ZTE 中兴通讯股份有限公司
ZTE CORPORATION

stock code : 000063.SZ 763.HK

2024
INTERIM 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 individually and collectively accept legal responsibility therefor.

2. This report has been considered and approved at the Twenty-eighth Meeting of the Ninth Session of the Board of Directors of the Company held on 16 August 2024. 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 interim financial reports of the Group for 2024 were prepared under PRC ASBEs and were unaudited.

5. No profit distribution or conversion of capital reserves will be implemented by the Company in respect of the interim period of 2024.

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

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

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

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DEFINITIONS

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

Company or ZTE	ZTE Corporation, a limited company incorporated in China, the shares of which are listed on the Shenzhen Stock Exchange and the Hong Kong Stock Exchange, respectively
Group	ZTE and its subsidiaries
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 30 June 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.
C-V2X	Communication technology based on 3GPP global uniform standards, namely, a vehicular wireless communication technology formed through the evolution of 3G/4G/5G cellular communication technology; it comprises LTE-V2X and 5G-V2X, with LTE-V2X supporting smooth evolution into 5G-V2X.
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 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.
FTTR	FTTR (Fiber to The Room) is a networking mode connecting different indoor APs (access points) with the indoor all-optical node through optical fibre to achieve a 1000M+ coverage throughout the house.
MOE	Mixture of Experts is a model design strategy which acquires better forecast performance by directly combining numerous models (known as “experts”).
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 next-generation backbone transmission network within the optical zone organisational network based on WDM technology.

GLOSSARY

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 separates into two parts: the radio server and radio remote unit (RRU), the latter of which is installed at the antenna end to process radio signals.
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.
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.
TSN	Time Sensitive Networking, as defined by the Institute of Electrical and Electronics Engineers Association (IEEE), is a solution for the provision of definitive service based on standard ethernet technology which facilitates the completion of data packet transmission within a definite time latency to meet the rigid transmission requirements of the industrial sector.
UBR	Ultra Broadband Radio, the industry's most complete series of dual/triple frequency UBR products launched by ZTE catering to multi-frequency and multi-modal integration of wireless mobile networks, whereby one base station is able to simultaneously support the operation of multiple frequencies and support coverage by multiple protocols, such as GSM/UMTS/LTE/NR.

GLOSSARY

UWB	Ultra-Wideband is a wireless carrier wave communication technology offering the advantages of high data transmission speed, low power consumption and strong protection against interference. This technology is widely applied by the industry for precision positioning, as it is capable of reaching positioning precision (motionless) of 0.3 m.
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.
Coordinated congestion control at end network	When a network becomes congested, the network notifies the end sides about the congestion and the status of the link, and the end sides will reduce the real-time data flow transmitted along the link based on this information, thereby achieving precision in the control and avoidance of congestion.
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.
Distributed database	A logically coherent database formed by the interconnection of multiple data storage units located in different physical locations using a high-speed computer network, so as to enable larger storage capacity and higher volume of simultaneous visits.
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.

GLOSSARY

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 lifecycle of the entity equipment concerned.
Communication — sense — computing 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.
Intelligent overall loading averaging	Computing the optimal forwarding pathway from the overall perspective of the network through network and AI modulation and coordination based on the band width requirement of each service stream to assure optimal loading efficiency and improve the overall throughput of the network.
Self-adapting router	When the link experiences a breakdown, the breakdown notification function of the self-adapting router enables swift dissemination of information on the link breakdown among different equipment to facilitate swift “inspection, test, dissemination and switching” in connection with link congestion and interruption, reducing the lead time for protective switching to μs level.

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 Group is engaged in communication equipment manufacturing and owns complete end-to-end products and integrated 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 Group during the Reporting Period.

1.1.3 Listing information

A shares	Listed on the main board of the Shenzhen Stock Exchange in 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 in December 2004 Abbreviated name of stock: ZTE Stock code: 763

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

I. CORPORATE INFORMATION AND SUMMARY OF MAJOR FINANCIAL DATA

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 16, Ernst & Young Tower, Oriental Plaza, No.1 East Chang An Avenue, Dongcheng District, Beijing, The People's Republic of China

1.2 SUMMARY OF MAJOR FINANCIAL DATA

1.2.1 Accounting standards adopted

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

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

☐ Applicable √ N/A

1.2.3 Major accounting data and financial indicators of the Group

Unit: RMB in thousands

Item	Six months ended 30 June 2024	Six months ended 30 June 2023	Year-on-year change
Operating results			
Operating revenue	**62,487,098**	60,704,794	2.94%
Net profit attributable to holders of ordinary shares of the listed company	**5,732,446**	5,472,153	4.76%
Net profit after extraordinary items attributable to holders of ordinary shares of the listed company	**4,963,643**	4,909,329	1.11%
Net cash flows from operating activities	**7,000,399**	6,425,897	8.94%

Size	30 June 2024	31 December 2023	Year-on-year change
Total assets	**205,507,776**	200,958,318	2.26%
Total liabilities	**134,747,078**	132,626,873	1.60%
Owners' equity attributable to holders of ordinary shares of the listed company	**70,395,332**	68,008,307	3.51%

Per share basis (RMB/share)	Six months ended 30 June 2024	Six months ended 30 June 2023	Year-on-year change
Basic earnings per share	**1.20**	1.15	4.35%
Diluted earnings per share	**1.20**	1.15	4.35%
Basic earnings per share after extraordinary items	**1.04**	1.03	0.97%
Net cash flows from operating activities per share	**1.46**	1.35	8.15%
Net asset per share attributable to holders of ordinary shares of the listed company	**14.72**	13.31	10.59%

Financial ratios (%)	Six months ended 30 June 2024	Six months ended 30 June 2023	Year-on-year change
Weighted average return on net assets	**8.28%**	8.93%	Decreased by 0.65 percentage point
Weighted average return on net assets after extraordinary items	**7.17%**	8.01%	Decreased by 0.84 percentage point
Gearing ratio[Note]	**65.57%**	66.00%	Decreased by 0.43 percentage point

Note: The gearing ratio is based on data as of 30 June 2024 and 31 December 2023.

I. CORPORATE INFORMATION AND SUMMARY OF MAJOR FINANCIAL DATA

1.2.4 Extraordinary gains or losses items and amounts of the Group

Unit: RMB in thousands

Item	Six months ended 30 June 2024	Six months ended 30 June 2023
Gain from disposal of non-current assets	**67,365**	16,462
Investment gain from disposal of investment in associates and joints	**1,000**	(1,036)
Gains or losses from fair value change arising from financial assets and financial liabilities and gains or losses from disposal of financial assets and financial liabilities held by the Company, excluding the effective-value protection hedge business relating to the ordinary business of the Company	**(141,560)**	(194,558)
Write-back of provision for individually tested receivable impairment	**2,241**	9,636
Gain or loss from fair-value change of investment properties	**(145,522)**	(1,650)
Other gains other than income from software VAT rebate and income from refund of handling charge for withholding personal tax	**185,922**	164,933
Net of other non-operating income and expenditure other than the above	**(333)**	(43,387)
Other gains or losses falling under the definition of extraordinary gain or loss	**935,935**	707,825
Less: Effect of income tax	**135,757**	98,734
Effect of non-controlling interest (after tax)	**488**	(3,333)
Total	**768,803**	562,824

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" (Amended 2023). The following items, which are set out in the provisions as extraordinary items, have been categorised as recurring items:

Unit: RMB in thousands

Item	Six months ended 30 June 2024	Reasons
Income from VAT rebate for software products	**1,115,629**	Operational on an ongoing basis
Income from refund of handling charge for withholding personal tax	**33,045**	Operational on an ongoing basis
Gain from disposal of equity interests in Shenzhen ZTE Capital Management Company Limited ("ZTE Capital") and gain from fair-value change	**(30,665)**	Business with the scope of operation of ZTE Capital

II. REPORT OF THE BOARD OF DIRECTORS

During the first half of 2024, the Group achieved stable growth as it persisted in R&D investment in ongoing improvement of its key technologies and product competitiveness to seize opportunities presented by the global trends of digitalisation and low-carbon green development while keeping business risks under control. The operation of the Group is founded on consistent investment in R&D. This chapter begins with a discussion of the innovation of the Group's core technologies in the first half of 2024, followed by a detailed account of its operating results for the first half of 2024 and business outlook for the second half of 2024.

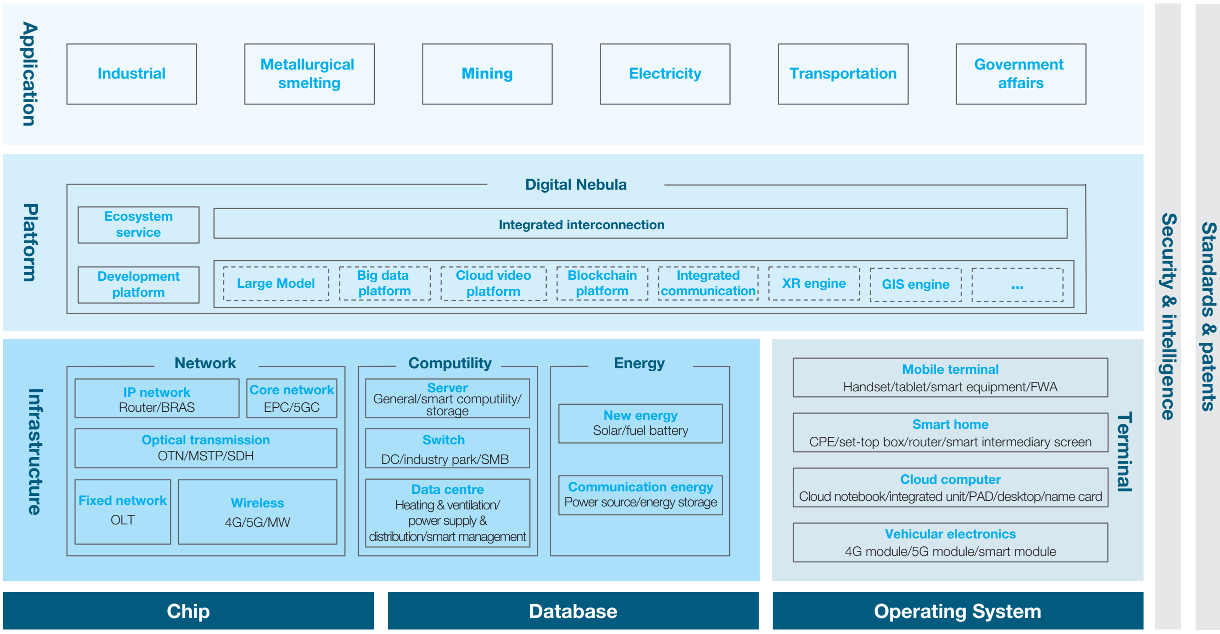
2.1 INNOVATIONS IN CORE TECHNOLOGIES IN THE FIRST HALF OF 2024

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.

With the accelerating development of digital technologies and AI technologies in particular, the reinvention of productivity and revolutionary changes in efficiency are expected in the next decade to empower high-quality social and economic development. 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 more than 30 years, 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 and Intelligent Transformation, East-to-West Data Computing and Dual Carbon Economy, persisting in its objectives and leveraging its strengths as it seeks to position itself as a "path-builder for digital economy" and continuously spend its efforts in "connectivity + computility + capacity + intelligence", that helps customers and business partners to forge an efficient and green foundation for digital and intelligent operations and solutions that meet scenario requirements and 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, having 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 products and digital and intelligent solutions, the Group has achieved steady growth in market share and further optimisation in market pattern.

