中兴通讯股份有限公司
ZTE CORPORATION

stock code : 000063.SZ 00763.HK

2024
ANNUAL REPORT

Important

1. The Board of Directors, Supervisory Committee and the Directors, Supervisors 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 Forty-first Meeting of the Ninth Session of the Board of Directors of the Company held on 28 February 2025. All directors have attended the meeting in person.

3. Mr. Li Zixue, Chairman 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 2024 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 2024 is as follows: distribution of RMB6.17 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 amounts 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.

Chairman's Statement

DEAR SHAREHOLDERS,

I hereby present the 2024 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.

Li Zixue
Chairman

In 2024, the Company had on hand an evermore pressing task of transiting its business focus from connectivity to computility, as 5G network construction was entering a phase of maturity and cross-segment integration in the industry was gaining pace each day on the back of rapid development of AI technologies. Notwithstanding the manifold challenges, we fought with a relentless spirit as the Company showcased strong operational resilience and momentum for growth and development.

In connection with network segment, our global market shares were steadily rising as we deepened our efforts in coordination and refinement in line with changes in customers' investment priorities. In connection with computility, we tracked the trend of construction closely to ensure ongoing improvement in our general intelligent computing solutions, as we gradually realised project opportunities in the market. In connection with terminal, we continued to forge in big nations strong markets for our overseas handset business, as rapid increase in cloud computer sales contributed to new revenue growth. In the digital energy segment, our data centre business sustained rapid growth, whilst optical storage represented a new direction offering opportunities for long-term development.

Looking to 2025, the external environment will remain complicated and volatile, as the new round of technological revolution and industrial transformation continue to undergo further development with AI offering the commanding height in competition. In the presence of challenges as well as opportunities, the Company will maintain its strategic focus as it steps up with the transition towards "connectivity + computility" and the charting of new frontiers.

In adherence to the principle of "**seeking advancement while ensuring stability and pursuing innovation while assuring the principal business**", we will ensure stable growth in business results and maintain balance between revenue and profit. We will seek to increase our market shares in existing sectors and success rates in new sectors while striving to seize variable opportunities, as we set sight on long-term operation in the quest for "revenue with profit and profit with cashflow".

In connection with business development, we will actively expand niches for growth. Intensive effort will be made to identify further potentials in the network segment, as we seize opportunities arising from the construction of 5G-A and full-optical networks to consistently enhance our market pattern. In connection with computility, intelligent computing will be firmly designated as our principal strategic pathway in the long term as we develop capabilities in ten-thousand-card projects and large model on the back of our strengths in full-stack technologies, in an endeavour to facilitate development of a diversified ecosphere for intelligent computing featuring domestically-manufactured products characterised by open decoupling, computing enhancement through the network and win-win collaboration. In connection with government and corporate business, we will ride with the trend to seize major opportunities afforded by industrial computility building, major emergency and vehicle-road-cloud integration with a special emphasis on key sectors and industry-leader customers, strengthening channel development and enhancing specialised capabilities to achieve leaping growth. In connection with terminals, we will persist in the strategies of differentiated innovation and cost leadership in the overseas marketing of smartphones, while enhancing development of e-commerce channels and seeking breakthroughs for our flagship models at home, as well as rapidly driving large-volume sales of cloud computers to capitalise on the window period.

In terms of R&D, we will persist in technological advancement and innovative breakthroughs in base-level root technologies and enhance the paradigm of "chip + complete unit + assembly R&D + large model", seeking to consistently reinforce the foundation of our core technologies, fortify our leading position in terms of the competitiveness of network products, bolster our capabilities in integrated computing product solutions and improve the user experience and cost advantage of our terminal products, as well as inject robust driving force for breakthroughs into new segments such as new energy and vehicular electronics.

In terms of management, we will be daring in reforms and innovations and adapt ourselves in a proactive manner to the gradual shifting of the Company's business portfolio to the government and corporate sector and the consumer sector. Through vigorous promotion of the innovative model of "large enterprise-small teams", we will step up with our transition to a more agile mode of operation and deepen internal coordination. We will also seek to foster a novel business ecosphere in which we cooperate as well as compete with our peers, as we consistently enlarge our "circle of friends". Intensive effort will be made to forge a "superb AI company" that leverages AI technologies to enhance processes and operating efficiency by significant margins. We will improve and build a high-standard quality assurance regime powered by digitalisation and intelligentisation to ensure compliance with quality requirements and foster competitiveness in quality.

We will continue to reinforce our three major strategic cornerstones, namely "talent, compliance and internal control", and inspire creativity throughout the corporation on the firm basis of value contribution, as we seek to build a globally first-rate compliance platform and optimise our long-term internal control regime that would enable us to avert risks, assure stability and facilitate development. In the capital market, we will enhance market value management to boost investors' confidence and generate returns for shareholders. We will also implement global initiatives in green and low-carbon development with vigorous effort and undertake our social responsibility with valiance in a joint endeavour to shape a sustainable future.

In retrospect, the episodes of ferocious competition seem all but a distant memory; looking ahead, we are ready to set sail with the rising wind towards a yet more promising future. Year 2025 marks the 40th anniversary of the founding of ZTE. The deeply embedded strengths fostered over four decades and the fighting, innovative spirit in our DNA will remain the driving force as we continue to charge forward. Four decades of unwavering hard work persisting in proprietary R&D of core technologies, underpinned by all-round breakthroughs in base-level core technological competence, will reinforce our foundation as we strive to stay ahead in competition. Four decades of opportunities seized amidst waves of technological revolution along an obstacle-ridden path have showcased the resilience with which we ventured forward. With every reflection over the past, we are evermore resolved to embark on the journey ahead. Notwithstanding the challenges of a rigorous environment out there and profound transformation taking place inside, no difficulty will ever stop us from marching onward. Let us continue to seek breakthroughs with a valiant spirit, taking solid, confident strides forward on the new journey of "overtaking" as we write our own stories of endeavours, forever mindful of the mission we first inherited.

Li Zixue
Chairman,
ZTE Corporation

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Definitions

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

Company or ZTE	ZTE Corporation, a limited company incorporated in China, the shares of which are listed on the Shenzhen Stock Exchange and the Hong Kong Stock Exchange, respectively
Group	ZTE and its subsidiaries
Board of Directors	The Board of Directors of the Company
Directors	Members of the Board of Directors of the Company
Supervisory Committee	The Supervisory Committee of the Company
Supervisors	Members of the Supervisory Committee of the Company
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
Securities Law	Securities 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
PRC ASBEs	PRC Accounting Standards for Business Enterprise (Generally accepted accounting principles in China)
Articles of Association	ZTE Corporation Articles of Association (June 2024)
The Reporting Period	1 January 2024 to 31 December 2024

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.
AGV	Automated Guided Vehicle, a vehicle equipped with an electromagnetic or optical automated guidance device enabling it to be driven along the stipulated way under guidance, providing safety protection and various transport functions.
AHU	Air Handling Unit, an equipment used for regulating and controlling indoor air environment.
CDN	Content Delivery Network, a network structure capable of redirecting on a real-time basis a user's request to the closest service node available to such user based on network flow and information of various service nodes such as connection, load, distance from the user and response time.
C+L	C+L wavelength (Conventional band and long-wavelength band), the two commonly used wavelength-division frequency bands in the usable wavelengths of optical fibre. In the DWDM system, the C band has already been put to wide applications, while with the increasing demand for bandwidth, the L band has now also been put to trial runs for commercial applications.
DPU	Data Processing Unit, a specialised processor for the data centre providing functions such as SD network, SD storage and SD accelerator to solve loading required by protocol transaction, data security and computing acceleration, offering better performance than CPU in data IO (input/output) processing.
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.
EDU	External Distribution Unit, an equipment used for managing and distributing cooling liquid which usually comprises components including water pump, filter and sensor.
FTTR	FTTR (Fiber to The Room) is a networking mode connecting different indoor AP (Access point) with the indoor all-optical node through optical fibre to achieve a 1000M+ coverage throughout the house.
IPC	IP Camera, a digital equipment based on network transmission featuring a network output interface directing connecting to the local LAN, in addition to the general composite video signal output interface.
MoE	Mixture of Experts is a model design strategy which acquires better forecast performance by directly combining numerous models (known as "experts").
Mesh	Wireless grid. Wireless routers with Mesh function form into a self-organised network by way of multi-hop interconnectivity to provide the network with better reliability, broader coverage of service and lower start-up cost.
NTN	Non-terrestrial Network, which facilitates 5G communication through satellites or high-altitude platform systems. NTN could cover remote areas, such as mountains, deserts and oceans, that terrestrial networks could not reach, hence further enhancing the coverage of 5G networks. NTN comprises IoT-NTN and NR-NTN. IoT-NTN supports satellite-based interconnection of IoT terminals, while NR-NTN adopts 5G NR which enables smartphones to be directly linked to satellites.

NWDAF	Network Data Analytics Function is network element for data sensing analysis as defined under 3GPP by the standardisation organisation. It carries out automatic sensing and analysis of the network based on network data and is utilised in the full life cycle of network planning, construction, maintenance, optimisation and operation, so as to facilitate ease in the protection and control of the network and enhancement in the efficiency of network resource utilisation for improved user experience.
OTN	Optical Transport Network, a network that facilitates reliable and efficient network communication and transmission within the optical zone organisational network based on WDM technology.
ONT	Optical Network Terminal
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.
PUE	Power Usage Effectiveness represents the ratio between total energy consumption of the data centre and energy consumption of IT loading, which is an indicator adopted to assess the energy efficiency of data centres.
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.
RedCap	Reduced Capability, a 5G technology as defined by 3GPP under the new technology standards NR light (NR lite). To meet the needs of specific application scenarios such as Industrial Internet and Smart City, it features reduced aerial access capacity and a lower level of complexity to meet the requirement for reduction in cost and power consumption.
RRU	Radio Remote Unit. The base station is separated into two parts: the radio server and radio remote unit, the latter of which is installed at the antenna end to process radio signals.
SCP	ZTE Smart Cloud Platform. It enables visualised management of home or corporate network equipment, determines fault location and conducts remote optimization.
SLAM	Simultaneous Localization And Mapping, the construction of maps and structures of an unknown environment and positioning of the location and direction of a device using the sensor.
SoC	System on Chip, an integrated circuit with a designated purpose, comprising a complete system and all contents of embedded software.
SPN	Slicing Packet Network, a key technology in 5G network slicing that enables physical isolation and definitive low-latency transmission based on an ethernet transmission architecture and packet network.
sPV	Smart Photovoltaic, a direct-current optical overlay solution for sites, the power conversion unit of which could apply maximum power tracking technology to standalone solar battery panel component, with a view to achieving maximum power generation efficiency for the solar components and enhancing the flexibility of solar power deployment at the station sites.
STB	Set Top Box

Glossary

XR	Extended Reality, a collective reference to AR (Augmented Reality), VR (Virtual Reality) and MR (Mixed Reality), which is an environment featuring the combination of reality and simulation and human-machine interaction enabled by computing technology and wearable device.
Intrinsic Safety Base Station	Mine Intrinsic Safety Base Station is suitable for use at a corrosive gas scene in coal mine wells where explosive mixtures such as methane and coal dust are present but where insulation is uncompromised. It does not require the addition of metal cases or fillings to avoid explosion, and the level of energy generated from sparks or thermal effect occurring during normal use or breakdown complies with national standards applicable to mines. It is an Internet access device that facilitates communication at critical locations in a coal mine well, characterised by its small size, light weight and high safety level.
Large Model	Machinery learning model with large-scale parameters and complex computing structures, usually formed by deep neutral networks with billions or hundred billions of parameters. Large Models are designed to enhance the expressive ability and estimate function of models, so that it can process more complex tasks and data.
Multi-mode	Multiple information sources or forms of expression, such as text, graphic, audio and video.
Optical overlay	Optical overlay at the power source system of the base station which facilitates the supply of solar power electricity to communication loading through the overlay of photovoltaic components.
Relational database	A database that organises data using the relational model by storing data in rows and columns for ease of users' understanding. A series of rows and columns form a table and a group of tables form a database.
Cold-board liquid cooling	A contactless liquid cooling technology using liquid as the medium for heat transmission for flow and movement in the internal passage, thereby cooling the source of heat through heat transmission.
Immersive liquid cooling	Immersion of all heat generating components in a circulatory and insulated cooling liquid, such that the heat emitted from the equipment is directly transmitted to the cooling liquid, thereby achieving circulation and heat exchange in the cooling liquid through natural convection or pump-driving.
Digital Twin	Creation of a digital clone on the basis of an equipment or a system. It is a simulation process that utilises fully data such as physical models, sensor updating and operating history and integrates multiple disciples, physical volumes, measurements and probabilities, completing the reflection in a virtual space to mirror the entire life cycle of the entity equipment concerned.
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.
On-site network	Wireless private networks built by carriers for corporations or industries which is separated from the public networks operated by the carriers.
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	Li Zixue
Registered and office address	ZTE Plaza, Keji Road South, Hi-Tech Industrial Park, Nanshan District, Shenzhen, Guangdong Province, The People's Republic of China
Postal code	518057
Uniform social credit code	9144030027939873X7
Website	http://www.zte.com.cn

1.1.2 Industry in which the Group operates and principal operations

The Company is engaged in communication equipment manufacturing and owns complete end-to-end products and solutions in the ICT industry, integrating design, development, production, sales and services with a special focus on carriers' networks, government and corporate business and consumer business. There was no significant change to the principal businesses of the Company in 2024.

1.1.3 Listing information

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

1.1.4 Contact persons and method of contact

Authorised representative at Hong Kong Stock Exchange	Gu Junying, 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 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: Li Jianguang, 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

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

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

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

Unit: RMB in millions

Item	2024	2023	Year-on-year change	2022
Operating results				
Operating revenue	**121,298.8**	124,250.9	(2.38%)	122,954.4
Net profit attributable to holders of ordinary shares of the listed company	**8,424.8**	9,325.8	(9.66%)	8,080.3
Net profit after extraordinary items attributable to holders of ordinary shares of the listed company	**6,179.1**	7,399.6	(16.49%)	6,166.9
Net cash flows from operating activities	**11,479.8**	17,405.7	(34.05%)	7,577.7
Size				
Total assets	**207,323.2**	200,958.3	3.17%	180,953.6
Total liabilities	**134,212.9**	132,626.9	1.20%	121,410.4
Owners' equity attributable to holders of ordinary shares of the listed company	**72,808.5**	68,008.3	7.06%	58,641.2
Per share basis (RMB/share)				
Basic earnings per share	**1.76**	1.96	(10.20%)	1.71
Diluted earnings per share[Note]	**1.76**	1.96	(10.20%)	1.71
Basic earnings per share after extraordinary items	**1.29**	1.55	(16.77%)	1.30
Net cash flows from operating activities per share	**2.40**	3.64	(34.07%)	1.60
Net asset per share attributable to holders of ordinary shares of the listed company	**15.22**	14.22	7.03%	12.38
Financial ratios (%)				
Weighted average return on net assets	**11.97%**	15.19%	Decreased by 3.22 percentage points	14.66%
Weighted average return on net assets after extraordinary items	**8.78%**	12.05%	Decreased by 3.27 percentage points	11.19%
Gearing ratio	**64.74%**	66.00%	Decreased by 1.26 percentage points	67.09%

Note: As share options granted by the Company have given rise to 0, 0 and 107,742 potentially dilutive ordinary shares for 2024, 2023 and 2022, respectively, 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 2024 analysed by quarter

Unit: RMB in millions

Item	The first quarter of 2024	The second quarter of 2024	The third quarter of 2024	The fourth quarter of 2024
Operating revenue	30,578.3	31,908.8	27,557.4	31,254.3
Net profit attributable to holders of ordinary shares of the listed company	2,741.0	2,991.4	2,174.0	518.4
Net profit after extraordinary items attributable to holders of ordinary shares of the listed company	2,649.2	2,314.5	1,934.8	(719.4)
Net cash flows from operating activities	2,982.6	4,017.8	1,048.7	3,430.7

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	2024	2023	2022
Gain from the disposal of non-current assets	**95.7**	20.6	11.0
Investment gain from the disposal of investment in associates and joints	**155.2**	96.0	(27.2)
Gains or losses from fair-value change arising from financial assets and financial liabilities, and gains or losses from disposal of financial assets and financial liabilities held by the Company, excluding the effective value-protection hedge relating to the normal operation of the Company	**(206.4)**	(337.0)	37.7
Gain from change in fair value of investment properties	**(150.4)**	(211.6)	(3.3)
Other gains other than income from VAT refund on software products, refund of handling charge for personal tax and VAT add-on deductibles	**326.7**	343.8	536.4
Reversal of bad-debt provision for individually significant trade receivables for which provision was separately made	**4.3**	51.4	186.2
Net of other non-operating income and expenditure other than the above	**(112.6)**	(55.2)	(43.2)
Other gains or losses falling under the definition of extraordinary gain or loss	**2,542.9**	2,353.6	1,556.8
Less: Effect of income tax	**398.3**	339.2	338.2
Effect of non-controlling interest (net of tax)	**11.4**	(3.8)	2.8
Total	**2,245.7**	1,926.2	1,913.4

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

Unit: RMB in millions

Item	2024	Reasons
Income from VAT rebate for software products	2,069.0	Operational on an ongoing basis
Income from refund of handling charge for withholding personal tax	32.7	Operational on an ongoing basis
Investment gain and gain from fair-value change of Shenzhen ZTE Capital Management Company Limited ("ZTE Capital")	(41.3)	Business with the scope of operation of ZTE Capital

II. Report of the Board of Directors

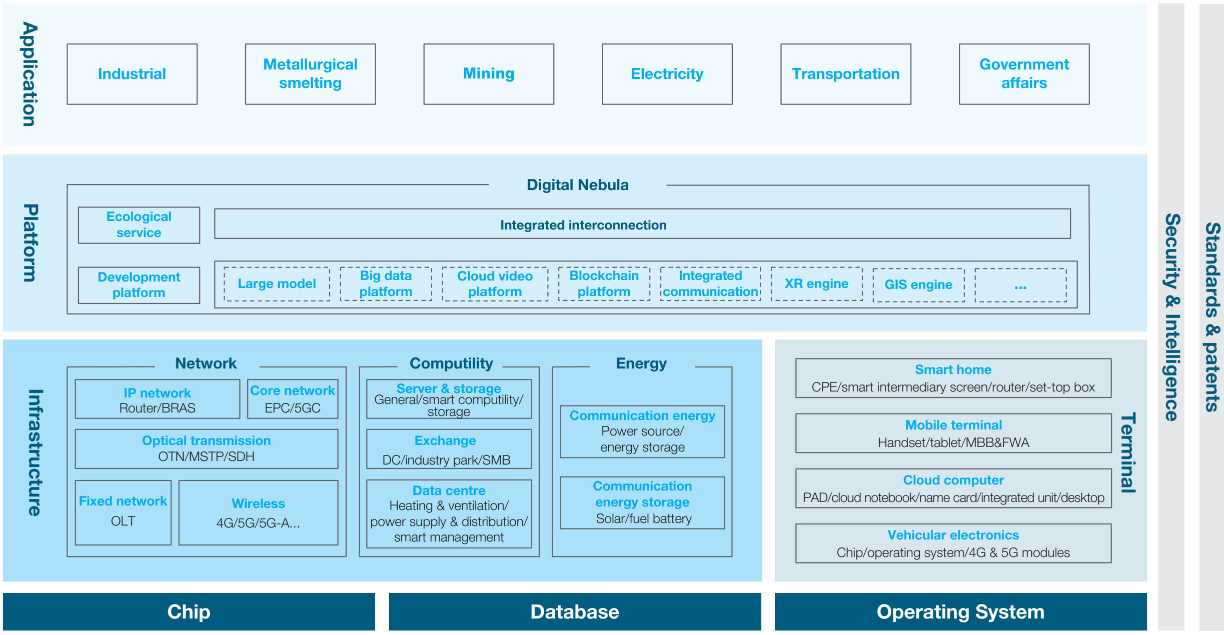
In 2024, opportunities as well as challenges were present as investment priorities in the industry were adjusted amidst the ongoing trend of digitalisation, intelligentisation and low-carbon operation. Nevertheless, the Group persisted in an innovation-driven approach and maintained its strategic focus to speed up transition from connectivity to computility whilst exercising control over operational risks, in an effort to achieve stable operation. 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 2024, followed by a detailed analysis of its operating results in 2024 and outlook for business planning in 2025.

2.1 INNOVATIONS IN CORE TECHNOLOGIES IN 2024

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 is one of the key pathways to rapid low-carbon development.

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

In line with the philosophy of being "customer-centred and ahead of the times" in technological development, the Group has been vigorously seizing significant opportunities presented by developments such as 5G and its future evolution, New Infrastructure, Digital an 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 "path-builder for digital economy" making ongoing efforts in "connectivity + computility + capacity + intelligence", helping customers and business partners to forge an efficient and green foundation for digital and intelligent operations and solutions that meet scenario requirements in order to speed 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, network computing, native computing, sensorless migration, data processing and computing optimisation, among others. Through ongoing enhancement of its competitiveness in a full range of end-to-end DICT products and digital and intelligent solutions, the Group has achieved steady growth in market share and further optimisation in market pattern.



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

1. Chip

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

2. Database

The Group continued to engage in technological innovation and new market development for GoldenDB, its proprietary relational database product and supply locally-deployed database products based on users’ requirements and development trends in the industry. Meanwhile, we teamed up with China Mobile in the R&D of public cloud database products. In terms of technology, we were a leader in the application of HTAP (hybrid transactional analytical processing) technologies in the financial sector, as we achieved over 2.60 million TPS (transaction per second) in live tests to demonstrate product performance far more superior to that of customers’ existing databases. The first batch of distributed database products passed the security and reliability test of China Information Technology Security Evaluation Center. In connection with market presence, GoldenDB continued to claim the largest market shares in the key financial and carrier sectors in 2024, whilst also being engaged in the development of the government, transportation and energy sectors. Throughout the year, we assisted more than 100 customers in the successful commissioning of their core business systems and key business systems.

As at the end of 2024, GoldenDB carried financial transactions amounting to over RMB10,000 billion and more than 10 billion core transactions as well as supported billing for more than 900 million mobile users, on a daily average basis.

3. Operating systems

In terms of operating systems, the Group has achieved a range of results in core technologies such as internal core, virtualisation and R&D tools, on the back of more than 20 years of proprietary R&D effort. Our systems are at the forefront of the industry in terms of real-time performance, reliability and security, with a complete range of solutions for operating systems of equipment types such as built-in device, server, desk-top system and terminal that have been extensively used in the communication, automobile, electricity and railway transportation sectors, providing solid and reliable base software platforms with robust functions to global customers. Our products have won the Class I Science and Technology Award of China Institute of Communications and the Fourth China Industry Award. The Group's operating systems have attained the OSDL (Open Source Development Labs) Telecom-grade Linux accreditation, Tier-four National Information System Security accreditation, China Network Security Examination and Accreditation Centre EAL4 enhanced accreditation, ISO 26262 ASIL-D management accreditation and product accreditation for auto electronics, POSIX PSE52 accreditation of IEEE (Institute of Electrical and Electronics Engineers), safety and reliability assessment test of China Information Technology Security Evaluation Center for server operating system and class III (optimal grade) certification for software supply chain security.

2.1.2 Ongoing enhancement of product competitiveness driven by technological innovation

1. High-speed network

(1) Wireless

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

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

- **Green energy conservation**: our HI-RAN (Hybrid Intelligent-RAN) intelligent energy conservation solution has fulfilled the strategy of having one energy-saving device at each station. On the back of a 95% accuracy in prediction, an additional 15% of energy-saving gains could be achieved in deep sleep mode with the cutoff of carrier wave. Our pioneer AAU and RRU supporting the automatic start/stop function reduces energy consumption during idle hours to a minimum of 5W and 3W, respectively, to achieve minimum energy consumption of network elements.

- **5G-A evolution**: the Group has joined forces with carriers to gain pace in the industrial application and sophistication of a range of products featuring innovative 5G-A technologies, such as double 10G+ maximum limit network, communication and sensor integration, air—space—terrestrial integration, among others. **In connection with 10G network**, we have diversified into new business sectors such as cultural activities and entertainment, programme production and broadcast, metro transport and cruise. Our ultra-large capacity 5G-A distributed micro-station and private network solution with base-station grade computing capacity have provided service to the 2024 Year of the Dragon Chinese New Year Gala Show of CCTV, facilitating wireless ultra-HD video shooting through simple and flexibly interchangeable deployment of cameras. We have provided support to the ultra-intensive concurrent scenario with over 50 users and assisted in the commercial application of the world's first 5G-A VR large-space immersive theatre. In connection with **communication and sensor integration**, we have launched the industry's first large spread-angle 128TR AAU product to fulfill integrated communication and sensor capabilities at low altitudes of 0–600 meters, embarking on collaborations with carriers and industry partners in multiple areas, such as logistical distribution, low-altitude security defense, low-altitude smart industry park and security protection inspection and test for water bodies, as trials runs have been operated at more than 100 projects in 25 provinces, municipalities or autonomous regions. In Zhuhai, we have completed technical verification of the industry's first internet of vehicle architecture featuring 5G communication, sensor and computing integration. In Suzhou, 20ms@99.99% low-latency and high-reliability vehicle-road coordination has been provided on the back of an ultra-stable network to safeguard self-driving at 60km/h. 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 we have won the tender for Regenerated Star, China Mobile's low-orbit experimental satellite project, whilst assisting China Telecom in its launch of the country's first IoT NTN carrier-grade commercial network.

(2) Core network

In line with the evolution of 5G-A intelligentisation, the Group has announced AI Core, an initiative to fully integrate AI capabilities into networks, business service and maintenance, enabling and assisting carriers to enhance their network efficiency and facilitate network realization through AI. In connection with **network intelligence**, we have sought to enhance user experience by optimising network resources and reliability on the back of NWDAF (network data analysis function) and AI Engine. In connection with **business intelligence**, we have introduced multi-mode large model capacity to assist carriers in rapid new business development. In connection with **maintenance intelligence**, network maintenance has been progressing from L3 to L4+ advanced self-maintenance based on multi-mode large model, small model and digital twin technologies. In 2024, our 5G Common Core products were given the highest Leader rating by mainstream consulting firms such as Gartner, GlobalData and Omdia.

(3) Wireline

- **Fixed-line access**: the Group has launched the industry's first integrated full-speed 50G PON with a proprietary core chip compatible with PON technologies of different generations to support smooth upgrade and evolution of live networks, which has been put to test runs at more than 50 carriers globally to accelerate sophisticated commercial application. The Tbit full optical access platform has been given the highest GlobalData Leader rating for 4 years in a row.

- **Optical transmission network**: the Group has teamed up with carriers to complete the world's first C+L integrated optical module verification test. The experiment on a maximum single-wave transmission speed of 1.2Tb/s has been completed based on S+C+L multiple wavelength, setting a world record in real-time transmission with capacity in excess of 120Tb/s on a single-fibre, single-direction basis. We have created the world's first single-wave 1.2Tb/s, single-direction 100Tb/s hollow optical fibre transmission system live network showcase project. We have completed the launch of the first 1.6T OTN mock unit in China as well as the first commercial dispatch of 800G plug-in/unplug port OTN. The Group has assisted China Mobile's completion of the world's first large-scale commercial application of a 400G full optical inter-provincial backbone network, which enables full connection among 8 national computing hubs under East-to-West Data Computing. We have won the bid for China Telecom's new 400 OTN backbone network projects with a top-two ranking in shares. The ZXONE 9700, our OTN flagship series, has been given the highest Leader rating by GlobalData for 8 years in a row.

- **IP network**: In connection with **backbone core 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 completed definitive verification for the world's first live network 400GE with a wide area spanning across 2000km in association with Zijinshan Laboratory and Future Network Group. The world's first computing router launched in partnership with China Mobile is capable of a high level of simultaneous services with a 15% reduction in average end-to-end latency and 30% increase in computing network system capacity in effective support of latency and computing-sensitive service requirements. CDN business computing router live network test runs have been completed at three prefecture-level cities in Jiangsu Province. In connection with **private industry network**, we have delivered commercial deployment of 5G bearer granules in the railway transport, mining, power and port operation sectors to provide an integrated business bearer net with multiple applications. Our innovative practices for mini SPN bearer power distribution network business have won the Class I Award for Outstanding Cases at ICT China (2024). In connection with **AI application and innovation**, we are the first player to introduce commercial application of SPN AI energy conservation technology, which has been successfully deployed in 29 provinces for China Mobile as an industry leader in terms of the scale of commercial application and effectiveness in energy conservation. We have also launched the industry's first SPN computing private-line CPE product with built-in AI inference to meet the need for swift deployment of edge inference.

2. *Computility infrastructure*

In connection with computility infrastructure, the Group has enhanced its R&D of relevant infrastructure products to address new opportunities afforded by the AI large model and launched a full stack of intelligent computing solutions for all scenarios to empower the digital and intelligent transformation of all industries, whilst continuing to advance open-ended decoupling, enhancing computing through network and training and inference to enhance the competitiveness of intelligent computing products and foster an open ecosphere for intelligent computing.

(1) Server and storage

Provision of a range of intelligent computing products meeting the requirements of all scenarios, equipped with the mainstream 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**: provision of high-performance training server, inference server with high cost effectiveness, ready-to-use intelligent computing unit (including: integrated training and inference unit, integrated inference unit and integrated application unit), communication and 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 in the telecom and Internet sectors.

- **Proprietary innovation**: Dinghai chip developed on a proprietary basis supporting 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 to GPU and create new intelligent computing servers with interconnected super nodes.

(2) Switch

The open-ended decoupling nebula intelligent computing network solution launched Group can meet the requirement for intelligent computing cluster construction in random scale from 100 to 1 million cards. With the benefit of innovative computing technologies, zero-loss data transmission has been achieved, together with 98% network throughput efficiency and 5us fast adjustment and optimisation of flow congestion within the intelligent computing centre, as well multi-centre remote training across 300km among different intelligent computing centres boasting a same-room cluster computing efficiency of above 95%. The domestically manufactured ultra-high density 400GE/800GE frame switch based on the proprietary 7.2T distributed forward chip and 112Gb/s high-speed bus technology is an industry leader in terms of performance, with the whole unit supporting 576 400GE ports or 288 800GE ports. The 51.2T box switch which supports 128 400GE ports at first-rate industry standards has been put to large-scale commercial application by Internet companies. The Group's data centre switch series has maintained the rating of "Very Strong" from GlobalData, the highest among its domestic peers.

(3) Data centre

As a leader in green smart data centre, we construct data centres with high availability which is conducive to green energy conservation, quick and easy fabrication, smart management and security and reliability. A full range of prefabricated modularised solutions have been introduced to meet the varying requirements for new or converted full-scenario solutions ranging from ultra-large to micro sizes. We have fostered capabilities in full-stack data centre solution under the intelligent computing scenario and end-to-end delivery, whilst launching a complete range of proprietary liquid cooling products such as immersive liquid cooling, cold-board liquid cooling, EDU and blind-mate connection cabinet, and other innovative products such as modularised AHU and integrated power module. The template project of our Binjiang Liquid Cooling Smart Computing Centre has adopted a cold-board liquid cooling solution with a PUE level as low as 1.1. Elsewhere, we have solidified our market shares in the Philippines and Indonesia, our fundamental markets, while making successful inroads into emerging markets such as Thailand and Central Asia. Data centre orders from the overseas market for 2024 increased by 100%, year-on-year.

(4) Training and inference platform

The Group's AI Booster training and inference software platform provides intelligent computing training and inference service that can be put to commercial applications and supported by ongoing maintenance, whereby engineering capability and experience is turned into tools to simplify customers' workload in AI innovation and lower the cost for large-scale migration.

- **Resource management**: accelerating hardware differentiation at 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.

3. Digital energy

- **Communication energy**: the Group has launched the "zero-carbon" energy net solution V3.0 to explore green power application, network energy efficiency and smart maintenance on the back of network power conservation. 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 been focused on implementation of minimal site, green machine room, green industrial complex and energy operation, among others. As a world leading communication energy supplier, we have carried out large-scale deployment of the 5G power source and minimal station solution. We have continued to develop core capabilities in power conversion with intensive effort, maintaining a leading position in the industry in terms of terms of rectifier efficiency and power density technical indicators. Our sPV solar energy power supply solution enables smooth overlay at sites.

- **Communication energy storage**: The Group has continued to make intensive efforts in the development of communication energy storage and supported storage integration and multiple forms of energy storage conducive to low-carbon energy consumption. The Group has been a leading supplier in the communication energy storage sector with a growth rate of over 30% in terms of annual dispatch of lithium batteries for 2024. In the domestic market, we have made breakthroughs in a number of carriers for our station site PV solutions, In the overseas market, we have made breakthroughs for international carriers in connection with a full range of products such as power source, batteries and station site PV solutions. Orders from international tower manufacturers increased by 60%, year-on-year, to become a new growth engine for our overseas business.

4. Terminal

(1) Smart home

From total solutions to terminal product series, the Group has enabled home users to experience the premium network, consistently leading the market with global first ranking in the dispatch for PON CPE and IP set-top boxes according to the latest Omdia Report. The annual dispatch of our home terminal products for 2024 exceeded 100 million units.

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

- **Smart medium screen**: we have teamed up with China Mobile to forge a smart medium-screen control for the home ecosphere and pioneered in the development of three major segments, namely, health and retirement care contents for smart homes, house-wide smart features and home security. Currently, pilot operations have been set up in Fujian, Yunan and Guangdong. We have collaborated with carriers in the debut of the Guanhai Smart Medium Screen Series, the first brand of proprietary smart medium-screen for the domestic carrier market.

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

(2) Mobile terminal

In 2024, the Group continued to deploy "AI for All", our full-scenario smart ecosphere 3.0 featuring a full upgrade of MyOS to Nebula AIOS based on the ZTE nebula large model which was focused on the five core consumer spending scenarios of sports and health, audio-visual entertainment, business travel, home education and intelligent driving with the aim of enabling every user to enjoy the wonderful experience afforded by AI through brand new technologies in smart agent-to-agent interaction.

- **Handset and innovative terminal**: The Group continued to introduce innovations in technologies such as under-screen camera and bare eye 3D as it launched its latest flagship products, including innovative terminals such as nubia Z70 Ultra, Red Magic 10 Pro and nubia Pad 3D II, a bare eye 3D tablet. The advanced version of nubia Z60 Ultra won the 2024 G-Mark Design Award by virtue of the harmony of its aesthetic and functional qualities. ZTE Changxing 60 Plus which supports the Jiutian Large Model was launched in association with China Mobile to promote the popular application of AI technology. In the overseas market, Nubia was stepping up with its expansion, having established its presence in more than 30 countries and regions with the launch of feature phones such as the music, gaming, imaging and foldable series and other trendy products for this ecosphere to deliver the experience of personalised technologies.

- **Mobile Internet products**: The Group has launched the industry's first AI FWA full-stack solution and new AI-enabled mobile Internet products such as G5 Ultra, the world's first 5G+AI FWA product, and G5 Max Pro, an outdoor FWA product. We have also launched ZTE U60 Pro, the world's first 5G portable Wi-Fi featuring smart large screen and reverse charging, as well as ZTE V50, the world's first 5G Wi-Fi product for vehicles, with a view to creating a full-scenario ecosphere for mobile connection among people, vehicle and home. According to the latest TSR report, the Group continued to rank first globally in market shares for 5G FWA & MBB in 2024.

(3) Cloud computer

The Group consistently launches innovative cloud computer products tailored to market requirements on the back of its core technologies in cloud computing and smart terminal, as evidenced by its full range of cloud computers featuring Yufeng, Fuyao, Linglong and Xiaoyao that come in a variety of formats such as PAD, notebook, BBC, integrated unit and desktop to meet the computer cloud requirements of users in the financial, corporate, education, medical and home sectors in multiple scenarios such as entertainment, study aid and work, complemented by full-stack secure and controllable services.

In 2024, the Group completed dispatch of over 1.50 million sets of cloud terminals. In the **carrier market**, the Group worked with domestic carriers to tap the markets for personal and home users of cloud computers, ranking first in the domestic carrier market in terms of market share for cloud terminals in 2024. In the **government and corporate market**, we assisted customers in the financial sector and large corporations such as China Construction Bank, CITIC Bank, China Pacific Insurance, Chery Automobile, Dongfeng Motor and TBEA to facilitate office security with efficient intelligent features.

(4) Vehicular electronics

The Group's vehicular electronics business is built around vehicular chip as the strategic core, which forms software/hardware synergy with the vehicular operating system in a bid to build an open and decoupled smart ecospheric base in joint effort with its industry partners.

In connection with **chips**, the Group has entered into a strategic cooperation agreement with FAW, with whom it has jointly launched the first vehicular-grade five-aspect integrated high-performance cabin driving SoC chip in China, which combines perfectly the five major functions of intelligent driving, cabin, intelligent control, safety and Internet connection. In association with automobile enterprises, we have also launched SoC chip "Hanyu" M1 for vehicular-grade high-performance central computing platform catered to the new-generation vehicular electronic and electrical structure, creating the first domestically manufactured multi-aspect integrated high-speed connecting chip that offers high computing power, high bandwidth, large storage and high security level at the same time. In connection with **software**, the Group has entered into in-depth cooperation with a number of automobile enterprises in respect of its vehicular operating system to realise the new paradigm for "chip + operating system" vertical integration. Our "Intelligent Driving Operating System Based on Micro Inner Core and Safety Linux Dual Inner Core" has garnered the "2024 China Society of Automotive Engineers Award for Technological Progress" and "2024 China Association of Automobile Manufacturers Award for Innovative Achievement in Automobile Supply Chain in China". In connection with **terminals**, the Group's full-stack proprietary 4G vehicular-grade module has been designated for mass installation in branded vehicles such as SAIC, Dongfeng Nissan, FAW Hongqi and Changan Kaicheng. Our vehicular-grade 5G R16 module has been designated by projects of BYD, SAIC and Chery, and will shortly be installed in GAC Group's Aion.

5. General video products

The Group provides IPTV, CDN, video conferencing and video security products and solutions and continues to stay atop in competitiveness for general video products on the back of ongoing intensive efforts in cloudified structure, audio-video experience and ecospheric construction. Our IPTV cloud platform has been deployed in over 50% of China Telecom's provincial branch companies, while our integrated CDN products claimed more than 45% market shares as supplier to China Mobile. According to the latest IDC report, the Group ranked among the top two among domestic hardware manufacturers for video conferencing products. In the meantime, the Group has been actively involved in AI revolution in the video sector in an ongoing effort to create a natural and diverse audio and visual experience for users.

6. XR products

With the launch of the 5G-A VR Mega Space Immersive Theatre, lightweight AR camera system, industrial metaverse platform and MR virtual live training solution in support of quality enhancement and innovation in metaverse applications, the Group has been named a five-star metaverse supplier in China. We took part in the formulation of standards under the "Spatial Computing Development Report (2024)" organised by China Electronics Standardization Institute and the "Technical Requirements and Assessment Methods for LBE-based VR Immersive and Investigative Space Solutions" organised by China Academy of Information and Communication Technology. Our ZTE XRExplore and 5G-A VR Mega Space Immersive Theatre were named National Five-star Outstanding Metaverse Products and honoured with a Class I Award at the International Quality Innovation Contest. The Group continued to advance in sectors such as cultural tourism, education and industry with the launch of VR large-space projects such as "Digital First CPC National Assembly: A Journey to the Beginnings" and "Usun Jimmy Drawings", as well as virtual live training for Jiangsu Second Normal University and smart patrol and inspection for Hangzhou Telecom.

7. Large model

The Group has developed the proprietary ZTE Nebula Large Models, including a rudimentary large model and sector large models such as the R&D large model, communication large model and industrial large model, as it continues to invest in capacity enhancement in key aspects such as computing innovation, data engineering and efficient computing platform. The **rudimentary large model** includes large language models ranging from 2B to 80B, visual large models and multi-mode large models covering different deployment scenarios from the handset to edge and centre clouds. The **communication large model** utilises multi-mode learning and MoE technologies to offer professional insights and assistance through the digital expert regime at communication service scenarios to help resolve complex issues. In connection with the self-intelligent scenario, the closed-loop process from autonomous thinking to execution is completed with the aid of technologies such as chain of thought, structuralised large model and coordination of large/small models. In the area of energy efficiency optimization, overall energy conservation has been improved by over 30% through dual-layer AI coordination. Our **R&D large model** ranks among the first tier in the tests and assessments conducted by authoritative domestic third-party agencies. Regarding R&D efficiency enhancement, R&D tools based on our R&D large model support more than 30 scenarios and a variety of programming languages for different stages such as demand, design, programming and testing, effectively increasing R&D efficiency as a whole. Our **industrial large model** integrates language, visual and multi-mode abilities with the launch of an industry know-how platform and a visual intelligence platform, which have been put to operation in the industrial, government, water works and transportation sectors. Applications at Binjiang Intelligent Manufacturing Base in Nanjing have resulted in the shortening of lead time for orders scheduling by 88% and efficiency improvement in process document generation by ten times. At Taicang Port Modern Terminal in Suzhou, the machine vision smoke and fire inspection and detection large model and applications have been deployed, resulting in the number of misreports being reduced from several hundred to less than 10 per day.

8. Trusted security

The Group has launched the cyber-security large-model 5G application scheme to provide integrated AI solutions to 5G networks. We have also launched the ultra-amalgamated security gateway 2.0 which further enhances the unified sensing, scheduling and modulation capability of the edge cloud network to assist in the efficient, intelligent, safe and compliant digital and intelligent transformation of an enterprise. The platform for trusted circulation of data elements has been launched in the development of industrial data products for the government, transport and large corporation sectors to assist the government, corporations and carriers in the safe circulation and trusted transaction of data elements to unleash the value of data. We have announced the “6G Cyber Security Requirement and Architecture White Paper” in association with China Unicom to provide a systematic design for the security area model and security architecture of 6G networks in contribution to research on cyber security for 6G. We have won the bid for “China Telecom Centralised Procurement of Secure Brainwork (Protective) Products (2024)”. Our security protection project at Binjiang Intelligent Manufacturing Base in Nanjing has garnered the Class I Award for Cases of Excellence at the ICT China Annual Awards (2024) and has been named among the Top 20 Outstanding Security Projects by IDC China.

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

The Group has launched Digital Nebula 3.0 to facilitate general upgrade by assisting as well as leveraging AI, as we help customers and partners with swift and efficient large-scale application of AI technologies in a cost effective manner to realise the value of “AI+”. We have developed more than 1,000 digital nebula partners and created a series of pole projects in digital and intelligent transformation across 18 industrial sectors including industrial manufacturing, metallurgical smelting, mining, electricity, transportation, government affairs, and cultural tourism, among others, for which we have been awarded the titles of “2024 Leading Supplier of Digital Solutions in China” and “2024 Leading Enterprise in Corporate Digital and Intelligent Transformation”.

1. *Industrial*

The Group's Binjiang Intelligent Manufacturing Base in Nanjing has passed the assessment conducted by CAICT TL Certification Center and become the first five-star 5G manufacturing plant in China. The Group has undertaken projects from the AII-Alliance such as "5G+ Industrial Certainty Network Laboratory" and "5G+ Industrial Internet Security Laboratory" for the incubation of replicable applications and solutions. We have commenced cooperation with industry customers with a special focus on sectors such as petroleum, gas and chemical, automobile manufacturing and manufacturing of solar lithium battery. We have provided assistance to Lynk & Co's Zhangjiakou Factory under Geely Group with the large-scale application of China's first 5G laser SLAM navigation AGV in a complex environment which is highly dynamic, randomly occupied by forklifts and tractor units and housing hybrid manufacturing of three vehicle types. Elsewhere, we have continued to deepen digital transformation in collaboration with enterprises such as Maotai Group, China Resources Building Materials Technology, Chint Group and GAC Group.

2. *Metallurgical smelting*

The Group has continued to enhance its capability in industrial live network technology for scenarios such as metallurgical smelting control and logistics warehouse storage. We have built an innovative base featuring industrial live network solutions in association with Wugang Group Co., Ltd., deep application innovation in collaboration with Shougang Jingtang and Shandong Steel Group's Yongfeng Lingang, as well as a benchmark project for regional-level centralised control and smart energy control for electrolytic aluminium plants in association with SPIC Qingtongxia Aluminium Factory. On the back of scenario-based solutions in centralised control for metallurgical smelting, safe production, digital mobile maintenance and intelligent inspection and testing, intelligent computing and large models for metallurgical smelting industries, the Group has implemented 60+ projects with industry giants such as Baowu Group, Ansteel Group, Shougang Group, Hesteel Group, and Shenhuo Group to assist in the digital and intelligent transformation of the metallurgical smelting industry.

3. *Mining*

The Group has launched a diverse range of customised products and solutions, such as intrinsic safety base station, minimal core network, small-scale slice industrial ring network, intelligent single soldier, mining large model and integrated controls. We have also actively participated in the formulation of relevant standards and conventions led by National Energy Administration and China National Coal Association, with a special focus on high-value scenarios such as 5G upgrade of coal mining machinery and equipment, wireless RedCap of dispersed industrial capturing system, digital nebula intelligent coal wash and preparation platform and AI digital and intelligent agent for mining, among others. We have teamed up with 60+ partners and 40+ industry-leading customers in the implementation of 450+ intelligent mining projects nationwide.

4. *Electricity*

The Group has launched a digital electric station to assist in the construction of multi-location digital converter stations such as Ludao ±320kV converter station in Xiamen and Gezhouba ±500kV converter station in Yichang, in association with the State Grid. We have also teamed up with Southern Power Grid to implement digital station projects in provinces including Guizhou, Yunnan and Hainan. In connection with power generation, the Group has entered into cooperation with leading enterprises such as State Power Investment, Jingneng Group and Huadian Group with a special focus on smart maintenance scenarios for power generation facilities such as solar power, wind power, thermal power and hydropower stations, and 5G+AI smart power plants have been commissioned in Liaoning, Anhui, Yunnan and Guangxi. Our digital power generation station solution has received a Class I Award for Cases of Excellence at the ICT China Annual Awards (2024).

5. Transportation

The Group has developed transport computing brain around the core of a cloud platform and the digital nebula with a digital intelligent base based on the large model to support the building of an operational and management “smart brain” for Qingdao Metro Line, which has become a benchmark for digital and intelligent development in the urban railway sector and received media coverage from CCTV and Xinhua News. We have also collaborated with China Railway and the railway bureaus of Beijing, Shanghai, Shenyang and Jinan to assist in intelligent railway operation with the aid of system cloudification and network automation, resulting in substantial improvements in the efficiency and reliability of communication. We have also been engaged in cooperation with Hebei Port Group, Jiangsu Port and Liaoning Port Group to enhance data management and safe production at the port terminals, whilst assisting in the building vehicle — road — cloud integration showcase projects in Jinan, Beijing, Changsha and Nanjing and participating in digital transformation in connection with expressways in Henan Province and Liaoning Province.

6. Government affairs

The Group provides the only solution in the industry that features a space, air and terrestrial drone emergency aid platform covering public as well as private sectors. We won the bids to supply our large-scale unmanned helicopter rescue platforms to 10 provinces under the air emergency category of the 2024 Special National Project for Improvement of Emergency Response to Natural Disasters. The Group’s city lifeline solution in service in Nanjing, Kunshan and Changsha has won the “Gold Award for Achievements in New IoT Technologies, Applications and Models” at the 2024 World IoT Expo. The Group’s digital twin-based water conservancy solution has served in projects such as the improvement of flood controls at Yongding River and Siyu Platform of Hebei Provincial Department of Water Resources. We have also launched the “Jiupai” Large Model for Yangtze Hydrology in association with the Hydrographic Bureau under the Yangtze River Committee of the Ministry of Water Resources. The communication safeguard system for extreme weather conditions at the gorge section of Yongding River built for our customer as part of the initiative for improving flood controls at Yongding River has been included in the “Promotional List of Achievements in Sophisticated and Applicable Hydrological Technologies 2024” named by the Ministry of Water Resources.

