile Internet products and cloud PCs. In connection with **home terminals**, we maintained our leading position in the domestic FTTR market, whilst extensively establishing our presence in Wi-Fi 7 home network terminals. In the international market, we reported large-scale commercial application in numerous regions in Europe, Asia and Latin America, leveraging opportunities presented by the evolution and upgrade of Wi-Fi 7 products. In connection with **handsets and mobile Internet products**, we persisted in the product strategy and philosophy of "AI for All", as our handset products were focused on the gaming + AI scenario. In the domestic market, we have launched Z80 Ultra, the street snap and gaming flagship of Nubia, and the Red Magic 11Pro series, the first handset in the industry featuring dual air and water cooling functions. Nubia M153, the industry's first AI agent handset, has also been launched in association with our partners. In the international market, we were stepping up with brand building for Nubia handset whilst expanding its sales in public channels. 5G FWA&MBB, our mobile Internet products, maintained first ranking in global market share for five years in a row, as we reported rapid growth in revenue from 5G FWA products equipped with proprietary chips. In connection with **cloud PCs**, we continued to support the large-scale commercial application of cloud PCs by domestic carriers, while assisting customers in the financial sector and large corporations to ensure safe office operations enabled by efficient intelligent applications.

4. *Other information*

(1) Changes in the scope of consolidation and analysis of operating revenue and operating costs for the comparable period of 2024

In 2025, the Company incorporated SHANGHAI SHEQI JI YUAN INTELLIGENT TERMINAL Co., LTD., INTELLIBRIGHT INTERCONNECT LIMITED, GEE WIN TECH LIMITED, SINGAPORE CYBERMETA HOLDING PTE. LTD., ZTE Telecom (Thailand) Co., Ltd., ZTE (LAO) Sole Co., Ltd. and ZTE LIBERIA INC. The aforementioned subsidiaries have been included in the consolidated financial statements.

In 2025, the Company's subsidiaries ZICT Suzhou Technology Co., Ltd., ZTE VESERVICE,C.A., ZHONGXING CORPORATION EL SALVADOR, S.A. DE C.V., ZTE (USA) INC., ZTE (TX) INC. and ZTE HAITI S.A completed deregistration. The aforementioned subsidiaries have been excluded from the consolidated financial statements.

A comparative analysis of revenue and cost of sales for 2024 excluding the aforesaid subsidiaries which were no longer included in the consolidated statements is set out as follows:

Unit: RMB in millions

Item	**2025**	2024	Year-on-year increase/decrease
Operating revenue	**133,895.5**	121,292.3	10.39%
Cost of sales	**93,391.3**	75,320.8	23.99%
Gross profit margin	**30.25%**	37.90%	Decreased by 7.65 percentage points

(2) Breakdown of the Group's costs of sales by principal items

Unit: RMB in millions

	2025		2024		
Item	**Amount**	**As a percentage of operating costs**	Amount	As a percentage of operating costs	Year-on-year increase/decrease
Raw materials	**76,947.3**	**82.39%**	61,698.5	81.92%	24.72%
Engineering costs	**13,269.8**	**14.21%**	10,287.2	13.66%	28.99%
Others	**3,174.2**	**3.40%**	3,325.4	4.42%	(4.55%)
Total	**93,391.3**	**100%**	75,311.1	100%	24.01%

(3) Major customers and suppliers

The Company provides innovative ICT technology and product solutions to telecom carriers and government and corporate clients and terminal products to consumers. Suppliers of the Group include suppliers of raw materials worldwide and outsourcing manufacturers, who have established stable business relationships with the Group.

Sales by the Group in 2025 to its largest customer amounted to RMB27,395.0 million, accounting for 20.46% of the total sales of the Group, while sales to its top five customers amounted to RMB60,084.6 million, accounting for 44.87% of the total sales of the Group.

Purchases by the Group from its largest supplier in 2025 amounted to RMB4,870.9 million, accounting for 4.98% of the total purchases of the Group, while the purchases made from its top five suppliers amounted to RMB19,087.9 million, accounting for 19.53% of the total purchases of the Group.

The top five customers and top five suppliers were not in any way connected to the Company. None of the Directors or their close associates, senior management, key technical employees, shareholders to the knowledge of the Directors holding 5% or more of the shares and other connected parties of the Company had any direct or indirect interest in any of the aforesaid top five customers or top five suppliers of the Group.

(4) Progress during 2025 of material sales and purchase contracts entered into during and prior to 2025

☐ Applicable √ N/A

2.2.2.2 Expenses

Unit: RMB in millions

Item	2025	2024	Year-on-year increase/decrease
R&D cost	**22,755.0**	24,031.5	(5.31%)
Selling and distribution cost	**9,223.5**	8,900.5	3.63%
Administrative expenses	**4,219.8**	4,477.0	(5.74%)
Finance cost	**(226.7)**	(264.6)	14.32%
Income tax	**737.8**	874.0	(15.58%)

The Group's research and development costs for 2025 amounted to RMB22,755.0 million, decreasing year-on-year by 5.31% attributable mainly to precise investment of resources with a special focus on high-potential and strategic R&D projects, as a percentage of operating revenue decreasing by 2.82 percentage points to 16.99%, year-on-year.

The Group's selling and distribution costs for 2025 amounted to RMB9,223.5 million, increasing year-on-year by 3.63% attributable mainly to increased investment in marketing, and accounting for 6.89% of operating revenue, a decrease by 0.45 percentage point, year-on-year.

The Group's administrative expenses for 2025 amounted to RMB4,219.8 million, decreasing year-on-year by 5.74% attributable mainly to the improved management efficiency, and accounted for 3.15% of operating revenue, a decrease by 0.54 percentage point, year-on-year.

The Group's finance costs for 2025 amounted to RMB-226.7 million, increasing year-on-year by 14.32%, attributable mainly to the combined effect of a decrease in net interest income and a decrease in exchange loss from exchange rate volatility for the period.

The Group's income tax for 2025 amounted to RMB737.8 million, decreasing year-on-year by 15.58%, attributable mainly to the decrease in total profit.

2.2.2.3 R&D investment

(1) *R&D investment*

Unit: RMB in millions

Item	2025	2024	Year-on-year increase/decrease
R&D investment amount	**24,475.1**	25,508.9	(4.05%)
Including: Amount accounted for as expense	**22,755.0**	24,031.5	(5.31%)
Amount accounted for as capitalised	**1,720.1**	1,477.4	16.43%
R&D investment as a percentage of operating revenue	**18.28%**	21.03%	Decreased by 2.75 percentage points
Capitalised R&D investment as a percentage of R&D investment	**7.03%**	5.79%	Increased by 1.24 percentage points

(2) *R&D personnel*

Item	2025	2024	Year-on-year increase/decrease
Headcount of R&D personnel	**31,589**	33,184	(4.81%)
R&D personnel as a percentage of total headcount of the Group	**48.53%**	48.53%	—
Academic qualification profile of R&D personnel			
Doctorate degree	**480**	435	10.34%
Master's degree	**20,276**	21,124	(4.01%)
Undergraduate	**9,756**	10,450	(6.64%)
Others	**1,077**	1,175	(8.34%)
Age profile of R&D personnel			
Under 35	**15,605**	17,582	(11.24%)
35 and above	**15,984**	15,602	2.45%

2.2.2.4 Other components in the profit mix

Unit: RMB in millions

Item	2025	2024	Year-on-year increase/decrease
Other gains	**2,886.8**	2,932.7	(1.57%)
Investment income	**452.6**	112.4	302.67%
Gains from changes in fair value	**101.6**	(625.1)	116.25%
Credit impairment loss (loss indicated as a negative value)	**101.3**	92.5	(9.51%)
Asset impairment loss (loss indicated as a negative value)	**(627.7)**	(933.2)	(32.74%)
Gains from asset disposal	**5.0**	95.7	(94.78%)
Non-operating income	**200.7**	76.3	163.04%
Non-operating expenses	**259.7**	188.9	37.48%

The Group's other gains for 2025 amounted to RMB2,886.8 million, decreasing by 1.57% year-on-year which was basically unchanged compared to the same period in the previous year.

The Group's investment income for 2025 amounted to RMB452.6 million, increasing by 302.67% year-on-year, which was attributable mainly to the increase in profit for associates and joint ventures for the period.

The Group's gain from changes in fair value for 2025 amounted to RMB101.6 million, increasing by 116.25%, year-on-year, which was attributable mainly to the gain on end-of-period fair-value revaluation of derivative contracts for the period versus loss for the same period last year.

The Group's credit impairment loss for 2025 amounted to RMB-101.3 million, decreasing by 9.51% year-on-year which was attributable mainly to the reversal of impairment for other receivables for the period; the Group's asset impairment loss for 2025 amounted to RMB627.7 million, decreasing by 32.74% year-on-year which was attributable mainly to the decrease in provision for impairment of inventories for the period.

The Group's gain from asset disposal for 2025 amounted to RMB5.0 million, decreasing by 94.78%, year-on-year, which was attributable mainly to the decrease in income from the disposal of non-current assets for the period.

The Group's non-operating income for 2025 amounted to RMB200.7 million, increasing by 163.04%, year-on-year, which was attributable mainly to the increase in non-operating income for the period.

The Group's non-operating expenses for 2025 amounted to RMB259.7 million, increasing by 37.48%, 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 millions

Item	**2025**	2024	Year-on-year increase/decrease
Sub-total of cash inflows from operating activities	**163,250.1**	139,814.5	16.76%
Sub-total of cash outflows from operating activities	**159,331.4**	128,334.7	24.15%
Net cash flows from operating activities	**3,918.7**	11,479.8	(65.86%)
Sub-total of cash inflows from investing activities	**101,551.9**	83,017.0	22.33%
Sub-total of cash outflows from investing activities	**108,428.1**	111,689.4	(2.92%)
Net cash flows from investing activities	**(6,876.2)**	(28,672.4)	76.02%
Sub-total of cash inflows from financing activities	**72,833.9**	190,592.0	(61.79%)
Sub-total of cash outflows from financing activities	**72,303.8**	196,410.4	(63.19%)
Net cash flows from financing activities	**530.1**	(5,818.4)	109.11%
Net increase in cash and cash equivalents	**(2,544.0)**	(22,986.8)	88.93%

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

The Group's net cash flow from investing activities for 2025 increased year-on-year, reflecting mainly the decrease in net expense for time-deposit products for the period.

The Group's net cash flow from financing activities for 2025 increased year-on-year, reflecting mainly the increase in net borrowing for the period.

Cash and cash equivalents of the Group as of 31 December 2025 amounted to RMB25,482.4 million 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 millions

	31 December 2025		31 December 2024		
Item	**Amount**	**As a percentage of total assets**	Amount	As a percentage of total assets	Year-on-year increase/ decrease as a percentage of total assets (percentage points)
Total assets	**217,739.4**	**100.00%**	207,323.2	100.00%	—
Currency cash	**33,751.1**	**15.50%**	43,885.3	21.17%	(5.67)
Trading financial assets	**17,396.4**	**7.99%**	13,768.8	6.64%	1.35
Trade receivables	**21,670.1**	**9.95%**	21,288.4	10.27%	(0.32)
Contract assets	**5,881.2**	**2.70%**	4,972.1	2.40%	0.30
Inventories	**47,017.1**	**21.59%**	41,257.7	19.90%	1.69
Debt investment	**31,081.3**	**14.27%**	25,068.4	12.09%	2.18
Investment properties	**94.6**	**0.04%**	99.0	0.05%	(0.01)
Investment in associates and joints	**2,578.3**	**1.18%**	2,333.8	1.13%	0.05
Property, plant and equipment	**13,421.9**	**6.16%**	14,178.4	6.84%	(0.68)
Construction in progress	**798.2**	**0.37%**	685.4	0.33%	0.04
Right-of-use assets	**1,534.3**	**0.70%**	1,551.6	0.75%	(0.05)
Short-term loans	**3,628.7**	**1.67%**	7,027.1	3.39%	(1.72)
Bills payable	**15,270.4**	**7.01%**	10,959.3	5.29%	1.72
Trade payables	**18,766.8**	**8.62%**	22,371.8	10.79%	(2.17)
Contract liabilities	**15,600.7**	**7.16%**	12,859.4	6.20%	0.96
Employee benefits payable	**15,084.2**	**6.93%**	16,991.7	8.20%	(1.27)
Non-current liabilities due within one year	**7,900.4**	**3.63%**	5,592.7	2.70%	0.93
Long-term loans	**45,712.5**	**20.99%**	44,058.9	21.25%	(0.26)
Lease liabilities	**940.4**	**0.43%**	972.9	0.47%	(0.04)

As of 31 December 2025, the Group's short-term loans amounted to RMB3,628.7 million, decreasing by 48.36% compared to the previous year-end, which was mainly attributable to an optimised debt structure with a lower proportion of short-term loans for the period.

As of 31 December 2025, the Group's bills payable amounted to RMB15,270.4 million, increasing by 39.34% compared to the previous year-end, which was mainly attributable to the increase in purchases for the period.

As of 31 December 2025, the Group's non-current liabilities due within one year amounted to RMB7,900.4 million, increasing by 41.26% 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 31 December 2025, the carrying value of the Group's property, plant and equipment was RMB13,421.9 million, representing a 5.34% decrease compared to the end of last year, attributable mainly to the excess of the amortisation amount over the amount of new addition to 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 2025.

Unit: RMB in millions

Item	Opening balance	Gains arising from fair value change for the year	Cumulative fair value change dealt with in equity	Impairment charge for the year	Amount purchased for the year	Amount disposed of for the year	Other change	Closing balance
Financial assets								
Including: 1. Trading financial assets (excluding derivative financial assets)	13,768.8	25.7	–	–	81,302.0	77,729.9	29.8	17,396.4
2. Derivative financial assets	173.4	66.9	–	–	–	–	(4.7)	235.6
3. Receivable financing	4,243.0	–	–	(0.2)	18,613.4	19,816.6	–	3,040.0
4. Other non-current financial assets	715.8	0.7	–	–	1,100.0	22.6	(1.3)	1,792.6
Sub-total of financial assets	**18,901.0**	**93.3**	**–**	**(0.2)**	**101,015.4**	**97,569.1**	**23.8**	**22,464.6**
Investment properties	99.0	(4.4)	–	–	–	–	–	94.6
Total	**19,000.0**	**88.9**	**–**	**(0.2)**	**101,015.4**	**97,569.1**	**23.8**	**22,559.2**
Financial liabilities	274.6	(8.3)	6.8	–	–	–	(3.0)	270.1

(4) Major overseas assets

☐ Applicable √ N/A

(5) Charges on assets

As at 31 December 2025, the carrying value of the Group's assets under charge was RMB542.8 million, which was applied mainly to acquire bank loans. For details, please refer to "Note V. 24. Short-term loans and 33. Long-term loans to the Financial Statements" in this report.

(6) Contingent liabilities

For details of the Group's contingent liabilities as at 31 December 2025 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 2025, the Group's development funds were financed mainly by cash generated from its operations, bank loans and issuance of super short-term commercial papers ("SCPs"), medium-term notes ("MTNs") and H-share convertible bonds. 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 2025 were 1.76 and 1.16, 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 31 December 2025 was 46.3%, increasing by 2.0 percentage points as compared to 44.3% as at 31 December 2024, attributable mainly to the increase in interest-bearing liabilities.

(3) Analysis of debt

For 2025, the Group's debt comprised mainly long-term and short-term bank loans, SCPs and MTNs, mainly settled in RMB, USD and EUR without any notable seasonality of requirements. As at 31 December 2025, the Group's bank loans amounted to RMB55,816.6 million in aggregate and the balance of MTNs amounted to RMB4,398.2 million in aggregate applied mainly as working capital. All due debts had been settled. Bank loans and MTNs subject to interests at fixed rates amounted to approximately RMB13,638.10 million, while the remaining portion was subject to floating interest rates, the details of which are as follows:

Analysed by short-term/long-term

Unit: RMB in millions

Item	**31 December 2025**	31 December 2024
Bank loan		
Short-term bank loans	**10,104.1**	11,475.0
Long-term bank loans	**45,712.5**	44,058.9
MTNs	**4,398.2**	1,004.9
Total	**60,214.8**	56,538.8

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

Analysed by security

Unit: RMB in millions

Item	**31 December 2025**	31 December 2024
Bank loan		
Secured bank loans	**15.6**	112.9
Unsecured bank loans	**55,801.0**	55,421.0
Unsecured MTNs	**4,398.2**	1,004.9
Total	**60,214.8**	56,538.8

For details of the Group's bank loans and other borrowings as at 31 December 2025, 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 the SCPs and MTNs issued by the Company, please refer to section "5.1 DEBT FINANCING INSTRUMENTS OF NON-FINANCIAL ENTERPRISES" in this report. In addition, the Company issued zero-coupon H-share convertible bonds in 2025. For details, please refer to the section "5.2 H-SHARE CONVERTIBLE 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 31 December 2025, the Group's total bank loans amounted to RMB55,816.6 million, increasing by RMB282.7 million compared to RMB55,533.9 million as at 31 December 2024, which was mainly applied towards working capital.

Unit: RMB in millions

Item	**31 December 2025**	31 December 2024
Less than one year	**10,104.1**	11,475.0
Less than two years	**22,633.8**	14,272.6
Three to five years	**23,078.7**	29,786.3
Beyond five years	**—**	—
Total	**55,816.6**	55,533.9

(5) Capital expenditure

For 2025, the Group's capital expenditure, used mainly for purchase of equipment assets, capitalisation of R&D expenditure and construction of office buildings for its own use, amounted to RMB4,272.5 million, compared to RMB5,021.8 million for the same period last year.

(6) Capital commitment

Capital commitment represents contract amounts under the Group's contracts for acquiring long-term assets and investment in and establishment of associates and joint ventures which have yet to be completed and have not been recognised in the financial statements.

Unit: RMB in millions

Item	**31 December 2025**	31 December 2024
Contracted but not provided for		
Capital expenditure commitment	**3,097.4**	2,457.1
Investment commitment	**439.8**	463.3
Total	**3,537.2**	2,920.4

2.2.2.8 Shares and Reserves

(1) Share capital and shares and debentures

Share capital and change

As at 31 December 2025, the total share capital of the Company in issue was 4,783,534,887 shares (including 4,028,032,353 A shares and 755,502,534 H shares), which was unchanged versus the previous year-end.

Issue of shares and debentures

During the Reporting Period, save as disclosed in the chapter headed "V. Information on Bonds" in this report, the Company and its subsidiaries did not issue any shares or debentures within the meaning of the Companies Ordinance of Hong Kong.

Repurchase, sale and redemption of securities

Neither the Company nor its subsidiaries repurchased, sold or redeemed any listed securities of the Company during the Reporting Period. As at 31 December 2025, the Company had no treasury shares.

Equity-linked agreement

During the Reporting Period, save as disclosed in the section headed "5.2 H-SHARE CONVERTIBLE BONDS" in this report, the Group did not enter into any equity-linked agreement, nor was there any relevant agreement subsisting.

Pre-emptive rights

There are no clauses on pre-emptive rights under the Company Law or the Articles of Association that provide for the issue of new shares to existing shareholders by the Company on a pro-rata basis.

(2) Reserve, proposed dividend and taxation

Reserve

As at 31 December 2025, the Group's and the Company's reserves amounted to RMB70,515.1 million and RMB59,578.4 million, respectively. For details of the reserve, please refer to the "Consolidated Statement of Change of Equity" and "Statement of Change of Equity" of the Financial Report. As at 31 December 2025, the Company's reserve available for distribution to shareholders amounted to RMB29,365.4 million.

Proposed dividend

The Company's proposal for profit distribution for 2025 recommended by the Board: distribution of RMB4.11 in cash (before tax) for every 10 shares to all shareholders based on the total share capital as at the record date for profit distribution and dividend payment. The aforesaid matter is subject to consideration and approval at the general meeting.

Taxation

In accordance with laws and regulations pertinent to taxation on dividend, personal A shareholders and securities investment funds are taxed on a differentiated basis, whereby personal income tax is computed and withheld and paid according to the period of shareholding. Dividend received by non-resident corporate A shareholders shall be subject to a 10% enterprise income tax withheld and paid on their behalf. Dividend received by Hong Kong market investors (including corporate and individual) holding A shares in the Company through Shenzhen Hong Kong Stock Connect (Northbound) shall be subject to a 10% income tax withheld and paid on their behalf.

Dividend received by non-resident corporate H shareholders shall be subject to a 10% enterprise income tax withheld and paid on their behalf. Dividend received by non-resident personal H shareholders which are residents of Hong Kong or Macau shall be subject to a 10% personal income tax withheld and paid on their behalf. Residents of countries or regions under dividend income tax agreements with China shall be subject to personal income tax withheld and paid on their behalf at relevant tax rates. Residents of countries or regions without dividend income tax agreements with China shall be subject to personal income tax withheld and paid on their behalf at a 20% tax rate. Dividend income tax receivable by Mainland personal investors and securities investment funds holding H shares in the Company through Shenzhen Hong Kong Stock Connect (Southbound) shall be subject to personal income tax withheld and paid on their behalf at a 20% tax rate. Dividend income tax receivable by Mainland corporate investors holding H shares in the Company through Shenzhen Hong Kong Stock Connect (Southbound) shall be voluntarily declared and paid by such Mainland corporate investors.

Shareholders entitled to preferential treatment under tax treaties may apply for such treatment voluntarily or through the Company. Shareholders are advised to consult their tax advisors on the tax implications of owning and disposing of the Company's shares.

2.2.2.9 Subsequent events

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

2.2.3 Investment of the Group

(1) Investment in equity

As at 31 December 2025, the Company's investment in associates and joints amounted to RMB2,578.3 million, representing growth of 10.48% compared to RMB2,333.8 million as at the previous year-end, attributable mainly to the increase in profit from joint ventures and associates for the period. Other equity investments amounted to RMB767.4 million, representing a 6.86% decrease compared to RMB823.9 million as at the previous year-end, which was attributable mainly to the disposal of listed equity interests by subsidiary fund partnership enterprise of ZTE Capital for 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 2025.

(2) Principal subsidiaries and investee companies

For 2025, 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 millions

Name of company	Corporate type	Principal operations	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
ZetaMatrix	Subsidiary	Software development	51.1	18,339.7	3,970.7	18,652.8	1,499.8	1,480.2

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 Report" in this report. For details of the Group's acquisition and disposal of subsidiaries in 2025 and its impact please refer to "Note VII. CHANGE TO THE SCOPE OF CONSOLIDATION to the Financial Report" 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 ten thousands

Stock code	Stock name	Initial investment	Book value at the beginning of the period	Gains arising from fair value change for the period	Cumulative fair value change accounted for in equity	Amount purchased during the period	Amount disposed of during the period	Gain/loss for the period	Book value at the end of the period	Shareholding at the end of the period (10,000 shares)	Shareholding percentage at the end of the period
688630	Circuit Fabology[Note 1]	100.1	1,578.7	(1,478.5)	–	–	1,829.9	159.3	–	–	–
301587	Zhongrui[Note 1]	3,000.0	6,836.8	(1,485.8)	–	1.2	2,255.7	(86.9)	4,389.0	191.0	1.30%
600734	Start Group[Note 2]	–	2,396.2	1,161.6	–	–	–	1,161.6	3,557.8	948.2	0.44%
ENA:TSV	Enablence Technologies[Note 3]	3,583.3	501.7	182.7	–	–	–	182.7	684.4	79.2	1.17%
TRIO	Trikomsel Oke Tbk[Note 4]	256.0	–	–	–	–	–	–	–	1,827.1	0.07%
Total		**6,939.4**	**11,313.4**	**(1,620.0)**	**–**	**1.2**	**4,085.6**	**1,416.7**	**8,631.2**		

Note 1: The Company and Changshu Changxing Venture Capital Management Co., Ltd., a wholly-owned subsidiary of ZTE Capital (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 Circuit Fabology and Zhongrui are provided with Zhonghe Chunsheng Fund III as the accounting subject. The aforesaid shareholdings were measured at fair value and accounted for as trading financial assets. Investments in the aforesaid securities were funded by issue proceeds.

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

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

Note 4: PT. ZTE Indonesia ("ZTE Indonesia"), a wholly-owned subsidiary of the Company, held trade receivables with an amount of RMB2.56 million 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 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.

Note 6: The 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 advancing RMB pricing and settlement for overseas projects to lower its exchange risks in the long term.

Derivative trading for the purpose of value protection

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

Unit: RMB in ten thousand

Type of derivative trading	Initial investment 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 year
Foreign exchange derivative	–	3,252,069.0	9,287.8	(505.2)	3,978.3	23,425,201.2	22,851,750.3	3,825,519.9	50.72%

Items	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 2025 and effectiveness of value-protection hedging	The Company has recognised net gain of RMB29 million in aggregation after gain on derivative contracts used for hedging of RMB133 million and exchange loss on hedged currency exposures of RMB104 million for 2025. All derivative trades of the Group were aimed at hedging and value protection. The hedged items such as foreign exchange assets, foreign exchange liabilities and the hedging instruments were foreign exchange derivatives. The value movements in the hedge instruments effectively hedged the risk of value movements in the hedged items and basically achieved the expected goals in risk management.
Changes in the market prices or fair values of invested derivatives during the Reporting Period, the specific methods, assumptions and parameters adopted in the analysis of the fair values of the derivatives	For 2025, fair-value gain/loss included in gain or loss of the derivative trading of the Group amounted to RMB93 million, investment gain amounted to RMB40 million, and cumulative fair-value change included in equity amounted to RMB-5 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 The difference between the exchange rate or interest rate for settlement of derivative trading contracts and the exchange rate or interest rate prevailing on the maturity date will be accounted for as investment gains or losses on revaluation for each accounting period during the effective period of the derivative. Effective gains or losses shall be represented by the cumulative gains or losses on revaluation on the maturity date. Movements in the fair value of trade contracts provide a hedge against movements in the value of the corresponding risk assets, although there is still possibility that loss will be incurred.

Items	Statement
	(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. (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 may result in operational risks; obscure terms in the trade contract may 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 year. 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 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. For details, please refer to the "Overseas Regulatory Announcement" published by the Company on 2 February 2026.

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

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

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 places a strong emphasis on fund security and conducts itself in strict accordance with the principle of prudent investment, choosing low/medium risk products issued by financial institutions with good reputation, solid capital strength, sound governance structures, comprehensive risk control regimes and regulated operations and management. We have formed assessment teams to conduct merit-based selection of investments based on horizontal price comparisons and comprehensive assessments of multiple institutions and products, taking into account multi-dimensional factors such as underlying asset quality, risk rating, liquidity arrangements and yield rate. Movements in the net value of such products are analysed and tracked on a continuous basis and relevant safeguarding measures are adopted in a timely manner whenever risk factors that might affect the Company's fund security are identified, in order to control investment risks and safeguard fund security. The Company's Internal Audit Department is responsible for the audit of and supervision over its entrusted fund management activities whereby the operating process of fund management is subject to a vetting process.

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

Unit: RMB in ten thousands

Product type	Risk profile	Balance at the end of the Reporting Period of amount incurred[Note 1]	Outstanding balance at the end of the Reporting Period	Overdue and unrecovered amount
Financial product	Low/medium risk	3,000,000	1,855,000	—
Total		**3,000,000**	**1,855,000**	**—**

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 2025, 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 31 December 2025, the balance of the outstanding financial products purchased by the Group amounted to RMB18.55 billion, accounting for 8.52% of the total assets of the Group. No financial products purchased from a single financial institution carried an outstanding balance (in aggregate) that exceeded 5% of the total asset value of the Group.

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

It is the intention of the Company to continue to purchase financial products with its unutilised 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 Company's future operations.

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

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

(9) Material asset and equity disposal

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

(10) Use of proceeds

For details of the use of proceeds from the Company's issuance of MTNs, SCPs and H-share Convertible Bonds, please refer to the section headed "V. Information on Bonds" in this report.

2.2.4 Directors, Employees and Stakeholders

(1) Directors

List of Directors

The Board of Directors of the Company comprises 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.

Service contracts

The Company did not enter into any service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation) with any Director.

Competing interests

None of the Directors has interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

Interests in transactions, arrangements or contracts

None of the Directors of the Company or entities which are connected to the Directors was or had been materially interested, either directly or indirectly, in any transactions, arrangements and contracts of significance to which the Group is a party subsisting during or at the end of 2025.

Permitted indemnity provision

The Company has made appropriate arrangements for insurance in connection with the duties of the Directors and senior management of the Company with a view to procuring timely and proper compensation for any economic loss incurred by third parties as a result of the performance of duties in office by the Directors and senior management. The aforesaid permitted indemnity provision based on Directors' interests had been in effect during the financial year ended 31 December 2025 pursuant to Section 470 of the Company Ordinance and remained in effect at the time of the approval of the Report of the Board of Directors prepared by the Directors pursuant to Section 391(1)(a) of the Company Ordinance.

(2) Management contracts

During the Reporting Period, the Company did not enter into or maintain any contract for the management or administration of all or all material part of the Company's business with any parties other than the Directors or any full-time employee of the Company.

(3) Stakeholders

The Company respects the rights of stakeholders such as customers, suppliers, employees, banks, other creditors and the community, and works actively with these stakeholders to promote the sound and sustainable development of the Company.

2.2.5 Legal compliance, environmental policy and donations

(1) Compliance with laws and regulations

The Group is global leading provider of integrated information and communication technology solutions. The laws and regulations which have a material impact on the business and operations of the Group include, but are not limited to, those pertaining to corporations, contracts, product safety, privacy protection and data compliance, intellectual property and other pertinent laws and regulations of relevant countries and regions and trade rules of relevant international organisations, countries and regions. The Group endeavours to ensure compliance of its businesses and operations with applicable domestic and international laws and regulations.

As a dedicated functional organisation responsible for the operation of compliance management regimes and policy-making relating to areas including export control compliance, compliance in anti-commercial bribery and data compliance, the Group's Compliance Management Committee monitors the Group's overall conformity with compliance laws and regulations which have a material impact on the Group's business and operations and reports to the Board.

For details of the Group's compliance with the Corporate Governance Code and regulatory documents for corporate governance of listed companies, please refer to the section headed "3.1 CORPORATE GOVERNANCE" in this report.

During the Reporting Period, so far as known to the Company, the Group has endeavoured to comply in material respects with the aforesaid laws and regulations having a significant impact on the Group's business and operations.

(2) Environmental policy and donations

ZTE is highly concerned with global climate change. We have been engaged in active implementation of a low-carbon green strategy. Through the four major aspects of green corporate operation, green supply-chain, green digital bases and green industry empowerment, we have built a well-supported pathway for digital economy to mitigate the impact of the environment and climate. Meanwhile, ZTE is committed to ongoing enhancement of its environmental performance in an effort to improve its performance in resource efficiency and facilitate sustainable waste management, so as to advance the circular economy. For details of the Group's environmental performance, please refer to the section headed "3.2 ENVIRONMENTAL PERFORMANCE" in this report.

Charitable donations made by the Group in 2025 amounted to approximately RMB35.37 million.

2.2.6 Summary of the Group's Financial Data for the Past Five Years

Unit: RMB in millions

Item	2025	2024	2023	2022	2021
Operating results					
Operating revenue	**133,895.5**	121,298.8	124,250.9	122,954.4	114,521.6
Operating profit	**6,361.8**	9,342.2	10,258.4	8,794.8	8,676.1
Total profit	**6,302.9**	9,229.6	10,203.1	8,751.7	8,498.9
Net profit attributable to holders of ordinary shares of the listed company	**5,617.7**	8,424.8	9,325.8	8,080.3	6,812.9
Net profit after extraordinary items attributable to holders of ordinary shares of the listed company	**3,370.4**	6,179.1	7,399.6	6,166.9	3,305.9
Net cash flows from operating activities	**3,918.7**	11,479.8	17,405.7	7,577.7	15,723.5
Size					
Total assets	**217,739.4**	207,323.2	200,958.3	180,953.6	168,763.4
Total liabilities	**142,098.1**	134,212.9	132,626.9	121,410.4	115,475.8
Owners' equity attributable to holders of ordinary shares of the listed company	**75,425.6**	72,808.5	68,008.3	58,641.2	51,482.1
Per share basis (RMB/share)					
Basic earnings per share	**1.17**	1.76	1.96	1.71	1.47
Diluted earnings per share	**1.16**	1.76	1.96	1.71	1.47
Basic earnings per share after extraordinary items	**0.70**	1.29	1.55	1.30	0.71
Net cash flows from operating activities per share	**0.82**	2.40	3.64	1.60	3.32
Net asset per share attributable to holders of ordinary shares of the listed company	**15.77**	15.22	14.22	12.38	10.88
Financial ratios (%)					
Weighted average return on net assets	**7.58%**	11.97%	15.19%	14.66%	14.49%
Weighted average return on net assets after extraordinary items	**4.55%**	8.78%	12.05%	11.19%	7.03%
Gearing ratio	**65.26%**	64.74%	66.00%	67.09%	68.42%

2.3 BUSINESS OUTLOOK AND RISK EXPOSURES FOR 2026

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

2.3.1 Business outlook for 2026

Looking to 2026, network investment will remain subject to industry cycles, as the commercial closed-loop of the intelligent computing business will remain in the incubation stage. Meanwhile, China will be commencing its "15th Five-Year Plan" in 2026, in connection with which technological innovation will expedite the catalysis of new business forms, where challenges as well as opportunities will subsist in the industry. The Company will drive with implement its dual-driver strategy of "connectivity + computing" with full force to seek breakthroughs in all dimensions in persistent adherence to the business philosophy of "prospering through harmony and cooperation and growing profits through quality enhancement", whilst ensuring stable and sustainable development of the enterprise amidst a complicated and volatile environment with the aid of technological innovation and business coordination.

In connection with carrier's network, in the domestic market, the Company will continue to explore further potential in network products and actively drive the commercial application of 5G-A to enhance network value, while making prospective plans in the research of 6G technologies as well as seizing new opportunities for development afforded by communication and sensor integration, the integration of air, space and terrestrial applications and ubiquitous intelligence. We will advance the smooth upgrade of 50G PON in a steady manner and investigate pathways for commercialising the 10Gb network. Meanwhile, the commercial application of 400G OTN and ultra-high speed optical transmission will be expedited with the construction of networks providing full-optical transmission capacity characterised by large bandwidth, low latency and high reliability. In the meantime, the Company will be closely tracking carriers' requirements for the construction of super nodes and resource pools, as it seeks to accelerate the application of core computing products and solutions by accurately seizing opportunities presented by the growth in computing capacity for the inference scenario. In the international market, the Company will further explore the existing markets in adherence to the major nations and big Ts strategy, while seizing new opportunities presented by modernisation upgrade of wireless network, optical-fibre broadband construction and smart home development in close tandem with global requirements for the construction of computing infrastructure such as data centres, new energy and servers to achieve stable growth and sustainability in operation.

In connection with government and corporate business, the Company will persist in the dual driver of "technology + scenario" and seize opportunities associated with investment in intelligent computing in the Internet sector, IT innovation in the financial sector, intelligent power network conversion in the energy sector and expedited digitalisation in the transportation sector, among others, to forge the government and corporate business into a core engine driving the Company's revenue growth. To address the requirements of key sectors in the domestic market, the Company will: firstly, deepen strategic cooperation with leading enterprises in the Internet and financial sectors to drive large-scale application of products such as general-purpose computing, intelligent computing and innovative IT server, while deepening its business presence in key sectors such as power and transportation to further consolidate and increase its market share for computing products; secondly, enhance internal coordination and advance the operational model of project integration on all fronts by consolidating internal resources to fully realise the organisational efficiency and potential of business coordination across different departments; thirdly, build an open business ecosphere with joint efforts in line with the idea of openness and mutual success, seeking to construct a mutually beneficial ecosphere with our partners by opening up our capabilities and sharing our resources. In the international market, we will seek sophisticated application of the model of coordinating with the overseas expansion of other Chinese enterprises to jointly develop data centre, cloud computing and digitalisation projects in emerging markets.

In connection with the consumer business, the Company will continue to herald reforms in smart terminals under the principle of "AI for All" in an effort to build a "1+2+N" full-scenario smart ecosphere and create new paradigms in human-machine interaction on the back of the full series of large/medium/small screen AI terminals. In connection with home products, the Company will drive the evolution of the home terminal from a singular connectivity device to a "smart home centre" and make focused efforts to establish its presence in the principal product categories of AI home network, AI home computing and AI intelligent home screen with a view to cementing its leading position in the market by providing AI empowerment for all aspects of the home members' daily life. In connection with handset and mobile Internet products, the Company will deepen the sophisticated integration of AI technologies and gaming scenarios. In terms of products, novel forms for the terminals will be investigated with AI providing core driving force to offer differentiated experience to users. High-end e-sports handsets and gaming handsets offering premium value for money will also be launched to ensure pinpoint coverage of different sub-segment player groups. In terms of brand name, we will drive brand upgrade of Nubia on the back of AI empowerment and accelerate the development of Red Magic towards a global higher-end brand. In terms of channels, we will expedite the development of domestic and cross-border e-commerce channels to enhance in-depth expansion in the large-nation markets. In connection with cloud PC, we will capitalise on the trend of computing cloudification to expedite the popular use of cloud PCs in the home market for the carrier segment and office market for the government and corporate segment, breaking the performance bottleneck of local hardware with the adoption of "terminal — cloud coordination" technologies to achieve innovation and transformation in the commercial model underpinned by the notion of "terminal as service".

2.3.2 Risk exposures

(1) Country risks

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

(2) Risks associated with AI technology

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

(3) Risk associated with intellectual property rights

The Group has always attached great importance to product technology research and development as well as the protection and management of intellectual property rights. Trademarks of the Group's products and services, "ZTE" or "ZTE中興", are all protected by 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, which might affect the operations of the Group. The Group adopts ongoing measures to strengthen foreign exchange risk management covering the entire business process and seeks to reduce exchange rate risk through initiatives such as business strategic guidance, internal settlement management, financing mix design and value-protected derivative instruments. The Group has also strengthened liquidity risk management in countries with foreign exchange difficulties and endeavoured 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 derivative instruments such as interest rate swaps, sought from a diverse range of low-cost financing channels in the global market taking into account the trends of market changes.

(6) Customer credit risk

Given the complex external environment and a large customer base with differing credit status, the Group's business will inevitably be affected by the varied credit profiles of these customers. The Group seeks to mitigate the aforesaid impact mainly by identifying, assessing and managing credit risks through the adoption of internal credit management measures, such as customer credit search, customer credit rating and award, customer credit limit management, overall exposure risk control and credit control against customers with faulty credit records. We also actively employ financial instruments such as credit insurance and factoring arrangements to optimise the mechanism of risk allocation and enhance our 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. For more details of the Company's ESG performance, please refer to the "2025 Sustainability Report" published by the Company on the same date as this report.

3.1 CORPORATE GOVERNANCE

Set out in this chapter is the Corporate Governance Work Report and Corporate Governance Report prepared in accordance with the requirements of CSRC and Shenzhen Stock Exchange and Hong Kong Listing Rules, respectively. The Company improves its corporate governance systems and regimes and enhances the standard of regulated operations on an ongoing basis in accordance with regulatory requirements of the Company Law, Corporate Governance Standards for Listed Companies, Shenzhen Listing Rules and Hong Kong Listing Rules, whilst fostering a multi-dimensional corporate culture and encouraging vigorous innovation. The General Meeting, Board of Directors and management fulfil their respective roles with independent, efficient and transparent decision-making. A strong emphasis is placed on shareholders' rights in an active bid to reward shareholders. Long-term incentive mechanisms have been established to lay a foundation in terms of talents for the Company's long-term development. Internal control development and risk management have been enhanced to drive the Company's stable operation. The actual status of corporate governance at the Company was not materially different from that stipulated in the corporate governance provisions for listed companies under laws, administrative regulations and rules announced by the CSRC.

In 2025, the implementation of the Company's strategy is set out in the "Chair's Statement" and "2.2.2 Business and Financial Analysis of the Group" in this report.

3.1.1 Corporate Culture

The conceptual regime of the Company's corporate culture is set out as follows:

Vision

- To lead in connectivity and intelligent computing Enabling communication and trust everywhere

Mission

- To create an intelligent future with digital innovation, excellent growth platform for employees, and greater value for customers, shareholders, and stakeholders across the globe

Core Values

- Respecting each other and being faithful to the ZTE Cause
- Serving with dedication and being committed to our customers
- Endeavoring with creativity to establish a famous ZTE brand
- Operating with scientific management to increase corporate performance

Cultural Spirit

- Customer Success
- Value Contribution
- Pursuit of Excellence
- Simplicity Prevails

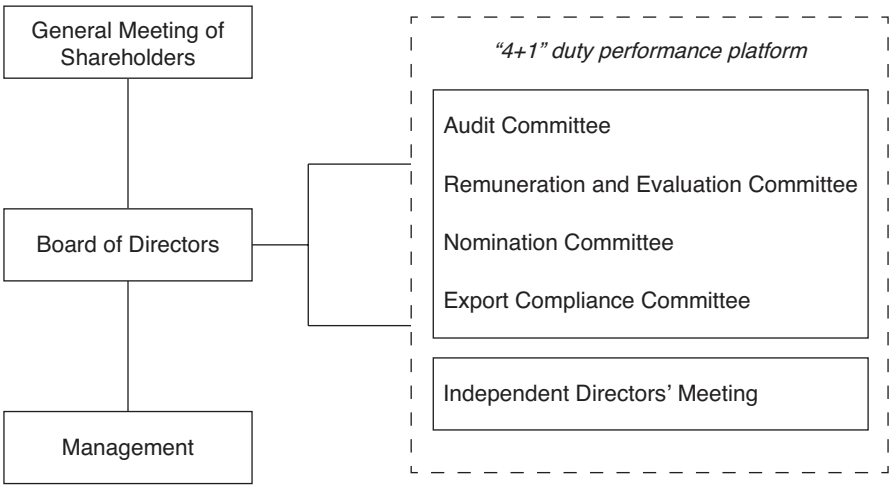
Behavior Guidelines

- Cooperative, Take the initiative
- Responsible, Dare to assume responsibility
- Professional, Win first place
- Pragmatic, Tell complete truth

Year 2025 marked the 40th anniversary of the incorporation of ZTE. With a renewed vision and mission, the Company will continue to fulfill and propagate its core values and put its cultural ethos and guidance for conduct into practice with intensive effort. With greater unity, sense of responsibility, professionalism and pragmatism, we will continue to drive the concerted development of the enterprise and the society, dauntlessly addressing any challenges of growth and transformation as we journey on to become a leader in network connectivity and intelligent computing, prospering the enterprise through harmony and cooperation, and striving for progress and making accomplishments.