II. REPORT OF THE BOARD OF DIRECTORS



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 digitalized efficient development platform on the back of close to 30 years' R&D build-up. We are an industry leader in terms of the ability to design the whole process of 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 has continued to make improvements to its proprietary GoldenDB (distributed database) in terms of functions, performance and security. We have launched a tool series compatible with different types of database in live networks to facilitate smooth migration. We have continued to be deeply engaged in the key markets for the business such as the financial and carrier sectors, whilst focusing on the promotion of core business database for key industries to assist customers in expediting the upgrade of their core business system database. During the first half of 2024, **in the financial market,** we procured the smooth commissioning of the public core business systems of China Construction Bank and Industrial and Commercial Bank of China, as well as the core credit card business system of Guangfa Bank. **In the carrier sector,** we facilitated the smooth commissioning of the core business systems of Anhui Mobile, Hebei Mobile and Guangdong Mobile, whilst teaming up with China Mobile in the R&D of public cloud database products. According to the IDC Report, GoldenDB ranked first in market share for local distributed business database in China's banking industry in 2023.

3. 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. The products have been extensively used in the communication, automobile, electricity and railway transportation sectors, as more than 200 million sets have been delivered by far, 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 automobile operating system products 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) and safety and reliability assessment test of China Information Technology Security Evaluation Center.

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 and worked with carriers to continuously expand 5G-A innovations, applications and practices.

- **Wireless access: to address the requirements of minimal conversion of stations,** the 12-channel ultra-broadband RRU has been launched utilising the industry's most powerful Super-N power magnification technology to achieve frequency module consolidation with ultra-high integration, which could enhance the efficiency of site utilisation and energy consumption by more than 30% when deployed in coordination with other products in the multi-frequency and multi-fan series. **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 industry's first "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 UBR series featuring large power, multi-frequency combinations and multi-fan integration has been put to large-scale commercial application as an industry leader in terms of integration level and energy efficiency.

- **Green energy conservation:** we have procured ongoing evolution of the energy conservation solution PowerPilot. Following the launch and large-scale commercial application of the AAU automatic start/stop function which reduces AAU night-time energy consumption to a minimum of 5W or below, we have launched China's first trial RRU automatic start/stop function, by which power consumption of an idle RRU can be reduced to a minimum of 3W.

- **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 and 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 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. **In connection with communication and sensor integration,** the largest low-altitude communication and sensor integration network has been completed in Binjiang, Nanjing. In Guangzhou, we have planned for the commissioning of the world's first 5G-A 128 access wide-angle communication and sensor equipment that genuinely facilitates high-precision comprehensive sensing without blind spots through air, space and terrestrial integration. 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.

(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.

(3) Wireline

- **Fixed-line access:** the Group has launched the industry's first integrated full-speed 50G PON for "three generations and five models" compatible with products 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. Tbit full optical access platform ZXA10 C600E has been named for the 2024 Lightwave Optical Transmission Annual Innovation Award.

- **Optical transmission network:** the Group has teamed up with carriers to deliver large-scale application of the world's first 400G full optical inter-provincial backbone network, enabling full connection among 8 national computing hubs under East-to-West Data Computing. Live Internet verification for ultra-high-speed computing has been completed based on the industry's first 800G OTN plug-in/unplug solution with a record-breaking terrestrial system transmission distance of 2000 km. 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. Meanwhile, 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 to assist carriers in the construction of novel high-performance and definitive smart IP network. The world's first computing router jointly launched by the Group and 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. **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. **In connection with green energy conservation,** the Group is the first player to introduce commercial application of SPN AI energy conservation technology, which has been successfully deployed in 23 provinces for China Mobile as an industry leader in terms of the scale of commercial application and effectiveness in energy conservation.

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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-scale 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 software and hardware decoupling, training/inference decoupling and model decoupling in an effort to create an intelligent computing ecosphere featuring full and open decoupling.

(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 integrated training and inference unit, full-range 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.

- **Proprietary innovation:** Dinghai chip developed on a proprietary basis supporting multiple forms such as RDMA card, smart network card and DPU to provide high-performance and diversified computing acceleration hardware.

- **Supreme cost effectiveness:** maximising utilisation of intelligent and computing resources through the pooling and virtualisation of intelligent and computing resources, centralised management and modulation of heterogeneous computing and dynamic adjustment of the proportion of training/inference resources.

(2) Switch

The open-ended decoupling nebula intelligent computing network solution launched Group can meet the requirement for intelligent computing cluster construction from 100 to 10,000 cards. With the benefit of innovative computing technologies such as intelligent overall loading averaging, coordinated congestion control at end network and self-adapting router to achieve zero-loss data transmission. 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 single slot supporting 14.4T and the whole unit supporting 576 400GE ports or 288 800GE ports. The 51.2T box switch supports 128 400GE ports at first-rate industry standards has been put to commercial application by Internet manufacturers. The data centre switch series has maintained the rating of “Very Strong” in GlobalData, the highest among its domestic peers, including the highest Leader rating for its hardware component.

(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. We have developed core competitiveness in proprietary products and fostered capabilities in full-stack data centre solution under the intelligent computing scenario and end-to-end delivery catered to the intelligent computing market. Innovative energy-saving products such as immersive liquid cooling, cold-board liquid cooling, large-power indirect steaming and integrated power modules have been launched. Binjiang Liquid Cooling Smart Computing Centre template project developed by us has been officially commissioned with the application of the cold-board liquid cooling solution with a PUE level of as low as 1.1. In support of the East-to-West Data Computing policy, we have continued to increase the scale of our deployment in key nodes. Breakthroughs have been made in the Hong Kong strategic market, whilst market scale in the Philippines and Indonesia has continued to increase as our global market scale has expanded by over 50%, year-on-year.

3. Digital energy

- **Communication energy:** the Group has launched the "zero-carbon" energy net solution V3.0 focused on minimal site, green machine room, green industrial complex and energy cloud management, among others. We have sought to meet the requirements for end-to-end energy supply capacity under different scenarios such as mega machine room power source, rooftop pole station power source, power room station, standalone cabinet station, wind/solar power gas station, solar power fuel battery station and pure solar power station from densely located city areas to remote areas and from districts with stable municipal power supply to districts with weak or no municipal power supply. As a world leading communication energy supplier, we have carried out large-scale deployment of the 5G power source and minimal station solution. Our sPV solar energy power supply solution enables smooth overlay at sites. We have teamed up with O2 of Germany to drive low-carbon and intelligent development of energy networks.

- **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 TOP supplier in the communication energy storage sector with a growth rate of over 30% in terms of annual dispatch of lithium batteries for the first half of 2024. We have received large-scale orders for our minimal station upgrade solution in the domestic market. In the overseas market we have been focused on international major telecom carriers for in-depth business development, having made breakthroughs to enter the shortlists of a number of leading tower vendors.

4. Terminal

(1) Mobile terminal

With the brand new proposition of "AI for All", the Group have showcased its AI-driven full-scenario smart ecosphere 3.0 and launched a variety of innovative products and technologies pivoting on multi-terminal intelligent multi-terminal interconnection and ecospheric extension.

- **Innovative terminal:** a number of first-of-its-kind products in the industry have been launched by the Group pivoting on its innovative ability in four principal technologies, namely, AI large-scale model, satellite communication, 5G-A and bare eye 3D, including nubia Pad 3D II, the world's first 5G+AI 3D tablet; Red Magic 9Pro series, the all-round king and flagship in gaming characterised by long-lasting performance; nubia Z60 Ultra, the all-round imaging flagship offering AI multi-scenario experience; compact Nubia Flip and Hundred yuan AI smart phone Nubia Calf. The Group has also launched ZTE Yuanhang 3D, the world's first mass-market AI bare eye 3D handset, in collaboration with China Mobile, with the aiming of promoting the popular use and commercial application of AI and bare eye 3D technologies. For industry customers, we have introduced the debut of ZTE Axon 60 Ultra, a 5G security flagship equipped with dual satellites and dual systems featuring "ZTE Hongyu Satellite Communication Technology".

- **Mobile Internet products:** the Group has launched the world's first AI 5G FWA and first highly-enhanced outdoor FWA to offer users with an unprecedented experience in ultra-high-speed network. New products such as ZTE U30 Air 5G portable Wi-Fi supports 5G intelligent dual networks and safeguard online connection through intelligent switch according to AI network modulation algorithms.

(2) 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, DSL CPE and IP set-top boxes according to the Dell'Oro Group and Omdia 2023 Report.

- **FTTR:** we have launched the industry's first full-optical medium-screen FTTR facilitating intelligent household control, house-wide security and viewable network control for the construction of an integrated smart home centre solution. We have also launched an end-to-end 10Gb FTTR main gateway equipped with an XGS-PON port, a standard 10GE network port and Wi-Fi7. The computing FTTR+NAS featuring a network gateway plus home storage centre which facilitates convenient storage and intelligent sorting has also been launched.

- **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 screened smart audio box in the domestic carrier market.

- **Wi-Fi router: in the carrier market,** we have launched the world's first full-series, full-protocol Lingmiao Wi-Fi 7 which boasts the world's fastest 14Gbps+ in test runs. The first Wi-Fi 7 router in China has been launched with the exclusive five-antenna technology, increasing reception by 25% versus the traditional four-antenna model. **In the market for personal consumers,** the Group's Wi-Fi router has become a TOP brand in this product category with leaping growth in sales revenue. In the Jingdong Tmall 618 Campaign 2024, our Wi-Fi 7 products ranked second in sales.

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(3) Cloud computer

The Group owns a full range of cloud computers featuring Yufeng, Fuyao, Linglong and Xiaoyao that meet the computer cloud requirements of users in the financial, corporate, education, medical and home sectors with the provision of full-stack secure and controllable services. In April 2024, the Group launched the "Xiaoyao" series, the world's first two-in-one 5G cloud computer offering a local/cloud dual mode that could be switched between an Android tablet and a Windows desktop at will with one simple touch, aside from convenience afforded by the light-weight and portable design. In the carrier market, the Group ranked first in the domestic carrier market in terms of market share for cloud terminals. 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 and Cheryl Automobile to facilitate office security with efficient intelligent features. According to the IDC Report, the Group ranked second in the domestic market for cloud terminals in 2023.

(4) Vehicular electronics

The Group has persisted in the innovation of fundamental technologies and has, on the back of its solid strengths in five principal ICT segments: chip, operating system, software engineering, digital transformation, software/hardware coordination and competence in supply chain assurance, facilitated the deep integration of digital and intelligent technologies with scenarios of the auto industry for the enhancement of total factor productivity. **In connection with chip,** the Group has launched the nation's first Internet of Vehicle chip supporting C-V2X and chip-grade SoC solutions to customise for industry customers products that meet the application requirements of the domestic market, in a bid to foster a diversified safety ecosphere for the industry. **In connection with software,** we have cooperated with leading auto manufacturers such as Changan Automobile, Dongfeng Motor, FAW, BYD and GD Motor with the supply of our vehicular operating system to conduct verification and ascertain massive production level under smart driving and vehicle control scenarios. **In connection with terminals,** the Group leverages the combination of its strengths in software, hardware and supply chain and its fundamental advantage in digital transformation to provide equipment and solutions such as 4G modules, 5G modules and smart modules to serve the interconnection and intelligentisation of vehicle networks in an efficient manner. Our full-stack proprietary 4G vehicular specification grade module has been installed in mass volume in the vehicles of SAIC Passenger Automobile, Maxus, Dongfeng Nissan and FAW Hongqi. The vehicular specification grade 5G R16 module based on our full-stack proprietary chip platform, the first of its kind in China, has also been launched. In future, the Group will remain engaged in joint technological innovation with partners within the industry chain ecosystem to assist in the qualitative development of new-energy vehicle.

5. *Video business*

- **General video products:** the Group provides IPTV, video conferencing and video security products and solutions on the basis of proprietary technologies such as ultra-low latency coding and decoding, real-time audio and video network acceleration in expedited development of an ecosystem for applications, delivering IPTV, video conferences, video security services for numerous carriers. In terms of innovative solutions, 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.