2.1.4 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 2024, the Group had submitted approximately 93,000 global patent applications and owned approximately 48,000 authorised global patents, including approximately 5,500 patent applications and over 2,000 authorised patents in the chip sector. In the AI sector, the Group had over 5,000 patent applications and close to half of them had been authorised. The Group has continued to make ETSI disclosures on its 5G standard essential patents, ranking among the top five globally in terms of valid patent families. The Group has received 11 gold awards, 3 silver awards and 39 awards of excellence in the patent awards of China.

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

2.2 BUSINESS REVIEW FOR 2024

2.2.1 Industry development

1. Domestic market

In 2024, the domestic digital economy continued to enjoy positive development as ongoing improvements were being introduced to communication infrastructure, whilst the coordinated development of computing bases and AI applications was driving further digital-real economy integration and upgrade of intelligent terminals, holding out broad prospects for the thriving development of productivity with novel quality.

In the basic communication sector, the domestic telecommunications business reported revenue of RMB1,740 billion for 2024, representing year-on-year growth of 3.2%. Revenue growth for the telecommunications industry remained stable despite somewhat slowing down. Revenue from new businesses such as fixed-line broadband service and data centre and cloud computing sustained growth, while revenue from the mobile data business recorded a slight decline. In 2024, 5G network construction entered a stage of stable development as upgrade works for 400G optical transmission network were being gradually implemented. In the meantime, domestic carriers were accelerating the application of 5G-A innovative technologies such as 10Gb networks, communication-sense integration and space-air-terrestrial integration for industrial sophistication, while 50G PON technological upgrade verification and standardisation was also being expedited.

In the AI sector, local governments, domestic carriers and Internet enterprises were actively developing intelligent computing centres with increased investment in the building of computing bases. Computility industry clusters have been formed in Beijing-Tianjin-Hebei Region, Yangtze River Delta Region and Greater Bay Area. Currently, AI applications are swiftly growing from being “usable” to being “user-friendly” and “practical”, as they start to embrace lay users through deep integration with sectors such as the Internet, telecommunication, servicing, finance and government affairs in acceleration of the intelligentisation of the society.

In the digital-real economy integration sector, 5G was adopted in 80 major industrial categories of the national economy with over 100,000 application cases, including large-scale applications in industrial production, port operation, electricity and medical care, whilst rapidly making inroads into the agricultural, construction and textile sectors. With the ongoing advancement of 5G-A and rapid development of AI, digital and intelligent transformation was gaining pace across the board to the benefit of new-quality productivity.

In the smart terminal sector, in connection with optical network terminals, FTTR entered the stage of rapid development in 2024 to drive the launch of smart household applications such as HD video and smart home devices. In connection with smartphone, AI handsets were reshaping the smartphone industry to bring about a brand new experience in smart devices to users. Moreover, integration has resulted in the restructuring of terminal products, giving rise to the rapid development of integrated products such as cloud terminal and industrial PC.

2. International market

In 2024, the capital expenditure of international telecom carriers remained basically level with a strong focus on the construction of new 5G networks and upgrade of existing ones, modernising conversion of bearer networks, optical conversion of fixed-line broadband network, new data centre construction and low-carbon green development.

In connection with wireless network, 5G services were becoming increasingly popular in developed markets, as carriers were actively driving 5G commercialisation and stepping with the transition towards the standalone network model to enhance network performance and service quality, in order to support more sophisticated 5G industrial applications. In emerging markets such as Asia, Africa and Latin America, carriers were expediting the deployment of commercial 5G networks. As of the end of the year, 620 telecom carriers worldwide had invested in 5G and 343 5G commercial networks had been deployed.

In connection with wireline network, the rapid development of generative AI technologies and ongoing growth in user data traffic volume called for more exacting requirements for fixed-line broadband network in terms of bandwidth, latency, architecture, intelligentisation and reliability, thereby expediting the deployment of full-optical networks. On the access side, carriers were increasing investment in the building of optical-fibre infrastructure to drive broader application of optical broadband technologies. On the transmission side, the increase in the demand for high-speed, large-volume and low-latency data transmission was driving greater carrier investment in the construction of 400G optical transmission backbone network.

In connection with new businesses, telecom carriers were actively exploring new businesses on top of providing more efficient network services and superior user experience. Firstly, against the backdrop of the rapid popularisation of generative AI technology and novel businesses, new data centres were being built to cater to the exponential growth in computing requirements. Secondly, green network development strategies were being actively formulated and implemented, underpinned by the introduction of new products and technologies, network upgrades, enhancement in energy efficiency and reduction in energy consumption to facilitate low-carbon development. In addition, active international business development on the part of Chinese enterprises such as domestic telecom carriers has also given rise to new market opportunities for domestic ICT equipment manufacturers. On the terminal side, the ongoing recovery in global demand for handsets coupled with handsets enabled by AI large model has resulted in new growth potential for the handset business.

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

2.2.2 Business and Financial Analysis of the Group

In 2024, investment priorities in the industry were undergoing adjustments amidst the slowdown in global economic growth and a complicated and volatile external environment. Against such challenging conditions, the Company persisted in an innovation-driven approach and maintained its strategic focus as it stepped up with its transformation towards "connectivity + computility" to facilitate development in the long term.

For 2024, the Group report revenue of RMB121,298.8 million, representing year-on-year decrease of 2.38%. Net profit attributable to the holders of ordinary shares of the listed company amounting to RMB8,424.8 million, decreasing by 9.66%, year-on-year. Net profit attributable to the holders of ordinary shares of the listed company after extraordinary items amounted to RMB6,179.1 million, decreasing by 16.49%, year-on-year.

2.2.2.1 Income, cost and gross profit margin

1. *Breakdown of income, cost and gross profit margin by industry, business, region and sales model*

Unit: RMB in millions

Revenue mix	Operating revenue for 2024	As a percentage of operating revenue	Operating costs for 2024	Gross profit margin for 2024	Year-on-year increase/ decrease in operating revenue	Year-on-year increase/ decrease in operating costs[Note1]	Year-on-year increase/ decrease in gross profit margin (percentage points)[Note1]
I. By industry							
Manufacturing of communication equipment	**121,298.8**	100%	**75,311.1**	**37.91%**	(2.38%)	3.59%	(3.57)
Total	**121,298.8**	**100%**	**75,311.1**	**37.91%**	**(2.38%)**	**3.59%**	**(3.57)**
II By business							
Carriers' network	**70,326.7**	57.98%	**34,527.8**	**50.90%**	(15.02%)	(18.02%)	1.79
Government and corporate business	**18,566.0**	15.30%	**15,720.0**	**15.33%**	36.68%	77.80%	(19.58)
Consumer business	**32,406.1**	26.72%	**25,063.3**	**22.66%**	16.12%	15.26%	0.57
Total	**121,298.8**	**100%**	**75,311.1**	**37.91%**	**(2.38%)**	**3.59%**	**(3.57)**
III. By region							
The PRC	**82,005.7**	67.61%	**46,591.8**	**43.18%**	(5.18%)	(5.08%)	(0.06)
Asia (excluding the PRC)	**15,390.5**	12.69%	**10,902.9**	**29.16%**	8.91%	26.59%	(9.89)
Africa	**6,422.5**	5.29%	**4,234.8**	**34.06%**	3.23%	50.05%	(20.57)
Europe, Americas and Oceania	**17,480.1**	14.41%	**13,581.6**	**22.30%**	0.39%	11.47%	(7.73)
Total	**121,298.8**	**100%**	**75,311.1**	**37.91%**	**(2.38%)**	**3.59%**	**(3.57)**
IV. By sales model							
Direct sales	**83,419.3**	68.77%	**46,338.3**	**44.45%**	(8.87%)	(5.23%)	(2.13)
Distribution	**37,879.5**	31.23%	**28,972.8**	**23.51%**	15.79%	21.69%	(3.71)
Total	**121,298.8**	**100%**	**75,311.1**	**37.91%**	**(2.38%)**	**3.59%**	**(3.57)**

Note 1: Operating cost and gross profit margin for the same period last year has been retrospectively adjusted as a result of the change in accounting policy.

Note 2: Certain data in the above table might not add up to the column total owing to rounding differences.

2. Analysed by market

(1) Domestic market

For 2024, the Group's operating revenue from the domestic market amounted to RMB82,005.7 million, decreasing by 5.18% year-on-year and accounting for 67.61% of its operating revenue. Gross profit margin was 43.18%, basically unchanged versus last year.

In connection with carrier customers, with 5G network construction entering a phase of maturity, the Company faced pressure in revenue as carriers' investment declined as a whole with changing investment priorities. The Company deepened efforts in coordination and refinement on the one hand to consistently fortify the market position of its wireless and wireline products. On the other hand, improvements were made to our overall scheme for intelligent computing to step up with our transition from full connectivity to "connectivity + computility", in an endeavour to explore market opportunities. In connection with government and corporate customers, the Company continued to strengthen its capabilities in products and solutions, as it further achieved large-volume sales to the Internet, finance, power and transport sectors, driving substantial growth in revenue from server and storage. In connection with consumers, our FTTR business seized the opportunity arising from large-scale development of GB-grade users whilst PAD 5G cloud computer was launched ahead of competition to drive rapid growth in revenue for the consumer business.

(2) International market

For 2024, the Group's operating revenue from the international market amounted to RMB39,293.1 million, increasing by 4.04% year-on-year and accounting for 32.39% of its operating revenue. Gross profit margin was 26.91%, decreasing by 10.56 percentage points, year-on-year.

In connection with carrier customers, the Company persisted in the strategy of focusing in large nations and big Ts (mainstream telecom carriers). In connection with traditional businesses, we focused on opportunities afforded by optical fibre upgrade of fixed-line networks, 4G modernising conversion and new 5G construction, in a move to steadily increase its market shares in high-value regions of the big Ts. In connection with new businesses, we focused on data centre and low-carbon green operation, as we achieved large-scale deployment and breakthrough progress in server and storage as well as data centre support underpinned by steady growth in international carriers' network revenue. In connection with government and corporate customers, we were exploring further business potential in existing business and expanding data center construction projects. In connection with consumers, we achieved rapid growth in revenue from handset products as we capitalised on the prevailing trend of AI development and recovery in demand from the emerging markets to advance the dual brand strategy of ZTE+Nubia and enhance channel expansion in public markets.

3. Analysed by business segment

(1) Carriers' network

For 2024, the Group's operating revenue from carriers' network amounted to RMB70,326.7 million, decreasing by 15.02%, year-on-year, attributable mainly to the overall investment sentiment in the domestic market. Gross profit margin was 50.90%, increasing by 1.79 percentage points, year-on-year, attributable mainly to improved gross profit margin for wireless 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, on top of intensive efforts in 5G scenarios to consistently expand our market profile, we continued to make breakthroughs in indoor distribution and high-speed rail scenarios with initial sales, actively deploy our business in 5G-A scenarios, as well as participate in commercial trial runs of domestic carriers' projects, such as 10Gb network, communication-sense-integration and space-air-terrestrial integration, as we won the bid for Regenerated Star, China Mobile's low-orbit experimental satellite project. In the international market, we negotiated breakthroughs with the branch companies of big Ts in the capital region of Cameroon and in the national regions of Chile and Ecuador to register initial sales. **For core network products**, we sustained our position in the domestic market duopoly, while internationally we reported growth in market shares in the branch companies of big Ts in Thailand, Bangladesh and various African nations. **For wireline products**, the Company maintained its global leadership in fixed-line network products with extensive deployment at the networks of more than 300 carriers in over 100 countries worldwide, whilst actively driving 50G PON trial operations. For optical transmission products, we won the bid for centralised procurement for China Telecom's new construction of 400G OTN backbone network at home, seizing the opportunity of product upgrade to increase our market shares. Internationally, we made breakthroughs with mainstream carriers in Colombia, Chile, Turkey and Nigeria with large-scale sales. We won the bid to supply core routers under China Telecom's centralised procurement, while our new-generation products passed the test for China Mobile's centralised procurement to tap the new segment of large-capacity core routers. We also made breakthroughs with mainstream Indonesian carriers with initial sales.

In connection with carriers' computing networks, the Company has designated intelligent computing as a major pathway in its long-term strategy, with the aim of providing full-stack, all-area intelligent computing solutions covering computing, network, capacity, intelligent operation and application on the back of its advanced capabilities in software/hardware digital and intelligent base. **In connection with server and storage**, the Company was gradually realising project opportunities in the market as it increased R&D investment in intelligent computing server, winning the largest share of China Mobile's new centralised procurement for distributed storage products. **In connection with data centre switch**, our frame switch remained a leader among industry peers thanks to its proprietary core components. For our box switches, we won the tenders of China Unicom's and China Telecom's centralised procurement projects, as the first-ranking supplier and second-ranking supplier, respectively. **For data centre support**, innovative products such as immersive liquid cooling, cold-board liquid cooling and integrated power modules were launched and breakthroughs were made with core nodes under East-to-West Computing such as the Greater Bay Area, Zhongwei in Ningxia, Qingyang in Gansu, and Huailai in Hebei.

(2) Government and corporate business

For 2024, the Group's operating revenue from the government and corporate business amounted to RMB18,566.0 million, a 36.68% increase, year-on-year, attributable mainly to growth in revenue from server and storage. Gross profit margin was 15.33%, decreasing by 19.58 percentage points, year-on-year, attributable mainly to the decrease in gross profit margin for servers and storage as well as changes in the revenue mix.

In connection with the government and corporate market, the Company increased its R&D investment to enhance the competitiveness of its server and storage, data centre switch and data centre support products, while consolidating its resources to strengthen its capabilities in government and corporate business by adopting the model of "large enterprise-small teams" for organisational agility, seizing opportunities in digitalisation, intelligentisation, low carbon development and IT innovation to drive substantial revenue growth. **In connection with server and storage**, general computing, intelligent computing and IT innovation servers were supplied to leading Internet companies, large banks and insurance companies in large volumes as we capitalised on opportunities presented by the recovery growth of investment in the domestic Internet industry and autonomous innovation and digital transformation in the financial sector. Sales revenue doubled as a result to strongly underpin substantial growth in revenue from the Company's domestic government and corporate business. In the international market, we tagged along with the overseas business development of domestic Internet companies and other Chinese enterprises and completed deployment in a number of crucial markets in Asia and Latin America. **In connection with data centre switch**, the Internet and financial sectors were accounting for increasing shares out of our total revenue, while our market shares in the power and transportation sectors were further optimised. **In connection with data centre support**, breakthroughs were made in the international market, as we successfully tapped into new markets such as Thailand and Central Asia, whilst fortifying our position in existing markets such as the Philippines and Indonesia.

(3) Consumer business

For 2024, the Group's operating revenue from the consumer business amounted to RMB32,406.1 million, a 16.12% growth, year-on-year, attributable mainly to growth in revenue from home terminal, handset and mobile Internet products and cloud computer. Gross profit margin was 22.66%, increasing by 0.57 percentage point, year-on-year, attributable mainly to improved gross profit margin for home terminal.

The consumer business comprised mainly home terminal, handset, mobile Internet products and cloud computer. **In connection with home terminal**, we completed large-volume dispatch of FTTR products in the domestic market, while securing two bids for centralised procurements of FTTR by China Telecom, as the first-ranking and second-ranking supplier, respectively. In the international market, our Wi-Fi 7 routers were selected under the centralised procurements of high-end carriers in Europe and Asia. In 2024, the Company dispatched over 100 million units of home terminals. **In connection with handsets and mobile Internet products**, the Company persisted in the strategies of differentiated innovation and cost leadership, as its deployed its "AI for All" full-scenario smart ecosphere 3.0. Innovative terminals based on under-screen camera and bare eye 3D technologies, such as nubia Z70 Ultra, Red Magic 10 Pro and nubia Pad 3D II, a bare eye 3D tablet, were launched. Nubia was stepping up with its expansion in the international market with the launch of feature phones such as the music, gaming, imaging and foldable series in more than 30 countries and regions. The Red Magic smartphone was highly reputed and popular among avid gamers and its flagship model ranked first in sales in the global market for gaming mobile phones. 5G FWA&MBB, our mobile Internet product, also maintained first ranking in global market share. **In connection with cloud computers**, the "Xiaoyao" series, a PAD 5G cloud computer combining features of the Android tablet and the Windows computer, was launched ahead of competition and became a hot-selling product that ensured top-ranking market shares for the Company's cloud terminal products in the domestic carriers' market.

4. *Others*

(1) Changes in the scope of consolidation and analysis of operating revenue and operating costs for the comparable period of 2023

The Company has incorporated Beijing LeapRise Technology Co., Ltd., "ZTE REGIONAL SERVICE CENTER" LLC, Beijing ZTE Digital Nebula Technology Co., Ltd., ZTE (PNG) Limited, Beijing XingYun Digital Technology Co., Ltd., Beijing Leaplines Technology Co., Ltd., Shanghai Puzhan Technology Co., Ltd., Beijing Xicheng Photonics Technology Co.,Ltd. in 2024. The aforementioned subsidiaries have been included in the consolidated financial statements.

The Group acquired 82% equity interests in ZTE Hotel Shenzhen Investment & Management Company Limited in September 2024, upon which ZTE Hotel Shenzhen Investment & Management Company Limited and its subsidiaries have been included in the consolidated financial statements.

In 2024, Wuzhou Digital City Development Co., Ltd., NUBIA USA,Inc., ZTE SAN MARINO S.r.l., ZTE Wistron Telecom Aktiebolag and Guangzhou Huijian Detection Technology Co., Ltd. completed deregistration with the industrial and commercial administration authorities. The aforesaid subsidiaries had been excluded from the consolidated financial statements.

A comparative analysis of revenue and cost of sales for 2023 excluding the aforesaid subsidiaries which were no longer included in the consolidated statements is set out as follows:

Unit: RMB in millions

Item	2024	2023	Year-on-year increase/decrease
Revenue	**121,298.8**	124,238.8	(2.37%)
Cost of sales	**75,311.1**	72,688.7	3.61%
Gross profit margin	**37.91%**	41.49%	Decreased by 3.58 percentage points

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

Unit: RMB in millions

	2024		2023[Note]		
Item	Amount	As a percentage of operating costs	Amount	As a percentage of operating costs	Year-on-year increase/ decrease
Raw materials	**61,698.5**	**81.92%**	57,073.7	78.50%	8.10%
Engineering costs	**10,287.2**	**13.66%**	11,837.2	16.28%	(13.09%)
Others	**3,325.4**	**4.42%**	3,791.7	5.22%	(12.30%)
Total	**75,311.1**	**100%**	72,702.6	100%	3.59%

Note: Operating cost for 2023 has been retrospectively adjusted as a result of the change in accounting policy.

(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 personal 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 2024 to its largest customer amounted to RMB33,294.5 million, accounting for 27.45% of the total sales of the Group, while sales to its top five customers amounted to RMB67,577.7 million, accounting for 55.72% of the total sales of the Group.

Purchases by the Group from its largest supplier in 2024 amounted to RMB2,917.5 million, accounting for 4.30% of the total purchases of the Group, while the purchases made from its top five suppliers amounted to RMB11,515.2 million, accounting for 16.97% of the total purchases of the Group.

The top five customers and top five suppliers were not connected to the Company in any way. None of the Directors, Supervisors 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.

(4) Progress during 2024 of material sales and purchase contracts entered into during and prior to 2024

☐ Applicable √ N/A

2.2.2.2 Expenses

Unit: RMB in millions

Item	2024	2023[Note]	Year-on-year increase/decrease
R&D cost	**24,031.5**	25,289.2	(4.97%)
Selling and distribution cost	**8,900.5**	10,119.5	(12.05%)
Administrative expenses	**4,477.0**	5,631.8	(20.50%)
Finance cost	**(264.6)**	(1,101.2)	75.97%
Income tax	**874.0**	962.3	(9.18%)

Note: Selling and distribution cost for 2023 has been retrospectively adjusted as a result of the change in accounting policy.

The Group's research and development costs for 2024 amounted to RMB24,031.5 million, decreasing by 4.97%, year-on-year, and as a percentage of operating revenue decreased by 0.54 percentage point to 19.81%, which was attributable mainly to precise investment of resources with a special focus on high-potential and strategic R&D projects.

The Group's selling and distribution costs for 2024 amounted to RMB8,900.5 million, decreasing year-on-year by 12.05% and accounting for 7.34% of our operating revenue, a decrease by 0.81 percentage point year-on-year attributable mainly to decreased investment in marketing.

The Group's administrative expenses for 2024 amounted to RMB4,477.0 million, decreasing by 20.50% compared to the same period last year and accounted for 3.69% of our operating revenue, a decrease by 0.84 percentage point year-on-year attributable mainly to improved in management efficiency.

The Group's finance costs for 2024 amounted to RMB-264.6 million, increasing year-on-year by 75.97%, which was attributable mainly to loss owing to exchange rate volatility for the period versus gain for the same period last year.

The Group's income tax for 2024 amounted to RMB874.0 million, decreasing year-on-year by 9.18%, which was attributable mainly to the increase in deferred tax assets.

2.2.2.3 R&D investment

(1) R&D investment

Unit: RMB in millions

Item	2024	2023	Year-on-year increase/decrease
R&D investment amount	**25,508.9**	26,783.3	(4.76%)
Including: Amount accounted for as expense	**24,031.5**	25,289.2	(4.97%)
Amount accounted for as capitalised	**1,477.4**	1,494.1	(1.12%)
R&D investment as a percentage of operating revenue	**21.03%**	21.56%	Decreased by 0.53 percentage point
Capitalised R&D investment as a percentage of R&D investment	**5.79%**	5.58%	Increased by 0.21 percentage point

(2) R&D personnel

Item	2024	2023	Year-on-year increase/decrease
Headcount of R&D personnel	**33,184**	35,393	(6.24%)
R&D personnel as a percentage of total headcount of the Group	**48.53%**	49.09%	Decreased by 0.56 percentage point
Academic qualification profile of R&D personnel			
Doctorate degree	**435**	438	(0.68%)
Master's degree	**21,124**	22,204	(4.86%)
Bachelor's degree	**10,450**	11,479	(8.96%)
Others	**1,175**	1,272	(7.63%)
Age profile of R&D personnel			
Under 35	**17,582**	20,129	(12.65%)
35 and over	**15,602**	15,264	2.21%

2.2.2.4 Other components in the profit mix

Unit: RMB in millions

Item	2024	2023	Year-on-year increase/decrease
Other gains	**2,932.7**	1,806.0	62.39%
Investment income	**112.4**	(205.0)	154.83%
Gains from changes in fair value	**(625.1)**	(702.3)	10.99%
Credit impairment loss (loss indicated as a negative value)	**92.5**	(75.8)	(222.03%)
Asset impairment loss (loss indicated as a negative value)	**(933.2)**	(858.4)	8.71%
Gains from asset disposal	**95.7**	20.6	364.56%
Non-operating income	**76.3**	173.1	(55.92%)
Non-operating expenses	**188.9**	228.3	(17.26%)

The Group's other gains for 2024 amounted to RMB2,932.7 million, increasing by 62.39% year-on-year which was attributable mainly to the increase in gain from the VAT add-on deductible policy and the increase in software product VAT rebate for the period.

The Group's investment income for 2024 amounted to RMB112.4 million, increasing 154.83% year-on-year, which was attributable mainly to the combined effect of the decrease in loss from disposal of derivative contracts for the period and the adoption of hedge accounting for derivative transactions coupled with the year-on-year decrease in investment income from disposal of listed equity interests by subsidiary fund partnership enterprise of ZTE Capital.

The Group's gains from changes in fair value for 2024 amounted to RMB-625.1 million, increasing by 10.99%, year-on-year, which was attributable mainly to the year-on-year decrease in transfer of listed equity disposal by subsidiary fund partnership enterprise of ZTE Capital from fair value to investment income for the period.

The Group's credit impairment loss for 2024 amounted to RMB-92.5 million, decreasing by 222.03% year-on-year which was attributable mainly to reversal of trade receivable impairment following enhanced effort in collection of due payments. The Group's asset impairment loss for 2024 amounted to RMB933.2 million, increasing by 8.71%, year-on-year, which was attributable mainly to the increase in impairment of other non-current assets for the period.

The Group's gains from asset disposal for 2024 amounted to RMB95.7 million, increasing 364.56%, year-on-year, which was attributable mainly to the increase in gain from disposal of non-current assets for the period.

The Group's non-operating income for 2024 amounted to RMB76.3 million, decreasing by 55.92%, year-on-year, which was attributable mainly to the decrease in external compensatory income for the period.

The Group's non-operating expenses for 2024 amounted to RMB188.9 million, decreasing by 17.26%, year-on-year, which was attributable mainly to the decrease in non-operating loss for the period.

2.2.2.5 Cash flow

Unit: RMB in millions

Item	2024	2023	Year-on-year increase/decrease
Sub-total of cash inflows from operating activities	**139,814.5**	144,286.0	(3.10%)
Sub-total of cash outflows from operating activities	**128,334.7**	126,880.3	1.15%
Net cash flows from operating activities	**11,479.8**	17,405.7	(34.05%)
Sub-total of cash inflows from investing activities	**83,017.0**	11,977.8	593.09%
Sub-total of cash outflows from investing activities	**111,689.4**	32,879.1	239.70%
Net cash flows from investing activities	**(28,672.4)**	(20,901.3)	(37.18%)
Sub-total of cash inflows from financing activities	**190,592.0**	276,368.9	(31.04%)
Sub-total of cash outflows from financing activities	**196,410.4**	268,997.3	(26.98%)
Net cash flows from financing activities	**(5,818.4)**	7,371.6	(178.93%)
Net increase in cash and cash equivalents	**(22,986.8)**	3,941.4	(683.21%)

The Group's net cash flow from operating activities for 2024 decreased year-on-year, reflecting mainly the increase in cash paid for purchase of goods and services and the increase in statutory deposit reserve of ZTE Group Finance Company Limited 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 2024, 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 2024 decreased year-on-year, reflecting mainly the increase in cash paid for investment for the period.

The Group's net cash flow from financing activities for 2024 decreased year-on-year, reflecting mainly the decrease in net borrowing for the period.

Cash and cash equivalents of the Group as of 31 December 2024 amounted to RMB28,026.4 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 2024		31 December 2023		
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	207,323.2	100.00%	200,958.3	100.00%	–
Currency cash	43,885.3	21.17%	78,543.2	39.08%	(17.91)
Trading financial assets	13,768.8	6.64%	153.3	0.08%	6.56
Trade receivables	21,288.4	10.27%	20,821.5	10.36%	(0.09)
Contract assets	4,972.1	2.40%	4,845.0	2.41%	(0.01)
Inventories	41,257.7	19.90%	41,131.3	20.47%	(0.57)
Debt investment	25,068.4	12.09%	–	–	12.09
Investment properties	99.0	0.05%	1,473.8	0.73%	(0.68)
Investment in associates and joints	2,333.8	1.13%	2,157.6	1.07%	0.06
Property, plant and equipment	14,178.4	6.84%	13,372.4	6.65%	0.19
Construction in progress	685.4	0.33%	987.8	0.49%	(0.16)
Right-of-use assets	1,551.6	0.75%	1,557.3	0.77%	(0.02)
Short-term loans	7,027.1	3.39%	7,560.4	3.76%	(0.37)
Bills payable	10,959.3	5.29%	9,442.7	4.70%	0.59
Trade payables	22,371.8	10.79%	18,931.4	9.42%	1.37
Contract liabilities	12,859.4	6.20%	14,889.7	7.41%	(1.21)
Employee benefits payable	16,991.7	8.20%	16,176.9	8.05%	0.15
Non-current liabilities due within one year	5,592.7	2.70%	3,001.6	1.49%	1.21
Long-term loans	44,058.9	21.25%	42,576.1	21.19%	0.06
Lease liabilities	972.9	0.47%	960.5	0.48%	(0.01)

The Group's currency cash for 2024 amounted to RMB43,885.3 million, decreasing by 44.13%, year-on-year, which was mainly attributable to the purchase of large-amount certificate of deposit within a term of over one year and structured deposit for the period which was included in debt investment and trading financial assets.

The Group's investment properties for 2024 amounted to RMB99.0 million, decreasing by 93.28%, year-on-year, which was mainly attributable to the redesignation of certain investment properties to self-occupation for the period.

The Group's construction in progress for 2024 amounted to RMB685.4 million, decreasing by 30.61%, year-on-year, which was mainly attributable to the transfer to property, plant and equipment of certain construction in progress upon completion for the period.

The Group's non-current liabilities due within one year for 2024 amounted to RMB5,592.7 million, increasing by 86.32%, year-on-year, which was mainly attributable to the year-on-year 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 2024, the carrying value of the Group's property, plant and equipment was RMB14,178.4 million, representing a 6.03% increase compared to the end of last year, attributable mainly to the redesignation of certain investment properties to self-occupation and the transfer of certain construction in progress to property, plant and equipment upon completion for the period. Details of changes in property, plant and equipment are set out in "Note V.14. Property, plant and equipment to the Financial Statements" in this report.

(3) Assets and liabilities at fair value

Assets of the Group are stated at historical costs, except for derivative financial instruments, equity and debt investments at fair value through profit or loss, investment properties and receivables at fair value through other comprehensive income, which are measured at fair value. There was no material change to the measurement attributes of the principal assets of the Company during 2024.

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)	153.3	(66.3)	–	–	45,138.0	31,594.2	138.0	13,768.8
2. Derivative financial assets	85.3	88.3	–	–	–	–	(0.2)	173.4
3. Receivable financing	4,074.1	–	–	0.4	19,143.2	18,973.9	–	4,243.0
4. Other non-current financial assets	831.9	(60.7)	–	–	9.7	13.2	(51.9)	715.8
Sub-total of financial assets	**5,144.6**	**(38.7)**	**–**	**0.4**	**64,290.9**	**50,581.3**	**85.9**	**18,901.0**
Investment properties	1,473.8	(150.4)	–	–	–	–	(1,224.4)	99.0
Total	**6,618.4**	**(189.1)**	**–**	**0.4**	**64,290.9**	**50,581.3**	**(1,138.5)**	**19,000.0**
Financial liabilities	227.7	46.9	(0.7)	–	–	–	0.7	274.6

(4) Major overseas assets

☐ Applicable √ N/A

(5) Charges on assets

As at 31 December 2024, the carrying value of the Group's assets under charge was RMB561.9 million, which was applied mainly to acquire bank loans. For details, please refer to "Note V. 24. Short-term loans and 34. Long-term loans to the Financial Statements" in this report.

(6) Contingent liabilities

For details of the Group's contingent liabilities as at 31 December 2024 required to be disclosed under the Hong Kong Listing Rules, please refer to "Note XIII. 2 Contingent events to the Financial Statements" in this report.

2.2.2.7 Liquidity and capital structure

(1) Source and application of capital

In 2024, 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") and medium-term notes ("MTNs"). 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 2024 were 1.72 and 1.21, 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 2024 was 44.3%, decreasing by 1.7 percentage points as compared to 46.0% as at 31 December 2023, attributable mainly to the increase in shareholders' equity.

(3) Analysis of debt

For 2024, 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 2024, the Group's bank loans amounted to RMB55,533.9 million in aggregate and the balance of MTNs amounted to 1,004.9 million in aggregate applied mainly as working capital. All due bank loans had been settled. Bank loans, SCPs and MTNs subject to interests at fixed rates amounted to approximately RMB7,774.5 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 2024**	31 December 2023
Bank loan		
Short-term bank loans	**11,475.0**	9,236.8
Long-term bank loans	**44,058.9**	42,576.0
SCPs	**—**	5,012.9
MTNs	**1,004.9**	—
Total	**56,538.8**	56,825.7

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 2024**	31 December 2023
Bank loan		
Secured bank loans	**112.9**	154.6
Unsecured bank loans	**55,421.0**	51,658.2
Unsecured SCPs	**—**	5,012.9
Unsecured MTNs	**1,004.9**	—
Total	**56,538.8**	56,825.7

For details of the Group's bank loans and other borrowings as at 31 December 2024, please refer to "Note V. 24. Short-term loans, 26. Short-term bonds payable, 33. Non-current liabilities due within one year and 34. Long-term loans to the Financial Statements" in this report.

(4) Contractual obligations

As at 31 December 2024, the Group's total bank loans amounted to RMB55,533.9 million, increasing by RMB3,721.1 million compared to RMB51,812.8 million as at 31 December 2023, which was mainly applied towards working capital.

Unit: RMB in millions

Item	**31 December 2024**	31 December 2023
Less than one year	**11,475.0**	9,236.8
Less than two years	**14,272.6**	17,962.0
Three to five years	**29,786.3**	20,471.0
Beyond five years	**—**	4,143.0
Total	**55,533.9**	51,812.8

(5) Capital expenditure

For 2024, 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 RMB5,021.8 million, compared to RMB4,959.6 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 2024**	31 December 2023
Contracted but not provided for		
Capital expenditure commitment	**2,457.1**	2,322.8
Investment commitment	**463.3**	495.2
Total	**2,920.4**	2,818.0

2.2.2.8 Shares and Reserves

(1) Share capital and shares and debentures

Share capital and change

As at 31 December 2024, the total share capital of the Company was 4,783,534,887 shares (including 4,028,032,353 A shares and 755,502,534 H shares), increasing by 283,335 shares versus the previous year-end mainly as a result of the exercise of share options by participants under the share option incentive scheme.

Issue of shares and debentures

During the Reporting Period, save for the 283,335 A shares issued as a result of the exercise of share options by participants and the receipt of exercise amounts of RMB9,767,000 by the Company from the participants, 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. The Company had no treasury shares.

Equity-linked agreement

During the Reporting Period, save as disclosed in the sections headed "3.1.9 Share Schemes" 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 2024, the Group's and the Company's reserves amounted to RMB68,024.9 million and RMB59,061.1 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 2024, the Company's reserve available for distribution to shareholders amounted to RMB28,870.7 million.

Proposed dividend

The Company's proposal for profit distribution for 2024 recommended by the Board: distribution of RMB6.17 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 XIV. 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 2024, the Company's investment in associates and joints amounted to approximately RMB2,333.8 million, representing increase of 8.17% compared to approximately RMB2,157.6 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 approximately RMB823.9 million, representing decrease of 16.37% compared to approximately RMB985.2 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 2024.

(2) *Principal subsidiaries and investee companies*

For 2024, net profit of Shenzhen Zhongxing Software Company Limited ("Zhongxing Software") accounted for more than 10% of net profit on the face of the Group's consolidated income statement.

Unit: RMB in millions

Name of company	Corporate type	Principal operations	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Zhongxing Software	Subsidiary	Software development	51.1	16,421.3	2,500.5	22,132.1	1,486.8	1,478.0

For details of other subsidiaries, associates and joint ventures of the Group, please refer to "Note VIII. INTERESTS IN OTHER ENTITIES and Note XVI.5. Investment in associates, joints and subsidiaries to the Financial Report" in this report. For details of the Group's acquisition and disposal of subsidiaries in 2024 and its impact please refer to "Note VII. CHANGE IN 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 in ten thousands

Stock code	Stock name	Initial investment	Book value at the beginning of the period	Gains arising from fair value change for the period	Cumulative fair value change accounted for in equity	Amount purchased 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]	437.6	9,179.4	(7,263.2)	–	–	6,067.0	(1,773.3)	1,578.7	25.0	0.19%
301319	Vital New Material[Note 1]	580.1	3,726.4	(3,146.4)	–	–	3,250.2	(465.4)	–	–	–
301587	Zhongrui[Note 1]	3,000.0	5,365.9	1,470.9	–	–	–	1,470.9	6,836.8	281.3	1.91%
600734	Start Group[Note 2]	–	2,422.7	(26.5)	–	–	–	(26.5)	2,396.2	948.2	0.44%
ENA:TSV	Enablence Technologies[Note 3]	3,583.3	615.9	(127.9)	–	–	–	(127.9)	501.7	79.2	4.13%
TRIO	Trikomsel Oke Tbk[Note 4]	256.0	–	–	–	–	–	–	–	1,827.1	0.07%
Total		**7,857.0**	**21,310.3**	**(9,093.1)**	**–**	**–**	**9,317.2**	**(922.2)**	**11,313.4**	**–**	**–**

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

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

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

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

(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 minimise exposures through initiatives such as business strategic guidance, internal settlement management, financing mix design and value-protected derivative exchange instruments. The Group also strengthens liquidity risk management in countries practicing exchange control and endeavours to facilitate RMB pricing and settlement for overseas projects to lower its exchange risks in the long term.

Derivative trading for the purpose of value-protection hedging

As considered and passed at the Nineteenth Meeting of the Ninth Session of the Board of Directors of the Company and the 2023 Annual General Meeting held on 8 March 2024 and 28 June 2024, respectively, the Group has conducted derivative trading in foreign exchange derivatives for value-protection hedging purposes with its internal funds during 2024. Details are as follows:

Unit: RMB ten thousand

Type of derivative trading	Initial investment amount	Opening balance[Note]	Fair-value gain/loss for the year	Cumulative fair-value change included in equity	Investment gain	Amount purchased during the year	Amount disposed of during the year	Closing balance	Closing balance as a percentage of net assets at the end of the year
Foreign exchange derivative	–	2,329,369.9	7,117.0	(4,355.0)	(27,975.7)	20,477,965.2	19,588,376.2	3,218,958.9	44.21%

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 2024 and effectiveness of value-protection hedging	The Company has recognised net loss from consolidated change in value of hedging instruments and hedged items RMB305 million for 2024. All derivative trades of the Group were aimed at hedging and value protection. The hedged items such as foreign exchange assets, liabilities and the hedging instruments were foreign exchange derivatives. The value movements in the hedge instruments effectively hedged the risk of value movements in the hedged item and basically achieved the expected goals in risk management.
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 2024, the fair-value gain/loss included in gain or loss of the derivative trading of the Group was RMB71 million, the cumulative fair-value change included in equity was RMB-43 million and the investment gain was RMB-280 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: Gains or losses arising from the difference between the exchange rate for settlement of derivative trading contracts and the exchange rate prevailing on the maturity date will be accounted for as gains or losses on revaluation for each accounting period during the effective period of the derivative. Effective gains or losses shall be represented by the cumulative gains or losses on revaluation on the maturity date; movements in the fair value of trade contracts provides a hedge against movements in the value of the corresponding risk assets, although there is still possibility that loss will be incurred. (2) Liquidity risks: The derivative trading was based on the budget of foreign exchange income and expenditure and foreign exchange exposure and these investments matched the actual foreign exchange income and expenditure to ensure sufficient fund for settlement on completion. Therefore, their impact on current assets was insignificant; (3) Credit risks: The counterparties of the derivative trading of the Group are banks with sound credit ratings and long-standing business relationships with the Group, therefore the transactions were basically free from performance risks;

Items	Statement
	(4) Other risks: Failure of personnel in charge to operate derivative trading in accordance with stipulated procedures or fully understand information regarding derivatives in actual operation 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 addressed legal risks by entering into contracts with clear and precise terms with counterparty banks and strictly enforcing its risk management system. The Group has formulated the "Risk Control and Information Disclosure System relating to Investments in Derivatives" that contains specific provisions for the risk control, approval procedures and subsequent management of derivative investments, so that derivative investments will be effectively regulated and risks relating to derivative investments duly controlled.

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

(6) Subscription for fund units by the Company

ZTE Zhongchuang (Xi'an) Investment Management Company Limited, a wholly-owned subsidiary of the Company, has subscribed for Shaanxi Zhongtou Zhanlu Tranche II Equity Investment Partnership (Limited Partnership) ("Zhongtou Zhanlu Fund Tranche II") as general partner with a capital contribution of RMB2.50 million. The Company has subscribed for Zhongtou Zhanlu Fund Tranche II as limited partner with a capital contribution of RMB78 million. The fund size of Zhongtou Zhanlu Fund Tranche II was RMB200 million. Zhongtou Zhanlu Fund Tranche II has completed industrial and commercial registration and filing and registration as a private equity investment fund. Subscription was completed. For details, please refer to the "Overseas Regulatory Announcement Announcement on the subscription for Zhongtou Zhanlu Fund Tranche II", "Overseas Regulatory Announcement Announcement on the completion of filing and registration of Zhongtou Zhanlu Fund Tranche II that participates in subscription" and "Overseas Regulatory Announcement" published by the Company on 15 December 2022, 16 January 2023 and 25 April 2024, respectively.

(7) Use of proceeds

☐ Applicable √ N/A

(8) Entrusted fund management

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

Pursuant to the "Resolution on Proposed Application of Internal Funds in Entrusted Fund Management for 2024" considered and approved at the Twenty-third Meeting of the Ninth Session of the Board and the 2023 Annual General Meeting of the Company, it was approved that the Group be authorised to apply internal funds with a total amount of not more than RMB20 billion on a rolling basis for the subscription for financial products with a high level of security, good liquidity and a low/medium risk profile from financial institutions such as banks, securities companies and fund companies in 2024, 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 2023 Annual General Meeting of the Company to the date on which the 2024 Annual General Meeting of the Company is convened. Details of the financial products purchased by the Group during the Reporting Period are set out as follows:

Unit: RMB in ten thousands

Product type	Source of funds	Amount incurred[Note1]	Outstanding balance	Overdue and unrecovered amount	Impairment amount provided for overdue and unrecovered financial products
Financial product	Internal funds	2,000,000	1,368,700	0	0
Total		**2,000,000**	**1,368,700**	**0**	**0**

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

Note 2: For 2024, the Group had no high-risk entrusted fund management with individually material amounts, low level of security or poor liquidity, nor any principal amount under the Group's entrusted fund management expected to be irrecoverable or other situations that might result in impairment.

As at 31 December 2024, the balance of the outstanding financial products purchased by the Group amounted to RMB13,687 million, accounting for 6.60% 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 9 September 2024, 10 February 2025 and 21 February 2025, as at the date of publication of this report, no other financial products purchased by the Group constitute discloseable transactions under the provision of Rule 14.22 of the Hong Kong Listing Rules.

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

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

During 2024, 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.

(10) 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 2024.

2.2.4 Directors, Employees and Stakeholders

(1) Directors and Supervisors

List of Directors and Supervisors

The Board of Directors of the Company comprises nine Directors, including three Executive Directors: Mr. Li Zixue (Chairman), Mr. Xu Ziyang and Mr. Gu Junying; three Non-executive Directors: Ms. Fang Rong, Mr. Zhu Weimin and Mr. Zhang Hong; and three Independent Non-executive Directors: Mr. Zhuang Jiansheng, Mr. Wang Qinggang and Mr. Tsui Kei Pang.

The Supervisory Committee of the Company comprises five Supervisors, including two Shareholder Representative Supervisors Ms. Jiang Mihua and Mr. Hao Bo and three Staff Representative Supervisors Mr. Xie Daxiong (Chairman of the Supervisory Committee), Ms. Xia Xiaoyue and 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 or Supervisor.

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 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 2024.

Permitted indemnity provision

The Company has made appropriate arrangements for insurance in connection with the duties of the Directors, Supervisors 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, Supervisors and senior management. The aforesaid permitted indemnity provision based on Directors' interests had been in effect during the financial year ended 31 December 2024 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 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 low-carbon green strategy. Through the four major aspects of green corporate operation, green supply-chain, green ICT digital and intelligent bases and green industry empowerment, we have built a well-supported digital shade path 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 help promote the circular economy. For details of the Group's environmental performance, please refer to the section headed "3.2 ENVIRONMENTAL PERFORMANCE" in this report.

The Group made charitable donations amounting to approximately RMB34,037,500 in 2024.

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

Unit: RMB in millions

Item	**2024**	2023	2022	2021	2020
Operating results					
Operating revenue	**121,298.8**	124,250.9	122,954.4	114,521.6	101,450.7
Operating profit	**9,342.2**	10,258.4	8,794.8	8,676.1	5,470.7
Total profit	**9,229.6**	10,203.1	8,751.7	8,498.9	5,064.2
Net profit attributable to holders of ordinary shares of the listed company	**8,424.8**	9,325.8	8,080.3	6,812.9	4,259.8
Net profit after extraordinary items attributable to holders of ordinary shares of the listed company	**6,179.1**	7,399.6	6,166.9	3,305.9	1,035.6
Net cash flows from operating activities	**11,479.8**	17,405.7	7,577.7	15,723.5	10,232.7
Size					
Total assets	**207,323.2**	200,958.3	180,953.6	168,763.4	150,634.9
Total liabilities	**134,212.9**	132,626.9	121,410.4	115,475.8	104,512.4
Owners' equity attributable to holders of ordinary shares of the listed company	**72,808.5**	68,008.3	58,641.2	51,482.1	43,296.8
Per share basis (RMB/share)					
Basic earnings per share	**1.76**	1.96	1.71	1.47	0.92
Diluted earnings per share	**1.76**	1.96	1.71	1.47	0.92
Basic earnings per share after extraordinary items	**1.29**	1.55	1.30	0.71	0.22
Net cash flows from operating activities per share	**2.40**	3.64	1.60	3.32	2.22
Net asset per share attributable to holders of ordinary shares of the listed company	**15.22**	14.22	12.38	10.88	9.39
Financial ratios (%)					
Weighted average return on net assets	**11.97%**	15.19%	14.66%	14.49%	10.18%
Weighted average return on net assets after extraordinary items	**8.78%**	12.05%	11.19%	7.03%	2.47%
Gearing ratio	**64.74%**	66.00%	67.09%	68.42%	69.38%

2.3 BUSINESS OUTLOOK AND RISK EXPOSURES FOR 2025

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

2.3.1 Business outlook for 2025

In 2025, the external environment will remain complicated and volatile, as the latest cycle of technological revolution and industrial transformation undergo further development with AI becoming the key to any success in competition, whilst new scenarios for intelligent connection under 5G-A continue to be discovered. In the presence of new challenges as well as opportunities, the Company will operate its business on the principle of "seeking advancement while ensuring stability and pursuing innovation while assuring the principal business" and strengthen its resilience, expediting development of the secondary-curve business represented by computing and handset on top of stable advancement of the primary-curve business represented by wireless and wireline products, in order to chart new frontiers.

In connection with carrier's network, in the domestic market, we will go deep in identifying the potential of network products, seizing opportunities arising from the construction of 5G-A and full-optical networks to consistently enhance our advantage of being technologically advanced and increase our market share. We will persist in designating intelligent computing as a major pathway in our long-term strategy and bring into play our strengths in full-stack technologies and engineering competence in line with our core principles of open-ended decoupling, enhancing computing through network and training and inference. We will develop capabilities in ten-thousand-card projects and large model, working with carriers to engage in innovations in computing network and cloud network integration while advancing the application of products and solutions such as server and storage, data centre switch, data centre support and training and inference. In the international market, we will continue to identify further potentials in major nations and big Ts for our traditional business to consistently increase our market share and influence. In connection with new businesses, we will explore new potential for growth presented by the construction of new data centres, low-carbon green development.

In connection with government and corporate business, we will focus on opportunities presented by digitalisation, intelligentisation, low carbon development and IT innovation and make ongoing efforts to deepen domestic market development. Firstly, we will further deepen cooperation with leading players in the Internet and finance sectors and deepen our operation in key sectors such as power, transportation and government affairs, seeking to increase our market share and business scale with a special emphasis on qualitative growth. Secondly, we will focus on new opportunities presented by all-area urban digitalisation, major emergency and vehicle — road — cloud integration, seizing hotspots in the low-altitude economy to achieve new breakthrough in the government and corporate business. Thirdly, we will promote agile marketing to enhance the model of "large enterprise-small teams" to draw on the strengths of partnerships for mutual benefit and development. Meanwhile, the Company's internal resources will be further consolidated to form combined forces in order to achieve leaping growth. Fourthly, we will construct business channels and ecospheres to create a mutually beneficial commercial ecosphere by capitalising on the business positioning and complementary advantages of chip manufacturers, ICT hardware manufacturers, application developers, systems integration suppliers and carriers.