3.1.2 Corporate Governance Structure

Currently, the Company has established a governance structure comprising the General Meeting of shareholders, the Board of Directors and the management.



The General Meeting of shareholders is the highest authority of the Company. The Board is formed through election at the Company's General Meeting as the Company's decision-making body. The "4+1" duty performance platform under the Board features the Audit Committee, Remuneration and Evaluation Committee, Nomination Committee, Export Compliance Committee and Independent Directors' Meeting, which conduct prior deliberations on specific matters falling within their respective scopes of duties and furnish professional opinions. The Audit Committee also undertakes supervisory responsibilities. The management is the executive arm appointed by the Board to be responsible for the Company's operational management.

3.1.3 Shareholders

3.1.3.1 Shareholders Information

(1) Total number of shareholders

As at 31 December 2025, there were 623,785 shareholders (comprising 623,501 holders of A shares and 284 holders of H shares). As at 28 February 2026, namely the end of month immediately preceding the date of publication of the annual report, there were 629,360 shareholders (comprising 629,075 holders of A shares and 285 holders of H shares).

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

As at 31 December 2025, all shares held by the top 10 shareholders of the Company were shares not subject to lock-up, namely the shareholdings of the top 10 shareholders and the shareholdings of the top 10 shareholders not subject to lock-up are 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 year	Class of shares	Increase/ decrease during the year	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 2,038,000	A share H share	– –	–	Nil
2 HKSCC Nominees Limited[Note 2]	Foreign shareholder	15.73%	752,389,175	H share	+66,894	–	Unknown
3 Hong Kong Securities Clearing Company Limited[Note 3]	Foreign corporation	1.33%	63,453,147	A share	−55,719,570	–	Nil
4. ICBC Limited – Huatai Pinebridge CSI 300 Traded Open-ended Index Securities Investment Fund	Others	1.11%	53,150,322	A share	−2,412,683	–	Nil
5. Central Huijin Asset Management Co., Ltd.	State-owned corporation	0.88%	42,171,534	A share	–	–	Nil
6. Hunan Telecom Industry Group Company Limited[Note 4]	State-owned corporation	0.87%	41,516,065	A share	–	–	Nil
7. Hexie Health Insurance Co.,Ltd. – Wanneng Product	Others	0.81%	38,796,600	A share	+28,580,000	–	Nil
8. CCB Limited – eFund CSI 300 Traded Open-ended Index Securities Investment Fund By Way of Promotion	Others	0.79%	37,976,740	A share	−387,000	–	Nil
9. ICBC Limited – Huaxia CSI 300 Traded Open-ended Index Securities Investment Fund	Others	0.61%	28,968,802	A share	+3,460,820	–	Nil
10. BOC Limited – Harvest CSI 300 Traded Open-ended Index Securities Investment Fund	Others	0.52%	24,993,601	A share	+826,625	–	Nil

Descriptions of any connected party relationships or concerted actions among the above shareholders	Zhongxingxin was neither a connected party nor a party of concerted action of any of the top 10 shareholders. Save for the above, the Company is not aware of any connected party relationships or concerted party relationships among the top 10 shareholders.
Description of the above-mentioned shareholders' delegated/entrusted voting rights and waiver of voting rights	N/A
Strategic investor or general corporation becoming a top 10 shareholder as a result of new share placing (if any)	N/A
Special statement on special repurchase account(s) maintained by the top 10 shareholders (if any)	N/A
Whether top 10 shareholders conducted any agreed repurchases during 2025	No
Statement on top 10 shareholders' involvement in financing and securities lending businesses	N/A

Note 1: 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: Information of this shareholder is derived from the shareholders' register maintained by China Securities Depository and Clearing Corporation. Hunan Nantian (Group) Co. Ltd. has been merged by way of absorption by its controlling shareholder Hunan Telecom Industry Group Company Limited (湖南省電信實業集團有限公司).

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

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

☐ Applicable √ N/A

(4) Change 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

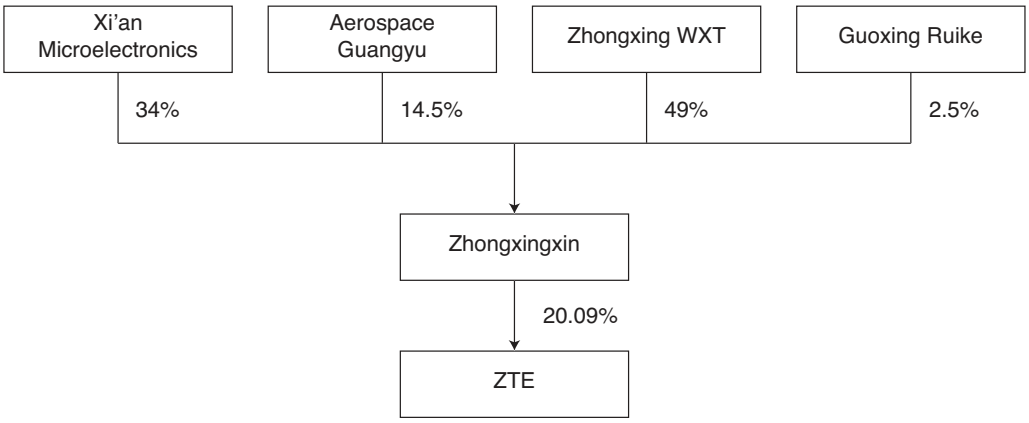
Zhongxingxin is the controlling shareholder of the Company and there was no change during the Reporting Period.

Zhongxingxin was established on 29 April 1993. Its legal representative is Mr. Wei. It has a registered capital of RMB100 million and its uniform social credit code is 91440300192224518G. Its scope of business covers: R&D of machine vision systems integration; design and production of optical instruments, industrial cameras and instruments and high-end mechanical equipment; computer systems integration; R&D, technology development, technology transfer, technical services, technical consultation and import and export of technologies in relation to software, hardware, electronic components and raw materials of computer vision data processing systems; leasing of owned housing properties; industrial investment; import and export business. (Commencement of operation of enterprises requiring prerequisite administrative approvals shall be subject to the obtaining of such prerequisite administrative approval documents.)

Xi'an Microelectronics Technology Research Institute ("Xi'an Microelectronics"), Shenzhen Aerospace Guangyu Industrial Company Limited ("Aerospace Guangyu") and Shenzhen Zhongxing WXT Equipment Company Limited ("Zhongxing WXT") and Zhuhai Guoxing Ruike Investment Centre (Limited Partnership) ("Guoxing Ruike", formerly known as Zhuhai Guoxing Ruike Capital Management Centre (Limited Partnership)) held a 34%, 14.5%, 49% and 2.5% stake in Zhongxingxin, respectively. There is no single shareholder with a shareholding percentage of over 50%. In addition, in accordance with the articles of association of Zhongxingxin, shareholders of Zhongxingxin shall exercise voting rights according to their respective shareholding percentage at shareholder meetings. Matters considered at shareholder meetings shall require approval of shareholders with more than one half of the votes, while certain specific matters shall require approval of shareholders with more than two-thirds of the votes. There are no concerted actions, entrusted voting or other similar arrangements among the shareholders of Zhongxingxin.

In summary of the above, no shareholder of Zhongxingxin is able to exercise influence by dictating the voting outcome of Zhongxingxin's general meeting of shareholders and to control the operating decisions of Zhongxingxin. Zhongxingxin does not have any de facto controller. Therefore, the Company does not have any de facto controller and no party has effective control over the Company, whether by way of trust or other asset management.

The following diagram shows the shareholding relationship between the aforesaid entities and the Company as at 31 December 2025.



Xi'an Microelectronics, a subsidiary of China Aerospace Electronics Technology Research Institute, is a large-scale state-owned research institute established in 1965 with a start-up capital of RMB198,530,000. Its legal representative is Wang Shifeng. It is a large-scale integrated research institute covering the research and development, commercial production and complementary integration and inspection/testing for three specialisations: semi-conductor integrated circuits, hybrid integrated circuits and computers.

Aerospace Guangyu, a subsidiary of CASIC Shenzhen (Group) Company Limited, is a state-owned enterprise established on 17 August 1989. The legal representative is Xie Jing and the registered capital amounts to RMB200 million. The scope of business includes sales of aerospace technology products, machinery equipment, electrical appliances, apparatuses and instruments, electronic products, plastic products, chemical products, hoisting and transportation products, hardware and furniture, construction materials, magnetic materials, powder metallurgy, raw materials for textile, raw materials for chemical fibre, apparel, textile and automobile.

Zhongxing WXT is a private enterprise incorporated on 23 October 1992. Its legal representative is Hou Weigui and its registered capital amounts to RMB10 million. The scope of business includes the development and production of telecommunications and transmission equipment, ancillary equipment, computer and peripheral equipment (excluding restricted projects); investment in industrial operations (subject to separate applications for specific projects).

Guoxing Ruike is a limited partnership established on 2 December 2016 with Zhuhai Guoxing Ruike Investment Centre (Limited Partnership) (formerly known as Guoxing Ruike Capital Management Company Limited) as executive partner and a registered capital of RMB500 million. Its scope of operation includes investment with owned funds, corporate management and corporate management consultancy (Operating activities to be conducted on an autonomous basis in accordance with the law by virtue of the business licence, save for projects subject to approval under the law).

Pylon Technologies Co., Ltd. (上海派能能源科技股份有限公司), a subsidiary of Zhongxingxin, is listed on the STAR Market of Shanghai Stock Exchange (stock code: 688063, stock name: 派能科技).

(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 31 December 2025, the following shareholders held interests or short positions in 5% or more in various classes of the issued share capital 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)
Zhongxing WXT	Interests of corporate controlled by you	958,940,400 A shares (L)	20.05% (L)	23.81% (L)
Xi'an Microelectronics	Interests of corporate controlled by you	958,940,400 A shares (L)	20.05% (L)	23.81% (L)
China Aerospace Electronics Technology Research Institute	Interests of corporate controlled by you	958,940,400 A shares (L)	20.05% (L)	23.81% (L)
China Aerospace Science and Technology Corporation	Interests of corporate controlled by you	958,940,400 A shares (L)	20.05% (L)	23.81% (L)
BlackRock, Inc.	Interests of corporate controlled by you	61,071,779 H shares (L)	1.28%(L)	8.08%(L)
		3,696,200 H shares (S)	0.08%(S)	0.49%(S)
UBS Group AG	Interests of corporate controlled by you	61,526,138 H shares (L)	1.29%(L)	8.14%(L)
		24,741,357 H shares (S)	0.52%(S)	3.27%(S)
JPMorgan Chase & Co.	Beneficial owner, investment manager, holder of assured entitlements to shares, approved lending agent	66,379,592 H shares (L)	1.39%(L)	8.79%(L)
		43,873,572 H shares (S)	0.92%(S)	5.81%(S)
		9,565,058 H shares (P)	0.20%(P)	1.27%(P)
Citigroup Inc.	Holder of assured entitlements to shares, interests of corporate controlled by you, approved lending agent	60,128,531 H shares (L)	1.26%(L)	7.96%(L)
		37,780,559 H shares (S)	0.79%(S)	5.00%(S)
		12,429,955 H shares (P)	0.26%(P)	1.65%(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, comprising 4,028,032,353 A shares and 755,502,534 H shares, as at 31 December 2025.

For details of shares or debentures held by the Directors and chief executive of the Company as at 31 December 2025, please refer to the section headed "3.1.6.6 Shareholdings and Annual Remuneration of Directors, Supervisors and Senior Management" in this report. Save as disclosed above, as at 31 December 2025, so far as the Directors and chief executive 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.

3.1.3.2 Shares

(1) Changes in Shareholdings

Unit: share

Type of shares	31 December 2024		Increase/decrease as a result of the change during 2025 (+, −)					31 December 2025	
	Number of shares	Percentage	New issue	Bonus issue	Transfer from capital reserve	Others[Note]	Sub-total	Number of shares	Percentage
I. Shares subject to lock-up	**658,643**	**0.01%**	**–**	**–**	**–**	**−247,522**	**−247,522**	**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, Supervisors and senior management subject to lock-up	658,643	0.01%	–	–	–	−247,522	−247,522	411,121	0.01%
II. Shares not subject to lock-up	**4,782,876,244**	**99.99%**	**–**	**–**	**–**	**+247,522**	**+247,522**	**4,783,123,766**	**99.99%**
1. RMB ordinary shares	4,027,373,710	84.20%	–	–	–	+247,522	+247,522	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%**

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

(2) *Changes in shares subject to lock-up*

Unit: shares

No.	Name of shareholders subject to lock-up	Number of A shares subject to lock-up as at 31 December 2024	Increase in the number of A shares subject to lock-up during the Reporting Period	Number of A shares unlocked during the Reporting Period	Number of A shares subject to lock-up as at 31 December 2025	Reason for lock-up	Date of unlocking
1	Xie Daxiong	209,327	+52,351	−261,678	–	Shares held by Directors, Supervisors and senior management subject to lock-up	In accordance with Shenzhen Stock Exchange Self-disciplinary Regulatory Guide for Listed Companies No. 10 – Administration of Movements in Shares
2	Xu Ziyang	126,000	–	–	126,000		
3	Wang Xiyu	104,275	–	–	104,275		
4	Xie Junshi	84,351	–	–	84,351		
5	Li Ying	71,625	–	–	71,625		
6	Xia Xiaoyue	38,195	+12,732	−50,927	–		
7	Ding Jianzhong	24,870	–	–	24,870		
8	Li Buqing	–	+825	−825	–		
	Total	**658,643**	**65,908**	**−313,430**	**411,121**		

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

(3) *As at 31 December 2025, neither the controlling shareholder nor other entities subject to undertaking were under restrictions against selling down shares in the Company*

(4) *A share repurchase plan*

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 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 mandate at the General Meeting. At the Seventeenth Meeting of the Tenth Session of the Board of Directors of the Company held on 12 December 2025, the "Resolution on the plan to repurchase A shares in the Company by way of centralised priced bidding" was considered and passed, 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. The share repurchase period shall be within 12 months from the date on which it was considered and approved by the Board of Directors.

The share price for the repurchase of A shares shall not be more than RMB63.09 per share, which repurchase price shall not exceed 150% of the average traded price of the Company's A shares for the 30 trading days before the approval of the resolution on the repurchase by the Board. The actual repurchase price shall be the actual price at which the repurchase is conducted upon the conclusion of the repurchase period.

Based on the minimum total repurchase amount of RMB1,000 million and the cap of the A share repurchase price of RMB63.09 per share, the number of A shares to be repurchased is estimated at 15,850,400 shares approximately, accounting for approximately 0.33% of the total share capital and approximately 0.39% of the total A share capital of the Company in issue at the date of publication of this report. Based on the maximum total repurchase amount of RMB1,200 million and the cap of the A share repurchase price of RMB63.09 per share, the number of A shares to be repurchased is estimated at 19,020,400 shares approximately, accounting for approximately 0.40% of the total share capital and approximately 0.47% of the total A share capital of the Company in issue at the date of publication of this report. The actual number of shares to be repurchased and such number as a percentage of the Company's total share capital and total A share capital shall be subject to the actual number of shares repurchased by the Company and the relevant percentages upon the conclusion of the repurchase period or the completion of the repurchase.

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.

As at the date of the publication of this report, the Company has yet to implement the share repurchase.

(5) Issue and listing of securities

There was no change to the total share capital of the Company during the Reporting Period.

For details of the Company's issuance of SCPs, MTNs and H-share Convertible Bonds during the Reporting Period, please refer to the chapter headed "V. INFORMATION ON BONDS" in this report.

The Company had no employees' shares or preferential shares.

(6) Public float

As at the date of publication of this report, the Company's public float is in compliance with the minimum requirement for public float under the Hong Kong Listing Rules.

3.1.3.3 Shareholders' rights

The general meeting of shareholders is the highest authority of the Company and an important channel for shareholders' participation in corporate governance. The Company has established a corporate governance structure to ensure that all shareholders, minority shareholders in particular, can fully exercise their rights and enjoy equal status.

As a measure to protect shareholders' interests and rights, materials matters are considered and voted upon by shareholders on a standalone basis at general meetings. All resolutions tabled at the general meetings are voted upon by way of poll. The voting results are published by way of announcement after the general meeting.

Shareholders holding 10% or above of the shares of the Company alone or in aggregate shall be entitled to request the Board of Directors or Audit Committee to convene an extraordinary general meeting or to unilaterally convene such extraordinary general meeting in accordance with Article 74 of the Articles of Association of the Company.

Shareholders holding 1% or above of the shares of the Company alone or in aggregate shall be entitled to propose ex tempore motions ten days prior to the convening of the general meeting by submitting the same in writing to the convener of the general meeting. The convener shall issue a supplementary notice of general meeting within two working days after receiving such ex tempore motions to announce the details of such motions.

Upon furnishing to the Company documentation evidencing shareholdings in the Company and verification of his/her identity by the Company, a shareholder shall be entitled to inspect relevant information of the Company in accordance with the Articles of Association. Shareholders may send enquiries in writing to the Secretary to the Board of Directors/Company Secretary at the address set out in the section headed "1.1 CORPORATE INFORMATION" in this report for such enquiries and questions to be forwarded to the Board of Directors.

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

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

3.1.3.4 Independence of Company from controlling shareholder and competition in same business

The Company is independent of its controlling shareholder Zhongxingxin in respect of assets, staffing, finance, organisation and business, each being audited independently and assuming its own responsibilities and risks.

With respect to assets, the Company's assets are fully independent with unequivocal ownership. The Company has independent production systems, supplementary production systems and purchase and sales systems. Intangible assets such as industrial property rights, trademarks, and non-patentable technologies are owned by the Company. With respect to staffing, the Company is fully independent in matters including the management of labour, human resources and salaries. Members of the senior management receive their remuneration from the Company. They do not receive any remuneration from, nor have they taken up the positions of director, supervisor or other major positions with, the controlling shareholder and other companies under its control. With respect to finance, the Company has an independent financial department with an independent accounting and audit system and a financial management system, and maintains an independent bank account. With respect to organisation, the Board of Directors and other internal organisations of the Company operate in complete independence. There is no reporting relationship between the controlling shareholder (and its functional departments) and the Company (and its functional departments). With respect to business, the Company's business is fully independent from the controlling shareholder. The controlling shareholder and other units controlled by it were not engaged in competition in the same business with the Company.

3.1.3.5 Implementation of profit distribution

(1) Profit distribution policy

According to the Articles of Association of ZTE, aggregate profit distribution of the Company in the form of cash in the past three years shall not be less than 30% of the annual average profit available for distribution (namely the annual average net profit attributable to holders of ordinary shares of the listed company) in the past three years; the profit distribution plan of the Company should be formulated by the Board of Directors and considered and approved at the general meeting. Following a resolution on the profit distribution plan by the general meeting, the Board of Directors should complete the distribution of dividend (or shares) within two months after the general meeting; when the Board of Directors of the Company formulates a profit distribution proposal, the views of Independent Non-executive Directors should be sufficiently heard; after the announcement of the profit distribution plan is published in accordance with the law, the views and propositions of shareholders, the minority shareholders in particular, should be sufficiently heard. If the Board of Directors has not drawn up a cash profit distribution proposal, the reasons for not making profit distribution and the use of funds not applied to profit distribution and retained at the Company should be disclosed in regular reports.

The Company did not make any adjustments or changes to its profit distribution policy in 2025.

(2) Implementation of profit distribution plan

According to the "Profit Distribution Proposal for 2024" of the Company considered and approved at 2024 Annual General Meeting held on 28 March 2025: a dividend of RMB6.17 in cash (before tax) for every 10 shares shall be distributed to all shareholders based on the total share capital as at the record date. Based on the total share capital in issue of 4,783,534,887 shares as at the record date, the actual amount of profit distribution was approximately RMB2,950 million (before tax). The Company completed its dividend payment in April 2025.

(3) Proposal for profit distribution of 2025

Taking into account factors such as the operating conditions of the Company and shareholders' return, the profit distribution proposal for 2025 recommended by the Board of the Company: distribution of RMB4.11 in cash (before tax) for every 10 shares to all shareholders based on the total share capital as at the record date for profit distribution and dividend payment. In the event of changes in the Company's total share capital after the announcement of the Company's profit distribution proposal for 2025 but before its implementation, the distribution shall be based on the readjusted total share capital on the basis of the total share capital as at the record date for profit and dividend distribution for the purpose of the profit distribution proposal for 2025 according to the existing proportion for distribution. The aforesaid matter is subject to consideration and approval at the general meeting. As at 31 December 2025, the profit available for distribution to shareholders amounted to approximately RMB29.37 billion on a cumulative basis. The profit distribution proposal prepared by the Board was in line with the Company's profit distribution policy.

The exact timing of payment of the Company's 2025 dividend is dependent on when it will be considered at the general meeting and the progress of working relating to dividend distribution, and is expected to be completed no later than before 31 August 2026. As at the date of publication of this report, to the best of the knowledge of the Company, there are no shareholders of the Company who have waived or agreed to waive any dividend arrangement.

Based on the total share capital of the Company of 4,783,534,887 shares as at 6 March 2026, the aggregate profit distribution of the Company in the form of cash for 2025 of RMB1,970 million accounted for approximately 35.0% of the net profit attributable to the holders of ordinary shares of the listed company for 2025 of RMB5,620 million. The aggregate profit distribution of the Company in the form of cash for 2023–2025 of RMB8,180 million accounted for approximately 105.1% of the annual average net profit attributable to the holders of ordinary shares of the listed company in the past three years of RMB7,790 million. The profit distribution proposal for 2025 is in compliance with provisions under "Shenzhen Stock Exchange Self-disciplinary Regulatory Guide for Listed Companies No. 1 — Regulated Operation of Main Board Listed Companies" and the Articles of Association. The relevant decision-making procedures and mechanisms were well-established and the Independent Non-executive Directors duly played their role to provide adequate protection for the lawful interests of minority investors.

3.1.3.6 Investor relations

(1) Shareholder communication policy and engagement

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 regular 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, e-mail, the investors relations interactive platform of Shenzhen Stock Exchange and investors' questions collected 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 presentations. 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. During the Reporting Period, the Company convened its 2024 Annual General Meeting on 28 March 2025. Resolutions considered and approved at the meeting included, among others, "2024 Annual Report", "Proposal for Profit Distribution for 2024", "Election of Non-independent Directors of the Tenth Session of the Board" and "Election of Independent Non-executive Directors of the Tenth Session of the Board". For details, please refer to the "Announcement on Resolutions of the 2024 Annual General Meeting" published by the Company on 28 March 2025. At the First Extraordinary General Meeting of 2025 held on 24 April 2025, resolutions on the amendment of relevant clauses under the Articles of Association, Rules of Procedure for General Meetings of Shareholders and Rules of Procedure for Board Meetings and on the provision of guarantees limits for the subsidiary by the Company were considered and approved. For details, please refer to the "Announcement on Resolutions of the First Extraordinary General Meeting of 2025" published by the Company on 24 April 2025. The Directors and senior management of the Company attended the aforesaid meetings and communicated with the shareholders at the meetings.

Having examined and reviewed the shareholder communication policy for 2025, the Board is of the view that the Company's shareholder communication policy has been duly and effectively implemented, given the variety of existing channels for communication and participation.

(2) Reception of investors

Details of reception of investors by the Company in 2025:

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

3.1.4 Board of Directors

3.1.4.1 Duties of the Board

The Board of the Company is responsible for convening the general meeting, report its work to the general meeting and implement the resolutions of the general meeting in a timely manner; overseeing the Company's overall operation and strategic development; determining the operational plans and investment schemes of the Company, supervising and providing guidance to the Company's management; and examining the Company's operational and financial performance.

(1) Corporate governance functions

The Board of Directors is charged with the duty of corporate governance. It should procure the management to establish a compliant organisational structure and system and comply with the Code of Corporate Governance and other laws and regulations pertaining to corporate governance in daily management. The Board of Directors is responsible for the following corporate governance functions:

- To develop and review the Company's policies and practices on corporate governance;
- To review and monitor training and continuous professional development of the Directors and senior management;
- To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- To develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- To review the Company's compliance with the Corporate Governance Code set out in Appendix C1 to the Hong Kong Listing Rules and disclosure in the Corporate Governance Report.

In 2025, the Board fulfilled its corporate governance functions in a diligent effort to improve the Company's corporate governance practices.

(2) Duties and scope of authority of the Board of Directors and the management

The respective duties and scopes of authority of the Board and the Management are clearly defined. The management conducts day-to-day operations and management and reports to the Board, and provides adequate information to the Board and its specialist committees in a timely manner to ensure that the Board makes informed decisions. All Directors are entitled to require further information from the Company's management.

3.1.4.2 Board composition and diversity policy

(1) Board composition

The Tenth Session of the Board of Directors of the Company currently comprises nine Directors. The name list of the Directors is set out as follows:

- Executive Director: Mr. Xu Ziyang;
- Non-executive Directors: Ms. Fang Rong (Chair), Mr. Yan Junwu, Mr. Zhu Weimin and Mr. Zhang Hong;
- Independent Non-executive Directors: Mr. Zhuang Jiansheng, Mr. Wang Qinggang and Mr. Tsui Kei Pang.
- Employee Director: Ms. Li Miaona

The composition of the Board of Directors was in compliance with the provisions of Rule 3.10(1) and (2) and Rule 3.10 (A) of the Hong Kong Listing Rules. There were no financial, business, family or other material/relevant connections among members of the Board of Directors of the Company.

(2) Term of office, appointment and removal of Directors

A Director (including Non-executive Director) of the Company is appointed for a term of three years and is eligible for re-election upon conclusion of each term. An Independent Non-executive Director shall not serve for more than six years. Other than Independent Non-executive Director Mr. Zhuang Jiansheng of the Tenth Session of the Board of the Company, who serves a term commencing on 28 March 2025 and ending on 18 June 2026, and Employee Director Ms. Li Miaona who serves a term commencing on 23 May 2025 and ending on 27 March 2028, all Directors of the Tenth Session of the Board of the Company serve a term commencing on 28 March 2025 and ending on 27 March 2028.

The appointment and removal of Non-employee Directors is subject to the approval of the General Meeting of the Company. The appointment and removal of Employee Directors is by way of democratic elections by employees. Each Director has entered into a Director's Service Contract with the Company.

(3) Board diversity policy

The Company acknowledges the importance of Board diversity for corporate governance and has formulated the Board Diversity Policy as part of the Working Rules of the Nomination Committee of the Board of Directors, which primarily provides that: the Company shall consider Board diversity from multiple aspects when determining Board composition, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. All members of the Board are appointed solely on the basis of merit. The benefits to Board diversity are weighted in light of objective conditions in the consideration of candidates.

The selection of candidates for Board members by the Board and the Nomination Committee is based on a range of diverse perspectives and measurable objectives. In connection with the implementation of the board diversity policy, the Company has adopted the following measurable objectives:

- The Board consists of at least 1 female member. The current Board members include 2 female Directors, accounting of 22% of the Board composition. There is 1 female member on the Company's Nomination Committee, representing 20% of the Nomination Committee. The Board will seek to increase the ratio of female Directors on top of the appointment of at least one female Director, taking into account its actual conditions;

- The number of Independent Non-executive Directors shall be not less than 3 and not less than one-third of the total number of Directors of the Board. The Board currently consists of 3 Independent Non-executive Directors who account for 1/3 of the Board membership; moreover, the respective conveners of the Audit Committee, Remuneration and Evaluation Committee, Nomination Committee and Export Compliance Committee of the Company are all Independent Non-executive Directors.

- The Directors boast a diverse range of professions. The Executive Directors have extensive practical, management and operational experience in the electronics/telecommunications sectors. The Non-executive Directors have extensive business and management experience. The Independent Non-executive Directors are professionally qualified and bring extensive experience in the monetary, financial, legal and compliance aspects. For details of the personal information of the Directors, please refer to the section headed "3.1.6.2 Brief biographies of Directors and senior management" in this report.

The current diversified mix of the Board of the Company has enabled a broad vision and high level of professional experience, whilst maintaining the element of independence required for the Board to ensure that the Board of the Company is capable of effectively making independent judgement and scientific decisions in the deliberation and consideration of material matters. The Nomination Committee has reviewed the composition, size and structure of the Board in 2025 and, taking into consideration the business requirements of the Company, is of the view that the incumbent Board fulfills the requirement for diversity. Regarding the potential successors to the Board, the Board and the Nomination Committee intend to identify suitable candidates in a timely manner where required to ensure gender diversity of the Board.

3.1.4.3 Chairman and President

The roles of Chairman and President of the Company are two distinctly separate positions with clearly defined respective functions under Articles 162 and 179, respectively, of the Articles of Association.

Ms. Fang Rong as Chair is primarily responsible for providing leadership over the Board and ensuring effective operation of the Board in the best interest of the Company. In respect of the Company's operating performance and material matters, the Chair should ensure communication and deliberation between the Board and the management on a regular basis and from time to time.

Mr. Xu Ziyang as President is primarily responsible for presiding over the production operation and management of the Company, reporting to the Board on a quarterly basis in connection with material matters and organising the implementation of Board resolutions, whilst maintaining sound communication with the Directors.

3.1.4.4 Board Meetings

The Board of the Company convenes at least 4 meetings each year. Notices of regular Board meetings and interim Board meetings of the Company were given 14 days and 3 days (or such other period as might be agreed), respectively, prior to the convening of the meetings. The Secretary to the Board of Directors/Company Secretary should provide details of the meetings not later than 3 days (or other agreed periods) prior to the commencement of the meeting.

In 2025, the Company convened 22 Board meetings, including 4 meetings of the Ninth Session of the Board of Directors and 18 meetings of the Tenth Session of the Board of Directors, at which resolutions relating to periodic reports, the re-election of a new session of the Board and nomination of non-independent and Independent Non-executive Director of the Tenth Session of the Board of Directors, appointment of new session of senior management of the Company, amendment of relevant clauses in the Articles of Association, Rules of Procedure for the General Meeting and Rules of Procedure for the Board Meeting, issuance of H-share convertible bonds, internal control audit report and continuing connected transactions were discussed and considered. All resolutions were considered and approved by the Board of the Company. The Directors have not expressed any dissent in respect of material matters considered in 2025. On a well-informed basis, the Directors furnished professional opinions in areas such as corporate governance, operations and management, internal control, third-party investment and connected transactions, among others, in light of the actual conditions of the Company, while the Company actively listened to and adopted the recommendations of the Directors. Where any matters (including connected transactions) to be considered by the Board of Directors of the Company were deemed by the Board of Directors to involve a material conflict of interest, abstention measures were adopted whereby the Directors who were by any means connected with such transactions abstained from voting.

Minutes of each Board of Directors meeting should be filed after being signed by the attending Directors, the Secretary to the Board and minute-takers, and shall be made available for Directors' inspection from time to time upon their request.

3.1.4.5 Directors' attendance at meetings

Attendance of Directors of the Company at the Board meetings, meetings of the specialist committees under the Board, Independent Directors' meetings and the general meetings in 2025 is set out in the following:

	Number of meetings attended in person[Note]/Number of meetings to be attended						
	Board meetings	Audit Committee	Remuneration and Evaluation Committee	Nomination Committee	Export Compliance Committee	Independent Directors' Meeting	General Meeting
Number of meetings held	**22**	**7**	**2**	**2**	**4**	**2**	**2**
Executive Director							
Xu Ziyang	22/22	–	–	–	3/4	–	2/2
Li Zixue (retired)	4/4	–	–	1/1	–	–	1/1
Gu Junying (retired)	4/4	–	1/1	–	–	–	1/1
Non-executive Director							
Fang Rong	22/22	–	–	2/2	4/4	–	2/2
Yan Junwu	17/18	–	0/1	–	–	–	1/1
Zhu Weimin	22/22	7/7	2/2	–	–	–	2/2
Zhang Hong	22/22	7/7	–	1/1	–	–	2/2
Independent Non-executive Director							
Zhuang Jiansheng	22/22	7/7	2/2	2/2	4/4	2/2	2/2
Wang Qinggang	22/22	7/7	2/2	2/2	4/4	2/2	2/2
Tsui Kei Pang	22/22	7/7	2/2	2/2	4/4	2/2	2/2
Employee Director							
Li Miaona	13/13	–	–	–	–	–	–

Note: The number of meetings represented the number of meetings held during the term of office of the Directors. In 2025, 22 Board meetings were held, including 5 by way of video or telephone conference, and 17 by way of voting via communication. Mr. Yan Junwu attended Board meetings and the Remuneration and Evaluation Committee meetings by proxy each for once owing to work reasons. Mr. Xu Ziyang attended Export Compliance Committee meetings by proxy for once owing to work reasons. Attendance by proxy is not counted in the attendance rate. No Director of the Company reported absence from Board meetings or failed to attend in person at two consecutive Board meetings.

3.1.4.6 Performance of duties by the Independent Non-executive Directors

The Company has received annual written confirmations of independence from all the Independent Non-executive Directors regarding their independence in accordance with the factors listed under Rule 3.13 of the Hong Kong Listing Rules and Rules Governing Independent Directors of Listed Companies. The Company and Board of Directors are of the opinion that all Independent Non-executive Directors are independent persons.

Independent Non-executive Directors accounted for the majority and served as convenor at the specialist committees of the Board. In 2025, the Independent Non-executive Directors of the Company informed themselves of the Company's important business information in a timely manner, dutifully attended the meetings of the Board and its specialist committees where they actively expressed their views and furnished suggestions in genuine fulfillment of the role of "participating in decision-making, supervision and check and balance and professional consultation". In 2025, the Company convened two Independent Directors' Meetings attended solely by Independent Non-executive Directors for the consideration of continuing connected transactions, the details of which are set out in the section headed "3.1.5.2 Independent Directors' Meeting" in this report.

3.1.4.7 Measures Taken to Ensure the Performance of Duties by Directors

(1) In 2025, the Directors of the Company received ongoing professional training by studying relevant materials and attending training sessions. The Company provided Directors with information on listing regulations in a timely manner. All Directors (Executive Director Mr. Xu Ziyang; Non-executive Directors Ms. Fang Rong, Mr. Yan Junwu, Mr. Zhu Weimin, Mr. Zhang Hong; Independent Non-executive Directors Mr. Zhuang Jiansheng, Mr. Wang Qinggang, Mr. Tsui Kei Pang; Employee Director Ms. Li Miaona) have received training on the roles and duties of Directors. The contents of such training included the latest amendments to the Corporate Governance Code of Hong Kong Stock Exchange, explanation of the new ancillary system of the Company Law, key requirements under the "Corporate Governance Guide for the Board of Directors and the Directors", explanation of "Sustainability Disclosure Standards No. 1 — Climate" promulgated by the Ministry of Finance, key points in the regulation of financial report accounting for listed companies, export compliance policy and anti-business corruption policy, among others, designed to help Directors keep themselves updated on regulatory developments and compliance requirements, in order to enhance their competence in scientific decision-making and duty fulfillment. Newly appointed Directors Mr. Yan Junwu and Ms. Li Miaona participated in training on provisions applicable to Directors under the Hong Kong Listing Rules provided by the Hong Kong legal advisor of the Company.

(2) The Company has established a mechanism to allow all Directors of the Company to seek independent professional opinion in respect of the performance of their duties and responsibilities at the cost of the Company to ensure that the Board of Directors can obtain independent views and opinions. The Board has examined and reviewed the relevant mechanism and is of the view that it has been duly implemented and effective.

(3) In connection with potential legal risks arising from the performance of duties by the Directors and senior management, the Company has purchased liability insurance for Directors and the senior employees.

3.1.5 Specialised committees under the Board of Directors and Independent Directors' Meeting

3.1.5.1 Specialised committees under the Board of Directors

There are four specialised committees under the Board of Directors of the Company, namely the Audit Committee, Remuneration and Evaluation Committee, Nomination Committee and Export Compliance Committee. Specific working rules have been formulated for each of the specialised committees, stipulating, among other things, the duties and powers of these committees, and have been posted on www.cninfo.com.cn, the website of the Hong Kong Stock Exchange and the website of the Company. The order of meeting for the specialised committees is conducted in accordance with their respective working rules, and is implemented by reference to the statutory procedures for meetings of Board of Directors. Members of the specialist committees discharged their duties with due diligence and performed the duties of Directors in a proactive, professional and efficient manner, reviewing carefully all documents and information relating to the meetings, conducting analysis and making judgements on various issues in a fair and objective manner, making recommendations based on the actual conditions of the Company, and providing scientific and professional opinions for reference by the Board of Directors in its decision-making. Records of Directors' attendance at the specialist committee meetings in 2025 are set out above.

(1) The Audit Committee

① Roles, functions and composition of the Audit Committee

The Audit Committee is primarily responsible for examining the financial information of the Company and its disclosure (including the inspection of the completeness of the Company's financial statements and annual reports, interim reports and quarterly reports, as well as the review of significant opinions on financial reporting contained in the statements and reports); making recommendations to the Board of Directors on the appointment and removal, audit fees and terms of engagement of external auditors; supervising the effectiveness of the Company's internal audit system and its implementation; reviewing the financial reporting, risk management and internal control systems of the Company; and the appointment or removal of the Chief Financial Officer of the Company. The Audit Committee is also responsible for supervising the conduct of the Directors and the senior management in their performance of duties, proposing ex tempore motions at the general meetings and proposing the convening of extraordinary general meetings.

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.

② Meetings and work of the Audit Committee during the year

The Audit Committee held 7 meetings on 21 January 2025, 21 February 2025, 28 February 2025, 31 March 2025, 22 April 2025, 28 August 2025 and 28 October 2025, respectively, to discuss and consider audit work, regular financial reports, appointment of auditors, derivatives trading, conduct qualifications vetting in respect of the candidate for chief financial officer and the internal control audit work report of the Company, and held numerous discussions with the auditor. The Audit Committee plays an important role in ensuring scientific decision making at the Board of Directors by furnishing advice and recommendations in respect of matters such as the Company's financial information and its disclosure, internal audit system and its implementation, internal control and risk management. Members of the Audit Committee have not expressed any dissent in respect of matters considered at the aforesaid meeting.

The Audit Committee conducted the following important tasks in respect of the Company's 2025 annual audit and internal control development and improvement:

Issue of three review opinions on the 2025 annual financial report of the Company: The Audit Committee issued review opinions on the Company's unaudited, preliminarily audited and audited financial statements of 2025. Following thorough assessment, the Audit Committee was of the view that the financial report was a fair reflection of the Company's financial conditions as at 31 December 2025 and its operating results and cash flow for 2025 in material aspects and was in compliance with PRC ASBEs and their practice guide and approved the submission of the audited financial report 2025 for consideration by the Board of Directors of the Company.

Supervision of the audit work of the auditor: to ensure the conduct of auditing work in an orderly manner, the auditor of the Company had finalised the 2025 audit plan and timetable with the auditor ahead of schedule. During the course of audit, members of the Audit Committee held three meetings with principal officers of the auditor in charge of the assignment to inform themselves of the progress of audit and concerns in genuine performance of their supervisory duties. The Audit Committee also procured the auditor in charge of the assignment to expedite its work and examined the annual audit report.

Assessment on the audit work of the auditor: following a number of communications and discussions with the auditor, the Audit Committee was of the view that the auditor conducted its practice in compliance with audit regulations and completed the financial report and internal control audit of the Company for 2025 in accordance with the audit schedule.

Supervising improvement of the internal control system: The internal control and audit department functions as the day-to-day executive arm of the Audit Committee to implement supervision and inspection of the Company's internal controls on behalf of the Audit Committee. In 2025, the Audit Committee received the report of the internal control and audit department on internal control and audit and furnished relevant opinion. For details of the Audit Committee's work in reviewing the Company's internal control and risk management, please refer to the section headed "3.1.11 Internal control and risk management" in this report.

In 2025, the Audit Committee carried out meticulous supervision over Company's financial conditions and the performance of duties by the Directors and senior management and have not expressed any dissent in connection with the said matters under their supervision.

(2) The Remuneration and Evaluation Committee

① Roles, functions and composition of the Remuneration and Evaluation Committee

The Remuneration and Evaluation Committee is primarily responsible for determining and reviewing specific remuneration packages and performances of the Directors and senior management of the Company based on the policies and structures for the management of remuneration and performance of Directors and senior management laid down by the Board of Directors, and conducting appraisal of the performance of Executive Directors. It is also responsible for reviewing share ownership schemes of the Company such as share option incentives and staff shareholding plans.

The Remuneration and Evaluation 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, Non-executive Directors Mr. Yan Junwu and Mr. Zhu Weimin.