- **XR products:** a lightweight AR camera system based on cloud rendering has been launched to support AR shooting in motion. With the launch of 5G VR large-space immersive theatre, industrial metaverse platform and MR virtual live training solution, we have rolled out comprehensive cooperation in metaverse services with the cultural tourism, media, industrial and education sectors to assist in the digital innovation of industries. **In connection with cultural tourism,** we have published the "China Cultural Creativity and Cultural Tourism Metaverse White Paper 2023" in association with Shanghai Creative Industry Association. Our 5G VR Mega Space Immersive Theatre has received the Best Experiential Technology Award under the Planet of Science Fiction Award at the Eighth China Science Fiction Convention. **In the media sector,** we have deepened cooperation with customers such as CCTV, Xinhua News Agency, Dragon TV and Henan Satellite TV. Our lightweight AR virtualisation camera system was successfully put to application at the 2024 CCTV Dragon Year Spring Festival Gala Show. **In connection with the industrial sector,** the Group announced the "2023 Industrial Metaverse White Paper" and "Guiding Principles for Ascertaining Metaverse Application Scenarios" as group standards in collaboration with Industrial Metaverse Coordination and Development Organisation, while Binjiang Intelligent Manufacturing Base in Nanjing was selected as an Outstanding Case in Industrial Metaverse 2023.

6. *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 2B to 80B large language models, visual large models and multi-mode large models covering different deployment scenarios from the handset to edge and centre clouds. The 100-billion grade **communication large model** utilises multi-mode learning and MoE technologies to offer professional insights and assistance at communication service scenarios. Aided by our proprietary "Agent Factory" platform, we have achieved efficient production and deployment of intelligent units. At the Hangzhou Asian Games, the first application utilising large models + digital twin was put into operation for game event security, during which the volume of security work was reduced by 80% through multi-agent coordination. Our **R&D large model** supports more than 30 scenarios and a variety of programming languages for different stages such as demand, design, programming and testing with the application of multi-mode coordination technology to enhance the efficiency of code compilation. Our **industrial large model** was put to application at Binjiang Intelligent Manufacturing Base in Nanjing and the lead time for orders scheduling was shortened by 88%, while the efficiency of process document generation was improved by 50%.

7. Trusted security

The Group has 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 been deeply engaged in the design of the endogenous security architecture of carriers' networks, covering the wide-area integration of endogenous security components in wireless, transmission and core network, as well as the construction of a novel security construction and management regime for infrastructure. We teamed up with China Unicom to announce the "6G Cyber Security Requirement and Architecture White Paper" 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.

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 and solve challenges for industrial implementation in five key areas: data processing, training and inference, application development, security protection and flexibility in deployment, as we help customers and partners with swift and efficient large-scale application of AI technologies in a cost effective manner. Our proprietary ZTE Nebula large model has been successfully applied in multiple scenarios such as R&D, corporate operation, manufacturing, communication, water supply and city lifeline. We have developed more than 1,000 digital nebula partners, creating a range of benchmark digital projects in collaboration with major customers which have won the National Class I Award at the Sixth Blooming Cup Contest hosted by MIIT, Benchmark Gold Award and GSMA Mobile Awards 2024.

1. Industrial

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 created benchmark projects on the back of our industrial live network and Digital Nebula solution, assisting Lynk & Co's Zhangjiakou factory in the large-scale application of a 5G laser SLAM navigation AGV, the first of its kind in China, in a complex environment which is highly dynamic, randomly occupied by forklifts and tractor units and housing hybrid manufacturing of three vehicle types, for which we have won a National Class I Award at the Sixth Blooming Cup Contest hosted by MIIT. Elsewhere, we have continued to deepen digital transformation in collaboration with enterprises such as Maotai Group, China Resources Building Materials Technology, Huifeng Petrochemical, JA Solar, Jingyuntong Technology, Chongqing Changan Automobile.

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., 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 50+ projects with industry giants such as Baowu Group, Ansteel Group, Shougang Group, Hesteel Group, State Power Investment Corporation, Chinalco 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, such as intrinsic safety base station (with built-in UWB), minimal core network, small-scale slice industrial ring network, intelligent single soldier and mining large model. 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 and digital nebula intelligent coal wash and preparation platform. We have teamed up with 50+ partners and 30+ industry-leading customers in the implementation of 350+ projects nationwide.

4. *Electricity*

The Group has assisted State Grid Shandong Electric in the construction of China's first provincial 5G demonstration power grid and completed integrated application of new technologies such as 5G TSN, 5G LAN, RedCap in power grid control operations. The project has won a Class I Award from the Open Bid Contest at the 2023 World 5G Convention. In association with China Energy Investment, we have launched a 5G power generation exclusive private network solution targeting at the power generation industry to facilitate safety management at fully-connected 5G power plants, successfully creating China's first smart power plant featuring a lightweight 5GC independent private network. We have entered into cooperation with State Power Investment in connection with new energy power generation and low carbon operations, as a template 5G low-carbon manufacturing base featuring business innovations in areas such as distributed solar energy, energy storage and energy consumption management has initially been completed.

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 Jiangsu Port, Nanjing Port and Qinhuangdao Port to enhance data management and safe production at the port terminals.

6. *Government affairs*

The Group provides the only solution in the industry that features space, air and terrestrial drone emergency aid platform covering public as well as private sectors, which has successfully completed the emergency communication drill of the Ministry of Emergency for a "three-disruption" scenario at Muli Plateau, the national emergency communication drill contest hosted by MIIT and the drone test at 4500m above sea level at Qinghai-Tibet Plateau organised by the Tibetan Emergency Office. We have also participated in the relief effort in the aftermath of the flood in Shaoguan, Guangdong, earthquake at Jishishan, Gansu and torrential rain at Mentougou, Beijing to assist in the speedy and steady resumption of communication. The city lifeline solution launched by the Group has been in service in Nanjing, Kunshan and Changsha and we have been honoured with the title of "Leading City Lifeline Safety Solution Supplier in China" in 2023 and the "Outstanding Innovation Award for Digital Government and Smart City". The Group has built a water conservancy cloud platform for Taihu River administration and water resource allocation in North Hubei on the back of its digital twin-based water conservancy solution, whilst our project assisting in the informatisation development of Yongding River has come first in the Top Ten Exemplary Cases of Corporate Digital Empowerment named at the 2024 Global Digital Economy Conference.

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 30 June 2024, the Group had submitted approximately 91,500 global patent applications and owned approximately 46,000 authorised global patents, including approximately 5,400 patent applications and over 2,000 authorised patents in the chip sector. In the AI sector, the Group had approximately 5,000 patent applications and over 2,000 authorised patents. 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 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, having submitted more than 100,000 propositions and research papers for international or domestic standardisation by far.

2.2 BUSINESS REVIEW FOR THE FIRST HALF OF 2024

2.2.1 Industry development

(1) Domestic market

In the first half of 2024, the domestic digital economy enjoyed robust development, as ongoing improvements were being introduced to basic communication infrastructure, whilst AI development reached further depth to expedite digital-real economy integration and speed upgrade of optical network terminals, in a combined effort to drive further progress in the development of productivity with novel quality.

In the basic communication sector, revenue growth for the telecommunications industry lost some steam but remained stable. For the first half of 2024, the domestic telecommunications business reported revenue of RMB894.1 billion, representing year-on-year growth of 3.0%. There were ongoing improvements to infrastructure facilities such as 5G and GB-grade optical networks. In the meantime, domestic carriers were accelerating the application of 5G-A innovations in a comprehensive roll-out of test runs or commercial deployments of technologies such as communication — sense integration, low-altitude communication, passive IoT, network intelligentisation, XR enhancement, industrial Internet and new audio/video.

In the AI sector. In the first half of 2024, local governments, telecom carriers and Internet enterprises were actively developing intelligent computing centres, in a bid to expedite the building of a nationwide integrated computing regime with domestic intelligent computing capacity accounting for more than 30% of its total computing capacity. In the meantime, deep integration of AI technologies was reported in various industries and sectors across the board, giving rise to numerous innovative applications in areas such as the Internet, finance, government affairs, telecommunication, transport and medical care, providing an important driving force for the digital transformation of traditional industries.

In the digital-real economy integration sector, novel industrialisation was advancing in steady progress as the nation registered over 10,000 "5G+ Industrial Internet" projects with 5G applications present in 74 out of 97 major industrial categories of the national economy as at the end of June. As 5G evolved towards 5G-A, the upgrade in connectivity and application was driving a restructuring in productivity, thereby accelerating broader and deeper digital transformation in various sectors and grooming new-quality productivity among industries.

In the terminal sector, in connection with optical network terminals, FTTR embraced the stage of large-scale development, meeting users' need for supreme home networks by stepping up with the launch of smart household applications such as HD video and smart home devices, while FTTR-B assisted in the acceleration of digital transformation for small and medium micro-enterprises. In connection with handset products, there was recovery in market demand while the incorporation of AI technologies in the smart phone provided a new hotspot for technological innovation in the handset sector.

(2) International market

Over the past decade, global telecom carriers have maintained steady growth in their capital expenditure. In the first half of 2024, carriers' investments were focused on wireless and wireline broadband network, as well as new businesses such as new data centre construction, network intelligentisation and green low-carbon transition, among others.

In connection with wireless network, carriers in developed markets were actively developing 5G industrial applications and stepping with their transition towards 5G SA (5G standalone network) to increase their network capacity. In emerging markets such as Asia and Latin America, 5G frequencies were being issued in a systematic manner, as carriers were actively deploying 5G networks and launching commercial services. As of now, 614 telecom carriers worldwide have invested in 5G and launched approximately 2,700 models of 5G terminals, while 77 5G NTN joint venture projects have been completed by carriers in 43 countries and regions.

In connection with wireline network, the global trend of replacing copper wire with optical fibre for fixed-line networks was deepening as carriers shifted from network construction to network experience by expanding the coverage of optical fibre and increasing the speed of network access, while actively advancing the employment of optical fibre broadband technology in a stage of rapid development for 10G PON. Meanwhile, the upgrade of wireless and wireline network access resulted in greater demand for the bandwidth of bearer networks, driving the upgrade and conversion of these networks as 400G/800G optical transmission network gradually became a key element in carriers' deployment.

In connection with new businesses, digitalization, intelligentisation and low-carbon development have become the direction for development in the business innovation of global carriers, underpinned by increasing investment in data centre, AI and green network. In connection with digitalisation and intelligentisation, the development of digital technologies such cloud computing and large model was driving growth in the demand for intelligent computing, data storage and cloud services, which has in turned driven carriers' investment in intelligent computing data centre. In connection with low-carbon development, the pursuit of low-carbon practices and reduction in emission in the telecommunication industry called for equipment manufacturers to take into full consideration energy efficiency and carbon emission during the stage of product R&D on the one hand, while bringing more extensive market opportunities for these equipment manufacturers in the new-energy product segment.

Source: PRC National Bureau of Statistics, PRC MIIT, GSA (Global Mobile Suppliers' Association)

2.2.2 Business and Financial Analysis of the Group

In the first half of 2024, global economic recovery was limited by inadequate driving force and a complicated and volatile environment as uncertainty became normality. Nevertheless, the Company reported stability in overall results as it persisted in the technological innovation and its principal business pathway of "connectivity + computility". For the first half of 2024, the Group report revenue of RMB62,487,098 thousand, representing year-on-year growth of 2.94%.

For the first half of 2024, the Group's gross profit margin decreased by 2.75 percentage points to 40.47%, which was attributable mainly to the combined effect of changes in the revenue mix, improvement in gross profit margin from carrier's network and consumer business and decline in gross profit margin from government and corporate business. Operating cost amounted to RMB37,198,353 thousand, an increase by 7.92%, year-on-year, attributable mainly to the increase in costs for the government and corporate business and the consumer business.

In the first half of 2024, the Group's net profit attributable to the holders of ordinary shares of the listed company amounting to RMB5,732,446 thousand, increasing by 4.76%, year-on-year. Net profit attributable to the holders of ordinary shares of the listed company after extraordinary items amounted to RMB4,963,643 thousand, increasing by 1.11%, year-on-year. The Group continues to improve its profitability.