In connection with the consumer business, we will actively embrace AI and foster a brand new experience built around the intelligent interconnection of multiple terminals and ecospheric expansion. In connection with home terminal, we will continue to play to our strength in proprietary chip and all-round solutions, seizing the periodic opportunities presented by the general upgrade of domestic GB-grade users, further promotion of FTTR and generational upgrade of the Wi-Fi 7 router to maintain healthy operations. In connection with handsets and mobile Internet products, the Company will persist in the strategies of differentiated innovation and cost leadership to maintain its growth momentum. In connection with products, we will seek innovation and breakthrough on the back of technologies and capabilities developed over years of R&D effort. In connection with brands, Nubia will leverage AI for upgrades, as Red Magic will be developed from a mobile game to a terminal game. In connection with channels, we will seek large-volume supplies to domestic e-commerce channels and enhance cooperation with live cast channels, while internationally we will further tap the channels in big nations. In connection with cloud computer, innovation will be heralded by diversified cloud terminals catered to all business scenarios, as we deepen operations in the carriers' sector and strengthen development in the finance and large-corporation sectors to seize the development period of the cloud computer market and step up with large-scale breakthrough.

In view of the historic opportunity presented by the latest round of technological revolution and industrial transformation, the Company will actively embrace the new wave of digital construction by persisting in proprietary innovation in core technologies in firm adherence to its positioning as a "path-builder for digital economy", as it strives to enhance its primary-curve business and bring driving force to its secondary-curve business with a sustained strategic focus whilst reinforcing the three major strategic cornerstones, namely "talent, compliance and internal control", in a bid to facilitate sustainable, qualitative development.

2.3.2 Risk exposures

(1) Country risks

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

(2) Risk associated with intellectual property rights

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

(3) Exchange rate risks

The Group's consolidated financial statements are expressed in RMB. The exchange rate risk of the Group arises mainly from foreign exchange exposures associated with the sales, purchases and financing settled in currencies other than RMB and the volatility of exchange rates, which might affect the operations of the Group. The Group adopts ongoing measures to strengthen foreign exchange risk management covering the entire business process and seeks to minimize exposures through initiatives such as business strategic guidance, internal settlement management, financing mix design and value-protected derivative exchange instruments. The Group has also strengthened liquidity risk management in countries with foreign exchange difficulties and endeavoured to facilitate RMB pricing and settlement for overseas projects to lower its exchange risks in the long term.

(4) 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.

(5) Customer credit risk

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

III. Corporate Governance, Environmental Performance and Social Responsibility

In persistent adherence to the principle of sustainability, the Company has incorporated sustainable development into its corporate strategy and sought in-depth understanding of the demands of stakeholders to facilitate environmental, social and governance ("ESG") implementation with reference to critical issues of substance. In this chapter, discussions will be provided in relation to three aspects: corporate governance, environmental performance and social responsibility. For more details of the Company's ESG performance, please refer to the "2024 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 on the part of staff. The General Meeting, Board of Directors, Supervisory Committee 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 and administrative regulations and announced by the CSRC.

3.1.1 Corporate Culture

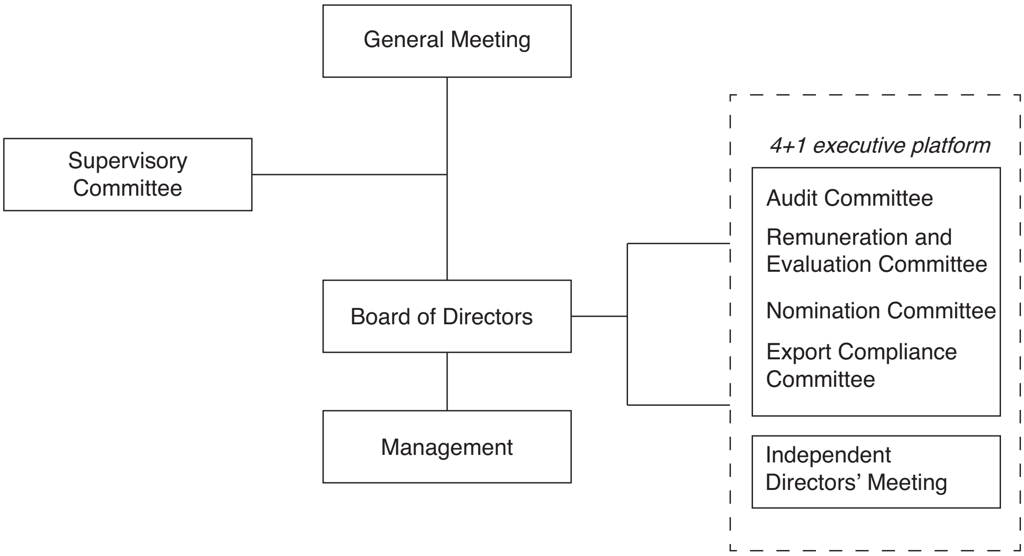
The core values, cultural spirit and behavior guidelines of the Company is set out as follows:

Core Values	Cultural Spirit	Behavior Guidelines
Respecting each other and being faithful to the ZTE Cause	Customer Success	Cooperative, Take the initiative
Serving with dedication and being committed to our customers	Value Contribution	Responsible, Dare to assume responsibility
Endeavoring with creativity to establish a famous ZTE brand	Pursuit of Excellence	Professional, Win first place
Operating with scientific management to increase corporate performance	Simplicity Prevails	Pragmatic, Tell complete truth

In 2024, the Company deepened the implementation of the principles and guiding conduct under its corporate culture in line with its core values to unite staff and support the achievement of strategic goals. Through the organisation of daily gathering groups and reading groups, the entrepreneurship of the older generation advocating a proactive fighting spirit in business endeavours was passed on to forge a common awareness among staff officers. We continued to promote and share positive energy as well as to enhance a sense of honour and belonging on the part of staff, encouraging them to focus on value contribute while fostering a corporate ambience of openness, equality and team effort to motivate staff creativity. Poll on third-party loyalty indicated that the Company employees' loyalty and support for the corporation was steadily increasing. Meanwhile, a multi-platform matrix for communication was built to showcase our corporate image and culture in an all-round manner, in order to enhance our brand influence as an employer to attract high-calibre talents, while underlining our social responsibility to drive co-development of the enterprise and the community.

3.1.2 Corporate Governance Structure

The Company has developed a governance structure comprising "three levels of governance bodies and one level of executive arm":



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 scope of duties and furnish professional opinions. The Supervisory Committee is accountable to the General Meeting as the supervisory body of the Company. The management is the executive arm appointed by the Board to be responsible for the Company's operational management.

3.1.3 Shareholders and General Meetings

3.1.3.1 Shareholders

(1) Total number of shareholders

As at 31 December 2024, there were 399,962 shareholders (comprising 399,665 holders of A shares and 297 holders of H shares). As at 31 January 2025, namely the end of month immediately preceding the date of publication of the annual report, there were 394,441 shareholders (comprising 394,145 holders of A shares and 296 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 2024, 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 not subject to lock-up and the shareholdings of the top 10 shareholders are identical, the details of which are as follows:

Unit: Share

Name of shareholders	Nature of shareholders	Percentage of shareholdings	Total number of shares held as at the end of the 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 LimitedNote 2	Foreign shareholder	15.73%	752,322,281	H share	−2,856	–	Unknown
3. Hong Kong Securities Clearing Company LimitedNote 3	Foreign corporation	2.49%	119,172,717	A share	−4,483,641	–	Nil
4. ICBC Limited – Huatai Pinebridge CSI 300 Traded Open-ended Index Securities Investment Fund	Others	1.16%	55,563,005	A share	+32,230,551	–	Nil
5. Central Huijin Asset Management Co. Ltd.	State-owned corporation	0.88%	42,171,534	A share	–	–	Nil
6. Hunan Nantian (Group) Co. Ltd.	State-owned corporation	0.87%	41,516,065	A share	–	–	Nil
7. CCB – eFund CSI 300 Traded Open-ended Index Securities Investment Fund By Way of Promotion	Others	0.80%	38,363,740	A share	+29,511,500	–	Nil
8. ICBC – Huaxia CSI 300 Traded Open-ended Index Securities Investment Fund	Others	0.53%	25,507,982	A share	+19,004,700	–	Nil
9. Wang Shichen	Domestic natural person	0.52%	24,926,320	A share	+3,673,100	–	Nil
10. BOC – Harvest CSI 300 Traded Open-ended Index Securities Investment Fund	Others	0.51%	24,166,976	A share	+16,628,129	–	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 2024	No
Statement on top 10 shareholders' involvement in financing and securities lending businesses	Wang Shichen, the 9th ranking shareholders, held 10,200,000 A shares in the Company through a credit account.

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: 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

Name of shareholder	Shareholdings in basic accounts and credit accounts at the beginning of the year		Loaned stocks under securities refinancing outstanding at the beginning of the year		Shareholdings in basic accounts and credit accounts at the end of the year		Loaned stocks under securities refinancing outstanding at the end of the year	
	Total number (shares)	As a percentage of the total share capital	Total number (shares)	As a percentage of the total share capital	Total number (shares)	As a percentage of the total share capital	Total number (shares)	As a percentage of the total share capital
ICBC Limited — Huatai Pinebridge CSI 300 Traded Open-ended Index Securities Investment Fund	23,332,454	0.49%	530,800	0.01%	55,563,005	1.16%	0	0.00%
CCB — eFund CSI 300 Traded Open-ended Index Securities Investment Fund By Way of Promotion	8,852,240	0.19%	19,100	0.00%	38,363,740	0.80%	0	0.00%
ICBC — Huaxia CSI 300 Traded Open-ended Index Securities Investment Fund	6,503,282	0.14%	399,500	0.01%	25,507,982	0.53%	0	0.00%
BOC — Harvest CSI 300 Traded Open-ended Index Securities Investment Fund	7,538,847	0.16%	14,400	0.00%	24,166,976	0.51%	0	0.00%

(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

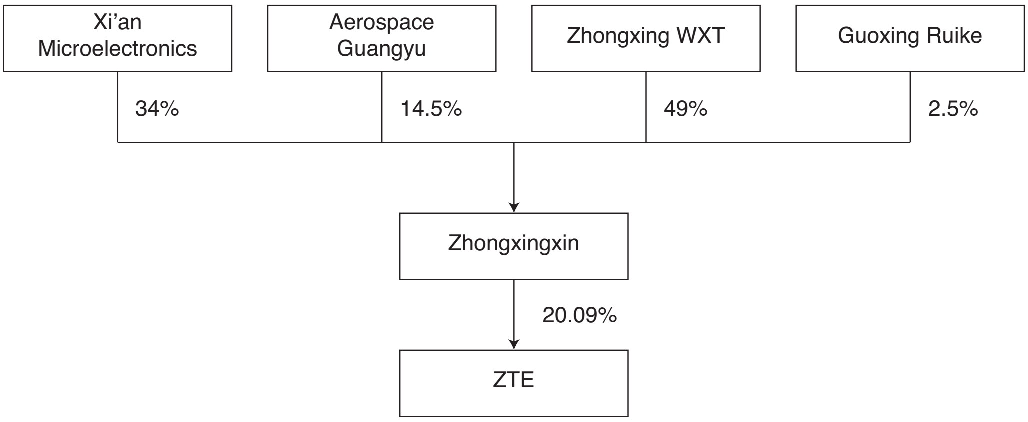
(5) *Controlling shareholder*

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 Zaisheng. 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 documents for such prerequisite administrative approvals.)

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).

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 Capital Management Centre (Limited Partnership) ("Guoxing Ruike") held a 34%, 14.5%, 49% and 2.5% stake in Zhongxingxin, respectively. No shareholder of Zhongxingxin has the right to control the financial and operating decisions of the Company. 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 2024.



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 Guoxing Ruike Capital Management Company Limited as executive partner and a registered capital of RMB500 million. Its scope of operation includes capital management, investment with owned funds and project investment (subject to approval of relevant authorities if so required under the law).

(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 2024, 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)
JPMorgan Chase & Co.	Beneficial owner, investment manager, holder of assured entitlements to shares, approved lending agent	40,433,384 H shares (L) 9,601,588 H shares (S) 16,035,781 H shares (P)	0.85% (L) 0.20% (S) 0.34% (P)	5.35% (L) 1.27% (S) 2.12% (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 2024.

For details of shares or debentures held by the Directors, Supervisors and chief executives of the Company as at 31 December 2024, please refer to the section headed "3.1.7.4 Shareholdings and Annual Remuneration of Directors, Supervisors and Senior Management" in this report. Save as disclosed above, as at 31 December 2024, so far as the Directors, Supervisors 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 2023		Increase/decrease as a result of the change during 2024 (+, -)					31 December 2024	
	Number of shares	Percentage	New issue[Note 1]	Bonus issue	Transfer from capital reserve	Others[Note 2]	Sub-total	Number of shares	Percentage
I. Shares subject to lock-up	**728,243**	**0.02%**	**–**	**–**	**–**	**−69,600**	**−69,600**	**658,643**	**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	728,243	0.02%	–	–	–	−69,600	−69,600	658,643	0.01%
II. Shares not subject to lock-up	**4,782,523,309**	**99.98%**	**+283,335**	**–**	**–**	**+69,600**	**+352,935**	**4,782,876,244**	**99.99%**
1. RMB ordinary shares	4,027,020,775	84.19%	+283,335	–	–	+69,600	+352,935	4,027,373,710	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	**4,783,251,552**	**100.00%**	**+283,335**	**–**	**–**	**–**	**+283,335**	**4,783,534,887**	**100.00%**

Note 1: The Company's total share capital was increased by 283,335 shares following the exercise of a total of 283,335 A share options by the participants under the 2020 Share Option Incentive Scheme of the Company during 2024.

Note 2: 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 2023	Number of A shares unlocked during the Reporting Period	Increase in the number of A shares subject to lock-up during the Reporting Period	Number of A shares subject to lock-up as at 31 December 2024	Reason for lock-up	Date of unlocking
1	Xie Daxiong	278,927	-69,600	–	209,327	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	–	–	38,195		
7	Ding Jianzhong	24,870	–	–	24,870		
	Total	**728,243**	**-69,600**	**–**	**658,643**	**–**	**–**

(3) As at 31 December 2024, neither the controlling shareholder nor other entities subject to undertaking were under restrictions against selling down shares in the Company

(4) Issue and listing of securities

The Company's total share capital increased by 283,335 shares following the exercise of a total of 283,335 A share options by the participants under the 2020 Share Option Incentive Scheme of the Company during the Reporting Period. The Company did not issue any equity securities or sell treasury shares for cash.

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

The Company had no employees' shares or preferential shares.

(5) Public float

As at the date of publication of this report, so far as the Company and the Board of Director was aware of based on publicly available information, 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 Supervisory 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, the Company revised Articles 67 and 151, among others, of its Articles of Association. Such revisions were primarily concerned with the powers of the general meeting and the criteria for selection, independence requirements and performance of duties in connection with independent directors, among others, in accordance with the latest regulatory requirements under the Guidelines for the Articles of Associations of Listed Companies and Rules Governing Independent Directors of Listed Companies issued by the CSRC and with a view to further regulating corporate governance, taking into account its actual conditions. The latest Articles of Association of the Company is available for inspection on www.cninfo.com.cn and the respective websites of Hong Kong Stock Exchange and the Company.

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, the Supervisory Committee 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 Convening of General Meetings

On 28 June 2024, the Company convened the 2023 Annual General Meeting by way of a combination of on-site and online voting. The percentage of shareholders' attendance was 28.71%. Resolutions considered and approved at the meeting included, among others, "2023 Annual Report", "Proposal for Profit Distribution for 2023", "Election of Non-executive Directors" and "Election of Independent Non-executive Directors". For details, please refer to the "Announcement on Resolutions of the 2023 Annual General Meeting" published by the Company on 28 June 2024.

3.1.3.6 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 the 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 2024.

(2) Implementation of profit distribution plan

According to the "Profit Distribution Proposal for 2023" of the Company considered and approved at 2023 Annual General Meeting held on 28 June 2024: a dividend of RMB6.83 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 for profit distribution and dividend payment. According to the total share capital of 4,783,251,552 shares as at the record date, the actual amount of profit distribution was approximately RMB3,267 million (before tax). The Company had completed its dividend payment in July 2024.

(3) Proposal for profit distribution of 2024

The profit distribution proposal for 2024 recommended by the Board of the Company: distribution of RMB6.17 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 2024 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 2024 according to the existing proportion for distribution. The aforesaid matter is subject to consideration and approval at the general meeting. As at 31 December 2024, the profit available for distribution to shareholders amounted to approximately RMB28.87 billion on a cumulative basis.

The exact timing of payment of the Company's 2024 dividend is dependent on when the general meeting will be held and the progress of working relating to dividend distribution, and is expected to be completed no later than 27 May 2025. 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.

Given the amount of profit distribution for 2024 based on the total share capital of the Company of 4,783,534,887 shares as at 28 February 2025, the aggregate profit distribution of the Company in the form of cash in 2024 of RMB2,950 million accounted for 35.0% of the net profit attributable to the holders of ordinary shares of the listed company in 2024 of RMB8,420 million. The aggregate profit distribution of the Company in the form of cash in 2022–2024 of RMB8,110 million accounted for 94.2% of the annual average net profit attributable to the holders of ordinary shares of the listed company in the past three years of RMB8,610 million. The profit distribution proposal for 2024 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.

3.1.3.7 Investor relations

(1) Shareholder communication policy

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. At the same time, to facilitate the Company's communication with investors, the Company reports its operating conditions and financial data as well as responds to investors' and analysts' questions through results presentation. The Company regards the convening of its annual general meeting as one of the most important annual events for the Company. All Directors and key senior management members attend the meeting on a best effort basis and are engaged in dialogue with the shareholders to answer their queries. The Board has examined and reviewed the shareholder communication policy for 2024. Taking into account the variety of existing channels for communication and participation, the Company is of the view that its shareholder communication policy has been duly and effectively implemented.

(2) Reception of investors

Details of reception of investors by the Company in 2024:

Nature	Time	Location	Mode	Audience received	Key contents discussed	Information furnished
Results presentation	March 2024	Shenzhen	Live Internet video broadcast	Investors and securities analysts including CITIC Securities, Tianfeng Securities, Haitong Securities, Citi, Southern Fund, ZO Fund, CSC Financial, China Merchants Securities and Nomura Securities.	Annual results and operating conditions of the Company	Published announcements and periodic reports
External meeting	January to December 2024	Shenzhen, Shanghai and Hong Kong, etc.	On-site meeting	Customers of Guosen Securities, Zhongtai Securities, China Merchant Securities, Merrill Lynch, CITIC Securities, Zheshang Securities, Haitong International, Sinolink Securities, Haitong Securities, CLSA, Citi, Huafu Securities and Guangfa 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:

- Formulating and reviewing the corporate governance policies and practices of the Company;
- Reviewing and monitoring training and continuous professional development of the Directors and senior management;
- Reviewing and monitoring the Company's policies and practices in relation to compliance with legal and regulatory provisions;
- Formulating, reviewing and monitoring the code of conduct and compliance guide for employees and Directors (if any); and
- Reviewing the Company's compliance with the Corporate Governance Code set out in Appendix C1 to the Hong Kong Listing Rules and the disclosures in its Corporate Governance Report.

In 2024, 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 decision. All Directors are entitled to require further information from the Company's management.

3.1.4.2 Board composition and diversity policy

(1) Changes in Directors during the Reporting Period

On 28 June 2024, the Board of Directors of the Company received a resignation report from Mr. Li Buqing, Non-executive Director, who resigned from the office of Non-executive Director and as member of the Audit Committee of the Board of Directors of the Ninth Session of the Board of Directors of the Company owing to change in work. In addition, 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 Ms. Cai Manli and Mr. Gordon Ng as Independent Non-executive Directors of the Company, which commenced on 29 June 2018, was concluded on 28 June 2024.

At the 2023 Annual General Meeting of the Company held on 28 June 2024, Mr. Zhang Hong was elected as Non-executive Director of the Ninth Session of the Board of Directors of the Company and Mr. Wang Qinggang and Mr. Tsui Kei Pang were elected as Independent Non-executive Directors of the Ninth Session of the Board of Directors of the Company for a term commencing on 28 June 2024 and ending on 29 March 2025. For details, please refer to the "Announcement on Resolutions of the 2023 Annual General Meeting" published by the Company on 28 June 2024. Each of the aforesaid three new Directors has obtained the legal advice stipulated under Rule 3.09D of the Hong Kong Listing Rules on 28 June 2024 and confirmed understanding of his obligations as a Director of the Company.

(2) Board composition

The Ninth 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 Directors: Mr. Li Zixue (Chairman), Mr. Xu Ziyang and Mr. Gu Junying.
- Non-executive Director: Ms. Fang Rong, Mr. Zhu Weimin and Mr. Zhang Hong.
- Independent Non-executive Directors: Mr. Zhuang Jiansheng, Mr. Wang Qinggang and Mr. Tsui Kei Pang.

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 relationships among members of the Board of Directors of the Company.

(3) 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 Non-executive Director Mr. Zhang Hong and Independent Non-executive Directors Mr. Wang Qinggang and Mr. Tsui Kei Pang of the Ninth Session of the Board of Directors of the Company, who serve a term commencing on 28 June 2024 and ending on 29 March 2025, all Directors of the Ninth Session of the Board of the Company serve a term commencing on 30 March 2022 and ending on 29 March 2025.

The appointment and removal of Directors is subject to the approval of the general meeting of the Company. Each Director has entered into a Director's Service Contract with the Company.

(4) 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 1 female Director, accounting of 11% of the Board composition. 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 three 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;
- 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 "3.1.7.1 Brief biographies of Directors, Supervisors and senior management" in this chapter.

The current diversified mix of the Board of the Company has enabled a broad vision and high level of professional experience, as well as 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 2024 and, taking into consideration the business requirements of the Company, is of the view that the incumbent Board fulfills the requirement for diversity.

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.

Mr. Li Zixue as Chairman is primarily responsible for providing leadership over the Board and ensure effective operation of the Board in the best interest of the Company. In respect of the Company's operating performance and material matters, the Chairman should ensure communication and deliberation between the Board and the management both 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.

The Ninth Session of the Board of Directors of the Company convened 22 Board meetings in 2024, including 6 meetings by way of video or telephone conference and 16 by way voting via communication, the details of which are as follows:

Session	Date of meeting	Resolution
Eighteenth Meeting of the Ninth Session of the Board	30 January 2024	Consideration and approval of resolutions including the capital increase of a subsidiary
Nineteenth Meeting of the Ninth Session of the Board	8 March 2024	Consideration and approval of resolutions including the 2023 Annual Report
Twentieth Meeting of the Ninth Session of the Board	18 March 2024	Consideration and approval of resolution on the foreign exchange management plan for an overseas branch company
Twenty-first Meeting of the Ninth Session of the Board	25 April 2024	Consideration and approval of resolutions including the 2024 First Quarterly Report
Twenty-second Meeting of the Ninth Session of the Board	27 May 2024	Consideration and approval of resolution on the capital increase of and waiver of pre-emptive right by a subsidiary
Twenty-third Meeting of the Ninth Session of the Board	30 May 2024	Consideration and approval of resolutions including nomination of Non-executive Director and nomination of Independent Non-executive Directors
Twenty-fourth Meeting of the Ninth Session of the Board	24 June 2024	Consideration and approval of resolutions including the establishment of a subsidiary
Twenty-fifth Meeting of the Ninth Session of the Board	28 June 2024	Consideration and approval of resolution on replacement election of member of Specialist Committees of the Ninth Session of the Board
Twenty-sixth Meeting of the Ninth Session of the Board	18 July 2024	Consideration and approval of resolutions including the capital reduction of a subsidiary

Session	Date of meeting	Resolution
Twenty-seventh Meeting of the Ninth Session of the Board	30 July 2024	Consideration and approval of resolutions including change to the scope of business of an overseas branch company
Twenty-eighth Meeting of the Ninth Session of the Board	16 August 2024	Consideration and approval of resolutions including the 2024 Interim Report
Twenty-ninth Meeting of the Ninth Session of the Board	5 September 2024	Consideration and approval of resolution on the acquisition of equity interest in an investee company
Thirtieth Meeting of the Ninth Session of the Board	20 September 2024	Consideration and approval of resolution on cancellation of the second exercise period of the reserved grant of share options under the 2020 Share Option Incentive Scheme
Thirty-first Meeting of the Ninth Session of the Board	18 September 2024	Consideration and approval of resolution on the Company's review of operational strategies and planning for future development
Thirty-second Meeting of the Ninth Session of the Board	29 September 2024	Consideration and approval of resolutions including the establishment of a subsidiary
Thirty-third Meeting of the Ninth Session of the Board	21 October 2024	Consideration and approval of resolutions including the 2024 Third Quarterly Report
Thirty-fourth Meeting of the Ninth Session of the Board	31 October 2024	Consideration and approval of resolutions including the establishment of a subsidiary
Thirty-fifth Meeting of the Ninth Session of the Board	19 November 2024	Consideration and approval of resolution on cancellation of the third exercise period of the first grant of share options under the 2020 Share Option Incentive Scheme
Thirty-sixth Meeting of the Ninth Session of the Board	28 November 2024	Consideration and approval of resolution on the establishment of a subsidiary
Thirty-seventh Meeting of the Ninth Session of the Board	3 December 2024	Consideration and approval of resolution on the adjustment of project investment agreement pertaining by a subsidiary
Thirty-eighth Meeting of the Ninth Session of the Board	16 December 2024	Consideration and approval of resolutions including transfer of equity interests in a subsidiary
Thirty-ninth Meeting of the Ninth Session of the Board	26 December 2024	Consideration and approval of resolutions including connected transactions

Note: The board session under which a meeting falls is determined by the actual timing of delivery for the notice of meeting.

The aforesaid resolutions have been considered and approved by the Board of Directors of the Company. The Directors have not expressed any dissent in respect of material matters considered in 2024. 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 2024 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**	**6**	**4**	**1**	**4**	**1**	**1**
Executive Director							
Li Zixue	22/22	–	–	1/1	4/4	–	1/1
Xu Ziyang	22/22	–	–	–	–	–	1/1
Gu Junying	22/22	–	4/4	–	–	–	1/1
Non-executive Director							
Fang Rong	22/22	–	–	1/1	4/4	–	1/1
Zhu Weimin	22/22	6/6	4/4	–	–	–	1/1
Zhang Hong	15/15	2/2	–	–	–	–	–
Li Buqing (resigned)	6/7	4/4	–	–	–	–	1/1
Independent Non-executive Director							
Zhuang Jiansheng	22/22	6/6	4/4	1/1	4/4	1/1	1/1
Wang Qinggang	15/15	2/2	2/2	–	2/2	1/1	–
Tsui Kei Pang	15/15	2/2	2/2	–	2/2	1/1	–
Cai Manli (resigned)	7/7	4/4	2/2	1/1	2/2	–	1/1
Gordon Ng (resigned)	7/7	3/4	2/2	1/1	2/2	–	1/1

Note: In 2024, Mr. Li Buqing attended Board meetings by proxy for once owing to work reasons. Mr. Gordon Ng attended Audit 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 2024, 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 2024, the Company convened one Independent Directors' Meeting attended solely by Independent Non-executive Directors for the consideration of 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 2024, the Directors of the Company received ongoing professional training by studying relevant materials and attending training sessions or seminars. The Company provided Directors with information on listing regulations in a timely manner. All Directors (Executive Directors Mr. Li Zixue, Mr. Xu Ziyang, Mr. Gu Junying; Non-executive Directors Ms. Fang Rong, Mr. Zhu Weimin, Mr. Zhang Hong; Independent Non-executive Directors Mr. Zhuang Jiansheng, Mr. Wang Qinggang, Mr. Tsui Kei Pang) have received training on the roles and duties of Directors by studying materials, covering topics such as latest regulatory laws and regulations, corporate governance, ongoing Directors' responsibilities, compliance in share trading. Mr. Zhuang Jiansheng and Mr. Wang Qinggang participated in follow-up training sessions while Mr. Tsui Kei Pang participated in induction training sessions for independent directors of listed companies organised by the Shenzhen Stock Exchange.

(2) The Company has established a mechanism to allow the 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, Supervisors and senior management, the Company has purchased liability insurance for Directors, Supervisors 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 2024 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, among others.

The Audit Committee of the Ninth 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 4.2.12 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 6 meetings on 23 January 2024, 1 March 2024, 8 March 2024, 25 April 2024, 16 August 2024 and 21 October 2024, respectively, to discuss and consider audit arrangements, regular financial reports, appointment of auditors, derivatives trading and the internal control audit report of the Company, and held numerous discussions with the auditors. 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 2024 annual audit and internal control development and improvement:

Issue of three review opinions on the 2024 annual financial report of the Company: The Audit Committee issued review opinions on the Company's unaudited, preliminarily audited and audited financial statements of 2024. 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 2024 and its operating results and cash flow for 2024 in material aspects and was in compliance with PRC ASBEs and their practice guide and approved the submission of the audited financial report 2024 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 2024 audit timetable for the year with the auditor ahead of schedule. During the course of audit, members of the Audit Committee held three meetings with principal officers 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 auditors in charge of the assignment to expedite their work. The Audit Committee examined the annual audit report furnished by the auditor. The Audit Committee was of the view that the auditor was capable of performing its tasks in strict accordance with audit regulations with an emphasis on understanding the Company's operating conditions and internal control and maintained independence and a prudent approach.

Assessment on the audit work of the auditors: following a number of communications and discussions with the auditor, the Audit Committee was of the view that the auditor was capable of performing its tasks in strict accordance with audit regulations with an emphasis on understanding the Company and its operating conditions as well as the establishment and implementation of its internal control with a strong awareness for risks. The auditor was able to complete the audit work in a timely manner in accordance with the audit schedule and maintained independence and a prudent approach during the course of audit, completing the financial reporting and internal control audit of the Company for 2024 in a sound manner.

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 2024, 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 "3.1.12 Internal control and risk management" in this report.

(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 Ninth 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, Executive Director Mr. Gu Junying and Non-executive Director Mr. Zhu Weimin.

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

The Remuneration and Evaluation Committee held 4 meetings on 8 March 2024, 25 April 2024, 20 September 2024 and 19 November 2024, respectively, to consider and approve, among others, the performance appraisal and annual performance bonus for senior management personnel, cancellation of share options under the 2020 Share Option Incentive Scheme and amendments to the Working Rules of the Remuneration and Evaluation Committee of the Board of Directors. Members of the Remuneration and Evaluation Committee have not expressed any dissent to the aforesaid businesses under consideration at the meetings.

Details of consideration of the 2020 Share Option Incentive Scheme by the Remuneration and Evaluation Committee in 2024 are as follows:

On 20 September 2024, matters pertaining to cancellation of the second exercise period of the reserved grant of share options under the 2020 Share Option Incentive Scheme were considered and the cancellation by the Company of 2,402,000 share options for the second exercise period under the reserved grant and the tabling of the aforesaid matter at the Board for consideration were approved.

On 19 November 2024, matters pertaining to cancellation of the third exercise period of the initial grant of share options under the 2020 Share Option Incentive Scheme were considered and the cancellation by the Company of 49,170,941 share options for the third exercise period under the initial grant and the tabling of the aforesaid matter at the Board for consideration were approved.

③ Remuneration policy for Directors and senior management

The Company determines the remuneration of Directors and senior management based on their position 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 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 Ninth 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, Executive Director Mr. Li Zixue and Non-executive Director Ms. Fang Rong.

② Meeting and work of the Nomination Committee during the year

The Nomination Committee held 1 meeting on 30 May 2024 to deliberate on the structure and diversity policy of the Board and consider the recommended candidates for Non-executive Director and Independent Non-executive Director, 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 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 and furnish relevant materials.

(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 Ninth 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, Executive Director Mr. Li Zixue and Non-executive Director Ms. Fang Rong.

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

The Export Compliance Committee held 4 meetings on 9 April 2024, 25 June 2024, 19 September 2024 and 19 December 2024 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 an Independent Directors' Meeting 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 submitting 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 majority of all Independent Directors.

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

The Independent Directors of the Company convened the Second Meeting of the Independent Directors of the Ninth Session of the Board of Directors on 19 December 2024 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 Supervisory Committee

The Supervisory Committee is accountable to the general meeting. It monitors the financial affairs of the Company and inspects and supervises legal compliance in the performance of duties by the Company's Directors and senior management to safeguard the legal rights and interests of the Company and shareholders. The Ninth Session of the Company's Supervisory Committee comprises five Supervisors, including two Shareholder Representative Supervisors Ms. Jiang Mihua and Mr. Hao Bo and three Staff Representative Supervisors Mr. Xie Daxiong (Chairman of the Supervisory Committee), Ms. Xia Xiaoyue and Ms. Li Miaona.

In 2024, the Supervisory Committee of the Company held 7 meetings to conduct diligent supervision and inspection of matters such as the Company's regulated operations, financial conditions, share option incentive scheme, connection transactions, information disclosure and the performance of duties by Directors and senior management and has not indicated any disapproval in the course of its supervision over such matters.

3.1.7 Directors, Supervisors and senior management

3.1.7.1 Brief biographies of Directors, Supervisors and senior management

(1) Brief biographies of Directors

Mr. Li Zixue, born in 1964, is Chairman and Executive Director of the Company. Mr. Li graduated from Xi'an Jiaotong University in 1987 with a bachelor's degree in engineering majoring in electronic components and materials, and currently holds the professional title of researcher. Mr. Li joined Xi'an Microelectronics Technology Research Institute in 1987, working on research and development and management in relation to microelectronic technology. From 1987 to 2010, Mr. Li served successively as technician, deputy head, deputy chief and chief of hybrid integrated circuit department. From 2010 to 2014, Mr. Li acted successively as deputy head, deputy secretary of party committee, general secretary of discipline inspection committee and chairman of the supervisory committee of Xi'an Microelectronics Technology Research Institute. From 2014 to 2015, he was general secretary of party committee and general secretary of discipline inspection committee, chairman of the supervisory committee and deputy head of Xi'an Microelectronics Technology Research Institute. Mr. Li acted as general secretary of party committee and deputy head of Xi'an Microelectronics Technology Research Institute from 2015 to January 2019. Mr. Li has been Chairman and Executive Director of the Company since June 2018. Mr. Li has extensive experience in the operation and management of the electronics 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 with a bachelor's degree in engineering majoring in physical electronics technology in 1994. 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. Gu Junying, born in 1967, is Executive Director and Executive Vice President of the Company. Mr. Gu graduated from the Department of Aerospace Engineering of Shenyang Institute of Aeronautical Industry in 1989 with a bachelor's degree in engineering majoring in aircraft manufacturing and from Beijing Institute of Technology in 2002 with a master's degree in industrial engineering majoring in management engineering, and currently holds the professional title of researcher. From 1989 to 2003, Mr. Gu served successively as process technician, workshop director, division chief, deputy plant manager, and deputy plant manager and deputy party secretary at Factory 211. From 2003 to 2009, he served successively as head of human resources department/head of party committee work department, head of managerial department and assistant to general manager of China Aerospace Times Electronics Limited. From 2009 to January 2019, Mr. Gu served as assistant to the dean of China Aerospace Electronics Technology Research Institute, and concurrently acted as director and general manager of China Times Prospect Technology Co., Ltd. From 2017 to January 2019, he acted as vice president of China Aerospace Times Electronics Co., Ltd. (a company listed on the Shanghai Stock Exchange). Mr. Gu has been Executive Director of the Company since June 2018 and Executive Vice President of the Company since July 2018. Mr. Gu has extensive experience in management and operations.

Ms. Fang Rong, born in 1964, is 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. She was executive vice president of Zhongxing Development Company Limited from 2009 to April 2024 and has been director of the company since 2009. 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. Ms. Fang has many years of operational and management experience in the telecommunication industry.

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; 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, Shenzhen Xinyu Tengyue Electronics Co., Ltd. and Hainan Xinghang Technology Company Limited. 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 Xingtu Xinke Electronics Co., Ltd. (a company listed on the Shanghai Stock Exchange), Wuhan SZY Biotech Joint Stock Co., Ltd. (a non-listed company) and Anhui Hongyu Wuzhou Medical Manufacturing Co., Ltd. (a company listed on the Shenzhen Stock Exchange) since March 2019, January 2021 and February 2023, respectively. He has previously served as 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) and Wuhan Mindsemi Company Limited (a non-listed company). 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.

(2) Brief biographies of Supervisors

Mr. Xie Daxiong, born in 1963, is Chairman of the Supervisory Committee of the Company. Mr. Xie is a professor-grade senior engineer. He graduated from the Nanjing University of Science and Technology in 1986 with a master's degree in engineering, specialising in applied mechanics. Mr. Xie joined Zhongxingxin, controlling shareholder of the Company, in 1994 and was head of the Nanjing Research Institute. From 1998 to 2004, Mr. Xie had been CDMA Product Manager and General Manager of CDMA Division of the Company. From 2004 to 2012, he was Executive Vice President of the Company. He has been Chairman of the Supervisory Committee of the Company since March 2013. Mr. Xie is a national-level candidate of the talent programme entitled to special government grants awarded by the State Council. He was also a recipient of the first Shenzhen Mayor Prize. Mr. Xie is currently the director of the National Key Laboratory for Mobile Networks and Mobile Multi-media Technologies and a standing member of the Communications Science and Technology Committee under the Ministry of Industry and Information Technology. Mr. Xie has many years of operational and management experience in the telecommunications industry.

Ms. Xia Xiaoyue, born in 1975, is a Supervisor of the Company. Ms. Xia graduated from the Department of Finance of Nankai University in July 1998 with a bachelor's degree in economics. She joined the Company in the same year and has since served as Head of the Supplies Department and Head of the Planning Department. She is currently Deputy Head of the Human Resources Department of the Company. Ms. Xia has been Supervisor of the Company since March 2016. She has extensive experience in management and operations.

Ms. Li Miaona, born in 1974, is a Supervisor 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 the chairman of Shenzhen Zhongxing Yihe Investment and Development Company Limited. She has been Supervisor of the Company since March 2022. Ms. Li has extensive management and operational experience.

Ms. Jiang Mihua, born in 1976, is a Supervisor of the Company. Ms. Jiang graduated from Shenzhen University in July 1999 with a bachelor's degree in Economics majoring in international accounting and holds the title of senior accountant. Ms. Jiang worked as accountant and deputy manager of the finance department at Shenzhen Qiaoshe Industrial Corporation from July 1999 to October 2007, finance manager at Shenzhen Port CTS Company Limited from October 2007 to August 2011, assistant financial controller at Shenzhen Pengai Hospital Investment Management Company Limited from August 2011 to May 2013, chief financial officer at Shenzhen Caimeng Technology Company Limited from May 2013 to June 2020, general manager at Shenzhen Chengyian Machinery and Equipment Company Limited from September 2020 to March 2021, chief accountant of Shenzhen Aerospace Guangyu Industrial Company Limited from April 2021 to January 2022. Since January 2022, she has been deputy head (operations) of the finance department of Shenzhen Aerospace Industrial Technology Research Institute Limited. From February 2022 to July 2024 she was supervisor of Zhongxingxin. Since March 2022, she has been director of Shenzhen Aerospace Guangyu Industrial Company Limited. She has been Supervisor of the Company since March 2022. Ms. Jiang has extensive financial and management experience.

Mr. Hao Bo, born in 1989, is a Supervisor of the Company. Mr. Hao graduated from Wuhan University with a bachelor's degree in Economics in 2010 and obtained a doctorate degree in Management in 2015. From July 2015 to March 2019, Mr. Hao worked in various capacities including investment director at the Investment Management Department of the Company, during which he also served as director/supervisor of certain subsidiaries of the Company. From March 2019 to February 2023, he was head of the strategic planning department of Zhongxingxin, the controlling shareholder of the Company. Since December 2020, he has been appointed a tutor to post-graduate students at Zhongnan University of Economics and Law and Wuhan University. He has been deputy general manager of Zhongxingxin since February 2023. Mr. Hao is currently chairman of the supervisory committee of Pylon Technologies Co., Ltd. (a subsidiary of Zhongxingxin listed on the Shanghai Stock Exchange) and director/supervisor of certain other subsidiaries of Zhongxingxin. He has been Supervisor of the Company since March 2022. Mr. Hao brings with him a wealth of experience in financial operations and investment management.

(3) 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.

Mr. Gu Junying, Executive Vice President of the Company. Please refer to the section headed "Brief biographies of Directors" for his biography.

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, and further obtained a master's degree in management majoring in management science and engineering from Xi'an Jiaotong University in 2002. 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 has been Chief of the Securities Department under the Finance Department of the Company since April 2019, Secretary to the Board of the Company since July 2019 and Company Secretary since November 2019. Mr. Ding has many years of experience in finance and operation and management in the telecommunication industry.

3.1.7.2 Offices held by Directors, Supervisors and senior management

(1) Position held at shareholder unit

Name	Name of shareholder	Position with the shareholder	Commencement of term of office	Conclusion of term of office	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
Hao Bo	Zhongxingxin	Deputy general manager	May 2024	May 2027	Yes

Note: The term of appointment for the aforesaid personnel commences and ends concurrently with the eleventh session of the board of directors, supervisory committee and senior management of Zhongxingxin. Ms. Jiang Mihua has ceased to be supervisor of Zhongxingxin as from July 2024.

(2) Positions held at other entities

Name	Name of other entities	Position in other entities	Whether remuneration or subsidy is received from other entities
Gu Junying	JINZHUAN information Technology Co., Ltd.	Chairman, general manager	No
	Nanjing Zhongxing Jinyi Digital Technology Co., Ltd.	Chairman	No
	Beijing ZTE Digital Nebula Technology Co., Ltd.	Chairman	No
Fang Rong	Zhongxing Development Company Limited	Director	Yes
	Xiazhi Technology Company Limited	Chairman	No
	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
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 Equipment Company Limited	Director	No
	Shenzhen Xinyu Tengyue Electronics Co., Ltd.	Director	No
	Hainan Xinghang Technology 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 Huiye Law Firm	Partner	Yes

Name	Name of other entities	Position in other entities	Whether remuneration or subsidy is received from other entities
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 Xingtu Xinke Electronics 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
Xie Daxiong	Guangzhou Huijian Detection Technology Co., Ltd.	Chairman	No
Li Miaona	Shenzhen Zhongxing Yihe Investment Development Company Limited	Chairman	No
Jiang Mihua	Shenzhen Aerospace Industrial Technology Research Institute Limited	Deputy head of finance department	Yes
	Shenzhen Aerospace Guangyu Industrial Company Limited	Director	No
	GD Ouke Air-conditioning & Refrigeration Company Limited	Chairman of supervisory committee	No
	航天歐華信息技術有限公司	Supervisor	No
Hao Bo	Held positions in 7 subsidiaries of Zhongxingxin including Pylon Technologies Co., Ltd.	Chairman of supervisory committee/ director/ supervisor	No
	Hainan Xinglian Private Equity Investment Fund Management Company Limited	Executive director and general manager	No
Wang Xiyu	Sanechips Technology Co., Ltd.	Chairman	No
	Beijing LeapRise Technology Co., Ltd.	Chairman	No
	Zhongxing Photonics Technology Co., Ltd.	Chairman	No
	JINZHUAN Information Technology Co., Ltd.	Vice-chairman	No
	Beijing LeapLines Technology Co., Ltd.	Chairman	No
	Guangdong Zhongxing Newstart Technology Co., Ltd.	Chairman	No
	Shanghai Puzhan Technology Co., Ltd.	Chairman	No
	Beijing XingYun Digital Technology Co., Ltd.	Chairman	No
Li Ying	ZTE Group Finance Company Limited	Chairman	No
	ZTE (H.K.) Limited	Chairman	No
	Shenzhen Caixing Management Consulting Co., Ltd. (formerly known as "SHENZHEN ZTE FINANCIAL HOLDINGS COMMERCIAL FACTORING LIMITED COMPANY")	Chairman	No
	Sanechips Technology Co., Ltd.	Director	No

Note 1: Changes in positions held by the Directors:

Mr. Gu Junying has been appointed as chairman of Beijing ZTE Digital Nebula Technology Company Limited as from June 2024.

Ms. Fang Rong has ceased to be executive vice president of Zhongxing Development Company Limited as from April 2024 and director of ZTE Hotel Shenzhen Investment & Management Company Limited as from September 2024.

Mr. Zhang Hong has been appointed as director of Shenzhen Zhongxing Information Company Limited as from May 2024 and director of Shenzhen Aerospace Industrial Technology Finance Co., Ltd. as from December 2024.

Note 2: Changes in positions held by Supervisor:

Mr. Xie Daxiong has ceased to be chairman of Guangdong Zhongxing Newstart Technology Co.,Ltd. as from August 2024. Guangzhou Huijian Detection Technology Co.,Ltd. completed the deregistration of its business registration in November 2024.

Note 3: Changes in positions held by senior management:

Mr. Wang Xiyu has been appointed as chairman of Guangdong Zhongxing Newstart Technology Co.,Ltd. and Beijing Leaplines Technology Co., Ltd. as from August 2024 and September 2024, respectively, and chairman of Shanghai Puzhan Technology Company Limited and Beijing Xingyun Digital Technology Company Limited as from November 2024.

3.1.7.3 Bases for determination and actual payment of remuneration for Directors, Supervisors 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.

Allowances for Supervisors are based on recommendations of the Supervisory Committee made with reference to the duties of Supervisors and markets levels represented by other listed companies in the same industry and determined upon consideration and approval by the general meeting.