② Meetings and work of the Remuneration and Evaluation Committee during the year

The Remuneration and Evaluation Committee held 2 meetings on 28 February 2025 and 22 April 2025, respectively, to consider and approve, among others, the performance appraisal and annual performance bonus for senior management personnel. Members of the Remuneration and Evaluation Committee have not expressed any dissent to the aforesaid businesses under consideration at the meetings.

③ Remuneration policy for Directors and senior management

The Company determines the remuneration of Directors and senior management based on their positions and duties, and performance as well as the actual operating conditions of the Company.

The Remuneration and Evaluation Committee makes recommendations to the Board of Directors on the remuneration for Directors and senior management according to the aforesaid remuneration policy in the manner set out in Code E.1.2(c)(ii) of Appendix C1 to the Hong Kong Listing Rules.

(3) The Nomination Committee

① Roles, functions and composition of the Nomination Committee

The Nomination Committee is primarily responsible for considering standards and procedures for the selection of Directors and senior management of the Company. The committee identifies suitable candidates for appointment as Directors and senior management and conducts qualification vetting in accordance with relevant laws and regulations and the Articles of Association, taking into account the actual conditions of the Company. The Nomination Committee then formulates a resolution to be submitted to the Board of Directors and general meetings (if applicable) for approval, and implements accordingly. It assesses the independence of Independent Non-executive Directors. It also reviews the board diversity policy as well as the measurable objectives under the board diversity policy and progress in achieving such objectives as and when appropriate to ensure effective implementation.

The Nomination Committee of the Tenth Session of the Board of Directors of the Company comprises five members, including Independent Non-executive Directors Mr. Tsui Kei Pang (convenor), Mr. Zhuang Jiansheng and Mr. Wang Qinggang, Non-executive Directors Ms. Fang Rong and Mr. Zhang Hong.

② Meeting and work of the Nomination Committee during the year

The Nomination Committee held 2 meetings on 11 March 2025 and 31 March 2025, respectively, to deliberate on the structure and diversity policy of the Board and consider the qualifications of candidates for Non-executive Directors and Independent Non-executive Directors for the Tenth Session of the Board of Directors and their recommendations, and the qualifications of the new session of senior management and their recommendations, among others. Members of the Nomination Committee have not expressed any dissent to the aforesaid businesses under consideration at the meeting.

③ Criteria and procedures for the nomination, selection and recommendation of Directors and senior management

The Nomination Committee conducts extensive searches for candidates for Directors and senior management after considering the Company's requirements. With the consent of the nominees, a meeting of the Nomination Committee will be convened to vet the qualifications of the shortlisted nominees and recommend candidates for Directors and new senior management appointments to the Board of the Directors with the furnishing of relevant materials based on the terms for appointment of Directors and senior management under the Company Law, Rules Governing Independent Directors of Listed Companies and the Hong Kong Listing Rules.

(4) The Export Compliance Committee

① Roles, functions and composition of the Export Compliance Committee

The Export Compliance Committee is principally responsible for regulation over matters pertaining to compliance with export control and economic sanction laws.

The Export Compliance Committee of the Tenth Session of the Board of Directors of the Company comprises five members, including Independent Non-executive Directors Mr. Zhuang Jiansheng (chair), Mr. Wang Qinggang and Mr. Tsui Kei Pang, Non-executive Director Ms. Fang Rong and Executive Director Mr. Xu Ziyang.

② Meetings and work of the Export Compliance Committee during the year

The Export Compliance Committee held 4 meetings on 10 April 2025, 27 June 2025, 18 September 2025 and 16 December 2025, respectively, to discuss and review matters relating to the Company's export compliance. Members of the Export Compliance Committee have not expressed any dissent to the aforesaid businesses under consideration at the meeting.

3.1.5.2 Independent Directors' Meeting

(1) Role, functions and composition of the Independent Directors' Meeting

In accordance with the Rules Governing Independent Directors of Listed Companies announced by the CSRC, the Company convened the Independent Directors' Meetings attended solely by Independent Non-executive Directors. In accordance with the aforesaid regulations, the Company's Independent Non-executive Directors perform supervisory duties with a special authority. Connected transactions and other matters that could potentially involve conflict of interests should be approved at the Independent Directors' Meeting prior to submission to the Board for consideration. The exercise of special authority by Independent Non-executive Directors to independently appoint intermediaries, propose the convening of interim general meetings to the Board and propose the convening of Board meetings shall require approval by a majority of all Independent Directors.

(2) Work of the Independent Directors' Meeting during the year

The Independent Directors of the Company convened two meetings on 28 August 2025 and 16 December 2025, respectively, to discuss and consider the Company's continuing connected transactions in connection with purchase and sales, review the transaction prices and terms of agreement and give approval to the tabling of the resolution on such connected transactions at the Board meeting for consideration.

3.1.6 Directors, Supervisors and senior management

3.1.6.1 Changes in Directors, Supervisors and senior management

(1) Election of a new session of the Board

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

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

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

Mr. Yan Junwu and Ms. Li Miaona have obtained the legal advice described under Rule 3.09D of the Hong Kong Rules on 28 March 2025 and 23 May 2025, respectively, and have confirmed understanding of their obligations as Directors of the Company.

(2) Abolishment of the Supervisory Committee

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

(3) Appointment of senior management

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

3.1.6.2 Brief biographies of Directors and senior management

(1) Brief biographies of Directors

Ms. Fang Rong, born in 1964, is Chair and Non-executive Director of the Company. She graduated from Nanjing Institute of Posts and Telecommunications (now known as Nanjing University of Posts and Telecommunications) in 1987 with a bachelor's degree in engineering, majoring in telecommunications engineering. From 1987 to 1995, Ms. Fang worked at Wuhan Posts and Telecommunications and Science Research Institute under the Ministry of Posts and Telecommunications. She worked with Zhongxingxin, controlling shareholder of the Company, from 1995 to 1997 and with the Company from 1997 to 2009, acting as Senior Vice President of the Company from 1998 to 2009, after the incorporation and listing on the main board of Shenzhen Stock Exchange of the Company in 1997. She was executive vice president of Zhongxing Development Company Limited from 2009 to April 2024 and director of the company from 2009 to January 2026. From September 2021, she has been chairman of Xiazhi Technology Company Limited. Ms. Fang has been Non-executive Director of the Company since June 2018 and Chair of the Company since March 2025. Ms. Fang has many years of operational and management experience in the telecommunication industry.

Mr. Xu Ziyang, born in 1972, is Executive Director and President of the Company. He graduated from University of Electronic Science and Technology of China in 1994 with a bachelor's degree in engineering, majoring in physical electronics technology. Mr. Xu joined the Company in 1998, and served successively as head of development department, and product general manager of core network, regional MKT general manager, general manager of subsidiary and assistant to the President. Mr. Xu has been President of the Company since July 2018 and Executive Director of the Company since August 2018. Mr. Xu has many years of operational and management experience in the telecommunication industry.

Mr. Yan Junwu, born in 1968, is Non-executive Director of the Company. Mr. Yan was previously named Yan Suoping. Mr. Yan graduated from Inner Mongolia University in 1989, majoring in electronics and information systems. He further obtained a Master of Engineering degree specialising in general missile design, as well as the title of research fellow, in 1992. Mr. Yan joined Beijing Institute of Astronautical System Engineering under China Academy of Launch Vehicle Technology in 1992 to engage in general missile design and informatisation projects, serving successively as designer, team leader and deputy head of the development and planning department of Beijing Institute of Astronautical System Engineering under China Academy of Launch Vehicle Technology from 1992 to 2009. From 2009 to 2015, he successively served as deputy head of the planning department and deputy head of the weaponry department of China Aerospace Science and Technology Corporation. From 2015 to 2017, he served as director, president and deputy secretary of Party Committee of Beijing Shenzhou Aerospace Software Technology Co., Ltd. From 2017 to 2020, he was vice chairman of China Siwei Surveying & Mapping Technology Co. Ltd. From 2020 to 2023, he served as director of China Great Wall Industry Corporation, China Siwei Surveying & Mapping Technology Co. Ltd. and Beijing Shenzhou Aerospace Software Technology Co., Ltd., respectively. Since 2023, he has been deputy head of China Aerospace Electronics Technology Research Institute. He has been Non-executive Director of the Company since March 2025. Mr. Yan has extensive experience in the electronics industry in both professional and management capacities.

Mr. Zhu Weimin, born in 1966, is Non-executive Director of the Company. Mr. Zhu graduated from the Department of Electronic Engineering of Shanghai Jiaotong University in 1988 with a bachelor's degree in engineering majoring in electronic engineering and obtained an MBA degree from China Europe International Business School in Shanghai in 2003. Mr. Zhu served successively as a technician and deputy head of Suzhou Dongfeng Communication Equipment Factory Research Institute from 1988 to 1991; research engineer and deputy director of the development department of Shenzhen Zhongxing Semiconductor Co., Ltd. from 1991 to 1993; research engineer of Zhongxingxin, the controlling shareholder of the Company, and head of Nanjing Research Institute of Zhongxingxin from 1993 to 1997. Mr. Zhu served as Director and Deputy General Manager of the Company from 1997 to 2000 after the incorporation and listing on the main board of Shenzhen Stock Exchange of the Company in 1997; deputy general manager of Zhongxingxin from 2002 to 2003; general manager of Shenzhen Changfei Investment Co., Ltd. from 2004 to 2013; and director of Shenzhen Jufei Optoelectronics Co., Ltd. (a company listed on the Shenzhen Stock Exchange) from 2009 to 2015. Mr. Zhu served as director of Shenzhen Techaser Technologies Co., Ltd. from 2008 to 2023 (concurrently as advisor from 2013 to 2018); and chairman/director of Shenzhen Zhongxing International Investment Co., Ltd. and its certain subsidiaries since 2018. At present, he is concurrently serving as director of Zhongxingxin, Shenzhen Zhongxing WXT Equipment Company Limited and Shenzhen Xinyu Tengyue Electronics Co., Ltd. Mr. Zhu has been Non-executive Director of the Company since June 2018. Mr. Zhu has extensive experience in management and operations.

Mr. Zhang Hong, born in 1979, is Non-executive Director of the Company. Mr. Zhang graduated from Hubei University with a bachelor's degree in Management in 2001, majoring in Accounting. In 2019, he obtained a master's degree in Public Administration from Zhongnan University of Economics and Law. He holds the title of senior accountant and qualifications as a Certified Internal Auditor and an International Certified Management Accountant. He has been included in the list of Top-tier Accounting Professionals of Hubei Province. From 2001 to 2012, Mr. Zhang worked with Hubei Sanjiang Space Wan Feng Technology Development Co., Ltd. as a financial personnel, holding successively the positions of accounting clerk at the financial division, deputy head of accounting division, head of accounting division, head of audit division, director of factory office, head of financial department and deputy chief accountant. From 2012 to 2015, he worked successively as assistant to head of institute and head of financial department and chief accountant of Aerospace Heavy Industry Co., Ltd. From 2015 to 2018, he was deputy head of financial department of China Aerospace Sanjiang Group Co., Ltd. From 2018 to 2023, he was chief accountant, chief legal adviser and chief compliance officer (CCO) of Henan Aerospace Industrial Co., Ltd. Since 2023, he has been chief accountant, chief legal adviser and chief compliance officer (CCO) of Shenzhen Aerospace Industrial Technology Research Institute Limited and concurrently director and chief accountant of CASIC Shenzhen (Group) Company Limited. He has been supervisor of Zhongxingxin since July 2024 and Non-executive Director of the Company since June 2024. Mr. Zhang has many years of experience in management and operations.

Mr. Zhuang Jiansheng, born in 1965, is Independent Non-executive Director of the Company. Mr. Zhuang graduated from East China University of Political Science and Law with a bachelor's degree in law in 1988, and obtained a master's degree in international and economic law from the University of International Business and Economics in 1991. Mr. Zhuang has been admitted as a PRC Attorney. Mr. Zhuang has worked in Shanghai WGQ Free Trade Zone Development Corporation, PricewaterhouseCoopers Consulting Firm, and Baker & McKenzie LLP in the United States. Mr. Zhuang has been the advisory partner of Shanghai Huiye Law Firm with respect to the business of trade compliance and customs since January 2016. He has been Independent Non-executive Director of the Company since June 2020. Mr. Zhuang has extensive experience in legal and practical matters in areas like international trade compliance, corporate regulatory matters, customs and tax law.

Mr. Wang Qinggang, born in 1970, is Independent Non-executive Director of the Company. Mr. Wang was previously named Wang Yong. He graduated from Huazhong Agricultural University with a bachelor's degree in Economics in 1993, majoring in Economic Management. He received a master's degree in Economics from Zhongnan University of Finance (renamed Zhongnan University of Economics and Law in 2000) in 1996, followed by a PHD in Management at Zhongnan University of Economics and Law in 2004. During 2004–2007, he undertook post-doctoral research in business administration at Xiamen University. He holds the qualification of a PRC certified accountant (non-practising). Mr. Wang has been on the faculty of Zhongnan University of Economics and Law since 1996 and is currently a professor/tutor to doctoral students at the School of Accounting of the university. Mr. Wang has been an independent director of Wuhan SZY Biotech Joint Stock Co., Ltd. (a non-listed company) since January 2021 and an independent director of Anhui Hongyu Wuzhou Medical Manufacturing Co., Ltd. (a company listed on the Shenzhen Stock Exchange) since February 2023. He was previously independent director at Wuhan Sante Cableway Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange), Jinhui Liquor Co., Ltd. (a company listed on the Shanghai Stock Exchange), Wuhan Xingtu Xinke Electronics Co., Ltd. (a company listed on the Shanghai Stock Exchange) and Wuhan Mindsemi Company Limited (a non-listed company), respectively. Mr. Wang has been Independent Non-executive Director of the Company since June 2024. He has a strong academic and professional background as well as extensive experience in accounting and finance.

Mr. Tsui Kei Pang, born in 1960, is Independent Non-executive Director of the Company. Mr. Tsui graduated from The University of Hong Kong with a LLB degree and a Master of Laws degree in 1990 and 1997, respectively. Mr. Tsui has been a practicing solicitor of Hong Kong for more than 30 years, working with Gallant Y T Ho & Co from 1993 to 2018 and, since 2018, Messrs. Anthony Siu & Co where he is currently a partner. Mr. Tsui has been an independent non-executive director of CIMC Enric Holdings Limited (a company listed on the Stock Exchange of Hong Kong) since November 2009. He is also an arbitrator at China International Economic and Trade Arbitration Commission South China Branch (Shenzhen International Arbitration Committee), Hainan International Arbitration Court and Huizhou Arbitration Committee, respectively, an honorary legal adviser of The Hong Kong Real Estate Association and Hong Kong Association for Testing, Inspection and Certification Ltd., respectively, and the vice president of Association of China-Appointed Attesting Officers Limited. He has been Independent Non-executive Director of the Company since June 2024. Mr. Tsui has strong professional qualifications and extensive experience in the legal sector.

Ms. Li Miaona, born in 1974, is Employee Director of the Company. Ms. Li graduated from Renmin University of China in 1997 with a bachelor's degree in History, majoring in Archival Science. Ms. Li joined the Company in 2000 and worked with the Quality Section of the Network Business Department and the Editorial of ZTE Newsletter under the Human Resources Department from 2000 to 2005. Ms. Li was Head of the Shenzhen Platform of the Administrative Department of the Company from 2005 to 2010. She worked at the Cloud Service Centre under the financial organisation from 2010 to 2017. She was Principal of the Administrative Platform under the Administrative Department, Principal of Operations and Management of Administrative Properties and Head of the Administrative Properties Staff Service Management Department of the Company from 2017 to July 2021. Since July 2021, she has been chairman of the Trade Union and Head of the Office of Trade Unions Directly Affiliated with the Headquarters of the Company. She is concurrently chairman of Shenzhen Zhongxing Yihe Investment and Development Company Limited. She was Supervisor of the Company from March 2022 to April 2025. She has been Employee Director of the Company since May 2025. Ms. Li has extensive management and operational experience.

(2) Brief biographies of senior management

Mr. Xu Ziyang, President of the Company. Please refer to the section headed "Brief biographies of Directors" for his biography.

Mr. Wang Xiyu, born in 1974, is Executive Vice President of the Company. Mr. Wang graduated from Northern Jiaotong University (now renamed as "Beijing Jiaotong University") in 1995 with a bachelor's degree in engineering, majoring in power traction and transmission control, and further obtained a master's degree in engineering from Northern Jiaotong University in 1998 majoring in railway traction electrification and automation. Mr. Wang joined the Company in 1998 and served successively as engineer, project manager, head of development division and deputy general manager at the CDMA Department of the Company from 1998 to 2007. From 2008 to 2016, he had been Head of the Wireless Structure Division and Deputy Head/Head of the Wireless Research Institute at the Wireless Department of the Company. He was Deputy CTO and Assistant to the President of the Company from 2016 to July 2018. Mr. Wang has been Executive Vice President of the Company since July 2018. He has many years of operational and management experience in telecommunications industry.

Ms. Li Ying, born in 1978, is Executive Vice President and Chief Financial Officer of the Company. Ms. Li graduated from Xi'an Jiaotong University in 1999 with a bachelor's degree in management and a bachelor's degree in engineering. She further obtained a master's degree in management from Xi'an Jiaotong University in 2002, majoring in management science and engineering. Ms. Li joined the Company in 2002 and acted successively as Principal of the Cost and Strategy Office, Head of the Logistics Finance Department, Head of the Production Research Finance Department, Deputy Head of the Finance Management Department and Deputy Chief of the Finance Management Department from 2002 to January 2018. From January to July 2018, she was Chief of Finance Management Department. She has been Executive Vice President and Chief Financial Officer of the Company since July 2018. Ms. Li has many years of experience in finance and the operation and management of the telecommunication industry.

Mr. Xie Junshi, born in 1975, is Executive Vice President of the Company. Mr. Xie graduated from Tsinghua University in 1998 with a bachelor's degree in engineering majoring in engineering mechanics and further obtained a master's degree in engineering majoring in fluid mechanics in 2001, also from Tsinghua University. Mr. Xie joined the Company in 2001 and had successively served as the Company's Technology Manager (International Markets), Regional Business Technology Manager (Europe and South Asia) and Regional Deputy General Manager (Europe and North America) and Regional Deputy General Manager (Europe) from 2001 to 2013. From 2014 to July 2018, he was the Company's General Manager (Europe and America) for MKT and Solutions. He was Senior Vice President and Chief Operating Officer from July 2018 to September 2019. Since September 2019, he has been Executive Vice President and Chief Operating Officer of the Company. Mr. Xie has many years of experience in the operation and management of the telecommunication industry.

Mr. Ding Jianzhong, born in 1976, is Secretary to the Board/Company Secretary of the Company. Mr. Ding holds a master's degree in management and is a certified public accountant of the PRC and an Associate Member of China Certified Tax Agents Association. Mr. Ding joined the Company in 2003. From 2003 to March 2019, he had served successively as: Financial Principal of the Business Department, Principal of the Cost and Strategy Office, Financial Principal of the Engineering Service Operation Department, Deputy Head of the Engineering Business Department, Deputy Chief of the Business Centre, Head of Financial Division II under the Financial Management Department, Head of Supply Chain Procurement Division III and Chief of Work Outsourcing Division under the Engineering Service Operation Department. He was Chief of the Securities Department under the Finance Department of the Company from April 2019 to September 2025. He has been General Manager of the Securities and Taxation Department under the financial organisation since October 2025, Secretary to the Board of the Company since July 2019 and Company Secretary since November 2019. Mr. Ding has many years of experience in operation and management in the finance and telecommunication industries.

3.1.6.3 Offices held by Directors and senior management

(1) Position held by current Directors and senior management at shareholder unit

Name	Name of shareholder	Position with the shareholder	Commencement of term of office	Conclusion of term of office	Whether receiving remuneration or subsidy from Zhongxingxin
Zhu Weimin	Zhongxingxin	Director	May 2024	May 2027	No
Zhang Hong	Zhongxingxin	Supervisor	July 2024	May 2027	No

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 by current Directors and senior management at other entities

Name	Name of other entities	Position in other entities	Whether receiving remuneration or subsidy from other entities
Fang Rong	Zhongxing Development Company Limited	Director	No
	Xiazhi Technology Company Limited	Chairman	Yes
	Held positions in 6 subsidiaries or investees of Zhongxing Development Company Limited including Shenzhen ZTE Yangfan Bio-Engineering Company Limited	Director	No
	Shenzhen ZTE International Investment Limited	Director	No
	Beijing United ZTE International Investment Limited	Director	No
	Hainan Lianhe Investment Partnership Enterprise (Limited Partnership)	Executive partner	No
Yan Junwu	China Aerospace Electronics Technology Research Institute	Deputy dean	Yes
	China Aerospace Times Electronics Co., Ltd.	Director	No
Zhu Weimin	Shenzhen ZTE International Investment Limited	Chairman	Yes
	Held positions in 4 subsidiaries of Shenzhen ZTE International Investment Limited including Beijing United ZTE International Investment Limited	Chairman/director	No
	Shenzhen Zhongxing WXT Company Limited	Director	No
	Shenzhen Xinyu Tengyue Electronics Co., Ltd.	Director	No
Zhang Hong	Shenzhen Aerospace Industrial Technology Research Institute Limited	Chief accountant, chief legal adviser, chief compliance officer	Yes
	CASIC Shenzhen (Group) Company Limited	Director, chief accountant	No
	Shenzhen Zhongxing Information Company Limited	Director	No
	Shenzhen Aerospace Industrial Technology Finance Co., Ltd.	Director	No
Zhuang Jiansheng	Shanghai Huiyue Law Firm	Partner	Yes
Wang Qinggang	Zhongnan University of Economics and Law	Professor/tutor to doctoral students at the school of accounting	Yes
	Anhui Hongyu Wuzhou Medical Manufacturer Co Ltd.	Independent director	Yes
	Wuhan SZY Biotech Joint Stock Co., Ltd.	Independent director	Yes
Tsui Kei Pang	Anthony Siu & Co.	Partner	Yes
	CIMC Enric Holdings Ltd.	Independent non-executive director	Yes
Li Miaona	Shenzhen Zhongxing Yihe Investment and Development Company Limited	Chairman	No

(3) Position held by current Directors and senior management at subsidiaries of the Company

Name	Name of subsidiaries	Position in subsidiaries
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
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
Xie Junshi	Shenzhen ZTE Technology & Service Company Limited	Chairman

(4) Changes in positions held by the Directors and senior management:

Ms. Fang Rong has ceased to be director of Zhongxing Development Company Limited as from January 2026.

Mr. Zhu Weimin has ceased to be director of Hainan Xinghang Technology Co., Ltd. as from October 2025.

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

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

Ms. Li Ying has been appointed as director of INTELLIBRIGHT INTERCONNECT LIMITED with effect from September 2025.

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

3.1.6.4 Other information

For brief biographies and other information of Directors and Supervisors of the Company leaving office during the Reporting Period, please refer to the 2024 Annual Report published by the Company on 6 March 2025. Save for the aforesaid disclosures and information disclosed in this chapter, no other information is required to be disclosed under Rule 13.51B(1) of the Hong Kong Listing Rules.

3.1.6.5 Bases for determination and actual payment of remuneration for Directors and senior management

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

The remuneration for senior management is primarily linked to indicators such as the Company's performance and strategies. The remuneration for senior management personnel is fixed on the basis of their annual performance appraisals conducted by the Remuneration and Evaluation Committee and determined upon consideration by the Board of Directors.

For details of the remuneration of Directors and senior management, please refer to the section headed "3.1.6.6 Shareholdings and annual remuneration of the Directors, Supervisors and senior management". There were no deferred payment arrangements, nor claims in relation to terminated payments

3.1.6.6 Shareholdings and annual remuneration of the Directors, Supervisors and senior management

Name	Gender	Age	Title	Status of office	Term of office commencing on[Note 1]	Term of office ending on[Note 1]	Number of shares held at beginning of the year (shares)	Number of shares acquired during the year	Number of shares disposed of during the year	Number of shares held at end of year (shares)	As a percentage of		Total amount of remuneration received from the Company in 2025 (RMB10,000)	Whether remuneration or subsidy is received from connected parties[Note 2]
											Total share capital	A shares		
Directors														
Fang Rong	Female	61	Chair	Incumbent	3/2025	3/2028	–	–	–	–	–	–	322.8	Yes
Xu Ziyang	Male	53	Director and President	Incumbent	3/2025	3/2028	168,000	–	–	168,000	0.0035%	0.0042%	738.0	No
Yan Junwu	Male	57	Director	Incumbent	3/2025	3/2028	–	–	–	–	–	–	15.0	Yes
Zhu Weimin	Male	59	Director	Incumbent	3/2025	3/2028	–	–	–	–	–	–	20.0	Yes
Zhang Hong	Male	46	Director	Incumbent	3/2025	3/2028	–	–	–	–	–	–	20.0	Yes
Zhuang Jiansheng	Male	60	Independent Non-executive Director	Incumbent	3/2025	6/2026	–	–	–	–	–	–	40.0	Yes
Wang Qinggang	Male	55	Independent Non-executive Director	Incumbent	3/2025	3/2028	–	–	–	–	–	–	40.0	Yes
Tsui Kei Pang	Male	65	Independent Non-executive Director	Incumbent	3/2025	3/2028	–	–	–	–	–	–	40.0	Yes
Li Miaona	Female	51	Employee Director	Incumbent	5/2025	3/2028	–	–	–	–	–	–	172.3	No
Li Zixue	Male	61	Chairman	Retired	3/2022	3/2025	–	–	–	–	–	–	46.9	No
Gu Junying	Male	58	Director and Executive Vice President	Retired	3/2022	3/2025	–	–	–	–	–	–	172.8	No
Supervisors														
Xie Daxiong	Male	62	Chairman of Supervisory Committee	Retired	3/2022	4/2025	209,403	–	69,403	140,000	0.0029%	0.0034%	121.8	No
Xia Xiaoyue	Female	50	Supervisor	Retired	3/2022	4/2025	50,927	–	–	50,927	0.0011%	0.0013%	66.9	No
Li Miaona	Female	51	Supervisor	Retired	3/2022	4/2025	–	–	–	–	–	–	Note 1	No
Jiang Mihua	Female	48	Supervisor	Retired	3/2022	4/2025	–	–	–	–	–	–	–	Yes
Hao Bo	Male	36	Supervisor	Retired	3/2022	4/2025	–	–	–	–	–	–	–	Yes
Senior management														
Wang Xiyu	Male	51	Executive Vice President	Incumbent	3/2025	3/2028	139,034	–	–	139,034	0.0029%	0.0034%	730.5	No
Li Ying	Female	47	Executive Vice President and Chief Financial Officer	Incumbent	3/2025	3/2028	95,500	–	–	95,500	0.0020%	0.0024%	667.8	No
Xie Junshi	Male	50	Executive Vice President	Incumbent	3/2025	3/2028	112,468	–	–	112,468	0.0024%	0.0028%	667.9	No
Ding Jianzhong	Male	49	Secretary to the Board of Directors	Incumbent	3/2025	3/2028	33,160	–	–	33,160	0.0007%	0.0008%	291.3	No
Total							**808,492**	**–**	**69,403**	**739,089**	**0.0155%**	**0.0183%**	**4,174.0**	

Note 1: The term of appointment of the incumbent Directors commences and ends concurrently with the term of appointment of the Company's Directors with the Tenth Session of the Board of Directors; the term of appointment of the incumbent senior management commences and ends concurrently with the term of appointment of the Tenth Session of the Board of Directors. The terms of Mr. Li Zixue and Mr. Gu Junying, commencing and ending concurrently with the term of appointment of the Ninth Session of the Board of Directors, concluded on 28 March 2025. The term of appointment of the Supervisors commences and ends concurrently with the term of appointment of the Ninth Session of the Supervisory Committee. For details, please refer to the section headed "3.1.6.1 Changes in Directors, Supervisors and senior management" in this report. The term of office of Ms. Li Miaona as Supervisor of the Company ended on 24 April 2025. Since 23 May 2025, she has been acting as Employee Director of the Company. To avoid duplication, the total remuneration (before tax) received by her from the Company for 2025 has been presented in the column under Employee Director.

Note 2: Connected parties as defined under the Shenzhen Listing Rules.

Note 3: All shareholdings in the Company held by the Directors, Supervisors and senior management of the Company were A shares and no H shares were held by them. The Directors, Supervisors and senior management of the Company did not hold any equity interests in the subsidiaries of the Company.

Note 4: There was no financial, business, family or other material/relevant relationships among the Directors, Supervisors and senior management of the Company.

Note 5: No Directors and senior management of the Company currently in office or those leaving office during the reporting period were subject to punishment by the securities administration authorities in the last three years.

Save as disclosed above, as at 31 December 2025, none of the Directors, Supervisors and chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) that is required to be recorded in the register to be kept under Section 352 of the SFO, or otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Hong Kong Listing Rules.

Save as disclosed above, at any time during the year ended 31 December 2025 and as at 31 December 2025, the Company has not entered into any arrangement that would enable the Directors, Supervisors or chief executives of the Company or their spouses or children under the age of 18 to benefit from the holding of any right to subscribe for the equity or debt securities of the Company or its associated corporations, nor have any of them exercised any such right.

The Directors and Supervisors of the Company confirmed that the Company has adopted the Model Code. Upon due enquiry with all Directors and Supervisors of the Company, the Company is not aware of any information that reasonably indicates non-compliance with code provisions set out in the Model Code by any Director or Supervisor in 2025.

3.1.6.7 Company Secretary

The Company Secretary of the Company is Mr. Ding Jianzhong, who is responsible for facilitating communications among Directors, shareholders and the management, as well as compliance with Board policies and procedures. In 2025, the Company Secretary received more than 15 hours of training to update his professional skills and expertise.

3.1.7 Staff of the Group

3.1.7.1 Staff headcount and diversity

As at 31 December 2025, the Group had 65,095 employees (including 55,879 as employees of the parent company). There were 15,486 female employees (including senior management) accounting for approximately 23.8% of the total staff headcount and 49,609 male employees (including senior management) accounting for approximately 76.2% of the total staff headcount. The Group had 285 retired employees in 2025, including 196 retired employees in respect of which expenses were payable by the Company. The Group's staff breakdown by specialisation and academic qualification is set out as follows:

Classification by specialisation

Type	Headcount	As an approximate percentage of total headcount
R&D	31,589	48.5%
Marketing and sales	7,633	11.7%
Customer service	7,496	11.5%
Manufacturing	13,098	20.1%
Financial	1,211	1.9%
Administration	4,068	6.2%
Total	**65,095**	**100%**

Classification by academic qualification

Type	Headcount	As an approximate percentage of total headcount
Doctorate degree	549	0.8%
Master's degree	26,876	41.3%
Undergraduate	23,099	35.5%
Others	14,571	22.4%
Total	**65,095**	**100%**

The Group's recruitment strategy is underpinned by the appointment of the right staff for the right position, in order to achieve staff diversity for all employees (including the senior management) in terms of gender, age, cultural and educational background, expertise, skills and know-how. As at 31 December 2025, the Group had 1 female member among the senior management, accounting for 20.0% of its senior management and 15,485 female staff (excluding senior management) accounting for approximately 23.8% of its total staff headcount (excluding senior management). Given the characteristics of the industry in which the Group operates, staff gender diversity has been attained. The Group is not aware of any mitigating factors or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant.

3.1.7.2 Remuneration policy and regime and retirement benefits

For 2025, the aggregate amount of the Group's staff remuneration was approximately RMB28.2 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 management stock ownership schemes in a timely manner to enhance motivation of the management and core personnel. Information on the five highest paid employees of the Company for 2025 is set out in Note XIV.3 "Five highest paid employees of the Group for the year" to the financial statements in this report. Details of the staff retirement benefits provided by the Group are set out in Note V.28. "Salary and welfare payables and provision for retirement benefits" to the financial statements in this report.

3.1.7.3 Training programme

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 class lessons, public lectures, shared book studies, case discussions, themed seminars, sand table drilling, project assignments and online learning or remote learning via PC terminals or mobile phones. 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 conduct online and offline self-learning based on their personal career planning. For management officers, the Group provides a variety of online and offline training comprising reading classes, close-ended training, guided reading and online learning.

3.1.8 Share schemes

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

3.1.9 Auditor

Ernst & Young Hua Ming LLP ("Ernst & Young Hua Ming") acted as the Company's auditor. Ernst & Young Hua Ming has been appointed as the Company's auditor for 21 consecutive years since 2005.

The undersigning accountants of Ernst & Young Hua Ming are Ms. Liao Wenjia and Mr. He Suwei. Ms. Liao Wenjia has been providing audit services to the Company for six years and served as undersigning registered accountant for the Company from 2015 to 2019. She provided audit service to the Company again in 2025 and the year under review was her first year as undersigning registered accountant. Mr. He Suwei has been providing audit services to the Company for nine years and the year under review was his second year as undersigning registered accountant.

Fees paid to Ernst & Young Hua Ming and Ernst & Young by the Group for 2025 are set out below:

Unit: RMB in ten thousands

Item	Amount	Auditor
Audit fees 2025 for financial reports	830.0	Ernst & Young Hua Ming
Internal control audit fees 2025	126.0	Ernst & Young Hua Ming
Audit fees 2025 for ZTE HK	60.8	Ernst & Young
Audit fees 2025 for other subsidiaries of the Group	94.8	Ernst & Young Hua Ming
Non-audit services (review of 2025 interim financial report, tax consultation and tax return service)	155.0	Ernst & Young/Ernst & Young Hua Ming
Total	**1,266.6**	—

3.1.10 Responsibility for the preparation of accounts

The Directors of the Company confirm that it is their responsibility to prepare the financial statements and to provide objective and clear assessments in the consolidated financial statements of the annual reports, interim reports and quarterly reports, other inside information announcements and other financial disclosures required under the Hong Kong Listing Rules, and to disclose information to regulatory authorities in accordance with statutory requirements. The Directors have consistently applied appropriate accounting policies and complied with all applicable accounting standards in preparing the financial statements for the year ended 31 December 2025. The Directors are of the view that it is appropriate for the Company to prepare its financial statements on a going concern basis.

A statement of the Company's auditor on its reporting responsibility and views on the financial statements of the Company for the year ended 31 December 2025 is set out in the "AUDITORS REPORT" in this report.

3.1.11 Internal control and risk management

The Board of Directors of the Company is responsible for reviewing the Company's internal control and risk management systems to ensure their effective implementation. The Board of Directors has delegated to the Audit Committee the responsibility for reviewing the effectiveness of the internal control and risk management systems of the Company and its subsidiaries. The Board of Directors shall ensure the adequacy of resources and budget for accounting, internal audit and financial reporting functions and environmental, social and governance ("ESG") performance and reporting, and that staff are qualified, experienced and well-trained for these purposes.

The Audit Committee under the Board of Directors of the Company held four regular meetings to review and examine financial reports and ensure the effectiveness of procedures carried out for compliance with Hong Kong Listing Rules, consider whether the risk management and internal control systems of the Company and its subsidiaries had been operating effectively in 2025 and what further improvements could be made in accordance with relevant laws and regulations and reported their findings to the Board of Directors of the Company. Such reviews covered the financial, operational and compliance aspects.

3.1.11.1 Establishment of internal control departments

The Company has established an all-encompassing and multi-level internal control development regime comprising mainly the Board of Directors, the Audit Committee, the Internal Control Committee and the three-tier internal control protection as the primary framework.

The Company has formed the Internal Control Committee as a corporate-level internal control administration which exercises the functions of decision making, planning, supervision and instruction in respect of the Company's internal control. The Company has developed and made ongoing improvements to the internal control and risk management systems featuring primarily a "three-tier protection" as follows: the first line of protection involves the business units as the main units responsible for implementation of internal control and risk management. The second line of protection formed by Company's internal control team, internal control teams of second-level units and business management departments is responsible for formulating rules, building competence and supervising implementation in relation to risk management and internal control. The third line of protection is formed by departments responsible for internal control audit which are independent supervisory units overseeing the effectiveness of internal control and risk management with the responsibility for internal audit.

3.1.11.2 Establishment and implementation of internal control system

The Company's internal control establishment has covered production operations, financial management, organisation, personnel management, information disclosure and ESG. Taking into account its specific conditions, the Company has developed a comprehensive internal control system.

The Company has formulated and implemented the ZTE Corporation Internal Control System to define the functional institutions of the Company's internal control and their powers, stipulate principles for internal control and key internal control factors and methods. The Company has formulated and put into implementation the ZTE Corporate Risk Management Regulations to stipulate that risk management shall be conducted in compliance with the principle of "management in accordance with regulations, assessment in accordance standards, handling of situations in accordance with predetermined plans, addressing changes with warning and conducting review on risk incidents". A three-tier risk management organisation and allocation of duties comprising the Company, the secondary units and primary units has been formed and risk rating has been implemented in seven dimensions including daily operation, laws and regulations, staff health and safety, company reputation, product competitiveness, market share and financial loss. A closed-loop management process comprising risk categorisation, identification, assessment, response, monitoring and reporting is executed. The Company has formulated and put into implementation the ZTE Administrative Procedures for Driving Rectifications of Internal Control Deficiencies to regulate the entire process covering the identification and assessment of deficiencies, control over rectification plans, tracking of rectification processes and audit of rectification results. Each year, the Company will review the effectiveness of its risk management and internal control systems and the implementation processes and outcomes of the annual risk management and internal control action plans based on the ZTE Corporation Internal Control System and ZTE Risk Management Regulations with reference to the Internal Control Handbook. During the Reporting Period, there was no material change to the risk assessment (including ESG) and risk management and internal control system of the Company.

The Company's ESG management is incorporated in its overall risk management process. Each ESG business module is responsible for identifying ESG risks and opportunities in its particular business area and should track key ESG risk events through corporate culture development, key mission tracking and systematic closed-loop and formulate relevant control measures accordingly, organising full inspection on a regular basis to eliminate hazards and lower risks to be followed by ongoing supervision to improve and ensure the effectiveness of the Company's ESG risk and internal control system. The Company formulates control targets, establishes key control points (KCP) and implements key control activities against identified ESG risks using a combination of qualitative and quantitative methods to ensure accurate implementation of risk management measures. For details, please refer to the "2025 Sustainability Report" published on the same date as this report.

The Company has formulated and put into implementation the Administrative Rules for Information Disclosure to strengthen the duty of the Company's internal institutions and staff for information disclosure and to ensure that the information disclosure of the Company is true, accurate, complete and timely. The Company has formulated and put into implementation the Regulations for the Administration of Inside Information and Owners of Inside Information to regulate administration of the Company's inside information, procure confidentiality of the inside information and safeguard the principle of fairness in information disclosure. In 2025, the Company implemented the aforesaid systems in a meticulous manner and rigorously conducted work on inside information management.

The Company has formulated the "ZTE Whistleblowing Handling and Investigation Procedures" to develop violations reporting channels for both internal and external parties that enable Company staff, partners and other informed parties to report conduct that might compromise the Company's interest. The Company has also formulated a range of systems such as ZTE Staff Code and Accountability Measures that prohibit corruption in any form. The internal audit department of the Company reports relevant work to the Audit Committee and the Board on a quarterly basis.

In 2025, the Company internal control efforts were focused on the following:

(1) Improvements were made to the risk management-oriented internal control regime in a steady manner to enhance internal control responsibility and awareness on the part of staff and management officers, underpinned by ongoing organisation of activities to propagate the probity culture and foster an ambience of integrity and probity. Activities such as internal control education for all staff, seminars on internal control in business operations, sharing of outstanding internal control cases were organised on a continuous basis to consistently enhance our competence in internal control.

(2) Total risk management continued to be implemented with the enhancement of risk management organisations at various levels, as ongoing improvements were being made to the process of risk identification, assessment and response, while active investigations were conducted on the integrated application of AI technologies in business risk control. Meanwhile we also enhanced effective prevention of risks associated with illicit malpractices to strengthen our line of defense against illicit malpractices.

(3) Improvements were made to key business process controls, underpinned by ongoing efforts to drive the online operation and digitalisation of key business process controls to enhance the efficiency and effectiveness of management and control. Primary-level internal control was further deepened with the establishment of primary-level internal control at the Company's overseas marketing offices, system product R&D centre and supply-chain manufacturing bases to take risk governance to a deeper level.

(4) Deeper effort was made in business audit and self-inspection and self-rectification to encourage self-initiated identification and proactive disclosure of issues. Substantive inspection was conducted with a special emphasis on key control points to enhance the effectiveness of inspection across different business segments. Rectification of internal control deficiencies was advanced on an ongoing basis and reviews of corporate deficiencies were organised on a regular basis to enhance supervision over the quality of rectification.

(5) Inspection of the Company's derivative trading and securities investment, among others, was conducted and support was given to Ernst & Young Hua Ming LLP for their audit of the Company's internal control.

The internal control and risk management systems of the Company have been designed to provide reasonable (but not absolute) assurance against material misstatements or losses and to manage (but not eliminate) risks associated with the malfunctioning of operating systems or failure to attain the Company's objectives. The Board of Directors of the Company has reviewed the effectiveness of the internal control and risk management systems of the Company and its subsidiaries and is of the view that the internal control and risk management systems had been appropriate and effective for the purposes stated in principle D2 under the Corporate Governance Code throughout the financial year ended 31 December 2025.