2.2.2.1 Income, cost and gross profit margin

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

Unit: RMB in thousands

Revenue mix	Operating revenue for the Reporting Period	As a percentage of operating revenue	Operating costs for the Reporting Period	Gross profit margin for the Reporting Period	Year-on-year increase/ decrease in operating revenue	Year-on-year increase/ decrease in operating costs	Year-on-year increase/ decrease in gross profit margin (percentage points)
I. By industry							
Manufacturing of communication equipment	62,487,098	100%	37,198,353	40.47%	2.94%	7.92%	(2.75)
Total	**62,487,098**	**100%**	**37,198,353**	**40.47%**	**2.94%**	**7.92%**	**(2.75)**
II. By business							
Carriers' network	37,296,344	59.69%	17,037,265	54.32%	(8.61%)	(8.84%)	0.12
Government and corporate business	9,171,791	14.68%	7,174,674	21.77%	56.09%	68.44%	(5.74)
Consumer business	16,018,963	25.63%	12,986,414	18.93%	14.28%	12.73%	1.11
Total	**62,487,098**	**100%**	**37,198,353**	**40.47%**	**2.94%**	**7.92%**	**(2.75)**
III. By region							
The PRC	43,060,861	68.91%	24,768,925	42.48%	(0.13%)	8.87%	(4.75)
Asia (excluding the PRC)	7,536,916	12.06%	4,849,499	35.66%	22.76%	15.06%	4.31
Africa	2,995,895	4.80%	1,484,911	50.44%	4.38%	14.43%	(4.35)
Europe, Americas and Oceania	8,893,426	14.23%	6,095,018	31.47%	3.66%	(1.77%)	3.79
Total	**62,487,098**	**100%**	**37,198,353**	**40.47%**	**2.94%**	**7.92%**	**(2.75)**

2. Analysed by market

(1) Domestic market

For the first half of 2024, the Group's revenue from the domestic market amounted to RMB43,060,861 thousand, basically stable compared to the same period last year and accounting for 68.91% of its total revenue. Gross profit margin was 42.48%, decreasing by 4.75 percentage points, year-on-year.

In connection with carrier customers, as growth was subject to pressure owing to the overall investment sentiments in the domestic market, the Company was stepping up with its transition from full connectivity to "connectivity + computility" in an endeavour to explore market opportunities. In connection with government and corporate customers, the Company reported rapid growth in revenue from server and storage, as it tracked closely the demands of industry customers from the Internet, finance, power and transport sectors on the back of its proprietary products and solutions. In connection with consumers, we seized the opportunity for large-scale development of FTTR GB-grade users to drive faster growth in revenue from home terminal, whilst achieving growth in handset revenue as we won the recognition of sub-segment consumers with our competitive products by implementing a differentiated innovation strategy.

(2) International market

For first half of 2024, the Group's revenue from the international market amounted to RMB19,426,237 thousand, increasing by 10.44% year-on-year and accounting for 31.09% of its total revenue. Gross profit margin was 36.02%, increasing by 2.64 percentage points, year-on-year.

In connection with carrier customers, the Company persisted in the strategy of focusing in large nations, big Ts (mainstream telecom carriers) and large networks with in-depth engagement, seizing opportunities afforded by traditional businesses such as the acceleration of optical fibre upgrade, 4G conversion and new 5G construction, as well as new businesses such as data centre, AI and green networks as it continued to register breakthroughs in high-value regions of the big Ts and increased its market shares, whilst completing large-scale deployment in computing products such as server and storage products to drive and sustain double-digit revenue growth. In connection with government and corporate customers, the Company reported stable revenue growth on the back of intensive marketing to existing customers. In connection with consumers, we rolled out large-scale deployment in the high-end market segment for our home terminal and Wi-Fi 7 router products. For handsets, we sought to reclaim the trajectory for revenue growth by capitalising on the recovery of demand for handsets worldwide, particularly in the emerging markets in Latin America and Asia.

3. Analysed by business segment

(1) Carriers' network

For the first half of 2024, the Group's revenue from carriers' network amounted to RMB37,296,344 thousand, an 8.61% decrease, year-on-year, attributable mainly to the overall investment sentiments in China. Gross profit margin was 54.32%, increasing by 0.12 percentage point, year-on-year.

In connection with the traditional networks of carriers, the Company maintained its leading position for core wireless and wireline products. **In connection with wireless products,** the Company built highly-efficient, intelligent and minimal and green mobile communication networks which were compatible with multiple frequencies and multiple modes as a highly integrated network offering outstanding energy efficiency. In the domestic market, our market share was generally stable with gains in selected segments such as indoor distribution, high-speed rail and the metro. Meanwhile, we were actively establishing our presence in 5G-A innovation, application and implementation, as we won the tender 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 countries such as Cameroon and Côte d'Ivoire to fill the void in the capital regions of these countries. **For core network products,** we sustained our position in the domestic market duopoly, while internationally we achieved crucial breakthrough in Thailand, as well as market share gains in Big T branches in a number of African countries. **For wireline products,** for fixed-line products, the Company maintained its global leadership and continued to make breakthroughs with increasing its market shares in Italy, Indonesia and Brazil. For optical transmission products, we completed large-scale commercial application in the domestic market of the world's first 400G full-optical inter-provincial backbone network. In the international market, we made large-scale breakthroughs with the mainstream carriers of Turkey and Nigeria. We won the bid to supply core routers under China Telecom's centralised procurement as the second-ranking supplier for 9 years in a row, while also securing China Mobile's centralised core router procurement project during the first half of 2024.

In connection with carriers' computing networks, we were focused on the building of intelligent computing capacity. The Company continued to increase R&D investment in computing products and solutions in line with the core principle of "open decoupling, enhancing computing through network and dual emphasis on training and inference", having launched the full-stack, all-area intelligent computing solution covering computing, network, capacity, large model and application. **In connection with server and storage,** the Company maintained its leading position as supplier of communication and computing servers to domestic carriers, winning China Mobile's PC server centralised procurement as the first-ranking supplier. In the meantime, the Company was increasing its R&D investment in intelligent computing server to strive for breakthrough. Internationally, the Company seized the opportunity of domestic carriers seeking overseas business to expand its overseas sales channel and continuously achieve breakthrough for its servers. **For 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, large-power indirect steaming and integrated power modules were launched and breakthroughs were made with nodes in East-to-West Computing such as Ningxia, Shaoguan and Hebei. **For cloud computers,** we launched the "Xiaoyao" series, a 5G cloud computer combining the Android tablet and the Windows desktop. In the domestic carrier market, the Group ranked first in market share for the supply of cloud terminals.

(2) Government and corporate business

For the first half of 2024, the Group's revenue from the government and corporate business amounted to RMB9,171,791 thousand, a 56.09% growth, year-on-year, attributable mainly to growth in revenue from server and storage. Gross profit margin was 21.77%, decreasing by 5.74 percentage points, year-on-year, attributable mainly to changes in revenue mix.

In connection with the government and corporate market, the Company consolidated its resources to enhance its ability in primary market development. Products such as new-generation intelligent computing server, high-end storage and data centre switch were launched to enhance its product competitiveness. Efforts were made to seize new market opportunities brought about by computing and IT innovation, in a bid to reclaim the trajectory of rapid revenue growth. **In connection with server and storage,** we were focused on customers who were industry leaders in the Internet, financial and electric power sectors as we increased our development effort and implemented JDM (joint design and manufacturing), a model for in-depth cooperation, further exploring business with existing customers while seeking breakthroughs with new ones to achieve revenue growth by a significant scale. **In connection with data centre switch,** we stepped up with our effort to establish our presence in the Internet and financial sectors and reported rapid year-on-year growth in domestic orders. **In connection with data centre support,** we teamed up with domestic enterprises to tap the overseas market, reporting continuous growth in the Indonesian market.

(3) Consumer business

For the first half of 2024, the Group's revenue from the consumer business amounted to RMB16,018,963 thousand, a 14.28% increase, year-on-year, attributable mainly to growth in revenue from home terminal and handset products. Gross profit margin was 18.93%, increasing by 1.11 percentage points, year-on-year, attributable mainly to growth in gross profit margin from home terminal and handset products.

The consumer business comprised mainly home terminal and handset products. In connection with home terminal in the domestic market, the Company enhanced its competitiveness through the use of proprietary chips and stayed ahead of its peers in terms of new market shares for FTTR. In the international market, we rolled out large-scale deployment of Wi-Fi 7 routers in Italy, Spain and Japan, capitalising on opportunities presented by Wi-Fi 7 router upgrade and network evolution with the benefit of our product R&D and delivery capabilities. In connection with handsets, we persisted in the strategies of differentiated innovation and cost leadership, while advocating "AI for All" as we developed a complete range of AI terminals covering handsets, tablets, notebooks and mobile Internet equipment. For personal users, we have launched a variety of innovative AI products such as nubia Pad 3D II, a 5G+AI bare eye 3D tablet; nubia Z60 Ultra, the AI all-round imaging flagship; national compact Nubia Flip; and ZTE Yuanhang 3D, a mass-market AI bare eye 3D handset. For industry customers, we have launched Axon 60 Ultra, an AI-empowered 5G security flagship equipped with dual satellites and dual systems, to meet the specialised needs of industries.

2.2.2.2 Expenses

Unit: RMB in thousands

Item	**Six months ended 30 June 2024**	Six months ended 30 June 2023	Year-on-year increase/ decrease
R&D expenses	**12,725,895**	12,791,032	(0.51%)
Selling and distribution expenses	**4,187,180**	4,616,237	(9.29%)
Administrative expenses	**2,236,650**	2,515,771	(11.09%)
Finance costs	**46,305**	(813,752)	105.69%
Income tax	**566,793**	667,086	(15.03%)

The Group's research and development expenses for the first half of 2024 amounted to RMB12,725,895 thousand, decreasing by 0.51% year-on-year, or by 0.70 percentage point to 20.37% as a percentage of operating revenue.

The Group's selling and distribution expenses for the first half of 2024 amounted to RMB4,187,180 thousand, decreasing year-on-year by 9.29% and accounting for 6.70% of our operating revenue, a decrease by 0.90 percentage point year-on-year attributable mainly to decrease in marketing expenditure.

The Group's administrative expenses for the first half of 2024 amounted to RMB2,236,650 thousand, an 11.09% decrease compared to the same period last year. As a percentage of operating revenue, administrative expenses decreased by 0.56 percentage point year-on-year to 3.58%, attributable mainly to improvements in management efficiency.

The Group's finance costs for the first half of 2024 amounted to RMB46,305 thousand, increasing year-on-year by 105.69%, which reflected mainly exchange loss on exchange rate fluctuations for the period versus gain for the same period last year.

The Group's income tax for the first half of 2024 amounted to RMB566,793 thousand, decreasing by 15.03%, year-on-year, reflecting mainly increase in deferred tax assets.

2.2.2.3 Investment in research and development

Unit: RMB in thousands

Item	**Six months ended 30 June 2024**	Six months ended 30 June 2023	Year-on-year increase/ decrease
R&D investment amount	**13,428,930**	13,559,804	(0.97%)
Including: Amount accounted for as expense	**12,725,895**	12,791,032	(0.51%)
Amount accounted for as capitalised	**703,035**	768,772	(8.55%)
R&D investment as a percentage of operating revenue	**21.49%**	22.34%	decreased by 0.85 percentage point
Capitalised R&D investment as a percentage of R&D investment	**5.24%**	5.67%	decreased by 0.43 percentage point

2.2.2.4 Other components in the profit mix

Unit: RMB in thousands

Item	Six months ended 30 June 2024	Six months ended 30 June 2023	Year-on-year increase/ decrease
Other gains	**1,800,310**	993,917	81.13%
Investment income	**(183,125)**	(464,257)	60.56%
Gains from changes in fair value	**(416,539)**	(430,990)	3.35%
Credit impairment loss (loss indicated as a negative value)	**74,715**	(178,168)	(141.94%)
Asset impairment loss (loss indicated as a negative value)	**(600,582)**	(277,146)	116.70%
Gains from asset disposal	**67,365**	16,462	309.22%
Non-operating income	**35,078**	75,603	(53.60%)
Non-operating expenses	**35,411**	118,990	(70.24%)

The Group's other gains for the first half of 2024 amounted to RMB1,800,310 thousand, increasing by 81.13% year-on-year which was attributable mainly to increase in gain owing to the additional VAT credit policy and the increase in software product VAT rebate for the period.