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

3.1.7.4 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 2024 (RMB10,000)	Whether remuneration or subsidy is received from connected parties[Note 3]
											Total share capital	A shares		
Directors														
Li Zixue	Male	60	Chairman	Incumbent	3/2022	3/2025	–	–	–	–	–	–	790.0	No
Xu Ziyang	Male	52	Director and President	Incumbent	3/2022	3/2025	168,000	–	–	168,000	0.0035%	0.0042%	980.0	No
Gu Junying	Male	57	Director and Executive Vice President	Incumbent	3/2022	3/2025	–	–	–	–	–	–	842.5	No
Fang Rong	Female	60	Director	Incumbent	3/2022	3/2025	–	–	–	–	–	–	20.0	Yes
Zhu Weimin	Male	58	Director	Incumbent	3/2022	3/2025	–	–	–	–	–	–	20.0	Yes
Zhang Hong[Note 1]	Male	45	Director	Incumbent	6/2024	3/2025	–	–	–	–	–	–	10.0	Yes
Zhuang Jiansheng	Male	59	Independent Non-executive Director	Incumbent	3/2022	3/2025	–	–	–	–	–	–	40.0	Yes
Wang Qinggang[Note 1]	Male	54	Independent Non-executive Director	Incumbent	6/2024	3/2025	–	–	–	–	–	–	20.0	No
Tsui Kei Pang[Note 1]	Male	64	Independent Non-executive Director	Incumbent	6/2024	3/2025	–	–	–	–	–	–	20.0	Yes
Li Buqing[Note 1]	Male	52	Director	Resigned	3/2022	6/2024	–	–	–	–	–	–	10.0	Yes
Cai Manli[Note 1]	Female	51	Independent Non-executive Director	Resigned	3/2022	6/2024	–	–	–	–	–	–	20.0	Yes
Gordon Ng[Note 1]	Male	60	Independent Non-executive Director	Resigned	3/2022	6/2024	–	–	–	–	–	–	20.0	Yes
Supervisors														
Xie Daxiong[Note 2]	Male	61	Chairman of the Supervisory Committee	Incumbent	3/2022	3/2025	279,103	–	69,700	209,403	0.0044%	0.0052%	608.3	No
Xia Xiaoyue	Female	49	Supervisor	Incumbent	3/2022	3/2025	50,927	–	–	50,927	0.0011%	0.0013%	232.7	No
Li Miaona	Female	50	Supervisor	Incumbent	3/2022	3/2025	–	–	–	–	–	–	195.4	No
Jiang Mihua	Female	47	Supervisor	Incumbent	3/2022	3/2025	–	–	–	–	–	–	–	Yes
Hao Bo	Male	35	Supervisor	Incumbent	3/2022	3/2025	–	–	–	–	–	–	–	Yes
Senior management														
Wang Xiyu	Male	50	Executive Vice President	Incumbent	3/2022	3/2025	139,034	–	–	139,034	0.0029%	0.0035%	970.0	No
Li Ying	Female	46	Executive Vice President and Chief Financial Officer	Incumbent	3/2022	3/2025	95,500	–	–	95,500	0.0020%	0.0024%	852.1	No
Xie Junshi	Male	49	Executive Vice President	Incumbent	3/2022	3/2025	112,468	–	–	112,468	0.0024%	0.0028%	855.4	No
Ding Jianzhong	Male	48	Secretary to the Board of Directors	Incumbent	3/2022	3/2025	33,160	–	–	33,160	0.0007%	0.0008%	344.5	No
Total	–	–	–	–	–	–	878,192	–	69,700	808,492	0.0169%	0.0201%	6,850.9	–

Note 1: 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 of the Ninth Session of the Board of Directors was concluded on 28 June 2024. At the 2023 Annual General Meeting of the Company convened on 28 June 2024, Mr. Zhang Hong was elected as Non-executive Director and Mr. Wang Qinggang and Mr. Tsui Kei Pang were elected as Independent Non-executive Directors of the Ninth Session of the Board of Directors of the Company for a term commencing on 28 June 2024 and ending on 29 March 2025.

Other than the aforesaid 3 new Directors, the term of appointment of the remaining incumbent Directors, Supervisors and senior management commences and ends concurrently with the term of appointment of the Company's Directors and Supervisors with the Ninth Session of the Board of Directors and Ninth Session of the Supervisory Committee of the Company, and the term of appointment of the Company's senior management under the Ninth Session of the Board of Directors.

Note 2: During the Reporting Period, Mr. Xie Daxiong disposed of 69,700 A shares in the Company.

Note 3: Connected parties as defined under the Shenzhen Listing Rules.

Note 4: 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 5: There was no financial, business, family or other material/connected relationships among the Directors, Supervisors and senior management of the Company.

For details of the A share options of the Company held and exercised by the Directors and senior management of the Company, please refer to the section headed "3.1.9 Share Schemes" in this report.

Save as disclosed above, as at 31 December 2024, 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 2024 and as at 31 December 2024, 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 and acquire benefits, 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 2024.

3.1.7.5 Company Secretary

The Company Secretary of the Company is Mr. Ding Jianzhong, who is responsible for facilitating communications among Directors, between Directors and shareholders and among the management and compliance with Board policies and procedures. In 2024, the Company Secretary received more than 15 hours of training to update his professional skills and expertise.

3.1.8 Staff of the Group

3.1.8.1 Staff headcount and diversity

As at 31 December 2024, the Group had 68,375 employees (including 59,202[Note] as employees of the parent company), with an average age of 35.6. There were 16,361 female employees accounting for approximately 23.9% of the total staff headcount and 52,014 male employees accounting for approximately 76.1% of the total staff headcount. The Group had 246 retired employees in 2024, including 168 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	33,184	48.5%
Marketing and sales	7,852	11.5%
Customer service	7,868	11.5%
Manufacturing	13,904	20.3%
Financial	1,278	1.9%
Administration	4,289	6.3%
Total	**68,375**	**100%**

Classification by academic qualification

Type	Headcount	As an approximate percentage of total headcount
Doctorate degree	509	0.8%
Master's degree	27,789	40.6%
Bachelor's degree	24,230	35.4%
Others	15,847	23.2%
Total	**68,375**	**100%**

Note: Employment headcount of the parent company decreased as compared to the previous year after reallocation of manpower between the parent company and subsidiaries in line with adjustments in operational strategies.

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 2024, the Group's female staff accounted for approximately 23.9% of its total staff headcount. Given the characteristics of the industry in which the Group operates, staff gender diversity has been attained. The Group is not aware of any factors and conditions that would render gender diversity for all employees (including senior management) more challenging or irrelevant.

3.1.8.2 Remuneration policy and regime and retirement benefits

For 2024, the aggregate amount of the Group's staff remuneration was approximately RMB30.2 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 in a timely manner to enhance motivation of the management and core personnel. Information on the five highest paid employees of the Company for 2024 is set out in Note XV.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.29. "Salary and welfare payables and provision for retirement benefits" to the financial statements in this report.

3.1.8.3 Training schemes

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.

3.1.9 Share Schemes

The A share scheme implemented by the Company is the 2020 Share Option Incentive Scheme. The Company has not implemented any H share scheme. The subsidiaries of the Company do not operate any share schemes falling to be disclosed under Chapter 17 of the Hong Kong Listing Rules.

3.1.9.1 Summary of the 2020 Share Option Incentive Scheme

(1) Objective

The 2020 Share Option Incentive Scheme was aimed at improving the incentive systems of the Company, in order to enhance the sense of responsibility and mission of the management and key business employees of the Company for the sound and sustainable development of the Company and safeguard the realisation of development targets of the Company.

(2) Participants and maximum limit of share options to be granted

Under the 2020 Share Option Incentive Scheme, 158,472,000 share options under the initial grant was granted to 6,123 participants (including Directors, senior management and key employees of the Company but excluding Independent Non-executive Directors, Supervisors and substantial shareholders interested in 5% or above of the Company's shares or the de facto controller, or their respective spouses, parents and children), accounting for approximately 3.31% of the Company's total share capital in issue and approximately 3.93% of the Company's total A share capital in issue as at the date of the publication of this report.

Under the 2020 Share Option Incentive Scheme, 5,000,000 share options under the reserved grant was granted to 410 participants who were key business employees of the Company (excluding Directors, senior management, Independent Non-executive Directors, Supervisors and substantial shareholders interested in 5% or above of the Company's shares or the de facto controller, or their respective spouses, parents and children), accounting for approximately 0.10% of the Company's total share capital in issue and approximately 0.12% of the Company's total A share capital in issue as at the date of the publication of this report.

The source of shares under the 2020 Share Option Incentive Scheme comprised A shares of the Company issued to the scheme participants by the Company by way of placing. Participants were not required to pay any consideration to the Company on application or acceptance of the share options. Under the 2020 Share Option Incentive Scheme, to the extent that the offer to grant an option is not accepted within 7 days from the date upon which it is made, it shall be deemed to have been irrevocably declined and lapsed automatically.

The number of A shares granted to any scheme participant upon exercise of his or her share options under the 2020 Share Option Incentive Scheme and other effective share schemes of the Company at any time must not exceed 1% of the Company's total share capital and total A share capital in issue, and the maximum entitlement (including exercised, cancelled and unexercised share options) and awards which may be granted to a scheme participant within any 12-month period shall not exceed 0.1% of the Company's total share capital and total A share capital in issue.

(3) Exercise price, basis of determination, adjustment to exercise price and value of share options

Exercise price and basis of determination

A. Share options under the initial grant

The initial exercise price of share options under the initial grant of the 2020 Share Option Incentive Scheme is the higher of the following:

a. the average trading price of the A Shares of the Company on the last trading day immediately preceding the announcement of the draft and summary of the 2020 Share Option Incentive Scheme (i.e. 12 October 2020); or

b. the average trading price of the A Shares quoted for the 20 trading days immediately preceding the announcement of the draft and summary of the 2020 Share Option Incentive Scheme.

Based on the aforesaid principle, the initial exercise price of the share options under the initial grant of the 2020 Share Option Incentive Scheme is RMB34.47 per A share.

B. Share options under the reserved grant

The initial exercise price of share options under the reserved grant of the 2020 Share Option Incentive Scheme is the higher of the following:

a. the average trading price of the A Shares of the Company on the last trading day immediately preceding the announcement of the Board resolution approving the grant of reserved grant (i.e. 23 September 2021); or

b. the average trading price of the A Shares quoted for the 20 trading days immediately preceding the announcement of the Board resolution approving the grant of reserved grant.

Based on the aforesaid principle, the initial exercise price of the share options under the reserved grant of the 2020 Share Option Incentive Scheme is RMB34.92 per A share.

Adjustment of exercise price

During the validity period of the 2020 Share Option Incentive Scheme, in the event of any dividend distribution, capitalisation through conversion of capital reserves, bonus issue, sub-division, rights issue or consolidation of shares, etc. in relation to the Company's A shares by the Company prior to any exercise of share options, the exercise price shall be adjusted accordingly.

Valuation of share options

A. Share options under the initial grant

The Company has adopted the Binomial Tree model to calculate the value of share options under the initial grant of the 2020 Share Option Incentive Scheme. The date of grant (i.e. 6 November 2020) has been adopted as the measurement date and the estimated value of the 2020 share options is RMB9.12 per A share, representing 25.47% of the market price of the A shares on the date of grant. Data used in and results of the calculation are as follows:

Factors	Amount of factors and description
Initial exercise price	RMB34.47 per A share
Market price	RMB35.80 per A share, being the closing price of the A shares on the date of grant.
Expected life	The scheme participants shall exercise all his/her options exercisable in the first, second and third exercise period within the 2nd, 3rd and 4th year from the date of grant, respectively.
Expected price volatility rate	The historical price volatility rate of ZTE A share used for the first, second and third exercise period being 34.40%, 33.57% and 30.33%, respectively.
Expected dividend	RMB0.20 per share
Risk-free interest rate	The risk-free interest rate for the first, second and third exercise period shall be 2.78%, 2.85% and 2.91%, respectively.
Value of share options per A share	RMB9.12

Note 1: The expected dividend was calculated based on the historical dividends of the Company.

Note 2: The corresponding national bond yield rates were adopted as the risk-free interest rates.

Note 3: The calculation results of the value of the share options are subject to a number of assumptions of the parameters used herein and the limitation of the model adopted, therefore the estimated value of the share options may be subjective and is subject to uncertainties.

B. Share options under the reserved grant

The Company has adopted the Binomial Tree model to calculate the value of the reserved share options under the 2020 Share Option Incentive Scheme. The date of grant (i.e. 23 September 2021) has been adopted as the measurement date and the estimated value of the reserved share options under the 2020 Share Option Incentive Scheme is RMB7.22 per A share, representing 20.61% of the market price of the A shares on the date of grant. Data used in and results of the calculation are as follows:

Factors	Amount of factors and description
Initial exercise price	RMB34.92 per A share
Market price	RMB35.03 per A share, being the closing price of the A shares on the date of grant.
Expected life	The scheme participants shall exercise all his/her options exercisable in the first and second exercise periods within the 2nd and 3rd year from the date of grant, respectively.
Expected price volatility rate	The historical price volatility rate of ZTE A share used for the first and second exercise periods being 29.53%, and 31.46%, respectively.
Expected dividend	RMB0.20 per share
Risk-free interest rate	The risk-free interest rate for the first and second exercise periods shall be 2.39% and 2.50%, respectively.
Value of share options per A share	RMB7.22

Note 1: The expected dividend was calculated based on the historical dividends of the Company.

Note 2: The corresponding national bond yield rates were adopted as the risk-free interest rates.

Note 3: The calculation results of the value of the share options are subject to a number of assumptions of the parameters used herein and the limitation of the model adopted, therefore the estimated value of the share options may be subjective and is subject to uncertainties.

(4) Day of grant, validity period, vesting period, exercise period and exercise percentage, outstanding valid period

A. Share options under the initial grant

The initial grant of 2020 Share Option Incentive Scheme shall remain in force for 4 years from the date of grant of the initial grant (i.e. 6 November 2020). The valid period shall be from 6 November 2020 to 5 November 2024. The closing price of the Company's A shares on the trading date which is 1 day prior to the date of grant was RMB34.80 per share. There shall be a waiting period of 1 year from the date of grant, after which share options may be exercised in 3 exercise periods subject to fulfilment of the exercise conditions. The periods from the date of grant up to the exercise dates of the share options are the vesting periods of the initial grant, which have durations of 12 months, 24 months and 36 months, respectively, from the date of grant.

The share options may be exercised according to the following ratios if the exercise conditions have been fulfilled:

Exercise period	Duration	Exercisable share options as a percentage of the total number of share options granted
First exercise period	Commencing from the first trading day after expiry of the 12-month period from the date of initial grant and ending on the last trading day of the 24-month period from the date of initial grant	1/3
Second exercise period	Commencing from the first trading day after expiry of the 24-month period from the date of initial grant and ending on the last trading day of the 36-month period from the date of initial grant	1/3
Third exercise period	Commencing from the first trading day after expiry of the 36-month period from the date of initial grant and ending on the last trading day of the 48-month period from the date of initial grant	1/3

The exercise conditions for the first exercise period under the initial grant of the 2020 Share Option Incentive Scheme were fulfilled and the vesting of 51,442,763 share options was completed on 17 November 2021. The weighted average closing price of A shares on the trading date immediately before the vesting date was RMB31.70 per share. The exercise conditions for the second exercise period under the initial grant were fulfilled and the vesting of 50,190,495 share options was completed on 29 November 2022. The weighted average closing price of A shares on the trading date immediately before the vesting date was RMB23.94 per share. The exercise conditions for the third exercise period under the initial grant were fulfilled and the vesting of 49,454,276 share options was completed on 15 November 2023. The weighted average closing price of A shares on the trading date immediately before the vesting date was RMB27.78 per share.

The implementation of share options under the initial grant of the 2020 Share Option Incentive Scheme was completed and concluded in November 2024, hence there is no outstanding validity period.

B. Share options under the reserved grant

The reserved grant of the 2020 Share Option Incentive Scheme of the Company shall remain in force for 3 years from the date of grant of the initial grant (i.e. 23 September 2021). The valid period shall be from 23 September 2021 to 20 September 2024. The closing price of the Company's A shares on the trading date which is 1 day prior to the date of grant was RMB33.80 per share. There shall be a waiting period of 1 year from the date of grant, after which share options may be exercised in 2 exercise periods subject to fulfilment of the exercise conditions. The periods from the date of grant up to the exercise dates of the share options are the vesting periods for the reserved grant which have durations of 12 months and 24 months, respectively, from the date of grant.

The share options may be exercised according to the following ratios if the exercise conditions have been fulfilled:

Exercise period	Duration	Exercisable share options as a percentage of the total number of share options granted
First exercise period	Commencing from the first trading day after expiry of the 12-month period from the date of reserved grant and ending on the last trading day of the 24-month period from the date of reserved grant	1/2
Second exercise period	Commencing from the first trading day after expiry of the 24-month period from the date of reserved grant and ending on the last trading day of the 36-month period from the date of reserved grant	1/2

The exercise conditions for the first exercise period under the reserved grant of the 2020 Share Option Incentive Scheme were fulfilled and the vesting of 2,454,500 share options was completed on 13 October 2022. The weighted average closing price of A shares on the trading date immediately before the vesting date was RMB21.27 per share. The exercise conditions for the second exercise period under the reserved grant of the 2020 Share Option Incentive Scheme were fulfilled and the vesting of 2,402,000 share options was completed on 13 October 2023. The weighted average closing price of A shares on the trading date immediately before the vesting date was RMB33.73 per share.

The implementation of share options under the reserved grant of the 2020 Share Option Incentive Scheme was completed and concluded in September 2024, hence there is no outstanding validity period.

(5) Volume of share options and adjustments

The volume of the initial grant under the 2020 Share Option Incentive Scheme was 158,472,000 share options.

Prior to the commencement of the first exercise period, in August and November 2021, the Company cancelled 3,796,661 share options previously granted to participants who were no longer qualified as such or share options for which exercise conditions under the first exercise period had not been fulfilled. The first exercise period comprised the exercise dates within the period from 17 November 2021 to 5 November 2022, during which 67,411 share options were exercised out of a total of 51,442,763 share options exercisable by 5,956 participants (as adjusted). The 51,375,352 unexercised options as at the end of the exercisable period under the first exercise period were cancelled in November 2022.

Prior to the commencement of the second exercise period, in November 2022, the Company cancelled 2,725,063 share options previously granted to participants who were no longer qualified as such or share options for which exercise conditions under the second exercise period had not been fulfilled. The second exercise period comprised the exercise dates within the period from 29 November 2022 to 3 November 2023, during which 45,007,844 share options were exercised out of a total of 50,190,495 share options exercisable by 5,816 participants (as adjusted). The 5,182,651 unexercised options as at the end of the exercisable period under the second exercise period were cancelled in November 2023.

Prior to the commencement of the third exercise period, in November 2023, the Company cancelled 862,742 share options previously granted to participants who were no longer qualified as such or share options for which exercise conditions under the third exercise period had not been fulfilled. The third exercise period comprised the exercise dates within the period from 15 November 2023 to 5 November 2024, during which 283,335 shares options were exercised out of a total of 49,454,276 share options exercisable by 5,729 participants (as adjusted). The 49,170,941 unexercised options as at the end of the exercisable period under the third exercise period were cancelled in November 2024.

The volume of the reserved grant under the 2020 Share Option Incentive Scheme was 5,000,000 share options.

Prior to the commencement of the first exercise period, in September 2022, the Company cancelled 91,000 share options previously granted to participants who were no longer qualified as such. The first exercise period comprised the exercise dates within the period from 13 October 2022 to 22 September 2023, during which 2,131,200 share options were exercised out of a total of 2,454,500 share options exercisable by 402 participants (as adjusted). The 323,300 unexercised options as at the end of the exercisable period under the first exercise period were cancelled in September 2023.

Prior to the commencement of the second exercise period, in September 2023, the Company cancelled 52,500 share options previously granted to participants who were no longer qualified as such. The second exercise period comprised the exercise dates within the period from 13 October 2023 to 20 September 2024, during which 2,402,000 share options are exercisable by 397 participants (as adjusted). The 2,402,000 unexercised options as at the end of the exercisable period under the second exercise period were cancelled in September 2024.

The exercise price of the aforesaid cancelled options was RMB0.

3.1.9.2 *Share options held and exercised by participants during the Reporting Period*

The 2020 Share Option Incentive Scheme of the Company shall operate on a voluntary basis. During the Reporting Period, 283,335 share options were exercised for the third exercise period under the initial grant of the 2020 Share Option Incentive Scheme at an exercise price of RMB34.47 per share, and the volume of the Company's A shares increased by 283,335 accordingly. The number of share options exercised for the second exercise period under the reserved grant was 0. Funds required for the exercise of options were paid on the date on which the participants exercise the share options and were financed by the participants on their own. The Company did not provide any loans or any other forms of financial assistance to the participants for exercising the options. The proceeds received were placed in a designated account of the Company for use as supplementary working capital. The closing price of the Company's A shares as at 31 December 2024 was RMB40.40 per share. Details of the holding and exercise of share options by participants during the Reporting Period are set out in the table below:

Name of participant	Position of participant	Number of unexercised options at the beginning of the Reporting Period	Number of options granted during the Reporting Period	Number of options exercisable during the Reporting Period	Number of options exercised during the Reporting Period	Number of options cancelled during the Reporting Period	Number of options lapsed during the Reporting Period	Number of unexercised options at the end of the Reporting Period	Number of unexercised options at the end of the Reporting Period		Weighted average closing price (RMB/share) Note 1
									As a percentage of total share capital	As a percentage of total A share capital	
1. Share options under the initial grant											
Li Zixue	Chairman	60,000	0	60,000	0	60,000	0	0	0%	0%	N/A
Xu Ziyang	Director and President	60,000	0	60,000	0	60,000	0	0	0%	0%	N/A
Gu Junying	Director and Executive Vice President	60,000	0	60,000	0	60,000	0	0	0%	0%	N/A
Fang Rong	Director	16,668	0	16,668	0	16,668	0	0	0%	0%	N/A
Zhu Weimin	Director	16,668	0	16,668	0	16,668	0	0	0%	0%	N/A
Li Buqing	Director (resigned)	16,668	0	16,668	0	16,668	0	0	0%	0%	N/A
Sub-total of Directors Note 2		**230,004**	**0**	**230,004**	**0**	**230,004**	**0**	**0**	**0%**	**0%**	**N/A**
Wang Xiyu	Executive Vice President	60,000	0	60,000	0	60,000	0	0	0%	0%	N/A
Li Ying	Executive Vice President and Chief Financial Officer	60,000	0	60,000	0	60,000	0	0	0%	0%	N/A
Xie Junshi	Executive Vice President	60,000	0	60,000	0	60,000	0	0	0%	0%	N/A
Ding Jianzhong	Secretary to the Board of Directors and Company Secretary	40,000	0	40,000	0	40,000	0	0	0%	0%	N/A
Sub-total of senior management		**220,000**	**0**	**220,000**	**0**	**220,000**	**0**	**0**	**0%**	**0%**	**N/A**
Other key employees of the Company		49,004,272	0	49,004,272	283,335	48,720,937	0	0	0%	0%	31.48
Total		**49,454,276**	**0**	**49,454,276**	**283,335**	**49,170,941**	**0**	**0**	**0%**	**0%**	**31.48**
2. Share options under reserved grant											
Other key employees of the Company		2,402,000	0	2,402,000	0	2,402,000	0	0	0%	0%	N/A
Total		**2,402,000**	**0**	**2,402,000**	**0**	**2,402,000**	**0**	**0**	**0%**	**0%**	**N/A**

Note 1: The weighted average closing price of the A shares of the Company on the trading day immediately preceding the date of exercise.

Note 2: To avoid repetition in counting, the number of share options granted to Mr. Xu Ziyang, Director and President, and Mr. Gu Junying, Director and Executive Vice President, was included in the sub-total for Directors.

The grant of share options under the initial grant and reserved grant of the 2020 Share Option Incentive Scheme to participants was completed on 6 November 2020 and 23 September 2021 and no share options were granted to the participants during the Reporting Period. There were no outstanding ungranted options as at the beginning and the end of the Reporting Period. There were no unvested share options as at the end of the Reporting Period.

For the Reporting Period, 51,856,276 shares in the Company's A share capital was issuable in respect of all share schemes, accounting for 1.29% of the weighted average number of shares in the Company's A share capital in issue for the Reporting Period, among which 283,335 shares in the A share capital had been issued as a result of the exercise of share options, 51,572,941 share options had been cancelled and 0 share option remains exercisable in future, accounting for 0.01%, 1.28% and 0% of the weighted average number of the Company's A shares in issue for the Reporting Period.

The third exercise period for share options under the initial grant of the 2020 Share Option Incentive Scheme ended on 5 November 2024. The second exercise period for share options under the reserved grant ended on 20 September 2024. As at the date of publication of this report, the total number of shares issuable under the 2020 Share Option Incentive Scheme of the Company is 0. The implementation of the 2020 Share Option Incentive Scheme had been completed and concluded.

3.1.9.3 Accounting policy, accounting treatment and financial impact

Specific accounting treatments of share options are set out in Note III.19 "Share-based payment" to the financial statements. Accounting treatment and its impact on the financial conditions and operating results of the Company for the Reporting Period are set out in Note XII "SHARE-BASED PAYMENT" to the financial statements.

3.1.10 Auditor

Ernst & Young Hua Ming LLP ("Ernst & Young Hua Ming") acted as the Company's auditor. Ernst & Young Hua Ming has been appointed the Company's auditor for 20 consecutive years since 2005.

Owing to reassignment of duties, Ernst & Young Hua Ming has appointed Mr. He Suwei to replace Ms. Zhu Ting, the previous undersigning accountant. The undersigning accountants of Ernst & Young Hua Ming are Mr. Li Jianguang and Mr. He Suwei.

Mr. Li Jianguang has been providing audit services to the Company for five years and the year under review was the fifth year for which he acted in the capacity of undersigning accountant. Mr. He Suwei has provided audit services to the Company for eight years and the year under review was the first year for which he acted in the capacity of undersigning registered accountant. Mr. He Suwei qualified as a registered accountant in 2022 and has practised audit work with Ernst & Young Hua Ming since 2016. He started to provide audit service to the Company in 2016. He has extensive experience in the practices of reporting and auditing for listed companies and annual report auditing for listed companies, having been involved in audit services for over 8 years.

Fees paid to Ernst & Young Hua Ming and Ernst & Young by the Group for 2024 are set out below:

Unit: RMB in ten thousand

Item	Amount	Auditor
Audit fees 2024 for financial reports	830.0	Ernst & Young Hua Ming
Internal control audit fees 2024	126.0	Ernst & Young Hua Ming
Audit fees 2024 for ZTE HK	60.8	Ernst & Young
Audit fees 2024 for other subsidiaries of the Group	77.78	Ernst & Young Hua Ming
Review of 2024 interim financial report	72.0	Ernst & Young Hua Ming
Tax return and tax consultation service for ZTE HK	13.4	Ernst & Young
Total	**1,179.98**	—

3.1.11 Accountability and audit

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 2024.

The Directors confirm, after making all reasonable enquiries, that as at the date of publication of this report, they are not aware of or have not identified significant uncertainties or conditions that might have an adverse material impact on the ability of the Company to operate as a going concern, and as a result it is appropriate for the Group 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 2024 is set out in the "AUDITORS REPORT" in this report.

3.1.12 Internal control and risk management

The Board of Directors of the Company is responsible for reviewing the Company's risk management and internal control systems to ensure their effective implementation. The Board of Directors has delegated to the Audit Committee the responsibility for reviewing the effectiveness of the risk management and internal control 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 2024 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.

3.1.12.1 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 protection in internal control 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 risk management and 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 risk management and internal control. 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 the internal audit department which supervises the effectiveness of for risk management and internal control and is responsible for internal audit.

3.1.12.2 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, corporate 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 Measures 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.

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 "2024 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 System of Registration of 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 2024, the Company implemented the aforesaid systems in a meticulous manner and rigorously conducted the administration of inside information.

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 2024, the Company internal control efforts were focused on the following:

(1) The Company was engaged in steady improvement of a risk management-oriented internal control regime 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 and internal control manager accreditation, 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 investigations were conducted on the application of AI technologies in business risk control while improvements were being made to the process of risk identification, assessment and response in in-depth implementation of business risk control. Meanwhile we were also focused on the identification and management of risks associated with illicit malpractices, as a management guide based on theories adopted by the industry as well as business practices was announced to further enhance effective control over the risk of 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 construction was further deepened with the building of primary-level internal control at the Company's key business areas such as its overseas offices, supply-chain manufacturing bases and infrastructure projects 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 risk management and internal control 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 risk management and internal control systems of the Company and its subsidiaries and is of the view that the risk management and internal control systems had been effective and adequate throughout the financial year ended 31 December 2024.

3.1.12.3 Management control over subsidiaries

The Company has advanced legal compatibility governance 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, taking into account the business characteristics of its subsidiaries, in order to improve their corporate governance structure, enable diligence of directors and supervisors, improve internal control regime and enhance sophistication in corporate management and the ability to conduct regulated operations. Digital platforms and tools have been fully utilised to optimise the reporting system and review procedures of subsidiaries for material matters, with a special emphasis on crucial matters such as their financial conditions and production operations. Information disclosure and the mechanism for reporting material and important risks have been rigorously implemented to prevent and alleviate in a timely manner operational risks and safeguard the legal and compliant operation of subsidiaries.

3.1.12.4 The 2024 Internal Control Assessment Report

The Company has conducted an assessment on the effectiveness of its internal control as at 31 December 2024 (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 90% 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 by the Company on the same date as this report.

3.1.12.5 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 2024 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 has 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.

3.1.13 Rectification of self-inspected issues under specific corporate governance initiatives for listed company

In 2024, corporate governance was generally in compliance with requirements without any material issues requiring rectification.

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

To implement the guiding principle of the Political Bureau of the Central Committee and the Executive Meetings of the State Council calling for effort to "invigorate the capital market and boost investors' confidence, enhance the quality and investment value of listed companies", the Company has formulated an action plan for achieving dual enhancement in profitability as well as quality taking into account the Company's development strategy and operating conditions. With persistent adherence to an investor-oriented approach, the Company is focused on its principal businesses with prudent operations, as it enhances its product competitiveness on an ongoing basis through technological innovation whilst regulating corporate governance by improving the quality of information disclosure and increasing cash dividend distribution in an active bid to reward the investors. For detailed measures of the action plan, please refer to the "Overseas Regulatory Announcement" published by the Company on 7 February 2024.

In 2024, the Company vigorously implemented the action plan on dual enhancement in profitability and quality with a strong focus on the major business pathway of "connectivity + computility", as it persisted in technological leadership and innovation and breakthrough in base-level root technologies, as regular reviews were conducted and ongoing improvements were made to the corporate governance systems, including amendments to the Articles of Association, Rules of Procedure of the General Meetings, Rules of Procedure of the Board Meetings and working rules for various specialist committees. We fulfilled our obligations in information disclosure in strict accordance with regulatory rules for listed companies and improved our open, fair, transparent and multidimensional channel for investor communication. Return for shareholders was emphasised as we increased our cash dividend and made a cash profit distribution of RMB3,270 million for 2023, representing 35.0% of the net profit attributable to holders of ordinary shares of the listed company for 2023 of RMB9,330 million. The progress and effectiveness of the Company's action plan on dual enhancement in profitability and quality has been illustrated in this report.

3.1.15 Compliance with the corporate governance code

Save as disclosed hereinafter, 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.

In accordance with Code C.5.3 of the Corporate Governance Code, notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. For all other board meetings, reasonable notice should be given.

The Company had scheduled to convene a Board meeting on 21 October 2024 to consider the 2024 Third Quarterly Report. As 7 October 2024 was a statutory holiday for the National Day, the Company delivered the notice of the Board meeting to all Directors on 8 October 2024.

3.2 ENVIRONMENTAL PERFORMANCE

In active implementation of the low-carbon green strategy against the global backdrop of sustainability, the Company drives sustainable development through four major aspects: green corporate operation, green supply-chain, green digital and intelligent bases and green industry empowerment, while building a "dual circulation" model for the circular economy underpinned by optimised use of resources to help facilitate global transition towards decarbonisation. The Group was not subject to any administrative punishment owing to environmental issues for 2024.

3.2.1 Addressing climate change

The Company regards low-carbon green operation as a core element in its sustainability strategy. We have built the "Digital Shade Path" through four major aspects: green corporate operation, green supply-chain, green digital and intelligent bases and green industry empowerment to help facilitate global transition towards decarbonization with the aid of technological innovation.

In connection with **green corporate, operation**, the Company achieved absolute reduction in electricity consumption in 2024 by 45 million kwh and carbon emission under Scope 1&2 by 13.4%, year-on-year through power conservation by technology, power conservation by management and solar power construction, among others. We continued to gain progress in the construction of energy administration centres, while stable operation of our power visibility APP and carbon visibility APP was reported. The Xi'an Base and Changsha Base joined our list of ISO50001-certified bases, while the Xi'an Base, Changsha Base and Nanjing Binjiang Base attained provincial accreditation for green plants.

In 2024, the Group's total expenditure in environmental treatment and protection amounted to approximately RMB56,557,000, which has been applied in the energy-saving conversion of equipment at R&D, production and administration facilities, green landscape in the plant areas, handling of exhaust gas, sewage, hazardous waste and garbage, and green and low-carbon accreditations. In 2024, the Group paid environmental taxes with an approximate amount of RMB88,000.

In connection with **green supply chain**, the Company achieved IT visibility of suppliers' carbon stocktaking data in 2024 by embedding the dual carbon requirement into its suppliers' management system, as it instructed 100 suppliers to complete carbon stocktaking and assisted 10 suppliers to set goals in emission reduction. We organised numerous training sessions on dual carbon requirements such as carbon customs tax and provided instructions to 31 metal product manufacturers on the conduct of carbon emission audit in accordance with CBAM requirements for the declaration of carbon emission data under EU carbon customs tax.

In connection with **green digital and intelligent base**, the Company enhanced the energy efficiency of its products through technological innovation and achieved 8.39% reduction in emission intensity for the application and maintenance stages of system products and 5.02% year-on-year reduction in absolute emission for the full life cycle of terminal products in 2024. Carbon footprint assessment was completed for 53 products and a total of 154 products covering all product categories have now been given carbon footprint assessments. We also participated in the drafting of 5 sets of group standards for external carbon footprint auditing.

In connection with **green industry empowerment**, we unleashed the value of data across the board through the combination with traditional industries of a range of advanced technologies, such as cloud network facilities, IoT, Big Data and AI, to enhance efficiency throughout the entire production process and reduce energy consumption along the entire chain to achieve mutual success in development as well as emission reduction.

3.2.2 Circular economy

The Company is committed to building a "dual circulation" model underpinned by internal circulation and external circulation with the aim of reducing consumption of resources, increasing the ratio of product recycling and reuse, reducing emission and discharge of pollutants and lowering the rate of incineration and landfill.

In accordance with global laws and regulations pertaining to the circular economy and the requirements of customers and other material stakeholders, the Company revised its Measures for the Administration of Green Eco-friendly Products in 2024 to further concepts relating to the circular economy, such as volume reduction, reuse and waste-to-resources into product designs. Subject to technical, safety, functional and market requirements, product designs should embrace the principles of easy disassembly and assembly of parts and components, practical usability, easy recycling of materials, reusability of parts and components and prolonged useful life, among others, whilst compliance of designs and recycling rates with the EU WEEE Order and other pertinent laws and regulations should also be ensured.

3.2.3 Pollution discharge

During 2024, ZTE and ZTE (Nanjing) Company Limited ("ZTE Nanjing"), a subsidiary of the Company, were major environmental risk control entities as announced by environmental protection authorities. ZTE and ZTE Nanjing have adopted effective measures to ensure compliance of production operations with pertinent environmental laws and regulations, the details of which are as follows:

(1) Type of discharge: hazardous waste

(2) Name of major pollutants, total discharge volume, approved total discharge volume:

Name of company	Name of major pollutants	Total discharge volume	Approved total discharge volume	Discharge exceeding limits
ZTE	Waste mineral oil and waste containing mineral oil	0.9285t	4.123t	Compliant
	Waste acid	0.052t	0.129t	Compliant
	Waste organic solvent and waste containing organic solvent	7.965t	23.82t	Compliant
	Waste containing mercury	0.11057t	2.5t	Compliant
	Waste containing lead	2.1468t	49t	Compliant
	Other waste	80.801813t	259.3975t	Compliant
	Oil/water, hydrocarbon/hydro-mixture or emulsifier	8.2825t	29.03t	Compliant
	Organic resin waste	1.25351t	6.8575t	Compliant
ZTE Nanjing	Waste box containing lead and tin	2.634t	4.2t	Compliant
	Waste empty container	23.563t	30t	Compliant
	Waste circuit board	201.693t	203t	Compliant
	Waste bonding agent and sealant	3.005t	10t	Compliant
	Waste liquid containing solvent	569.803t	590t	Compliant
	Waste acid	0t	0.2t	Compliant
	Waste active carbon	32.42t	46t	Compliant

(3) Mode of discharge: disposal by appointed parties

(4) Distribution of discharge outlets: production lines

(5) Applicable pollutant discharge standards: Pollution Control Standards for Hazardous Waste Storage

(6) Environmental protection and related treatments:

ZTE and ZTE Nanjing conduct their production activities in the course of their operation in strict compliance with national environmental laws and regulations and industry standards, including the Environmental Protection Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, National Catalogue of Hazardous Wastes, Pollution Control Standards for General Industrial Solid Waste Storage and Disposal Grounds and Pollution Control Standards for Hazardous Waste Storage, and have conducted environmental impact assessment for construction projects and obtained environmental assessment approval documents from the environmental authorities and relevant permits in accordance with environmental laws and regulations.

ZTE and ZTE Nanjing have installed independent hazardous waste warehouse handled by duly qualified suppliers in accordance with environmental protection requirements. Administrative systems and contingency plans have been formulated to improve its ability to prevent and deal with environmental incidents and regular safety inspections are being conducted. All systems and facilities have been operating in good conditions. Identification and assessment of environmental risks have been organised on a regular basis with the formulation of risk-specific preventive and improvement measures. Respective "Contingency Plans for Environmental Emergencies" have been formulated, announced, assessed by experts and filed with the environmental authorities and drills have been organised regularly. Qualified third-party environmental monitoring institutions have been appointed to conduct tests on a regular basis to ensure compliance in the discharge of various pollutants.

3.3 SOCIAL RESPONSIBILITY

3.3.1 Path-building for digital economy empowered by innovation

The Company seeks qualitative development driven by technological innovation. In 2024, the Company reported remarkable achievements in AI engineering construction, advancement of 5G-A international standards, breakthroughs in 6G technology, industry-academia-research collaboration and protection of intellectual properties, as it sought progress in technological innovation and commercialisation to render robust support for its development and for delivering value for customers.

The Company is committed to fulfilling charitable causes with the aid of technology, empowering all industries across the board and driving digital transformation through technological innovation. In overseas countries, the Company provided optimal solutions catered to local conditions to assist in global digitalisation. Domestically, the Company was focused on sectors such as government affairs, transportation, large corporations, electricity, mining, metallurgical smelting and finance, as it creates innovative solutions for transformation to drive intelligentisation in these sectors. Meanwhile, the Company applied AI+5G-A integrated communication and sensing technologies to assist in the overall supervision of Chinese White Dolphin nature reserves and enhance the efficiency of ecological protection, for which it was honoured with the TM Forum Outstanding Catalyst Award for the application of technologies in charitable projects.

3.3.2 Winning customers' trust with openness and transparency

The Company advanced product safety and quality management on all fronts by building a safety governance regime covering the full life cycle and enhancing efficient quality management. Meanwhile, the Company enhanced its service quality on an ongoing basis in rapid response to customers' needs to drive improvements in customer's competence to provide premium services to global customers.

The Company made improvements to its safety management regime and optimised technical requirements. External laws and regulations were adopted while independent safety tests and third-party certification were conducted on an ongoing basis. With a strong emphasis on staff training in safety competence, the Company conducted skills training and actively participated in industry empowerment by sharing its experience in safety operational safety. Meanwhile, customer satisfaction was enhanced through transparency in measures, as our overseas safety laboratories worked actively to support customers' requirements for test and assessment.

The Company advanced efficient quality management with the establishment of a quality risk management mechanism. Risk management for new products was implemented on a trial basis with specific performance indicators to drive improvements through measurement and performance appraisal. The "whistleblowing" mechanism was introduced for process optimisation and formation of a PDCA cycle to enhance sophistication in quality management and deepen the quality culture and enhance quality awareness on the part of all employees.

Guided by the principle of “excellence in service”, the Company provides customers with 24/7 technical support and hardware assurance through its global three-tier support service network and spare-part return and repair regime. In 2024, a total of over 230,000 items were delivered to 2 billion users across the globe. To optimise its service quality, the Company introduced an intelligent response system to handle customer feedback with greater efficiency, whilst attaining automation and intelligentisation in network deployment through the iEPMS platform.

3.3.3 Concerted growth with our partners through win-win cooperation

The Company’s supply chain was engaged in active investigation and practice under the guidance of the SPIRE strategy, taking into account advanced concepts and business characteristics of the industry, with a view to speeding up the evolution of capabilities through innovation and delivering values for the industry in association with our partners.

The Company made improvements to its supply chain security management regime with the establishment of the Supply Chain Security Committee and the optimisation of the SPIRE strategy to enhance the stability and anti-fragility of its supply chain. Supply chain security was safeguarded through measures such as globalised procurement, coordinated multi-base production and reasonable delivery planning. We conducted risk anticipation with the aid of digital tools while empowering suppliers by procuring core suppliers to attain ISO 22301 accreditation. Joint multi-scenario drills were organised to enhance the ability to address contingencies.

In 2024, the Company continued to optimise the supplier CSR management regime, as CSR requirements were incorporated into the full cycle of suppliers’ operations to deepen management of suppliers in terms of legal compliance, environmental protection and labour rights, among others. The Company implemented CSR requirements with the aid of a digitalised intelligent platform to facilitate risk assessment and control. On-site examination was conducted in respect of 261 suppliers for the empowerment of procurement staff and suppliers. Suppliers’ performance appraisal was conducted, whereby outstanding suppliers were commended while violations were addressed to ensure equal treatment for small and medium enterprises.

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 its three major cornerstones. The Company is committed to enhancing the sense of security, belonging, self-worth, fulfillment and honour on the part of its staff.

In 2024, the Company safeguarded equal opportunities and rights for staff by improving its recruitment process and adopting diverse and composite recruitment models. The Company also introduced improvements to its performance management and remuneration and incentive regime to offer competitive remuneration and benefits and establish an honour-based incentive mechanism. The Company continued to optimise staff benefits by organising cultural and sporting activities, optimising the trade union organisation and smoothening the channels for staff communication, in an effort to foster an open workplace environment and enhance staff satisfaction.

The Company introduced improvements to its career development regime by providing three pathways for career advancement, namely, management, professional and project, underpinned by a regulated process for appointment to job positions. In 2024, more than 23,000 employees secured job promotions. The Company broadened the pathways and optimised the mechanism for promotion by supporting ad hoc application and offering promotion to expert staff on a priority basis. In the meantime, an information-based platform was built to facilitate internal transfers for more than one thousand employees.

The Company improved its career development regime and enhance staff empowerment through the building of a learning-based organisation. The Company designed a three-stage training model for new staff to facilitate swift adaptation. A programme for training succession teams in R&D leadership was implemented with the introduction of frontier AI technologies to enhance technical competence. Diverse training was offered to enhance local staff competence at overseas operations and increase the staff localisation rate. We were driving the training of talents in digitalisation and intelligentisation for the supply chain to assist in the digital transformation. Leadership competence was enhanced through reading groups for the management and empowerment sessions for junior management personnel.

3.3.5 Undertaking responsibilities to make contributions to the global community

In 2024, ZTE Charity Foundation launched 67 community welfare projects relating to education assistance, medical relief, environmental protection, rural revitalisation and voluntary service in line with its vision of "goodwill reaching out to every corner". We organised participation of staff volunteers in 310 sessions of voluntary service activities to share ZTE's compassion with the community in an open, transparent and professional manner.

In connection with the support of education, we further enhanced our education assistance system characterised by "financial aid + companionship for formative age + aptitude development", as the operation of "ZTE Education Assistance for China" and "ZTE Angel Education Assistance Programme" cover 23 cities and 29 counties in 15 provinces where direct financial assistance was provided to 1,960 underprivileged students. In the meantime, over 15,000 students were served through more than 30 activity sessions held at schools, more than 6,000 letters sent under the "Echo Programme" and activities such as city study tours.

In connection with support for medical relief, we continued to offer relief services according to different types of illnesses, managing relief projects for refractory nephrotic syndrome, primary immuno-deficiency and Bright Babies retinopathy of prematurity on a consolidated basis as we worked with numerous designated hospital partners to offer relief aid to 153 distressed child patients, including patients living overseas and in 30 cities and 54 counties in 10 provinces in China. Moreover, relief service was provided to close to 6,805 families throughout the year through the "ZTE Vcare" facility established at Shenzhen Children's Hospital, which was also created as a venue for the performance of community welfare services by new ZTE staff.

To support low-carbon environmental initiatives, ZTE Charity Foundation assisted in ecological conservation work in old forest areas and the shelterbelt forest areas in North China, Northeast China and Northwest China by way of forest maintenance and tree plantation on bare mountains at the 2024 "5.15 Global Low-carbon Day" and in August, teaming up with China Green Carbon Foundation and Yichun Forestry Group with the support the Company's staff volunteers. Since the commissioning of the low-carbon environmental project in 2022, more than 170,000 treelings have been planted to create a green area of approximately 2,000 mu, whilst mobilising close to one thousand staff members of the Company to participate in the environmental cause.

In connection with rural revitalisation, we continued to act in response to the actual needs of rural areas, as we supported a number of initiatives, such as the construction of digital villages, concrete roads, skills training and communal facilities for villagers, in Tianlin County in Baise of Guangxi, Huanan County of Heilongjiang, Linxiazhou of Gansu, Liangshan of Sichuan, and Baisha of Hainan through community welfare donations to speed up the bridging of gaps in rural development and livelihood, with a view to enhancing the people's sense of fulfilment, happiness and security.

In connection with staff voluntary services, we had 15,305 registered staff volunteers who had served for 36,750.9 hours as at the end of 2024. We focused on activities under festive themes with the support of our formidable staff charity team, such as rice donation consumer spending under the theme of "New Year with Charity", care for women in local regions on Women's Day under the theme of "Protecting the Mountain Flowers", collection of unwanted books on the World Reading Day, international blood donation voluntary services under the theme of "Roll Up Your Sleeves for Charity" and the Fifth Community Welfare Culture Week under the theme of "Fulfilling Kids' Dreams with Charity", in a bid to facilitate pinpointing match between community needs and corporate capacity for charitable causes to further advance our community welfare endeavours.

In 2025, 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 education, community services, disaster relief and local business development in response to the legal requirements and social needs of the countries in which we operate in fulfillment of our corporate social responsibility.

IV. Material Matters

The Group's material matters during 2024 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 2024, the Group did not incur any material litigation or arbitration as defined under the Shenzhen Listing Rules and Hong Kong Listing Rules. For the benefit of sufficiency in information disclosure, the Group's non-material litigation and arbitration proceedings are set out as follows for reference:

1. In November 2012, ZTE Brazil filed an application with the Civil Court of Brasilia to freeze the assets of a Brazilian company on the grounds that the said Brazilian company had failed to honour purchase payments of approximately BRL31,353,700 (equivalent to approximately RMB36,937,800). On 7 February 2013, the Civil Court of Brasilia ruled to suspend the freezing of the assets of such Brazilian company on the grounds that such company was not currently involved in any significant debt dispute with any other companies and that there was no indication that it would be subject to bankruptcy. In July 2013, ZTE Brazil filed a litigation with the Civil Court of Brasilia to demand a compensation amount of BRL31,224,300 (equivalent to approximately RMB36,785,300) together with accrued interests and legal fees payable immediately by the Brazilian company (the "Primary Case"). In January 2016, the Civil Court of Brasilia handed down the first trial judgement, ruling the Brazilian company to pay to ZTE Brazil a compensation amount of BRL31,224,300 together with accrued interests and an adjustment amount for inflation. In April 2016, the Civil Court of Brasilia notified ZTE Brazil that the said Brazilian company had filed an application for appeal in respect of the aforesaid first trial judgement. On 29 August 2016, ZTE Brazil was notified that the federal district court had handed down a second trial judgement rejecting the appeal of the said Brazilian company. In November 2016, the federal district court ruled to activate provisional enforcement procedures to require the said Brazilian company to pay to ZTE Brazil BRL31,224,300 together with accrued interests and an adjustment amount for inflation. In February 2017, the federal district court ruled to reject the request of the said Brazilian company filed in October 2016 for clarification of the aforesaid second trial judgement. The court trial proceedings of the aforesaid case have concluded.

   On 30 November 2012, Civil Court No. 15 of Sao Paulo City, Brazil notified ZTE Brazil that the said Brazilian company had filed a lawsuit with the said court (the "Sued Case") alleging that ZTE Brazil had committed fraud and negligence in the course of cooperation and demanding compensation for direct and indirect losses in the aggregate amount of approximately BRL82,974,500 (equivalent to approximately RMB97,752,300). The Company has appointed an attorney for active defense against the case.