3.1.11.3 Management control over subsidiaries

The Company has advanced legal compatibility governance at its subsidiaries in a systematic manner in accordance with the Company Law and other pertinent laws and regulations and relevant guidelines and requirements for the regulated operation of listed companies, in order to improve their corporate governance structure, enhance their internal control regimes, enable diligence of directors and supervisors, and enhance sophistication in corporate management and the ability to conduct regulated operations through business empowerment with the aid of digital platforms and AI tools. The reporting system and review procedures of subsidiaries for material matters have been implemented with a special emphasis on crucial matters such as their production operations and financial conditions. Information disclosure and risk reporting mechanisms have been rigorously implemented to prevent and alleviate in a timely manner operational risks and safeguard the legal and compliant operation of subsidiaries.

3.1.11.4 The 2025 Internal Control Assessment Report

The Company has conducted an assessment on the effectiveness of its internal control as at 31 December 2025 (being the record date for the internal control assessment report) in accordance with the Basic Rules for Corporate Internal Control, its supplementary guidelines and other internal control regulatory requirements and taking into account its internal control system and assessment methods, based on general as well as specific supervision of internal control. Based on the work of identifying significant deficiencies in the Company's internal control in relation to financial reporting and non-financial reporting, as at the record date for the internal control assessment report, the Company was not subject to any significant deficiency in internal control in relation to financial reporting, nor was any significant deficiency identified in internal control in relation to non-financial reporting.

Total assets of units being assessed accounted for more than 95% of the total assets as recorded in the consolidated financial statements of the Company, while the aggregate operating revenue of such units also accounted for more than 95% of the total operating revenue recorded in the consolidated financial statements of the Company. For the principal units under assessment and standards for assessing deficiencies in financial reports and non-financial reports and other details of the Company's internal control, please refer to the "Overseas Regulatory Announcement" published on the same date as this report. The Board, Audit Committee and the Directors and senior management of the Company have reviewed the report and warrant that the contents of this report are free from false information, misleading statements or material omissions, and collectively and individually accept legal responsibility for the truthfulness, accuracy and completeness of the contents of the report.

3.1.11.5 Internal control audit report furnished by the auditor

Ernst & Young Hua Ming LLP conducted an audit on the effectiveness of internal control in relation to the financial reporting of the Company for the year ended 31 December 2025 in accordance with relevant requirements under the Corporate Internal Control Audit Guidelines and the Practicing Guidelines for Chinese Certified Public Accountants and is of the view that the Company had maintained effective internal control in financial reporting in all material aspects in accordance with the Basic Rules for Corporate Internal Control and pertinent provisions. For the internal control audit report of the Company, please refer to the "Overseas Regulatory Announcement" published by the Company on the same date as this report.

3.1.12 Rectification of self-inspected issues under specific corporate governance initiatives for listed companies

In 2025, the Company's corporate governance was generally in compliance with requirements without any material issues requiring rectification.

3.1.13 Implementation of action plan to achieve dual enhancement in profitability as well as quality

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

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

3.1.14 Compliance with the corporate governance code

The Company was in compliance with other code provisions of the Corporate Governance Code set out in Appendix C1 of the Hong Kong Stock Exchange Listing Rules during the Reporting Period.

3.2 ENVIRONMENTAL PERFORMANCE

Against the global backdrop of sustainability, the Company has consistently procured deep integration of the green development philosophy into its operating practices and deepened its carbon reduction initiatives, while building a "dual circulation" model for the circular economy underpinned by optimised use of resources to help facilitate global transition towards decarbonisation.

3.2.1 Addressing climate change with full force

In 2025, the Company continued to contribute to the building of the "Digital Shade Path" through four major aspects: green corporate operation, green supply-chain, green digital bases and green industry empowerment, as a range of green measures were implemented through concerted decarbonisation by internal and external parties as well as technological innovation and joint formulation of standards.

In connection with **green corporate operation**, the Company has procured energy conservation through measures such as PV construction, technical energy conservation and managed power conservation in 2025. The Company has newly completed the construction of PV projects in Xi'an and Changsha. Through the construction of digital platforms such as "power visibility" and "carbon visibility", the Company has facilitated effective monitoring of energy consumption and carbon emission.

In connection with **green supply chain**, in 2025, the energy consumption per unit output of the company's five major manufacturing bases decreased by 22.1% year on year. Meanwhile, our bases in Xi'an and Changsha have obtained new accreditations as national-grade green factories. the Company has implemented carbon reduction in a planned and systematic manner by promoting digital and intelligent logistics while giving priority to low-carbon transportation means. The Company has actively empowered coordinated carbon reduction along the supply chain by driving completion of carbon stocktaking at 152 key suppliers and assisting 51 suppliers to formulate their own carbon reduction plans to effectively enhance decarbonisation of the supply chain as a whole.

In connection with **green digital base**, the Company has provided green digital infrastructure for the industry with the application of proprietary low-power consumption chips, advanced cooling technology such as liquid cooling, optical overlay at stations and full-cycle carbon footprint management. The Company regards life-cycle assessment as a core instrument, as it manages the environmental impact of products for the full cycle from raw materials, production, transportation, consumption to retirement on a quantitative basis.

In connection with **green industry empowerment**, the Company has provided digital transformation solutions for a multitude of industries using ICT technologies, providing assistance to their effort in energy conservation and carbon reduction as well as quality and efficiency enhancement. Through the implementation of smart applications in key sectors such as manufacturing, energy and transportation, we have helped customers to improve their operating efficiency and resource utilisation rate with the aid of digital means, giving rise to green leverage efficiency that significantly outweighs emissions by the ICT industry.

For details of the climate risk and its potential financial impact to which the Company was subject, please refer to the section headed "Taking Comprehensive Action to Address Climate Change" in the "2025 Sustainability Report".

3.2.2 Solid advancement of the circular economy

The Company has developed a "dual circulation" model in accordance with the concept of low-carbon circulation and sought to prolong the life cycle of its products, reduce discharge of pollutants and lower its waste incineration and landfilling rate in persistent adherence to the principles of quantity reduction, reusability, remaking and recycling in order to achieve the goals of low-carbon transformation and sustainability.

In accordance with global laws and regulations pertaining to the circular economy and the requirements of stakeholders, the Company has identified and controlled risks and opportunities associated with circular economy on a regular basis. The Company has formulated the Measures for the Administration of Green Eco-friendly Products, which are subject to updates on a continuous basis. Our product design has been conducted in compliance with principles such as ease of assembly and disassembly of parts and components, practical products design, ease of recycling of materials, reusability of parts and components and prolonged useful life of products. Meanwhile, the Company has developed a sound and comprehensive internal and external dual circular system. In 2025, we achieved an internal re-utilisation rate of 78.2% for the compliant recycling of returned system products. Externally, we completed recycled use of 1,866 tonnes of waster metal and 95 tonnes of organic plastics in collaboration with 105 recycling service providers worldwide.

3.2.3 Strengthening management over environmental impact

The Company has strengthened its management over environmental impact on all fronts with the implementation digital control over the entire process from waste identification and disposal through revised procedures and an online system, which have effectively enhanced management transparency and traceability. In connection with the management of water resources, the Company has reduced the consumption of water resources by conducting technical upgrades conducive to water conservation and cooling water recycling projects, whilst organising educational promotion of water conservation among all staff through a variety of channels. In connection with the discharge or emission of pollutants, the Company has implemented stringent controls and third-party surveillance in respect of sewage, exhaust and waste to ensure compliance with national emission standards in terms of disposal methods and various indicators.

3.2.4 Disclosure of Environment Information

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

3.3.1 Path-building for digital economy empowered by innovation

In persistent adherence to the principle of upholding proper practices whilst pursuing innovation, the Company seeks qualitative development driven by technological innovation. In 2025, the Company reported remarkable achievements in sophisticated technological innovation, deep AI empowerment for R&D and office operation, industry-academia-research collaboration and protection of intellectual properties, driving technological innovation and commercialisation to render robust support for its development and for delivering value for customers.

The Company upholds the basic principles in the ethics of technology. To promote responsible innovation and technology for good causes and facilitate standardised management of the ethics of technology, the Company has established an Ethics of Technology Committee to instruct and supervise ethical vetting and assessment of technological activities. In 2025, the Ethics of Technology Committee added a member responsible for data compliance vetting, updated and implemented rules and regulations relating to AI management and completed ethical vetting of numerous projects to enhance standardised governance over the full life cycle of artificial intelligence. Through the organisation of specific training, the Company has promoted principles and requirements under the ethics of technology among key employee groups to ensure that the concept of “responsible innovation” has been integrated into business practices.

3.3.2 Winning customers’ trust with openness and transparency

In line with its vision of “safety in DNA and trust through transparency”, the Company is committed to the provision of safe and trustworthy products and services to customers in compliance with laws and regulations as well as industry standards. The Company has systematically developed a product safety assurance regime with ongoing improvements based on three dimensional aspects: organisation, process and technology. In 2025, the Company was focused on full-scale updates and enhancement of relevant governance regulations and technical standards. Through multi-dimensional and systematic updates and developments, the Company has further strengthened the foundation for product safety throughout the entire life cycle.

In an effort to advance efficient quality management and governance, the Company has established a comprehensive online system for quality risk management and corporate-level quality audit through the dual driver of digitalisation and process optimisation, improving efficiency by more than 15% with the aid of AI tools. Comprehensive upgrades have been introduced to the preventive system for safeguarding quality to facilitate effective warning and blocking of quality issues arising in processes through a four-step closed-loop mechanism, thereby ensuring quality enhancement at the organisation, product and project levels.

Guided by the principle of "excellence in service", the Company facilitates effective response to the demands of its global customers through its comprehensive global three-tier customer support network, a large-scale maintenance and spare-part regime and a professional servicing team comprising more than 10,000 members, having delivered more than 230,000 service projects. In ongoing improvement of its service quality, the Company has launched a variety of services and optimised the mechanism for customer feedback and complaints. Meanwhile, we promote intelligentisation of services through our proprietary digital and intelligent iEPMS delivery platform and the intelligent customer service system, which have provided services to over 160,000 recipients in effective improvement of our service efficiency and customer experience.

3.3.3 Concerted growth with our partners through win-win cooperation

The Company has consistently adhered to the values of "sustainability, open cooperation and mutual benefit" as principles governing practices in the business ecosphere, seeking to deliver values for the industry in association with its partners.

In 2025, the Company conducted in-depth practices based on the integration of the digitalisation experience and advantage afforded by industry chain coordination in deepened implementation of its SPIRE2.0 supply chain strategy to fortify the core competitiveness of its supply chain and establish a secure and efficient anti-fragility supply chain regime. We have cultivated the supply chain's ability to evolve and created supply chain AI agents with the aid of AI technologies. The congregated force of the supply chain has been drawn together in the building of a closely coordinated, collaborative and mutually beneficial industry chain.

The Company has fully incorporated ESG requirements into the management of the full cycle of suppliers' operations. Through lucid standards, systematic assessment and ongoing empowerment, we have selected and groomed premium partners to drive concerted evolution and qualitative development of the industry chain in a joint effort. In 2025, the Company conducted on-site ESG examination in respect of 270 core suppliers, the results of which were incorporated in the supplier's performance appraisal system. Through the organisation of more than 450 sessions of training on special topics and specific skills, the ESG standards of our suppliers have been enhanced in a systematic manner.

3.3.4 Supporting staff progress with a people-oriented approach

The Company regards talents as its most valuable asset and recognises staff as one of the three major cornerstones in the ZTE strategy. The Company is committed to enhancing the sense of security, belonging, self-worth, fulfillment and honour on the part of its staff.

In 2025, the Company continued to promote diversity and equality in recruitment, as it ensured the fairness of interviews by optimising the recruitment process and resorting to the digital platform, while supporting employment of disabled persons in various locations worldwide. Improvements have been introduced to the performance, remuneration and benefits regime and measures have been adopted in response to practical needs of employees such as child care. A career development regime characterised by multiple pathways has been set up to provide employees with a clear pathway for growth, while assuring an unobstructed and efficient channel for communication with the aid of the trade union and the "ZTE Housekeeping" platform for greater staff satisfaction and organisational transparency.

The Company has developed a regime for the full-cycle and multi-level training of talents underpinned by an optimised pathway for the grooming of new recruits. Special programmes such as the "Blue Sword Scheme" and the "Young Leaders' Scheme", among others, have been launched to expedite the growth of key personnel. Leadership skills training for thousands of management personnel has been organised at different levels in an ongoing effort to train talents overseas and at home for the marketing, R&D and supply chain functions. Upgrades in academic qualifications, cross-cultural training and support for industry accreditations have been rolled out simultaneously to enhance the efficiency of organisational learning and staff experience in personal development.

The Company has fostered a health and safety culture under the premises of "love and responsibility", while completing the review process for ISO 45001 health and safety management system accreditation. We have organised activities to foster the safety culture and provide training for relevant skills. Through the application of AI and digitalised functions, efficiency of hazard detection and emergency response has been improved at 18 projects. We have also made intensive efforts to ensure the emotional well-being of our staff, as our EAP consultation service for the year has been given a 4.85 satisfaction score out of 5 in testimony to our comprehensive effort to fortify the line of defense for occupational health and safety.

3.3.5 Undertaking responsibilities to make contributions to the global community

In 2025, 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 2025, financial assistance was provided to 1,779 underprivileged high-school students and 60 university freshmen with special difficulties in regions such as Gansu, Qinghai, Hunan, Shaanxi and Anhui. We also reached out directly to 10,225 high-school students through 97 themed activity sessions covering topics such as communication technology, psychological health, aeronautical knowledge, layman legal knowledge, technology for beginners through "AI course empowerment" and student seminars. In the meantime, we continued to offer support for teenage growth through the delivery of more than 1,000 handwritten letters and the introduction of a new "Q&A for the Young" counselling column

In connection with **support for medical relief**, we continued to enhance the aid and relief system represented by "medical aid + counselling and companionship + policy advocate" in 2025, 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" was launched with the aim of forming a qualitative expert consensus through clinical research to fill the void in research on ROP in low-temperature regions in China.

In connection with **support for low-carbon environmental initiatives**, ZTE Charity Foundation reported improvements in terms of both green public welfare development and staff participation. Our volunteers' team participated in the forestation initiatives at the forest sites in Xiaobazixiang, Fengning in Hebei and Baihuahe, Yichun in Heilongjiang, having planted a total of 196,329 treelings of Korean Pine, Korean spruce and Mongolica Scotch Pine to create approximately 2,531.71 mu of green land as at the end of 2025 in an effort to drive structural and functional enhancement of the ecosystem. Meanwhile, a survey and investigation exercise on beast and avian diversity was launched in partnership with College of Wildlife Resources of Northeast Forestry University to provide support in terms of scientific data for the multi-functional sustainable maintenance of forests.

In connection with **rural revitalisation**, we continued to act in response to the actual needs of rural areas, as 30 rural revitalisation projects were implemented in a various regions including Tianlin County in Guangxi, Muli County in Sichuan, Huanan County and Tangyuan County in Heilongjiang and Maqin County in Qinghai. Meanwhile we hosted for the first time a special activity in the Greater Bay Area under the "Rural Revitalisation and Innovation Forum" with a special focus on the two critical areas of "assistance through technology" and "assistance in consumer spending". Innovative pathways for rural revitalisation were explored through the presentation of typical cases in assistance (covering directions for implementation such as smart agriculture, digital infrastructure and manufacturing-marketing matching) to contribute to the driving force for rural development.

In connection with **staff voluntary services**, we had 20,691 staff volunteers as at the end of December 2025. Through themed activities such as "Charity Run", "Protecting the Mountain Flowers", "Do Something for My Homeland", "International Blood Donation Day" and "Community Welfare Culture Week", social needs were met with precision in a positive interaction between corporate resources for charitable causes and community needs.

In 2026, ZTE's community welfare initiatives will be focused on three aspects: first of all, we will continue to help the nation to consolidate its achievements in poverty alleviation and assisted in rural revitalisation. Secondly, we will continue to share warmth and compassion with the community with reference to education assistance, medical aid, relief for the underprivileged and the fostering of a community welfare culture. Thirdly, we will support welfare projects such as education development, community services, disaster relief and local business development in response to the legal requirements and social needs of overseas countries in which we operate in ongoing fulfillment of our corporate social responsibility.

IV. Material Matters

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

4.1 MATERIAL LITIGATION AND ARBITRATION

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

On 7 July 2025, Hengyang Jinliuyuan Real Estate Development Co., Ltd. ("Jinliuyuan") filed a lawsuit with Zhengxiang District People's Court, Hengyang (the "Court") in relation 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 be ruled to be rescinded and that Hunan ZICT be ruled to make a repayment to Jinliuyuan of cash cooperation funds, funds invested in infrastructure construction and losses and projected interest loss, among others, amounting to approximately RMB300 million in aggregate. On 11 July, the 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 amended its petition to the 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 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 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 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.

Based on the legal opinion furnished by the lawyers appointed by the Company, 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

4.2.1 Material connected transactions of the Group as defined under Shenzhen Listing Rules

In 2025, the Group did not enter into any material connected transactions with a single connected party with an aggregate transaction amount of over RMB30 million and representing more than 5% of the Company's net assets as at 31 December 2025. In 2025, the Group had no significant connected transactions arising from acquisitions or disposals of assets or equity interests; nor connected transactions involving joint investment in third parties; nor creditors or debtors with connected parties; nor any connected financial companies, nor deposits, lending, credit facilities or other financial transactions between the financial company controlled by the Company and connected parties.

IV. Material Matters

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

RMB in ten thousands

Counterparty	Nature of connection	Subject matter	Price	Transaction limit for 2025 approved by the Board	Transaction amount in 2025	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	Cabinet: RMB1–50,000 per unit; accessories of cabinet: RMB1–10,000 per unit; antenna rod: RMB200–2,000 per unit; metal alloy stamp and mould: RMB0.5–30,000 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; LiFePO4 battery: RMB8,500 per unit; battery accessories: RMB500–1,000 per unit; wiring equipment: RMB50–400 per unit; optical patch cord: RMB0–3,000 per unit; optical cable components: RMB0–500 per piece; laser component flange and opto-isolator: RMB0.2–4,000 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; visual processing system: RMB2,000–600,000 per set; motion control system: RMB2,000–200,000 per set; industrial thermometer system: RMB10,000–200,000 per set; data collection system: RMB50,000–5,000,000 per set; smart patrolling and inspection system: RMB50,000–1,000,000 per set; smart plant construction sub-system: RMB100,000–1,000,000 per set; edge controller: RMB2,000–50,000 per set; and smart quality management cloud platform: RMB100,000–1,000,000 per set.	40,000	24,849.3	0.28%
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	8,391.2	16.43%
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	9,152.4	17.92%
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 Shuzhigang 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.	100,000	55,770.3	0.62%
航天歐華信息技術有限公司（「航天歐華」）	Subsidiary of company for which a connected natural person of the Company had acted as senior management during the past 12 months	Sale of full range of government and enterprise products by the Company to the connected party	Based on market prices and not lower than prices at which similar products of similar quantities were purchased by third parties from the Group, taking into consideration factors relating to the specific transactions such as conditions of the projects, size of transaction and product costs.	120,000	69,722.0	1.87%

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 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. Transaction prices at which products were sold by the Group to connected parties were based on market prices and were not lower than prices at which similar products of similar quantities were purchased by third parties from the Group, taking into consideration of factors relating to the specific transactions such as conditions of the projects, size of transaction and product costs.

4.2.2 Connected transactions under the Hong Kong Listing Rules

In accordance with Chapter 14A of the Hong Kong Listing Rules, the following connected transactions are required to be disclosed in this report. The Company hereby confirms that the disclosures requirements under Chapter 14A of the Hong Kong Listing Rules have been complied with.

4.2.2.1 Continuing connected transactions for the purchase of raw materials from Zhongxingxin

As considered and approved at the Thirty-ninth Meeting of the Ninth Session of the Board of Directors of the Company, the Group entered into the Purchase Framework Agreement with Zhongxingxin on 26 December 2024. The statutory procedures of reporting and announcement have been fulfilled in accordance with relevant clauses under Chapter 14A of the Hong Kong Listing Rules based on the estimated cap for 2025 of connected transactions under the said agreement. For details, please refer to the "CONTINUING CONNECTED TRANSACTIONS PURCHASES OF RAW MATERIALS FROM ZHONGXINGXIN" published by the Company on the Hong Kong Stock Exchange website and the Company's website on 26 December 2024.

(1) Counterparty and connected relationship

As the controlling shareholder of the Company, Zhongxingxin is a connected person of the Company under the Hong Kong Listing Rules. The subsidiaries and investees companies of Zhongxingxin (namely, companies in which Zhongxingxin holds, directly or indirectly, 30% of shareholdings or above), are connected persons of the Company under the Hong Kong Listing Rules.

(2) Purpose of transaction

Zhongxingxin and its subsidiaries and companies in which it directly or indirectly holds 30% equity interests or above (collectively "Zhongxingxin Group") had been selected as long-term suppliers through the Group's qualification and bidding procedures as they had consistently been able to manufacture products in compliance with the Group's demands and supply premium products and services at competitive prices. The Group believes it is very important and beneficial to have reliable and cooperative suppliers. The purchase of raw materials required for the Group's products from Zhongxingxin Group allows the Group to ensure the quality and timely delivery of such parts.

(3) Nature of transaction

Purchases of raw materials by the Group from Zhongxingxin Group, primarily comprising cabinet and accessories, antenna rod, metal alloy stamp and mould, solar power spare parts, flexible printed circuit (FPC), rigid-flexible printed circuit (R-FPC) and components, LiFePO4 battery, battery accessories, wiring equipment, optical patch cord, optical cable components, laser component flange, optical coupler, robot, industrial camera, industrial light source, graphic processing controller, industrial light source controller, visual processing system, motion control system, industrial thermometer system, data collection system, smart patrolling and inspection system, smart plant construction sub-system, edge controller and smart quality management cloud platform, among others.

(4) Pricing policy and other terms

Before becoming an approved supplier of the Group, Zhongxingxin Group must pass the Group's internally formulated qualification procedures in relation to credential, competence, product quality and price. Zhongxingxin Group were selected through the Group's qualification and bidding procedures as described above.

In general, the Group invites at least more than three qualified suppliers to submit a one-off tender for the supply of each type of raw materials prior to procurement each year based on its estimated annual requirements. The Procurement Department and Tender Department of the Group jointly rate the qualified suppliers in terms of the prices and quality of their products, service quality and credentials. Qualified suppliers are selected for tenders in order of their ratings. Based on the volume of the Group's requirement for such raw materials, it may select one or more qualified suppliers. The price offered to the Group by a qualified supplier who have won the tender will not be higher than those who have not. The type, estimated volume and price for the purchase of raw materials from the selected qualified supplier for the coming year are determined during the stage of tendering. Purchase orders are issued to the selected qualified suppliers based on the actual volume and timing as required in day-to-day business. The qualified suppliers provide raw materials to the Group according to the tender and the actual volume of purchase will generally not exceed the estimated volume determined at the award of the tender. In the event of the actual purchase volume exceeding the estimated volume, the Group will arrange another tender in respect of the excessive requirements according to the aforesaid tender procedure. The Group performs the same tender procedure for connected suppliers and independent third parties. No special concessions are given to connected parties.

Pursuant to and subject to the terms of the Zhongxingxin Purchase Framework Agreement and bidding results, the Group will enter into individual agreements with Zhongxingxin Group by way of the issuance of purchase orders, specifying product types, agreed quantities and prices, delivery schedules, locations and modes, payment methods, packaging, acceptance, liabilities for breach of contract, quality specifications and after-sale service terms. The prices shall be determined in accordance with the pricing policy stipulated under the Zhongxingxin Purchase Framework Agreement.

The Directors have confirmed that the accreditation and tender procedures and pricing policy under the Zhongxingxin Purchase Framework Agreement, together with the internal procedures of the Group, can effectively ensure that the prices at which the Group conducts purchases from Zhongxingxin Group are being arrived at through arm's length negotiations and based on normal commercial terms without compromising the interests of the Company and its shareholders as a whole.

(5) Total price of transaction and actual total transaction amount in 2025

The Zhongxingxin Purchase Framework Agreement in respect of the purchase of raw materials by the Group from Zhongxingxin Group was effective from 1 January 2025 to 31 December 2025 and the amount of purchase for 2025 was capped at RMB400 million (excluding VAT).

The total transaction amount for the Group's purchase of raw materials from Zhongxingxin Group for 2025 was approximately RMB248 million.

(6) Endorsement of the continuing connected transactions

The Independent Non-executive Directors of the Company have reviewed each of the aforesaid continuing connected transactions of the Group and confirmed that:

- the transactions were conducted in the ordinary and usual course of business of the Company;
- the transactions were entered into on normal commercial terms or better;
- the transactions were conducted in accordance with the terms of the agreements governing them and the terms of the transactions are fair and reasonable and in the interests of the shareholders of the Company as a whole; and
- the Company has established adequate and efficient internal control procedures in relation to the aforesaid connected transactions.

The auditor of the Company has examined the aforesaid continuing connected transactions and confirmed that:

- no matters had come to the attention of the auditor causing the auditor to believe that the disclosed continuing connected transactions had not been approved by the Board of Directors of the Company;
- no matters had come to the attention of the auditors causing the auditor to believe that such continuing connected transactions had not been conducted in accordance with the pricing policies of the Group in all material aspects (where goods or services are being supplied or rendered by the Company);
- no matters had come to the attention of the auditor causing the auditor to believe that such continuing connected transactions had not been conducted in accordance with the terms of the agreements governing them in all material aspects; and
- no matters had come to the attention of the auditor causing the auditor to believe that such continuing connected transactions had exceeded the relevant annual caps as disclosed by announcements.

The Board of Directors of the Company has confirmed that:

The auditor has furnished a confirmation in respect of the transactions in relation to matters described under Rule 14A.56 of the Hong Kong Listing Rules

4.2.2.2 Other connected transactions

Transactions relating to the payment of remuneration by the Company to its key management employees, including remuneration for the directors, supervisors and chief executives of the Company and its subsidiaries, fall within the scope of connected transaction defined under Chapter 14A of the Hong Kong Listing Rules and are exempted from compliance with provisions relating to connected transactions under Rule 14A.95.

The following transactions between the Group and its connected parties conducted in 2025 were exempted from compliance with provisions relating to connected transactions pursuant to Rule 14A.76:

Unit: RMB in ten thousands

Counterparty	Connected relationship	Nature of transaction	Amount
Zhongxingxin	Controlling shareholder of the Company	Lease of properties from connected parties	1,248.3
Zhongxingxin	Controlling shareholder of the Company	Sales of products to connected parties	1.0
Shenzhen Zhongxing New Cloud Service Company Limited	Subsidiary of Zhongxingxin	Lease of properties to connected parties	316.1
Shenzhen Zhongxing New Cloud Service Company Limited	Subsidiary of Zhongxingxin	Sales of goods to connected parties	26.6
Shenzhen Zhongxing New Cloud Service Company Limited	Subsidiary of Zhongxingxin	Purchase of services from connected parties	1.1
Sindi Technologies Co., Ltd.	Subsidiary of Zhongxingxin	Sales of goods to connected parties	0.5
Pylon Technologies Co., Ltd.	Subsidiary of Zhongxingxin	Sales of services to connected parties	377.4
Shenzhen ZTE International Investment Company Limited	35% shares held by Director of the Company	Lease of properties to connected parties	13.7
Tianjin ZTE International Investment Company Limited	Subsidiary of Shenzhen ZTE International Investment Company Limited	Lease of properties from connected parties	471.6
Sanya Zhongxing Land Development Co., Ltd.	Subsidiary of Shenzhen ZTE International Investment Company[Note]	Sales of assets to connected parties	9,000.0
LONGi Green Energy Technology Co., Ltd.	Controlled by relative of Director of the Company	Sales of goods to connected parties	12.2

Note: Due to the disposal of equity interest, Sanya Zhongxing Land Development Co., Ltd. is no longer a subsidiary of Shenzhen ZTE International Investment Company Limited.

Save as disclosed in the above, the Group did not enter into any contracts with Zhongxingxin or its subsidiaries. The connected transactions disclosed above did not constitute material contracts.

Details of the Group's connected transactions during the Reporting Period are set out in "Note XI.5 Transactions with related parties to the Financial Report". Save as the continuing connected transactions and connected transactions disclosed in the above, other connected transactions set out in "Note XI.5 Transactions with related parties to the Financial Report" did not constitute connected transactions as defined under Chapter 14A of the Hong Kong Listing Rules. The Company has published relevant disclosures in compliance with Chapter 14A of the Hong Kong Listing Rules in respect of the aforesaid connected transactions. The Company further confirms that its connected transactions or continuing connected transactions were in compliance with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

4.3 MATERIAL CONTRACTS AND THEIR PERFORMANCE

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

(1) Overview of guarantee for third parties

As at 31 December 2025, the balance of the Group's third-party guarantee amounted to approximately RMB2,694,432,300, accounting for 3.57% of net assets attributable to holders of ordinary shares of the listed company as at 31 December 2025. Guarantee provided for parties with a gearing ratio of over 70% amounted to RMB592,340,000. There was no guarantee for connected third parties nor 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 year	Guarantee incurred during the year	Guarantee approved at the end of the year	Balance of actual guarantee at the end of the year
Provided to third parties outside the Group	—	—	—	—
Provided by the Company on behalf of subsidiaries	2,027,245.00	210,209.23	2,429,999.84	255,233.57
Provided by subsidiaries on behalf of fellow subsidiaries	87,381.25	14,209.66	87,381.25	14,209.66
Total	**2,114,626.25**	**224,418.89**	**2,517,381.09**	**269,443.23**

(2) Details of third-party guarantee

Guaranteed party	Date of domestic announcement	Amount guaranteed	Date incurred	Actual amount guaranteed	Type of guarantee	Duration	Whether completed
1. Guarantee provided to third parties outside the Group: Nil							
2. Provided by the Company on behalf of subsidiaries							
PT. ZTE Indonesia	19 February 2021	USD40 million	30 June 2021	USD40 million	Joint liability guarantee	Commencing on the date of issuance of the guarantee letter of the Company and ending upon the date on which performance of obligations of ZTE Indonesia under the "Equipment Purchase Contract" and "Technical Support Contract" is completed	No
		IDR400 billion	30 June 2021	IDR400 billion	Joint liability guarantee	Effective term of 3 years and 6 months or the date on which performance of obligations of ZTE Indonesia under the "Equipment Purchase Contract" and "Technical Support Contract" is completed, whichever is later	No
PT. ZTE Indonesia	11 October 2022	IDR8,100 million	4 November 2022	IDR8,100 million	Joint liability guarantee	Commencing on the date of issuance of the guarantee letter of the Company and ending upon the date on which performance of obligations of ZTE Indonesia under the "Private Network Equipment Purchase and Technical Support Contract" and "Agricultural Network Equipment Purchase and Technical Support Contract" are completed	No
ZTE France SASU	14 December 2011	EUR10 million	N/A	–	Assurance	From maturity to the date on which performance of obligations of ZTE France under the "SMS Contract" and "PATES Contract" expires or terminates (whichever is later)	N/A

IV. Material Matters

Guaranteed party	Date of domestic announcement	Amount guaranteed	Date incurred	Actual amount guaranteed	Type of guarantee	Duration	Whether completed
9 overseas subsidiaries involved in the MTN Group project[Note 1]	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	USD300,707,000	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.[Note 2]	8 April 2025	USD1,500 million	15 May 2025	–	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.[Note 3]	29 August 2025	USD200 million	9 September 2025	–	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 4]	1 March 2025	USD70 million	Note 4	USD3,866,200	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 4]	1 March 2025	USD15 million	Note 4	USD2,501,300	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 4]	1 March 2025	USD25 million	Note 4	USD13,911,500	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 4]	1 March 2025	USD5 million	Note 4	USD48,100	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 Forty-first Meeting of the Ninth Session of the Board of Directors of the Company and the 2024 Annual General Meeting, the provision of performance guarantee of no more than USD100 million in aggregate in respect of obligations under the Framework Contract of 9 overseas subsidiaries involved in the MTN Group projects. As at the end of the Reporting Period, the aforesaid guarantee had yet to come into effect.

Note 2: As considered and approved at the Second Meeting of the Tenth Session of the Board of Directors of the Company and the First Extraordinary General Meeting of 2025, the provision of guarantee line of no more than USD1,500 million in respect of the procurement business of wholly-owned subsidiary ZTE KANGXUN TELECOM CO., LTD. ("ZTE Kangxun"). On 15 May 2025, the Company issued a letter of guarantee to the supplier with a guarantee amount of USD1,500 million for a term commencing on the date on which the letter of guarantee comes into effect and ending upon on the cessation of purchases by ZTE Kangxun from the supplier with no due and outstanding debt payment. As at the end of the Reporting Period, the actual guarantee amount was 0.

Note 3: As considered and approved at the Twelfth Meeting of the Tenth Session of the Board of Directors of the Company, the provision of guarantee line of no more than USD200 million in respect of the procurement business of wholly-owned subsidiary Beijing LeapRise Technology Co., Ltd. On 9 September 2025, the Company issued a letter of guarantee to the supplier with a guarantee amount of USD200 million for a term commencing on the date on which the letter of guarantee comes into effect and ending upon on the lapse of a three-year period from the maturity of the performance period for the last debt under the purchase contract. As at the end of the Reporting Period, the actual guarantee amount was 0.

Note 4: As considered and approved at the Forty-first Meeting of the Ninth Session of the Board of Directors of the Company, the 2024 Annual General Meeting and the 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, for a valid period commencing on the date on which the resolution was considered and approved at the 2024 Annual General Meeting and ending on the date on which the 2025 Annual General Meeting will be convened. Netaş and BDH 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. As at the end of the Reporting Period, the balance of the actual guarantee amount was USD3,866,200. Netaş and Netaş Bilişim shall provide credit loan guarantee for BDH within the guarantee limit. As at the end of the Reporting Period, the balance of the actual guarantee amount was USD2,501,300. Netaş Bilişim shall provide credit loan guarantee for Netaş within the guarantee limit. As at the end of the Reporting Period, the balance of the actual guarantee amount was USD13,911,500. Netaş shall provide credit loan guarantee for Netaş Telecom Limited Liability Partnership within the guarantee limit. As at the end of the Reporting Period, the balance of the actual guarantee amount was USD48,100.

Note 5: As considered and approved at the Forty-first Meeting of the Ninth Session of the Board of Directors of the Company and the 2024 Annual General Meeting, the provision of sales business performance guarantee line of no more than USD600 million in aggregate for 8 subsidiaries and procurement business performance guarantee line of no more than USD500 million in aggregate for 3 subsidiaries 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 USD1,100 million guarantee line in aggregate. The provision of sales business performance guarantee line of no more than USD10 million by Netaş for its subsidiary Netaş Bilişim was approved. The computations of the total amount of guarantee provided by subsidiaries on behalf of fellow subsidiaries approved during the Reporting Period and the total amount of guarantee provided by subsidiaries on behalf of fellow subsidiaries approved as at the end of the Reporting Period included the aforesaid USD10 million guarantee line in aggregate. As at the end of the Reporting Period, the aforesaid guarantee amount had yet to be applied.

Note 6: No guarantee liability or potential joint repayment liability has been incurred during the Reporting Period in relation to the outstanding guarantees.

Note 7: The guarantee amounts were translated at the book exchange rates of the Company as at 31 December 2025: USD1: RMB6.9905; EUR1:RMB8.2055; IDR1:RMB0.000418092.

(3) Opinion of the Independent Directors

The Independent Non-executive Directors of the Company have conducted examination on appropriation of funds of the Company by the controlling shareholder and other connected parties and third-party guarantees of the Company in 2025, and have furnished a specific statement and independent opinion as follows:

i. During 2025, there was no appropriation of the Company's funds by the controlling shareholder and other connected parties for non-operational purposes.

ii. For 2025, the effective amount of guarantee provided by the Company was approximately RMB2,244,188,900. As at 31 December 2025, the balance of effective guarantee amounted to approximately RMB2,694,432,300, representing approximately 3.57% of the Company's equity attributable to holders of ordinary share of the listed company as at 31 December 2025.

In 2025, the Company's decision-making procedures for third-party guarantees were in compliance with pertinent provisions of Guide for Listed Companies No. 8 — Regulatory Requirements Governing Financial Transactions and Third-party Guarantees of Listed Companies, Shenzhen Stock Exchange Self-disciplinary Regulatory Guide for Listed Companies No. 1 — Regulated Operation of Main Board Listed Companies and the Articles of Association.

4.4 PERFORMANCE OF UNDERTAKINGS

4.4.1 Undertakings of the controlling shareholder

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

(2) Undertaking on sell-down of shares

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

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

4.4.2 Company statement on meeting original profit forecasts for assets or projects and the reasons therefor, where such profit forecasts have been made and 2025 falls within the profit forecast period

☐ Applicable √ N/A

4.4.3 Company undertaking relating to business performance

☐ Applicable √ N/A

4.5 APPROPRIATION OF NON-OPERATING FUNDS AND CREDIBILITY

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

4.6 PUNISHMENT AND RECTIFICATION

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

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 report

The 2025 financial reports of the Group have been audited by Ernst & Young Hua Ming LLP, who has furnished a standard audit report without qualified opinion. Therefore the Board of Directors and the Independent Non-executive Directors are not required to furnish any statement pertaining thereto.

(3) No bankruptcy, reorganisation or withdrawal from listing

The Company was not subject to bankruptcy or reorganisation in 2025 or withdrawal from listing subsequent to the publication of this annual report.

Save as matters disclosed in this report, there were no other discloseable material matters occurring to the Company or its subsidiaries in 2025 that remained undisclosed.

V. Information on Bonds

Information on bonds issued by the Company in 2025 is set out as follows:

5.1 DEBT FINANCING INSTRUMENTS OF NON-FINANCIAL ENTERPRISES

(1) General information

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

As at 31 December 2025, 30 tranches of SCPs issued by the Company for an aggregate issue amount of RMB31.2 billion had been repaid upon maturity. Information on the Company's SCPs and MTNs (including Sci-Tech Innovation Bond) 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 SCP	26中興通訊 SCP001	012680038	6 January 2026	7 January 2026	31 March 2026	10	1.51%
2026 Tranche II SCP	26中興通訊 SCP002	012680032	6 January 2026	7 January 2026	31 March 2026	10	1.51%
2026 Tranche III SCP	26中興通訊 SCP003	012680049	6 January 2026	7 January 2026	31 March 2026	10	1.51%
2026 Tranche IV SCP	26中興通訊 SCP004	012680051	6 January 2026	7 January 2026	31 March 2026	10	1.51%
2026 Tranche V SCP	26中興通訊 SCP005	012680088	12 January 2026	13 January 2026	31 March 2026	10	1.50%
2026 Tranche VI SCP	26中興通訊 SCP006	012680089	12 January 2026	13 January 2026	31 March 2026	10	1.50%
2026 Tranche VII SCP	26中興通訊 SCP007	012680091	12 January 2026	13 January 2026	31 March 2026	10	1.50%
2026 Tranche VIII SCP	26中興通訊 SCP008	012680141	15 January 2026	16 January 2026	31 March 2026	10	1.50%
2026 Tranche IX SCP	26中興通訊 SCP009	012680234	22 January 2026	23 January 2026	31 March 2026	10	1.52%
2026 Tranche X SCP	26中興通訊 SCP010	012680457	11 February 2026	12 February 2026	31 March 2026	5	1.54%

V. Information on Bonds

Bond name	Bond abbreviation	Bond code	Issue date	Accrual date	Maturity date	Bond balance	Interest rate
2026 Tranche XI SCP	26中興通訊 SCP011	012680455	11 February 2026	12 February 2026	31 March 2026	5	1.54%
2026 Tranche XII SCP	26中興通訊 SCP012	012680466	12 February 2026	13 February 2026	17 March 2026	2	1.53%
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%
Total	–	–	–	–	–	**154.5**	–

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

In 2025, there was no adjustment of the Company's credit ratings by credit rating agencies, nor trigger of issuer or investor option clause or investor protection clause. The SCPs issued by the Company had been repaid as due in one-off payments of principal and interest. Interest on MTNs was payable annually and the principal was payable on maturity. Bonds were repaid upon maturity. There were no overdue bonds, nor were any guarantees, debt repayment schemes and other debt repayment assurance measures triggered.

(2) Use of proceeds as at the end of the Reporting Period

Unit: RMB100 million

Bond	Total amount of proceeds	Amount utilised	Amount remaining	Designated use of proceeds	Operation of dedicated account for proceeds (if any)	Rectification of illicit use of proceeds (if any)	Whether consistent with uses, application plans and other agreed terms stated in issue prospectus
2024 Tranches I-II MTNs	10	10	–	Supplementary working capital	Nil	Nil	Yes
2025 Tranches I-XXX SCPs	312	312	–	Supplementary working capital and repayment of interest-bearing debt, etc.	Nil	Nil	Yes
2025 Tranches I-II MTNs, 2025 Tranches III-IV Sci-Tech Innovation Bond	33.5	33.5	–	Supplementary working capital	Nil	Nil	Yes

As at 31 December 2025, there was no change in the use of proceeds from the issuance of SCPs and MTNs by the Company. No proceeds were not applied to construction projects.