The Group's investment income for the first half of 2024 amounted to RMB-183,125 thousand, increasing by 60.56% year-on-year which was attributable mainly to the year-on-year decrease in loss incurred in disposal of derivative contract for the period and the adoption of hedge accounting for derivative trading.

The Group's gains from changes in fair value for the first half of 2024 amounted to RMB-416,539 thousand, increasing by 3.35% year-on-year, which was attributable mainly to gain from end-of-period fair-value remeasurement of derivative contracts for the period versus loss for the same period last year and the adoption of hedge accounting for derivative trading.

The Group's credit impairment loss for the first half of 2024 amounted to RMB-74,715 thousand, decreasing by 141.94% 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 the first half of 2024 amounted to RMB600,582 thousand, increasing by 116.70% year-on-year which was attributable mainly to increase in inventory impairment loss for the period.

The Group's gains from asset disposal for the first half of 2024 amounted to RMB67,365 thousand, increasing by 309.22% year-on-year which was attributable mainly to increase in gain from disposal of non-current assets for the period.

The Group recorded non-operating income of RMB35,078 thousand for the first half of 2024, decreasing by 53.60% year-on-year which was attributable mainly to decrease in compensatory income received from third parties for the period.

The Group recorded non-operating expenses of RMB35,411 thousand for the first half of 2024, decreasing by 70.24% year-on-year which was attributable mainly to decrease in non-operating loss for the period.

2.2.2.5 Cash flow

Unit: RMB in thousands

Item	**Six months ended 30 June 2024**	Six months ended 30 June 2023	Year-on-year increase/ decrease
Sub-total of cash inflows from operating activities	**73,969,283**	73,840,879	0.17%
Sub-total of cash outflows from operating activities	**66,968,884**	67,414,982	(0.66%)
Net cash flows from operating activities	**7,000,399**	6,425,897	8.94%
Sub-total of cash inflows from investing activities	**26,301,631**	7,547,981	248.46%
Sub-total of cash outflows from investing activities	**37,685,028**	9,054,418	316.21%
Net cash flows from investing activities	**(11,383,397)**	(1,506,437)	(655.65%)
Sub-total of cash inflows from financing activities	**130,449,669**	135,049,694	(3.41%)
Sub-total of cash outflows from financing activities	**129,412,462**	132,331,646	(2.21%)
Net cash flows from financing activities	**1,037,207**	2,718,048	(61.84%)
Net increase in cash and cash equivalents	**(3,281,292)**	7,874,569	(141.67%)

The Group's net cash flows from operating activities for the first half of 2024 increased year-on-year, reflecting mainly increase in cash received from sales of goods and rendering of labour services. For the reasons underlying the difference between the net cash flow and net profit generated by the Group's operating activities for the first half of 2024, please refer to Note V. 56. Notes to major items in the cash flow statement to the Financial Statements in this report.

The Group's net cash flows from investing activities for the first half of 2024 decreased year-on-year, reflecting mainly increase in cash paid for investment during the period.

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

Cash and cash equivalents of the Group as at 30 June 2024 amounted to RMB47,731,875 thousand held mainly in RMB, with the remaining held in USD, EUR and other currencies.

2.2.2.6 Assets and liabilities

(1) Change in major assets and liabilities

Unit: RMB in thousands

Item	30 June 2024 Amount	30 June 2024 As a percentage of total assets	31 December 2023 Amount	31 December 2023 As a percentage of total assets	Year-on-year increase/ decrease as a percentage of total assets (percentage points)
Total assets	**205,507,776**	**100.00%**	200,958,318	100.00%	–
Currency cash	**70,943,466**	**34.52%**	78,543,219	39.08%	(4.56)
Trade receivables	**20,925,261**	**10.18%**	20,821,526	10.36%	(0.18)
Contract assets	**5,206,849**	**2.53%**	4,844,974	2.41%	0.12
Inventories	**40,960,382**	**19.93%**	41,131,259	20.47%	(0.54)
Credit right investment	**12,234,248**	**5.95%**	–	–	5.95
Investment properties	**1,328,301**	**0.65%**	1,473,823	0.73%	(0.08)
Investment in associates and joints	**2,147,514**	**1.04%**	2,157,550	1.07%	(0.03)
Property, plant and equipment	**13,578,251**	**6.61%**	13,372,364	6.65%	(0.04)
Construction in progress	**757,130**	**0.37%**	987,803	0.49%	(0.12)
Right-of-use assets	**1,504,491**	**0.73%**	1,557,313	0.77%	(0.04)
Short-term loans	**8,448,217**	**4.11%**	7,560,358	3.76%	0.35
Bill payable	**10,476,704**	**5.10%**	9,442,739	4.70%	0.40
Trade payables	**19,070,882**	**9.28%**	18,931,425	9.42%	(0.14)
Contract liabilities	**13,255,334**	**6.45%**	14,889,658	7.41%	(0.96)
Non-current liabilities due within one year	**2,484,384**	**1.21%**	3,001,598	1.49%	(0.28)
Long-term loans	**47,741,381**	**23.23%**	42,576,057	21.19%	2.04
Lease liabilities	**1,003,380**	**0.49%**	960,459	0.48%	0.01

As at 30 June 2024, the Group increased credit right investment amounted to RMB12,234,248 thousand, due to the increase in the time deposit and large amount deposit certificate with a term of more than one year during the period. For details of the Group's assets subject to restricted ownership or right of use, please refer to "Note V.21. Assets under restrictions on ownership or right-of-use to the Financial Statements" in this report.

(2) Change in property, plant and equipment

As at 30 June 2024, the carrying value of the Group's property, plant and equipment was RMB13,578,251 thousand, representing a 1.54% increase compared to the end of last year, attributable mainly to the transfer of completion of infrastructure projects to property, plant and equipment. Details of changes in property, plant and equipment are set out in "Note V.14. Property, plant and equipment to the Financial Statements" in this report.

(3) Assets and liabilities at fair value

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

Unit: RMB in thousands

Item	Opening balance	Gains/losses arising from fair value change for the Reporting Period	Cumulative fair value change dealt with in equity	Impairment charge for the Reporting Period	Amount purchased for the Reporting Period	Amount disposed of for the Reporting Period	Other change	Closing balance
Financial assets								
Including: 1. Trading financial assets (excluding derivative financial assets)	153,285	(61,034)	–	–	3,900,000	1,067,786	114,771	3,039,236
2. Derivative financial assets	85,341	64,977	2,490	–	–	–	(292)	152,516
3. Receivable financing	4,074,078	–	–	(2,185)	9,041,486	12,377,044	–	740,705
4. Other non-current financial assets	831,930	(51,940)	–	–	9,704	–	(52,974)	736,720
Sub-total of financial assets	5,144,634	(47,997)	2,490	(2,185)	12,951,190	13,444,830	61,505	4,669,177
Investment properties	1,473,823	(145,522)	–	–	–	–	–	1,328,301
Total	**6,618,457**	**(193,519)**	**2,490**	**(2,185)**	**12,951,190**	**13,444,830**	**61,505**	**5,997,478**
Financial liabilities	227,692	(115,375)	–	–	–	–	(1,244)	111,073

(4) Major overseas assets

☐ Applicable √ N/A

(5) Charges on assets

As at 30 June 2024, the carrying value of the Group's assets under charge was RMB571,511 thousand, which was applied mainly to acquire bank loans. For details, please refer to "Note V. 22. Short-term loans and 32. Long-term loans to the Financial Statements" in this report.

(6) Contingent liabilities

For details of the Group's contingent liabilities as at 30 June 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 the first half of 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"). The Group's cash requirements related primarily to production and operating activities, repayment of due liabilities, capital expenditure, interest and dividend payments and other contingent cash requirements. The Group has adopted a prudent capital management policy. The current ratio and quick ratio for the first half of 2024 were 1.91 and 1.39, respectively. Sufficient funds are in place to meet its debt repayment obligations as due, capital expenditure and the requirements of normal production operations.

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

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

The Group's debt-equity ratio as at 30 June 2024 was 46.1%, increasing by 0.1 percentage point as compared to 46.0% as at 31 December 2023.

(3) Analysis of debt

For the first half of 2024, the Group's debt comprised primarily long-term and short-term bank loans and SCPs mainly settled in RMB, USD and EUR without any notable seasonality of requirements. As at 30 June 2024, the Group's bank loans amounted to RMB57,574,982 thousand in aggregate and the balance of SCPs amounted to RMB1,500,306 thousand in aggregate, which were applied mainly as working capital. All due debts had been settled. Bank loans and SCPs subject to interests at fixed rates amounted to approximately RMB9,312,839 thousand, while the remaining portion was subject to floating interest rates, the main details of which are as follows:

Short-term/long-term bank loans

Unit: RMB in thousands

Item	**30 June 2024**	31 December 2023
Bank loan		
Short-term bank loans	**9,833,601**	9,236,788
Long-term bank loans	**47,741,381**	42,576,057
SCPs	**1,500,306**	5,012,890
Total	**59,075,288**	56,825,735

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

Analysed by security

Unit: RMB in thousands

Item	30 June 2024	31 December 2023
Bank loan		
Secured bank loans	**130,411**	154,573
Unsecured bank loans	**57,444,571**	51,658,272
Unsecured SCPs	**1,500,306**	5,012,890
Total	**59,075,288**	56,825,735

For details of the Group's bank loans and other borrowings as at 30 June 2024, please refer to "Note V. 22. Short-term loans, 24. Short-term bond payable, 31. Long-term loans due within one year and 32. Long-term loans to the Financial Statements" in this report.

(4) Contractual obligations

As at 30 June 2024, the Group's total bank loans amounted to RMB57,574,982 thousand, increasing by RMB5,762,137 thousand compared to RMB51,812,845 thousand as at 31 December 2023, which was mainly applied towards working capital.

Unit: RMB in thousands

Item	30 June 2024	31 December 2023
Less than one year	**9,833,601**	9,236,788
Less than two years	**21,149,302**	17,962,009
Three to five years	**26,592,079**	20,471,048
Beyond five years	**—**	4,143,000
Total	**57,574,982**	51,812,845

(5) Capital expenditure

For the first half of 2024, the Group's capital expenditure, used mainly for purchase of equipment assets, capitalisation of R&D investment and construction of office buildings for its own use, amounted to RMB2,357,420 thousand, compared to RMB2,083,643 thousand for the same period last year.

(6) Capital commitment

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

Unit: RMB in thousands

Item	30 June 2024	31 December 2023
Contracted but not provided for		
Capital expenditure commitment	**2,430,802**	2,322,794
Investment commitment	**423,320**	495,170
Total	**2,854,122**	2,817,964

2.2.2.8 Shares

(1) Share capital and change

As at 30 June 2024, the total share capital of the Company was 4,783,251,552 shares (comprising 4,027,749,018 A shares and 755,502,534 H shares), unchanged compared to the end of the previous year.

(2) Repurchase, sale and redemption of securities

Neither the Company nor its subsidiaries repurchased, sold or redeemed any listed securities of the Company during the Reporting Period. The Company had no treasury shares.

2.2.2.9 Subsequent events

The Group had no subsequent events after the Reporting Period.