   On 18 March 2022, the presiding judge of the Primary Case ruled that the valid period for the execution of the credit rights ruled in favour of ZTE Brazil expired on 13 June 2022. On 1 April 2022, ZTE Brazil filed an appeal against such ruling. Pursuant to Brazilian law, the valid period for an execution will not be suspended because of an appeal. Therefore, on 8 June 2022, ZTE Brazil applied to the Civil Court of Brasilia, the court for the Primary Case, to request deliberation between the Court of Brasilia and Civil Court No. 15 of Sao Paulo City, Brazil, the court for the Sued Case, in support of ZTE Brazil's application for the set-off of the credit rights ruled in favour in the Primary Case against any liabilities that may materialise in the event of an unfavourable ruling under the Sued Case. On 19 July 2022, the Court of Brasilia ruled in favour of the aforesaid application for set-off, confirming that, in the event of an unfavourable ruling against ZTE Brazil under the Sued Case, ZTE Brazil will be allowed to set off a compensation amount of BRL176,997,100 (equivalent to approximately RMB209 million as at the date of ruling, subject to inflationary adjustments as at the date of actual set-off).

   On 24 January 2024, ZTE Brazil and the said Brazilian company entered into a settlement agreement. On 21 February 2024, ZTE Brazil completed the payment of a settlement amount of BRL400,000 (equivalent to approximately RMB470,000) and submitted evidence of payment to the Court of Brasilia and Civil Court No. 15 of Sao Paulo City, Brazil simultaneously to apply for the closing of the case. On 5 June 2024, the Company received a certificate of case closing from the Court of Brasilia in respect of the Primary Case. On 15 July 2024, the Company received a certificate of case closing from the Court of Brasilia in respect of the Sued Case, upon which the case was fully closed.

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

Note: The exchange rates are based on the book exchange rates of the Company as at 31 December 2024 where BRL amounts are translated at the exchange rate of BRL1: RMB1.1781.

2. On 2 August 2021, Xi'an Zhongxing New Software Company Limited ("Xi'an Zhongxing Software") filed litigation at Xi'an Intermediary People's Court against China Construction No. 8 Engineering Bureau Company Limited ("China Construction No. 8 Bureau") on the grounds that China Construction No. 8 Bureau had not completed and delivered project work within the agreed timeframe, demanding payment of delay penalty, rental loss and construction penalty with an aggregate amount of approximately RMB257 million to Xi'an Zhongxing Software by China Construction No. 8 Bureau.

On 8 November 2021, China Construction No. 8 Bureau filed a counter-claim against Xi'an Zhongxing Software on the grounds that Xi'an Zhongxing Software had repeatedly made variations to its requirements, failed to honour payments in a timely manner and caused delay in work schedules citing force majeure resulting in substantial loss for China Construction No. 8 Bureau, and demanded payment of project work amounts and work suspension and stalling loss with an aggregate amount of approximately RMB400 million by Xi'an Zhongxing Software to China Construction No. 8 Bureau.

On 30 November 2021, Xi'an Intermediary People's Court held the first hearing of the first trial, at which the two parties exchanged evidence. On 13 December 2023, Xi'an Intermediary People's Court conducted the second hearing of the first trial.

On 23 January 2024, Xi'an Intermediary People's Court handed down the first trial judgement, ruling the payment of RMB8 million in delay default loss and RMB250,000 in legal fees by China Construction No. 8 Bureau to Xi'an Zhongxing Software; approximately RMB348 million in outstanding project work amounts plus interests and RMB5 million in work suspension and stalling loss incurred by China Construction No. 8 Bureau delay owing to delay in work schedules by Xi'an Zhongxing Software to China Construction No. 8 Bureau; senior rights to compensation for China Construction No. 8 Bureau in respect of project work amounts or auction proceeds relating to its construction work to the extent of the outstanding project work amounts; the rest of the petitions of the two parties were rejected. On 5 February 2024, Xi'an Zhongxing Software filed an appeal against the first trial judgement.

On 30 May 2024, Shaanxi Higher People's Court commenced the second trial of the case.

On 24 December 2024, Xi'an Zhongxing Software and China Construction No. 8 Bureau entered into a settlement. On 27 December 2024, Xi'an Zhongxing Software made a payment of approximately RMB297 million to China Construction No. 8 Bureau to settle the outstanding work amounts and the two parties made an application to the court to withdraw the case.

On 31 December 2024, Shaanxi Higher People's Court ruled to annul the first trial judgement and grant approval for the two parties to withdraw the case. The litigation of the case was thereby closed in full.

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

4.2 MATERIAL CONNECTED TRANSACTIONS

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

In 2024, 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 2024. 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. In 2024, there were no deposits, lending, credit facilities or other financial transactions between the financial company controlled by the Company and connected parties.

Details of the Group's connected transactions with connected parties in the ordinary course of business in 2024 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 2024 approved by the Board	Transaction amount in 2024	As a percentage of similar transactions (%)
Zhongxingxin and its subsidiaries and companies in which it held equity interests of 30% or above	Controlling shareholder of the Company and its subsidiaries and companies in which it held equity interests of 30% or above	Purchase of raw materials by the Company from the connected party	Cabinets: RMB1-RMB50,000 per unit; cabinet accessories: RMB1–10,000 per unit; antenna poles: RMB antenna poles: RMB200–2,000 per unit; metallurgical press tools and moulds: RMB0.5–45,000 per set; solar power spart part: RMB10–120,000 per set; FPC, R-FPC and components: RMB0.5–100 per piece; LiFePO4 battery: RMB8,500 per unit; battery accessories: RMB500–1,000 per unit; wiring equipment: RMB50–400 per unit; optical patch cord: RMB0–3,000 per unit; optical cable components: RMB0–500 per unit; laser flange and optical coupler: RMB0.2–4,000 per unit; machining tools, moulds and radiator: RMB40–9,000 per set; robot: RMB10,000–300,000 per set; industrial cameras: RMB5,000–200,000 per unit; industrial light source: RMB1,000–100,000 per set; graphic processing controllers: RMB5,000–150,000 per set; industrial light source controller: RMB500–50,000 per set; visual processing system: RMB2,000–600,000 per set; motion control system: RMB2,000–200,000 per set; industrial temperature test system: RMB10,000–200,000 per set; data collection system: RMB50,000–5,000,000 per set; smart patrolling system: RMB50,000–1,000,000 per set; smart factory construction sub-system: RMB100,000–1,000,000 per set; edge controller: RMB2,000–50,000 per set; intelligent quality management cloud platform: RMB100,000–1,000,000 per set.	45,000	22,537.8	0.39%
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 held the office of chief accountant	Sale of full range of government and enterprise products by the Company to the connected party	Based on market prices and not lower than prices at which similar products of similar quantities were purchased by third parties from the Company, taking into consideration factors relating to the specific transactions such as conditions of the projects, size of transaction and product costs.	115,000	23,671.8	1.28%
Huatong Technology Company Limited	Subsidiary of a 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 RMB730–1,520 per head/day; Supervisory engineer ranging from RMB560–1,150 per head/day; Senior engineer ranging from RMB420–900 per head/day; Common engineer ranging from RMB300–670 per head/day; Technician ranging from RMB250–500 per head/day.	8,500	6,090.2	14.96%
Nanchang Zhongzhan Digital and Smart Technology Company Limited (formerly ZTE Software Technology (Nanchang) Company Limited)	Subsidiary of a 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 RMB730–1,520 per head/day; Supervisory engineer ranging from RMB560–1,150 per head/day; Senior engineer ranging from RMB420–900 per head/day; Common engineer ranging from RMB300–670 per head/day; Technician ranging from RMB250–500 per head/day.	8,500	7,162.1	17.60%

IV. Material Matters

Counterparty	Nature of connection	Subject matter	Price	Transaction limit for 2024 approved by the Board	Transaction amount in 2024	As a percentage of similar transactions (%)
ZTE Hotel Shenzhen Investment & Management Company Limited ("ZTE Hotel") or its subsidiaries[Note]	Company for which a connected natural person of the Company acted as director and its subsidiaries	Purchase of hotel services by the Company from the connected party	Purchase price not higher than prices at which ZTE Hotel sells products (or services) to other customers purchasing similar products (or services) in similar amounts. The actual price is confirmed in the agreement signed by both parties. Hotel services purchased by the Group from ZTE Hotel included mainly hotel accommodation and conference and training venue. The purchase price of hotel accommodation ranged from approximately RMB350–700/room/day, with variation depending on factors such as room type, seasonality and the number of breakfast included. The purchase price for conference and training venue ranged from approximately RMB2,200–15,000/room/day, depending on factors such as size and capacity of the conference room.	6,500	3,293.7	6.37%
ZTE Hotel or its subsidiaries[Note]	Company for which a connected natural person of the Company acted as director and its subsidiaries	Lease of property and related equipment and facilities by the Company to the connected party	In 2024, the rental fee was RMB53/sq.m./month for hotel properties in Dameisha in Shenzhen; RMB51/sq.m./month for hotel properties in Nanjing; RMB69.5/sq.m./month for hotel properties in Shanghai; RMB39/sq.m./month for hotel properties in Xi'an. The rental fee for related equipment and facilities required by the hotel operations in Shenzhen, Shanghai, Nanjing and Xi'an was RMB608,000/year.	5,340.8	3,389.2	13.48%

Note: In September 2024, the Company acquired 82% equity interests in ZTE Hotel. ZTE Hotel and its subsidiaries have become wholly-owned subsidiaries of the Company as from September 2024. Information on the Group's purchase of hotel services from and lease of properties and related equipment and facilities to ZTE Hotel and its subsidiaries disclose in the table above relates to the period from January to August 2024.

The aforesaid connected parties were able to manufacture products required by the Group on a regular 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 or negotiation procedures. Prices at which the purchase orders were entered into by the two parties were determined through arm's length negotiations and on the basis of normal commercial terms. Transaction prices at which products and services were sold and provided by the Group to connected parties were based on market prices and were not lower than prices at which similar products and services of similar quantities were purchased by third parties from the Group, taking into consideration of factors relating to the specific transactions such as conditions of the projects, size of transaction and product costs. The prices of properties leased to connected parties by the Group were determined through arm's length negotiations based on normal commercial terms by reference to valuation of lease prices of properties and equipment facilities assessed by professional property valuers.

4.2.2 Continuing 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 Seventeenth Meeting of the Ninth Session of the Board of Directors of the Company, the Group entered into the Purchase Framework Agreement with Zhongxingxin on 27 December 2023. 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 2024 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 27 December 2023.

(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 owns 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 flange, optical coupler, machining parts, mould and radiator, 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 through the issuance of purchase orders, specifying product types, agreed quantities and prices, delivery schedules, locations and modes, payment methods, packaging, receipt of delivery, default liability, quality specifications and after-sale service terms. 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 2024

The Zhongxingxin Purchase Framework Agreement in respect of the purchase of raw materials by the Group from Zhongxingxin Group shall be effective from 1 January 2024 to 31 December 2024 and the amount of purchase for 2024 shall be capped at RMB450 million (excluding VAT).

The total transaction amount for the Group's purchase of raw materials from Zhongxingxin Group for 2024 was approximately RMB225 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 and new shares issued to the directors and chief executive officers of the Company and its subsidiaries by the Company under the share option incentive schemes, 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 and Rule 14A.92(3).

The following transactions between the Group and its connected parties conducted in 2024 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 related parties	1,188.6
Zhongxingxin	Controlling shareholder of the Company	Sales of products to related parties	4.3
Shenzhen Zhongxing New Cloud Service Company Limited	Subsidiary of Zhongxingxin	Lease of properties to related parties	326.4
Shenzhen Zhongxing New Cloud Service Company Limited	Subsidiary of Zhongxingxin	Sales of products to related parties	0.3
Sindi Technologies Co., Ltd.	Subsidiary of Zhongxingxin	Sales of goods to related parties	104.2
Shenzhen ZTE International Investment Company Limited	35% shares held by Director of the Company	Lease of properties to related parties	13.5
Tianjin ZTE International Investment Company Limited	Subsidiary of Shenzhen ZTE International Investment Company Limited	Lease of properties from related parties	571.6
Shenzhen Zhongxingxu Technology Company Limited	100% held by spouse of Supervisor of the Company	Sales of goods to related parties	262.8
LONGi Green Energy Technology Co., Ltd.	Controlled by relative of Supervisor of the Company	Sales of products to related parties	109.9

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 contracts of significance.

Details of the Group's connected transactions during the annual 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 2024, 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 2024 are as follows:

(1) Overview of guarantee for third parties

As at 31 December 2024, the balance of the Group's third-party guarantee amounted to approximately RMB1,221,522,200, accounting for 1.68% of net assets attributable to holders of ordinary shares of the listed company as at 31 December 2024. Guarantee provided for parties with a gearing ratio of over 70% amounted to RMB630,692,900. 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 2024	Guarantee incurred during 2024	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 and vice versa	218,850.00	59,082.93	638,804.70	106,688.94
Provided by subsidiaries on behalf of fellow subsidiaries	83,892.50	15,463.28	83,892.50	15,463.28
Total	**302,742.50**	**74,546.21**	**722,697.20**	**122,152.22**

(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 and vice versa							
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

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Guaranteed party	Date of domestic announcement	Amount guaranteed	Date incurred	Actual amount guaranteed	Type of guarantee	Duration	Whether completed
11 overseas subsidiaries involved in the MTN Group project[Note 1]	17 March 2021	USD160 million	N/A	–	Joint liability guarantee	Commencing on the date of issuance of the guarantee certificate to MTN Group by the Company and ending upon the date of expiry of the "Framework Agreement", in any case not later than 5 years after the effective date of the "Framework Agreement"	N/A
		USD16 million	N/A	–	Joint liability guarantee	Commencing on the date of issuance of the performance bond and ending upon the date on which performance of obligations under the "Framework Agreement" and its subsidiary contract is completed	N/A
CRS Technology Co., Ltd.	25 June 2022	USD500 million	27 June 2022	USD80,991,000	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 2-year period during which CRS has not ordered any manufacturing service from the supplier provided that no debt payment is due and outstanding.	No
ZTE (H.K.) Limited[Note 2]	16 March 2018	USD100 million	–	–	Joint liability assurance	Not more than 66 months (from the date of effectiveness of any one debt financing agreement)	N/A
JINZHUAN Information Technology Co., Ltd.	22 April 2023	RMB200 million	27 April 2023	–	Joint liability assurance	Three years from the maturity of the repayment period of the guaranteed debt.	Yes
3. Provided by subsidiaries on behalf of fellow subsidiaries							
Netaş Bilişim Teknolojileri A.Ş.[Note 3]	N/A	USD2,153,300	14 November 2012	–	Joint liability guarantee	Commencing on the date on which the "Systems Integration Agreement" comes into effect upon execution and ending on the date on which performance of the obligations of Netas Bilişim under the "Systems Integration Agreement" is completed.	Yes
Netaş Bilişim Teknolojileri A.Ş[Note3]	9 March 2024	USD70 million	Note 4	USD10,051,400	Joint liability guarantee	Ending on the date on which the repayment of debt relating to the guarantee is completed.	No
BDH Bilişim Destek Hizmetleri Sanayi ve Ticaret.A.Ş.[Note 3]	9 March 2024	USD15 million	Note 4	USD1,883,800	Joint liability guarantee	Ending on the date on which the repayment of debt relating to the guarantee is completed.	No
NETAŞ TELEKOMÜNİKASYON A.Ş.[Note 3]	9 March 2024	USD25 million	Note 4	USD9,185,300	Joint liability guarantee	Ending on the date on which the repayment of debt relating to the guarantee is completed.	No
Netaş Telecom Limited Liability Partnership[Note 3]	9 March 2024	USD5 million	Note 4	USD76,600	Joint liability guarantee	Ending on the date on which the repayment of debt relating to the guarantee is completed.	No

Note 1: As considered and passed at the Thirty-third Meeting of the Eighth Session of the Board of Directors of the Company and the 2020 Annual General Meeting, the provision of performance guarantee of no more than USD160 million in aggregate in respect of obligations under the Framework Agreement of 11 overseas subsidiaries involved in the MTN Group projects and the application to relevant banks for the issuance of performance guarantee letter with amounts of not more than USD16 million was approved. As at the end of the Reporting Period, the Framework Agreement had expired and the aforesaid guarantee had lapsed.

Note 2: The Company sought medium/long-term debt financing (including but not limited to syndicate loans, bank facilities and the issue of corporate bonds) in Hong Kong, with ZTE HK, a wholly-owned subsidiary of the Company, as the principal. The Company provided guarantee by way of joint liability assurance for an amount of not more than USD600 million. The aforesaid guarantee was considered and passed at the Twenty-eighth Meeting of the Seventh Session of the Board of Directors and the 2017 Annual General Meeting of the Company. Out of the aforesaid guarantee limit, USD500 million had been utilised and the USD500 million guarantee had been released upon expiry. The remaining USD100 million guarantee was lapsed during the Reporting Period.

Note 3: The Company completed the acquisition of NETAŞ TELEKOMÜNİKASYON A.Ş. ("Netaş"), a listed Turkish company, on 28 July 2017. Prior to the acquisition of Netaş by the Company, Netaş had provided the following guarantee for its subsidiary Netas Bilişim Teknolojileri A.Ş ("Netas Bilişim") guarantee in respect of the performance obligations of Netas Bilişim under the "Systems Integration Agreement" for an amount of approximately USD2,153,300 for a term commencing on the date on which the "Systems Integration Agreement" comes into effect upon execution and ending on the date on which the performance of the obligations of Netas Bilişim under the "Systems Integration Agreement" are completed. As at the end of the Reporting Period, the "Systems Integration Agreement" had been terminated and the guarantee had been released.

Note 4: As considered and approved at the Nineteenth Meeting of the Ninth Session of the Board of Directors of the Company, the 2023 Annual General Meeting and the Netaş board of directors, it was approved that a reciprocal joint-liability guarantee would be effected among Netaş and its subsidiaries in respect of composite credit facilities sought from financial institutions for an amount of not more than USD115 million. Each of the guaranteed entity shall apply to the financial institution for credit facilities, including loan, guarantee letter and reverse supply-chain financing, for a valid period commencing on the date on which the resolution was considered and approved at the 2023 annual general meeting and ending on the date on which the 2024 annual general meeting will be convened. Netaş and BDH shall provide credit guarantee for Netaş Bilişim within the guarantee limit. As at the end of the Reporting Period, the balance of actual guarantee was USD10,051,400. Netaş and Netaş Bilişim shall provide credit loan guarantee for BDH within the guarantee limit. As at the end of the Reporting Period, the balance of actual guarantee was USD1,883,800. Netaş Bilişim shall provide credit loan guarantee for Netaş within the guarantee limit. As at the end of the Reporting Period, the balance of actual guarantee was USD9,185,300. Netaş shall provide credit loan guarantee for Netaş Telecom Limited Liability Partnership within the guarantee limit. As at the end of the Reporting Period, the balance of actual guarantee was USD76,600.

Note 5: As considered and approved at the Nineteenth Meeting of the Ninth Session of the Board of Directors of the Company and the 2023 Annual General Meeting, the provision of performance guarantee line of no more than USD300 million in aggregate for 3 subsidiaries in 2024 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 a USD300 million guarantee provided for the 3 wholly-owned subsidiaries. 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 2024: USD1:RMB7.295; EUR1:RMB7.5987; IDR1:RMB0.000451507.

(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 2024, and have furnished a specific statement and independent opinion as follows:

i. During 2024, there was no appropriation of the Company's funds by the controlling shareholder and other connected parties for non-operational purposes.

ii. For 2024, the effective amount of guarantee provided by the Company was approximately RMB745,462,100. As at 31 December 2024, the balance of effective guarantee amounted to approximately RMB1,221,522,200, representing approximately 1.68% of the Company's equity attributable to holders of ordinary share of the listed company as at 31 December 2024.

In 2024, 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); Zhongxingxin will immediately terminate and/or procure any of its subsidiaries to terminate any participation in, management or operation of any competing businesses or activities that Zhongxingxin and/or such subsidiaries are participating in or carrying on in any manner at any time.

During 2024, 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 2024, 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 2024 falls within the profit forecast period

☐ Applicable √ N/A

4.5 APPROPRIATION OF NON-OPERATING FUNDS AND CREDIBILITY

During 2024, 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 2024, there was no enforcement and criminal punishment in accordance with the law on alleged crimes, case investigation by CSRC or administrative penalty by CSRC or material administrative penalty by other competent authorities for alleged violations of laws and regulations, detainment for alleged material violations of discipline and law or crime in office by disciplinary authorities affecting the performance of their duties, or enforcement by other competent authorities for alleged violation of laws and regulations affecting the performance of their duties against the Company, its Directors, Supervisors, senior management or controlling shareholder.

4.7 OTHER MATERIAL MATTERS

The 2024 financial 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, the Supervisory Committee and the Independent Non-executive Directors are not required to furnish any statement pertaining thereto.

The Company was not subject to bankruptcy or reorganisation in 2024 or withdrawal from listing subsequent to the publication of the annual report.

Save as matters disclosed in this report, there were no other discloseable material matters occurring to the Company or its subsidiaries in 2024 that remained undisclosed.

V. Debt Financing Instruments of Non-Financial Enterprises

The Company did not issue any enterprise bonds, corporate bonds and convertible bonds during 2024. Details of the non-financial corporate debt financing instruments issued by the Company are set out as follows:

5.1 BASIC INFORMATION ON DEBT FINANCING INSTRUMENTS OF NON-FINANCIAL ENTERPRISES

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

As at 31 December 2024, 42 tranches of SCPs issued by the Company for an aggregate amount of RMB57.9 billion had been repaid upon maturity. Information on the Company's SCPs and MTNs 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 SCPs	25中興通訊 SCP001	012580027	3 January 2025	6 January 2025	27 March 2025	20	1.66%
2025 Tranche II SCPs	25中興通訊 SCP002	012480055	9 January 2025	10 January 2025	27 March 2025	15	1.67%
2025 Tranche III SCPs	25中興通訊 SCP003	012480054	9 January 2025	10 January 2025	27 March 2025	10	1.67%
2025 Tranche IV SCPs	25中興通訊 SCP004	012480111	13 January 2025	14 January 2025	31 March 2025	10	1.71%
2025 Tranche V SCPs	25中興通訊 SCP005	012480110	14 January 2025	15 January 2025	28 March 2025	10	1.77%
2025 Tranche VI SCPs	25中興通訊 SCP006	012480112	16 January 2025	17 January 2025	28 March 2025	5	1.92%
2025 Tranche VII SCPs	25中興通訊 SCP007	012480156	16 January 2025	17 January 2025	28 March 2025	10	1.92%
2025 Tranche VIII SCPs (Sci-Tech Innovation Note)	25中興通訊 SCP008 (科創票據)	012580378	14 February 2025	17 February 2025	27 March 2025	10	1.98%
2025 Tranche IX SCPs (Sci-Tech Innovation Note)	25中興通訊 SCP009 (科創票據)	012580377	14 February 2025	17 February 2025	27 March 2025	10	1.98%
2025 Tranche X SCPs (Sci-Tech Innovation Note)	25中興通訊 SCP010 (科創票據)	012580375	14 February 2025	17 February 2025	27 March 2025	5	1.98%
2025 Tranche XI SCPs	25中興通訊 SCP011	012580374	14 February 2025	17 February 2025	28 March 2025	15	1.98%
2025 Tranche XII SCPs	25中興通訊 SCP012	012580376	14 February 2025	17 February 2025	27 March 2025	10	1.98%
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%
Total	–	–	–	–	–	**150**	–

V. Debt Financing Instruments of Non-Financial Enterprises

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 2024, there was no adjustment of ratings by credit rating agencies, no trigger of issuer or investor option clause or investor protection clause. All SCPs issued by the Company had been repaid as due in one-off payments of principal and interest and there were no overdue bonds triggering guarantees, debt repayment schemes and other debt repayment assurance measures.

5.2 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-ILII SCP	579	579	–	Supplementary working capital and repayment of interest-bearing debt, etc.	Nil	Nil	Yes
2024 Tranches I-II MTN	10	2.37	6.63	Supplementary working capital	Nil	Nil	Yes

As at 31 December 2024, 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.

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

Item	31 December 2024	31 December 2023	Year-on-year increase/decrease
Current ratio	1.72	1.91	(9.95%)
Quick ratio	1.21	1.41	(14.18%)
Gearing ratio	64.74%	66.00%	Decreased by 1.26 percentage points

Item	2024	2023	Year-on-year increase/decrease
Net profit after extraordinary gain/loss attributable to holders of ordinary shares of the listed company (RMB in millions)	6,179.1	7,399.6	(16.49%)
Debt-to-EBITDA ratio	24.00%	23.66%	Increased by 0.34 percentage point
Interest coverage ratio	3.68	4.25	(13.41%)
Cash interest coverage ratio	7.37	8.75	(15.77%)
EBITDA interest coverage ratio	5.12	5.82	(12.03%)
Loan repayment ratio	100.00%	100.00%	–
Interest repayment ratio	100.00%	100.00%	–

5.4 INFORMATION OF INTERMEDIARY

Intermediaries for the Company's SCPs Tranches I to XLII 2024, MTNs Tranches I to II 2024, SCPs Tranches I to XII 2025 and MTNs Tranche I 2025 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, Bank of Ningbo, Ping An Bank, Shanghai Pudong Development Bank, Bank of Shanghai, Industrial Bank, Industrial Bank, Export and Import Bank of China, Huishang Bank, Bank of Guangzhou
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.

5.5 OTHER INFORMATION

There was no violation of rules and regulations by the Company in 2024, nor loss reported in consolidated statement for the year exceeding 10% of net assets at the end of last year.

As at 31 December 2024, there was no overdue interest-bearing debts other than bonds.

VI. Financial Reports

Audit Report

Ernst & Young Hua Ming (2025) Shen Zi No. 70007912_H01
ZTE CORPORATION

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 2024, the consolidated and company income statements, statement of changes in equity and cash flow statement for the year ended 31 December 2024 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 2024 and the consolidated and company results of operation and cash flows of ZTE Corporation for 2024.

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 the Code of Ethics for PRC certified accountants and we have fulfilled our other ethical responsibilities. 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 (2025) 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 contract recognised for 2024 amounted to RMB63,232,320,000, representing 52% of the total revenue, in the consolidated financial statements and RMB72,031,045,000, representing 54% of the total revenue, in the company financial statements. 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 each distinct performance obligation is satisfied 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.28.

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.

In respect of the allocation of transaction price, we have 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.

Ernst & Young Hua Ming (2025) Shen Zi No. 70007912_H01
ZTE CORPORATION

III. KEY AUDIT MATTERS (continued)

KEY AUDIT MATTER:

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 2024 was RMB27,094,439,000, representing 13% of total assets on the consolidated financial statements and RMB42,611,019,000, representing 23% 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.

For others trade receivables and contract asset, ECLs are assessed by aging groups with past information in response to credit risk characteristics of different debtors. The management has established a provision matrix 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.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER:

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.

For other trade receivables and contract assets, we have assessed whether the provision matrix established by the management was in compliance with the ECL approach and assessed the key parameters used in the provision 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 provision matrix, and compared it with the management's calculation. We also checked whether the payment was collected after the deadline.

Audit Report

Ernst & Young Hua Ming (2025) 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 2024, the carrying amount of inventories was RMB41,257,657,000, representing 20% of total assets, on the consolidated financial statements and RMB15,376,654,000, 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, costs to be incurred to make the sale 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 realizable 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 key controls to assess the design and execution effectiveness of key internal controls. We observed the stocktaking process and external confirmation procedures to ascertain whether the damaged, 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 or was cancelled or modified, 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 (2025) Shen Zi No. 70007912_H01
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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.

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 for 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.

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

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

(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, we are required to draw attention in our auditor's report 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.

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:
Li Jianguang (李劍光)
(Project Partner)

PRC certified public accountant:
He Suwei (何蘇偉)

Beijing, PRC

28 February 2025

Consolidated Balance Sheet

31 December 2024
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 the Listing Rules of the Hong Kong Stock Exchange.

Assets	Note V	31 December 2024	31 December 2023
Current assets			
Currency cash	1	**43,885,348**	78,543,219
Trading financial assets	2	**13,768,781**	153,285
Derivative financial assets	3	**173,439**	85,341
Trade receivables	4A	**21,288,393**	20,821,526
Factored trade receivables	4A	**6,498**	3,503
Receivable financing	4B	**4,243,041**	4,074,078
Prepayments	5	**692,097**	242,440
Other receivables	6	**2,597,585**	1,146,400
Inventories	7	**41,257,657**	41,131,259
Contract assets	8	**4,972,074**	4,844,974
Non-current assets due within one year	21	**3,085**	—
Other current assets	22	**8,899,348**	7,458,528
Total current assets		**141,787,346**	158,504,553
Non-current assets			
Debt investment	9	**25,068,445**	—
Long-term receivables	10	**833,972**	2,013,559
Factored long-term receivables	10	**8,664**	10,509
Investment in associates and joints	11	**2,333,836**	2,157,550
Other non-current financial assets	12	**715,761**	831,930
Investment properties	13	**99,045**	1,473,823
Property, plant and equipment	14	**14,178,419**	13,372,364
Construction in progress	15	**685,376**	987,803
Right-of-use assets	16	**1,551,573**	1,557,313
Intangible assets	17	**7,159,200**	7,697,446
Development costs	18	**1,594,563**	1,301,545
Goodwill	19	**14,425**	—
Deferred tax assets	20	**4,396,088**	4,145,923
Other non-current assets	22	**6,896,517**	6,904,000
Total non-current assets		**65,535,884**	42,453,765
TOTAL ASSETS		**207,323,230**	200,958,318

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

Consolidated Balance Sheet

31 December 2024
Prepared under PRC ASBEs
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Liabilities	Note V	31 December 2024	31 December 2023
Current liabilities			
Short-term loans	24	**7,027,070**	7,560,358
Bank advances on factored trade receivables	4A	**6,498**	3,687
Derivative financial liabilities	25	**200,853**	184,544
Short-term bonds payable	26	**—**	5,012,890
Bills payable	27A	**10,959,334**	9,442,739
Trade payables	27B	**22,371,792**	18,931,425
Contract liabilities	28	**12,859,416**	14,889,658
Employee benefits payable	29	**16,991,686**	16,176,919
Taxes payable	30	**1,205,018**	1,413,093
Other payables	31	**3,236,993**	3,844,735
Provisions	32	**2,184,073**	2,568,768
Non-current liabilities due within one year	33	**5,592,740**	3,001,598
Total current liabilities		**82,635,473**	83,030,414
Non-current liabilities			
Long-term loans	34	**44,058,915**	42,576,057
Bank advances on factored long-term trade receivables	10	**8,664**	11,062
Bonds payable	35	**1,004,880**	—
Lease liabilities	16	**972,943**	960,459
Long-term employee benefits payable	29	**153,647**	141,762
Deferred income		**1,496,556**	2,315,842
Deferred tax liabilities	20	**90,651**	77,865
Other non-current liabilities	36	**3,791,219**	3,513,412
Total non-current liabilities		**51,577,475**	49,596,459
TOTAL LIABILITIES		**134,212,948**	132,626,873

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

Consolidated Balance Sheet

31 December 2024
Prepared under PRC ASBEs
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Shareholder's equity	Note V	**31 December 2024**	31 December 2023
Shareholder's equity			
Share capital	37	**4,783,535**	4,783,252
Capital reserves	38	**27,476,099**	27,603,291
Other comprehensive income	39	**(2,465,531)**	(2,199,965)
Special reserve	40	**88,214**	53,394
Surplus reserve	41	**3,053,523**	3,053,382
Retained profits	42	**39,872,643**	34,714,953
Total equity attributable to holders of ordinary shares of the parent		**72,808,483**	68,008,307
Non-controlling interests		**301,799**	323,138
Total shareholders' equity		**73,110,282**	68,331,445
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**207,323,230**	200,958,318

The financial statements have been signed by:

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

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

Consolidated Income Statement

2024
Prepared under PRC ASBEs
(English translation for reference only)
RMB'000

	Note V	2024	2023 (Restated)
Operating revenue	43	121,298,752	124,250,878
Less: Operating costs	43	75,311,066	72,702,602
Taxes and surcharges	44	1,175,971	1,335,662
Selling and distribution costs	45	8,900,503	10,119,542
Administrative expenses	46	4,477,021	5,631,779
Research and development costs	47	24,031,499	25,289,211
Finance costs	49	(264,570)	(1,101,192)
Including: Interest expense		3,447,022	3,141,567
Interest income		4,398,326	4,084,555
Add: Other income	50	2,932,725	1,805,981
Investment income	51	112,394	(205,027)
Including: Gains from investment in associates and joint ventures		160,687	265,161
Losses from derecognition of financial assets at amortised cost		(341,549)	(278,004)
Gains from changes in fair values	52	(625,131)	(702,284)
Credit impairment losses	53	92,454	(75,796)
Asset impairment losses	54	(933,182)	(858,366)
Gains from asset disposal	55	95,659	20,597
Operating profit		9,342,181	10,258,379
Add: Non-operating income	56	76,279	173,063
Less: Non-operating expenses	56	188,855	228,302
Total profit		9,229,605	10,203,140
Less: Income tax	57	873,992	962,291
Net profit		8,355,613	9,240,849
Analysed by continuity of operations			
Net profit from continuing operations		8,355,613	9,240,849
Analysed by ownership			
Holders of ordinary shares of the parent		8,424,792	9,325,753
Non-controlling interests		(69,179)	(84,904)
Other comprehensive income, net of tax		(265,303)	149,253
Other comprehensive income attributable to holders of ordinary shares of the parent company, net of tax	39	(265,566)	152,778
Other comprehensive income that cannot be reclassified to profit or loss			
Change arising from the re-measurement of defined benefit plans		(3,358)	985
		(3,358)	985
Other comprehensive income that will be reclassified to profit or loss			
Effective portion of hedge instruments		598	(598)
Exchange differences on translation of foreign operations and others		(262,806)	152,391
		(262,208)	151,793
Other comprehensive income attributable to non-controlling interests, net of tax		263	(3,525)
Total comprehensive income		8,090,310	9,390,102
Attributable to:			
Holders of ordinary shares of the parent		8,159,226	9,478,531
Non-controlling interests		(68,916)	(88,429)
Earnings per share (RMB/share)			
Basic	58	RMB1.76	RMB1.96
Diluted	58	RMB1.76	RMB1.96

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

Consolidated Statement of Changes in Equity

2024
Prepared under PRC ASBEs
(English translation for reference only)
RMB'000

	2024								
	Equity attributable to holders of ordinary shares of the parent								
	Share capital	Capital reserves	Other comprehensive income	Surplus reserve	Special reserve	Retained profits	Sub-total	Non-controlling interests	Total shareholders' equity
I. 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 share expenses 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

	2023								
	Equity attributable to holders of ordinary shares of the parent								
	Share capital	Capital reserves	Other comprehensive income	Surplus reserve	Special reserve	Retained profits	Sub-total	Non-controlling interests	Total shareholders' equity
I. Previous year's closing balance	4,736,113	25,892,832	(2,352,743)	3,029,811	26,553	27,308,621	58,641,187	902,036	59,543,223
II. Changes during the year									
(I) Total comprehensive income	–	–	152,778	–	–	9,325,753	9,478,531	(88,429)	9,390,102
(II) Shareholder's capital injection and capital reduction									
1. Ordinary share injection from shareholders	47,139	2,003,527	–	–	–	–	2,050,666	31,068	2,081,734
2. Equity settled share expenses charged to equity	–	(290,383)	–	–	–	–	(290,383)	–	(290,383)
3. Acquisition of non-controlling interest	–	–	–	–	–	–	–	–	–
4. Disposal of subsidiaries	–	–	–	–	–	–	–	(19,067)	(19,067)
5. Others	–	(2,685)	–	–	–	–	(2,685)	–	(2,685)
(III) Profit appropriation									
1. Allocation to surplus reserve	–	–	–	23,571	–	(23,571)	–	–	–
2. Distribution to shareholders	–	–	–	–	–	(1,895,850)	(1,895,850)	(502,470)	(2,398,320)
(IV) Special reserve									
1. Allocated for the year	–	–	–	–	85,326	–	85,326	–	85,326
2. Utilised for the year	–	–	–	–	(58,485)	–	(58,485)	–	(58,485)
III. Current 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

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

Consolidated Cash Flow Statement

2024
Prepared under PRC ASBEs
(English translation for reference only)
RMB'000

	Note V	2024	2023
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		**127,930,762**	128,264,163
Refunds of taxes		**5,320,200**	5,355,413
Other cash received in relation to operating activities		**6,563,537**	10,666,423
Sub-total of cash inflows		**139,814,499**	144,285,999
Cash paid for goods and services		**75,666,643**	74,064,351
Cash paid to and on behalf of employees		**28,935,061**	28,697,009
Cash paid for various types of taxes		**8,047,637**	8,652,058
Other cash paid in relation to operating activities		**15,685,314**	15,466,882
Sub-total of cash outflows		**128,334,655**	126,880,300
Net cash flows from operating activities	59	**11,479,844**	17,405,699
II. Cash flows from investing activities			
Cash received from sale of investments		**80,388,840**	10,547,704
Cash received from return on investment		**1,986,934**	1,287,109
Net cash received from the disposal of property, plant and equipment, intangible assets and other long-term assets		**535,436**	104,486
Net cash received from the disposal of subsidiaries and other operating units		**—**	38,486
Other cash received in relation to investing activities	59	**105,749**	—
Sub-total of cash inflows		**83,016,959**	11,977,785
Cash paid to acquisition of property, plant and equipment, intangible assets and other long-term assets		**4,014,730**	4,004,683
Cash paid for acquisition of investments		**107,674,648**	28,874,455
Other cash paid in relation to investing activities		**—**	—
Sub-total of cash outflows		**111,689,378**	32,879,138
Net cash flows from investing activities		**(28,672,419)**	(20,901,353)
III. Cash flows from financing activities			
Cash received from capital injection		**374,322**	1,676,157
Including: Capital injection into subsidiaries by minority shareholders		**364,555**	33,000
Cash received from borrowings		**190,217,674**	274,690,500
Other cash received in relation to financing activities	59	**—**	2,200
Sub-total of cash inflows		**190,591,996**	276,368,857
Cash repayment of borrowings		**190,470,434**	263,526,293
Cash payments for distribution of dividends, profits and for interest expenses		**5,419,138**	4,836,200
Including: Distribution of dividends, profits by subsidiaries to minority shareholders		**145,407**	523,466
Other cash paid in relation to financing activities	59	**520,799**	634,774
Sub-total of cash outflows		**196,410,371**	268,997,267
Net cash flows from financing activities		**(5,818,375)**	7,371,590
IV. Effect of changes in foreign exchange rate on cash and cash equivalents		**24,200**	65,502
V. Net increase in cash and cash equivalents		**(22,986,750)**	3,941,438
Add: cash and cash equivalents at beginning of year		**51,013,167**	47,071,729
VI. Net balance of cash and cash equivalents at the end of year	59	**28,026,417**	51,013,167

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

Balance Sheet

31 December 2024
Prepared under PRC ASBEs
(English translation for reference only)
RMB'000

Assets	Note XVI	31 December 2024	31 December 2023
Current assets			
Currency cash	1	27,683,894	61,975,191
Trading financial assets		13,684,626	24,227
Derivative financial assets		170,471	61,944
Trade receivables	2	35,851,072	35,943,738
Factored trade receivables		6,498	3,503
Receivable financing		4,032,164	4,073,264
Prepayments		45,130	16,657
Other receivables	3	33,183,991	31,653,053
Inventories		15,376,654	12,535,588
Contract assets		3,077,266	3,739,259
Non-current assets due within one year		3,081	—
Other current assets		2,347,996	1,868,178
Total current assets		135,462,843	151,894,602
Non-current assets			
Debt investment		12,768,949	—
Long-term receivables	4	3,682,681	4,833,124
Factored long-term trade receivables		8,664	10,509
Investment in associates and joints	5	18,317,291	17,979,249
Other non-current financial assets		650,001	650,319
Investment properties		—	1,104,000
Property, plant and equipment		5,674,552	6,190,094
Construction in progress		338,098	327,044
Right-of-use assets		975,283	1,007,848
Intangible assets		2,357,285	2,499,545
Development costs		341,722	305,732
Deferred tax assets		1,825,573	1,550,517
Other non-current assets		4,627,124	4,738,904
Total non-current assets		51,567,223	41,196,885
TOTAL ASSETS		187,030,066	193,091,487

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

Balance Sheet

31 December 2024
Prepared under PRC ASBEs
(English translation for reference only)
RMB'000

Liabilities and shareholders' equity	Note XVI	31 December 2024	31 December 2023
Current liabilities			
Short-term loans		2,690,394	4,961,423
Bank advances on factored trade receivables		6,498	3,687
Derivative financial liabilities		173,045	183,217
Short-term bonds payable		—	5,012,890
Bills payable		15,167,898	12,661,855
Trade payables		36,840,535	34,859,532
Contract liabilities		10,929,399	13,177,282
Employee benefits payable		9,861,785	8,867,734
Taxes payable		148,754	136,420
Other payables		9,835,567	9,694,757
Provisions		679,084	1,343,283
Non-current liabilities due within one year		4,085,673	1,497,603
Total current liabilities		90,418,632	92,399,683
Non-current liabilities			
Long-term loans		28,855,124	37,189,305
Bank advances on factored long-term trade receivables		8,664	11,062
Bonds payable		1,004,880	—
Lease liabilities		600,761	621,273
Long-term employee benefits payable		153,647	141,762
Deferred income		173,536	141,204
Other non-current liabilities		1,970,166	1,700,411
Total non-current liabilities		32,766,778	39,805,017
TOTAL LIABILITIES		123,185,410	132,204,700
Shareholder's equity			
Share capital		4,783,535	4,783,252
Capital reserves		27,330,356	27,685,429
Other comprehensive income		411,851	768,139
Special reserve		56,441	37,173
Surplus reserve		2,391,767	2,391,626
Retained profits		28,870,706	25,221,168
Shareholders' equity attributable to holders of ordinary shares		63,844,656	60,886,787
Total shareholders' equity		63,844,656	60,886,787
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		187,030,066	193,091,487

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

Income Statement

2024
Prepared under PRC ASBEs
(English translation for reference only)
RMB'000

	Note XVI	2024	2023 (Restated)
Operating revenue	6	**132,283,555**	134,905,616
Less: Operating costs	6	**111,215,518**	110,517,798
Taxes and surcharges		**311,705**	474,431
Selling and distribution costs		**6,171,831**	6,872,519
Administrative expenses		**3,510,027**	4,056,020
Research and development costs		**7,959,031**	7,900,044
Finance costs		**(235,330)**	(703,173)
Including: Interest expense		**1,681,902**	2,214,235
Interest income		**2,375,655**	2,691,596
Add: Other income		**528,794**	129,818
Investment income	7	**3,190,121**	2,433,069
Including: Gains from investment in associates, joints and subsidiaries		**151,210**	247,984
Losses from derecognition of financial assets at amortised cost		**(206,286)**	(121,027)
Gains from changes in fair values		**(67,455)**	(216,356)
Credit impairment losses		**53,473**	(125,508)
Asset impairment loss		**(262,606)**	(276,299)
Gains from asset disposal		**81,973**	1,562
Operating profit		**6,875,073**	7,734,263
Add: Non-operating income		**21,302**	106,486
Less: Non-operating expenses		**15,621**	54,176
Total profit		**6,880,754**	7,786,573
Less: Income tax		**(35,886)**	29,226
Net profit		**6,916,640**	7,757,347
Including: net profit from continuing operations		**6,916,640**	7,757,347
Analysed by ownership			
Attributable to holders of ordinary shares		**6,916,640**	7,757,347
Other comprehensive income, net of tax		**(356,288)**	20,892
Other comprehensive income that cannot be reclassified to profit and loss			
Change arising from the re-measurement of defined benefit plans		**(3,358)**	985
Other comprehensive income that will be reclassified to profit and loss			
Effective portion of hedge instruments		**598**	(598)
Exchange differences on translation of foreign operations and others		**(353,528)**	20,505
Total comprehensive profit		**6,560,352**	7,778,239
Attributable to:			
Holders of ordinary shares		**6,560,352**	7,778,239

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

Statement of Changes in Equity

2024
Prepared under PRC ASBEs
(English translation for reference only)
RMB'000

	2024							
	Share capital	Capital reserves	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 share expenses 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

	2023							
	Share capital	Capital reserves	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	4,736,113	25,943,902	747,247	2,368,055	11,044	19,383,242	53,189,603	53,189,603
II. Changes during the year								
(I) Total comprehensive income	–	–	20,892	–	–	7,757,347	7,778,239	7,778,239
(II) Shareholder's capital injection and capital reduction								
1. Capital injection from shareholders	47,139	2,034,595	–	–	–	–	2,081,734	2,081,734
2. Equity settled share expenses charged to equity	–	(290,383)	–	–	–	–	(290,383)	(290,383)
3. Others	–	(2,685)	–	–	–	–	(2,685)	(2,685)
(III) Profit appropriation								
1. Allocation to surplus reserve	–	–	–	23,571	–	(23,571)	–	–
2. Distribution to shareholders	–	–	–	–	–	(1,895,850)	(1,895,850)	(1,895,850)
(IV) Special reserve								
1. Allocated for the year	–	–	–	–	66,850	–	66,850	66,850
2. Utilised for the year	–	–	–	–	(40,721)	–	(40,721)	(40,721)
III. Current year's closing balance	4,783,252	27,685,429	768,139	2,391,626	37,173	25,221,168	60,886,787	60,886,787

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

Cash Flow Statement

2024
Prepared under PRC ASBEs
(English translation for reference only)
RMB'000

		2024	2023
I.	**Cash flows from operating activities**		
	Cash received from sale of goods or rendering of services	143,483,240	138,713,573
	Refunds of taxes	2,996,371	3,574,077
	Other cash received in relation to operating activities	1,851,106	2,620,662
	Sub-total of cash inflows	148,330,717	144,908,312
	Cash paid for goods and services	125,183,627	117,804,700
	Cash paid to and on behalf of employees	8,920,749	8,711,107
	Cash paid for various types of taxes	1,222,116	1,371,611
	Other cash paid in relation to operating activities	7,772,818	7,297,704
	Sub-total of cash outflows	143,099,310	135,185,122
	Net cash flows from operating activities	5,231,407	9,723,190
II.	**Cash flows from investing activities**		
	Cash received from sale of investments	72,122,610	6,910,510
	Cash received from return on investments	5,967,459	3,505,718
	Net cash received from the disposal of property, plant and equipment, intangible assets and other long-term assets	509,058	55,755
	Other cash received in relation to investing activities	7,029,258	6,289,076
	Sub-total of cash inflows	85,628,385	16,761,059
	Cash paid to acquisition of property, plant and equipment, intangible assets and other long-term assets	1,593,290	1,777,228
	Cash paid for acquisition of investments	86,662,711	24,915,207
	Other cash paid in relation to investing activities	7,126,924	4,516,038
	Sub-total of cash outflows	95,382,925	31,208,473
	Net cash flows from investing activities	(9,754,540)	(14,447,414)
III.	**Cash flows from financing activities**		
	Cash received from investment	9,766	1,623,191
	Cash received from loans	87,558,704	148,715,280
	Other cash received in relation to financing activities	2,549,916	34,195
	Sub-total of cash inflows	90,118,386	150,372,666
	Cash repayment of borrowings	99,573,530	135,673,474
	Cash payments for distribution of dividends and profits or for interest expenses	4,596,977	3,578,325
	Other cash paid in relation to financing activities	2,780,146	409,794
	Sub-total of cash outflows	106,950,653	139,661,593
	Net cash flows from financing activities	(16,832,267)	10,711,073
IV.	**Effect of changes in foreign exchange rate on cash and cash equivalents**	96,057	(19,720)
V.	**Net increase in cash and cash equivalents**	(21,259,343)	5,967,129
	Add: cash and cash equivalents at the beginning of the year	36,863,970	30,896,841
VI.	**Net balance of cash and cash equivalents at the end of the year**	15,604,627	36,863,970

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

Notes to Financial Statements

31 December 2024
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 integrate d telecommunications and IT solutions with a full range of end-to-end ICT products and solutions integrating design, development, production, sales and services with a special focus on carriers' networks, government and corporate business and consumer business.