(3) Information of intermediary

Intermediaries for the Company's 2024 Tranches I-II MTNs, 2025 Tranches I to XXX SCPs, 2025 Tranches I-II MTNs, 2025 Tranches III-IV Sci-Tech Innovation Bonds, 2026 Tranches I-XII SCPs, and 2026 Tranches I-III MTNs are set out as follows:

Type of intermediary	Name of intermediary
Underwriter	Industrial and Commercial Bank of China, China Construction Bank, Agricultural Bank of China, Bank of China, Postal Savings Bank of China, China Merchants Bank, China Minsheng Bank, CITIC Bank, China Everbright Bank, Bank of Beijing, China Bohai Bank, Guangfa Bank, Bank of Hangzhou, EverGrowing Bank, Huaxia Bank, Bank of Jiangsu, Bank of Communications, Ping An Bank, Shanghai Pudong Development Bank, Bank of Shanghai, Industrial Bank, Huishang Bank, Bank of Guangzhou, Zheshang Bank
Legal advisor	Beijing Junhe Law Firm
Accountant	Ernst & Young Hua Ming LLP
Rating agency	China Chengxin International Credit Rating Co., Ltd.
Custodian	Interbank Market Clearing House Co., Ltd.
Technical support for centralised book building system	Beijing Financial Assets Exchange Co., Ltd.

For details of the office addresses, contact persons and contact telephone numbers of the aforesaid intermediaries, please refer to the announcements published on the website of Shanghai Clearing (www.shclearing.com.cn) and China Money (www.chinamoney.com.cn). There was no change to the aforesaid institutions.

5.2 H-SHARE CONVERTIBLE BONDS

(1) Issuance of H-share convertible bonds

To optimise the capital structure, diversify funding sources, improve the liquidity position and reduce the financing costs of the Group, the Company entered into a subscription agreement with CLSA Limited and China Securities (International) Corporate Finance Company Limited, the Managers, on 28 July 2025 for the issuance of 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, the convertible bonds may be converted into H shares (of par value of RMB1.00 each) at an initial conversion price of HK$30.25 per H share (subject to adjustments). The Managers offered the convertible bonds to no less than six independent subscribers, each (and each of their respective ultimate beneficial owners) of which is not a connected person of the Company as defined under the Hong Kong Listing Rules. The 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 HK$29.90 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 HK$30.25 per H share (subject to adjustment) represented: (1) a premium of approximately 15.90% over the closing price of HK$26.1 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 (2) a premium of approximately 16.12% over approximately HK$26.05 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 HK$30.25 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" and "COMPLETION OF ISSUE OF RMB3,584 MILLION ZERO COUPON USD SETTLED CONVERTIBLE BONDS DUE 2030" dated 5 August 2025 and "PUBLICATION OF THE OFFERING CIRCULAR — ZTE CORPORATION — RMB3,584 Million U.S. Dollar Settled Zero Coupon Convertible Bonds due 2030" dated 6 August 2025.

(2) Use of proceeds

As at 31 December 2025, net proceeds of USD494 million from the issue of convertible bonds has been fully utilised as investments in the R&D of computility products, which is consistent with the previously disclosed intended use of the net proceeds.

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

As at the date of publication of this report, no conversion rights under the convertible bonds have been exercised. Assuming the conversion rights under the convertible bonds were exercised in full as at 31 December 2025, the diluting effect on the Company's then total number of shares in issue 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	As approximate percentage of total number of shares in issue	Number of shares	As approximate percentage of total number of shares in issue
Zhongxingxin	A share	958,940,400	20.05%	958,940,400	19.52%
	H share	2,038,000	0.04%	2,038,000	0.04%
Holders of convertible bonds	H share	—	—	129,726,464	2.64%
Other shareholders	A share and H share	3,822,556,487	79.91%	3,822,556,487	77.80%
Total		**4,783,534,887**	**100%**	**4,913,261,351**	**100%**

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.58. "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 adjusted conversion price will be equally favourable in terms of economic benefit.

(4) Redemption of H-share convertible bonds

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	**31 December 2025**	31 December 2024	Year-on-year increase/decrease
Current ratio	**1.76**	1.72	2.33%
Quick ratio	**1.16**	1.21	(4.13%)
Gearing ratio	**65.26%**	64.74%	Increased by 0.52 percentage point

Item	**2025**	2024	Year-on-year increase/decrease
Net profit after extraordinary gain/loss attributable to holders of ordinary shares of the listed company (RMB in millions)	**3,370.4**	6,179.1	(45.45%)
Debt-to-EBITDA ratio	**17.38%**	24.00%	Decreased by 6.62 percentage points
Interest coverage ratio	**2.68**	3.68	(27.17%)
Cash interest coverage ratio	**4.74**	7.37	(35.69%)
EBITDA interest coverage ratio	**3.95**	5.12	(22.85%)
Loan repayment ratio	**100.00%**	100.00%	—
Interest repayment ratio	**100.00%**	100.00%	—

5.4 OTHER INFORMATION

There was no violation of rules and regulations by the Company in 2025, nor loss reported in consolidated statement for the year exceeding 10% of net assets at the end of last year.

As at 31 December 2025, there was no overdue interest-bearing debts other than bonds.

VI. Financial Reports

6.1 AUDIT REPORT 117

6.2 FINANCIAL STATEMENTS AND ACCOMPANYING NOTES 125

Audit Report

Ernst & Young Hua Ming (2026) Shen Zi No. 70007912_H01
ZTE CORPORATION

EY 安永

To the Shareholders of ZTE Corporation:

I. AUDIT OPINION

We have audited the accompanying financial statements of ZTE Corporation which comprise the consolidated and company balance sheets as at 31 December 2025, the consolidated and company income statements, statement of changes in equity and cash flow statement for the year ended 31 December 2025 and notes to the financial statements.

In our opinion, the accompanying financial statements of ZTE Corporation have been prepared in accordance with the PRC ASBEs in all material aspects and give a fair view of the consolidated and company financial position of ZTE Corporation as at 31 December 2025 and the consolidated and company results of operation and cash flows of ZTE Corporation for 2025.

II. BASIS FOR OPINION

We conducted our audit in accordance with the Auditing Standards for Certified Public Accountants of China. Our responsibilities under those standards are further described in the section headed "CERTIFIED ACCOUNTANT'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS" in our audit report. We are independent of ZTE Corporation in accordance with "PRC Certified Accountants' Independence Standards No. 1 — Independence Requirements for the Auditing of Financial Statements and Review of Business" and the Code of Ethics for PRC certified accountants and we have fulfilled our other ethical responsibilities. In the course of our audit, we have complied with the independence requirements for the auditing of public interest entities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the section headed "CERTIFIED ACCOUNTANT'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS" in our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Ernst & Young Hua Ming (2026) Shen Zi No. 70007912_H01
ZTE CORPORATION

III. KEY AUDIT MATTERS (continued)

KEY AUDIT MATTER:	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Revenue recognition of telecommunication system construction contract	
Revenue generated from telecommunication system construction contracts for 2025 recognised in the consolidated financial statements amounted to RMB71,760,748,000, representing 54% of the total revenue; revenue recognised in the Company financial statements amounted to RMB73,004,697,000, representing 52% of the total revenue. Such contracts consisted of a number of performance obligations for goods and services including mainly sales of equipment and installation services, among others. Significant judgements and estimates by the management are required for the revenue recognition of telecommunication system construction contracts: I. Whether the promised goods or services represent separate performance obligations. In making such judgment, the management needs to assess whether the promised goods or services are distinct. II. Whether the control of each distinct performance obligation is transferred over a period of time or at a point in time. The management needs to consider how the promised goods or services is being delivered to customers. III. To allocate the transaction price to each performance obligation on the basis of the relative stand-alone selling prices of the distinct good or service underlying each performance obligation, the management adopts the cost plus approach to estimate stand-alone selling prices, which is primarily based on historic data, past experience, configuration of the projects and the evaluation of risk and uncertainty inherent in the arrangement. In view of the above which makes the revenue recognition of telecommunication system construction contracts relatively complicated, we have identified the recognition of revenue from telecommunication system construction as a key audit matter. For disclosure of our policy for the revenue recognition, please refer to Note III.20; for disclosure of judgements and estimates for revenue recognition, please refer to Note III.31; for disclosure of categories of revenue, please refer to Note V.43; for disclosure of contract assets, please refer to Note V.8; for disclosure of contract liabilities, please refer to Note V.27.	Our audit procedures mainly included: We evaluated the process of revenue recognition of telecommunication system construction contracts and the related internal controls, assessed the Group's accounting policies, and tested the effectiveness of the design and execution of key internal controls. We obtained the major sales agreements for telecommunication system construction and checked and identified contract terms and conditions related to transfer of control and each performance obligation in contracts to assess whether the accounting policy for revenue recognition is compliant with ABSE requirements. In respect of the judgement on whether a performance obligation is distinct and on the timing of the transfer of control, we have assessed the management's judgement, assumptions and methodology upon which it is based. We obtained correspondence in contractual amounts from major customers on a sample basis in conjunction with the accounts receivable correspondence, and performed alternative tests on the sample that did not respond to the letters. We selected samples of telecommunication system construction contract transactions prior to and after the balance sheet date to check supporting documents such as delivery acceptance notes, inspection and acceptance notes and invoices, in order to assess whether the revenue concerned had been recorded under the appropriate accounting period. We implemented the analytic review examination procedure to compare movements in revenue and gross profit margin from different business types, regions and customer types to analyse the reasonableness of movements in revenue and gross profit margin. We performed tests of details on the recognition of revenue from telecommunication system construction contract on a sampling basis and checked the supporting documents relating to the recognition of product sales revenue, including sales agreements, orders, acceptance notes signed by customers, inspection and acceptance notes, sales invoices and payment receipts, etc.

Ernst & Young Hua Ming (2026) Shen Zi No. 70007912_H01
ZTE CORPORATION

III. KEY AUDIT MATTERS (continued)

KEY AUDIT MATTER:	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Revenue recognition of telecommunication system construction contract (continued)	
	In respect of the allocation of transaction price, we assessed the Company's method for estimating the stand-alone selling prices of each performance obligation and compared the major parameters (e.g., cost, gross margin percentage, etc.) used in the model against historical data and industry conditions. We reviewed and examined the presentation and disclosure relating to revenue in the notes to the consolidated and company financial statements.
Expected credit loss of trade receivables and contract assets	
The carrying amount of trade receivables (long-term trade receivables included) and contract assets as at 31 December 2025 was RMB28,749,237,000, representing 13% of total assets, on the consolidated financial statements and RMB50,894,355,000, representing 25% of total assets, on the company financial statements. In accordance with "ASBE No.22 — Recognition and measurement of financial instruments (Revised 2017)", impairment losses of trade receivables and contact assets are accounted for using the expected credit loss ("ECL") approach. For trade receivables and contract assets that contain a significant financing component, ZTE Corporation elects to measure loss provision based on the ECL amount for the whole period, therefore the loss provision for all trade receivables and contract assets shall be measured on the basis of the ECL amount for the whole period. The Management assesses the ECL of some trade receivables and contract assets individually and others by group. For trade receivables or contract assets that are individually significant with objective evidence that the credit risk are obviously different from others, ECL is measured as the shortfall between the present value of all contract cashflow receivable and the present value of all contract cashflow expected to be received under the individual contract.	Our audit procedure mainly included: We evaluated the processes relating to the ECL of trade receivables and contract assets and the related internal controls, tested the effectiveness of design and execution of key internal controls. Discussion with management to assess receivables which were subject to default and indications of impairment, as well as the status of collection and bad debt risk. For ECL of individually assessed trade receivables and contract assets, we have examined on a sampling basis the objective evidence relating to the impairment of trade receivables and contract assets and the key assumptions used in the estimate of the present value of all cash flows. We have also reviewed whether amounts have been recovered after the end of reporting period.

Ernst & Young Hua Ming (2026) Shen Zi No. 70007912_H01
ZTE CORPORATION

III. KEY AUDIT MATTERS (continued)

KEY AUDIT MATTER:	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Expected credit loss of trade receivables and contract assets (continued)	
For other trade receivables and contract assets, ECLs are assessed by aging groups in response to credit risk characteristics of different debtors. The management has established a risk matrix for provision rates based on aging groups for customers of different credit standings by reference to its historical credit loss experience, on the basis of which ECL is estimated. In assessing the ECL, the management takes into consideration past events, current conditions and reasonable and well-founded information on future economic forecasts. The ECL of trade receivables and contract assets has a significant impact on the financial statements and is subject to significant management judgement estimation. Accordingly, the ECL of trade receivables and contract assets was identified as a key audit matter. For disclosure on estimations of trade receivable and contract asset provision for impairment, please refer to Note III. 10; for disclosure of significant accounting judgements and estimates for trade receivable and contract asset impairment, please refer to Note III.31; for disclosure of the amount of bad debt provision for trade receivables and long-term receivables, please refer to Note V. 4A and 10; for disclosure of contract asset provision for impairment, please refer to Note V.8.	For other trade receivables and contract assets, we have assessed whether the risk matrix established by the management was in compliance with the ECL approach and assessed the key parameters used in the matrix including mainly: credit rating, historical rates of bad debts, migration rates and forward-looking information, etc. We have obtained debtors' credit information on a sampling basis to ascertain whether the classification of debtors is in compliance with the Company's policy. We have tested the management's ageing analysis based on aging by examining the original documents (such as bills and bank deposit advice). We have recalculated the ECL of each type of trade receivables and contract assets according to the risk matrix, and compared it with the management's calculation. We also checked whether the payment was collected subsequent to the reporting period.

Ernst & Young Hua Ming (2026) Shen Zi No. 70007912_H01
ZTE CORPORATION

III. KEY AUDIT MATTERS (continued)

KEY AUDIT MATTER:	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Provision for impairment for inventories	
As at 31 December 2025, the carrying amount of inventories was RMB47,017,122,000, representing 22% of total assets, on the consolidated financial statements and RMB16,850,693,000, representing 8% of total assets, on the company financial statements. The provision for impairment of inventories was made based on their respective estimated net realisable value. The assessment of the estimated net realisable value was calculated based on the management's estimated selling prices, estimated costs to be incurred upon completion of production, selling costs and the relevant tax. The estimated selling price is determined with reference to the contract price if the inventories are held for particular contracts. For those which are not earmarked to particular contracts, the management will estimate their respective realisable value based on judgments on the method by which they are subsequently realised. The amount of inventory impairment loss has a significant impact on the financial statements and is subject to significant management judgements and estimates. Therefore, provision for impairment for inventories was identified as a key audit matter. For disclosure of the accounting policy on provision for impairment of inventories please refer to Note III.11; for disclosure of significant judgement and estimates on provision for impairment please refer to Note III.31; for disclosure of provision for impairment of inventories, please refer to Note V.7.	Our audit procedure mainly included: We obtained an understanding of the processes of provision for impairment of inventories and the related internal controls; performed testing on the effectiveness of the design and execution of key internal controls. We observed the stocktaking process and external confirmation procedures to ascertain whether the damaged, sub-standard, slow-moving and obsolete inventories were identified. We tested the aging analysis of inventories by checking the original documents on a sampling basis. We evaluated the key assumptions, such as selling prices, cost to be incurred upon completion, selling expense and the relevant taxes, which were used by the management in calculating net realisable value. For inventories held for particular contracts, we checked the respective contract price on a sampling basis. For those without earmarked prices, we inspected key assumptions used by management in estimating the recoverable amount on a sampling basis and checked whether inventories were sold subsequent to the reporting period. We communicated and discussed with management whether there were inventories with no market demand, which were not expected to be consumed in the future, and assessed the adequacy of the provision for inventory write-downs. Movement of provision for impairment of inventory for the year was checked. Recalculation based on detailed inventory list was carried out to verify the accuracy of the charge of provision for impairment.

Ernst & Young Hua Ming (2026) Shen Zi No. 70007912_H01
ZTE CORPORATION

IV. OTHER INFORMATION

The management of ZTE Corporation are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

Our audit opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

V. RESPONSIBILITIES OF THE MANAGEMENT AND THE GOVERNANCE BODY FOR THE FINANCIAL STATEMENTS

The management of the Company are responsible for the preparation of the financial statements that give a fair view in accordance with the PRC ASBEs and for the design, execution and maintenance of such internal control as is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management of the Company are responsible for assessing ZTE Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there are plans for liquidation or cessation or there are no other realistic alternatives.

The governance body of the Company is responsible for overseeing ZTE Corporation's financial reporting process.

Ernst & Young Hua Ming (2026) Shen Zi No. 70007912_H01
ZTE CORPORATION

VI. CERTIFIED ACCOUNTANT'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our audit opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with audit standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with audit standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

(1) Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

(4) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on ZTE Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, in our auditor's report we are required under the audit standards to draw attention of the users of the financial statements to the related disclosures in the financial statements or, if such disclosures are inadequate, to issue a qualified opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause ZTE Corporation to cease to continue as a going concern.

(5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(6) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within ZTE Corporation to express an audit opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the governance body regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the governance body with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Ernst & Young Hua Ming (2026) Shen Zi No. 70007912_H01
ZTE CORPORATION

VI. CERTIFIED ACCOUNTANT'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

From the matters communicated with the governance body, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our audit report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young Hua Ming LLP

PRC certified public accountant:
Liao Wenjia (廖文佳)
(Project Partner)

PRC certified public accountant:
He Suwei (何蘇偉)

Beijing, PRC

6 March 2026

Consolidated Balance Sheet

31 December 2025
Prepared under PRC ASBEs
(English translation for reference only)
RMB'000

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

Assets	Note V	31 December 2025	31 December 2024
Current assets			
Currency cash	1	**33,751,116**	43,885,348
Trading financial assets	2	**17,396,415**	13,768,781
Derivative financial assets	3	**235,612**	173,439
Trade receivables	4A	**21,670,066**	21,288,393
Factored trade receivables	4A	**9,070**	6,498
Receivable financing	4B	**3,039,968**	4,243,041
Prepayments	5	**1,443,440**	692,097
Other receivables	6	**2,392,560**	2,597,585
Inventories	7	**47,017,122**	41,257,657
Contract assets	8	**5,881,166**	4,972,074
Non-current assets due within one year	21	**510,698**	3,085
Other current assets	22	**10,586,629**	8,899,348
Total current assets		**143,933,862**	141,787,346
Non-current assets			
Debt investment	9	**31,081,323**	25,068,445
Long-term receivables	10	**1,198,005**	833,972
Factored long-term receivables	10	**3,628**	8,664
Investment in associates and joints	11	**2,578,282**	2,333,836
Other non-current financial assets	12	**1,792,620**	715,761
Investment properties	13	**94,577**	99,045
Property, plant and equipment	14	**13,421,946**	14,178,419
Construction in progress	15	**798,207**	685,376
Right-of-use assets	16	**1,534,289**	1,551,573
Intangible assets	17	**6,016,651**	7,159,200
Development costs	18	**2,112,171**	1,594,563
Goodwill	19	**—**	14,425
Deferred tax assets	20	**5,165,677**	4,396,088
Other non-current assets	22	**8,008,137**	6,896,517
Total non-current assets		**73,805,513**	65,535,884
TOTAL ASSETS		**217,739,375**	207,323,230

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

Consolidated Balance Sheet

31 December 2025
Prepared under PRC ASBEs
(English translation for reference only)
RMB'000

Liabilities	Note V	31 December 2025	31 December 2024
Current liabilities			
Short-term loans	24	**3,628,665**	7,027,070
Bank advances on factored trade receivables	4A	**9,070**	6,498
Derivative financial liabilities	25	**179,247**	200,853
Bills payable	26A	**15,270,429**	10,959,334
Trade payables	26B	**18,766,840**	22,371,792
Contract liabilities	27	**15,600,702**	12,859,416
Employee benefits payable	28	**15,084,210**	16,991,686
Taxes payable	29	**1,128,338**	1,205,018
Other payables	30	**2,828,768**	3,236,993
Provisions	31	**1,584,443**	2,184,073
Non-current liabilities due within one year	32	**7,900,409**	5,592,740
Total current liabilities		**81,981,121**	82,635,473
Non-current liabilities			
Long-term loans	33	**45,712,509**	44,058,915
Bank advances on factored long-term trade receivables	10	**3,628**	8,664
Bonds payable	34	**7,809,677**	1,004,880
Lease liabilities	16	**940,369**	972,943
Long-term employee benefits payable	28	**141,685**	153,647
Deferred income		**1,638,224**	1,496,556
Deferred tax liabilities	20	**107,910**	90,651
Other non-current liabilities	35	**3,763,011**	3,791,219
Total non-current liabilities		**60,117,013**	51,577,475
TOTAL LIABILITIES		**142,098,134**	134,212,948

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

Consolidated Balance Sheet

31 December 2025
Prepared under PRC ASBEs
(English translation for reference only)
RMB'000

Shareholder's equity	Note V	31 December 2025	31 December 2024
Shareholder's equity			
Share capital	36	**4,783,535**	4,783,535
Other equity instruments	37	**126,956**	—
Capital reserve	38	**27,474,428**	27,476,099
Other comprehensive income	39	**(2,673,180)**	(2,465,531)
Special reserve	40	**121,392**	88,214
Surplus reserve	41	**3,053,523**	3,053,523
Retained profits	42	**42,538,947**	39,872,643
Total equity attributable to holders of ordinary shares of the parent		**75,425,601**	72,808,483
Non-controlling interests		**215,640**	301,799
Total shareholders' equity		**75,641,241**	73,110,282
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**217,739,375**	207,323,230

The financial statements have been signed by:

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

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

Consolidated Income Statement

2025
Prepared under PRC ASBEs
(English translation for reference only)
RMB'000

	Note V	2025	2024
Operating revenue	43	**133,895,460**	121,298,752
Less: Operating costs	43	**93,391,318**	75,311,066
Taxes and surcharges	44	**1,090,435**	1,175,971
Selling and distribution costs	45	**9,223,495**	8,900,503
Administrative expenses	46	**4,219,760**	4,477,021
Research and development costs	47	**22,754,978**	24,031,499
Finance costs	49	**(226,654)**	(264,570)
Including: Interest expense		**3,744,052**	3,447,022
Interest income		**4,346,036**	4,398,326
Add: Other income	50	**2,886,845**	2,932,725
Investment income	51	**452,568**	112,394
Including: Gains from investment in associates and joint ventures		**373,113**	160,687
Losses from derecognition of financial assets at amortised cost		**(342,541)**	(341,549)
Gains from changes in fair values	52	**101,600**	(625,131)
Credit impairment losses	53	**101,296**	92,454
Asset impairment losses	54	**(627,661)**	(933,182)
Gains from asset disposal	55	**5,033**	95,659
Operating profit		**6,361,809**	9,342,181
Add: Non-operating income	56	**200,729**	76,279
Less: Non-operating expenses	56	**259,671**	188,855
Total profit		**6,302,867**	9,229,605
Less: Income tax	57	**737,794**	873,992
Net profit		**5,565,073**	8,355,613
Analysed by continuity of operations			
Net profit from continuing operations		**5,565,073**	8,355,613
Analysed by ownership			
Holders of ordinary shares of the parent		**5,617,745**	8,424,792
Non-controlling interests		**(52,672)**	(69,179)
Other comprehensive income, net of tax		**(207,929)**	(265,303)
Other comprehensive income attributable to holders of ordinary shares of the parent company, net of tax	39	**(207,649)**	(265,566)
Other comprehensive income that cannot be reclassified to profit or loss			
Change arising from the re-measurement of defined benefit plans		**7,154**	(3,358)
		7,154	(3,358)
Other comprehensive income that will be reclassified to profit or loss			
Effective portion of hedge instruments		**(4,295)**	598
Exchange differences on translation of foreign operations and others		**(210,508)**	(262,806)
		(214,803)	(262,208)
Other comprehensive income attributable to non-controlling interests, net of tax		**(280)**	263
Total comprehensive income		**5,357,144**	8,090,310
Attributable to:			
Holders of ordinary shares of the parent		**5,410,096**	8,159,226
Non-controlling interests		**(52,952)**	(68,916)
Earnings per share (RMB/share)			
Basic	58	**RMB1.17**	RMB1.76
Diluted	58	**RMB1.16**	RMB1.76

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

Consolidated Statement of Changes in Equity

2025
Prepared under PRC ASBEs
(English translation for reference only)
RMB'000

	2025									
	Equity attributable to holders of ordinary shares of the parent									
	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	Special reserve	Retained profits	Sub-total	Non-controlling interests	Total shareholders' equity
I. Previous year's closing balance	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 year										
(I) Total comprehensive income	–	–	–	(207,649)	–	–	5,617,745	5,410,096	(52,952)	5,357,144
(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	–	–	–	–	–	–	–	–	–	–
4. Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–
5. Others	–	126,956	(1,671)	–	–	–	–	125,285	–	125,285
(III) Profit appropriation										
1. Allocation to surplus reserve	–	–	–	–	–	–	–	–	–	–
2. Distribution to shareholders	–	–	–	–	–	–	(2,951,441)	(2,951,441)	(33,207)	(2,984,648)
(IV) Special reserve										
1. Allocated for the year	–	–	–	–	–	104,986	–	104,986	–	104,986
2. Utilised for the year	–	–	–	–	–	(71,808)	–	(71,808)	–	(71,808)
III. Current year's closing balance	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

	2024								
	Equity attributable to holders of ordinary shares of the parent								
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Special reserve	Retained profits	Sub-total	Non-controlling interests	Total shareholders' equity
I. Previous year's closing balance	4,783,252	27,603,291	(2,199,965)	3,053,382	53,394	34,714,953	68,008,307	323,138	68,331,445
II. Changes during the year									
(I) Total comprehensive income	–	–	(265,566)	–	–	8,424,792	8,159,226	(68,916)	8,090,310
(II) Shareholder's capital injection and capital reduction									
1. Ordinary share injection from shareholders	283	(122,932)	–	–	–	–	(122,649)	126,666	4,017
2. Equity settled payments charged to equity	–	(3,251)	–	–	–	–	(3,251)	–	(3,251)
3. Acquisition of non-controlling interest	–	(1,009)	–	–	–	–	(1,009)	(7,261)	(8,270)
4. Disposal of subsidiaries	–	–	–	–	–	–	–	–	–
5. Others	–	–	–	–	–	–	–	–	–
(III) Profit appropriation									
1. Allocation to surplus reserve	–	–	–	141	–	(141)	–	–	–
2. Distribution to shareholders	–	–	–	–	–	(3,266,961)	(3,266,961)	(71,828)	(3,338,789)
(IV) Special reserve									
1. Allocated for the year	–	–	–	–	105,418	–	105,418	–	105,418
2. Utilised for the year	–	–	–	–	(70,598)	–	(70,598)	–	(70,598)
III. Current year's closing balance	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

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

Consolidated Cash Flow Statement

2025
Prepared under PRC ASBEs
(English translation for reference only)
RMB'000

		Note V	2025	2024
I.	**Cash flows from operating activities**			
	Cash received from sale of goods or rendering of services		147,449,391	127,930,762
	Refunds of taxes		7,707,959	5,320,200
	Other cash received in relation to operating activities		8,092,795	6,563,537
	Sub-total of cash inflows from operating activities		163,250,145	139,814,499
	Cash paid for goods and services		106,874,061	75,666,643
	Cash paid to and on behalf of employees		29,243,674	28,935,061
	Cash paid for various types of taxes		7,648,357	8,047,637
	Other cash paid in relation to operating activities		15,565,307	15,685,314
	Sub-total of cash outflows from operating activities		159,331,399	128,334,655
	Net cash flows from operating activities	59	3,918,746	11,479,844
II.	**Cash flows from investing activities**			
	Cash received from sale of investments		99,479,123	80,388,840
	Cash received from return on investment		1,995,536	1,986,934
	Net cash received from the disposal of property, plant and equipment, intangible assets and other long-term assets		77,229	535,436
	Net cash received from the disposal of subsidiaries and other operating units		—	—
	Other cash received in relation to investing activities	59	—	105,749
	Sub-total of cash inflows from investing activities		101,551,888	83,016,959
	Cash paid for acquisition of property, plant and equipment, intangible assets and other long-term assets		3,892,988	4,014,730
	Cash paid for acquisition of investments		104,535,131	107,674,648
	Net cash paid for the acquisition of subsidiaries and other business units		—	—
	Other cash paid in relation to investing activities		—	—
	Sub-total of cash outflows from investing activities		108,428,119	111,689,378
	Net cash flows from investing activities		(6,876,231)	(28,672,419)
III.	**Cash flows from financing activities**			
	Cash received from capital injection		—	374,322
	Including: Capital injection into subsidiaries by minority shareholders		—	364,555
	Cash received from borrowings		72,831,010	190,217,674
	Other cash received in relation to financing activities	59	2,855	—
	Sub-total of cash inflows from financing activities		72,833,865	190,591,996
	Cash repayment of borrowings		67,357,616	190,470,434
	Cash payments for distribution of dividends, profits and for interest expenses		4,368,138	5,419,138
	Including: Distribution of dividends, profits by subsidiaries to minority shareholders		28,877	145,407
	Other cash paid in relation to financing activities	59	578,068	520,799
	Sub-total of cash outflows from financing activities		72,303,822	196,410,371
	Net cash flows from financing activities		530,043	(5,818,375)
IV.	**Effect of changes in foreign exchange rate on cash and cash equivalents**		(116,575)	24,200
V.	**Net increase/(decrease) in cash and cash equivalents**		(2,544,017)	(22,986,750)
	Add: Balance of cash and cash equivalents at the beginning of the year		28,026,417	51,013,167
VI.	**Balance of cash and cash equivalents at the end of the year**	59	25,482,400	28,026,417

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

Balance Sheet

31 December 2025
Prepared under PRC ASBEs
(English translation for reference only)
RMB'000

Assets	Note XV	31 December 2025	31 December 2024
Current assets			
Currency cash	1	**20,157,122**	27,683,894
Trading financial assets		**17,352,525**	13,684,626
Derivative financial assets		**229,125**	170,471
Trade receivables	2	**44,303,372**	35,851,072
Factored trade receivable		**9,070**	6,498
Receivable financing		**2,423,862**	4,032,164
Prepayments		**50,348**	45,130
Other receivables	3	**33,711,594**	33,183,991
Inventories		**16,850,693**	15,376,654
Contract assets		**2,594,216**	3,077,266
Non-current assets due within one year		**—**	3,081
Other current assets		**3,684,282**	2,347,996
Total current assets		**141,366,209**	135,462,843
Non-current assets			
Debt investment		**22,239,348**	12,768,949
Long-term receivables	4	**3,996,767**	3,682,681
Factored long-term receivables		**3,628**	8,664
Investment in associates, joints and subsidiaries	5	**19,136,136**	18,317,291
Other non-current financial assets		**1,736,221**	650,001
Property, plant and equipment		**5,260,455**	5,674,552
Construction in progress		**381,304**	338,098
Right-of-use assets		**474,301**	975,283
Intangible assets		**2,187,369**	2,357,285
Development costs		**420,844**	341,722
Deferred tax assets		**2,543,299**	1,825,573
Other non-current assets		**4,557,307**	4,627,124
Total non-current assets		**62,936,979**	51,567,223
TOTAL ASSETS		**204,303,188**	187,030,066

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

Balance Sheet

31 December 2025
Prepared under PRC ASBEs
(English translation for reference only)
RMB'000

Liabilities and shareholders' equity	Note XV	31 December 2025	31 December 2024
Current liabilities			
Short-term loans		—	2,690,394
Bank advances on factored trade receivables		9,070	6,498
Derivative financial liabilities		151,713	173,045
Bills payable		14,984,696	15,167,898
Trade payables		47,231,428	36,840,535
Contract liabilities		12,913,242	10,929,399
Employee benefits payable		7,602,792	9,861,785
Taxes payable		112,792	148,754
Other payables		8,996,237	9,835,567
Provisions		554,110	679,084
Non-current liabilities due within one year		4,982,861	4,085,673
Total current liabilities		97,538,941	90,418,632
Non-current liabilities			
Long-term loans		31,857,556	28,855,124
Bank advances on factored long-term trade receivables		3,628	8,664
Bonds payable		7,809,677	1,004,880
Lease liabilities		306,496	600,761
Long-term employee benefits payable		141,685	153,647
Deferred income		166,588	173,536
Other non-current liabilities		1,989,766	1,970,166
Total non-current liabilities		42,275,396	32,766,778
TOTAL LIABILITIES		139,814,337	123,185,410
Shareholder's equity			
Share capital		4,783,535	4,783,535
Other equity instruments		126,956	—
Capital reserve		27,328,685	27,330,356
Other comprehensive income		408,601	411,851
Special reserve		83,893	56,441
Surplus reserve		2,391,767	2,391,767
Retained profits		29,365,414	28,870,706
Shareholders' equity attributable to holders of ordinary shares		64,488,851	63,844,656
Total shareholders' equity		64,488,851	63,844,656
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		204,303,188	187,030,066

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

Income Statement

2025
Prepared under PRC ASBEs
(English translation for reference only)
RMB'000

	Note XV	2025	2024
Operating revenue	6	**140,405,290**	132,283,555
Less: Operating costs	6	**123,698,983**	111,215,518
Taxes and surcharges		**264,380**	311,705
Selling and distribution costs		**6,777,737**	6,171,831
Administrative expenses		**3,027,084**	3,510,027
Research and development costs		**6,119,632**	7,959,031
Finance costs		**(75,054)**	(235,330)
Including: Interest expense		**1,709,618**	1,681,902
Interest income		**2,110,309**	2,375,655
Add: Other income		**79,804**	528,794
Investment income	7	**1,951,460**	3,190,121
Including: Gains from investment in associates and joint ventures		**371,466**	151,210
Losses from derecognition of financial assets at amortised cost		**(245,845)**	(206,286)
Gains from changes in fair values		**122,028**	(67,455)
Credit impairment losses		**(6,491)**	53,473
Asset impairment losses		**(267,967)**	(262,606)
Gains from asset disposal		**406**	81,973
Operating profit		**2,471,768**	6,875,073
Add: Non-operating income		**771,915**	21,302
Less: Non-operating expenses		**45,808**	15,621
Total profit		**3,197,875**	6,880,754
Less: Income tax		**(248,274)**	(35,886)
Net profit		**3,446,149**	6,916,640
Including: net profit from continuing operations		**3,446,149**	6,916,640
Analysed by ownership			
Attributable to holders of ordinary shares		**3,446,149**	6,916,640
Other comprehensive income, net of tax		**(3,250)**	(356,288)
Other comprehensive income that cannot be reclassified to profit and loss			
Change arising from the re-measurement of defined benefit plans		**7,154**	(3,358)
Other comprehensive income that will be reclassified to profit and loss			
Effective portion of hedge instruments		**(4,295)**	598
Exchange differences on translation of foreign operations and others		**(6,109)**	(353,528)
Total comprehensive profit		**3,442,899**	6,560,352
Attributable to:			
Holders of ordinary shares		**3,442,899**	6,560,352

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

Statement of Changes in Equity

2025
Prepared under PRC ASBEs
(English translation for reference only)
RMB'000

	2025								
	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	Special reserve	Retained profits	Total equity of holders of ordinary shares	Total shareholders' equity
I. Closing balance of previous year	4,783,535	–	27,330,356	411,851	2,391,767	56,441	28,870,706	63,844,656	63,844,656
II. Changes during the year									
(I) Total comprehensive income	–	–	–	(3,250)	–	–	3,446,149	3,442,899	3,442,899
(II) Shareholder's capital injection and capital reduction									
1. Ordinary share injection from shareholders	–	–	–	–	–	–	–	–	–
2. Equity settled payments charged to equity	–	–	–	–	–	–	–	–	–
3. Others	–	126,956	(1,671)	–	–	–	–	125,285	125,285
(III) Profit appropriation									
1. Allocation to surplus reserve	–	–	–	–	–	–	–	–	–
2. Distribution to shareholders	–	–	–	–	–	–	(2,951,441)	(2,951,441)	(2,951,441)
(IV) Special reserve									
1. Allocated for the year	–	–	–	–	–	71,158	–	71,158	71,158
2. Utilised for the year	–	–	–	–	–	(43,706)	–	(43,706)	(43,706)
III. Current year's closing balance	4,783,535	126,956	27,328,685	408,601	2,391,767	83,893	29,365,414	64,488,851	64,488,851

	2024							
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Special reserve	Retained profits	Total equity of holders of ordinary shares	Total shareholders' equity
I. Closing balance of previous year	4,783,252	27,685,429	768,139	2,391,626	37,173	25,221,168	60,886,787	60,886,787
II. Changes during the year								
(I) Total comprehensive income	–	–	(356,288)	–	–	6,916,640	6,560,352	6,560,352
(II) Shareholder's capital injection and capital reduction								
1. Ordinary share injection from shareholders	283	(351,822)	–	–	–	–	(351,539)	(351,539)
2. Equity settled payments charged to equity	–	(3,251)	–	–	–	–	(3,251)	(3,251)
3. Others	–	–	–	–	–	–	–	–
(III) Profit appropriation								
1. Allocation to surplus reserve	–	–	–	141	–	(141)	–	–
2. Distribution to shareholders	–	–	–	–	–	(3,266,961)	(3,266,961)	(3,266,961)
(IV) Special reserve								
1. Allocated for the year	–	–	–	–	72,476	–	72,476	72,476
2. Utilised for the year	–	–	–	–	(53,208)	–	(53,208)	(53,208)
III. Current year's closing balance	4,783,535	27,330,356	411,851	2,391,767	56,441	28,870,706	63,844,656	63,844,656

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

Cash Flow Statement

2025
Prepared under PRC ASBEs
(English translation for reference only)
RMB'000

		2025	2024
I.	**Cash flows from operating activities**		
	Cash received from sale of goods or rendering of services	148,730,856	143,483,240
	Refunds of taxes	4,166,590	2,996,371
	Other cash received in relation to operating activities	1,315,631	1,851,106
	Sub-total of cash inflows from operating activities	154,213,077	148,330,717
	Cash paid for goods and services	136,504,017	125,183,627
	Cash paid to and on behalf of employees	8,511,642	8,920,749
	Cash paid for various types of taxes	1,176,995	1,222,116
	Other cash paid in relation to operating activities	8,089,568	7,772,818
	Sub-total of cash outflows from operating activities	154,282,222	143,099,310
	Net cash flows from operating activities	(69,145)	5,231,407
II.	**Cash flows from investing activities**		
	Cash received from sale of investments	94,669,331	72,122,610
	Cash received from return on investments	3,424,637	5,967,459
	Net cash received from the disposal of property, plant and equipment, intangible assets and other long-term assets	815,539	509,058
	Other cash received in relation to investing activities	2,271,643	7,029,258
	Sub-total of cash inflows from investing activities	101,181,150	85,628,385
	Cash paid to acquisition of property, plant and equipment, intangible assets and other long-term assets	1,541,629	1,593,290
	Cash paid for acquisition of investments	102,554,284	86,662,711
	Net cash paid for the acquisition of subsidiaries and other business units	—	—
	Other cash paid in relation to investing activities	2,499,435	7,126,924
	Sub-total of cash outflows from investing activities	106,595,348	95,382,925
	Net cash flows from investing activities	(5,414,198)	(9,754,540)
III.	**Cash flows from financing activities**		
	Cash received from investment	—	9,766
	Cash received from borrowings	58,044,991	87,558,704
	Other cash received in relation to financing activities	13,801,977	2,549,916
	Sub-total of cash inflows from financing activities	71,846,968	90,118,386
	Cash repayment of borrowings	50,055,017	99,573,530
	Cash payments for distribution of dividends and profits or for interest expenses	3,891,835	4,596,977
	Other cash paid in relation to financing activities	13,613,021	2,780,146
	Sub-total of cash outflows from financing activities	67,559,873	106,950,653
	Net cash flows from financing activities	4,287,095	(16,832,267)
IV.	**Effect of changes in foreign exchange rate on cash and cash equivalents**	(67,708)	96,057
V.	**Net increase/(decrease) in cash and cash equivalents**	(1,263,956)	(21,259,343)
	Add: Balance of cash and cash equivalents at the beginning of the year	15,604,627	36,863,970
VI.	**Balance of cash and cash equivalents at the end of the year**	14,340,671	15,604,627

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

Notes to Financial Statements

31 December 2025
Prepared under 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 information and communication technology ("ICT") 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 6 March 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 provisions for trade receivables and bad debts, inventory pricing, inventory provision for impairment, government grants, revenue recognition and measurement, deferred development costs, depreciation of property, plant and equipment, amortisation of intangible assets and measurement of investment properties, 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 31 December 2025 and their results of operations and cash flows for 2025 in compliance with the requirements of ASBEs.

2. Accounting period

The accounting period of the Group is based on the calendar year, namely, from 1 January to 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 their accounts into Renminbi when preparing the financial statements.

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 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 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 10% of the total amount of trade payables/other payables aged over 1 year and with an amount exceeding RMB100 million
Material construction in progress	Individual item with a budget amount exceeding RMB500 million
Material provisions	Individual provision item accounting for more than 10% of the total amount of provision and with an amount exceeding RMB300 million
Subsidiary with material non-controlling interest	Net assets of the subsidiary accounting for more than 5% of the Group's net assets or non-controlling interests in an individual subsidiary accounting for more than 1% of the Group's net assets and with an amount exceeding RMB1,000 million
Material capitalized R&D project	Closing balance of individual project accounting for more than 10% of closing balance of development expenditure and with an amount exceeding RMB500 million
Material research project in progress externally acquired	Individual project accounting for more than 10% of the total amount of R&D investment
Material change to contract	Varied/adjusted amount accounting for 30% or more of the original contract amount and accounting for 1% or more of the total amount of income for the year under review

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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

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

5. Business combination

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

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

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

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

6. Consolidated financial statements

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

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

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.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

8. Cash and cash equivalents

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

9. Foreign currency translation

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

Upon initial recognition, foreign currency transactions are translated into the functional currency using the 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.