2.2.3 Investment of the Group

As at 30 June 2024, the Company's investment in associates and joints amounted to RMB2,147,514 thousand, representing decrease of 0.47% compared to RMB2,157,550 thousand as at the previous year-end. Other third-party investments amounted to RMB3,775,956 thousand, representing increase of 283.26% compared to RMB985,215 thousand as at the previous year-end. The change was attributable mainly to the purchase of financial products during the period.

(1) The Group did not acquire any material equity investments in subsidiaries, associates or joint ventures or conduct any material non-equity investments in the first half of 2024.

(2) Principal subsidiaries and investee companies

For the first half of 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 thousands

Name of company	Corporate type	Principal operations	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Zhongxing Software	Subsidiary	Software development	51,080	14,330,880	2,681,599	12,509,476	1,163,779	1,159,170

For details of other subsidiaries, associates and joint ventures of the Group, please refer to "Note VIII. INTERESTS IN OTHER ENTITIES and Note XV.5. Investment in associate, joints and subsidiaries to the Financial Statements" in this report. For details of changes in the Group's acquisition and disposal of subsidiaries in the first half of 2024 and its impact please refer to "Note VII. CHANGE IN SCOPE OF CONSOLIDATION TO THE FINANCIAL STATEMENTS" in this report.

(3) Structured entities under the control of the Company

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

(4) Investment in securities

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

Unit: RMB in ten thousands

Stock code	Stock name	Initial investment	Book value at the beginning of the period	Gains arising from fair value change for the period	Cumulative fair value change accounted for in equity	Amount purchased 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	(5,711.8)	–	–	4,280.8	(1,821.7)	3,226.3	49.1	0.37%
301319	Vital New Material Note 1	580.1	3,726.4	(2,608.8)	–	–	2,497.8	(525.1)	691.5	22.1	0.26%
301587	Zhongrui Note 1	3,000.0	5,365.9	2,370.2	–	–	–	2,370.2	7,736.1	281.3	1.91%
600734	Start Group Note 2	–	2,422.7	(723.5)	–	–	–	(723.5)	1,699.2	948.2	0.44%
ENA:TSV	Enablence Technologies Note 3	3,583.3	615.9	31.5	–	–	–	31.5	647.4	79.2	4.26%
TRIO	Trikomsel Oke Tbk Note 4	256.0	–	–	–	–	–	–	–	1,827.1	0.07%
Total		**7,857.0**	**21,310.3**	**(6,642.4)**	**–**	**–**	**6,778.6**	**(668.6)**	**14,000.5**	**–**	**–**

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 optimisation and value-protected derivative products on exchange rates. The Group also strengthens liquidity risk management in countries practicing exchange control and facilitates RMB pricing and settlement for overseas projects to lower its exchange risks in the long term.

Derivative trading for the purpose of value protection

As considered and passed at the 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 the first half of 2024. Details are as follows:

Unit: RMB ten thousand

Type of derivative trading	Initial trading amount	Opening balance Note	Fair-value gain/loss for the period	Cumulative fair-value change included in equity for the period	Investment gain	Amount purchased during the period	Amount disposed of during the period	Closing balance	Closing balance as a percentage of net assets at the end of the period
Foreign exchange derivative	–	2,327,400.2	18,184.0	(5,731.1)	(20,302.5)	9,680,971.4	9,331,277.9	2,677,093.7	38.03%

Item	Statement
Accounting policy and accounting audit principles	The Group accounted for its derivative trades in accordance with "ASBE No.22 — Recognition and measurement of financial instruments" and "ASBE No.24 — Hedge accounting".
Actual gain/loss for the first half of 2024 and effectiveness of value-protection hedging	The Company has recognised actual gains/losses from investments in derivatives of RMB-78 million for the first half of 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, including the specific methods, assumptions and parameters adopted in the analysis of the fair values of the derivatives	In the first half of 2024, the fair-value gain/loss included in gain or loss of the derivative trading of the Group was RMB182 million, the cumulative fair-value change included in equity was RMB-57 million and the investment gain was RMB-203 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.

Item	Statement
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 financial institutions with sound credit ratings and long-standing business relationships with the Group therefore the transactions were basically free from performance risks; (4) Other risks: Failure of personnel in charge to operate derivative trading in accordance with stipulated procedures or fully understand information regarding derivatives in actual operation will result in operational risks; obscure terms in the trade contract will result in legal risks. 2. Control measures adopted for risk prevention The Group addressed legal risks by entering into contracts with clear and precise terms with financial institutions and strictly enforcing its risk management system. The Group has formulated the "Risk Control and Information Disclosure System relating to Investments in Derivatives" that contains specific provisions for the risk control, approval procedures and subsequent management of derivative investments, so that derivative investments will be effectively regulated and risks relating to derivative investments duly controlled.

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

(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) Plans for material investments or acquisition of capital assets

During the first half of 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.

(9) Material equity and asset disposal

The Group did not conduct any material equity disposal of subsidiaries, associates or joint ventures or material asset disposal during the first half of 2024.

2.2.4 Save as disclosed herein, there has been no material change in information disclosed in the interim report from the information disclosed in the 2023 Annual Report of the Company in relation to matters set out in Appendix D2 of the Hong Kong Listing Rules. There were no other matters required to be disclosed in this report.

2.3 BUSINESS OUTLOOK OF THE SECOND HALF OF 2024 AND RISK EXPOSURES

The Group's business outlook and risk exposures for the second half of 2024 are set out in the following:

2.3.1 Business outlook of the second half of 2024

In the second half of 2024, the Company will firmly seize the strategic opportunities presented by digitalisation, intelligentisation and low-carbon development in a complex and volatile environment in persistent adherence to the operating strategy of "stable growth through precision and pragmatism", seeking progress in stability as we actively enhance the profile of our existing business whilst developing markets for new ones and identifying opportunities presented by variables. We will speed up with the development of our secondary-curve business represented by computing and handset, on top of assuring ongoing improvement in the core competitiveness of our primary-curve business represented by wireless and wireline products, in order to achieve our development goals for the long term.

In connection with carrier's network, large-scale 5G construction is entering a stage of stable development in the domestic market. Gradual commercial application of 5G-A, in-depth construction of 400G optical transmission networks and swift deployment of intelligent computing centres are expected. In persistent adherence to the innovation-driven and application-oriented approach, the Company is speeding up in its transition from full connectivity to "connectivity + computility" in a bid to fully explore opportunities in the market. First, we will enhance technological innovation in 5G-A, communication and sense integration and full optical network to extend our technological edge and enhance our market pattern. Second, we will work with carriers in a joint effort to pursue innovation in computing network and cloud network integration, in a bid to drive the rapid development of new businesses represented by server and storage, data centre switch, data centre support and full-stack, full-area intelligent computing solutions. In the international market, the Company will enhance the deployment of and market expansion for key products such as wireless and wireline products, pivoting on major nations and big Ts in sound operation while actively advancing new businesses to sustain our growth momentum.

In connection with government and corporate business, the Company will develop the domestic market with resolute effort and seize opportunities in digital construction opportunities such as computing capacity construction, IT innovation and digital-real economy integration, seeking deeper cooperation with leading customers in the Internet and finance sectors on the back of our competitive products to strive for swift expansion in business scale. Efforts will also be made to expedite development in sectors such as electric power, transport, large corporations, commerce and government affairs. In the meantime, we will also focus on new opportunities emerging in areas such as city lifeline, emergency and integrated vehicle and road cloud, leveraging the latest hot spot of low-altitude economy to achieve new breakthroughs in the government and corporate business.

In connection with the consumer business, the Company intends to forge a brand new experience around multi-terminal intelligent interaction and ecospheric expansion with the creation of the AI-driven, full-scenario smart ecosphere 3.0. For home terminals, we will continue to enhance our advantage in proprietary chip and solutions catering to a full range of formats as we seize the market opportunities presented by the rapid construction of FTTR in the domestic market and the demand for Wi-Fi 7 router upgrade in the international market to increase our market share on a continuous basis and sustain rapid growth. For handset and mobile Internet products, we will premiere new products in the industry based on differentiated innovation and the cost leadership strategy in close tandem with the recovery trend of the global market for consumer electronics, with a view to providing superior products and service to global consumers on the back of better designs, experience and quality whilst achieving strong growth.

In view of the historic opportunity presented by the latest round of technological revolution and industrial transformation, the Company will firmly adhere to its positioning as a "path-builder for digital economy" and actively embrace the new wave of digital construction with an enhanced strategic focus, as it seeks to build on its connectivity business and expand its computing business, empowering assembled evolution of R&D structure internally and customised digital applications for corporations on the external front with the aid of the Digital Nebula, thereby achieving stable and lasting progress in its quest for sustainable and qualitative growth.

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 2.2 to the Financial Statements in this report. The Group ensures compliance primarily 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 which 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 and logos 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 totally 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 minimise 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 subject to 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 ratings and credit arrangements, 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

3.1 CORPORATE GOVERNANCE OVERVIEW

The Company reviews its corporate governance systems and regimes on a regular basis in accordance with regulatory requirements of the Company Law, Corporate Governance Standards for Listed Companies, Shenzhen Listing Rules and Hong Kong Listing Rules, to seek ongoing improvements in its corporate governance structure. During the Reporting Period, the Company revised its Articles of Association, Rules of Procedure for General Meetings and Rules of Procedure for Board Meetings in accordance with the Guidelines for the Articles of Associations of Listed Companies and Rules Governing Independent Directors of Listed Companies previously revised and issued by the CSRC, taking into account its actual conditions.

The Company has developed a governance structure comprising "three levels of governance bodies and one level of executive arm", namely, the General Meeting, the Board of Directors, the Supervisory Committee and the management each of which fulfils its specific functions, as well as a "4+1" fulfillment platform under the Board, namely, the Audit Committee, Nomination Committee, Remuneration and Evaluation Committee and Export Compliance Committee plus the Independent Directors' Meeting to support efficient decision-making at the Board level. In particular, the Audit Committee of the Company has discussed the accounting standards and practices adopted by the Group with the management and reviewed this report and the 2024 interim financial report of the Group.

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

3.2 SHAREHOLDERS AND GENERAL MEETINGS

3.2.1 Shareholders

(1) Total number of shareholders

As at 30 June 2024, there were 448,494 shareholders (comprising 448,191 holders of A shares and 303 holders of H shares).

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

As at 30 June 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 and the shareholdings of the top 10 shareholders not subject to lock-up are identical, the details of which are as follows:

Unit: Share

Name of shareholders	Nature of shareholders	Percentage of shareholdings	Total number of shares held as at the end of the Reporting Period	Class of shares	Increase/ decrease during the Reporting Period	Number of shares held subject to lock-up	Number of shares pledged, marked or frozen
Zhongxingxin Telecom Company Limited ("Zhongxingxin") Note 1	Domestic general corporation	20.09%	958,940,400 2,038,000	A share H share	– –	–	Nil
HKSCC Nominees Limited Note 2	Foreign shareholder	15.73%	752,321,276	H share	−3,861	–	Unknown
Hong Kong Securities Clearing Company Limited Note 3	Foreign corporation	2.09%	99,880,988	A share	−23,775,370	–	Nil
Central Huijin Asset Management Co., Ltd.	State-owned corporation	0.88%	42,171,534	A share	–	–	Nil
Hunan Nantian (Group) Co., Ltd.	State-owned corporation	0.87%	41,516,065	A share	–	–	Nil
ICBC Limited – Huatai Pinebridge CSI 300 Traded Open-ended Index Securities Investment Fund	Others	0.79%	37,793,205	A share	+14,460,751	–	Nil
NSF Portfolio #113	Others	0.61%	29,051,941	A share	−16,416,948	–	Nil
NSF Portfolio #110	Others	0.54%	25,731,766	A share	+4,103,245	–	Nil
CCB – eFund CSI 300 Traded Open-ended Index Securities Investment Fund By Way of Promotion	Others	0.52%	25,012,540	A share	+16,160,300	–	Nil
Wang Shichen	Domestic natural person	0.48%	23,173,220	A share	+1,920,000	–	Nil

Name of shareholders	Nature of shareholders	Percentage of shareholdings	Total number of shares held as at the end of the Reporting Period	Class of shares	Increase/ decrease during the Reporting Period	Number of shares held subject to lock-up	Number of shares pledged, marked or frozen
Descriptions of any connected party relationships or concerted actions among the above shareholders	Zhongxingxin was neither a connected party nor a party of concerted action of any of the top 10 shareholders. Save for the above, the Company is not aware of any connected party relationships or concerted party relationships among the top 10 shareholders.						
Description of the above-mentioned shareholders' delegated/entrusted voting rights and waiver of voting rights	N/A						
Strategic investor or general corporation becoming a top 10 shareholder as a result of new share placing (if any)	N/A						
Special statement on special repurchase account(s) maintained by the top 10 shareholders (if any)	N/A						
Whether top 10 shareholders conducted any agreed repurchases during the Reporting Period	No						
Statement on top 10 shareholders' involvement in financing and securities lending businesses (if any)	N/A						

Note 1: 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 longer 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 period		Loaned stocks under securities refinancing outstanding at the beginning of the period		Shareholdings in basic accounts and credit accounts at the end of the period		Loaned stocks under securities refinancing outstanding at the end of the period	
	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%	37,793,205	0.79%	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%	25,012,540	0.52%	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.