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

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

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

The financial statements are prepared on a going concern basis.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

1. Statement of compliance

The financial statements represent a true and complete reflection of the financial position of the Company and the Group as at 31 December 2024 and their results of operations and cash flows for 2024 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.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

3. Reporting currency

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

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

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 individually made bad debt provision for various receivables and with an amount exceeding RMB100 million
The amount of material bad debt provision for receivables recovered or reversed	Individual amount recovered or reversed accounting for more than 10% of the total amount of various receivables and with an amount exceeding RMB100 million
Effective verified write-off of material receivables	Individual verified write-off amount accounting for more than 10% of the total amount of bad debt provision for receivables and with an amount exceeding RMB100 million
Material change to carrying value of contract assets	Individual amount of change accounting for 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

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 research project in progress externally acquired	Individual project accounting for more than 10% of the total amount of R&D investment
Material change to contract	Varied/adjusted amount accounting for 30% or more of the original contract amount and accounting for 1% or more of the total amount of income for the current period
Material investing activities	Individual investing accounting for more than 10% of the total amount of cash inflow or outflow received or paid in relation to investing activities and with an amount exceeding RMB1,000 million
Material joint ventures or associates	Carrying value of long-term investment in an individual investee accounting for more than 5% of the Group's net assets and with an amount exceeding RMB1,000 million, or investment income or loss of long-term equity investment under equity method exceeding 10% of the Group's consolidated net profit
Material subsidiaries	Net assets of subsidiary accounting for more than 5% of the Group's net assets or net profit of subsidiary accounting for more than 10% of the Group's consolidated net profit
Material activities not involving current cash income and expenditure	Activities not involving current cash income and expenditure and having effect on current statements of more than 10% of net assets or expected to have an impact on future cashflow of more than 10% of corresponding total cash inflow or outflow

5. Business combination

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

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

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

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

6. Consolidated financial statements

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

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

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

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

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

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

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

7. Classification of joint venture arrangements and joint operation

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

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

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

8. Cash and cash equivalents

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

9. Foreign currency translation

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

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

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

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

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments

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

(1) Recognition and derecognition of financial instruments

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

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

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

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

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

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

(2) Classification and measurement of financial assets

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

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

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

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

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

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

i. Debt instruments at amortised cost

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

ii. Debt instrument at fair value through other comprehensive income

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

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

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

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

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

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

(3) Classification, recognition and measurement of financial liabilities

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

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

i. Financial liabilities at fair value through profit or loss

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

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

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

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

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

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

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

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

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

ii. Financial liabilities at amortised cost

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

(4) Impairment of financial instruments

Determination and accounting treatment of expected credit losses

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

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

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

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

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

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

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

(4) Impairment of financial instruments (continued)

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

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

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

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

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

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

Verified write-off of provision for impairment

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

(5) Offsetting of financial instruments

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

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

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

(6) Financial guarantee contracts

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

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

(7) Derivative financial instruments

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

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

11. Inventories

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

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

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

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

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

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

Contract costs classified as current assets are shown under inventories.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

12. Investment in associates and joints

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

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

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

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

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

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

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III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

12. Investment in associates and joints (continued)

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

13. Investment properties

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

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

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

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

RMB'000

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 carrying amount of the property, plant and equipment if the above recognition criteria are met, and the carrying value of the replaced part is derecognised; otherwise, those expenditures are recognised in profit or loss as incurred.

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

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

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

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

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

17. Intangible assets

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

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

The Group classifies the expenses for internal research and development as research costs and development costs. R&D investment is the expense directly related to R&D activities, including remuneration of R&D staff, R&D materials, depreciation cost, technological cooperation fee and assessment and testing fee, etc. Research costs are charged to the current profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalised and deferred only when 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 technical and financial 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. Product development expenditure which does not meet these criteria is expensed in current profit or loss when incurred.

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

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

18. Provisions

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

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

19. Share-based payments

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

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

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

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

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.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

20. Revenue from customer contracts (continued)

(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.

(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.

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)

(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.

(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.

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III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

21. Contract assets and contract liabilities

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

(1) Contract assets

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

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

(2) Contract liabilities

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

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.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

22. Assets relating to contract cost (continued)

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 or loss shall be directly set off against related costs.

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.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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.

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.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

25. Leases

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

(1) As a lessee

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

At the inception of a lease term, the right to use lease assets during the lease term is recognised as right-of-use assets and is initially measured at cost. 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.

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

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

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III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

25. Leases (continued)

(2) As a lessor

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

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

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

26. Impairment

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

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

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

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

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

26. Impairment (continued)

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.

(3) Retirement benefit (defined benefit scheme)

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

(4) Termination benefits

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

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

27. Employee remuneration (continued)

(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.

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 a foreign currency risk in an unrecognised firm commitment.

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

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

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

30. Hedge accounting (continued)

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.

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.

31. Significant accounting judgements and estimates

The preparation of financial statements requires judgement, estimation and assumption of the management. Such judgement, estimation and assumption 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.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

31. Significant accounting judgements and estimates (continued)

(1) Judgement

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

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

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

(b) Performance of obligation at a point of time

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

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

31. Significant accounting judgements and estimates (continued)

(1) Judgement (continued)

(c) Business model

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

(d) Characteristics of contract cash flow

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

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

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

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

31. Significant accounting judgements and estimates (continued)

(1) Judgement (continued)

(f) Derecognition of financial assets

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

(2) Estimation uncertainty

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

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

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

An impairment loss is recognised when the carrying amount of property, plant and equipment, construction in progress and intangible assets exceeds the recoverable amount. The carrying amount is written down to the recoverable amount and the 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.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

31. Significant accounting judgements and estimates (continued)

(2) Estimation uncertainty (continued)

(c) Depreciation and amortisation

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

(d) Deferred tax assets

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

(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.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

31. Significant accounting judgements and estimates (continued)

(2) Estimation uncertainty (continued)

(g) Warranty

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

(h) Fair value estimates of investment properties

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

(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.

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III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

31. Significant accounting judgements and estimates (continued)

(2) Estimation uncertainty (continued)

(j) Incremental loan interest rate of lessee

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

32. Change in accounting policies and accounting estimates

(1) Change in accounting policies

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

The major impact of retrospective adjustments made to the financial statements in line with the aforesaid change in accounting policy is set out below:

Group

2024

	Prior to change of accounting policy Amount for the year	**After change of accounting policy Amount for the year**
Selling and distribution costs	**8,957,378**	**8,900,503**
Operating cost	**75,254,191**	**75,311,066**

2023

	Prior to change of accounting policy Amount for the year	After change of accounting policy Amount for the year
Selling and distribution costs	10,171,866	10,119,542
Operating cost	72,650,278	72,702,602

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III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

32. Change in accounting policies and accounting estimates (continued)

(1) Change in accounting policies (continued)

Company

2024

	Prior to change of accounting policy Amount for the year	After change of accounting policy Amount for the year
Selling and distribution costs	6,218,058	6,171,831
Operating cost	111,169,291	111,215,518

2023

	Prior to change of accounting policy Amount for the year	After change of accounting policy Amount for the year
Selling and distribution costs	6,912,693	6,872,519
Operating cost	110,477,624	110,517,798

IV TAXATION

1. Principal tax items and tax rates

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

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IV TAXATION (continued)

2. Tax concession

Company name	Concessionary tax rate	Applicable period
ZTE Corporation	15% (National-grade hi-tech enterprise)	2023–2025
Shenzhen Zhongxing Software Company Limited	15% (National-grade hi-tech enterprise)	2023–2025
Shanghai Zhongxing Software Company Limited	15% (National-grade hi-tech enterprise)	2023–2025
Xi'an Zhongxing New Software Company Limited	15% (National-grade hi-tech enterprise)	2023–2025
Zonson Smart Auto Corporation	15% (National-grade hi-tech enterprise)	2024–2026
Sanechips Technology Co., Ltd.	15% (National-grade hi-tech enterprise)	2023–2025
Chongqing Zhongxing Software Company Limited	15% (National-grade hi-tech enterprise)	2023–2025
Guangdong Zhongxing Newstart Technology Co., Ltd.	15% (National-grade hi-tech enterprise)	2023–2025
Shenzhen Zhongxing Telecom Technology & Service Company Limited	15% (National-grade hi-tech enterprise)	2022–2024
Xi'an ZTE Terminal Technology Limited	15% (Concessions under the West China Development Policy)	2021–2030
CRS Technology Co., Ltd.	15% (National-grade hi-tech enterprise)	2024–2026
Nanjing Zhongxing Software Company Limited	15% (National-grade hi-tech enterprise)	2023–2025
Nanjing Zhongxing New Software Company Limited	15% (National-grade hi-tech enterprise)	2024–2026
Wuhan Zhongxing Software Company Limited	15% (National-grade hi-tech enterprise)	2022–2024
JINZHUAN Information Technology Co., Ltd.	15% (National-grade hi-tech enterprise)	2023–2025
Xi'an ZTE IoT Terminal Co., Ltd.	15% (Concessions under the West China Development Policy)	2021–2030
Beijing Zhongxing Guangtai Software Company Limited	15% (National-grade hi-tech enterprise)	2023–2025
ZXCLAA Technology (SuZhou) Co., Ltd.	15% (National-grade hi-tech enterprise)	2022–2024
Nanjing Zhongxing Jinyi Digital Technology Co., Ltd	15% (National-grade hi-tech enterprise)	2024–2026
Nubia Technology Co., Ltd.	15% (National-grade hi-tech enterprise)	2023–2025
Shenzhen Zhongxing Mobile Telecom Software Co., Ltd.	15% (National-grade hi-tech enterprise)	2022–2024
ShenZhen Zhongxing Seecom Tech. Co., Ltd.	15% (National-grade hi-tech enterprise)	2024–2026
Shenzhen ZTEICT Technology Co., Ltd.	15% (National-grade hi-tech enterprise)	2023–2025
Changsha Zhongxing Software Company Limited	15% (National-grade hi-tech enterprise)	2022–2024

Notes to Financial Statements

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Currency cash

	2024	2023
Cash on hand	**1,453**	2,034
Bank Deposit	**41,694,594**	77,252,663
Other currency cash	**2,189,301**	1,288,522
Total	**43,885,348**	78,543,219
Including: Total amount of cash placed overseas	**2,181,928**	3,767,355

As at 31 December 2024, the Group's cash placed overseas and subject to remittance restrictions amounted to RMB32,746,000 (31 December 2023: RMB81,955,000).

2. Trading financial assets

	2024	2023
Investment in equity instrument at fair value through current profit and loss	**108,117**	153,285
Financial products	**13,660,664**	—
Total	**13,768,781**	153,285

3. Derivative financial assets

	2024	2023
Fair-value hedging instrument (Note IX.3)	**166,082**	—
Cashflow hedging instrument (Note IX.3)	**73**	—
Derivative financial assets at fair value through current profit or loss	**7,284**	85,341
Total	**173,439**	85,341

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

	2024	2023
Not overdue	**14,143,256**	17,409,393
Within 1 year	**6,761,054**	3,207,010
1 year to 2 years	**1,207,776**	1,299,538
2 years to 3 years	**705,094**	759,316
Over 3 years	**4,982,337**	5,102,441
	27,799,517	27,777,698
Less: bad debt provision	**6,511,124**	6,956,172
Total	**21,288,393**	20,821,526

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

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

(2) Analysed by method of bad-debt provision

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**

2023

	Book balance		Bad debt provision		Book value
	Amount	Percentage	Amount	Percentage	
Standalone provision for impairment	1,900,628	6.84%	1,900,628	100.00%	–
Recognition of provision for impairment by group with credit risk characteristics	25,877,070	93.16%	5,055,544	19.54%	20,821,526
Total	27,777,698	100.00%	6,956,172	25.04%	20,821,526

As at 31 December 2024, bad debt provisions for trade receivables on a group basis were as follows:

	Book balance	Provision for impairment	Percentage of provision
Not overdue	**14,143,101**	**111,850**	**0.79%**
Within 1 year	**6,667,645**	**342,021**	**5.13%**
1–2 years	**1,203,295**	**420,956**	**34.98%**
2–3 years	**683,757**	**534,578**	**78.18%**
Over 3 years	**3,209,381**	**3,209,381**	**100.00%**
Total	**25,907,179**	**4,618,786**	**17.83%**

RMB'000

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

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

(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
31 December 2024	**6,956,172**	**(114,773)**	**(267,858)**	**(62,417)**	**6,511,124**

For 2024, RMB4,272,000 (2023: RMB51,446,000) 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 RMB146,000 (2023: RMB12,600,000) in respect of trade receivables which were individually significant and for which bad-debt provision had been made separately.

(4) Top 5 accounts of trade receivables and contract assets as at 31 December 2024

	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	**4,254,749**	**1,094,217**	**5,348,966**	**16.20%**	**22,082**
Customer 2	**2,576,463**	**724,623**	**3,301,086**	**10.00%**	**13,838**
Customer 3	**2,404,232**	**438,149**	**2,842,381**	**8.61%**	**27,132**
Customer 4	**1,055,412**	**52,826**	**1,108,238**	**3.36%**	**384,685**
Customer 5	**525,179**	**432**	**525,611**	**1.59%**	**17,688**
Total	**10,816,035**	**2,310,247**	**13,126,282**	**39.76%**	**465,425**

(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 2024, factored trade receivables amounted to RMB6,498,000 (31 December 2023: RMB3,503,000); and bank advances on factored trade receivables amounted to RMB6,498,000 (31 December 2023: RMB3,687,000). For details of the transfer of trade receivables, please refer to Note IX.4.

(a) Factored trade receivables

	31 December 2024			31 December 2023		
	Book balance	**Bad debt provision**	**Carrying value**	Book balance	Bad debt provision	Carrying value
Factored trade receivables	**6,498**	**–**	**6,498**	3,687	184	3,503

(b) Movements in bad debt provision for factored trade receivables

	Opening balance	Charge/(reversal) for the year	Write-off for the year	Effect of exchange rate	Closing balance
31 December 2024	**184**	**(184)**	**–**	**–**	**–**

RMB'000

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

4B. Receiving financing

	2024	2023
Commercial acceptance bills	3,971,445	2,862,982
Bank acceptance bills	271,596	1,211,096
Total	4,243,041	4,074,078

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:

	2024		2023	
	Derecognised	Not derecognised	Derecognised	Not derecognised
Commercial acceptance bills	1,578,773	–	1,734	–
Bank acceptance bills	981,970	–	–	–
Total	2,560,743	–	1,734	–

(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
2024	2,577	436	–	3,013

5. Prepayments

(1) Aging analysis of prepayments was as follows:

	2024		2023	
	Book balance	Percentage	Book balance	Percentage
Within 1 year	692,097	100.00%	242,440	100.00%

(2) Top 5 accounts of prepayments as at 31 December 2024 were as follows:

Supplier	Amount	As a percentage of total amounts of prepayments
Supplier 1	135,206	19.54%
Supplier 2	73,592	10.63%
Supplier 3	55,807	8.06%
Supplier 4	36,094	5.22%
Supplier 5	33,461	4.83%
Total	334,160	48.28%

RMB'000

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

6. Other receivables

	2024	2023
Other receivables	**2,597,585**	1,146,400

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

	2024	2023
Within 1 year	**2,625,903**	1,166,132
1 year to 2 years	**64,439**	206,410
2 years to 3 years	**137,606**	101,619
Over 3 years	**204,137**	138,371
	3,032,085	1,612,532
Less: Bad debt provision for other receivables	**434,500**	466,132
Total	**2,597,585**	1,146,400

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

	2024	2023
Staff reserve funds	**11,581**	4,690
Current transactions	**3,020,504**	1,607,842
Total	**3,032,085**	1,612,532

(3) ***Charge of bad debt provision***

2024

	Book balance		**Bad debt provision**		**Book value**
	Amount	**Percentage**	**Amount**	**Percentage**	
Recognition of provision for impairment by group with credit risk characteristics	**3,032,085**	**100.00%**	**434,500**	**14.33%**	**2,597,585**

As at 31 December 2024, bad debt provisions for other receivables on a group basis were as follows:

	Book balance	**Provision for impairment**	**Percentage of provision**
Aging risk portfolio	**3,032,085**	**434,500**	**14.33%**

RMB'000

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

6. Other receivables (continued)

(3) Charge of bad debt provision (continued)

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 were as follows:

	Stage 1 Expected credit losses in the next 12 months	Stage 2 Expected credit losses during the entire life (credit loss not incurred)	Stage 3 Financial assets with credit impairment occurred (credit losses incurred)	Total
Opening balance	2,101	–	464,031	466,132
Charge for the year	3,021	–	72,634	75,655
Reversal for the year	–	–	(69,900)	(69,900)
Verified write-off for the year	–	–	(34,613)	(34,613)
Exchange rate effect	–	–	(2,774)	(2,774)
Closing balance	**5,122**	**–**	**429,378**	**434,500**

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	**466,132**	**5,755**	**(34,613)**	**(2,774)**	**434,500**

(4) As at 31 December 2024, top five accounts of other receivables were as follows:

	Closing balance	As a percentage of the total amount of other receivables	Nature	Age	Closing balance of bad debt provision
Third-party entity 1	1,389,995	45.84%	Transactions with third parties	Within 1 year	3,470
Third-party entity 2	116,623	3.85%	Transactions with third parties	2–3 years	116,623
Third-party entity 3	92,000	3.03%	Transactions with third parties	Over 3 years	92,000
Third-party entity 4	39,469	1.30%	Transactions with third parties	Within 1 year	182
Third-party entity 5	19,970	0.66%	Transactions with third parties	2–3 years	18,039
Total	1,658,057	54.68%			230,314

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

7. Inventories

(1) Classification of inventories

	2024			2023		
	Book balance	**Provision for impairment**	**Carrying value**	Book balance	Provision for impairment	Carrying value
Raw materials and materials under subcontract processing	**26,549,462**	**3,747,848**	**22,801,614**	29,063,295	3,171,930	25,891,365
Work in progress	**2,942,300**	**50,466**	**2,891,834**	2,585,816	40,641	2,545,175
Inventories	**3,170,755**	**321,697**	**2,849,058**	2,908,425	310,209	2,598,216
Dispatch of goods	**7,985,425**	**664,133**	**7,321,292**	6,795,052	785,023	6,010,029
Contract performance costs	**5,919,759**	**525,900**	**5,393,859**	4,816,828	730,354	4,086,474
Total	**46,567,701**	**5,310,044**	**41,257,657**	46,169,416	5,038,157	41,131,259

(2) Provision for impairment of inventories

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

	Opening balance	**Charge/ (reversal) for the year**	**Transfer for the year**	**Others**	**Closing balance**
Raw materials and materials under subcontract processing	**3,171,930**	**575,938**	**0**	**(20)**	**3,747,848**
Work in progress	**40,641**	**9,862**	**(50)**	**13**	**50,466**
Inventories	**310,209**	**37,792**	**(1,260)**	**(25,044)**	**321,697**
Dispatch of goods and contract performance costs	**1,515,377**	**(29,701)**	**(294,348)**	**(1,295)**	**1,190,033**
Total	**5,038,157**	**593,891**	**(295,658)**	**(26,346)**	**5,310,044**

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

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

7. Inventories (continued)

(2) Provision for impairment of inventories (continued)

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

	2024 Book balance	2024 Provision for impairment	2024 Percentage of provision	2023 Book balance	2023 Provision for impairment	2023 Percentage of provision
Terminal products	**3,828,634**	**311,861**	**8.15%**	3,139,812	261,637	8.33%
Non-terminal products						
Raw materials	**25,150,320**	**3,566,426**	**14.18%**	27,797,811	3,023,916	10.88%
Work in progress	**2,430,627**	**40,865**	**1.68%**	2,231,609	32,349	1.45%
Inventories	**1,435,269**	**200,859**	**13.99%**	1,620,792	204,879	12.64%
Dispatch of goods and contract performance costs	**13,722,851**	**1,190,033**	**8.67%**	11,379,392	1,515,376	13.32%
Total	**46,567,701**	**5,310,044**	**11.40%**	46,169,416	5,038,157	10.91%

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

8. Contract assets

(1) Information on contract assets

	2024 Book balance	2024 Provision for impairment	2024 Carrying value	2023 Book balance	2023 Provision for impairment	2023 Carrying value
Contract assets	**5,215,711**	**243,637**	**4,972,074**	5,161,577	316,603	4,844,974

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.

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

8. Contract assets (continued)

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

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

2023

	Book balance		Provision for impairment		Book value
	Amount	Percentage	Amount	Percentage	
Standalone provision for impairment	125,755	2.44%	125,755	100.00%	–
Recognition of provision for impairment by group with credit risk characteristics	5,035,822	97.56%	190,848	3.79%	4,844,974
Total	5,161,577	100.00%	316,603	6.13%	4,844,974

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

	2024				2023	
	Book balance	Bad debt provision	Percentage of provision	Reason	Book balance	Provision for impairment
Customer 1	42,745	42,745	100%	Significant financial difficulty experienced by the debtors	42,745	42,745
Customer 2	37,351	37,351	100%	Significant financial difficulty experienced by the debtors	36,441	36,441
Others	25,305	25,305	100%	Significant financial difficulty experienced by the debtors	46,569	46,569
Total	105,401	105,401			125,755	125,755

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

8. Contract assets (continued)

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

(b) As at 31 December 2024, 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	5,110,310	138,236	2.71%
Total	5,110,310	138,236	

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

	Opening balance	Provision/ (reversal) for the year	Write-back for the year	Exchange rate movements	Closing balance
2024	316,603	(71,529)	–	(1,437)	243,637

9. Debt investment

	31 December 2024			31 December 2023		
	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	25,068,445	–	25,068,445	–	–	–
Total	25,068,445	–	25,068,445	–	–	–

Note: Large-amount certificates of deposit refer to large-amount deposit certificates issued by banking deposit-taking financial institutions to individuals, non-financial enterprises, government agencies, and other entities, representing a type of bank deposit product. As of 31 December 2024, debt investments held by the Group basically consist of large-amount certificates of deposit with maturities ranging from 2 to 3 years.

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

(1) Long-term receivables

	2024			2023			Range of discount rate
	Book Balance	Bad debt provision	Carrying value	Book Balance	Bad debt provision	Carrying value	
Installment payments for the provision of telecommunication system construction projects	885,890	51,918	833,972	2,048,547	34,988	2,013,559	3.10%–7.05%

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

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

(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 2024	**34,988**	**16,865**	**–**	**65**	**51,918**

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 5.86%.

(3) Transfer of long-term receivables

Transfer of long-term trade receivables that did not qualify for derecognition was separately classified as "Factored long-term trade receivables" and "Bank advances on factored long-term trade receivables". For 2024, factored trade receivables amounted to RMB8,664,000 (2023: RMB10,509,000) and bank advances on factored trade receivables amounted to RMB8,664,000 (2023: RMB11,062,000). For details of the transfer of long-term receivables, please refer to Note IX.4.

(a) Factored long-term receivables

	2024			2023		
	Book balance	**Bad debt provision**	**Carrying value**	Book balance	Provision for impairment	Carrying value
Factored long-term receivables	**8,664**	**–**	**8,664**	11,062	553	10,509

(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
2024	**553**	**(553)**	**–**	**–**	**–**

11. Investment in associates and joints

(1) Information on investment in associates and joints

		2024	2023
Equity method			
Joint ventures	(i)	**1,025,780**	856,886
Associates	(ii)	**1,425,314**	1,417,922
Less: Provision for impairment of investment in associates and joints		**117,258**	117,258
Total		**2,333,836**	2,157,550

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

11. Investment in associates and joints (continued)

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

(i) Joint Ventures

			Movement during the year								
	Shareholding percentage	Opening book balance	Increase of investment	Decrease of investment and other outgoing transfer	Investment gains/losses under equity method	Other comprehensive income	Other equity movement	Cash dividend	Charge of provision for impairment	Closing book balance	Provision for impairment as at the end of the year
Puxing Mobile Telecom Equipment Co., Ltd.	33.85%	10,752	–	–	(9,545)	–	–	–	–	1,207	–
DataService Technology Co., Ltd.	49.00%	36,054	–	–	5,997	–	–	(2,309)	–	39,742	–
Shaanxi Zhongtou Zhanlu Phase I Equity Investment Partnership Enterprise (Limited Partnership)	40.00%	68,163	–	(2,194)	(2,569)	–	–	–	–	63,400	–
Shaanxi Zhongtou Zhanlu Phase II Equity Investment Partnership Enterprise (Limited Partnership)	40.25%	60,722	32,200	–	11,949	–	–	–	–	104,871	–
Zhuhai Hongtu Zhanlu Equity Investment Partnership Enterprise (Limited Partnership)	40.00%	587,920	–	–	136,092	–	–	–	–	724,012	–
Beijing Shunyi Jianguang Zhanlu Emerging Industry Equity Investment Partnership (Limited Partnership)	58.75%	93,275	–	–	(727)	–	–	–	–	92,548	–
		856,886	32,200	(2,194)	141,197	–	–	(2,309)	–	1,025,780	–

(ii) Associates

			Movement during the year								
	Shareholding percentage	Opening book balance	Increase of investment	Decrease of investment and other outgoing transfer	Investment gains/losses under equity method	Other comprehensive income	Other equity movement	Cash dividend	(Charge)/ transfer out of provision for impairment	Closing book balance	Provision for impairment as at the end of the year
HENGYANG ICT REAL-ESTATE CO., LTD	30.00%	–	–	–	–	–	–	–	–	–	(52,446)
WHALE CLOUD TECHNOLOGY CO., LTD.	27.62%	1,051,414	–	–	31,245	(1,263)	–	–	–	1,081,396	–
Jetflow Technologies Co., Ltd	31.69%	10,899	–	–	(7,189)	–	–	–	–	3,710	(19,877)
Xingyun Times Technology Co., Ltd.	23.26%	121,441	–	–	(6,303)	–	–	–	–	115,138	–
Zhongxing (Wenzhou) Urban Rail Transportation Communication Technical Co. Ltd.	45.9%	37,036	–	–	5,022	–	–	–	–	42,058	–
Qingdao Hongtu Zhanlu Phase II Private Equity Investment Fund Partnership (Limited Partnership)	33.33%	60,436	–	–	(1,097)	–	–	–	–	59,339	–
Other investments		19,438	–	(10,670)	(2,188)	–	–	(165)	–	6,415	(44,935)
		1,300,664	–	(10,670)	19,490	(1,263)	–	(165)	–	1,308,056	(117,258)

(2) Provision for impairment of investment in associates and joints

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

12. Other non-current financial assets

	2024	2023
Financial assets at fair value through current profit and loss	715,761	831,930

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

13. Investment properties

	Buildings and land use rights
Opening balance	1,473,823
Fair value change (Note V.52)	(150,378)
Acquisition	–
Other transfers	(1,224,400)
Closing balance	99,045

During the year, the Group leased buildings of the investment properties to related parties and other non-related parties.

As at 31 December 2024, no investment properties (31 December 2023: RMB818,000,000) had yet to obtain title registration certificates.

14. Property, plant and equipment

	Buildings and structures	Freehold land	Electronic equipment	Machinery equipment	Vehicles	Other equipment	Total
Cost							
Opening balance	11,589,238	34,217	8,627,399	2,970,453	234,950	373,270	23,829,527
Acquisitions	127,734	–	1,488,943	279,393	5,994	86,025	1,988,089
Transfer from construction in progress/others	1,335,774	–	–	–	–	–	1,335,774
Disposal or retirement	(266,951)	–	(601,287)	(147,808)	(17,776)	(38,686)	(1,072,508)
Exchange rate adjustments	(19,034)	(6,718)	(9,074)	5,500	366	(1,753)	(30,713)
Closing balance	12,766,761	27,499	9,505,981	3,107,538	223,534	418,856	26,050,169
Cumulative depreciation							
Opening balance	2,995,983	–	5,078,798	1,951,089	132,853	258,240	10,416,963
Provision	551,366	–	1,369,860	225,768	13,843	40,424	2,201,261
Disposal or retirement	(61,486)	–	(572,127)	(100,503)	(14,795)	(10,560)	(759,471)
Exchange rate adjustments	(11,766)	–	(7,087)	4,602	312	(474)	(14,413)
Closing balance	3,474,097	–	5,869,444	2,080,956	132,213	287,630	11,844,340
Provision for impairment							
Opening balance	33,337	–	1,274	5,511	–	78	40,200
Provision	–	–	–	–	–	–	–
Disposal or retirement	(12,562)	–	–	–	–	–	(12,562)
Exchange rate adjustments	–	–	(228)	–	–	–	(228)
Closing balance	20,775	–	1,046	5,511	–	78	27,410
Book value							
As at the end of the year	9,271,889	27,499	3,635,491	1,021,071	91,321	131,148	14,178,419
As at the beginning of the year	8,559,918	34,217	3,547,327	1,013,853	102,097	114,952	13,372,364

As at 31 December 2024, 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 RMB4,508,863,000 (31 December 2023: RMB3,824,428,000).

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

15. Construction in progress

Changes in major construction in progress as at 2024 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	688,251	297,640	40,459	–	–	–	338,099	Internal funds	49%	Under construction
Others		690,163	277,704	620,590	–	–	347,277	Internal funds		Under construction
		987,803	318,163	620,590	–	–	685,376			

As at 31 December 2024, there was no capitalised interest in the balance of the construction in progress (31 December 2023: 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.

	2024	2023
Interest expense on lease liabilities	79,784	68,147
Short-term leases through current profit or loss using simplified approach	102,147	165,094
Total cash outflow relating to leases	511,799	631,619

(a) Rights-of-use assets

	Buildings and structures	Vehicles	Other equipment	Total
Cost				
Opening balance	1,872,192	74,137	480,533	2,426,862
Increase	288,946	16,019	127,146	432,111
Decrease	(5,472)	(2,714)	(12,395)	(20,581)
Exchange rate adjustment	(7,817)	(2,007)	(310)	(10,134)
Closing balance	2,147,849	85,435	594,974	2,828,258
Cumulative depreciation				
Opening balance	793,052	57,193	19,304	869,549
Charge	313,808	3,523	113,402	430,733
Decrease	(3,166)	(2,714)	(12,395)	(18,275)
Exchange rate adjustment	(4,105)	(1,054)	(163)	(5,322)
Closing balance	1,099,589	56,948	120,148	1,276,685
Book value				
As at the end of the year	1,048,260	28,487	474,826	1,551,573
As at the beginning of the year	1,079,140	16,944	461,229	1,557,313

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

16. Leases (continued)

(1) As lessee (continued)

(b) Lease liabilities

Lease liabilities due within one year are showed under non-current liabilities due within one year, amounting to RMB544,777,000 as at 31 December 2024 (31 December 2023: RMB522,989,000).

Long-term lease liabilities were set out as follows:

	2024	2023
Lease liabilities	972,943	960,459

(2) As lessor

(a) Finance leasing:

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

	2024	2023
Interest income from finance leases	55,133	72,852

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

	2024	2023
Within 1 year	1,482,270	440,000
Over 1 year	—	1,482,270
Less: unrealised finance income	98,170	107,400
Lease investment, net	1,384,100	1,814,870

(b) Operating lease:

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

	2024	2023
Lease income	110,875	113,828

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

	2024	2023
Within 1 year (including 1 year)	182,329	111,291
1 to 2 years (including 2 years)	89,166	109,989
2 to 3 years (including 3 years)	69,553	52,811
3 to 4 years (including 4 years)	55,900	50,769
4 to 5 years (including 5 years)	40,684	42,190
More than 5 years	185,268	200,937
	622,900	567,987

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

17. Intangible assets

	Software	Technology know-how	Land use right	Franchise	Deferred development costs	Total
Cost						
Opening balance	1,426,264	460,093	2,748,597	2,136,843	20,085,052	26,856,849
Acquisition	586,460	–	154,602	64,919	–	805,981
In-house R&D	–	–	–	–	1,184,420	1,184,420
Disposal or retirement	(195,598)	–	(28,287)	–	–	(223,885)
Exchange rate adjustments	7,190	–	–	(13,348)	–	(6,158)
Closing balance	1,824,316	460,093	2,874,912	2,188,414	21,269,472	28,617,207
Cumulative amortization						
Opening balance	851,957	345,040	544,616	1,551,814	14,989,720	18,283,147
Provision	322,147	17,373	71,582	71,663	1,957,838	2,440,603
Disposal or retirement	(192,281)	–	(6,460)	–	–	(198,741)
Exchange rate adjustments	4,283	(1)	–	(997)	–	3,285
Closing balance	986,106	362,412	609,738	1,622,480	16,947,558	20,528,294
Provision for impairment						
Opening balance	90,987	81,359	–	546,144	157,766	876,256
Provision	–	–	–	–	53,710	53,710
Disposal or retirement	(69)	–	–	–	–	(69)
Exchange rate adjustments	1,739	–	–	(1,923)	–	(184)
Closing balance	92,657	81,359	–	544,221	211,476	929,713
Book value						
As at the end of the year	745,553	16,322	2,265,174	21,713	4,110,438	7,159,200
As at the beginning of the year	483,320	33,694	2,203,981	38,885	4,937,566	7,697,446

As at 31 December 2024, the Group was in the process of obtaining the land use right certificate of land blocks located in Nanjing in the PRC with a carrying value of approximately RMB85,838,000 (31 December 2023: RMB87,373,000).

As at 31 December 2024, intangible assets formed through internal research and development accounted for 57% (31 December 2023: 64%) of the book value of intangible assets as at the end of the year.

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.

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

17. Intangible assets (continued)

	Carrying value	Recoverable amount	Impairment amount	Method for determining fair value and disposal cost
Project 1	1,008	–	1,008	Product taken off from market and fair value assessed by Company to be 0
Project 2	11,976	–	11,976	
Project 3	8,845	–	8,845	
Project 4	11,337	–	11,337	
Project 5	8,976	–	8,976	
Project 6	11,568	–	11,568	
Total	53,710	–	53,710	

18. Development costs

For details, 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	–	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
Provision for impairment					
Opening balance	186,206	33,500	89,763	–	309,469
Increase during the year	–	–	–	–	–
Decrease during the year	–	–	–	–	–
Exchange rate movement	–	–	–	–	–
	186,206	33,500	89,763	–	309,469
Carrying value	–	–	–	14,425	14,425

The Group acquired ZTE Hotel Shenzhen Investment & Management Company Limited in September 2024, giving rise to goodwill amounting RMB14,425,000. For details, please refer to Note VII.1 — Business combination of entities not under common control.

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.	N/A

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

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

Goodwill arising from business combination was allocated to the Zonson Smart Auto Corporation asset group (Zhuhai Guangtong Bus Co., Ltd.), Suzhou Laxense Technology Co., Ltd. asset group, 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.

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

20. Deferred tax assets/liabilities

(1) Deferred tax assets which were not offset:

	2024		2023	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
Unrealised profits arising on consolidation	1,692,118	287,660	1,713,412	291,280
Provision for impairment for inventory and bad-debt provision	6,541,696	1,325,920	5,750,049	1,160,521
Estimated construction contract losses	1,631,655	244,748	2,069,862	310,479
Amortisation of development costs	4,261,206	627,239	4,198,715	622,217
Provision for warranties and returned goods	188,425	43,338	219,194	50,415
Long-term employee benefits payable	153,647	35,339	141,762	32,605
Deductible tax losses	3,403,202	535,406	3,867,771	599,883
Deferred income	966,677	221,395	1,709,991	382,136
Accruals	7,310,187	1,171,479	5,998,820	967,283
Lease liabilities	1,517,720	227,658	1,483,448	222,517
Total	27,666,533	4,720,182	27,153,024	4,639,336

(2) Deferred tax liabilities which were not offset:

	2024		2023	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Deferred tax liabilities				
Revaluation gain of investment properties	289,632	45,092	873,386	131,008
Investment in financial instruments through profit or loss at fair value	282,341	40,833	242,839	54,555
Fair-value adjustment of business combination not under common control	63,026	9,454	87,387	13,108
Rights-of-use assets	1,551,573	225,989	1,557,313	233,597
Others	622,513	93,377	926,733	139,010
Total	2,809,085	414,745	3,687,658	571,278

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

20. Deferred tax assets/liabilities (continued)

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

	2024		2023	
	Amount of set-off	**Amount after set-off**	Amount of set-off	Amount after set-off
Deferred tax assets	**324,094**	**4,396,088**	493,413	4,145,923
Deferred tax liabilities	**324,094**	**90,651**	493,413	77,865

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

	2024	2023
Deductible temporary differences	**10,453,634**	11,302,999
Deductible losses	**17,525,460**	13,078,567
Total	**27,979,094**	24,381,566

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

	2024	2023
2024	**–**	176,887
2025	**210,616**	238,231
2026	**446,463**	513,150
2027	**1,069,920**	1,529,174
2028 and beyond	**15,798,461**	10,621,125
Total	**17,525,460**	13,078,567

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

21. Non-current assets due within one year

	2024	2023
Debt investment	**3,085**	–
Total	**3,085**	–

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

22. Other current assets/other non-current assets

(1) Other current assets

	2024	2023
Prepaid output tax and credit tax available for set off	**8,698,292**	7,326,347
Others	**201,056**	132,181
Total	**8,899,348**	7,458,528

(2) Other non-current assets

	2024			2023		
	Book balance	**Provision for impairment**	**Carrying value**	Book balance	Provision for impairment	Carrying value
Prepayments for projects, equipment and land	**612,635**	**–**	**612,635**	698,055	–	698,055
Risk compensation fund	**41,003**	**–**	**41,003**	37,957	–	37,957
Guarantee deposit	**22,585**	**–**	**22,585**	22,575	–	22,575
Restricted cash (Note 1)	**3,357,328**	**–**	**3,357,328**	3,120,522	–	3,120,522
Prepaid income tax	**227,299**	**–**	**227,299**	198,662	–	198,662
Property Project (Note 2)	**1,516,604**	**356,270**	**1,160,334**	1,516,604	–	1,516,604
Others	**1,477,010**	**1,677**	**1,475,333**	1,310,368	743	1,309,625
Total	**7,254,464**	**357,947**	**6,896,517**	6,904,743	743	6,904,000

Note 1: Restricted funds represented deposits in an escrow account. For details, please refer to Note XIII.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	10	The recoverable amount is calculated based on the present value of future cash flows	Forecast period growth rate 4%–10% Discount rate 6% Perpetual growth rate 2.5%	The projected cash flows are based on a 10-year cash flow forecast approved by the Company's management

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

23. Assets under restrictions on ownership or right of use

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	Secured	Note 2
Intangible assets	160,790	134,796	Secured	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		

2023

	Book balance	Carrying value	Type of restriction	Status
Currency cash	1,288,522	1,288,522	Note 1	Note 1
Property, plant and equipment	505,437	441,677	Secured	Note 2
Intangible assets	160,790	138,012	Secured	Note 3
Other non-current assets — restricted cash	3,158,479	3,158,479	Note 4	Note 4
Total	5,113,228	5,026,690		

Note 1: As at 31 December 2024, the Group's cash subject to ownership or right-of-use restriction amounted to RMB2,189,301,000 (31 December 2023: RMB1,288,522,000), including guarantee of RMB541,046,000 (31 December 2023: RMB1,202,428,000), dues from the People's Bank of China of RMB1,619,625,000 (31 December 2023: RMB57,518,000) and others of RMB28,630,000 (31 December 2023: RMB28,576,000).

Note 2: As at 31 December 2024, property, plant and equipment with a total carrying value of RMB427,130,000 (31 December 2023: RMB441,677,000) were pledged to secure bank borrowing. No property, plant and equipment were pledged in connection with asset acquisitions (31 December 2023: Nil). The depreciation charge for 2024 of property, plant and equipment under security was RMB15,947,000 (31 December 2023: RMB16,587,000).

Note 3: As at 31 December 2024, intangible assets with a total carrying value of RMB134,796,000 (31 December 2023: RMB138,012,000) were pledged to secure bank borrowing. No intangible assets were pledged in connection with asset acquisitions (31 December 2023: Nil). The amortisation charge for 2024 of property, plant and equipment under security was RMB3,216,000 (31 December 2023: RMB3,216,000).

Note 4: As at 31 December 2024, restricted funds represented a RMB3,357,328,000 (31 December 2023: 3,120,522,000) deposit in an escrow account, the details of which are set out in Note XIII. The risk compensation fund under the arrangements for loans and factored trade receivables to be released after one year amounted to RMB41,003,000 (31 December 2023: RMB37,957,000).

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 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.

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

24. Short-term loans

		2024		2023	
		Original currency	**RMB equivalent**	Original currency	RMB equivalent
Credit loans	RMB	**80,346**	**80,346**	2,363,898	2,363,898
	USD	**50,205**	**366,248**	23,512	166,856
	EUR	**18,527**	**140,780**	19,750	155,269
	TRY	**—**	**—**	602,325	145,203
	KZT	**—**	**—**	95,000	1,483
Bills discounting loans	RMB	**2,515,316**	**2,515,316**	474,183	474,183
Letter of credit loans	RMB	**3,917,399**	**3,917,399**	4,130,000	4,130,000
Guaranteed loans[Note 1]	RMB	**—**	**—**	108,200	108,200
Secured loans[Note 2]	RMB	**6,981**	**6,981**	15,266	15,266
Total			**7,027,070**		7,560,358

There was no overdue borrowing as at 31 December 2024.

Note 1: The loan comprised mainly a bank loan extended to JINZHUAN Information Technology Co., Ltd. backed by the guarantee of ZTE Corporation, which had been repaid by the end of 2024.

Note 2: For details of the secured loans, please refer to Note V.34. Long-term loans Note 1.

25. Derivative financial liabilities

	2024	2023
Fair-value hedge instrument (Note IX.3)	**199,355**	—
Cash flow hedge instrument (Note IX.3)	**1,481**	1,315
Financial liabilities at fair value through current profit and loss	**17**	183,229
Total	**200,853**	184,544

26. Short-term bonds payable

	2024	2023
SCPs	**—**	5,012,890
Total	**—**	5,012,890

As at 31 December 2024, there was no short-term bonds payable.

27A. Bills payable

	2024	2023
Bank acceptance bills	**3,423,564**	5,700,328
Commercial acceptance bills	**7,535,770**	3,742,411
Total	**10,959,334**	9,442,739

As at 31 December 2024, there were no bills payable due and unsettled (31 December 2023: Nil).

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

27B. Trade payables

An aging analysis of the trade payables were as follows:

	2024	2023
0 to 6 months	21,472,734	17,796,855
6 to 12 months	346,905	171,120
1 year to 2 years	161,867	418,887
2 years to 3 years	137,877	99,710
Over 3 years	252,409	444,853
Total	22,371,792	18,931,425

As at 31 December 2024, there were no material trade payables aged over 1 year or overdue (31 December 2023: Nil).

28. Contract liabilities

	2024	2023
Contracted consideration received	12,859,416	14,889,658

Contract liabilities refer to the obligation to transfer goods to customers in consideration of payments received or receivable from customers. Contract liabilities are incurred when the payment schedule agreed under the contract is ahead of the performance of contract obligations.

29. 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	15,074,253	28,883,795	(27,697,793)	16,260,255
Retirement benefits (defined contribution scheme)	304,100	2,120,008	(2,121,619)	302,489
Termination benefits	798,566	410,553	(780,177)	428,942
Total	16,176,919	31,414,356	(30,599,589)	16,991,686

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

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

(1) Employee benefits payable (continued)

(a) Short-term remuneration analysed as follows:

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Salary, bonus and allowance	12,255,875	25,839,893	(25,018,284)	13,077,484
Staff welfare	15,104	19,604	(30,204)	4,504
Social insurance	104,073	1,208,454	(1,228,836)	83,691
Including: Medical	97,827	1,129,868	(1,148,622)	79,073
Work injuries	2,336	36,467	(36,914)	1,889
Maternity	3,910	42,119	(43,300)	2,729
Housing funds	44,024	966,281	(956,313)	53,992
Labour union fund and employee education fund	2,655,177	849,563	(464,156)	3,040,584
Total	15,074,253	28,883,795	(27,697,793)	16,260,255

(b) Defined contribution plans are analysed as follows:

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Pension insurance	300,025	2,042,491	(2,043,815)	298,701
Unemployment insurance	4,075	77,517	(77,804)	3,788
Total	304,100	2,120,008	(2,121,619)	302,489

(2) Long-term employee benefits payable

	2024	2023
Net liabilities from defined benefit plan	153,647	141,762

Change in the present value of obligations under defined benefit plan:

	2024	2023
Opening balance	141,762	144,874
Charged to current profit or loss		
Service cost	12,016	—
Interest expenses	3,455	3,895
Charged to other comprehensive income		
Benefit cost recognised in other comprehensive income	3,358	(985)
Pension paid	(6,944)	(6,022)
Closing balance	153,647	141,762

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

29. 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 the 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 2024.

(a) Major actuarial assumptions applied as at the balance sheet date were as follows:

	2024	2023
Discount rate	**1.75%**	2.50%
Expected salary increase rate	**5.50%**	5.50%

(b) A quantitative sensitivity analysis of significant assumptions applied was set out as follows:

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)**

2023

	Increase	Increase/ (decrease) in obligations under defined benefit plan	Decrease	Increase/ (decrease) in obligations under defined benefit plan
Discount rate	0.25%	(2,564)	0.25%	2,631
Expected salary increase rate	1.00%	6,458	1.00%	(6,045)

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.

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29. 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:

	2024	2023
Service cost	12,016	–
Net interest	3,455	3,895
Charged to expenses	15,471	3,895

30. Tax payable

	2024	2023
Value-added tax	423,641	370,284
Enterprise income tax	428,610	637,445
Including: PRC tax	217,756	472,166
Overseas tax	210,854	165,279
Personal income tax	192,740	283,872
City maintenance and construction tax	35,189	33,290
Education surcharge	27,629	29,058
Other taxes	97,209	59,144
Total	1,205,018	1,413,093

31. Other payables

	2024	2023
Dividend payables	–	6,400
Other payables	3,236,993	3,838,335
Total	3,236,993	3,844,735

(1) Dividend payables

	2024	2023
Dividend payables to minority shareholders	–	6,400

As at 31 December 2024, there were no dividend payables overdue for more than 1 year.

(2) Other payables

	2024	2023
Accruals	1,286,335	1,351,466
Deferred income from staff housing	25,464	73,737
Payables to external parties	1,388,630	1,938,142
Security deposits	319,760	236,822
Others	216,804	238,168
Total	3,236,993	3,838,335

As at 31 December 2024, there were no other payables of a material nature aged over 1 year or overdue.

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

32. Provisions

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Expected contract loss (Note)	**2,069,862**	**1,244,218**	**(1,682,425)**	**1,631,655**
Outstanding litigation	**358,409**	**61,442**	**(55,858)**	**363,993**
Provision for warranties	**140,497**	**113,225**	**(65,297)**	**188,425**
Total	**2,568,768**	**1,418,885**	**(1,803,580)**	**2,184,073**

Note: Unavoidable cost for the performance of contract in excess of expected economic benefits of the contract.