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

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments

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

(1) Recognition and derecognition of financial instruments

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

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

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

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

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

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

(2) Classification and measurement of financial assets

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

Financial assets are measured at fair value at initial recognition, provided that trade receivables or bills receivable arising from sale of goods or services and not containing significant financing components or for which financing components of not more than one year are not taken into consideration shall be measured at their transaction prices at initial recognition. For financial assets at fair value through profit or loss, the relevant transaction costs are directly recognised in profit or loss; for other financial assets, the relevant transaction costs are recognised in their initial recognition amount.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

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

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

i. Debt instruments at amortised cost

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

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

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

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

(3) Classification, recognition and measurement of financial liabilities

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

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

i. Financial liabilities at fair value through profit or loss

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

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

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

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

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

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

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

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

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

ii. Financial liabilities at amortised cost

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

(4) Impairment of financial instruments

Determination and accounting treatment of expected credit losses.

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

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

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

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

Factors reflected in the Group's method of measuring 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.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

(4) Impairment of financial instruments (continued)

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

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

Calculation of aging for the purpose of 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.

(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.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

(7) Derivative financial instruments

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

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

(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.

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 expenses	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.

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.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

20. Revenue from customer contracts (continued)

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

(a) Standalone selling price

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

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

(b) Variable consideration

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

(c) Consideration payable to customers

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

(d) Return clauses

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

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

20. Revenue from customer contracts (continued)

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

(e) Significant financing component

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

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

(f) Warranty clauses

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

21. Contract assets and contract liabilities

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

(1) Contract assets

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

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

(2) Contract liabilities

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

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

22. Assets relating to contract cost

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

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.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

24. Deferred tax (continued)

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.

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.

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.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

31. Significant accounting judgements and estimates

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

(1) Judgement

In the process of applying the Group's accounting policies, management has made the following judgements, which have a 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. To determine whether or not the Group has transferred or retained substantially all risks and rewards associated with the asset or transferred the controlling right in the asset, the exercise of significant judgment is often required, and estimations need to be made as to the extent of the Group's continued involvement in the asset.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

31. Significant accounting judgements and estimates (continued)

(2) Estimation uncertainty

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

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

The Group assesses at each balance sheet date whether there is an indication that investment in associates and joints, property, plant and equipment, construction in progress and intangible assets may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount and performs a test of impairment for the asset. The recoverable amount is measured at the net amount of the fair value of the asset less disposal costs or the present value of the estimated future cash flow of the asset, whichever is higher. 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, commencing from the date the items of property, plant and equipment are placed into productive use. It reflects the management's estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment and intangible assets.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

31. Significant accounting judgements and estimates (continued)

(2) Estimation uncertainty (continued)

(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.

(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.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

31. Significant accounting judgements and estimates (continued)

(2) Estimation uncertainty (continued)

(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.

(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.

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

IV. TAXATION (continued)

2. Tax concession (continued)

Company name	Concessionary tax rate	Applicable period
Shenzhen Zhongxing Telecom Technology & Service Company Limited	15% (National-grade hi-tech enterprise)	2025–2027
Xi'an ZTE Terminal Technology Limited	15% (Concessions under the West China Development Policy)	2021–2030
CRS Technology Co., Ltd.	15% (National-grade hi-tech enterprise)	2024–2026
Nanjing Zhongxing Software Company Limited	15% (National-grade hi-tech enterprise)	2023–2025
Nanjing Zhongxing New Software Company Limited	15% (National-grade hi-tech enterprise)	2024–2026
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
Xi'an ZTE IoT Terminal Co., Ltd.	15% (Concessions under the West China Development Policy)	2021–2030
Beijing Zhongxing Guangtai Software Company Limited	15% (National-grade hi-tech enterprise)	2023–2025
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

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Currency cash

	2025	2024
Cash on hand	1,552	1,453
Bank Deposit	32,731,857	41,694,594
Other currency cash	1,017,707	2,189,301
Total	33,751,116	43,885,348
Including: total amount of funds deposited overseas	2,897,883	2,181,928

As at 31 December 2025, the Group's currency cash deposited overseas and subject to restrictions amounted to RMB23,054,000 (31 December 2024: RMB32,746,000).

2. Trading financial assets

	2025	2024
Investment in equity instruments at fair value through current profit and loss	79,467	108,117
Financial assets at fair value through current profit or loss	17,316,948	13,660,664
Total	17,396,415	13,768,781

3. Derivative financial assets

	2025	2024
Fair-value hedging instrument (Note IX.3)	235,175	166,082
Cashflow hedging instrument (Note IX.3)	—	73
Derivative financial assets at fair value through current profit or loss	437	7,284
Total	235,612	173,439

4A. Trade receivables/factored trade receivables

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

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

	2025	2024
Not overdue	15,431,985	14,143,256
Within 1 year	5,913,812	6,761,054
1 year to 2 years	1,054,696	1,207,776
2 years to 3 years	596,550	705,094
Over 3 years	4,995,971	4,982,337
	27,993,014	27,799,517
Less: bad debt provision for trade receivables	6,322,948	6,511,124
Total	21,670,066	21,288,393

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

2025

	Book balance		Bad debt provision		Book 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

2024

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

As at 31 December 2025, bad debt provisions for trade receivables on a group basis were as follows:

	Book balance	Provision for impairment	Percentage of provision
Not overdue	15,431,985	30,104	0.20%
Within 1 year	5,809,718	206,508	3.55%
1–2 years	1,047,503	461,546	44.06%
2–3 years	594,403	515,385	86.71%
Over 3 years	3,241,803	3,241,803	100.00%
Total	26,125,412	4,455,346	17.05%

(3) Movements in bad debt provisions for trade receivables

	Opening balance	Charge/ (reversal) for the year	Write-off for the year	Effect of exchange rate	Closing balance
2025	6,511,124	(55,891)	(110,705)	(21,580)	6,322,948

As at 31 December 2025, RMB1,544,000 (31 December 2024: RMB4,272,000) was reversed for trade receivables which were individually significant and for which bad-debt provision had been made separately. There was a write-off in the amount of RMB31,245,000 (31 December 2024: RMB146,000) in respect of trade receivables which were individually significant and for which bad-debt provision had been made separately.

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 31 December 2025

	Closing balance of trade receivables	Closing balance of contract assets	Closing balance of trade receivables and contract assets	As a percentage of total closing balance of trade receivables and contract assets	Closing balance of bad-debt provision for trade receivables and provision for impairment of contract assets
Customer 1	4,320,262	1,261,409	5,581,671	16.38%	59,037
Customer 2	2,520,777	495,311	3,016,088	8.85%	27,725
Customer 3	1,770,530	441,528	2,212,058	6.49%	33,373
Customer 4	1,023,912	560	1,024,472	3.01%	848,622
Customer 5	790,621	—	790,621	2.32%	9,987
Total	10,426,102	2,198,808	12,624,910	37.05%	978,744

(5) Transfer of trade receivables

The transfer of trade receivables that did not qualify for derecognition was separately reflected in "Factored trade receivables" and "Bank advances on factored trade receivables". As at 31 December 2025, factored trade receivables amounted to RMB9,070,000 (31 December 2024: RMB6,498,000); and bank advances on factored trade receivables amounted to RMB9,070,000 (31 December 2024: RMB6,498,000). For details of the transfer of trade receivables, please refer to Note IX.4.

(a) Factored trade receivables

	31 December 2025			31 December 2024		
	Book balance	Bad debt provision	Carrying value	Book balance	Bad debt provision	Carrying value
Factored trade receivables	9,070	—	9,070	6,498	—	6,498

(b) Movements in bad provision for factored trade receivables

	Opening balance	Charge/(reversal) for the year	Write-off for the year	Effect of exchange rate	Closing balance
2025	—	—	—	—	—

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

4B. Receiving financing

	2025	2024
Commercial acceptance bills	2,669,765	3,971,445
Bank acceptance bills	370,203	271,596
Total	3,039,968	4,243,041

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

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

	2025		2024	
	Derecognised	Not derecognised	Derecognised	Not derecognised
Commercial acceptance bills	3,521,732	—	1,578,773	—
Bank acceptance bills	1,025,832	—	981,970	—
Total	4,547,564	—	2,560,743	—

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

	Opening balance	Charge/ (reversal) for the year	Write-off for the year	Closing balance
2025	3,013	(237)	—	2,776

5. Prepayments

(1) Aging analysis of prepayments was as follows:

	2025		2024	
	Book balance	Percentage	Book balance	Percentage
Within 1 year	1,414,817	98.02%	692,097	100.00%
Over 1 year	28,623	1.98%	—	—
Total	1,443,440	100.00%	692,097	100.00%

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

5. Prepayments (continued)

(2) Top 5 accounts of prepayments as at 31 December 2025 were as follows:

Supplier	Amount	As a percentage of total amounts of prepayments
Supplier 1	371,808	25.76%
Supplier 2	345,960	23.97%
Supplier 3	114,178	7.91%
Supplier 4	89,100	6.17%
Supplier 5	81,738	5.66%
Total	1,002,784	69.47%

6. Other receivables

	2025	2024
Other receivables	2,392,560	2,597,585

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

	2025	2024
Within 1 year	2,470,839	2,625,903
1 year to 2 years	15,188	64,439
2 years to 3 years	5,048	137,606
Over 3 years	302,666	204,137
	2,793,741	3,032,085
Less: Bad debt provision for other receivables	401,181	434,500
Total	2,392,560	2,597,585

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

	2025	2024
Employee advances	23,633	11,581
Transactions with third parties	2,770,108	3,020,504
Total	2,793,741	3,032,085

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

6. Other receivables (continued)

(3) Charge of bad debt provision

2025

	Book balance		Bad debt provision		Book value
	Amount	Percentage	Amount	Percentage	
Recognition of provision for impairment by group with credit risk characteristics	2,793,741	100.00%	401,181	14.36%	2,392,560

As at 31 December 2025, bad debt provisions for other receivables on a group basis were as follows:

	Book balance	Provision for impairment	Percentage of provision
Aging risk portfolio	2,793,741	401,181	14.36%

For financial assets included in other receivables based on expected credit losses in the next 12 months and expected credit losses during the entire life, the change of respective provisions for bad debt was as follows:

	Stage 1 Expected credit losses in the next 12 months	Stage 2 Expected credit losses during the entire life (credit losses not incurred)	Stage 3 Financial assets with credit impairment occurred (credit losses incurred)	Total
Opening balance	5,122	—	429,378	434,500
Charge for the year	2,773	—	29,540	32,313
Reversal for the year	—	—	(58,377)	(58,377)
Write-off for the year	—	—	(4,546)	(4,546)
Exchange rate effect	—	—	(2,709)	(2,709)
Closing balance	7,895	—	393,286	401,181

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

	Opening balance	Charge/ (reversal) for the year	Write-off for the year	Exchange rate movement	Closing balance
Aging risk portfolio	434,500	(26,064)	(4,546)	(2,709)	401,181

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

6. Other receivables (continued)

(4) As at 31 December 2025, top five accounts of other receivables were as follows:

Due from	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	42.32%	Transactions with third parties	Within 1 year	13,116
Third-party entity 2	116,623	4.17%	Transactions with third parties	Over 3 years	116,623
Third-party entity 3	92,000	3.29%	Transactions with third parties	Over 3 years	92,000
Third-party entity 4	40,846	1.46%	Transactions with third parties	Within 1 year	69
Third-party entity 5	14,110	0.51%	Transactions with third parties	Over 3 years	14,110
Total	1,445,848	51.75%			235,918

7. Inventories

(1) Classification of inventories

	2025			2024		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Raw materials and materials under subcontract processing	28,540,603	3,552,961	24,987,642	26,549,462	3,747,848	22,801,614
Work in progress	2,420,453	44,698	2,375,755	2,942,300	50,466	2,891,834
Inventory	3,895,567	355,883	3,539,684	3,170,755	321,697	2,849,058
Dispatch of goods	8,505,971	827,524	7,678,447	7,985,425	664,133	7,321,292
Contract performance costs	8,962,966	527,372	8,435,594	5,919,759	525,900	5,393,859
Total	52,325,560	5,308,438	47,017,122	46,567,701	5,310,044	41,257,657

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

7. Inventories (continued)

(2) Provision for impairment of inventories

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

	Opening balance	Charge/ (reversal) for the year	Write-off for the year	Others	Closing balance
Raw materials and materials under subcontract processing	3,747,848	(184,637)	(10,303)	53	3,552,961
Work in progress	50,466	(5,762)	—	(6)	44,698
Inventories	321,697	12,226	(1,411)	23,371	355,883
Dispatch of goods and contract cost	1,190,033	370,212	(200,801)	(4,548)	1,354,896
Total	5,310,044	192,039	(212,515)	18,870	5,308,438

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

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

	2025			2024		
	Book balance	Provision for impairment	Percentage of provision	Book balance	Provision for impairment	Percentage of provision
Terminal	5,656,127	338,503	5.98%	3,828,634	311,861	8.15%
Non-terminal						
Raw materials	26,337,406	3,345,988	12.70%	25,150,320	3,566,426	14.18%
Work in progress	1,652,196	35,753	2.16%	2,430,627	40,865	1.68%
Inventories	1,585,121	235,019	14.83%	1,435,269	200,859	13.99%
Dispatch of goods and contract fulfillment cost	17,094,710	1,353,175	7.92%	13,722,851	1,190,033	8.67%
Total	52,325,560	5,308,438	10.15%	46,567,701	5,310,044	11.40%

The specific basis for the net realisable value of 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 realisable value of the relevant inventories is comprehensively assessed with reference to the risk of obsolescence based on historical data and future market demand as well as 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 realisable value of delivered goods and contract fulfilment costs is determined based on inventory age, historical empirical data and business risk estimates.

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

8. Contract assets

(1) *Information on contract assets*

	2025			2024		
	Book balance	**Provision for impairment**	**Carrying value**	Book balance	Provision for impairment	Carrying value
Contract assets	**6,091,610**	**210,444**	**5,881,166**	5,215,711	243,637	4,972,074

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

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

2025

	Book balance		**Provision for impairment**		**Book 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**

2024

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

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 as follows:

	2025				2024	
	Book balance	Provision for impairment	Percentage of provision	Reason	Book balance	Provision for impairment
Customer 1	42,792	42,792	100%	Debtor in serious financial distress	42,745	42,745
Customer 2	35,792	35,792	100%	Debtor in serious financial distress	37,351	37,351
Others	24,045	24,045	100%	Debtor in serious financial distress	25,305	25,305
Total	102,629	102,629			105,401	105,401

(b) As at 31 December 2025, contract assets for which provision for impairments were made on a group basis were follows:

	Book balance	Provision for impairment	Percentage of provision
Contract assets	5,988,981	107,815	1.80%

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

	Opening balance	Provisions/ (reversal) for the year	Write-off for the year	Exchange rate movements	Closing balance
2025	243,637	(26,191)	—	(7,002)	210,444

9. Debt investment

	31 December 2025			31 December 2024		
	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	30,879,577	—	30,879,577	25,068,445	—	25,068,445
Others	201,746	—	201,746	—	—	—
Total	31,081,323	—	31,081,323	25,068,445	—	25,068,445

Note: Large-amount certificates of deposit represent large-amount deposit certificates issued by financial institutions engaged in banking deposit business to individuals, non-financial enterprises and organisations, which is a type of bank deposit product. As at 31 December 2025, debt investments held by the Group basically consist of large-amount certificates of deposit with maturity of over 1 year.

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

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

(1) *Long-term receivables*

	2025			2024			
	Book Balance	Bad debt provision	Carrying value	Book Balance	Bad debt provision	Carrying value	Range of discount rate
Installment payments for the provision of telecommunication system construction projects and finance lease payments	1,230,669	32,664	1,198,005	885,890	51,918	833,972	3.10%–7.05%

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

	Opening balance	Charge/ (reversal) for the year	Write-off for the year	Effect of exchange rate	Closing balance
31 December 2025	51,918	(19,104)	—	(150)	32,664

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 2.65%.

(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 31 December 2025, factored trade receivables amounted to RMB3,628,000 (2024: RMB8,664,000) and bank advances on factored trade receivables amounted to RMB3,628,000 (2024: RMB8,664,000). For details of the transfer of long-term receivables, please refer to Note IX.4.

(a) Factored long-term receivables

	2025			2024		
	Book balance	Bad debt provision	Carrying value	Book balance	Bad debt provision	Carrying value
Factored long-term receivables	3,628	—	3,628	8,664	—	8,664

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

	Opening balance	Charge/ (reversal) for the year	Write-off for the year	Effect of exchange rate	Closing balance
2025	—	—	—	—	—

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

11. Investment in associates and joints

(1) Information on investment in associates and joints

		2025	2024
Equity method			
Joint ventures	(i)	**1,250,822**	1,025,780
Associates	(ii)	**1,444,718**	1,425,314
Less: provision for impairment of investment in associates and joints		**117,258**	117,258
Total		**2,578,282**	2,333,836

(i) Joint Ventures

				Movement during the year								
	Shareholding percentage	Opening book balance	Provision for impairment at the beginning of year	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 year
Puxing Mobile Telecom Equipment Co., Ltd.	33.85%	1,207	–	–	–	–	–	–	–	–	1,207	–
DataService Technology Co., Ltd.	49.00%	39,742	–	–	–	883	–	–	(3,438)	–	37,187	–
Shaanxi Zhongtou Zhanlu Phase I Equity Investment Partnership Enterprise (Limited Partnership)	40.00%	63,400	–	–	(7,108)	668	–	–	–	–	56,960	–
Shaanxi Zhongtou Zhanlu Phase II Equity Investment Partnership Enterprise (Limited Partnership)	40.25%	104,871	–	–	–	5,520	–	–	–	–	110,391	–
Zhuhai Hongtu Zhanlu Equity Investment Partnership Enterprise (Limited Partnership)	40.00%	724,012	–	–	–	305,119	–	–	(99,135)	–	929,996	–
Beijing Shunyi Jianguang Zhanlu Emerging Industry Equity Investment Partnership (Limited Partnership)	58.75%	92,548	–	23,530	–	(997)	–	–	–	–	115,081	–
		1,025,780	–	23,530	(7,108)	311,193	–	–	(102,573)	–	1,250,822	–

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 joints (continued)

(ii) Associates

				Movement during the year								
	Shareholding percentage	Opening book balance	Provision for impairment at the beginning of year	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 year
HENGYANG ICT REAL-ESTATE CO., LTD	30.00%	–	(52,446)	–	–	–	–	–	–	–	–	(52,446)
WHALE CLOUD TECHNOLOGY CO., LTD.	27.62%	1,081,396	–	–	–	56,865	(255)	–	–	–	1,138,006	–
Xingyun Times Technology Co., Ltd.	23.26%	115,138	–	–	–	684	–	–	–	–	115,822	–
Qingdao Hongtu Zhanlu Phase II Private Equity Investment Fund Partnership (Limited Partnership)	33.33%	59,339	–	–	–	(950)	–	–	–	–	58,389	–
* Other investments		52,183	(64,812)	–	(42,058)	5,321	–	–	(203)	–	15,243	(64,812)
		1,308,056	(117,258)	–	(42,058)	61,920	(255)	–	(203)	–	1,327,460	(117,258)

* Zhongxing (Wenzhou) Urban Rail Transportation Communication Technical Co. Ltd. ceased to be accounted for as an associate for the period owing to the loss of significant influence following the disposal of entire equity interest in this company.

12. Other non-current financial assets

	2025	2024
Equity instrument investment at fair value through current profit and loss	687,921	715,761
Financial assets at fair value through current profit or loss	1,104,699	—
Total	1,792,620	715,761

13. Investment properties

	Buildings and land use rights
Opening balance	99,045
Fair value change (Note V.52)	(4,468)
Acquisition	—
Other transfers	—
Closing balance	94,577

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

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

14. Property, plant and equipment

	Buildings and structures	Freehold land	Electronic equipment	Machinery equipment	Vehicles	Other equipment	Total
Cost							
Opening balance	12,766,761	27,499	9,505,981	3,107,538	223,534	418,856	26,050,169
Acquisitions	107,008	–	1,200,003	179,682	12,057	36,109	1,534,859
Transfer from construction in progress/others	44,989	–	–	–	–	–	44,989
Disposal or retirement	(78,115)	–	(795,444)	(187,178)	(15,655)	(28,152)	(1,104,544)
Exchange rate adjustments	5,241	3,750	11,981	(5,478)	101	(5,815)	9,780
Closing balance	12,845,884	31,249	9,922,521	3,094,564	220,037	420,998	26,535,253
Cumulative depreciation							
Opening balance	3,474,097	–	5,869,444	2,080,956	132,213	287,630	11,844,340
Provision	484,989	–	1,326,237	179,591	16,042	38,742	2,045,601
Disposal or retirement	(8,418)	–	(642,226)	(142,677)	(13,807)	(5,649)	(812,777)
Exchange rate adjustments	4,988	–	13,851	(6,522)	304	(4,407)	8,214
Closing balance	3,955,656	–	6,567,306	2,111,348	134,752	316,316	13,085,378
Provision for impairment							
Opening balance	20,775	–	1,046	5,511	–	78	27,410
Provision	–	–	–	–	–	–	–
Disposal or retirement	–	–	–	–	–	–	–
Exchange rate adjustments	–	–	519	–	–	–	519
Closing balance	20,775	–	1,565	5,511	–	78	27,929
Book value							
As at the end of the year	8,869,453	31,249	3,353,650	977,705	85,285	104,604	13,421,946
As at the beginning of the year	9,271,889	27,499	3,635,491	1,021,071	91,321	131,148	14,178,419

As at 31 December 2025, the Group was in the process of applying for property ownership certificate for buildings in Shenzhen, Shanghai and Nanjing, among others, in China with a net book value of approximately RMB4,320,173,000 (31 December 2024: RMB4,508,863,000)

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

15. Construction in progress

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

	Budget	Opening balance	Increase during the year	Transfer to property, plant and equipment	Other reduction	Provision for impairment	Closing balance	Source of funds	Construction contribution as a percentage of budget	Work progress
Shenzhen Super Headquarters Project	692,147	338,099	36,198	–	–	–	374,297	Internal funds	54%	Under construction
ZTE Southwest Technological Innovation Centre project	870,600	12,230	56,782	–	–	–	69,012	Internal funds	8%	Under construction
Others		335,047	64,840	44,989	–	–	354,898	Internal funds		Under construction
		685,376	157,820	44,989	–	–	798,207			

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

16. Leases

(1) As lessee

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

	2025	2024
Interest expense on lease liabilities	**86,675**	79,784
Short-term leases through current profit or loss using simplified approach	**103,504**	102,147
Total cash outflow relating to leases	**578,068**	511,799

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

16. Leases (continued)

(1) As lessee (continued)

(a) Rights-of-use assets

	Buildings and structures	Vehicles	Other equipment	Total
Cost				
Opening balance	2,147,849	85,435	594,974	2,828,258
Increase	171,509	2,683	326,873	501,065
Decrease	(779)	—	—	(779)
Exchange rate adjustment	(3,602)	(1,377)	3,821	(1,158)
Closing balance	2,314,977	86,741	925,668	3,327,386
Cumulative depreciation				
Opening balance	1,099,589	56,948	120,148	1,276,685
Charge	343,936	6,568	164,881	515,385
Decrease	(584)	—	—	(584)
Exchange rate adjustment	(264)	(1,325)	3,200	1,611
Closing balance	1,442,677	62,191	288,229	1,793,097
Book value				
As at the end of the year	872,300	24,550	637,439	1,534,289
As at the beginning of the year	1,048,260	28,487	474,826	1,551,573

(b) Lease liabilities

Lease liabilities due within one year are shown under Non-current liabilities due within one year, amounting to RMB732,813,000 as at 31 December 2025 (31 December 2024: RMB544,777,000).

Long-term lease liabilities were set out as follows:

	2025	2024
Lease liabilities	940,369	972,943

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

16. Leases (continued)

(2) As lessor

(a) Finance leasing:

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

	2025	2024
Interest income from finance leases	50,528	55,133

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

	2025	2024
Within 1 year	1,182,270	1,482,270
Over 1 year	300,000	—
Less: unrealised finance income	25,972	98,170
Lease investment, net	1,456,298	1,384,100

(b) Operating lease:

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

	2025	2024
Lease income	116,889	110,875

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

	2025	2024
Within 1 year (including 1 year)	102,450	182,329
1 to 2 years (including 2 years)	79,322	89,166
2 to 3 years (including 3 years)	61,122	69,553
3 to 4 years (including 4 years)	42,044	55,900
4 to 5 years (including 5 years)	32,719	40,684
More than 5 years	159,063	185,268
Total	476,720	622,900

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

17. Intangible assets

	Software	Technology know-how	Land use right	Franchise	Deferred development costs	Total
Cost						
Opening balance	1,824,316	460,093	2,874,912	2,188,414	21,269,472	28,617,207
Acquisition	310,693	35,949	658	11,407	–	358,707
In-house R&D	–	–	–	–	1,202,450	1,202,450
Disposal or retirement	(104,124)	–	(13,313)	–	–	(117,437)
Exchange rate adjustments	(7,544)	–	–	32,125	–	24,581
Closing balance	2,023,341	496,042	2,862,257	2,231,946	22,471,922	30,085,508
Cumulative amortization						
Opening balance	986,106	362,412	609,738	1,622,480	16,947,558	20,528,294
Provision	472,197	44,006	72,779	38,506	1,678,524	2,306,012
Disposal or retirement	(97,750)	–	(2,417)	–	–	(100,167)
Exchange rate adjustments	(4,069)	2	–	6,489	–	2,422
Closing balance	1,356,484	406,420	680,100	1,667,475	18,626,082	22,736,561
Provision for impairment						
Opening balance	92,657	81,359	–	544,221	211,476	929,713
Provision	–	–	–	–	400,487	400,487
Disposal or retirement	–	–	–	–	–	–
Exchange rate adjustments	(2,341)	–	–	4,437	–	2,096
Closing balance	90,316	81,359	–	548,658	611,963	1,332,296
Book value						
As at the end of the year	576,541	8,263	2,182,157	15,813	3,233,877	6,016,651
As at the beginning of the year	745,553	16,322	2,265,174	21,713	4,110,438	7,159,200

As at 31 December 2025, the Group was in the process of obtaining the land use right certificate of land blocks located in Nanjing in the PRC with a carrying value of approximately RMB84,302,000 (31 December 2024: RMB85,838,000).

As at 31 December 2025, intangible assets formed through internal research and development accounted for 54% (31 December 2024: 57%) of the book value of intangible assets as at the end of the year.

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

17. Intangible assets (continued)

Products had been withdrawn from market owing to market performance falling short of expectations and impairment testing was conducted on items in development expense which were subject to impairment.

	Carrying value	Recoverable amount	Impairment amount	Method for determining fair value and disposal cost
Project 1	10,042	–	10,042	Product taken off from market and fair value assessed by Company to be RMB0
Project 2	57,923	–	57,923	
Project 3	373,299	40,777	332,522	Fair value RMB40,777 thousand
Total	441,264	40,777	400,487	

18. Deferred development cost

Please refer to Note VI.2.

19. Goodwill

	Zhuhai Guangtong Bus Co., Ltd.	Suzhou Laxense Technology Co., Ltd.	NETAŞ TELEKOMÜNİKASYON A.Ş.	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 year	–	–	–	–	–
Decrease during the year	–	–	–	–	–
Exchange rate movement	–	–	–	–	–
	186,206	33,500	89,763	14,425	323,894
Provision for impairment					
Opening balance	186,206	33,500	89,763	–	309,469
Increase during the year	–	–	–	14,425	14,425
Decrease during the year	–	–	–	–	–
Exchange rate movement	–	–	–	–	–
	186,206	33,500	89,763	14,425	323,894
Carrying value	–	–	–	–	–

The Group acquired ZTE Hotel Shenzhen Investment & Management Company Limited in September 2024, giving rise to goodwill amounting RMB14,425,000. A full provision for impairment was made by the Group for the year following an impairment review of the asset group to which the goodwill was related.

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

19. Goodwill (continued)

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

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

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

	Carrying value	Recoverable amount	Impairment amount	Duration of budget/ forecast period	Key parameters of budget/forecast period	Key parameters of stability period	Basis for determining key parameters of stability period
ZTE Hotel Shenzhen Investment & Management Company Limited	25,175	10,750	14,425	5	Recoverable amount is calculated on the basis of present value of future cash flow	Growth rate for the forecast period 2%–8% Discount rate 10% Perpetual growth rate 1%	Estimated cash flow is based on 5-year cash flow estimates approved by Company management

An impairment review was conducted during the year in respect of the asset groups from which goodwill arose and the recoverable amount was estimated to be lower than the carrying amount. Impairment was charged for the full amount of the difference, following which the carrying value of goodwill included in the ZTE Hotel Shenzhen Investment & Management Company Limited asset group was reduced to RMB0.

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, NETAŞ TELEKOMÜNİKASYON A.Ş. 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.

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

20. Deferred tax assets/liabilities

(1) Deferred tax assets which were not offset:

	2025		2024	
	Deductible temporary differences	**Deferred tax assets**	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
Unrealised profits arising on intra-group consolidation	**2,991,629**	**508,577**	1,692,118	287,660
Provision for impairment and bad-debt provision for inventory	**6,073,264**	**1,255,583**	6,541,696	1,325,920
Estimated construction contract losses	**942,504**	**141,376**	1,631,655	244,748
Amortisation of development costs	**4,137,415**	**607,731**	4,261,206	627,239
Provision for warranties and returned goods	**197,154**	**45,345**	188,425	43,338
Long-term employee benefits payable	**141,685**	**32,588**	153,647	35,339
Deductible tax losses	**4,697,220**	**730,236**	3,403,202	535,406
Deferred income	**980,100**	**228,341**	966,677	221,395
Accruals and contract liabilities	**10,986,740**	**1,735,182**	7,310,187	1,171,479
Lease liabilities	**1,673,182**	**250,977**	1,517,720	227,658
Total	**32,820,893**	**5,535,936**	27,666,533	4,720,182

(2) Deferred tax liabilities which were not offset:

	2025		2024	
	Taxable temporary differences	**Deferred tax liabilities**	Taxable temporary differences	Deferred tax liabilities
Deferred tax liabilities				
Revaluation gain of investment properties	**256,241**	**39,881**	289,632	45,092
Investment in financial instruments through profit or loss at fair value	**379,155**	**56,168**	282,341	40,833
Fair-value adjustment of business combination not under common control	**36,720**	**5,508**	63,026	9,454
Rights-of-use assets	**1,534,289**	**267,904**	1,551,573	225,989
Others	**724,718**	**108,708**	622,513	93,377
Total	**2,931,123**	**478,169**	2,809,085	414,745

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:

	2025		2024	
	Amount of set-off	**Amount after set-off**	Amount of set-off	Amount after set-off
Deferred tax assets	**370,259**	**5,165,677**	324,094	4,396,088
Deferred tax liabilities	**370,259**	**107,910**	324,094	90,651

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

	2025	2024
Deductible temporary differences	**11,804,660**	10,453,634
Deductible losses	**21,176,657**	17,525,460
Total	**32,981,317**	27,979,094

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

	2025	2024
2025	**—**	210,616
2026	**374,613**	446,463
2027	**930,433**	1,069,920
2028	**1,349,442**	1,368,520
Beyond 2029	**18,522,169**	14,429,941
Total	**21,176,657**	17,525,460

As it was 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, the Group did not recognize deferred tax asset in respect of the aforesaid tax loss.

21. Non-current assets with a term of one year or less

	2025	2024
Debt investment	**510,698**	3,085

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

22. Other current assets/other non-current assets

(1) *Other current assets*

	2025	2024
Credit tax available for set off	10,417,873	8,698,292
Others	168,756	201,056
Total	10,586,629	8,899,348

(2) *Other non-current assets*

	2025			2024		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Prepayments for projects, equipment and land	635,131	–	635,131	612,635	–	612,635
Risk compensation fund	1	–	1	41,003	–	41,003
Guarantee deposit	22,614	–	22,614	22,585	–	22,585
Restricted cash (Note 1)	3,348,726	–	3,348,726	3,357,328	–	3,357,328
Prepaid income tax	294,075	–	294,075	227,299	–	227,299
Property project (Note 2)	1,516,604	356,270	1,160,334	1,516,604	356,270	1,160,334
Others	2,569,486	22,230	2,547,256	1,477,010	1,677	1,475,333
Total	8,386,637	378,500	8,008,137	7,254,464	357,947	6,896,517

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

Note 2: Due to changes in the real estate market environment, an impairment test was conducted on the held property projects. The recoverable amount was determined based on the present value of expected future cash flows:

	Book value	Recoverable amount	Impairment amount	Duration of the budget/ forecast period	Key parameters for the budget/ forecast period	Key parameters for the stable period	Basis for determining the key parameters of the stable period
Property Project	1,516,604	1,160,334	356,270	20	The recoverable amount is calculated based on the present value of future cash flows	Forecast period growth rate 2.5%–4.5% Discount rate 6% Perpetual growth Rate 2%	The projected cash flows are based on a 20-year cash flow forecast approved by the Company's management

23. Assets under restrictions on ownership or right of use

2025

	Book balance	Carrying value	Type of restriction	Status
Currency cash	1,017,707	1,017,707	Note 1	Note 1
Property, plant and equipment	506,837	411,178	Security	Note 2
Intangible assets	160,790	131,580	Security	Note 3
Other non-current assets – restricted cash	3,348,727	3,348,727	Note 4	Note 4
Total	5,034,061	4,909,192		

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

23. Assets under restrictions on ownership or right of use (continued)

2024

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

Note 1: As at 31 December 2025, the Group's currency cash subject to ownership or right-of-use restriction amounted to RMB1,017,707,000 (31 December 2024: RMB2,189,301,000), including guarantee of RMB287,169,000 (31 December 2024: RMB541,046,000), dues from the People's Bank of China of RMB723,136,000 (31 December 2024: RMB1,619,625,000) and others of RMB7,402,000 (31 December 2024: RMB28,630,000).

Note 2: As at 31 December 2025, property, plant and equipment with a total carrying value of RMB411,178,000 (31 December 2024: RMB427,130,000) were pledged to secure bank borrowing. No property, plant and equipment were pledged in connection with asset acquisitions (31 December 2024: Nil). The depreciation charge of property, plant and equipment under security as at 31 December 2025 was RMB15,952,000 (31 December 2024: RMB15,947,000).

Note 3: As at 31 December 2025, intangible assets with a total carrying value of RMB131,580,000 (31 December 2024: RMB134,796,000) were pledged to secure bank borrowing. No intangible assets were pledged in connection with asset acquisitions (31 December 2024: Nil). The amortisation charge of property, plant and equipment under security as at 31 December 2025 was RMB3,216,000 (31 December 2024: RMB3,216,000).

Note 4: As at 31 December 2025, restricted funds represented a RMB3,348,726,000 (31 December 2024: RMB3,357,328,000) deposit in an escrow account, the detail of which are set out in Note XII. The risk compensation funds under factored trade receivable arrangements to be released after one year amounted to RMB1,000 (31 December 2024: RMB41,003,000).

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

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

24. Short-term loans

			2025		2024	
			Original currency	RMB equivalent	Original currency	RMB equivalent
Credit loans		RMB	511,099	511,099	80,346	80,346
		USD	42,329	295,898	50,205	366,248
		EUR	24,051	197,352	18,527	140,780
		KZT	450,000	6,259	—	—
Bills discounting loans		RMB	4,781	4,781	2,515,316	2,515,316
Letter of credit loans		RMB	2,597,639	2,597,639	3,917,399	3,917,399
Secured loans	Note 1	RMB	15,637	15,637	6,981	6,981
Total				3,628,665		7,027,070

There was no overdue borrowing as at 31 December 2025.

Note 1: The secured loan comprised mainly the balance of RMB15,637,000 as at 31 December 2025 (31 December 2024: balance of short-term loan RMB6,981,000) of a short-term loan extended to Zonson Smart Auto Corporation secured by land use rights and property, plant and equipment with carrying values of RMB131,580,000 and RMB411,178,000, respectively. For details of the collaterals for the secured loans and their carrying values please refer to Note V. 23.

25. Derivative financial liabilities

	2025	2024
Fair-value hedge instrument (Note IX.3)	172,319	199,355
Cash flow hedge instrument (Note IX.3)	6,812	1,481
Derivative financial liabilities at fair value through current profit and loss	116	17
Total	179,247	200,853

26A. Bills payable

	2025	2024
Bank acceptance bills	6,144,476	3,423,564
Commercial acceptance bills	9,125,953	7,535,770
Total	15,270,429	10,959,334

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

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

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 as follows:

	2025	2024
Within 6 months	17,997,700	21,472,734
6 to 12 months	282,299	346,905
1 year to 2 years	218,295	161,867
2 years to 3 years	39,402	137,877
Over 3 years	229,144	252,409
Total	18,766,840	22,371,792

As at 31 December 2025, there were no material trade payables aged over 1 year or overdue (31 December 2024: Nil).

27. Contract liabilities

	2025	2024
Contracted consideration received	15,600,702	12,859,416

Contract liabilities refer to the obligation to transfer goods to customers in consideration of payments received or receivable from customers. Contract liabilities are incurred when the payment schedule agreed under the contract is ahead of the performance of contract obligations.

28. Employee benefits payable/Long-term employee benefits payable

(1) Employee benefits payable

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Short-term remuneration	16,260,255	26,323,370	(28,142,934)	14,440,691
Retirement benefits (defined contribution scheme)	302,489	2,250,533	(2,250,168)	302,854
Termination benefits	428,942	400,020	(488,297)	340,665
Total	16,991,686	28,973,923	(30,881,399)	15,084,210

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

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

(1) Employee benefits payable (continued)

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

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Salary, bonus, allowance and subsidy	13,077,484	23,260,168	(24,874,549)	11,463,103
Staff benefits	4,504	35,698	(27,973)	12,229
Social insurance	83,691	1,278,300	(1,281,264)	80,727
Including: Medical	79,073	1,190,485	(1,193,932)	75,626
Work injuries	1,889	44,390	(44,008)	2,271
Maternity	2,729	43,425	(43,324)	2,830
Housing funds	53,992	995,499	(986,841)	62,650
Labour union fund and employee education fund	3,040,584	753,705	(972,307)	2,821,982
Total	16,260,255	26,323,370	(28,142,934)	14,440,691

(b) Defined contribution plans were analysed as follows:

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Pension insurance	298,701	2,170,789	(2,170,605)	298,885
Unemployment insurance	3,788	79,744	(79,563)	3,969
Total	302,489	2,250,533	(2,250,168)	302,854

(2) Long-term employee benefits payable

	2025	2024
Net liabilities from defined benefit plan	141,685	153,647

Change in the present value of obligations under defined benefit plan:

	2025	2024
Opening balance	153,647	141,762
Charged to current profit or loss		
Service cost	—	12,016
Interest expenses	2,608	3,455
Charged to other comprehensive income		
Benefit cost recognised in other comprehensive income	(7,154)	3,358
Pension paid	(7,416)	(6,944)
Closing balance	141,685	153,647

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 (continued)

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.

The latest actuarial valuation of assets under the plan and the present value of obligations under defined benefit plans were determined by 韜睿惠悦管理諮詢(深圳)有限公司 using the expected benefit accrual unit approach at 2025.

(a) Major actuarial assumptions applied as at the balance sheet date were as follows:

	2025	2024
Discount rate	**1.75%**	1.75%
Expected rate of salary increase	**5.50%**	5.50%

(b) A quantitative sensitivity analysis of significant assumptions applied was set out as follows:

2025

	Increase	**Increase/ (decrease) in obligations under defined benefit plan**	**Decrease**	**Increase/ (decrease) in obligations under defined benefit plan**
Discount rate	**0.25%**	**(2,487)**	**0.25%**	**2,554**
Expected salary increase rate	**1.00%**	**6,330**	**1.00%**	**(5,899)**

2024

	Increase	Increase/ (decrease) in obligations under defined benefit plan	Decrease	Increase/ (decrease) in obligations under defined benefit plan
Discount rate	0.25%	(2,915)	0.25%	2,991
Expected salary increase rate	1.00%	7,572	1.00%	(7,016)

The above sensitivity analysis is based on inference of the impact of reasonable changes in key assumptions at the balance sheet date on the net amount of defined benefits. Sensitivity analysis is based on the change of the material assumption on the premise that other assumptions remain unchanged. As the changes of the assumptions are often correlated, the sensitivity analysis may not represent the actual changes of the obligations under defined benefit plans.

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 (continued)

(c) Relevant plans recognised in the income statement were as follows:

	2025	2024
Service cost	—	12,016
Net interest	2,608	3,455
Charged to expenses	2,608	15,471

29. Tax payable

	2025	2024
Value-added tax	378,250	423,641
Enterprise income tax	416,220	428,610
Including: PRC tax	137,242	217,756
Overseas tax	278,978	210,854
Personal income tax	197,734	192,740
City maintenance and construction tax	28,420	35,189
Education surcharge	17,728	27,629
Other taxes	89,986	97,209
Total	1,128,338	1,205,018

30. Other payables

	2025	2024
Dividend payables	—	—
Other payables	2,828,768	3,236,993
Total	2,828,768	3,236,993

(1) Dividend payables

	2025	2024
Dividend payables to minority shareholders	—	—

As at 31 December 2025, there were no dividend payables overdue for more than 1 year.

(2) Other payables

	2025	2024
Accruals	1,069,607	1,286,335
Deferred income from staff housing	34,143	25,464
Payables to external parties	1,116,177	1,388,630
Pledged deposits	309,646	319,760
Others	299,195	216,804
Total	2,828,768	3,236,993

As at 31 December 2025, there were no other payables of a material nature aged over 1 year or overdue.