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

As at 30 June 2024, the following shareholders held interests or short positions in 5% or more in various classes of shares of the Company, as shown in the share register maintained by the Company in accordance with Section 336 of the SFO:

Name	Capacity	Number of shares held	Shareholding as an approximate percentage (%) of Note	
			Total share capital	Class shares
Zhongxingxin	Beneficial owner	958,940,400 A shares (L)	20.05%(L)	23.81%(L)
Shenzhen Zhongxing WXT Equipment Company Limited	Interests of corporate controlled by you	958,940,400 A shares (L)	20.05%(L)	23.81%(L)
Xi'an Microelectronics Technology Research Institute	Interests of corporate controlled by you	958,940,400 A shares (L)	20.05%(L)	23.81%(L)
China Aerospace Electronics Technology Research Institute	Interests of corporate controlled by you	958,940,400 A shares (L)	20.05%(L)	23.81%(L)
China Aerospace Science and Technology Corporation	Interests of corporate controlled by you	958,940,400 A shares (L)	20.05%(L)	23.81%(L)
BlackRock, Inc.	Interests of corporate controlled by you	54,691,761 H shares (L) 5,728,200 H shares (S)	1.14%(L) 0.12%(S)	7.24%(L) 0.76%(S)
Capital Research and Management Company	Investment manager	38,410,000 H shares (L)	0.80%(L)	5.08%(L)

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

Note: Shareholdings as percentage of total share capital and relevant class of shares was calculated on the basis of the Company's total share capital of 4,783,251,552 shares, comprising 4,027,749,018 A shares and 755,502,534 H shares, as at 30 June 2024.

For details of shares or debentures held by the Directors, Supervisors and chief executives of the Company as at 30 June 2024, please refer to the section headed "3.4.1 Shareholdings by Directors, Supervisors and senior management" in this report. Save as disclosed above, as at 30 June 2024, so far as the Directors, Supervisors and chief executives of the Company are aware, no other person had an interest or short position in the shares and underlying shares of the Company that was required to be recorded in the register maintained pursuant to Section 336 of the SFO.

3.2.2 Shares

(1) Changes in Shareholdings

Unit: share

Class of shares	31 December 2023 Number of shares	31 December 2023 Percentage	Increase/decrease as a result of the change during the Reporting Period (+, -) New issue	Bonus issue	Transfer from capital reserve	Others Note	Sub-total	30 June 2024 Number of shares	30 June 2024 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%**	**–**	**–**	**–**	**+69,600**	**+69,600**	**4,782,592,909**	**99.99%**
1. RMB ordinary shares	4,027,020,775	84.19%	–	–	–	+69,600	+69,600	4,027,090,375	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%**	**–**	**–**	**–**	**–**	**–**	**4,783,251,552**	**100.00%**

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

(2) Changes in shares subject to lock-up

Unit: shares

No.	Name of shareholders subject to lock-up	Number of A shares subject to lock-up as at 31 December 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 30 June 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) Issue and listing of securities

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

For details of the Company's issuance of SCPs during the Reporting Period, please refer to the section headed "6.1 BASIC INFORMATION ON DEBT FINANCING INSTRUMENTS OF NON-FINANCIAL ENTERPRISES" in this report.

The Company had no employees' shares or preferential shares.

3.2.3 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.

3.2.4 Implementation of profit distribution

The "Profit Distribution Proposal for 2023" was considered and approved at the 2023 Annual General Meeting of the Company held on 28 June 2024. A dividend of RMB6.83 in cash (before tax) for every 10 shares was distributed based on the total share capital in issue of 4,783,251,552 shares as at the record date for profit distribution and dividend payment, equivalent to a total distribution amount of approximately RMB3,266,960,810.02 (before tax). The dividend payment was completed in July 2024.

The aggregate profit distribution of the Company in the form of cash in 2021–2023 of RMB6,580 million accounted for 81.5% of the annual average net profit attributable to the holders of ordinary shares of the listed company in the past three years of RMB8,070 million, in compliance with The Shenzhen Stock Exchange Guidance for Self-regulation of Listed Companies No. 1 — Regulated Operation of Companies Listed on the Main Board (amended December 2023) and provisions of the Articles of Association.

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

The Company does not propose any profit distribution or conversion of capital reserve to share capital for the six months ended 30 June 2024.

3.2.5 Reception of investors

Details of reception of investors by the Company in the first half of 2024:

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

3.3 BOARD OF DIRECTORS

3.3.1 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 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.

3.3.2 Board composition

As at the end of the Reporting Period, the Ninth Session of the Board of Directors of the Company comprised 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; three Independent Non-executive Directors Mr. Zhuang Jiansheng, Mr. Wang Qinggang and Mr. Tsui Kei Pang.

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

3.4 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

3.4.1 Shareholdings by Directors, Supervisors and senior management

Name	Gender	Age	Title	Status of office	Term of office commencing on Note 1	Term of office ending on Note 1	Number of shares held at beginning of the Reporting Period (shares)	Increase in the number of shares held during the Reporting Period (shares)	Decrease in the number of shares held during the Reporting Period (shares)	Number of shares held at the end of the Reporting Period (shares)	Shareholdings as a percentage of Total share capital	Shareholdings as a percentage of A shares
Directors of the Company												
Li Zixue	Male	60	Chairman	Incumbent	3/2022	3/2025	–	–	–	–	–	–
Xu Ziyang	Male	51	Director and President	Incumbent	3/2022	3/2025	168,000	–	–	168,000	0.0035%	0.0042%
Gu Junying	Male	57	Director and Executive Vice President	Incumbent	3/2022	3/2025	–	–	–	–	–	–
Fang Rong	Female	59	Director	Incumbent	3/2022	3/2025	–	–	–	–	–	–
Zhu Weimin	Male	57	Director	Incumbent	3/2022	3/2025	–	–	–	–	–	–
Zhang Hong Note 1	Male	45	Director	Incumbent	6/2024	3/2025	–	–	–	–	–	–
Zhuang Jiansheng	Male	58	Independent Non-executive Director	Incumbent	3/2022	3/2025	–	–	–	–	–	–
Wang Qinggang Note 1	Male	53	Independent Non-executive Director	Incumbent	6/2024	3/2025	–	–	–	–	–	–
Tsui Kei Pang Note 1	Male	63	Independent Non-executive Director	Incumbent	6/2024	3/2025	–	–	–	–	–	–
Li Buqing Note 1	Male	51	Director	Resigned	3/2022	6/2024	–	–	–	–	–	–
Cai Manli Note 1	Female	50	Independent Non-executive Director	Resigned	3/2022	6/2024	–	–	–	–	–	–
Gordon Ng Note 1	Male	59	Independent Non-executive Director	Resigned	3/2022	6/2024	–	–	–	–	–	–
Supervisors of the Company												
Xie Daxiong	Male	61	Chairman of Supervisory Committee	Incumbent	3/2022	3/2025	279,103	–	–	279,103	0.0058%	0.0069%
Xia Xiaoyue	Female	49	Supervisor	Incumbent	3/2022	3/2025	50,927	–	–	50,927	0.0011%	0.0013%
Li Miaona	Female	49	Supervisor	Incumbent	3/2022	3/2025	–	–	–	–	–	–
Jiang Mihua	Female	47	Supervisor	Incumbent	3/2022	3/2025	–	–	–	–	–	–
Hao Bo	Male	35	Supervisor	Incumbent	3/2022	3/2025	–	–	–	–	–	–
Senior management of the Company												
Wang Xiyu	Male	49	Executive Vice President	Incumbent	3/2022	3/2025	139,034	–	–	139,034	0.0029%	0.0035%
Li Ying	Female	46	Executive Vice President and Chief Financial Officer	Incumbent	3/2022	3/2025	95,500	–	–	95,500	0.0020%	0.0024%
Xie Junshi	Male	48	Executive Vice President	Incumbent	3/2022	3/2025	112,468	–	–	112,468	0.0024%	0.0028%
Ding Jianzhong	Male	47	Secretary to the Board of Directors	Incumbent	3/2022	3/2025	33,160	–	–	33,160	0.0007%	0.0008%
Total	**–**	**–**	**–**	**–**	**–**	**–**	**878,192**	**–**	**–**	**878,192**	**0.0184%**	**0.0218%**

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

Note 3: As at 30 June 2024, Mr. Zhang Changling, the spouse of Ms. Li Ying, held 6,668 2020 A shares options of the Company. Such share options have been recorded in the register required to be kept under the SFO.

Note 4: 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 by the Directors and Senior management of the Company, please refer to the section headed "3.6 SHARE SCHEMES" in this report.

Save as disclosed above, as at 30 June 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 up to and as at 30 June 2024, the Company had not entered into any other arrangements that allow the Directors, Supervisors or the chief executives of the Company, or their respective spouses or children under the age of 18 to benefit from the right to subscribe for the share capital or debentures of the Company or its associated corporations, nor had they exercise any such rights.

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

3.4.2 Offices held by Directors, Supervisors and senior management

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

(1) Position held at shareholder unit

Name	Name of shareholder	Position with the shareholder	Commencement of term of office	Conclusion of term of office
Zhu Weimin	Zhongxingxin	Director	May 2024	May 2027
Jiang Mihua	Zhongxingxin	Supervisor	May 2024	July 2024
Hao Bo	Zhongxingxin	Deputy general manager	May 2024	May 2027

Note: The term of appointment for the aforesaid personnel commences and ends concurrently with the eleventh session of the board of directors, supervisory committee and senior management of Zhongxingxin. Ms. Jiang Mihua has ceased to be supervisor of Zhongxingxin as from July 2024. Mr. Zhang Hong has been appointed supervisor of Zhongxingxin with effect from July 2024 for a term ending in May 2027.