33. Non-current liabilities due within one year

	2024	2023
Long-term loans due within one year	**4,447,963**	1,676,430
Lease liabilities due within one year	**544,777**	522,989
Other non-current liabilities due within one year	**600,000**	802,179
Total	**5,592,740**	3,001,598

34. Long-term loans

		2024		2023	
		Original currency	**RMB equivalent**	Original currency	RMB equivalent
Credit loans	RMB	**44,005,921**	**44,005,921**	42,456,659	42,456,659
	USD	**2,165**	**15,791**	—	—
Secured loans[Note 1]	RMB	**37,203**	**37,203**	119,398	119,398
Total			**44,058,915**		42,576,057

As at 31 December 2024, the annual interest rate for the aforesaid loans was 1.65%–8.45% (31 December 2023: 1.72%–5.64%).

Note 1: The secured loan comprised mainly an RMB112,850,000 (2023: RMB154,573,000) loan extended to Zonson Smart Auto Corporation secured by land use rights and fixed assets with carrying values of RMB134,796,000 and RMB427,130,000, respectively, including short-term loans amounting to RMB6,981,000, long-term loans due within one year amounting to RMB68,666,000 and long-term loans amounting to RMB37,203,000. For details of the properties subject to the secured loan and their carrying value, please refer to Note V.23.

Aging analysis of bank loans

	2024	2023
Shown as:		
Bank loan repayable:		
Within 1 year	**11,475,033**	9,236,788
Within 2 years	**14,272,614**	17,962,009
Within 3–5 years, inclusive	**29,786,301**	20,471,048
Beyond 5 years	**–**	4,143,000
Total bank loans	**55,533,948**	51,812,845

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

35. Bonds payable

	2024	2023
Medium-term notes	**1,004,880**	–
Total	**1,004,880**	–

The balance of bonds payable as at 31 December 2024 is 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中興通訊MTN001 (科創票據)	500,000	2024/8/14	1826 days	500,000	–	500,000	2.25%	4,223	–	504,223	No
24中興通訊MTN002 (科創票據)	500,000	2024/12/5	1826 days	500,000	–	500,000	2.18%	657	–	500,657	No

36. Other non-current liabilities

	2024	2023
Deferred income relating to staff housing	**7,720**	8,507
Long-term payable	**3,709,802**	3,461,757
Financial liabilities through current profit or loss at fair value	**73,697**	43,148
Total	**3,791,219**	3,513,412

37. 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	**728**	**–**	**(70)**	**(70)**	**658**
Unrestricted shares	**4,782,524**	**283**	**70**	**353**	**4,782,877**
Total number of shares	**4,783,252**	**283**	**–**	**283**	**4,783,535**

Note: The total share capital of the Company was increased by 283,335 shares following the exercise of 283,335 A share options by scheme participants under the 2020 Share Option Scheme of the Company in 2024.

38. Capital reserves

	Opening balance	**Increase during the year**	**Decrease during the year**	**Closing balance**
Share premium (Note)	**26,403,231**	**12,734**	**(136,675)**	**26,279,290**
Share-based payment	**1,120,060**	**–**	**(3,251)**	**1,116,809**
Other capital investment	**80,000**	**–**	**–**	**80,000**
Total	**27,603,291**	**12,734**	**(139,926)**	**27,476,099**

Note: The share capital premium was increased by RMB9,483,000 following the exercise of the Company's share option incentives during the year representing the difference between the exercise price and the nominal value of the share capital; RMB3,251,000 was transferred from the capital reserve to the share capital premium; decreased by RMB135,666,000 following the capital increase by minority shareholders during the year; decreased by RMB1,009,000 following the acquisition of equity interests of minority shareholders during the year.

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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	(73,872)	(3,358)	(77,230)
Share of investee results in other comprehensive income under equity method which cannot be reclassified to profit or loss	44,350	–	44,350
Other comprehensive income that will be reclassified as profit or loss			
Effective portion of hedging instruments	(68,580)	598	(67,982)
Differences arising from foreign currency translation and others	(2,101,863)	(262,806)	(2,364,669)
Total	(2,199,965)	(265,566)	(2,465,531)

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	(3,358)	–	–	–	(3,358)	–
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	703	–	–	105	598	–
Differences arising from foreign currency translation and others	(262,543)	–	–	–	(262,806)	263
Total	(265,198)	–	–	105	(265,566)	263

40. Special reserve

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Safe production cost	53,394	105,418	(70,598)	88,214

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

41. Surplus reserves

	Opening balance	Opening balance as adjusted	Increase during the year	Decrease during the year	Closing balance
Statutory surplus reserves	**3,053,382**	**–**	**141**	**–**	**3,053,523**

In accordance with the Company Law of the PRC and the articles of associations, the Company is required to allocate 10% of their profit after tax to the statutory surplus reserve, until the accumulated statutory surplus reserve has reached 50% of the registered capital of the Company.

42. Retained profits

	2024	2023
Retained profits at the beginning of the year	**34,714,953**	27,308,621
Net profit attributable to shareholders of the parent	**8,424,792**	9,325,753
Surplus reserve	**(141)**	(23,571)
Distributions to shareholders	**(3,266,961)**	(1,895,850)
Retained profits at the end of the year	**39,872,643**	34,714,953

Profit distribution

	2024	2023
Dividend payable on ordinary shares approved, declared and distributed during the year	**3,266,961**	1,895,850
Proposed dividend payable on ordinary shares for 2024	**2,951,441**	–

Pursuant to the 2023 Profit Distribution Proposal passed at the 2023 Annual General Meeting of the Company held on 28 June 2024: a cash dividend of RMB6.83 (before tax) for per 10 shares or RMB0.683 (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 4,783,251,552 shares in issue as at the record date for profit distribution and dividend payment, the actual amount of profit distribution was RMB3,266,960,810.02 (before tax). The Company had completed the dividend payment in July 2024.

On 28 February 2025, pursuant to the 2024 Profit Distribution Proposal recommended by the Board, a cash dividend of RMB6.17 (before tax) per 10 shares or RMB0.617 per share (before tax) shall be paid based on the total share capital in issue as at the record date for profit distribution and dividend payment. The aforesaid matter is subject to consideration and approval at the general meeting. Based on the Company's total share capital of 4,783,534,887 shares in issue as at 28 February 2025, the total amount of actual profit distribution shall be RMB2,951,441,025.28. The finalized amount of profit distribution shall be subject to the total share capital in issue as at the record date for profit distribution and dividend payment.

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

43. Operating revenue and operating costs

	2024		2023	
	Revenue	**Cost**	Revenue	Cost (restated)
Principal business	**117,128,278**	**71,814,914**	120,588,521	69,949,593
Other business	**4,170,474**	**3,496,152**	3,662,357	2,753,009
Total	**121,298,752**	**75,311,066**	124,250,878	72,702,602

(1) Operating revenue is analysed as follows:

	2024	2023
Revenue from customer contract	**121,187,877**	124,137,050
Rental income — operating leases	**110,875**	113,828
Total	**121,298,752**	124,250,878

(2) Breakdown of revenue from customer contracts:

	2024	2023
Types of key products		
Sale of products	**47,325,190**	40,247,113
Provision of service	**10,630,367**	9,881,561
Telecommunications system contracts with customers	**63,232,320**	74,008,376
Total	**121,187,877**	124,137,050
Operating area		
PRC	**81,894,799**	86,371,512
Asia (excluding PRC)	**15,390,457**	14,131,004
Africa	**6,422,478**	6,221,506
Europe, America and Oceania	**17,480,143**	17,413,028
Total	**121,187,877**	124,137,050
Timing of transfer		
Transferred at a point in time	**110,557,510**	114,255,489
Transferred over a period	**10,630,367**	9,881,561
Total	**121,187,877**	124,137,050

Breakdown of operating cost for the year as follows:

	2024
Types of key products	
Sale of products	**36,638,069**
Provision of service	**5,008,581**
Telecommunications system contracts with customers	**33,664,416**
Total	**75,311,066**
Operating area	
PRC	**46,591,836**
Asia (excluding PRC)	**10,902,929**
Africa	**4,234,747**
Europe, America and Oceania	**13,581,554**
Total	**75,311,066**
Timing of transfer	
Transferred at a point in time	**70,302,485**
Transferred over a period	**5,008,581**
Total	**75,311,066**

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

43. Operating revenue and operating costs (continued)

(3) Revenue included in the opening book value of contract liabilities recognised for the year is set out as follows:

	2024	2023
Revenue included in the opening book value of contract liabilities recognised for the period	13,585,145	16,685,433

(4) 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	Per progress of service	Payment upon initial inspection and acceptance; Payment upon final inspection and acceptance	Mainly sales of installation services relating to communication equipment	Yes	Nil	Nil
Network construction – equipment sales and installation service that cannot be separately distinguished	Upon delivery	Payment upon delivery; Payment upon initial inspection and acceptance; Payment upon final inspection and acceptance	Mainly sales of integrated communication network solution	Yes	Nil	Service-based quality assurance

The contract payment is typically due within one year without any significant financing component. Certain contracts may offer variable consideration such as cash discount and price guarantee. Estimation on variable consideration is typically not subject to restrictions.

As at 31 December 2024, the estimated timing for performance obligation yet to be performed or yet to be completed which has been recognised as income is as follows:

	2024
Within 1 year	12,662,999
Over 1 year	7,372,811
Total	20,035,810

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

44. Taxes and surcharges

	2024	2023
City maintenance and construction tax	351,532	478,436
Education surcharge	252,180	347,360
Property tax	145,394	144,761
Stamp duty	286,450	226,030
Others	140,415	139,075
Total	1,175,971	1,335,662

45. Selling and distribution costs

	2024	2023 (restated)
Wages, welfare and bonuses (Note)	5,533,819	5,681,307
Advertising and promotion expenses	727,074	1,707,480
Service charges	247,982	516,796
Travelling expenses	788,073	783,037
Office expense	213,875	223,780
Others	1,389,680	1,207,142
Total	8,900,503	10,119,542

Note: Primarily referring to wages, welfare and bonuses for marketing and sales employees and customer service employees.

46. Administrative expenses

	2024	2023
Wages, welfare and bonuses	2,268,967	3,050,333
Office expenses	191,816	160,433
Amortization and depreciation charges	501,105	562,476
Travelling expenses	84,298	97,430
#Audit firm/Audit fees	11,800	11,801
Others	1,419,035	1,749,306
Total	4,477,021	5,631,779

47. Research and development expenses

	2024	2023
Wages, welfare and bonuses	16,514,025	17,817,017
Amortization and depreciation charges	3,120,263	3,314,216
Technical cooperation fee	1,375,013	1,186,053
Direct material costs	1,020,943	884,443
Office expenses	480,539	548,493
Others	1,520,716	1,538,989
Total	24,031,499	25,289,211

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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, research and development expenses and administration expenses by nature were as follows:

	2024	2023
Cost of goods and services	68,462,215	66,542,340
Staff remuneration (including share-based payment)	30,188,372	32,065,537
Depreciation and amortization	4,968,644	4,925,859
Rental not included in the measurement of lease liabilities	102,147	165,094
Others	8,998,711	10,044,304
Total	112,720,089	113,743,134

49. Finance costs

	2024	2023
Interest expenses	3,447,022	3,141,567
Less: Interest income	4,398,326	4,084,555
(Gain)/loss on foreign currency exchange	467,977	(384,130)
Bank charges	218,757	225,926
Total	(264,570)	(1,101,192)

50. Other income

	2024	2023
Refund of VAT on software products (Note 1)	2,069,027	1,431,243
Refund of handling charges for personal tax	32,747	30,878
Others	830,951	343,860
Total	2,932,725	1,805,981

Note 1: Refund of VAT on software products represents the refund of the portion of tax payment in respect of software product sales by some subsidiaries of the Company under an effective tax rate in excess of 3% pursuant to the principles of the State Council document entitled "Certain Policies to Further Encourage the Development of Software Enterprise and the IC Industry" and the approval reply of the state taxation authorities.

51. Investment income

	2024	2023
Gain from investment in associates and joints under equity method	160,687	265,161
Investment income from financial assets at amortised cost and financial assets at fair value through profit or loss during the period of holding	12,397	25,601
Investment income/(loss) from disposal of derivative investment	11,250	(640,047)
Investment income arising from disposal of financial assets at fair value through profit or loss	201,287	457,101
Investment income/(loss) from disposal of investment in associates and joints	155,154	96,013
Loss on derecognition of financial assets at amortised cost and financial assets at fair value through other comprehensive income	(428,381)	(408,856)
Total	112,394	(205,027)

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

52. Gain from changes in fair values

	2024	2023
Financial assets at fair value through profit or loss	**(127,012)**	(452,098)
Financial liabilities at fair value through profit or loss	**(30,549)**	(10,784)
Derivative financial instruments	**(317,192)**	(27,759)
Investment properties at fair value	**(150,378)**	(211,643)
Total	**(625,131)**	(702,284)

53. Credit impairment losses

	2024	2023
Impairment (reversal)/loss of trade receivables	**(114,773)**	134,040
Impairment loss of receivable financing	**436**	174
Impairment loss of other receivables	**5,755**	84,843
Loss/(reversal) of impairment of long-term receivables	**16,865**	(131,788)
Impairment (reversal) of factored trade receivables	**(184)**	(2,841)
Impairment (reversal) of impairment of long-term factored receivables	**(553)**	(8,632)
Total	**(92,454)**	75,796

54. Asset impairment losses

	2024	2023
Inventories provisions loss	**593,891**	803,097
Impairment loss on investment in associates and joints	**—**	34,972
Impairment (reversal) of contract assets	**(71,529)**	(22,947)
Prepayment impairment (reversal)	**(94)**	(7,383)
Intangible assets impairment loss	**53,710**	55,382
Loss/(reversal) of impairment of other non-current assets	**357,204**	(4,755)
Total	**933,182**	858,366

55. Gains from asset disposal

	2024	2023
Gains from disposal of right-of-use assets	**5,409**	10,345
Gains from disposal of property, plant and equipment	**85,039**	2,638
Gains from disposal of intangible assets	**5,211**	7,614
Total	**95,659**	20,597

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

56. Non-operating income/non-operating expenses

(1) Non-operating income

	2024	2023	Amount of extraordinary gain/loss recognised for 2024
Income from contract penalty and reward	**10,713**	20,242	10,713
Others	**65,566**	152,821	65,566
Total	**76,279**	173,063	76,279

(2) Non-operating expenses

	2024	2023	Amount of extraordinary gain/loss recognised for 2024
Compensation and indemnity	**118,724**	60,287	118,724
Others	**70,131**	168,015	70,131
Total	**188,855**	228,302	188,855

57. Income tax

	2024	2023
Current income tax	**1,044,882**	1,404,225
Deferred income tax	**(170,890)**	(441,934)
Total	**873,992**	962,291

Reconciliation between income tax and total profit was as follows:

	2024	2023
Total profit	**9,229,605**	10,203,140
Tax at statutory tax rate (Note)	**2,307,401**	2,550,785
Effect of different tax rates applicable to subsidiaries	**(697,389)**	(460,068)
Effect of adjustment to income tax for previous periods	**19,125**	15,325
Effect of non-taxable income	**(21,518)**	(44,388)
Effect of add-on deductibles on R&D expense and non-deductible cost, expense and loss	**(1,298,874)**	(1,575,022)
Effect of utilization of deductible loss from unrecognised deferred tax asset of previous periods	**(134,104)**	(93,208)
Effect of deductible temporary difference from unrecognised deferred tax asset of the current period or effect of deductible loss	**699,351**	568,867
Tax charge at the Group's effective rate	**873,992**	962,291

Note: The Group's income tax has been provided at the rate on the estimated taxable profits and applicable tax rates arising in the PRC. Taxes on taxable profits elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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

58. Earnings per share

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

	2024	2023
Earnings		
Net profit attributable to ordinary shareholders of the Company for the period	**8,424,792**	9,325,753
Shares		
Weighted average number of ordinary shares of the Company ('000 shares)	**4,783,321**	4,763,565
Diluted effect — weighted average number of ordinary shares ('000 shares)	**—**	—
Adjusted weighted average number of ordinary shares of the Company in issue ('000 shares)	**4,783,321**	4,763,565
Basic/diluted earnings per share	**1.76**	1.96

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

59. Notes to major items in cash flow statement

(1) Cash relating to operating activities

	2024	2023
Cash received in connection with other operating activities:		
Including: Interest income	**2,659,555**	3,049,006
Cash paid in connection with other operating activities:		
Including: Expense for the period	**11,682,618**	10,340,538

(2) Cash relating to investing activities

	2024	2023
Receipt of material cash relating to investing activities:		
Release of time deposit of over three months and large-amount certificates of deposit	**45,156,973**	9,872,234
Maturity of structured deposit	**28,151,000**	—
Payment of material cash relating to investing activities:		
New time deposit of over three months and large-amount certificates of deposit	**57,636,552**	27,128,171
New structured deposit	**40,638,000**	—
Cash received in relation to other investing activities:		
Net cash flow received on acquisition of subsidiary	**61,551**	—
Recoup of project investment funds	**44,198**	—

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

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

(3) Cash relating to financing activities

	2024	2023
Cash received in relation to other financing activities:		
Project construction and financing	–	2,200
Cash paid in relation to other financing activities:		
Cash payment of principal of lease	511,799	631,619
Repayment of investment by non-controlling interests	9,000	3,155

Movements in liabilities from financing activities were as follows:

	Opening balance	Movement during the year Cash movement	Movement during the year Non-cash movement	Closing balance
Short-term bond payable	5,012,890	(5,328,883)	315,993	–
Short-term loan	7,560,358	(1,025,185)	491,897	7,027,070
Dividend payable	6,400	(3,418,169)	3,411,769	–
Bonds payable	–	1,000,000	4,880	1,004,880
Long-term loan (including non-current liabilities due within one year)	44,252,487	3,099,835	1,154,556	48,506,878
Other non-current liabilities (related to financing)	5,451	504	378,815	384,770
Lease liabilities (including non-current liabilities due within one year)	1,483,448	(511,799)	546,071	1,517,720
	58,321,034	(6,183,697)	6,303,981	58,441,318

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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:

	2024	2023
Net profit	**8,355,613**	9,240,849
Add: Credit impairment losses	**(92,454)**	75,796
Asset impairment losses	**933,182**	858,366
Depreciation of property, plant and equipment	**2,133,330**	2,023,110
Depreciation of right-of-use assets	**430,733**	356,838
Amortisation of intangible assets	**2,404,581**	2,545,911
Gain on disposal of property, plant and equipment, intangible assets and other long-term assets	**(95,659)**	(20,597)
Loss from changes in fair value	**625,131**	702,284
Finance costs	**983,971**	2,404,096
Investment income	**(554,927)**	205,027
(Increase) in deferred tax assets	**(250,165)**	(427,379)
Increase/(decrease) in deferred tax liabilities	**12,786**	(9,279)
(Increase)/decrease in inventories	**(720,289)**	3,285,350
(Increase) in operating receivables	**(3,448,503)**	(2,412,582)
Increase/(decrease) in operating payables	**1,663,293**	(1,196,544)
Cost of share-based payment	**—**	165,555
(Increase) in cash not readily available for payments	**(900,779)**	(391,102)
Net cash flow from operating activities	**11,479,844**	17,405,699

(b) Net change in cash and cash equivalents:

	2024	2023
Cash balance at year end	**1,453**	2,034
Less: Cash balance at beginning of year	**2,034**	1,604
Add: Cash equivalents at year end	**28,024,964**	51,011,133
Less: Cash equivalents at beginning of year	**51,011,133**	47,070,125
Net increase in cash and cash equivalents	**(22,986,750)**	3,941,438

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

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

(5) Information on subsidiaries and other business units disposed of:

	2024	2023
Cash and cash equivalents received during the year on disposal of subsidiaries and other business units during the year	–	10,000
Less: Cash and cash equivalents held by subsidiaries and other business units on the date of loss of control	–	4,514
Add: Cash and cash equivalents received during the year on disposal of subsidiaries and other business units during previous years	–	33,000
Net cash received on disposal of subsidiaries and other business units	–	38,486

(6) Cash and cash equivalents

	2024	2023
Cash		
Including: Cash on hand	**1,453**	2,034
Bank deposit readily available for payment	**28,024,964**	51,011,133
Cash and cash equivalents at end of year	**28,026,417**	51,013,167
Including: Restricted cash and cash equivalents utilized by the Company or intra-group subsidiaries	**1,167**	256,783

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

	2024	2023	Reason
Specific funds for specific use only	**1,167**	256,783	Subject to restrictions in application only but not frozen, pledged or subject to other encumbrances, therefore still considered cash and cash equivalents

(8) Funds not considered cash and cash equivalents

	2024	2023	Reason
Deposit and interest from time deposit of three months or above	**13,669,630**	26,241,530	Low liquidity, not easily realisable, not readily available for payment
Security deposit	**541,046**	1,202,428	
Dues from the People's Bank of China	**1,619,625**	57,518	
Others	**28,630**	28,576	
	15,858,931	27,530,052	

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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 2024 Original currency	Exchange rate	RMB equivalent
Cash	USD	523,463	7.2950	3,818,660
	EUR	75,807	7.5987	576,034
	THB	675,995	0.2149	145,260
	IDR	187,404,883	0.0005	84,615
	MYR	43,264	1.6283	70,449
Trade receivables	USD	534,880	7.2950	3,901,948
	EUR	186,291	7.5987	1,415,568
	IDR	2,469,841,632	0.0005	1,115,151
	MXN	1,773,908	0.3510	622,560
	MYR	229,720	1.6283	374,064
Other receivables	USD	33,002	7.2950	240,748
	IDR	219,879,183	0.0005	99,277
	EUR	6,330	7.5987	48,099
	IRR	148,216,014	0.0002	25,744
	QAR	9,371	2.0041	18,780
Trade payables	USD	561,069	7.2950	4,093,001
	IDR	1,115,338,334	0.0005	503,583
	EUR	42,425	7.5987	322,374
	INR	2,032,909	0.0852	173,202
	MXN	177,484	0.3510	62,289
Other payables	MXN	626,633	0.3510	219,919
	USD	29,022	7.2950	211,717
	THB	495,128	0.2149	106,394
	EUR	12,245	7.5987	93,046
	GBP	2,306	9.1612	21,129
Short-term loan	USD	50,205	7.2950	366,248
	EUR	18,527	7.5987	140,780
Long-term loan	USD	2,165	7.2950	15,791

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

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VI. R&D EXPENDITURE

1. Analysed by nature as follows:

	2024	2023
Wages, benefits and bonuses	17,740,009	19,007,377
Amortisation and depreciation fees	3,188,194	3,320,219
Technical cooperation fees	1,435,259	1,420,625
Direct materials	1,134,236	944,805
Office expenses	480,539	548,493
Others	1,530,700	1,541,824
Total	25,508,937	26,783,343
Including: R&D expenditure as cost	24,031,499	25,289,211
R&D expenditure capitalised	1,477,438	1,494,132

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	1,301,545	1,477,438	(1,184,420)	1,594,563

VII. CHANGES TO THE SCOPE OF CONSOLIDATION

1. Business combination of entities not under common control

The Group acquired 82% equity interests in ZTE Hotel Shenzhen Investment & Management Company Limited in September 2024. The acquisition consideration paid by the Company in the business combination comprised RMB71,313,000 and RMB15,654,000, being the fair value of the 18% equity interests in ZTE Hotel Shenzhen Investment & Management Company Limited held by the Company prior to the date of acquisition, as determined according to evaluation. Identifiable net assets at fair value of the acquiree as at the date of acquisition amounted to RMB72,542,000, giving rise to goodwill amounting to RMB14,425,000. ZTE Hotel Shenzhen Investment & Management Company Limited has been included in the consolidated financial statements of the Group since September 2024.

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VII. CHANGES TO THE SCOPE OF CONSOLIDATION (continued)

2. Changes in the scope of consolidation attributable to other reasons

Name	Reason	Date of inclusion into/exclusion from consolidated statements
Beijing LeapRise Technology Co., Ltd.	New incorporation	February 2024
"ZTE REGIONAL SERVICE CENTER" LLC	New incorporation	May 2024
Beijing ZTE Digital Nebula Technology Co., Ltd.	New incorporation	July 2024
ZTE (PNG) Limited	New incorporation	August 2024
Beijing XingYun Digital Technology Co., Ltd.	New incorporation	November 2024
Beijing Leaplines Technology Co., Ltd.	New incorporation	November 2024
Shanghai Puzhan Technology Co., Ltd.	New incorporation	December 2024
Beijing Xicheng Photonics Technology Co., Ltd.	New incorporation	December 2024
Wuzhou Digital City Development Co., Ltd.	Completed deregistration with industrial and commercial administration authorities and excluded from scope of consolidation	January 2024
NUBIA USA, Inc.	Completed deregistration with industrial and commercial administration authorities and excluded from scope of consolidation	February 2024
ZTE SAN MARINO S.r.l.	Completed deregistration with industrial and commercial administration authorities and excluded from scope of consolidation	October 2024
ZTE Wistron Telecom Aktiebolag	Completed deregistration with industrial and commercial administration authorities and excluded from scope of consolidation	December 2024
Guangzhou Huijian Detection Technology Co., Ltd.	Completed deregistration with industrial and commercial administration authorities and excluded from scope of consolidation	December 2024

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VIII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

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

Type of subsidiary	Place of registration/ principal places of business	Nature of business	Registered capital	Percentage of shareholding % Direct	Indirect
Subsidiaries acquired by way of incorporation or investment					
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 Zhongxing Software Company Limited*	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 company with limited liability incorporated under the laws of the PRC.

2. Interests in joint ventures and associates

During the Reporting Period, the Group had no subsidiaries with significant minority interests nor individual material joint ventures or associates which had a significant influence on the Group.

The following table sets out summarized financial information of insignificant joint ventures and associates of the Group:

	2024	2023
Joint ventures		
Aggregate carrying value of investments	**1,025,780**	856,886
Aggregate amounts of the following attributable to shareholdings:		
Net gain	**141,197**	190,278
Other comprehensive income	**–**	–
Total comprehensive income	**141,197**	190,278
Associates		
Aggregate carrying value of investments	**1,308,056**	1,300,664
Aggregate amounts of the following attributable to shareholdings:		
Net income	**19,490**	74,883
Other comprehensive income	**(1,263)**	1,168
Total comprehensive income	**18,227**	76,051

For 2024, there were no contingent liabilities associated with the investments in joint ventures and associates (2023: Nil).

IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

1. Risks of financial instruments

The Group's daily activities expose it to the risk of a variety of financial instruments, mainly including credit risk, liquidity risk and market risk (including currency risk and interest rate risk). The Group's risk management policy to address these risks are described as follows.

(1) Credit risk

The Group only trades with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis to ensure that the Group is not exposed to significant bad debts. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the special approval of the credit control department of the Group.

Since cash and bank balances, bank acceptance bills receivable and derivative financial instruments are placed with the well-established banks with high credit ratings, the credit risk of these financial instruments is relatively low.

The Group's other financial assets comprise commercial acceptance bills receivable, trade receivables and other receivables. The credit risk associated with such financial assets and contract assets arises from default of the counterparty, with a maximum exposure equal to the carrying value of these instruments.

The Group does not require collaterals as it only conducts transactions with approved third parties with sound credit standing. Credit risk concentration is managed according to customers/counterparties, geographic region and industry. As at 31 December 2024, the Group was subject to specific credit risk concentration, as 15% (31 December 2023: 14%) and 39% (31 December 2023: 38%) 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 matrix model shown in Note V.4A, V.8 and Note V.6 is provided.

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IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

1. Risks of financial instruments (continued)

(2) Liquidity risk

The Group's objective is to maintain balance between the continuity and flexibility of financing through the use of a variety of financing means. Funds raised by the Group through operations and borrowings are considered operational financing.

The maturity profile of financial liabilities based on undiscounted contractual cash flow is summarised as follows:

2024

	Within 1 year	1–2 years	2–3 years	Over 3 years	Total
Bank loans	12,611,046	15,051,966	23,175,297	7,107,227	57,945,536
Lease liabilities	544,777	198,465	213,376	561,102	1,517,720
Derivative financial liabilities	200,853	–	–	–	200,853
Bills payable	10,959,334	–	–	–	10,959,334
Trade payables	22,371,792	–	–	–	22,371,792
Bonds payable	–	–	–	1,004,880	1,004,880
Bank advances on factored trade receivables and long-term receivables	6,498	4,332	4,332	–	15,162
Other payables (excluding accruals and staff housing fund contributions)	1,925,194	–	–	–	1,925,194
Other non-current liabilities	600,000	70,372	362	3,712,765	4,383,499
Total	49,219,494	15,325,135	23,393,367	12,385,974	100,323,970

2023

	Within 1 year	1–2 years	2–3 years	Over 3 years	Total
Bank loans	10,489,761	18,849,732	18,102,696	7,071,925	54,514,114
Lease liabilities	522,989	185,682	214,908	559,869	1,483,448
Derivative financial liabilities	184,544	–	–	–	184,544
Bills payable	9,442,739	–	–	–	9,442,739
Trade payables	18,931,425	–	–	–	18,931,425
Short-term bonds payable	5,012,890	–	–	–	5,012,890
Bank advances on factored trade receivables and long-term receivables	3,687	3,687	3,687	3,688	14,749
Other payables (excluding accruals and staff housing fund contributions)	2,413,132	–	–	–	2,413,132
Other non-current liabilities	600,000	1,534,252	12,928	2,091,690	4,238,870
Total	47,601,167	20,573,353	18,334,219	9,727,172	96,235,911

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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 2024, 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 1.75% to 9.00%. Approximately 12.19% (2023: 11.94%) 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
2024	**25**	**(103,624)**	**—**	**(103,624)**
	(25)	**103,624**	**—**	**103,624**
2023	25	(96,950)	—	(96,950)
	(25)	96,950	—	96,950

(b) Foreign currency risk

The Group is exposed to trading exchange rate risks. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currency.

The increase or decrease in value of assets or liabilities priced in foreign currency held by the Group owing to exchange rate volatility will affect the Group's operating results. Based on the risk exposure of monetary assets and liabilities and estimates of future foreign currency income and expenditure, the Group adopts forward exchange contracts to offset exchange rate risks. The Group conducts hedging transactions in respect of exchange rate risk exposure according to annual caps for foreign exchange derivative trades approved and authorized by the Board and the General Meeting. Derivative trades of the Group companies are centrally managed by the Derivative Investment Committee which will adjust the foreign exchange hedging strategy according to market movements. A Derivative Investment Work Group has been established under the said committee to be in charge of specific transactions.

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IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

1. Risks of financial instruments (continued)

(3) Market risk (continued)

(b) Foreign currency risk (continued)

The following table sets out a sensitivity analysis of exchange rate risks that demonstrates the impact of a reasonably possible change in USD and EUR exchange rates on the Group's net profit or loss and other comprehensive income, 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
2024				
Weaker RMB against USD	**5%**	**329,922**	**–**	**329,922**
Stronger RMB against USD	**(5%)**	**(329,922)**	**–**	**(329,922)**
2023				
Weaker RMB against USD	5%	297,734	–	297,734
Stronger RMB against USD	(5%)	(297,734)	–	(297,734)

	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
2024				
Weaker RMB against EUR	**5%**	**165,481**	**–**	**165,481**
Stronger RMB against EUR	**(5%)**	**(165,481)**	**–**	**(165,481)**
2023				
Weaker RMB against EUR	5%	96,317	–	96,317
Stronger RMB against EUR	(5%)	(96,317)	–	(96,317)

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IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

2. Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group makes adjustments in the light of changes in economic conditions and in the risk profiles of relevant assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital for 2024 and 2023.

The Group manages capital using the financial gearing ratio, which is the ratio of interest-bearing liabilities to the sum of owners' equity and interest-bearing liabilities. The financial gearing ratio of the Group as at the balance sheet dates was as follows:

	2024	2023
Interest-bearing bank borrowings	**55,533,948**	51,812,845
Lease liabilities	**1,517,720**	1,483,448
Short-term bonds payable	**—**	5,012,890
Bonds payable	**1,004,880**	—
Bank advances on factored trade receivables and long-term receivables	**15,162**	14,749
Total interest-bearing liabilities	**58,071,710**	58,323,932
Owners' equity	**73,110,282**	68,331,445
Total equity and interest-bearing liabilities	**131,181,992**	126,655,377
Gearing ratio	**44.3%**	46.0%

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IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

3. Hedge

(1) *Conducing hedge transactions for the purpose of risk management*

	Relevant risk management strategy and objectives	Qualitative and quantitative information of hedged risks	Economic correlation between the hedged item and relevant hedging tools	Effective fulfillment of expected risk management objectives	Impact of relevant hedging activities on risk exposure
Foreign exchange risk management	To effectively avert exchange rate risk by conducting value-protection hedge transactions, taking advantage of the risk aversion and value protection features of forward exchange contracts	Qualitative: foreign exchange risk Quantitative: Gain/loss from exchange rate movements of foreign currency exposure	Fair-value change of forward exchange contract can set off gain/loss from exchange rate volatility of hedged items caused by foreign exchange risk	Basically fulfilled	Risk basically hedged

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

Cash flow hedge

The Group designates foreign currency forward exchange contracts as hedging instruments against exchange risks arising from future expenses to be priced and settled in foreign currencies, for which the Group has made definitive commitment. The balance of such foreign currency forward exchange contracts varies according to changes in the scale of anticipated foreign currency expenses and movements in forward exchange rates. Through qualitative analysis, the Group has determined a 1:1 ratio between the quantity of hedging instruments and the quantity of hedged items. The ineffective portion of hedge arose primarily from differences in forward exchange rate. The amount of ineffective hedge recognised for the year was insignificant.

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

2024

	Within 6 months	**6–12 months**	**After 1 year**	**Total**
Nominal amount of foreign currency forward contract	**60,017**	**–**	**–**	**60,017**
Average RMB to foreign currency exchange rate	**0.05**	**–**	**–**	**0.05**

2023

	Within 6 months	6–12 months	After 1 year	Total
Nominal amount of foreign currency forward contract	–	464,640	–	464,640
Average RMB to foreign currency exchange rate	–	7.04	–	7.04

IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

3. Hedge (continued)

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

Cash flow hedge (continued)

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

2024

	Nominal amount of hedging instruments	Carrying value of hedging instruments		Balance sheet items including hedged instruments	Fair-value change of hedging instruments adopted as basis for recognition of ineffective hedge portion during the period
		Assets	Liabilities		
Exchange rate risk – foreign currency forward exchange contract	**60,017**	**73**	**1,481**	**Derivative financial assets/derivative financial liabilities**	**(55,107)**

2023

	Nominal amount of hedging instruments	Carrying value of hedging instruments		Balance sheet items including hedged instruments	Fair-value change of hedging instruments adopted as basis for recognition of ineffective hedge portion during the period
		Assets	Liabilities		
Exchange rate risk – foreign currency forward exchange contract	464,640	–	1,315	Derivative financial liabilities	7,222

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IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

3. Hedge (continued)

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

Cash flow hedge (continued)

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

31 December 2024

	Carrying value of hedged item		Cumulative amount of fair-value hedge adjustment of hedged item (charged to carrying value of hedged item)		Balance sheet item under which the hedged item is included	Fair-value change of the hedged item adopted for the year as basis for recognising ineffective portion of hedge	Cash flow hedge reserve
	Asset	Liability	Asset	Liability			
Exchange rate risk – future expense of foreign currency settlement	–	–	–	–	N/A	46,761	703

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	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			
Exchange rate risk – future expense of foreign currency settlement	–	–	–	–	N/A	(7,080)	(703)

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

2024

	Fair-value change in hedging instruments recognised in other comprehensive income	Ineffective portion of hedge recognised in current profit or loss	Profit or loss items including recognised ineffective portion of hedge	Amount reclassified from cash flow hedge reserve to current profit or loss	Profit or loss items including reclassification adjustments
Exchange rate risk – foreign currency forward exchange contract	(43,550)	(11,557)	Gains from changes in fair values	(43,550)	Administrative expense/ finance cost

2023

	Fair-value change in hedging instruments recognised in other comprehensive income	Ineffective portion of hedge recognised in current profit or loss	Profit or loss items including recognised ineffective portion of hedge	Amount reclassified from cash flow hedge reserve to current profit or loss	Profit or loss items including reclassification adjustments
Exchange rate risk – foreign currency forward exchange contract	11,355	142	Investment gain	11,916	Administrative expense

IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

3. Hedge (continued)

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

Fair-value hedge

The Group hedges against exchange risks arising from exchange rate fluctuations by conducting forward exchange contracts. The Company upholds the risk-neutral principle in its derivative transactions and refrains from making any judgement on market conditions. Appropriate value-protection products and hedge ratios are selected to hedge against relevant risks based on our normal import and export business and foreign currency loans. The Group has designated forward exchange contracts as the hedging instrument for the Group's exchange risks arising from its foreign currency exposures, which are recognized assets or liabilities. The Group has determined, through qualitative analysis, the volume ratio of hedging instruments to hedged items to be 1: 1. The ineffective portion of hedge is primarily derived from forward exchange rate spread. The amounts of ineffective hedge recognised for the year and the previous year were insignificant. On the face of the financial statements, gain or loss in the fair value of the hedged item arising from hedged risks is recognised in current profit or loss. Fair-value change in the hedging instrument is also recognised in current profit or loss.

In 2023, the Group did not enter into any forward exchange contract with a designated fair-value hedge accounting relationship.

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

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		
Exchange rate risk — foreign currency forward exchange contracts	**32,041,042**	**166,082**	**199,355**	**Derivative financial assets/ derivative financial liabilities**	**(218,246)**

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IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

3. Hedge (continued)

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

Fair-value hedge (continued)

Carrying values of hedged items and related adjustments are set out as follows:

2024

	Carrying values of hedged items		Cumulative amount of fair-value adjustments to hedged items (included in carrying values of hedged items)		Balance sheet items including hedged items	Fair-value change of hedging items adopted as basis for recognition of ineffective hedge portion during the year
	Assets	Liabilities	Assets	Liabilities		
Exchange rate risk — foreign currency exposures	13,660,851	4,324,103	238,167	335,521	Trade receivables, other receivables, trade payables, other payables	(97,355)

Ineffective portion of hedge in fair-value change of hedging instruments are shown as follows:

2024

	Ineffective portion of hedge recognised in current profit or loss	Profit or loss items including ineffective portion of hedge
Exchange rate risk — foreign currency forward exchange contracts	(125,831)	Gain from changes in fair values

RMB'000

IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

4. Transfers of financial assets

Means of transfer	Nature of financial assets transferred	Amount of financial assets transferred	Derecognition status	Bases of judgement for derecognition
Bill discounting	Receiving financing	15,772,607	Derecognised	Substantially all risks and rewards had been transferred
Factoring	Trade receivables	6,697,301	Derecognised	Substantially all risks and rewards had been transferred
Letter of credit	Trade receivables	809,619	Derecognised	Substantially all risks and rewards had been transferred
Total		23,279,527		

Financial assets derecognised as a result of transfer in 2024 were as follows:

	Means of transfer	Amount of financial assets derecognised	Profit or (loss) relating to derecognition
Receiving financing	Bill discounting	15,772,607	(71,943)
Trade receivables	Factoring	6,697,301	(341,549)
Trade receivables	Letter of credit	809,619	(29,041)
Total		23,279,527	(442,533)

As at 31 December 2024, 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	6,498	6,498
Long-term receivables	Factoring	8,664	8,664
Total		15,162	15,162

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X. DISCLOSURE OF FAIR VALUES

1. Assets and liabilities measured at fair value

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)

2023

	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	—	85,341	—	85,341
Trading financial assets	129,058	—	24,227	153,285
Other non-current financial assets	—	—	831,930	831,930
Receivable financing	—	4,074,078	—	4,074,078
Investment properties	—	—	1,473,823	1,473,823
Total	129,058	4,159,419	2,329,980	6,618,457
Derivative financial liabilities	—	(184,544)	—	(184,544)
Other non-current liabilities	—	—	(43,148)	(43,148)
Total	—	(184,544)	(43,148)	(227,692)

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 the derivative financial assets represents the net value after offsetting credit valuation adjustments attributable to the risk of counterparty default. Changes in the credit risk associated with the counterparties had no material impact on the assessment of the effectiveness of designated derivative hedge in hedging relationships and other financial instruments measures at fair value.

(3) Level-3 fair value measurement

Fair value of non-listed equity investment is estimated using the market-based method. The assumptions on which it is based are unobservable market prices or interest rate assumptions. The Group is required determine comparable listed companies based on industry, scale, gearing and strategy and compute appropriate price multiples in respect of each identified comparable listed company, such as enterprise value (E/V) multiple and price to earnings ("P/E") multiple, which are adjusted based on specific facts and conditions of the company, taking into account differences in liquidity and scale between the Group and such comparable listed companies.

The fair values of equity investments in listed companies during the lock-up period are arrived at based on quotations in an active market discounted at a percentage reflecting the lack of liquidity during lock-up.

Fair value of equity sell-back options in other non-current liabilities is measured using the binomial tree model.

The Group considers information from a variety of sources in measuring the fair value of investment properties, including: (a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences; (b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and (c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

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X. DISCLOSURE OF FAIR VALUES (continued)

3. Unobservable inputs

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

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%

2023

	Fair value at end of year	Valuation techniques	Unobservable inputs	Range
Commercial properties	RMB1,473,823,000	Discounted cash flow method	Estimated rental value (per sq. m. and per month)	RMB30–RMB500
			Rent growth (p.a.)	3%–6%
			Discount rate	7%–8.5%
Equity instrument investment	RMB856,157,000	Market method	Liquidity discount rate	5.80%–50%
			P/E	5.20–15.47
			P/B	0.76–2.1
Other non-current liabilities	RMB43,148,000	Binomial tree option pricing model	Risk-free interest rate	2.42%–2.72%
			Volatility rate	40.86%–44.27%
			Dividend rate	–
			Exercise probability	5%–15%

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X. DISCLOSURE OF FAIR VALUES (continued)

4. Fair value measurement adjustment

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

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

2023

	Opening balance	Transfer into Level 3	Transfer out of Level 3	Through profit or loss	Acquisition	Disposal	Closing balance	Change in assets held at year-end included under unrealised gain for the period in profit or loss
Investment properties	2,010,627	–	(330,000)	(211,643)	4,839	–	1,473,823	(211,643)
Trading financial assets	96,382	–	(96,382)	24,227	–	–	24,227	24,227
Other non-current financial assets	1,028,262	–	–	(58,255)	4,360	(142,437)	831,930	(49,471)
Other non-current financial liabilities	32,364	–	–	10,784	–	–	43,148	10,784

In the continuous fair value measurement at Level 3, profit and loss included in current profit and loss relating to financial assets and non-financial assets is analyzed as follows:

	2024 Relating to financial assets	2023 Relating to financial assets
Total profit or loss for the period included in profit and loss	(44,559)	(34,028)
Change in assets held at year-end included in unrealised profit or loss for the period	(46,210)	(25,244)

	2024 Relating to non-financial assets	2023 Relating to non-financial assets
Total profit included in current profit or loss	(150,378)	(211,643)
Change in assets held at year-end included in unrealised gain	(1,151)	(211,643)

X. DISCLOSURE OF FAIR VALUES (continued)

4. Fair value measurement adjustment (continued)

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

	2024 Relating to financial liabilities	2023 Relating to financial liabilities
Total profit included in current profit or loss	**30,549**	10,784
Change in liabilities held at year-end included in unrealised gain	**30,549**	10,784

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%

According to Shenzhen Stock Exchange Listing Rules, the Company's controlling shareholder is Zhongxingxin Telecom Company Limited.

2. Subsidiaries

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

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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
Anhui Qiying Intelligent Technology Company Limited	Ceased to be the Company's associate as from December 2023
Shandong Xingji Real Estate Company Limited	Ceased to be the Company's associate as from December 2023
Shanghai Ume Technologies Company Limited	Ceased to be the Company's associate as from June 2024
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
SHIJIAZHUANG SMART INDUSTRY CO., LTD	Ceased to be the Company's associate as from June 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	Has become the Company's subsidiary as from September 2024 and ceased to be the associate, disclosure under related-party transactions represented amount for January to August 2024 and balance of receivables and payables as at 31 August 2024

XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

4. Other related parties

	Relationship
Sindi Technologies Co., Ltd.	Subsidiary of the Company's controlling shareholder
Shenzhen Xinyu Tengyue Electronics Co., Ltd.	Subsidiary of the Company's controlling shareholder
Pylon Technologies Co., Ltd.	Subsidiary of the Company's controlling shareholder
Shenzhen Zhongxing Xinli Precision M&E Technology Company Limited	Subsidiary of the Company's controlling shareholder
Shenzhen New Video Smart Technology Company Limited	Subsidiary of the Company's controlling shareholder
Shenzhen Zhongxing New Cloud Service Company Limited	Subsidiary of the Company's controlling shareholder
Shenzhen Xingkai Communication Equipment Limited	Subsidiary of the Company's controlling shareholder
Beijing Changrui Time Technology Limited	Company controlled by a connected natural person of the Company
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'an Microelectronics Technology Research Institute	Entity for which a connected natural person of the Company acted as head
Shenzhen Zhongxing WXT Equipment Company Limited	Company for which a connected natural person of the Company acted as director
Shenzhen ZTE International Investment Company Limited	Company for which a connected natural person of the Company acted as chairman
Shenzhen Zhongxing Information Company Limited	Company for which a connected natural person of the Company acted as chairman
Shenzhen Zhongxing Energy Conservation & Environmental Service Company Limited	Company for which a connected natural person of the Company acted as vice chairman
Beijing Zhongxing Xieli Technology Company Limited	Subsidiary of a company for which a connected natural person of the Company acted as director
Zhongxing Intelligent Technology (Wuhu) Company Limited	Subsidiary of a 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 Tenglong Eco-Tech Company Limited	Subsidiary of a company for which a connected natural person of the Company acted as chairman
ZTE Development Company Limited	Company for which a connected natural person of the Company acted as director
Huatong Technology Co., Ltd.	Subsidiary of a company for which a connected natural person of the Company acted as director
Nanchang Zhongzhan Digital Smart Technology Company Limited	Subsidiary of a company for which a connected natural person of the Company acted as director
ZTE Herun Investment (Shenzhen) Co., Ltd.	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

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XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

4. Other related parties (continued)

	Relationship
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
Xiazhi Technology Company Limited	A company for which a connected natural person of the Company acted as chairman
航天歐華信息技術有限公司	Subsidiary of a company for which a connected natural person of the Company acted as senior management
Shenzhen Aerospace Guangyu Industrial Company Limited	Subsidiary of a company for which a connected natural person of the Company acted as senior management
Tianhao Investment Co., Ltd.	Subsidiary of a company for which a connected natural person of the Company acted as senior management in the past 12 months
GD Ouke Air-conditioning & Refrigeration Company Limited	Ceased to be the Group's associate 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
Shanghai Zhongxing Keyuan Industrial Company Limited	Ceased to be the Group's associate as from August 2024, disclosure under related-party transactions represented amount for January to July 2024 and balance of receivables and payables as at 31 July 2024
Shenzhen Aerospace Property Management Co., Ltd.	Ceased to be the Company's associate 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

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XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

5. Transactions with related parties

(1) Transaction of goods with related parties

(a) Sales of goods and services to related parties

	2024	2023
Transactions with controlling shareholder and its subsidiaries:		
Zhongxingxin Telecom Company Limited	43	—
Shenzhen Zhongxing New Cloud Service Company Limited	3	114
Sindi Technologies Co., Ltd.	1,042	8,685
	1,088	8,799
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	236,718	682,544
Shenzhen Zhongxing Information Company Limited	—	433
ZTE Development Company Limited	68	—
Beijing Changrui Time Technology Limited	—	466
Tianhao Investment Co., Ltd.	23,795	—
Shenzhen Zhongxingxu Technology Company Limited	2,628	819
Shenzhen Zhongxing Energy Conservation & Environmental Service Company Limited.	6	—
LONGi Green Energy Technology Co., Ltd.	1,099	—
	264,314	684,262
Transactions relating to associates and joint ventures of the Company and their subsidiaries:		
ZTE Hotel Shenzhen Investment & Management Company Limited	39	82
ZTE Hotel Nanjing Management Company Limited	518	701
ZTE Hotel Xi'an Management Company Limited	2,124	1,223
ZTE Hotel Shanghai Investment & Management Company Limited	1,342	1,774
Puxing Mobile Telecom Equipment Co., Ltd.	1,216	1,622
Shanghai Ume Technologies Company Limited	—	508
WHALE CLOUD TECHNOLOGY CO., LTD	16,657	4,923
DataService Technology Co., Ltd.	—	970
Shaanxi Zhongtou Zhanlu Phase I Equity Investment Partnership (Limited Partnership)	1,784	1,980
Anhui Qiying Intelligent Technology Company Limited*	—	3,160
Shaanxi Zhongtou Zhanlu Phase II Equity Investment Partnership (Limited Partnership)	3,492	2,164
SHIJIAZHUANG SMART INDUSTRY CO., LTD	—	344
Jiangxi Guotou Information Technology Co., Ltd.	75	—
	27,247	19,451
	292,649	712,512

* The Group completed the disposal of the entire equity interest in Yingbo Super Computer (Nanjing) Technology Company Limited in 2023 and the said company has been excluded from the Group's consolidated statements with effect from December 2023. Amounts disclosed in the table above represent transactions between Yingbo Super Computer (Nanjing) Technology Company Limited and Anhui Qiying Intelligent Technology Company Limited for the period from January to June 2023.