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

31. Provisions

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Expected contract loss (Note)	1,631,655	640,023	(1,329,174)	942,504
Outstanding litigation	363,993	149,142	(68,350)	444,785
Provision for warranties	188,425	37,012	(28,283)	197,154
Total	2,184,073	826,177	(1,425,807)	1,584,443

Note: Unavoidable cost for the performance of contract in excess of expected economic benefits of the contract.

32. Non-current liabilities due within one year

	2025	2024
Long-term loans due within one year	6,475,453	4,447,963
Lease liabilities due within one year	732,813	544,777
Other non-current liabilities due within one year	692,143	600,000
Total	7,900,409	5,592,740

33. Long-term loans

		2025		2024	
		Original currency	RMB equivalent	Original currency	RMB equivalent
Credit loans	RMB	45,691,759	45,691,759	44,005,921	44,005,921
	USD	2,968	20,750	2,165	15,791
Secured loans	RMB	—	—	37,203	37,203
Total			45,712,509		44,058,915

As at 31 December 2025, the annual interest rate for the aforesaid loans was 1.53%–10.24% (31 December 2024: 1.65%–8.45%).

Bank Loan maturity term

	2025	2024
Shown as:		
Bank loan repayable:		
Within 1 year	10,104,118	11,475,033
Within 2 years	22,633,766	14,272,614
Within 3–5 years, inclusive	23,078,743	29,786,301
Beyond 5 years	—	—
Total bank loans	55,816,627	55,533,948

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

34. Bonds payable

	2025	2024
MTNs	4,398,159	1,004,880
Convertible bonds (Note 1)	3,411,518	—
	7,809,677	1,004,880

The balance of bonds payable as at 31 December 2025 was set out as follows:

Bond name	Nominal value	Issue date	Term	Amount	Opening balance	Issued during the year	Annual interest rate	Interest charged for the year	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%	11,250	11,250	504,223	No
24 ZTE MTN002 (Sci-Tech Innovation Note)	500,000	2024/12/5	1826 days	500,000	500,657	–	2.18%	10,900	10,900	500,657	No
25 ZTE MTN001 (Sci-Tech Innovation Note)	1,000,000	2025/2/18	1826 days	1,000,000	–	1,000,000	1.93%	16,656	–	1,016,656	No
25 ZTE MTN002 (Sci-Tech Innovation Note)	1,000,000	2025/4/16	1826 days	1,000,000	–	1,000,000	1.98%	13,996	–	1,013,996	No
25 ZTE MTN003 (Sci-Tech Innovation Bond)	1,000,000	2025/6/25	1826 days	1,000,000	–	1,000,000	1.79%	9,220	–	1,009,220	No
25 ZTE MTN004 (Sci-Tech Innovation Bond)	350,000	2025/6/26	1826 days	350,000	–	350,000	1.90%	3,407	–	353,407	No
H-share convertible bonds	3,584,000	2025/8/5	1826 days	3,584,000	–	3,584,000	0.00%	15,315	–	3,411,518	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 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 working 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. The initial conversion price at the time of the issue of the H-share convertible bonds was HK$30.25 per share (exchange rate for the purpose of share conversion: RMB0.9133 = HK$1.00).

35. Other non-current liabilities

	2025	2024
Deferred income relating to staff housing	—	7,720
Long-term payable	3,724,344	3,709,802
Financial liabilities through current profit or loss at fair value	38,667	73,697
Total	3,763,011	3,791,219

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

36. Share capital

	Opening balance ('000 shares)	Increase/decrease during the year ('000 shares)			Closing balance ('000 shares)
		Issue of new share	Others	Sub-total	
Restricted shares	658	—	(247)	(247)	411
Unrestricted shares	4,782,877	—	247	247	4,783,124
Total number of shares	4,783,535	—	—	—	4,783,535

Note: In 2025, the Company did not issue any additional share capital during the year. Shares held by Directors, Supervisors and senior management were locked up or released on a prorate basis in accordance with pertinent domestic regulations.

37. Other equity instruments

	2025	2024
Convertible bonds — equity portion	126,956	—
Total	126,956	—

38. Capital reserve

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Share premium	26,279,290	—	—	26,279,290
Share-based payment	1,116,809	—	—	1,116,809
Other capital injection	80,000	—	(1,671)	78,329
Total	27,476,099	—	(1,671)	27,474,428

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

39. Other comprehensive income

Cumulative balance of other comprehensive income attributable to shareholders of the parent company on the face of the consolidated balance sheet:

	Opening balance	Increase/ decrease	Closing balance
Other comprehensive income that cannot be reclassified as profit or loss			
Changes in net liabilities arising from the re-measurement of defined benefit plans	(77,230)	7,154	(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	(67,982)	(4,295)	(72,277)
Differences arising from foreign currency translation and others	(2,364,669)	(210,508)	(2,575,177)
Total	(2,465,531)	(207,649)	(2,673,180)

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	7,154	–	–	–	7,154	–
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	(210,788)	–	–	–	(210,508)	(280)
Total	(208,687)	–	–	(758)	(207,649)	(280)

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

40. Special reserve

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Safe production cost	88,214	104,986	(71,808)	121,392

41. Surplus reserves

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Statutory surplus reserves	3,053,523	—	—	3,053,523

In accordance with the Company Law and the Articles of Associations of the Company, the Company is required to allocate 10% of their net profit to the statutory surplus reserve, until the accumulated statutory surplus reserve has reached 50% of the registered capital of the Company.

42. Retained profits

	2025	2024
Retained profits at the beginning of the year	39,872,643	34,714,953
Net profit attributable to shareholders of the parent	5,617,745	8,424,792
Surplus reserve	—	(141)
Distributions to shareholders	(2,951,441)	(3,266,961)
Retained profits at the end of the year	42,538,947	39,872,643

Profit distribution

	2025	2024
Dividend payable on ordinary shares approved, declared and distributed during the year	2,951,441	3,266,961
Proposed dividend payable on ordinary shares for 2025	1,966,033	—

Pursuant to the 2024 Profit Distribution Proposal passed at the 2024 Annual General Meeting of the Company held on 28 March 2025: a cash dividend of RMB6.17 (before tax) for per 10 shares or RMB0.617 (before tax) for per share shall be distributed to all shareholders based on the total share capital as at the record date for profit distribution and dividend payment. Based on the total share capital of 4,783,534,887 shares in issue as at the record date for profit distribution and dividend payment, the actual amount of profit distribution was RMB2,951,441,025.28 (before tax). The Company had completed the dividend payment in April 2025.

On 6 March 2026, pursuant to the 2025 Profit Distribution Proposal recommended by the Board, a cash dividend of RMB4.11 (before tax) per 10 shares or RMB0.411 per share (before tax) shall be paid based on the total share capital in issue as at the record date for profit distribution and dividend payment. The aforesaid matter is subject to consideration and approval at the general meeting. Based on the Company's total share capital of 4,783,534,887 shares as at 6 March 2026, the total amount of actual profit distribution shall be RMB1,966,032,838.56. The finalised amount of profit distribution shall be subject to the total share capital as at the record date for profit distribution and dividend payment.

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

43. Operating revenue and operating costs

(1) Operating revenue and operating costs:

	2025		2024	
	Revenue	**Cost**	Revenue	Cost
Principal business	**129,423,064**	**89,583,111**	117,128,278	71,814,914
Other business	**4,472,396**	**3,808,207**	4,170,474	3,496,152
Total	**133,895,460**	**93,391,318**	121,298,752	75,311,066

Operating revenue was analysed as follows:

	2025	2024
Revenue from customer contract	**133,778,571**	121,187,877
Rental income — operating leases	**116,889**	110,875
Total	**133,895,460**	121,298,752

(2) Breakdown of operating revenue:

	2025	2024
Types of key products		
Sale of products	**52,215,517**	47,325,190
Provision of service	**9,802,306**	10,630,367
Telecommunications system contracts with customers	**71,760,748**	63,232,320
Total	**133,778,571**	121,187,877
Operating area		
PRC	**89,617,164**	81,894,799
Asia (excluding PRC)	**17,803,048**	15,390,457
Africa	**6,934,592**	6,422,478
Europe and Oceania	**19,423,767**	17,480,143
Total	**133,778,571**	121,187,877
Timing of transfer		
Transferred at a point in time	**123,976,265**	110,557,510
Transferred over a period	**9,802,306**	10,630,367
Total	**133,778,571**	121,187,877

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

43. Operating revenue and operating costs (continued)

(3) Breakdown of operating cost for the year as follows (Disclosure of operating cost analysis for the current year only):

	2025
Types of key products	
Sale of products	42,610,746
Provision of service	5,573,793
Telecommunications system contracts with customers	45,206,779
Total	93,391,318
Operating area	
PRC	61,664,803
Asia (excluding PRC)	12,619,362
Africa	4,429,835
Europe and Oceania	14,677,318
Total	93,391,318
Timing of transfer	
Transferred at a point in time	87,817,525
Transferred over a period	5,573,793
Total	93,391,318

(4) Performance obligations

Revenue recognized from:

	2025	2024
Revenue included in the opening book value of contract liabilities recognised for the period	11,182,114	13,585,145

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

43. 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 installation services relating to sales of 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) Allocated to the remaining performance obligations

As at 31 December 2025, the estimated timing for outstanding or uncompleted performance obligation in respect of signed contracts to be recognised as income was as follows:

	2025	2024
Within 1 year	11,014,850	12,662,999
Over 1 year	6,541,745	7,372,811
Total	17,556,595	20,035,810

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

44. Taxes and surcharges

	2025	2024
City maintenance and construction tax	280,995	351,532
Education surcharge	200,232	252,180
Property tax	143,163	145,394
Stamp duty	288,153	286,450
Others	177,892	140,415
Total	1,090,435	1,175,971

45. Selling and distribution costs

	2025	2024
Wages, welfare and bonuses (Note)	4,744,840	5,533,819
Advertising and promotion expenses	1,149,572	727,074
Service charges	446,679	247,982
Travelling expenses	783,821	788,073
Office expense	315,002	213,875
Others	1,783,581	1,389,680
Total	9,223,495	8,900,503

Note: Primarily referring to wages, welfare and bonuses for marketing and sales employees and customer service employees.

46. Administrative expenses

	2025	2024
Wages, welfare and bonuses	2,396,693	2,268,967
Office expenses	134,715	191,816
Amortisation and depreciation charges	400,000	501,105
Travelling expenses	68,887	84,298
#Audit firm/Audit fees	12,666	11,800
Others	1,206,799	1,419,035
Total	4,219,760	4,477,021

47. Research and development costs

	2025	2024
Wages, welfare and bonuses	15,360,941	16,514,025
Amortisation and depreciation charges	2,898,289	3,120,263
Technical cooperation fee	1,315,622	1,375,013
Direct material costs	1,175,669	1,020,943
Office expenses	494,235	480,539
Others	1,510,222	1,520,716
Total	22,754,978	24,031,499

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

48. Expenses by nature

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

	2025	2024
Cost of goods and services	87,048,312	68,462,215
Staff remuneration	27,787,253	30,188,372
Depreciation and amortisation	4,757,775	4,968,644
Rental not included in the measurement of lease liabilities	103,504	102,147
Others	9,892,707	8,998,711
Total	129,589,551	112,720,089

49. Finance costs

	2025	2024
Interest expenses	3,744,052	3,447,022
Less: Interest income	4,346,036	4,398,326
Gain and loss on foreign currency exchange	235,929	467,977
Bank charges	139,401	218,757
Total	(226,654)	(264,570)

50. Other income

	2025	2024
Other income related to daily operating activities	2,814,623	2,826,593
Others	72,222	106,132
Total	2,886,845	2,932,725

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

51. Investment income

	2025	2024
Income from investment in associates and joints under equity method	373,113	160,687
Investment income from financial assets at amortised cost and financial assets at fair value through profit or loss during the period of holding	13,551	12,397
Investment (loss)/income from disposal of derivative investment	(18,132)	11,250
Investment income arising from disposal of financial assets at fair value through profit or loss	415,981	201,287
Investment income from disposal of investment in associates and joints	77,964	155,154
Loss on derecognition of financial assets at amortised cost and financial assets at fair value through other comprehensive income	(409,909)	(428,381)
Total	452,568	112,394

52. Gain from changes in fair values

	2025	2024
Financial assets at fair value through profit or loss	26,355	(127,012)
Financial liabilities at fair value through profit or loss	(17,113)	(30,549)
Derivative financial instruments	96,826	(317,192)
Investment properties at fair value	(4,468)	(150,378)
Total	101,600	(625,131)

53. Credit impairment losses

	2025	2024
Impairment reversal of trade receivables	(55,891)	(114,773)
Impairment (reversal)/loss of receivable financing	(237)	436
Impairment (reversal)/loss of other receivables	(26,064)	5,755
(Reversal)/Loss of impairment of long-term receivables	(19,104)	16,865
Impairment reversal of factored trade receivables	—	(184)
Impairment reversal of impairment of long-term factored receivables	—	(553)
Total	(101,296)	(92,454)

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

54. Asset impairment losses

	2025	2024
Loss on impairment of inventories	192,039	593,891
Impairment reversal of contract assets	(26,191)	(71,529)
Impairment loss/(reversal) of prepayment	26,348	(94)
Intangible asset impairment loss	400,487	53,710
Loss of impairment of other non-current assets	20,553	357,204
Provision for goodwill impairment	14,425	—
Total	627,661	933,182

55. Gains from asset disposal

	2025	2024
Gains from disposal of right-of-use assets	1,580	5,409
Gains from disposal of property, plant and equipment	2,808	85,039
Gains from disposal of intangible assets	645	5,211
Total	5,033	95,659

56. Non-operating income/non-operating expenses

(1) Non-operating income

	2025	2024	Amount of extraordinary gain/loss recognised for 2025
Income from contract penalty and reward	31,366	10,713	31,366
Others	169,363	65,566	169,363
Total	200,729	76,279	200,729

(2) Non-operating expenses

	2025	2024	Amount of extraordinary gain/loss recognised for 2025
Compensation and indemnity	147,543	118,724	147,543
Others	112,128	70,131	112,128
Total	259,671	188,855	259,671

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

57. Income tax

	2025	2024
Current income tax	1,525,632	1,044,882
Deferred income tax	(787,838)	(170,890)
Total	737,794	873,992

Correlation between income tax and total profit was as follows:

	2025	2024
Total profit	6,302,867	9,229,605
Tax at statutory tax rate (Note)	1,575,717	2,307,401
Effect of different tax rates applicable to subsidiaries	(528,024)	(697,389)
Effect of adjustment to income tax for previous periods	26,998	19,125
Effect of non-taxable income	(55,901)	(21,518)
Effect of add-on deductibles on R&D expense and non-deductible cost, expense and loss	(1,151,186)	(1,298,874)
Effect of utilization of deductible loss from unrecognized deferred tax asset of previous periods	(92,482)	(134,104)
Effect of deductible temporary difference from unrecognised deferred tax asset of the current period or effect of deductible loss	962,672	699,351
Tax charge at the Group's effective rate	737,794	873,992

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.

58. Earnings per share

	2025 RMB/share	2024 RMB/share
Basic earnings per share		
Continuous operation	1.17	1.76
Diluted earnings per share		
Continuous operation	1.16	1.76

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.

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

58. Earnings per share (continued)

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

	2025	2024
Earnings		
Net profit for the period attributable to ordinary shareholders of the Company		
Continuous operation	5,617,745	8,424,792
Interest on dilutive potential ordinary shares recognized as an expense in the current period	13,017	—
Adjusted net profit for the period attributable to ordinary shareholders of the Company	5,630,762	8,424,792
Attributable to:		
Continuous operation	5,630,762	8,424,792
Shares		
Weighted average number of ordinary shares of the Company ('000 shares)	4,783,535	4,783,321
Diluting effect — weighted average number of ordinary shares ('000 shares)		
Convertible bonds	54,053	—
Adjusted weighted average number of ordinary shares of the Company in issue ('000 shares)	4,837,588	4,783,321

59. Notes to major items in cash flow statement

(1) Cash relating to operating activities

	2025	2024
Cash received in connection with other operating activities:		
Including: Interest income	1,939,450	2,659,555
Cash paid in connection with other operating activities:		
Including: Expense for the period	10,405,694	11,682,618

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

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

(2) Cash relating to investing activities

	2025	2024
Receipt of material cash relating to investing activities:		
Release of time deposit of over three months and large-amount certificates of deposit and maturity of structured deposit	87,325,046	73,307,973
Payment of material cash relating to investing activities:		
New time deposit of over three months and large-amount certificates of deposit and new structured deposit	85,129,297	98,274,552
Cash received in relation to other investing activities:		
Net cash flow received on acquisition of subsidiary	—	61,551
Recovery of project investments funds	—	44,198

(3) Cash relating to financing activities

	2025	2024
Cash received in relation to other financing activities:		
Receipt of funds from investors in fixed-income items	2,855	—
Cash paid in relation to other financing activities:		
Cash payment of principal of lease	578,068	511,799
Repayment of investment by non-controlling interests	—	9,000

Movements in liabilities from financing activities were as follows:

		Movement during the year		
	Opening balance	Cash movement	Non-cash movement	Closing balance
Short-term bonds payable	—	(102,784)	102,784	—
Short-term loans	7,027,070	(5,237,967)	1,839,562	3,628,665
Dividend payable	—	(2,982,719)	2,982,719	—
Bonds payable	1,004,880	6,882,323	(77,526)	7,809,677
Long-term loans (including non-current liabilities due within one year)	48,506,878	2,546,435	1,134,649	52,187,962
Other non-current liabilities (related to financing)	384,770	(32)	(5,751)	378,987
Lease liabilities (including non-current liabilities due within one year)	1,517,720	(578,068)	733,530	1,673,182
	58,441,318	527,188	6,709,967	65,678,473

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

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

(4) Supplemental information on cash flow statement

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

	2025	2024
Net profit	5,565,073	8,355,613
Add: Credit impairment losses	(101,296)	(92,454)
Asset impairment losses	627,661	933,182
Depreciation of property, plant and equipment	1,972,401	2,133,330
Depreciation of right-of-use assets	515,385	430,733
Amortisation of intangible assets	2,269,989	2,404,581
Gain on disposal of property, plant and equipment, intangible assets and other long-term assets	(5,033)	(95,659)
(Gain)/loss from changes in fair value	(101,600)	625,131
Finance costs	658,343	983,971
Investment income	(884,881)	(554,927)
Increase in deferred tax assets	(769,589)	(250,165)
Increase in deferred tax liabilities	17,259	12,786
Increase in inventories	(5,951,504)	(720,289)
Increase in operating receivables	(3,632,931)	(3,448,503)
Increase in operating payables	2,567,875	1,663,293
Decrease/(increase) in currency cash not readily available for payments	1,171,594	(900,779)
Net cash flows from operating activities	3,918,746	11,479,844

(b) Net change in cash and cash equivalents:

	2025	2024
Cash balance at year end	1,552	1,453
Less: Cash balance at beginning of year	1,453	2,034
Add: Cash equivalents at year end	25,480,848	28,024,964
Less: Cash equivalents at beginning of year	28,024,964	51,011,133
Net increase/(decrease) in cash and cash equivalents	(2,544,017)	(22,986,750)

(5) Cash and cash equivalents

	2025	2024
Cash		
Including: Cash on hand	1,552	1,453
Bank deposit readily available for payment	25,480,848	28,024,964
Balance of cash and cash equivalents at end of year	25,482,400	28,026,417
Including: Restricted cash and cash equivalents utilised by the Company or intra-group subsidiaries	54,869	1,167

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

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

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

	2025	2024	Reason
Specific funds for specific use only	54,869	1,167	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

	2025	2024	Reason
Deposit and interest from time deposit of three months or above	7,251,009	13,669,630	Low liquidity, not easily realisable, not readily available for payment
Security deposit	287,169	541,046	
Dues from the People's Bank of China	723,136	1,619,625	
Others	7,402	28,630	
Total	8,268,716	15,858,931	

(8) Financing arrangements with suppliers

The Group was engaged in reverse factoring service through third-party financial institutions to provide factoring service to relevant suppliers in respect of trade payables of the Group within its credit limit, whereby the bank agreed to the assignment to the bank of trade receivables owed by the Group to designated suppliers for the sales of goods and rendering of services to the Group, while at the same time providing financing service to the relevant suppliers. Participating suppliers would be able to receive the total amount of trade payables from the bank. According to the agreement between the Group and the bank, trade payables shall be paid to the bank within 180 days from the payment of relevant amounts to the suppliers by the bank to settle due payments. The payment terms between the Group and the suppliers did not change as a result of the reverse factoring arrangement, nor did the Group provide any guarantee to the bank.

Information on financial liabilities relating to suppliers' financing is set out as follows:

	2025			
	Carrying amount	Including: amount received by suppliers	Range of due date	Comparable range of due date for trade payables
Short-term loans	37,719	37,345	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

As a result of the aforesaid suppliers' financing arrangement, the Group derecognised trade payables for 2025 and at the same time recognised short-term loans of RMB1,612,523,000 (2024: RMB0).

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

60. Monetary items in foreign currencies

The Group's major monetary items in foreign currencies:

		31 December 2025		
		Original currency	Exchange rate	RMB equivalent
Currency cash	USD	517,675	6.9905	3,618,807
	HKD	2,018,695	0.8981	1,812,990
	EUR	82,791	8.2055	679,338
	THB	344,306	0.2216	76,297
	MXN	182,582	0.3883	70,903
Trade receivables	USD	527,193	6.9905	3,685,346
	EUR	202,116	8.2055	1,658,465
	IDR	2,366,002,581	0.0004	989,207
	MXN	891,426	0.3883	346,172
	JPY	6,667,816	0.0446	297,698
Other receivables	USD	21,637	6.9905	151,254
	IDR	249,038,683	0.0004	104,121
	EUR	5,052	8.2055	41,453
	GBP	2,275	9.4114	21,413
	IRR	101,862,904	0.0002	16,954
Trade payables	USD	369,998	6.9905	2,586,468
	EUR	29,485	8.2055	241,938
	INR	2,022,919	0.0777	157,265
	IDR	302,608,821	0.0004	126,518
	MXN	172,338	0.3883	66,925
Other payables	USD	23,997	6.9905	167,752
	EUR	12,105	8.2055	99,327
	MXN	119,794	0.3883	46,520
	CLP	2,796,096	0.0077	21,451
	RSD	277,055	0.0700	19,384
Short-term loan	USD	42,329	6.9905	295,898
	EUR	24,051	8.2055	197,352
	KZT	450,000	0.0139	6,259
Long-term loan	USD	2,968	6.9905	20,750

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

VI. R&D EXPENDITURE

1. Analysed by nature as follows:

	2025	2024
Wages, benefits and bonuses	16,547,611	17,740,009
Amortisation and depreciation fees	2,971,489	3,188,194
Technical cooperation fees	1,568,983	1,435,259
Direct materials	1,369,046	1,134,236
Office expenses	494,235	480,539
Others	1,523,672	1,530,700
Total	24,475,036	25,508,937
Including: R&D expenditure as cost	22,754,978	24,031,499
R&D expenditure capitalised	1,720,058	1,477,438

2. Expenditure of R&D projects qualifying for capitalization as follows:

	Opening balance	Increase in in-house development for the year	Decrease in recognition of intangible assets for the year	Closing balance
System products	1,594,563	1,720,058	(1,202,450)	2,112,171

VII. CHANGES TO THE SCOPE OF CONSOLIDATION

Name	Reason	Date of inclusion into/exclusion from consolidated statements
SHANGHAI SHENQI JI YUAN INTELLIGENT TERMINAL CO., LTD.	New incorporation	April 2025
SINGAPORE CYBERMETA HOLDING PTE. LTD.	New incorporation	August 2025
ZTE Telecom (Thailand) Co. Ltd.	New incorporation	August 2025
INTELLIBRIGHT INTERCONNECT LIMITED	New incorporation	October 2025
ZTE (LAO) Sole Co. LTD.	New incorporation	October 2025
GEE WIN TECH LIMITED	New incorporation	November 2025
ZTE LIBERIA INC.	New incorporation	December 2025
ZTE VENEZUELA,C.A.	Completed deregistration and no longer included in consolidated statements	January 2025
ZHONGXING CORPORATION EL SALVADOR, S.A. DE C.V.	Completed deregistration and no longer included in consolidated statements	March 2025
ZTE (USA) INC.	Completed deregistration and no longer included in consolidated statements	June 2025
ZTE (TX) INC.	Completed deregistration and no longer included in consolidated statements	June 2025
ZTE HAITI S.A	Completed deregistration and no longer included in consolidated statements	June 2025
ZICT Suzhou Technology Co., Ltd.	Completed deregistration and no longer included in consolidated statements	August 2025

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					
ZTE KANGXUN TELECOM CO., LTD.*	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:

	2025	2024
Joint ventures		
Aggregate carrying value of investments	**1,250,822**	1,025,780
Aggregate amounts of the following attributable to shareholdings:		
Net gain	**311,193**	141,197
Other comprehensive income	**—**	—
Total comprehensive income	**311,193**	141,197
Associates		
Aggregate carrying value of investments	**1,327,460**	1,308,056
Aggregate amounts of the following attributable to shareholdings:		
Net income	**61,920**	19,490
Other comprehensive income	**(255)**	(1,263)
Total comprehensive income	**61,665**	18,227

For 2025, there were no contingent liabilities associated with the investments in joint ventures and associates (2024: Nil).

IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

1. Risks of financial instruments

The Group's daily activities expose it to the risk of a variety of financial instruments, mainly including credit risk, liquidity risk and market risk (including exchange rate 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 currency cash, 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 31 December 2025, the Group was subject to specific credit risk concentration, as 15% (31 December 2024: 15%) and 37% (31 December 2024: 39%) of the Group's trade receivables were attributable to the largest customer and top five customers, respectively, in terms of trade receivable balance. The Group did not hold any collateral or other credit enhancement in respect of such trade receivable balances.

(a) Criteria for judging significant increases in credit risk

The Company assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each balance sheet date. The principal criteria of the Group for making the judgment that a credit risk has significantly increased is an overdue by more than 30 days and significant change in one of more of the indicators set out below: material adverse change in the debtor's business conditions, internal or external credit rating, actual or estimated operating results, among others.

(b) Definition of credit-impaired financial assets

The main criterion adopted by the Group in determining the occurrence of credit impairment is an overdue of more than 90 days, although the Group will also consider that credit impairment has occurred under certain circumstances if internal or external information indicates that it may not be able to collect a contract amount in full before consideration is given to any credit enhancement held.

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event.

(c) Credit risk exposure

For trade receivables, contract assets and other receivables for which provision for impairment for expected credit loss for the entire period has been made, a risk matric model shown in Note V.4A, Note V.8 and Note V.6 is provided.

IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

1. Risks of financial instruments (continued)

(2) Liquidity risk

The Group's objective is to maintain balance between the continuity and flexibility of financing through the use of a variety of financing means. Funds raised by the Group through operations and borrowings are considered operational financing.

The maturity profile of financial liabilities based on undiscounted contractual cash flow is summarised as follows:

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

2024

	Within 1 year	1–2 years	2–3 years	Over 3 years	Total
Bank loans	12,611,046	15,051,966	23,175,297	7,107,227	57,945,536
Lease liabilities	544,777	198,465	213,376	561,102	1,517,720
Derivative financial liabilities	200,853	—	—	—	200,853
Bills payable	10,959,334	—	—	—	10,959,334
Trade payables	22,371,792	—	—	—	22,371,792
Bonds payable	22,150	22,150	22,150	1,044,300	1,110,750
Bank advances on factored trade receivables and long-term receivables	6,498	4,332	4,332	—	15,162
Other payables (excluding accruals and staff housing fund contributions)	1,925,194	—	—	—	1,925,194
Other non-current liabilities	600,000	70,372	362	3,712,765	4,383,499
Total	49,241,644	15,347,285	23,415,517	12,425,394	100,429,840

IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

1. Risks of financial instruments (continued)

(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 31 December 2025, the bank loans of the Group and the Company included fixed rate debts and floating debts based on LIBOR and Euribor.

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 1.15% to 10.46%. Approximately 16.58% (2024: 12.19%) of the Group's interest bearing borrowings were subject to interests at fixed rates.

Interest-bearing borrowings with floating interest rate were mainly denominated in USD and EUR. The sensitivity analysis of interest rate risks is set out in the following table, reflecting the impact of reasonable and probable change in interest rates on net profit or loss (through the impact on floating rate loans) and other comprehensive income (net of tax) assuming that other variables remain constant.

	Increase/ (decrease) in basis points	Increase/ (decrease) in net profit or loss	Increase/ (decrease) in other comprehensive income net of tax	Increase/ (decrease) in total shareholders' equity
2025	**25**	**(98,891)**	**—**	**(98,891)**
	(25)	**98,891**	**—**	**98,891**
2024	25	(103,624)	—	(103,624)
	(25)	103,624	—	103,624

(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.

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 set out a sensitivity analysis of exchange rate risks that demonstrates the impact of a reasonable and probable change in USD and EUR exchange rates on the Group's net profit or loss and other comprehensive income, 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
2025				
Weaker RMB against USD	**5%**	**315,761**	**—**	**315,761**
Stronger RMB against USD	**(5%)**	**(315,761)**	**—**	**(315,761)**
2024				
Weaker RMB against USD	5%	329,922	—	329,922
Stronger RMB against USD	(5%)	(329,922)	—	(329,922)

	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
2025				
Weaker RMB against EUR	**5%**	**118,757**	**—**	**118,757**
Stronger RMB against EUR	**(5%)**	**(118,757)**	**—**	**(118,757)**
2024				
Weaker RMB against EUR	5%	165,481	—	165,481
Stronger RMB against EUR	(5%)	(165,481)	—	(165,481)

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 for 2025 and 2024.

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 as at the balance sheet dates was as follows:

	2025	2024
Interest-bearing bank borrowings	**55,816,627**	55,533,948
Lease liabilities	**1,673,182**	1,517,720
Bonds payable	**7,809,677**	1,004,880
Bank advances on factored trade receivables and long-term receivables	**12,698**	15,162
Total interest-bearing liabilities	**65,312,184**	58,071,710
Owners' equity	**75,641,241**	73,110,282
Total owner's equity and interest-bearing liabilities	**140,953,425**	131,181,992
Gearing ratio	**46.3%**	44.3%

3. Hedge

(1) Conducing hedge transactions for the purpose of risk management

	Relevant risk management strategy and objectives	**Qualitative and quantitative information of hedged risks**	**Economic correlation between the hedged item and relevant hedging instruments**	**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

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:

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

2024

	Within 6 months	6–12 months	After 1 year	Total
Nominal amount of foreign currency forward contract	60,017	—	—	60,017
Average RMB to foreign currency exchange rate (JPY)	0.05	—	—	0.05

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:

2025

	Nominal amount of hedging instruments	Carrying value of hedging instruments		Balance sheet items including hedged instruments	Fair-value change of hedging instruments adopted as basis for recognition of ineffective hedge portion during the year
		Assets	Liabilities		
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

2024

	Nominal amount of hedging instruments	Carrying value of hedging instruments		Balance sheet items including hedged instruments	Fair-value change of hedging instruments adopted as basis for recognition of ineffective hedge portion during the year
		Assets	Liabilities		
Cashflow hedge					
Exchange rate risk — foreign currency forward exchange contracts	60,017	73	1,481	Derivative financial assets/derivative financial liabilities	(55,107)
Fair-value hedge					
Exchange rate risk — foreign currency forward exchange contracts	32,041,042	166,082	199,355	Derivative financial assets/derivative financial liabilities	(218,246)

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:

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 year as basis for recognising ineffective portion of hedge	Cash flow hedge reserve
	Asset	Liability	Asset	Liability			
Cashflow hedge							
Exchange rate risk	=	=	=	=	N/A	16,884	(5,053)
— future expense of foreign currency settlement							
Fair-value hedge							
Exchange rate risk	11,572,177	11,708,358	419,409	471,891	Trade receivables, other receivables, trade payables and other payables	(52,482)	N/A
— foreign currency exposure							

2024

	Carrying value of hedged item		Cumulative amount of fair-value hedge adjustment of hedged item (charged to carrying value of hedged item)		Balance sheet item under which the hedged item is included	Fair-value change of the hedged item adopted for the year as basis for recognising ineffective portion of hedge	Cash flow hedge reserve
	Asset	Liability	Asset	Liability			
Cashflow hedge							
Exchange rate risk	=	=	=	=	N/A	46,761	703
— future expense of foreign currency settlement							
Fair-value hedge							
Exchange rate risk	13,660,851	4,324,103	238,167	335,521	Trade receivables, other receivables, trade payables and other payables	(97,355)	N/A
— foreign currency exposure							

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:

2025

Cashflow hedge	Fair-value change in hedging instruments recognised in other comprehensive income	Ineffective portion of hedge recgonised 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	(2,220)	4,020	Gain/loss on fair-value change	2,833	Finance cost

Fair-value hedge	Ineffective portion of hedge recgonised in current profit or loss	Profit or loss items including ineffective portion of hedge
Exchange rate risk — foreign currency forward exchange contract	78,781	Gain/loss from fair-value change

2024

	Fair-value change in hedging instruments recognised in other comprehensive income	Ineffective portion of hedge recgonised 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	(43,550)	(11,557)	Gain/loss from fair-value change	(43,550)	Administrative expense/ finance cost

Fair-value hedge	Ineffective portion of hedge recgonised in current profit or loss	Profit or loss items including ineffective portion of hedge
Exchange rate risk — foreign currency forward exchange contract	(125,831)	Gain/loss from fair-value change

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	Bill receivables	16,712,893	Derecognised	Substantially all risks and rewards had been transferred
Factoring	Trade receivables	9,187,448	Derecognised	Substantially all risks and rewards had been transferred
Letter of credit	Trade receivables	582,421	Derecognised	Substantially all risks and rewards had been transferred
Total		26,482,762		

Financial assets derecognised as a result of transfer in 2025 were as follows:

	Means of transfer	Amount of financial assets derecognised	Profit or (loss) relating to derecognition
Bills receivable	Bill discounting	16,712,893	(71,154)
Trade receivables	Factoring	9,187,448	(342,541)
Trade receivables	Letter of credit	582,421	(18,619)
Total		26,482,762	(432,314)

As at 31 December 2025, transferred financial assets under continuous involvement were as follows:

	Means of transfer	Amount of assets under continuous involvement	Amount of liability arising from continuous involvement
Trade receivables	Factoring	9,070	9,070
Long-term receivables	Factoring	3,628	3,628
Total		12,698	12,698

X. DISCLOSURE OF FAIR VALUES

1. Assets and liabilities measured at fair value

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)**

2024

	Input applied in the measurement of fair value			
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
Continuous measurement of fair value				
Derivative financial assets	—	173,439	—	173,439
Trading financial assets	15,787	13,660,664	92,330	13,768,781
Other non-current financial assets	—	—	715,761	715,761
Receivable financing	—	4,243,041	—	4,243,041
Investment properties	—	—	99,045	99,045
Total	15,787	18,077,144	907,136	19,000,067
Derivative financial liabilities	—	(200,853)	—	(200,853)
Other non-current liabilities	—	—	(73,697)	(73,697)
Total	—	(200,853)	(73,697)	(274,550)

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 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 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 to 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 in those prices; and (c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and conditions, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

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:

2025

	Fair value at end of year	Valuation techniques	Unobservable inputs	Range
Commercial properties	RMB94,577 thousand	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 thousand	Market method	Liquidity discount rate	30%–40%
			P/E	16.92
			P/B	1.39–2.06
Other non-current liabilities	RMB38,667 thousand	Binomial tree option pricing model	Risk-free interest rate	1.85%
			Volatility rate	44.38%
			Dividend rate	–
			Exercise probability	60%

2024

	Fair value at end of year	Valuation techniques	Unobservable inputs	Range
Commercial properties	RMB99,045,000	Discounted cash flow method	Estimated rental value (per sq. m. and per month)	RMB40-RMB250
			Rent growth (p.a.)	2%–5%
			Discount rate	7.25%–8%
Equity instrument investment	RMB808,091,000	Market method	Liquidity discount rate	8.10%–40%
			P/E	16.41
			P/B	0.90–2.45
Other non-current liabilities	RMB73,697,000	Binomial tree option pricing model	Risk-free interest rate	1.03%–1.32%
			Volatility rate	44.38%–51.78%
			Dividend rate	–
			Exercise probability	0%–40%

X. DISCLOSURE OF FAIR VALUES (continued)

4. Fair value measurement adjustment

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

2025

	Opening balance	Transfer into Level 3	Transfer out of Level 3	Through profit or loss	Acquisition	Disposal	Closing balance	Change in assets/ liabilities held at year-end included under unrealised gain for the period in profit or loss
Investment properties	99,045	–	–	(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 financial liabilities	73,697	–	(52,143)	17,113	–	–	38,667	17,113

2024

	Opening balance	Transfer into Level 3	Transfer out of Level 3	Through profit or loss	Acquisition	Disposal	Closing balance	Change in assets/ liabilities held at year-end included under unrealised gain for the period in profit or loss
Investment properties	1,473,823	–	(1,224,400)	(150,378)	–	–	99,045	(1,151)
Trading financial assets	24,227	53,659	–	14,444	–	–	92,330	14,444
Other non-current financial assets	831,930	–	(53,659)	(59,003)	9,704	(13,211)	715,761	(60,654)
Other non-current financial liabilities	43,148	–	–	30,549	–	–	73,697	30,549

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 or loss relating to financial assets and non-financial assets was analysed as follows:

	2025 Relating to financial assets	2024 Relating to financial assets
Total profit included in current profit or loss	**4,444**	(44,559)
Change in assets held at year-end included in unrealised profit or loss for the period	**7,647**	(46,210)

	2025 Relating to non-financial assets	2024 Relating to non-financial assets
Total profit included in current profit or loss	**(4,468)**	(150,378)
Change in assets held at year-end included in unrealised gain	**(4,468)**	(1,151)

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

	2025 Relating to financial liabilities	2024 Relating to financial liabilities
Total profit included in current profit or loss	**17,113**	30,549
Change in liabilities held at year-end included in unrealised gain	**17,113**	30,549

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

XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES

1. Controlling shareholder

Name of controlling shareholder	Place of registration	Nature of business	Registered capital	Percentage of shareholding	Percentage of voting rights
Zhongxingxin Telecom Company Limited	Shenzhen, Guangdong	Manufacturing	RMB100 million	20.09%	20.09%

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.

XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

3. Joint ventures and associates

	Relationship
Puxing Mobile Telecom Equipment Co., Ltd.	Joint venture of the Company
DataService Technology Co., Ltd.	Joint venture of the Company
Shaanxi Zhongtou Zhanlu Phase I Equity Investment Partnership (Limited Partnership)	Joint venture of the Company
Shaanxi Zhongtou Zhanlu Phase II Equity Investment Partnership (Limited Partnership)	Joint venture of the Company
WHALE CLOUD TECHNOLOGY CO., LTD	Associate of the Company
Jetflow Technologies Co., Ltd.	Associate of the Company
Tiejian Union (Beijing) Technology Co., Ltd.	Associate of the Company
ZHONGSHAN YOUSHUN PROPERTY COMPANY LIMITED	Associate of the Company
HENGYANG ICT REAL-ESTATE CO., LTD.	Associate of the Company
INTLIVE TECHNOLOGIES (PRIVATE) LIMITED	Associate of the Company
Jiangxi Guotou Information Technology Co., Ltd.	Ceased to be the Company's associate as from June 2024, disclosure under related-party transactions represented amount for January to May 2024 and balance of receivables and payables as at 31 May 2024
ZTE Hotel Shenzhen Investment & Management Company Limited ZTE Hotel Nanjing Management Company Limited ZTE Hotel Xi'an Management Company Limited ZTE Hotel Shanghai Investment & Management Company Limited	Have become the Company's subsidiary and ceased to be an associate of the Company as from September 2024, disclosure under related-party transactions represented amount for January to August 2024 and balance of receivables and payables as at 31 August 2024

4. Other related parties

	Relationship
Sindi Technologies Co., Ltd.	Subsidiary of the Company's controlling shareholder
Shenzhen Xinyu Tengyue Electronics Co., Ltd.	Subsidiary of the Company's controlling shareholder
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
Shenzhen Zhongxingxu Technology Company Limited	Company controlled by a connected natural person of the Company
LONGi Green Energy Technology Co., Ltd.	Company controlled by a connected natural person of the Company

XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

4. Other related parties (continued)

	Relationship
Xi'an Microelectronics Technology Research Institute	Company 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
Sanhe Zhongxing Property Service Company Limited	Subsidiary of a company for which a connected natural person of the Company acted as director
Sanhe Zhongxing Development Company Limited	Subsidiary of a company for which a connected natural person of the Company acted as director
Zhongxing Software Technology (Shenyang) Company Limited	Subsidiary of a company for which a connected natural person of the Company acted as director
Shenzhen Techrise Electronics Co., Ltd.	Subsidiary of a company for which a connected natural person of the Company acted as senior management
Beijing Changrui Time Technology Limited	Company controlled by a connected natural person of the Company during the past 12 months
航天歐華信息技術有限公司	Subsidiary of "a company for which a connected natural person of the Company acted as senior management" during the past 12 months
Sanya Zhongxing Land Development Co., Ltd.	Subsidiary of "a company for which a connected natural person of the Company acted as chairman" during the past 12 months

XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

4. Other related parties (continued)

	Relationship
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 amount for January to April 2025 and 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 and balance of receivables and payables as at 30 April 2025
Tianhao Investment Co., Ltd.	Ceased to be a connected party of the Company as from October 2025, disclosure under related-party transactions represented amount for January to September 2025
Shanghai Zhongxing Keyuan Industrial Company Limited	Ceased to be a related party of the Company as from August 2024, disclosure under related-party transactions represented amount for January to July 2024
GD Ouke Air-conditioning & Refrigeration Company Limited	Ceased to be a related party of the Company as from April 2024, disclosure under related-party transactions represented amount for January to March 2024 and balance of receivables and payables as at 31 March 2024
Shenzhen Aerospace Property Management Co., Ltd.	Ceased to be a related party of the Company as from November 2024, disclosure under related-party transactions represented amount for January to October 2024 and balance of receivables and payables as at 31 October 2024

5. Transactions with related parties

(1) Transaction of goods with related parties

(a) Sales of goods and services to related parties

	2025	2024
Transactions with controlling shareholder and its subsidiaries:		
Zhongxingxin Telecom Company Limited	10	43
Pylon Technologies Co., Ltd.	3,774	—
Sindi Technologies Co., Ltd.	5	1,042
Shenzhen Zhongxing New Cloud Service Company Limited	266	3
	4,055	1,088

XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

5. Transactions with related parties (continued)

(1) Transaction of goods with related parties (continued)

(a) Sales of goods and services to related parties (continued)

	2025	2024
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	697,220	236,718
Shenzhen Zhongxing Information Company Limited	2	—
ZTE Development Company Limited	14	68
Tianhao Investment Co., Ltd.	35,983	23,795
Shenzhen Zhongxingxu Technology Company Limited	—	2,628
Shenzhen Zhongxing Energy Conservation & Environmental Service Company Limited	—	6
LONGi Green Energy Technology Co., Ltd.	122	1,099
Xiazhi Technology Company Limited	1,530	—
Nanchang Zhongzhan Digital Smart Technology Company Limited	164	—
	735,035	264,314
Transactions relating to associates and joint ventures of the Company and their subsidiaries:		
Puxing Mobile Telecom Equipment Co., Ltd.	226	1,216
WHALE CLOUD TECHNOLOGY CO., LTD	16,578	16,657
DataService Technology Co., Ltd.	17	—
Shaanxi Zhongtou Zhanlu Phase I Equity Investment Partnership (Limited Partnership)	748	1,784
Shaanxi Zhongtou Zhanlu Phase II Equity Investment Partnership (Limited Partnership)	3,031	3,492
Jiangxi Guotou Information Technology Co., Ltd.	—	75
ZTE Hotel Shenzhen Investment & Management Company Limited	—	39
ZTE Hotel Nanjing Management Company Limited	—	518
ZTE Hotel Xi'an Management Company Limited	—	2,124
ZTE Hotel Shanghai Investment & Management Company Limited	—	1,342
	20,600	27,247
	759,690	292,649

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

	2025	2024
Transactions with controlling shareholder and its subsidiaries:		
Sindi Technologies Co., Ltd.#	8,604	96,406
Shenzhen Xinyu Tengyue Electronics Co., Ltd.#	21,458	18,719
Maanshan Sindi Technology Company Limited#	103,903	—
Pylon Technologies Co., Ltd.#	56	—
Shenzhen Zhongxing Xinli Precision M&E Technology Company Limited#	114,472	110,253
Shenzhen Zhongxing New Cloud Service Company Limited	11	—
	248,504	225,378
Transactions with companies where connected natural persons held office and their subsidiaries:		
Huatong Technology Co., Ltd.	83,912	60,902
Nanchang Zhongzhan Digital Smart Technology Company Limited	91,524	71,621
GD Ouke Air-conditioning & Refrigeration Company Limited	—	290
Beijing Zhongxing Xieli Technology Company Limited	—	5,079
Xi'an Xieli Chaoyue Technology Company Limited	4,183	—
ZTE Hotel Harbourview Hotel Investment Development Company Limited	66	949
Shenzhen Aerospace Property Management Co., Ltd.	—	205
Shenzhen Zhongxing Tenglong Eco-Tech Company Limited	5,551	3,535
Xiazhi Technology Company Limited	1,708	—
Shenzhen Techrise Electronics Co., Ltd.	80	—
Shenzhen Aerospace Guangyu Industrial Company Limited	9	—
Shenzhen Zhongxing Information Company Limited	—	4,522
Shenzhen Shuzhigang Technology Industry Co., Ltd.	557,703	—
	744,736	147,103

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 (continued)

	2025	2024
Transactions relating to associates and joint ventures of the Company and their subsidiaries:		
WHALE CLOUD TECHNOLOGY CO., LTD	**210,948**	182,151
Jetflow Technologies Co., Ltd.	**3,838**	88
ZTE Hotel Shenzhen Investment & Management Company Limited	**–**	15,598
ZTE Hotel Nanjing Management Company Limited	**–**	8,132
ZTE Hotel Shanghai Investment & Management Company Limited	**–**	3,793
ZTE Hotel Xi'an Management Company Limited	**–**	5,414
	214,786	215,176
	1,208,026	587,657

Continuing connected transaction subject to annual reporting under the Hong Kong Listing Rules.

Note: For the year, the Group conducted commodity trade with related parties based on market prices.

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	**2025 Lease income**	2024 Lease income
Transactions with controlling shareholder and its subsidiaries:			
Shenzhen Zhongxing New Cloud Service Company Limited	Office	**3,161**	3,264
		3,161	3,264
Transactions with companies where connected natural persons held office and their subsidiaries:			
Shenzhen Zhongxing Energy Conservation & Environmental Service Company Limited.	Office	**—**	272
Shanghai Zhongxing Keyuan Industrial Company Limited	Office	**—**	218
Huatong Technology Co., Ltd.	Office	**69**	34
Zhongxing Software Technology (Ji'nan) Company Limited	Office	**84**	—
Shenzhen ZTE International Investment Company Limited	Office	**137**	135
Zhongxing Intelligent Technology (Wuhu) Company Limited	Office	**49**	146
		339	805
Transactions relating to associates and joint ventures of the Company and their subsidiaries:			
ZTE Hotel Shenzhen Investment & Management Company Limited	Property and equipment & facilities	**—**	7,309
ZTE Hotel Nanjing Management Company Limited	Property and equipment & facilities	**—**	4,390
ZTE Hotel Xi'an Management Company Limited	Property and equipment & facilities	**—**	11,708
ZTE Hotel Shanghai Investment & Management Company Limited	Property and equipment & facilities	**—**	10,485
Jetflow Technologies Co., Ltd.	Office	**422**	554
		422	34,446
		3,922	38,515

XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

5. Transactions with related parties (continued)

(2) Leasing with related parties (continued)

(b) As lessee

	Type of lease asset	Rental expense based on simplified short term lease and low value asset lease	Variable lease payment not included in the measurement of lease liabilities	Rental paid	Lease liability interest expense assumed	Right of use assets added
Transactions with controlling shareholder and its subsidiaries:						
Zhongxingxin Telecom Company Limited	Office	213	–	12,483	580	–
Transactions with companies where connected natural persons held office and their subsidiaries:						
Chongqing Zhongxing Development Company Limited	Office	972	–	7,030	1,045	–
Chongqing Zhongxing Zhongtou Property Service Company Limited	Office	419	–	–	–	–
Sanhe Zhongxing Property Service Company Limited	Office	3,178	–	–	–	–
Sanhe Zhongxing Development Company Limited	Office	–	–	15,261	2,291	–
Tianjin ZTE International Investment Company Limited	Office	2,545	–	4,716	924	–
		7,114	–	27,007	4,260	–
		7,327	–	39,490	4,840	–

Note: The Group recognised lease income of RMB3,922,000 (2024: RMB38,515,000) for the year according to the lease contracts for the lease of office and equipment to the aforesaid related parties.

The Group recognised short-term lease and low-value asset lease expense of RMB7,327,000 and paid rental of RMB39,490,000 (2024: recognised short-term lease and low-value asset lease expense of RMB7,155,000 and paid rental of RMB39,729,000) for the year according to the lease contracts for the lease of office from the aforesaid connected parties.

(3) Other major related transactions

Remuneration of key management personnel

	2025	2024
Short-term staff remuneration	39,513	57,821
Retirement benefit	340	324
Total	39,853	58,145

XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

5. Transactions with related parties (continued)

(4) Transfer of assets with related parties

	Transaction	2025	2024
Sanya Zhongxing Land Development Co., Ltd.	Asset disposal	90,000	—
ZTE Development Company Limited*	Equity acquisition	—	71,313
Total		90,000	71,313

* In September 2024, the Group acquired 82% equity interests in ZTE Hotel Shenzhen Investment & Management Company Limited for a consideration of RMB71,313,000. As from September 2024, ZTE Hotel Shenzhen Investment & Management Company Limited has been included in the Group's consolidated statements.

6. Balances of amounts due from/to related parties

Item	Related party	2025		2024	
		Book balance	Bad debt provision	Book balance	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	1,621	16	460	392
	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	80	1
	Sindi Technologies Co., Ltd.	1	—	—	—
	Beijing Changrui Time Technology Limited	258	258	263	263
	LONGi Green Energy Technology Corporation	414	4	—	—
	Jetflow Technologies Co., Ltd.	318	304	306	33
	ZTE Hotel Shenzhen Investment & Management Company Limited	—	—	46,348	28,370
	ZTE Hotel Xi'an Management Company Limited	—	—	30,000	10,069
	ZTE Hotel Nanjing Management Company Limited	—	—	4,706	151
	ZTE Hotel Shanghai Investment & Management Company Limited	—	—	72,198	45,922
		25,448	23,341	177,117	107,957
Prepayments	航天歐華信息技術有限公司	82	1	—	—
Other receivables	Sanhe Zhongxing Property Service Company Limited	10	—	10	—
	Sanhe Zhongxing Development Company Limited	71	—	71	—
		81	—	81	—

XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

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

Item	Related party	2025	2024
Bills payable	WHALE CLOUD TECHNOLOGY CO., LTD	3,122	1,187
	Shenzhen Xinyu Tengyue Electronics Co., Ltd	6,917	6,646
	Sindi Technologies Co., Ltd.	1,187	38,687
	Shenzhen Zhongxing Xinli Precision M&E Technology Company Limited	55,071	55,066
	GD Ouke Air-conditioning & Refrigeration Company Limited	–	2,144
	Shenzhen New Video Smart Technology Company Limited	11	–
	Shenzhen Zhongxing Tenglong Eco-Tech Company Limited	3,536	8,891
	Jetflow Technologies Co., Ltd.	2,756	–
	Xiazhi Technology Company Limited	680	–
	Shenzhen Shuzhigang Technology Industry Co., Ltd.	48,272	–
	Maanshan Sindi Technology Company Limited	48,847	–
		170,399	112,621
Trade payables	Shenzhen Xinyu Tengyue Electronics Co., Ltd.	1,522	1,535
	Sindi Technologies Co., Ltd.	182	16,552
	Shenzhen Zhongxing WXT Equipment Company Limited	50	327
	Shenzhen Zhongxing Information Company Limited	155	277
	Shenzhen Zhongxing Xinli Precision M&E Technology Company Limited	18,427	23,719
	WHALE CLOUD TECHNOLOGY CO., LTD	209,525	219,523
	Pylon Technologies Co., Ltd.	1,994	2,207
	航天歐華信息技術有限公司	1,987	1,987
	Shenzhen Zhongxing Tenglong Eco-Tech Company Limited	–	933
	Shenzhen New Video Smart Technology Company Limited	–	74
	Jetflow Technologies Co., Ltd.	–	100
	Maanshan Sindi Technology Company Limited	22,124	–
	Shenzhen Shuzhigang Technology Industry Co., Ltd.	31,562	–
	Xiazhi Technology Company Limited	17	–
		287,545	267,234

XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

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

Item	Related party	2025	2024
Contract liabilities	Nanchang Zhongzhan Digital Smart Technology Company Limited	5,327	5,327
	Xi'an Microelectronics Technology Research Institute	1,620	1,620
	Beijing Zhongxing Xieli Technology Company Limited	155	155
	航天歐華信息技術有限公司	171,402	1,793
	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)	61	78
		178,598	9,006
Other payables	Zhongxingxin Telecom Company Limited	323	10
	INTLIVE TECHNOLOGIES (PRIVATE) LIMITED	5,265	5,457
	ZHONGSHAN YOUSHUN PROPERTY COMPANY LIMITED	2,000	2,000
	Zhongxing Software Technology (Ji'nan) Company Limited	13	—
	HENGYANG ICT REAL-ESTATE CO., LTD.	198	198
	Shenzhen Zhongxing New Cloud Service Company Limited	466	—
	Shenzhen Zhongxing Energy Conservation & Environmental Service Company Limited.	200	229
	Shenzhen ZTE International Investment Company Limited	26	26
	Huatong Technology Co., Ltd.	723	6
	Shenzhen Aerospace Property Management Co., Ltd.	—	30
	Zhongxing Intelligent Technology (Wuhu) Company Limited	—	26
	Puxing Mobile Telecom Equipment Co., Ltd.	1,483	4,523
	WHALE CLOUD TECHNOLOGY CO., LTD	1,806	5,111
	Shenzhen Zhongxing WXT Equipment Company Limited	—	12
	Shenzhen Zhongxing Information Company Limited	2	—
		12,505	17,628

XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

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

Item	Related party	2025	2024
Lease liabilities	Sanhe Zhongxing Development Company Limited	40,843	53,813
	Tianjin ZTE International Investment Company Limited	17,359	21,151
	Zhongxingxin Telecom Company Limited	6,760	18,663
	Chongqing Zhongxing Development Company Limited	18,415	24,400
		83,377	118,027

Other than lease liabilities, other amounts due from/to related parties were interest-free, unsecured and had no fixed term of repayment. Amounts receivables from related parties were interest-free and unsecured with a usual credit term of 0–90 days, which may be extended to up to 1 year.

7. Commitments of the Group with related parties

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

Supplier	Subject of purchase	Date	Duration	Estimated purchase 2026
Zhongxingxin Telecom Company Limited and its subsidiaries	Raw materials	December 2025	One year	400,000
Shenzhen Digital Intelligence Port Technology Industry Company Limited	Raw materials	December 2025	One year	3,000,000
Huatong Technology Co., Ltd.	Personnel hiring and project outsourcing services	December 2024	Two years	85,000
Nanchang Zhongzhan Digital Smart Technology Company Limited	Personnel hiring and project outsourcing services	December 2024	Two years	97,000
Total				3,582,000

Note: For details of purchases incurred for the year, please refer to Note XI. 5 (1).

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

Lessee	Estimated rental income 2026	2027
Transactions with the controlling shareholder and its subsidiaries	2,814	2,809
Transactions with companies with which connected natural persons held positions and their subsidiaries	432	423
Transactions relating to joint ventures and associates of the Company and their subsidiaries	261	261
Total	3,507	3,493

Note: For details of rental income incurred for the year, please refer to Note XI. 5 (2).

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 as follows:

Lessor	Estimate lease expense	
	2026	2027
Transactions with the controlling shareholder and its subsidiaries	10,721	10,721
Transactions with companies with which connected natural persons held positions and their subsidiaries	30,637	30,601
Total	41,358	41,322

Note: For details of rental expense incurred for the year, please refer to Note XI. 5 (2).

XII. COMMITMENTS AND CONTINGENT EVENTS

1. Material commitments

	2025	2024
Contracted but not provided of		
Capital expenditure commitments	3,097,365	2,457,110
Investment commitments	439,790	463,320
Including: investment commitment to joint ventures	382,940	406,470
	3,537,155	2,920,430

2. Contingent events

2.1. On 15 April 2018, the U.S. Department of Commerce's Bureau of Industry and Security ("BIS") signed an order activating a previously suspended 7-year denial order (commencing on 15 April 2018 and ending on 13 March 2025) (the "15 April 2018 Denial Order"). The 15 April 2018 Denial Order restricted and prohibited the Company and ZTE Kangxun Telecommunications Ltd. (its wholly-owned subsidiary) (collectively "ZTE") from participating in any way, whether directly or indirectly, in any transaction involving any commodity, software, or technology exported or to be exported from the United States that is subject to the U.S. Export Administration Regulations ("EAR"), or any other activities subject to control under EAR. The full text of the 15 April 2018 Denial Order was published in the United States Federal Register (Federal Register Vol. 83, p. 17644) on 23 April 2018.

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.

In 2025, the Company has complied with all local rules and regulations, as applicable, including restrictions under economic sanctions and export control laws and regulations, of the countries in which it operates its businesses. Complying with ZTE's Export Compliance Program and the regulations on which it is based is an essential requirement for ZTE's employees, contract employees, and businesses.

XII. COMMITMENTS AND CONTINGENT EVENTS (continued)

2. Contingent events (continued)

2.1. (continued)

Compliance not only protects value, but it also creates value. The Company attaches significant importance to the work on export control compliance, regarding compliance as a foundation for the Company's strategy and condition and bottom-line for the Company's operations. The Company will continually build its value for its customers, shareholders, and employees, and build a compliant and healthy business environment with customers and partners through the dedication and vigilance to export compliance of every employee.

During the period from 1 January 2025 to the date of publication of this report, to the best of the Company's knowledge, the aforesaid contingent events will not have any material adverse impact on the current financial conditions and operating results of the Group.

2.2. On 7 July 2025, Hengyang Jinliuyuan Real Estate Development Co., Ltd. ("Jinliuyuan") filed a lawsuit with Zhengxiang District People's Court, Hengyang (the "Court") in relation 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 be ruled to be rescinded and that Hunan ZICT be ruled to make a repayment to Jinliuyuan of cash cooperation funds, funds invested in infrastructure construction and losses and projected interest loss, among others, amounting to approximately RMB300 million in aggregate. On 11 July, the 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 amended its petition to the 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 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 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 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.

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

2.3 As at 31 December 2025, an amount of RMB10,230,093 (31 December 2024: RMB10,403,552,000) was outstanding under the bank guarantee letters issued by the Group.

XIII. POST-BALANCE SHEET DATE EVENTS

Profit distribution subsequent to the balance sheet date:

On 6 March 2026, in accordance with the profit distribution proposal recommended by the Board, a cash dividend of RMB4.11 (before tax) for every 10 shares or RMB0.411 (before tax) per share was paid to all shareholders based on the total share capital as at the record date for profit distribution and dividend payment. In the event of changes in the total share capital after the announcement of the profit distribution proposal but before its implementation, the total share capital shall be readjusted on the basis of the total share capital as at the record date for profit and dividend distribution for the purpose of the profit distribution proposal for 2025 and distribution will be made according to the existing proportion for distribution based on the adjusted total share capital. The aforesaid matter is subject to consideration and approval at the general meeting.

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 carriers' 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 terminals, smart phones, mobile Internet terminals, innovative fusion terminals, as well as the provision of related software applications 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, impairment losses, fair value gains from financial instruments, investment income as well as 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.

XIV. OTHER SIGNIFICANT MATTERS (continued)

1. Segment reporting (continued)

(1) Operating segment (continued)

2025

	Carriers' network	Consumer business	Government and corporate business	Total
Segment revenue				
2025				
Revenue from customer contracts	62,857,009	33,816,407	37,105,155	133,778,571
Rental income	—	—	116,889	116,889
Sub-total	62,857,009	33,816,407	37,222,044	133,895,460
Segment results	25,387,079	3,586,820	1,216,313	30,190,212
Unallocated revenue				3,087,574
Unallocated cost				(27,676,286)
Finance costs				226,654
Gain from changes in fair values				101,600
Investment gains under equity method				373,113
Total profit				6,302,867
Total assets				
2025				
Segment assets	38,202,427	19,528,551	22,622,336	80,353,314
Unallocated assets				137,386,061
Sub-total				217,739,375
Total liabilities				
2025				
Segment liabilities	8,269,910	3,233,599	4,897,193	16,400,702
Unallocated liabilities				125,697,432
Sub-total				142,098,134
Supplemental information				
2025				
Depreciation and amortisation expenses	2,233,530	1,201,615	1,322,630	4,757,775
Capital expenditure	2,005,722	1,079,058	1,187,729	4,272,509
Asset impairment losses	(294,654)	(158,521)	(174,486)	(627,661)
Credit impairment loss	47,553	25,583	28,160	101,296

XIV. OTHER SIGNIFICANT MATTERS (continued)

1. Segment reporting (continued)

(1) Operating segment (continued)

2024

	Carriers' network	Consumer business	Government and corporate business	Total
Segment revenue				
2024				
Revenue from customer contracts	70,326,727	32,406,081	18,455,069	121,187,877
Rental income	—	—	110,875	110,875
Sub-total	70,326,727	32,406,081	18,565,944	121,298,752
Segment results	29,956,809	4,650,789	1,303,614	35,911,212
Unallocated revenue				3,009,004
Unallocated cost				(29,490,737)
Finance costs				264,570
Gain from changes in fair values				(625,131)
Investment gains under equity method				160,687
Total profit				9,229,605
Total assets				
2024				
Segment assets	43,449,027	19,242,495	11,470,350	74,161,872
Unallocated assets				133,161,358
Sub-total				207,323,230
Total liabilities				
2024				
Segment liabilities	8,691,263	2,861,802	2,294,455	13,847,520
Unallocated liabilities				120,365,428
Sub-total				134,212,948
Supplemental information				
2024				
Depreciation and amortisation expenses	2,880,726	1,327,419	760,499	4,968,644
Capital expenditure	2,911,535	1,341,615	768,632	5,021,782
Asset impairment losses	(541,041)	(249,308)	(142,833)	(933,182)
Credit impairment loss	53,603	24,700	14,151	92,454

XIV. OTHER SIGNIFICANT MATTERS (continued)

1. Segment reporting (continued)

(2) Geographic Information

Total revenue

	2025	2024
The PRC	89,734,053	82,005,674
Asia (excluding the PRC)	17,803,048	15,390,457
Africa	6,934,592	6,422,478
Europe, America and Oceania	19,423,767	17,480,143
	133,895,460	121,298,752

Total non-current assets

	2025	2024
The PRC	20,977,892	22,304,776
Asia (excluding the PRC)	1,364,608	1,388,462
Africa	500,463	572,295
Europe, America and Oceania	1,134,878	1,002,643
	23,977,841	25,268,176

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 RMB27,394,961,000 was derived from carriers' network and consumer business revenue from one major customer (2024: RMB33,294,519,000 from one major customer).

2. #Directors' and Supervisors' remuneration

Directors' and chief executives' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, was as follows:

Directors' and Supervisors' remuneration set out as follows:	2025	2024
Director's fee	1,750	1,800
Salaries, allowances and welfare	4,173	7,744
Performance-related rewards (bonuses)*	12,108	28,522
Retirement benefit scheme contributions	134	223
Total	18,165	38,289

* Directors holding office with the Company are entitled to bonus payments which are determined based on their work performance.

XIV. OTHER SIGNIFICANT MATTERS (continued)

2. #Directors' and Supervisors' remuneration (continued)

During the year, no Director or Supervisor waived or agreed to waive any emolument. No emoluments were paid by the Group to the Directors or Supervisors as an inducement to join or upon joining the Group or as compensation for loss of office (2024: nil).

None of the Directors and Supervisors of the Company or entities which are connected to the Directors and Supervisors was or had been materially interested, either directly or indirectly, in any transactions, arrangements and contracts of significance to which the Group is a party subsisting during or at the end of 2025.

Executive Directors, Non-executive Directors, Independent Non-executive Directors, Employee Director and Supervisors:

	Director's fee	Salaries, allowances and welfare	Performance-related rewards (bonuses)	Retirement benefit scheme contributions	Total
2025					
Executive Directors:					
Xu Ziyang *(President)*	–	1,846	5,487	47	7,380
Li Zixue (retired)	–	469	–	–	469
Gu Junying (retired)	–	436	1,275	17	1,728
	–	2,751	6,762	64	9,577
Non-executive Directors:					
Fang Rong	–	201	3,027	–	3,228
Yan Junwu	150	–	–	–	150
Zhu Weimin	200	–	–	–	200
Zhang Hong	200	–	–	–	200
	550	201	3,027	–	3,778
Independent Non-executive Directors:					
Zhuang Jiansheng	400	–	–	–	400
Wang Qinggang	400	–	–	–	400
Tsui Kei Pang	400	–	–	–	400
	1,200	–	–	–	1,200
Employee Director:					
Li Miaona	–	572	1,100	51	1,723
Supervisors:					
Xie Daxiong (retired)	–	426	792	–	1,218
Xia Xiaoyue (retired)	–	223	427	19	669
Jiang Mihua (retired)	–	–	–	–	–
Hao Bo (retired)	–	–	–	–	–
	–	649	1,219	19	1,887
	1,750	4,173	12,108	134	18,165

There were no other emoluments payable to the Independent Non-executive Directors during the year (2024: Nil).

XIV. OTHER SIGNIFICANT MATTERS (continued)

2. #Directors' and Supervisors' remuneration (continued)

Executive Directors, Non-executive Directors, Independent Non-executive Directors and Supervisors:

	Director's fee	Salaries, allowances and welfare	Performance-related rewards (bonuses)	Retirement benefit scheme contributions	Total
2024					
Executive Directors:					
Li Zixue	—	1,819	6,070	11	7,900
Xu Ziyang *(President)*	—	1,772	7,982	46	9,800
Gu Junying	—	1,669	6,690	66	8,425
	—	5,260	20,742	123	26,125
Non-executive Directors:					
Li Buqing (resigned)	100	—	—	—	100
Zhu Weimin	200	—	—	—	200
Fang Rong	200	—	—	—	200
Zhang Hong	100	—	—	—	100
	600	—	—	—	600
Independent Non-executive Directors:					
Cai Manli (retired)	200	—	—	—	200
Zhuang Jiansheng	400	—	—	—	400
Gordon Ng (retired)	200	—	—	—	200
Wang Qinggang	200	—	—	—	200
Tsui Kei Pang	200	—	—	—	200
	1,200	—	—	—	1,200
Supervisors:					
Xie Daxiong	—	1,230	4,853	—	6,083
Xia Xiaoyue	—	644	1,633	50	2,327
Li Miaona	—	610	1,294	50	1,954
Jiang Mihua	—	—	—	—	—
Hao Bo	—	—	—	—	—
	—	2,484	7,780	100	10,364
	1,800	7,744	28,522	223	38,289

Note 1: At the Company's First Extraordinary General Meeting of 2025 held on 24 April 2025, amendments to the Articles of Association were considered and approved, pursuant to which clauses in the Articles of Association relating to the Supervisory Committee were removed and the Company ceased to operate with a Supervisory Committee. The term of the Ninth Session of the Supervisory Committee concluded on 24 April 2025. The term of office of Ms. Li Miaona as Supervisor of the Company was concluded on 24 April 2025 and her term of office as Employee Director of the Company commenced on 23 May 2025. The respective terms of office of Mr. Li Zixue and Mr. Gu Junying as Executive Director were concluded on 28 March 2025.

Note 2: Mr. Li Buqing tendered his resignation as Non-executive Director of the Company on 28 June 2024. The term of office of Ms. Cai Manli and Mr. Gordon Ng as Independent Non-executive Directors was concluded on 28 June 2024.

The Company did not provide any loans to Directors, Supervisors and their related parties, nor did it provide any loans to employees participating in share option schemes and personnel acquiring shares in the Company.

XIV. OTHER SIGNIFICANT MATTERS (continued)

3. #Five highest paid employees of the Group for the year

The five highest paid employees of the Group during the year included 1 Director (2024: 1 Director), details of whose remuneration were set out in the above: Details of the remaining four employees were set out in as follows:

	2025	2024
Salaries, allowances and welfare	5,480	5,296
Performance-related rewards (bonuses)	24,430	30,799
Retirement benefit scheme contributions	226	217
Total	30,136	36,312

The breakdown number of the aforesaid four employees receiving remuneration (before personal income tax) within the following scope was as follows:

	2025	2024
RMB7,000,001–RMB7,500,000	3	—
RMB7,500,001–RMB8,000,000	—	—
RMB8,000,001–RMB8,500,000	1	—
RMB8,500,001–RMB9,000,000	—	2
RMB9,000,001–RMB9,500,000	—	1
RMB9,500,001–RMB10,000,000	—	1
Total	4	4

No emoluments were paid by the Group to any of the five highest paid employees of the Company as an inducement to join or upon joining the Group or as compensation for loss of office (2024: Nil).

4. #Net current assets/(liabilities)

	2025 Group	2024 Group	2025 Company	2024 Company
Current assets	143,933,862	141,787,346	141,366,209	135,462,843
Less: current liabilities	81,981,121	82,635,473	97,538,941	90,418,632
Net current assets/ (liabilities)	61,952,741	59,151,873	43,827,268	45,044,211

5. #Total assets less current liabilities

	2025 Group	2024 Group	2025 Company	2024 Company
Total assets	217,739,375	207,323,230	204,303,188	187,030,066
Less: current liabilities	81,981,121	82,635,473	97,538,941	90,418,632
Total assets less current liabilities	135,758,254	124,687,757	106,764,247	96,611,434

6. Other material matter

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

	2025	2024
Cash on hand	769	821
Bank deposit	5,597,157	17,554,839
Other currency cash	181,503	317,009
Amounts placed with the Group Finance Company	14,377,693	9,811,225
	20,157,122	27,683,894
Including: Total amount of funds deposited overseas	327,386	325,535

As at 31 December 2025, the Group's currency cash deposited overseas and subject to restrictions amounted to RMB98,000 (31 December 2024: RMB131,000).

2. Trade receivables

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

	2025	2024
Not overdue	14,718,394	13,834,404
Within 1 year	21,147,307	14,621,494
1–2 years	5,345,815	3,657,452
2–3 years	1,289,583	1,678,076
Over 3 years	7,617,270	7,928,661
	50,118,369	41,720,087
Less: bad debt provision for trade receivables	5,814,997	5,869,015
Total	44,303,372	35,851,072

(2) Analysed by method of bad-debt provision

2025

	Book balance		Bad debt provision		Book 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

2024

	Book balance		Bad debt provision		Book value
	Amount	Percentage	Amount	Percentage	
Standalone provision for impairment	1,703,304	4.08%	1,703,304	100.00%	–
Recognition of provision for impairment by group with credit risk characteristics	40,016,783	95.92%	4,165,711	10.41%	35,851,072
Total	41,720,087	100.00%	5,869,015	14.07%	35,851,072

XV. MAJOR ITEMS IN THE FINANCIAL STATEMENTS (continued)

2. Trade receivables (continued)

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

As at 31 December 2025, bad debt provisions for trade receivables on a group basis were as follows:

	Book balance	Provision for impairment	Percentage of provision
Not overdue	14,718,393	77,663	0.53%
Within 1 year	21,055,437	100,630	0.48%
1–2 years	5,340,886	168,295	3.15%
2–3 years	1,287,574	253,540	19.69%
Over 3 years	6,049,453	3,548,243	58.65%
Total	48,451,743	4,148,371	8.56%

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

	Opening balance	Charge/ (reversal) for the year	Write-off for the year	Effect of exchange rate	Closing balance
2025	5,869,015	40,831	(107,026)	12,177	5,814,997

For 2025, RMB810,000 (2024: RMB2,141,000) was reversed for trade receivables which were individually significant and for which bad-debt provision had been made separately. Verified write-off in respect of trade receivables which were individually significant and for which bad-debt provision had been made separately amounted to RMB31,245,000 (2024: RMB0).

(4) Top 5 accounts of trade receivables and contract assets as at 31 December 2025 were as follows:

	Closing balance of trade receivables	Closing balance of contract assets	Closing balance of trade receivables and contract assets	As a percentage of total closing balance of trade receivables and contract assets	Closing balance of bad-debt provision for trade receivables and provision for impairment of contract assets
Customer 1	4,064,431	976,316	5,040,747	9.54%	54,526
Customer 2	2,448,938	353,126	2,802,064	5.30%	21,269
Customer 3	1,508,322	229,544	1,737,866	3.29%	28,218
Customer 4	743,868	—	743,868	1.41%	8,642
Customer 5	656,272	109	656,381	1.24%	558,059
Total	9,421,831	1,559,095	10,980,926	20.78%	670,714

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

XV. MAJOR ITEMS IN THE FINANCIAL STATEMENTS (continued)

3. Other receivables

	2025	2024
Dividend receivable	23,753	1,473,237
Other receivables	33,687,841	31,710,754
Total	33,711,594	33,183,991

(1) The aging analysis of other receivables:

	2025	2024
Within 1 year	20,163,897	17,983,566
1–2 years	2,950,265	2,108,442
2–3 years	1,881,090	1,504,428
Over 3 years	8,944,193	10,338,254
	33,939,445	31,934,690
Less: Bad-debt provision	251,604	223,936
Total	33,687,841	31,710,754

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

	2025	2024
Employee advances	4,711	—
Current transactions	33,934,734	31,934,690
Total	33,939,445	31,934,690

(3) Charge of bad debt provision

2025

	Book balance		Bad debt provision		Book value
	Amount	Percentage	Amount	Percentage	
Charge of bad debt provision by group with credit risk characteristics	33,939,445	100.00%	251,604	0.74%	33,687,841

As at 31 December 2025, bad debt provisions for other receivables on a group basis were as follows:

	Book balance	Provision for impairment	Percentage of provision
Aging risk portfolio	33,939,445	251,604	0.74%

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

	Opening balance	Charge/ (reversal) for the year	Write-off for the year	Exchange rate movement	Closing balance
Aging risk portfolio	223,936	29,004	(1,102)	(234)	251,604

XV. MAJOR ITEMS IN THE FINANCIAL STATEMENTS (continued)

4. Long-term receivables

	2025	2024
Loans granted to subsidiaries (Note 1)	2,874,706	2,954,807
Installment payments for the provision of telecommunication system construction projects	1,153,253	764,574
	4,027,959	3,719,381
Less: Bad debt provision for long-term receivables	31,192	36,700
Total	3,996,767	3,682,681

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 overseas business operations.

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

	Opening balance	Charge/ (reversal) for the year	Closing balance
2025	36,700	(5,508)	31,192
2024	25,099	11,601	36,700

The discount rate of long-term receivables ranged from 3.10% — 7.05%.

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

5. Investment in associates, joints and subsidiaries

		2025	2024
Equity method			
Joint Ventures	(1)	1,083,471	857,509
Associates	(2)	1,089,671	1,063,225
Less: Provision for impairment of investment in associates and joints		—	—
Total		2,173,142	1,920,734
Cost method			
Subsidiaries	(3)	17,569,110	17,010,083
Less: Provision for impairment of investment in associates, joints and subsidiaries	(4)	606,116	613,526
Sub-total		16,962,994	16,396,557
Total		19,136,136	18,317,291

Notes to Financial Statements

31 December 2025
Prepared under PRC ASBEs
(English translation for reference only)
RMB'000

XV. MAJOR ITEMS IN THE FINANCIAL STATEMENTS (continued)

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

(1) Joint Ventures

				Movement during the year								
	Shareholding percentage	Opening book balance	Provision for impairment at the beginning of year	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 year
Puxing Mobile Telecom Equipment Co., Ltd.	33.85%	1,207	–	–	–	–	–	–	–	–	1,207	–
DataService Technology Co., Ltd.	49.00%	39,742	–	–	–	883	–	–	(3,438)	–	37,187	–
Zhuhai Hongtu Zhanlu Equity Investment Partnership Enterprise (Limited Partnership)	40.00%	724,012	–	–	–	305,119	–	–	(99,135)	–	929,996	–
Beijing Shunyi Jianguang Zhanlu Emerging Industry Equity Investment Partnership (Limited Partnership)	58.75%	92,548	–	23,530	–	(997)	–	–	–	–	115,081	–
		857,509	–	23,530	–	305,005	–	–	(102,573)	–	1,083,471	–

(2) Associates

				Movement during the year								
	Shareholding percentage	Opening book balance	Provision for impairment at the beginning of year	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 year
WHALE CLOUD TECHNOLOGY CO., LTD.	27.62%	850,186	–	–	–	56,865	(255)	–	–	–	906,796	–
Xingyun Times Technology Co., Ltd.	23.26%	115,138	–	–	–	684	–	–	–	–	115,822	–
Qingdao Hongtu Zhanlu Phase II Private Equity Investment Fund Partnership (Limited Partnership)	33.33%	59,339	–	–	–	(950)	–	–	–	–	58,389	–
* Other investments		38,562	–	–	(39,760)	9,862	–	–	–	–	8,664	–
		1,063,225	–	–	(39,760)	66,461	(255)	–	–	–	1,089,671	–

* Zhongxing (Wenzhou) Urban Rail Transportation Communication Technical Co. Ltd. ceased to be accounted for as an associate for the period owing to the loss of significant influence following the disposal of entire equity interests in this company.

XV. MAJOR ITEMS IN THE FINANCIAL STATEMENTS (continued)

5. Investment in associates and joints (continued)

(3) Subsidiaries

	Investment cost	Opening balance	Increase/ decrease during the year	Closing balance	Percentage of shareholding	Percentage of voting rights	Cash dividend for the year
Shenzhen ZetaMatrix Co., Ltd.	263,293	263,293	–	263,293	100%	100%	–
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%	–
ZTE (H.K.) Limited	2,226,963	2,226,963	–	2,226,963	100%	100%	820,000
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	–	1,124,402	78%	78%	–
Shenzhen Renxing Technology Co., Ltd.	720,000	720,000	–	720,000	100%	100%	–
ZTE Intelligent Technology (Nanjing) Co., Ltd.	1,343,332	1,000,000	343,332	1,343,332	100%	100%	–
Zonson Smart Auto Corporation	790,500	790,500	–	790,500	86%	86%	–
ZTE (Chengdu) Co., Ltd.	–	500,000	(500,000)	–	–	–	43,443
** Suzhou Zhonghe Chunsheng No.3 Investment Centre (Limited Partnership)	–	–	–	–	–	**	10,800
ZXNE CORPORATION	232,360	232,360	–	232,360	100%	100%	–
Other investments	3,700,476	2,984,781	715,695	3,700,476	–	–	61,173
Total	17,569,110	17,010,083	559,027	17,569,110	–	–	935,416

** The subsidiary was a limited partnership enterprise in which the Company had a shareholding of less than 50%. However, the general partner exercising management and control of such limited partnership was a company controlled by the Company, hence the Group was in a position to control such company.

(4) Provision for Investment in associates, joints and subsidiaries

	Opening balance	Increase/ decrease during the year	Closing balance
Shenzhen Zhongxing Telecom Technology & Service Company Limited	9,656	–	9,656
ZXNE CORPORATION	232,360	–	232,360
Other investment	371,510	(7,410)	364,100
Total	613,526	(7,410)	606,116

XV. MAJOR ITEMS IN THE FINANCIAL STATEMENTS (continued)

6. Operating revenue and costs

	2025		2024	
	Revenue	**Cost**	Revenue	Cost
Principal operations	**124,238,066**	**123,249,599**	114,981,535	110,900,152
Other businesses	**16,167,224**	**449,384**	17,302,020	315,366
Total	**140,405,290**	**123,698,983**	132,283,555	111,215,518

7. Investment income

	2025	2024
Investment income from investment in associates and joints under equity method	**371,466**	151,210
Investment income from investment in associates and joints under cost method	**935,416**	3,394,545
Investment income from financial assets at amortised cost and financial assets at fair value through profit or loss during the period of holding	**6,435**	7,997
Investment income from disposal of investment in associates and joints	**654,338**	16,867
Investment loss from disposal of derivative investment	**(77,931)**	(188,929)
Investment income from disposal of financial assets at fair value through current profit or loss	**374,413**	110,886
Loss on derecognition of financial assets at amortised cost and financial assets at fair value through other comprehensive income	**(312,677)**	(302,455)
Total	**1,951,460**	3,190,121

Supplementary Information

2025
(English translation for reference only)
RMB'000

1. BREAKDOWN OF EXTRAORDINARY GAINS/LOSSES

	2025
Gain from the disposal of non-current assets	5,033
Investment gain from the disposal of investment in associates and joints	77,964
Gain/loss from fair-value change in financial assets and financial liabilities, and gain/loss from the disposal of financial assets and financial liabilities held by non-financial enterprises other than effective value-protection hedge relating to the normal operations	524,438
Gain from change in fair value of investment properties	(4,468)
Other income (other than software VAT refund, refund of handling charge for withholding personal tax and VAT add-on deductibles)	515,668
Reversal of bad-debt provision for individually significant trade receivables for which provision was separately made	13,144
Net amount of other non-operating income and expenses other than the above	(58,942)
Other profit or loss items meeting the criteria for extraordinary profit or loss	1,567,919
	2,640,756
Effect of income tax	(396,113)
Effect of non-controlling interests (net of tax)	2,691
Total	2,247,334

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 which are set out as extraordinary gain/(loss) 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:

	2025	Reason
Investment gain and gain from fair-value change of ZTE Capital Company Limited	3,206	Within the scope of business of ZTE Capital

2 RETURN RATIO ON NET ASSETS AND EARNINGS PER SHARE

	Weighted average return on net assets	Earnings per share	
		Basic	Diluted
Net profit attributable to ordinary shareholders of the Company	7.58%	1.17	1.16
Net profit after extraordinary items attributable to ordinary shareholders of the Company	4.55%	0.70	0.70

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 copy of the auditors' report affixed with seal of the accountants' firm and duly signed under the hand and seal of the certified public accountants;
- Original copies of all of the Company's documents and announcements published during 2025; and
- The Articles of Association.

By order of the Board
Fang Rong
Chair

6 March 2026

ZTE 中兴通讯股份有限公司
ZTE CORPORATION