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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

	2024	2023
Transactions with controlling shareholder and its subsidiaries:		
Sindi Technologies Co., Ltd.#	96,406	147,857
Shenzhen Xinyu Tengyue Electronics Co., Ltd#	18,719	19,857
Pylon Technologies Co., Ltd.#	—	922
Shenzhen Zhongxing Xinli Precision M&E Technology Company Limited#	110,253	99,206
Shenzhen New Video Smart Technology Company Limited#	—	587
	225,378	268,429
Transactions with companies where connected natural persons held office and their subsidiaries:		
Huatong Technology Co., Ltd.	60,902	48,509
Nanchang Zhongzhan Digital Smart Technology Company Limited	71,621	50,327
GD Ouke Air-conditioning & Refrigeration Company Limited	290	25,963
Zhongxing Software Technology (Shenyang) Company Limited	—	90
Beijing Zhongxing Xieli Technology Company Limited	5,079	7,619
ZTE Hotel Harbourview Hotel Investment Development Company Limited	949	933
Shenzhen Aerospace Property Management Co., Ltd	205	326
Shenzhen Zhongxing Tenglong Eco-Tech Company Limited	3,535	9,583
Xiazhi Technology Company Limited	—	115
Shenzhen Aerospace Guangyu Industrial Company Limited	—	10
Shenzhen Zhongxing Information Company Limited	4,522	—
	147,103	143,475
Transactions relating to associates and joint ventures of the Company and their subsidiaries:		
ZTE Hotel Shenzhen Investment & Management Company Limited	15,598	21,215
ZTE Hotel Nanjing Management Company Limited	8,132	15,904
ZTE Hotel Shanghai Investment & Management Company Limited	3,793	6,477
ZTE Hotel Xi'an Management Company Limited	5,414	11,980
WHALE CLOUD TECHNOLOGY CO., LTD	182,151	210,151
Jetflow Technologies Co., Ltd.	88	178
	215,176	265,905
	587,657	677,809

\# 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.

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XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

5. Transactions with related parties (continued)

(2) Leasing with related parties

(a) As lessor

	Type of lease asset	2024 Lease income	2023 Lease income
Transactions with controlling shareholder and its subsidiaries:			
Shenzhen Zhongxing New Cloud Service Company Limited	Office	3,264	3,348
Shenzhen Zhongxing Xinli Precision M&E Technology Company Limited	Quarters	–	11
		3,264	3,359
Transactions with companies where connected natural persons held office and their subsidiaries:			
Shenzhen ZTE International Investment Company Limited	Office	135	153
Huatong Technology Co., Ltd.	Office	34	34
Shenzhen Zhongxing Energy Conservation & Environmental Service Company Limited.	Office	272	294
Shanghai Zhongxing Keyuan Industrial Company Limited	Office	218	436
Zhongxing Intelligent Technology (Wuhu) Company Limited	Office	146	85
		805	1,002
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	8,088
ZTE Hotel Nanjing Management Company Limited	Property and equipment & facilities	4,390	5,162
ZTE Hotel Xi'an Management Company Limited	Property and equipment & facilities	11,708	14,117
ZTE Hotel Shanghai Investment & Management Company Limited	Property and equipment & facilities	10,485	12,311
Jetflow Technologies Co., Ltd.	Office	554	614
		34,446	40,292
		38,515	44,653

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XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

5. Transactions with related parties (continued)

(2) Leasing with related parties (continued)

(b) As lessee

	Type of lease asset	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	–	9,362	1,119	–
Transactions with companies where connected natural persons held office and their subsidiaries:						
Chongqing Zhongxing Development Company Limited	Office	941	–	7,055	1,316	29,096
Chongqing Zhongxing Zhongtou Property Service Company Limited	Office	419	–	–	–	–
Sanhe Zhongxing Property Service Company Limited	Office	3,182	–	–	–	–
Sanhe Zhongxing Development Company Limited	Office	–	–	15,382	2,883	–
Tianjin ZTE International Investment Company Limited	Office	2,400	–	7,930	1,220	–
		7,155	–	39,729	6,538	29,096

Note: The Group recognised lease income of RMB38,515,000 (2023: RMB44,653,000) for the year according to the lease contracts for the lease of office and equipment to the aforesaid related parties.

The Group recognized short-term lease and low-value asset lease expense of RMB7,155,000 and paid rental of RMB39,729,000 (2023: recognized short-term lease and low-value asset lease expense of RMB6,640,000 and paid rental of RMB36,544,000) for the year according to the lease contracts for the lease of office from the aforesaid connected parties.

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XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

5. Transactions with related parties (continued)

(3) Other major related transactions

Remuneration of key management personnel

	2024	2023
Short-term staff remuneration	57,821	62,797
Retirement benefit	324	335
Total	58,145	63,132

Note: Share option expense or share-based payment expense recognised in 2024 in respect of the initial grant under the 2020 Share Option Incentive Scheme, reserved grant under the 2020 Share Option Incentive Scheme granted to key management personnel of the Company amounted to RMB0 (2023: RMB1,432,000). For details, please refer to Note XII.1.

(4) Transfer of assets with related parties

	Transaction	2024	2023
Shenzhen Zhongxing WXT Equipment Company Limited	Equity disposal	–	2,327
Zhongxing Herun Investment (Shenzhen) Company Limited	Equity disposal	–	4,358
ZTE Development Company Limited*	Equity acquisition	71,313	–
Total		71,313	6,685

* 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.

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XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

6. Balances of amounts due from/to related parties

Item	Related party	2024 Book balance	2024 Bad debt provision	2023 Book balance	2023 Bad debt provision
Bills receivable	航天歐華信息技術有限公司	–	–	283,374	–
Trade receivables	WHALE CLOUD TECHNOLOGY CO., LTD	460	392	769	420
	Tiejian Union (Beijing) Technology Co., Ltd.	696	696	7,424	7,424
	ZTE Hotel Shenzhen Investment & Management Company Limited	46,348	28,370	42,202	26,250
	ZTE Hotel Xi'an Management Company Limited	30,000	10,069	25,907	9,592
	ZTE Hotel Nanjing Management Company Limited	4,706	151	5,007	868
	ZTE Hotel Shanghai Investment & Management Company Limited	72,198	45,922	67,530	43,756
	航天歐華信息技術有限公司	–	–	745	36
	Shenzhen Xingkai Communication Equipment Limited	22,060	22,060	22,060	17,868
	Shenzhen Zhongxing Information Company Limited	80	1	80	–
	Anhui Qiying Intelligent Technology Company Limited*	–	–	2,004	18
	Sindi Technologies Co., Ltd.	–	–	1,124	11
	SHIJIAZHUANG SMART INDUSTRY CO., LTD	–	–	389	389
	Shanghai Zhongxing Keyuan Industrial Company Limited	–	–	115	–
	Jetflow Technologies Co., Ltd	306	33	645	441
	Zhongxing Intelligent Technology (Wuhu) Company Limited	–	–	51	–
	Beijing Changrui Time Technology Limited	263	263	414	77
		177,117	107,957	176,466	107,150
Prepayment	Shenzhen Zhongxing Xinli Precision M&E Technology Company Limited	–	–	731	–
Other receivables	Shandong Xingji Real Estate Company Limited	–	–	5,000	5,000
	Sanhe Zhongxing Property Service Company Limited	10	–	–	–
	Sanhe Zhongxing Development Company Limited	71	–	–	–
		81	–	5,000	5,000

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XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

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

Item	Related party	2024	2023
Bills payable	Shenzhen Xinyu Tengyue Electronics Co., Ltd	6,646	6,156
	Sindi Technologies Co., Ltd.	38,687	64,266
	WHALE CLOUD TECHNOLOGY CO., LTD	1,187	—
	Shenzhen Zhongxing Xinli Precision M&E Technology Company Limited	55,066	42,956
	GD Ouke Air-conditioning & Refrigeration Company Limited	2,144	25,602
	Pylon Technologies Co., Ltd.	—	808
	Shenzhen Zhongxing Tenglong Eco-Tech Company Limited	8,891	5,841
	Jetflow Technologies Co., Ltd	—	201
	Shenzhen New Video Smart Technology Company Limited	—	83
		112,621	145,913
Trade payables	Shenzhen Xinyu Tengyue Electronics Co., Ltd	1,535	3,202
	Sindi Technologies Co., Ltd.	16,552	17,310
	Shenzhen Zhongxing WXT Equipment Company Limited	327	483
	Shenzhen Zhongxing Information Company Limited	277	6,365
	Puxing Mobile Telecom Equipment Co., Ltd.	—	217
	Shenzhen Zhongxing Xinli Precision M&E Technology Company Limited	23,719	26,344
	GD Ouke Air-conditioning & Refrigeration Company Limited	—	102
	WHALE CLOUD TECHNOLOGY CO., LTD	219,523	152,100
	Pylon Technologies Co., Ltd.	2,207	2,202
	航天歐華信息技術有限公司	1,987	2,237
	Nanchang Zhongzhan Digital Smart Technology Company Limited	—	45
	Shenzhen Zhongxing Tenglong Eco-Tech Company Limited	933	453
	Shenzhen New Video Smart Technology Company Limited	74	—
	Jetflow Technologies Co., Ltd	100	—
		267,234	211,060

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XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

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

Item	Related party	2024	2023
Contract liabilities	Nanchang Zhongzhan Digital Smart Technology Company Limited	5,327	5,327
	Xi'an Microelectronics Technology Research Institute	1,620	1,620
	Beijing Zhongxing Xieli Technology Company Limited	155	155
	航天歐華信息技術有限公司	1,793	10,975
	Zhongxing Software Technology (Shenyang) Company Limited	3	3
	WHALE CLOUD TECHNOLOGY CO., LTD	—	8,458
	Anhui Qiying Intelligent Technology Company Limited*	—	13
	Shaanxi Zhongtou Zhanlu Phase I Equity Investment Partnership Enterprise (Limited Partnership)	78	—
	Shenzhen Zhongxingxu Technology Company Limited	30	—
		9,006	26,551
Other payables	Shenzhen Zhongxing WXT Equipment Company Limited	12	12
	Zhongxingxin Telecom Company Limited	10	10
	INTLIVE TECHNOLOGIES (PRIVATE) LIMITED	5,457	5,332
	ZHONGSHAN YOUSHUN PROPERTY COMPANY LIMITED	2,000	2,000
	HENGYANG ICT REAL-ESTATE CO., LTD.	198	198
	Shandong Xingji Real Estate Company Limited	—	272
	Shenzhen Zhongxing Energy Conservation & Environmental Service Company Limited.	229	229
	Shenzhen ZTE International Investment Company Limited	26	26
	Huatong Technology Co., Ltd	6	36
	Shenzhen Aerospace Property Management Co., Ltd	30	30
	Puxing Mobile Telecom Equipment Co., Ltd.	4,523	8,634
	GD Ouke Air-conditioning & Refrigeration Company Limited	—	50
	Shenzhen Zhongxing Xinli Precision M&E Technology Company Limited	—	2
	Nanchang Zhongzhan Digital Smart Technology Company Limited	—	260
	ZTE Development Company Limited*	—	900
	WHALE CLOUD TECHNOLOGY CO., LTD	5,111	—
	Zhongxing Intelligent Technology (Wuhu) Company Limited	26	—
		17,628	17,991

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XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

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

Item	Related party	2024	2023
Lease liabilities	Sanhe Zhongxing Development Company Limited	53,813	66,312
	Tianjin ZTE International Investment Company Limited	21,151	27,861
	Zhongxingxin Telecom Company Limited	18,663	26,906
	Chongqing Zhongxing Development Company Limited	24,400	1,043
		118,027	122,122

* The Group completed the disposal of the entire equity interest in Yingbo Super Computer (Nanjing) Technology Company Limited in 2023 and the said company has been excluded from the Group's consolidated statements with effect from December 2023. Amounts disclosed in the table above represent transactions between Yingbo Super Computer (Nanjing) Technology Company Limited and Anhui Qiying Intelligent Technology Company Limited for the period from January to June 2023.

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 2025–2026 of the Group as purchaser was as follows:

Supplier	Subject of purchase	Date of agreement	Duration of agreement	Estimated purchase 2025	Estimated purchase 2026
Zhongxingxin Telecom Company Limited and its subsidiaries	Raw materials	December 2024	One year	400,000	–
Huatong Technology Co., Ltd.	Software outsourcing	December 2024	Two years	85,000	85,000
Nanchang Zhongzhan Digital Smart Technology Company Limited	Software outsourcing	December 2024	Two years	97,000	97,000
Total				582,000	182,000

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

(2) Information on sales with related parties in 2025 of the Group as seller was as follows:

Customer	Subject of sales	Date of agreement	Duration of agreement	Estimated sales 2025
航天歐華信息技術有限公司	Full range of government and corporate business products	December 2024	One year	1,200,000

Note: For details of sales occurring during the year, please refer to Note XI. 5 (1).

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XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

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

(3) Information on leases of the Group (as lessor) with related parties in 2025–2026 was as follows:

Lessee	Estimated rental income	
	2025	2026
Transactions with the controlling shareholder and its subsidiaries	2,660	—
Transactions with companies with which connected natural persons held positions and their subsidiaries	343	141
Transactions relating to joint ventures and associates of the Company	463	—
	3,466	141

Note: For details of rental income occurring during the year, please refer to Note XI. 5 (2).

(4) Information on leases of the Group (as lessee) with related parties in 2025–2026 was as follows:

Lessor	Estimate lease expense	
	2025	2026
Transactions with the controlling shareholder and its subsidiaries	11,888	—
Transactions with companies with which connected natural persons held positions and their subsidiaries	30,027	30,027
	41,915	30,027

Note: For details of rental expense occurring during the year, please refer to Note XI. 5 (2).

XII. SHARE-BASED PAYMENT

1. Share option incentive schemes

(1) 2020 Share Option Incentive Scheme — initial grant

Pursuant to the "Resolution on Matters pertaining to the grant of shares options under the 2020 Share Option Incentive Scheme" considered and passed at the Twenty-seventh Meeting of the Eighth Session of the Board of Directors and the Twentieth Meeting of the Eighth Session of the Supervisory Committee held on 6 November 2020, it was confirmed that 158,472,000 share options would be granted to 6,123 participants under the first grant. In accordance with ASBE 11 — Share-based Payment, the date of grant should be the date of approval of the share-based payment agreement. Hence, the date of grant for the first grant of the share option incentive scheme was set for 6 November 2020. The scheme participants of the Share Incentive Scheme were the directors and senior management of the Company and key employees of the Company who have a direct impact or outstanding contributions to the Company's overall business results and ongoing development, excluding Independent Non-executive Directors and Supervisors, substantial shareholders holding 5% or more of the Company's shares, separately or in aggregate, or the de facto controller of the Company and their spouses, parents or children.

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XII. SHARE-BASED PAYMENT (continued)

1. Share option incentive schemes (continued)

(1) 2020 Share Option Incentive Scheme — initial grant (continued)

The share options under the initial grant shall be valid for a period of 4 years from the date of grant. After the expiry of a 1-year vesting period from the date of grant, one-third of the options shall become exercisable in each of the three subsequent exercise periods, namely, the first, second and third exercise periods, subject to the fulfilment of conditions relating to business performance. The share options not exercisable due to failure to fulfil conditions relating to business performance or those currently not exercised after the end of the exercise period shall forthwith become null and void and be repurchased without consideration and cancelled by the Company.

The performance indicator for the exercise of the share options: net profit attributable to holders of ordinary shares of the listed company.

The detailed conditions for the exercise of the share options:

The conditions for the exercise of the granted share options for each exercise period:

Exercise period	Percentage of options exercisable	Duration	Conditions for exercise
First exercise period (“First Period”)	1/3	2021.11.6–2022.11.5	Net Profit for 2020 shall be no less than RMB3.0 billion
Second exercise period (“Second Period”)	1/3	2022.11.6–2023.11.5	Cumulative net profit for 2020 and 2021 shall be no less than RMB6.47 billion
Third exercise period (“Third Period”)	1/3	2023.11.6–2024.11.5	Cumulative net profit for 2020, 2021 and 2022 shall be no less than RMB10.23 billion

(2) 2020 Share Option Incentive Scheme — reserved options

Pursuant to the “Resolution on Matters pertaining to the Grant of Reserved Share Options under the 2020 Share Option Incentive Scheme” considered and passed at the Fortieth Meeting of the Eighth Session of the Board of Directors of the Company and the Thirty-first Meeting of the Eighth Session of the Supervisory Committee held on 23 September 2021, 5,000,000 reserved share options shall be granted to 410 participants. In accordance with ASBE No. 11 — Share-based payment, the date of grant shall be the date on which the agreement governing the share-based payment is approved. Therefore, the date of grant for the reserved share options under the share option incentive scheme shall be 23 September 2021. Participants in the reserved share options shall be key business employees.

The reserved share options shall be valid for a period of 3 years subject to a 1-year vesting period from the date of grant. Thereafter, one half of the options shall become exercisable in each of the two exercise periods, namely, the first and the second exercise periods, subject to the fulfilment of conditions relating to business performance. The share options not exercisable due to failure to fulfil the business performance conditions or those currently not exercised after the end of the exercise period shall forthwith become null and void and be repurchased without consideration and cancelled by the Company.

Business performance indicator for the exercise of the share options: net profit attributable to holders of ordinary shares of the listed company.

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XII. SHARE-BASED PAYMENT (continued)

1. Share option incentive schemes (continued)

(2) 2020 Share Option Incentive Scheme — reserved options (continued)

Conditions for the exercise of share options:

Exercise period	Percentage of options exercisable	Duration	Conditions for exercise
First exercise period ("First Period")	1/2	2022.9.23–2023.9.22	Cumulative net profit for 2020 and 2021 shall be no less than RMB6.47 billion
Second exercise period ("Second Period")	1/2	2023.9.23–2024.9.20	Cumulative net profit for 2020, 2021 and 2022 shall be no less than RMB10.23 billion

For the 12 months ended 31 December 2024, no share-based payment expense in relation to the vesting period was recognised as the vesting period had expired.

(3) Equity instruments granted are as follows:

Volume: in unit of 1,000

	Grant during the year		Exercised during the year		Unlocked during the year		Cancelled during the year	
	Volume	Amount	Volume	Amount	Volume	Amount	Volume	Amount
Sales employees	–	–	83	2,845	–	–	15,044	–
Management employees	–	–	49	1,706	–	–	8,948	–
R&D employees	–	–	151	5,216	–	–	27,581	–
Total	–	–	283	9,767	–	–	51,573	–

The weighted average share price on the date of exercise of share options under the initial grant exercised in 2024 was RMB31.48/share (2023: RMB41.01/share). There was no exercised share options under the reserved grant in 2024 (2023: RMB41.52/share).

(4) Equity instruments issued and outstanding at the end of the year are as follows:

The exercise periods for the initial grant and the reserved grant were concluded in November 2024 and September 2024, respectively (range of exercise price: RMB34.47–34.92). There was no equity instrument issued and outstanding in 2024.

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XII. SHARE-BASED PAYMENT (continued)

1. Share option incentive schemes (continued)

(5) Details of equity-settled share-based payments are as follows:

	2024
Method of determining fair value of equity instruments as at date of grant	Binomial tree model
Material parameters for fair value of equity instruments as at date of grant	Expected dividend, historical volatility rate, risk-free interest rate
Basis for determining the volume of exercisable equity instruments	Best estimate of expected exercisable volume at year-end
Reason for material difference between estimate for the year and estimate for the previous year	Nil
Cumulative amount of equity-settled share-based payment charged to capital reserve	1,116,809

(6) Share-based payment expenses incurred during the year are as follows:

	Expense on equity-settled share-based payment
Sales employees	–
Management employees	–
R&D employees	–
Total	–

XIII. COMMITMENTS AND CONTINGENT EVENTS

1. Material commitments

	2024	2023
Contracted but not provided of		
Capital expenditure commitments	2,457,110	2,322,794
Investment commitments	463,320	495,170
Including: investment commitment to joint ventures	406,470	438,670
	2,920,430	2,817,964

XIII. COMMITMENTS AND CONTINGENT EVENTS (continued)

2. Contingent events

2.1 On 15 April 2018, the U.S. Department of Commerce's Bureau of Industry and Security ("BIS") signed an order activating a previously suspended 7-year denial order (commencing on 15 April 2018 and ending on 13 March 2025) (the "15 April 2018 Denial Order"). The 15 April 2018 Denial Order restricted and prohibited the Company and ZTE Kangxun Telecommunications Ltd. (its wholly-owned subsidiary) (collectively "ZTE") from participating in any way, whether directly or indirectly, in any transaction involving any commodity, software, or technology exported or to be exported from the United States that is subject to the U.S. Export Administration Regulations ("EAR"), or any other activities subject to control under EAR. The full text of the 15 April 2018 Denial Order was published in the United States Federal Register (Federal Register Vol. 83, p. 17644) on 23 April 2018.

In June 2018, ZTE and BIS entered into a superseding settlement agreement ("2018 Superseding Settlement Agreement") to supersede the settlement agreement signed between ZTE and BIS in March 2017 ("2017 Settlement Agreement"). The 2018 Superseding Settlement Agreement came into effect via a superseding order relating to ZTE on 8 June 2018 (the "8 June 2018 Order"). In accordance with the 2018 Superseding Settlement Agreement, the Company had paid civil monetary penalties totalling USD1.4 billion, including a lump sum payment of USD1 billion and an additional penalty of USD0.4 billion placed in an escrow account with a U.S. bank suspended during the period of ten years from the issuance of the 8 June 2018 Order(the "Probationary Period") (The USD0.4 billion penalty will be waived after the end of Probationary Period if ZTE complies with the probationary conditions set forth in the Agreement and the 8 June 2018 Order during the Probationary Period). ZTE was required to comply with all applicable terms and conditions of the 2018 Superseding Settlement Agreement, including but not limited to: a new denial order (the "New Denial Order") for a period of ten years from the issuance of the 8 June 2018 Order that would, among other things, restrict and prohibit ZTE from applying for, obtaining, or using any license, license exception, or export control document, and participating in any way in any transaction involving any commodity, software, or technology that is subject to EAR, provided that such New Denial Order shall be suspended during the Probationary Period and thereafter be waived subject to ZTE's compliance with the 2018 Superseding Settlement Agreement and the 8 June 2018 Order. For details of other terms and conditions, please refer to the "INSIDE INFORMATION ANNOUNCEMENT AND RESUMPTION OF TRADING" published by the Company on 12 June 2018.

To fulfill the obligations under the 2018 Superseding Settlement Agreement and 2017 Settlement Agreement, the Company is required to provide and implement a comprehensive and updated export control compliance programme that covers all levels of ZTE.

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.

XIII. COMMITMENTS AND CONTINGENT EVENTS (continued)

2. Contingent events (continued)

2.1 (continued)

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 2024, the Company has complied with all local rules and regulations, as applicable, including restrictions under economic sanctions and export control laws and regulations, of the countries in which it operates its businesses. Complying with ZTE's Export Compliance Program and the regulations on which it is based is an essential requirement for ZTE's employees, contract employees, and businesses.

Compliance not only protects value, but it also creates value. The Company attaches significant importance to the work on export control compliance, regarding compliance as a foundation for the Company's strategy and condition and bottom-line for the Company's operations. The Company will continually build its value for its customers, shareholders, and employees, and build a compliant and healthy business environment with customers and partners through the dedication and vigilance to export compliance of every employee.

During the period from 1 January 2024 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 As at 31 December 2024, an amount of RMB10,403,552,000 (2023: RMB10,049,921,000) was outstanding under the bank guarantee letters issued by the Group.

XIV. POST-BALANCE SHEET DATE EVENTS

Profit distribution subsequent to the balance sheet date:

On 28 February 2025, in accordance with the profit distribution proposal recommended by the Board, a cash dividend of RMB6.17 (before tax) for every 10 shares or RMB0.617 (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 2024 according to the existing proportion for distribution. The aforesaid matter is subject to consideration and approval at the general meeting.

XV. OTHER SIGNIFICANT MATTERS

1. Segment reporting

(1) Operating segment

For management purposes, the Group is organised into business units based on its products and services and has 3 reportable operating segments as follows:

(a) Carriers' network is focused on meeting carries' requirements in network evolution with the provision of wireless access, wireline access, bearer systems, core networks, server and storage and other innovative technologies and product solutions;

(b) The Consumer Business is focused on bringing experience in smart devices to customers while also catering to the requirements of industry clients through the development, production and sale of products such as home information terminal, smart phones, mobile Internet terminals, innovative fusion terminals, as well as the provision of related software application and value-added services;

(c) The Government and Corporate Business is focused on meeting requirements of government and corporate clients, providing informatisation solutions for the government and corporations through the application of products such as "communications networks, IOT, Big Data and cloud computing".

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted total profit from continuing operations, which is consistent with the Group's total profit from continuing operations, except for the exclusion of finance costs, 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.

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XV. 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 gain from associates and joint ventures				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 losses	53,603	24,700	14,151	92,454

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XV. OTHER SIGNIFICANT MATTERS (continued)

1. Segment reporting (continued)

(1) Operating segment (continued)

2023

	Carriers' network	Consumer business	Government and corporate business	Total
Segment revenue				
2023				
Revenue from customer contracts	82,758,906	27,908,529	13,469,615	124,137,050
Rental income	—	—	113,828	113,828
Sub-total	82,758,906	27,908,529	13,583,443	124,250,878
Segment results	32,978,187	3,627,234	3,487,651	40,093,072
Unallocated revenue				1,979,044
Unallocated cost				(32,533,045)
Finance costs				1,101,192
Gain from changes in fair values				(702,284)
Investment gain from associates and joint ventures				265,161
Total profit				10,203,140
Total assets				
2023				
Segment assets	50,040,841	16,202,542	8,213,338	74,456,721
Unallocated assets				126,501,597
Sub-total				200,958,318
Total liabilities				
2023				
Segment liabilities	11,217,558	2,806,140	1,841,168	15,864,866
Unallocated liabilities				116,762,007
Sub-total				132,626,873
Supplemental information				
2023				
Depreciation and amortisation expenses	3,280,932	1,106,419	538,508	4,925,859
Capital expenditure	3,303,424	1,114,004	542,200	4,959,628
Asset impairment losses	(571,726)	(192,801)	(93,839)	(858,366)
Credit impairment losses	(50,485)	(17,025)	(8,286)	(75,796)

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XV. OTHER SIGNIFICANT MATTERS (continued)

1. Segment reporting (continued)

(2) Geographic Information

Total revenue

	2024	2023
The PRC	82,005,674	86,485,340
Asia (excluding the PRC)	15,390,457	14,131,004
Africa	6,422,478	6,221,506
Europe, America and Oceania	17,480,143	17,413,028
	121,298,752	124,250,878

Total non-current assets

	2024	2023
The PRC	22,304,776	24,098,843
Asia (excluding the PRC)	1,388,462	1,338,546
Africa	572,295	528,577
Europe, America and Oceania	1,002,643	424,328
	25,268,176	26,390,294

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

(3) Information of major customers

Operating revenue of RMB33,294,519,000 was derived from carriers' network and consumer business revenue from one major customer (2023: RMB34,725,344,000 from one major customer).

2. #Directors' and Supervisors' remuneration

Directors' and Supervisors' 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, is as follows:

	2024	2023
Directors' and Supervisors' remuneration set out as follows:		
Director's fee	1,800	1,800
Salaries, allowances and welfare	7,744	7,673
Performance-related rewards (bonuses)*	28,522	31,691
Retirement benefit scheme contributions	223	261
Total	38,289	41,425

Note: No share option expense or share-based payment expense was recognised for 2024 in respect of share options or units granted to Directors of the Company under the initial grant of the 2020 Share Option Incentive Scheme (2023: RMB732,000).

* Certain Executive Directors of the Company are entitled to bonus payments which are determined based on their work performance.

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XV. 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 (2023: 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 2024.

Executive directors, Non-executive Directors, Independent Non-executive Director and Supervisors

	Director's fee	Salaries, allowances and welfare	Performance-related rewards (bonuses)	Retirement benefit scheme contributions	Total	Share option scheme cost
2024						
Executive directors:						
Li Zixue	–	1,819	6,070	11	7,900	Note 1
Xu Ziyang *(President)*	–	1,772	7,982	46	9,800	Note 1
Gu Junying	–	1,669	6,690	66	8,425	Note 1
	–	5,260	20,742	123	26,125	
Non-executive directors:						
Li Buqing (resigned)	100	–	–	–	100	Note 1 and Note 2
Zhu Weimin	200	–	–	–	200	Note 1
Fang Rong	200	–	–	–	200	Note 1
Zhang Hong	100	–	–	–	100	Note 2
	600	–	–	–	600	
Independent Non-executive Directors:						
Cai Manli (resigned)	200	–	–	–	200	Note 2
Zhuang Jiansheng	400	–	–	–	400	
Gordon Ng (resigned)	200	–	–	–	200	Note 2
Wang Qinggang	200	–	–	–	200	Note 2
Tsui Kei Pang	200	–	–	–	200	Note 2
	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	

There were no other emoluments payable to the Independent Non-executive Directors during the year (2023: Nil).

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XV. OTHER SIGNIFICANT MATTERS (continued)

2. #Directors' and Supervisors' remuneration (continued)

Executive directors, Non-executive Directors, Independent Non-executive Director and Supervisors (continued)

	Director's fee	Salaries, allowances and welfare	Performance-related rewards (bonuses)	Retirement benefit scheme contributions	Total	Share option scheme cost
2023						
Executive directors:						
Li Zixue	—	1,839	6,842	41	8,722	Note 1
Xu Ziyang *(President)*	—	1,734	9,500	46	11,280	Note 1
Gu Junying	—	1,650	7,137	63	8,850	Note 1
	—	5,223	23,479	150	28,852	
Non-executive directors:						
Li Buqing	200	—	—	—	200	Note 1
Zhu Weimin	200	—	—	—	200	Note 1
Fang Rong	200	—	—	—	200	Note 1
	600	—	—	—	600	
Independent Non-executive Directors:						
Cai Manli	400	—	—	—	400	
Gordon Ng	400	—	—	—	400	
Zhuang Jiansheng	400	—	—	—	400	
	1,200	—	—	—	1,200	
Supervisors:						
Xie Daxiong	—	1,234	5,138	19	6,391	
Xia Xiaoyue	—	632	1,714	46	2,392	
Li Miaona	—	584	1,360	46	1,990	
Jiang Mihua	—	—	—	—	—	
Hao Bo	—	—	—	—	—	
	—	2,450	8,212	111	10,773	
	1,800	7,673	31,691	261	41,425	

Note 1: As at the end of the year, Executive Directors Mr. Li Zixue, Mr. Xu Ziyang and Mr. Gu Junying respectively held 0 (2023: 60,000) share options under the initial grant of the 2020 Share Option Incentive Scheme. Non-executive Directors Mr. Li Buqing, Mr. Zhu Weimin and Ms. Fang Rong respectively held 0 (2023: 17,000) share options under the initial grant of the 2020 Share Option Incentive Scheme. The fair value of share options granted under the initial grant of the 2020 Share Option Incentive Scheme was RMB1,444,549,000. The Company's recognised share option expense for 2024 amounted to RMB0 (2023: RMB158,409,000), including share option expense for Executive Directors and Non-executive Directors of RMB0 (2023: RMB732,000).

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 of the Ninth Session of the Board of Directors was concluded on 28 June 2024. At the 2023 Annual General Meeting of the Company convened on 28 June 2024, Mr. Zhang Hong was elected as Non-executive Director and Mr. Wang Qinggang and Mr. Tsui Kei Pang were elected as Independent Non-executive Directors of the Ninth Session of the Board of Directors of the Company.

For details of the aforesaid matters pertaining to the Company's 2020 Share Option Incentive Scheme, please refer to Note XII.

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.

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XV. 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 (2023 1 Director), details of whose remuneration are set out in the above: Details of the remaining four employees are set out in as follows:

	2024	2023
Salaries, allowances and welfare	5,296	5,645
Performance-related rewards (bonuses)	30,799	33,033
Retirement benefit scheme contributions	217	185
Total	36,312	38,863

Note: Share option expense or share-based payment expense recognised for 2024 in respect of share options or units granted to aforesaid four employees under the initial grant of the 2020 Share Option Incentive Scheme amounted to RMB0 (2023: RMB765,000).

The breakdown number of the aforesaid four employees receiving remuneration (before personal income tax) within the following scope is as follows:

	2024	2023
RMB8,500,001–RMB9,000,000	2	1
RMB9,000,001–RMB9,500,000	1	1
RMB9,500,001–RMB10,000,000	1	1
RMB10,000,001–RMB10,500,000	—	—
RMB10,500,001–RMB11,000,000	—	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 (2023: Nil).

4. #Net current assets/(liabilities)

	2024 Group	2023 Group	2024 Company	2023 Company
Current assets	141,787,346	158,504,553	135,462,843	151,894,602
Less: Current liabilities	82,635,473	83,030,414	90,418,632	92,399,683
Net current assets/ (liabilities)	59,151,873	75,474,139	45,044,211	59,494,919

5. #Total assets less current liabilities

	2024 Group	2023 Group	2024 Company	2023 Company
Total assets	207,323,230	200,958,318	187,030,066	193,091,487
Less: Current liabilities	82,635,473	83,030,414	90,418,632	92,399,683
Total assets less current liabilities	124,687,757	117,927,904	96,611,434	100,691,804

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XVI. MAJOR ITEMS IN THE FINANCIAL STATEMENTS

1. Currency cash

	2024	2023
Cash on hand	821	1,106
Bank deposit	17,554,839	39,799,977
Other currency cash	317,009	882,058
Amounts placed with the Group Finance Company	9,811,225	21,292,050
	27,683,894	61,975,191
Including: Total amount of cash placed overseas	325,535	430,443

As at 31 December 2024, the Group's cash placed overseas and subject to restrictions amounted to RMB131,000 (31 December 2023: RMB73,000).

2 Trade receivables

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

	2024	2023
Not overdue	13,834,404	16,278,135
Within 1 year	14,621,494	11,770,438
1–2 years	3,657,452	4,091,017
2–3 years	1,678,076	1,400,995
Over 3 years	7,928,661	8,559,056
	41,720,087	42,099,641
Less: bad debt provision for trade receivables	5,869,015	6,155,903
Total	35,851,072	35,943,738

(2) Analysed by method of bad-debt provision

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

2023

	Book balance		Bad debt provision		Book value
	Amount	Percentage	Amount	Percentage	
Standalone provision for impairment	1,690,977	4.02%	1,690,977	100.00%	–
Recognition of provision for impairment by group with credit risk characteristics	40,408,664	95.98%	4,464,926	11.05%	35,943,738
Total	42,099,641	100.00%	6,155,903	14.62%	35,943,738

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XVI. MAJOR ITEMS IN THE FINANCIAL STATEMENTS (continued)

2 Trade receivables (continued)

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

As at 31 December 2024, bad debt provisions for trade receivables on a group basis were as follows:

	Book balance	Provision for impairment	Percentage of provision
Not overdue	13,834,404	74,991	0.54%
Within 1 year	14,528,277	228,159	1.57%
1–2 years	3,655,443	195,743	5.35%
2–3 years	1,661,861	229,462	13.81%
Over 3 years	6,336,798	3,437,356	54.24%
Total	40,016,783	4,165,711	10.41%

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

	Opening balance	Charge/ (reversal) for the year	Verified write-off for the year	Effect of exchange rate	Closing balance
2024	6,155,903	(102,094)	(175,456)	(9,338)	5,869,015

For 2024, RMB2,141,000 (2023: RMB50,700,000) was reversed for trade receivables which were individually significant and for which bad-debt provision had been made separately. Verified write-off in respect of trade receivables which were individually significant and for which bad-debt provision had been made separately amounted to RMB0 (2023: RMB0).

(4) Top 5 accounts of trade receivables and contract assets as at 31 December 2024 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	4,061,989	972,663	5,034,652	11.20%	13,509
Customer 2	2,335,343	530,537	2,865,880	6.38%	10,380
Customer 3	2,302,376	404,624	2,707,000	6.02%	23,806
Customer 4	589,379	72,361	661,740	1.47%	229,423
Customer 5	380,602	11,157	391,759	0.87%	17,602
Total	9,669,689	1,991,342	11,661,031	25.94%	294,720

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

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XVI. MAJOR ITEMS IN THE FINANCIAL STATEMENTS (continued)

3. Other receivables

	2024	2023
Dividend receivables	1,473,237	2,823,753
Other receivables	31,710,754	28,829,300
Total	33,183,991	31,653,053

(1) The aging analysis of other receivables:

	2024	2023
Within 1 year	17,983,566	13,432,961
1–2 years	2,108,442	4,364,164
2–3 years	1,504,428	2,310,947
Over 3 years	10,338,254	8,950,708
	31,934,690	29,058,780
Less: Bad-debt provision	223,936	229,480
Total	31,710,754	28,829,300

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

	2024	2023
Staff reserve fund	–	–
Current transactions	31,934,690	29,058,780
Total	31,934,690	29,058,780

(3) Charge of bad debt provision

2024

	Book balance		Bad debt provision		Book value
	Amount	Percentage	Amount	Percentage	
Recognition of provision for impairment by group with credit risk characteristics	31,934,690	100.00%	223,936	0.70%	31,710,754

As at 31 December 2024, bad debt provisions for other receivables on a group basis were as follows:

	Book balance	Provision for impairment	Percentage of provision
Aging risk portfolio	31,934,690	223,936	0.70%

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

	Opening balance	Charge/ (reversal) for the year	Write-off for the year	Closing balance
Aging risk portfolio	229,480	29,243	(34,787)	223,936

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XVI. MAJOR ITEMS IN THE FINANCIAL STATEMENTS (continued)

4. Long-term receivables

	2024	2023
Loans granted to subsidiaries (Note 1)	**2,954,807**	2,963,702
Installment payments for the provision of telecommunication system construction projects	**764,574**	1,894,521
	3,719,381	4,858,223
Less: Bad debt provision for long-term receivables	**36,700**	25,099
Total	**3,682,681**	4,833,124

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**
2024	**25,099**	**11,601**	**36,700**
2023	35,930	(10,831)	25,099

The interest rate of long-term receivables ranged from 3.10%–7.05%.

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

5. Investment in associates, joints and subsidiaries

		2024	2023
Equity method			
Joint Ventures	(1)	**857,509**	728,001
Associates	(2)	**1,063,225**	1,050,567
Less: Provision for impairment of investment in associates and joints		**–**	–
Total		**1,920,734**	1,778,568
Cost method			
Subsidiaries	(3)	**17,010,083**	16,814,207
Less: Provision for impairment of investment in associates and joints	(4)	**613,526**	613,526
Total		**16,396,557**	16,200,681
Total		**18,317,291**	17,979,249

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XVI. MAJOR ITEMS IN THE FINANCIAL STATEMENTS (continued)

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

(1) Joint Ventures

	Opening balance	Movements during the year: Increase of investment	Decrease of investment	Investment gains/losses under equity method	Other Comprehensive income	Other equity movements	Cash Dividend declared	Charge of provision for impairment	Closing book balance	Provision for impairment at the end of the year
Puxing Mobile Telecom Equipment Co., Ltd.	10,752	–	–	(9,545)	–	–	–	–	1,207	–
DataService Technology Co., Ltd.	36,054	–	–	5,997	–	–	(2,309)	–	39,742	–
Zhuhai Red Earth Zhanlu Equity Investment Partnership (L.P.)	587,920	–	–	136,092	–	–	–	–	724,012	–
Beijing Shunyi Jianguang Zhanlu Emerging Industry Equity Investment Partnership (Limited Partnership)	93,275	–	–	(727)	–	–	–	–	92,548	–
Total	728,001	–	–	131,817	–	–	(2,309)	–	857,509	–

(2) Associates

	Opening balance	Movements during the year: Increase of investment	Decrease of investment	Investment gains/losses under equity method	Other Comprehensive income	Other equity movements	Cash Dividend declared	Charge of provision for impairment	Others	Closing book balance	Provision for impairment at the end of the year
Whale Cloud Technology Co., Ltd.	820,204	–	–	31,245	(1,263)	–	–	–	–	850,186	–
Jetflow Technologies Co., Ltd	5,991	–	–	(7,189)	–	–	–	–	–	(1,198)	–
Xingyun Times Technology Co., Ltd.	121,441	–	–	(6,303)	–	–	–	–	–	115,138	–
Qingdao Hongtu Zhanlu Phase II Private Equity Investment Fund Partnership (Limited Partnership)	60,436	–	–	(1,097)	–	–	–	–	–	59,339	–
Zhongxing (Wenzhou) Urban Rail Transportation Communication Technical Co. Ltd.	34,738	–	–	5,022	–	–	–	–	–	39,760	–
Other investments	7,757	–	(5,472)	(2,285)	–	–	–	–	–	–	–
Total	1,050,567	–	(5,472)	19,393	(1,263)	–	–	–	–	1,063,225	–

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XVI. MAJOR ITEMS IN THE FINANCIAL STATEMENTS (continued)

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

(3) Subsidiaries

	Investment cost	Opening balance	Increase/ decrease during the year	Closing balance	Percentage of shareholding	Percentage of voting rights	Cash dividend for the year
Shenzhen Zhongxing Software Company Limited	263,293	263,293	–	263,293	100%	100%	2,000,000
Shenzhen ZTE Kangxun Telecom Company Limited	580,000	580,000	–	580,000	100%	100%	–
Sanechips Technology Co., Ltd.	2,702,784	2,702,784	–	2,702,784	87%	87%	–
Shenzhen Zhongxing Telecom Technology & Service Company Limited	45,000	45,000	–	45,000	90%	90%	–
Xi'an Zhongxing New Software Company Limited	340,000	340,000	–	340,000	100%	100%	300,000
ZTE (H.K.) Limited	2,226,963	2,226,963	–	2,226,963	100%	100%	–
ZTE (Heyuan) Company Limited	500,000	500,000	–	500,000	100%	100%	–
ZTE Group Finance Co., Ltd	1,000,000	1,000,000	–	1,000,000	100%	100%	–
Zhongxing Photonics Technology Co., Ltd.	1,000,000	1,000,000	–	1,000,000	100%	100%	–
ZTE (Nanjing) Co., Ltd.	1,000,000	1,000,000	–	1,000,000	100%	100%	–
Nubia Technology Limited	1,124,402	1,124,402	–	1,124,402	78%	78%	–
Shenzhen Renxing Technology Co., Ltd.	720,000	720,000	–	720,000	100%	100%	–
ZTE Intelligent Technology (Nanjing) Co., Ltd.	1,000,000	1,000,000	–	1,000,000	83%	83%	–
Zonson Smart Auto Corporation	790,500	790,500	–	790,500	86%	86%	–
ZTE (Chengdu) Co., Ltd.	500,000	500,000	–	500,000	100%	100%	–
Suzhou Zhonghe Chunsheng No.3 Investment Centre (Limited Partnership)	–	–	–	–	–	*	10,560
ZXNE CORPORATION	232,360	232,360	–	232,360	100%	100%	–
Other investment	2,984,781	2,788,905	195,876	2,984,781	–	–	1,083,985
Total	17,010,083	16,814,207	195,876	17,010,083	–	–	3,394,545

* 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	–	371,510
Total	613,526	–	613,526

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XVI. MAJOR ITEMS IN THE FINANCIAL STATEMENTS (continued)

6. Operating revenue and costs

	2024		2023	
	Revenue	**Cost**	Revenue	Cost (restated)
Principal operations	**114,981,535**	**110,900,152**	119,523,236	110,302,456
Other businesses	**17,302,020**	**315,366**	15,382,380	215,342
Total	**132,283,555**	**111,215,518**	134,905,616	110,517,798

7. Investment income

	2024	2023
Investment income from investment in associates and joints under equity method	**151,210**	247,984
Investment income from investment in associates and joints under cost method	**3,394,545**	3,031,750
Investment income earned during the year of financial assets at amortised cost and holding financial assets at fair value through profit or loss for the year	**7,997**	23,053
Investment income/(loss) from disposal of investment in associates and joints	**16,867**	(27,134)
Investment loss from disposal of derivative investment	**(188,929)**	(603,215)
Investment income from disposal of financial assets at fair value through current profit or loss	**110,886**	12,510
Loss on derecognition of financial assets at amortised cost and financial assets at fair value through other comprehensive income	**(302,455)**	(251,879)
Total	**3,190,121**	2,433,069

Supplementary Information

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1. BREAKDOWN OF EXTRAORDINARY GAINS/LOSSES

	2024
Gain from the disposal of non-current assets	95,659
Investment gain from the disposal of investment in associates and joints	155,154
Gains or losses from fair-value change arising from financial assets and financial liabilities, and gains or losses from the disposal of financial assets and financial liabilities held by the Company, excluding effective value-protection hedge relating to the normal operation of the Company	(206,393)
Gain from change in fair value of investment properties	(150,378)
Other income (other than income from VAT refund on software products, refund of handling charge for personal tax and VAT add-on deductibles)	326,700
Reversal of bad-debt provision for individually significant trade receivables for which provision was separately made	4,272
Net of other non-operating income and expenses other than the above	(112,576)
Other gains or losses falling under the definition of extraordinary gain or loss	2,542,942
	2,655,380
Effect of income tax	(398,307)
Effect of non-controlling interests (net of tax)	(11,350)
	2,245,723

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). The extraordinary gain/(loss) items within the definition of extraordinary gain/(loss) and items set out as extraordinary gain/(loss) but defined as recurring gain/(loss) items are as follows:

	2024	Reason
Income from VAT rebate for software products	2,069,027	In line with national policies and received on an ongoing basis
Income from refund of handling charge for withholding personal tax	32,747	In line with national policies and received on an ongoing basis
Investment gain and gain from fair-value change of ZTE Capital Company Limited	(41,290)	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	Earnings per share Diluted
Net profit attributable to ordinary shareholders of the Company	11.97%	1.76	1.76
Net profit after extraordinary items attributable to ordinary shareholders of the Company	8.78%	1.29	1.29

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 2024; and
- Articles of Association.

By order of the Board
Li Zixue
Chairman

28 February 2025

中兴通讯股份有限公司
ZTE CORPORATION