(2) Positions held at other entities

Name	Name of other entities	Position in other entities
Gu Junying	JINZHUAN Information Technology Co., Ltd.	Chairman, general manager
	Nanjing Zhongxing Jinyi Digital Technology Company Limited	Chairman
	Beijing ZTE Digital Star Cloud Technology Company Limited	Chairman
Fang Rong	Zhongxing Development Company Limited	Director, executive vice president
	Held positions in 8 subsidiaries or investees of Zhongxing Development Company Limited including Xiazhi Technology Company Limited	Chairman/director
	Shenzhen ZTE International Investment Limited	Director
	Beijing United ZTE International Investment Limited	Director
	Hainan Lianhe Investment Partnership Enterprise (Limited Partnership)	Executive partner
Zhu Weimin	Shenzhen ZTE International Investment Limited	Chairman
	Held positions in 4 subsidiaries of Shenzhen ZTE International Investment Limited including Beijing United ZTE International Investment Limited	Chairman/director
	Shenzhen Zhongxing WXT Company Limited	Director
	Shenzhen Xinyu Tengyue Electronics Co., Ltd.	Director
	Hainan Xinghang Technology Co., Ltd.	Director
Zhang Hong	Shenzhen Aerospace Industrial Technology Research Institute Limited	Chief accountant, chief legal adviser, chief compliance officer
	CASIC Shenzhen (Group) Company Limited	Director, chief accountant
Zhuang Jiansheng	Shanghai Huiyue Law Firm	Partner
Wang Qinggang	Zhongnan University of Economics and Law	Professor/tutor to doctoral students at the school of accounting
	Anhui Hongyu Wuzhou Medical Manufacturer Co Ltd.	Independent director
	Wuhan Xingtu Xinke Electronics Co., Ltd.	Independent director
	Wuhan SZY Biotech Joint Stock Co., Ltd.	Independent director
Tsui Kei Pang	Anthony Siu & Co	Partner
	CIMC Enric Holdings Limited	Independent non-executive director
Xie Daxiong	Guangdong Newstart Technology & Service Company Limited	Chairman
	Guangzhou Huijian Detection Technology Co., Ltd.	Chairman
Li Miaona	Shenzhen Zhongxing Yihe Investment Development Company Limited	Chairman
Jiang Mihua	Shenzhen Aerospace Industrial Technology Research Institute Limited	Deputy head of finance department
	Shenzhen Aerospace Guangyu Industrial Company Limited	Director
	GD Ouke Air-conditioning & Refrigeration Company Limited	Chairman of supervisory committee
	航天歐華信息技術有限公司	Supervisor
Hao Bo	Held positions in 7 subsidiaries or investees of Zhongxingxin including Pylon Technologies Co., Ltd.	Chairman of supervisory committee/director/ supervisor
	Hainan Xinglian Private Equity Investment Fund Management Company Limited	Executive director and general manager
Wang Xiyu	Sanechips Technology Co., Ltd.	Chairman
	Beijing Lirui Micro-electronics Technology Limited	Chairman
	Zhongxing Photonics Technology Co., Ltd.	Chairman
	JINZHUAN Information Technology Co., Ltd.	Vice-chairman
Li Ying	ZTE Group Finance Company Limited	Chairman
	ZTE (H.K.) Limited	Chairman
	Shenzhen Caixing Management Consulting Company Limited (formerly known as "SHENZHEN ZTE FINANCIAL HOLDINGS COMMERCIAL FACTORING LIMITED COMPANY")	Chairman
	Sanechips Technology Co., Ltd.	Director

Note: Mr. Gu Junying has been appointed chairman of Beijing ZTE Digital Star Cloud Technology Company Limited with effect from June 2024.

3.4.3 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.

3.4.4 Other information

For brief biographies of the Company's Directors, Supervisors and senior management and other information, please refer to the "2023 Annual Report" and "Circular of the 2023 Annual General Meeting" published on 27 March 2024 and 6 June 2024, respectively, by the Company. Other than such disclosures and information disclosed in this chapter, no further disclosure of other information is required under Rule 13.51B(1) of the Hong Kong Listing Rules.

3.5 STAFF OF THE GROUP

As at 30 June 2024, the Group had 68,214 employees. For the Reporting Period, the aggregate amount of the Group's staff remuneration was approximately RMB17.1 billion. The remuneration package for the Group's employees includes salary, bonuses and allowances. Our employees are also entitled to accident insurance, business travel insurance, housing allowance, retirement and other benefits. In accordance with relevant regulations of countries where the employees are located, the Group also participates in social insurance plans organised by the relevant government authorities, under which the Group makes contributions towards each employee's social insurance fund in an amount equivalent to a specified percentage of his/her monthly salaries. Meanwhile, to develop a long-term incentive and check mechanism, the Group has adopted share option incentive schemes and a management stock ownership scheme in a timely manner to motivate the management and key employees. For details of the schemes, please of refer to "3.6 SHARE SCHEMES" in this report.

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

3.6 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.

3.6.1 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, 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 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 comprises 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 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 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 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 the 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/share. There shall be a vesting 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 period from the date of grant up to the exercise date of the share options is the vesting period which has a duration of 12 months, 24 months or 36 months 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 outstanding valid period for share options under the initial grant of the 2020 Share Option Incentive Scheme is the period from the date of publication of this report to 5 November 2024.

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/share. There shall be a vesting 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 period from the date of grant up to the exercise date of the share options is the vesting period for the reserved grant which has a duration of 12 months or 24 months 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 outstanding valid period for share options under the reserved grant of the 2020 Share Option Incentive Scheme is the period from the date of publication of this report to 20 September 2024.

(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 49,454,276 share options are exercisable by 5,729 participants (as adjusted).

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 exercise price of the aforesaid cancelled options was RMB0.

3.6.2 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. 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.

During the Reporting Period, no participants in the 2020 Share Option Incentive Scheme exercised their rights. The closing price of the Company's A shares as at 28 June 2024 was RMB27.97 per share. Details of the holding 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 A shares	
1. Share options under the initial grant											
Li Zixue	Chairman	60,000	0	60,000	0	0	0	60,000	0.0013%	0.0015%	N/A
Xu Ziyang	Director and President	60,000	0	60,000	0	0	0	60,000	0.0013%	0.0015%	N/A
Gu Junying	Director and Executive Vice President	60,000	0	60,000	0	0	0	60,000	0.0013%	0.0015%	N/A
Fang Rong	Director	16,668	0	16,668	0	0	0	16,668	0.0003%	0.0004%	N/A
Zhu Weimin	Director	16,668	0	16,668	0	0	0	16,668	0.0003%	0.0004%	N/A
Li Buqing	Director (resigned)	16,668	0	16,668	0	0	0	16,668	0.0003%	0.0004%	N/A
Sub-total of Directors Note 2		**230,004**	**0**	**230,004**	**0**	**0**	**0**	**230,004**	**0.0048%**	**0.0057%**	**N/A**
Wang Xiyu	Executive Vice President	60,000	0	60,000	0	0	0	60,000	0.0013%	0.0015%	N/A
Li Ying	Executive Vice President and Chief Financial Officer	60,000	0	60,000	0	0	0	60,000	0.0013%	0.0015%	N/A
Xie Junshi	Executive Vice President	60,000	0	60,000	0	0	0	60,000	0.0013%	0.0015%	N/A
Ding Jianzhong	Secretary to the Board of Directors and Company Secretary	40,000	0	40,000	0	0	0	40,000	0.0008%	0.0010%	N/A
Sub-total of senior management		**220,000**	**0**	**220,000**	**0**	**0**	**0**	**220,000**	**0.0046%**	**0.0055%**	**N/A**
Other key employees of the Company		49,004,272	0	49,004,272	0	0	0	49,004,272	1.0245%	1.2167%	N/A
Total		**49,454,276**	**0**	**49,454,276**	**0**	**0**	**0**	**49,454,276**	**1.0339%**	**1.2278%**	**N/A**
2. Share options under reserved grant											
Other key employees of the Company		2,402,000	0	2,402,000	0	0	0	2,402,000	0.0502%	0.0596%	N/A
Total		**2,402,000**	**0**	**2,402,000**	**0**	**0**	**0**	**2,402,000**	**0.0502%**	**0.0596%**	**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 during the Reporting Period, in connection with which 51,856,276 share options remain exercisable in future, accounting for 1.29% of the weighted average number of the Company's A shares in issue during the Reporting Period.

As at the date of publication of this report, a total of 49,454,276 A share options were unexercised under the initial grant of the 2020 Share Option Incentive Scheme of the Company, accounting for approximately 1.03% of the Company's total share capital in issue and approximately 1.23% of the Company's total A share capital in issue. A total of 2,402,000 A share options were unexercised under the reserved grant, accounting for approximately 0.05% of the Company's total share capital in issue and approximately 0.06% of the Company's total A share capital in issue. As at the date of publication of this report, the total number of shares that may be issued under the 2020 Share Option Incentive Scheme is 51,856,276 shares, accounting for approximately 1.08% of the Company's total share capital in issue and approximately 1.29% of the Company's total A share capital in issue.

3.6.3 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 in this report.

3.7 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. The Company persists in an investor-oriented approach, a strong focus on its principal businesses and prudence, 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 the first half of 2024, the Company vigorously implemented the action plan on dual enhancement in profitability and quality, as it strived to increase the profitability of its principal businesses and consistently committed strong resources to R&D in "connectivity + computility". We regulated our corporate governance systems and regimes with continuous effort and our Independent Non-executive Directors duly played their role of "taking part in decision-making, providing supervision and checks and offering professional consultation". We fulfilled our obligations in information disclosure in strict accordance with regulatory rules for listed companies and improved our open, fair, transparent and multi-dimensional channel for investor communication. 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. For details of the progress and effectiveness of the Company's action plan on dual enhancement in profitability and quality, please refer to "II. Report of the Board of Directors" and this chapter in this report.

IV. ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

ZTE pledges to incorporate sustainability and ESG principles in the full process of its corporate operation and governance and actively implements Dual Carbon and green development in genuine fulfillment of its corporate social responsibility, whilst upholding the principle of utilising technology for the common good to shoulder the responsibility and undertaking of a leading enterprise in the ICT sector.

4.1 ENVIRONMENTAL INFORMATION

4.1.1 Pollution discharge

During the first half of 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 containing lead	11.6258t	49t	Compliant
	Oil/water, hydrocarbon/hydro-mixture or emulsifier	4.9045t	29.03t	Compliant
	Waste containing mercury	0.54392t	2.5t	Compliant
	Organic resin waste	0.95115t	6.8575t	Compliant
	Waste mineral oil and waste containing mineral oil	0.2362t	4.123t	Compliant
	Waste organic solvent and waste containing organic solvent	6.96t	23.82t	Compliant
	Other waste	54.107257t	259.3975t	Compliant
ZTE Nanjing	Waste box containing lead and tin	1.314t	4.2t	Compliant
	Waste empty container	12.994t	30t	Compliant
	Waste circuit board	76.373t	185t	Compliant
	Waste bonding agent and sealant	1.336t	10t	Compliant
	Waste liquid containing solvent	250.359t	495t	Compliant
	Waste acid	0t	0.2t	Compliant
	Waste active carbon	14.83t	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

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 obtained 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, subject to assessment 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.

4.1.2 Investment in environmental treatment and protection and payment of environmental tax

In the first half of 2024, the Group's total expenditure in environmental treatment and protection amounted to approximately RMB16.90 million, which has mainly been applied in the handling of exhaust gas, sewage, hazardous waste and garbage, installation of environmental monitoring equipment, energy-saving conversion through R&D, production and administration, and green landscape in the plant areas. In the first half of 2024, the Group paid environmental taxes with an approximate amount of RMB60,000.

4.1.3 Administrative punishments relating to environmental issues

The Group was not subjected to any administrative punishment relating environmental issues in the first half of 2024.

4.1.4 Measures and achievements in carbon reduction during the Reporting Period

In profound implementation of the green development philosophy, the Company participated in full force the global transformation towards a decarbonised economy by building a "resourceful pathway for digital economy" in four aspects, namely, green corporate operation, green supply chain, green digital base and green industry empowerment, empowering all sectors across the board to accelerate their access to pathway of green development and contribute to the fulfilment of the dual-carbon goal.

- **Green corporate operation:** The Company reduces emissions generated by operations at the boundaries of the Company's buildings and within the premises of its operations through the green corporate operation initiative. The Company advocates a corporate culture of low-carbon office and implements key measures such as cloud office, paperless operation, space management and green travelling on a long-term basis, whilst constantly identifying the potential of reducing emission offered by new technologies, scenarios and models.

- **Green supply chain:** The Company's supply chain covers the full process of raw material input, product delivery, product recycling, processing and reuse and process in its implementation of sustainable development. Taking into account of external as well as internal conditions and in collaboration with our partners, we constructed a ZTE green supply chain and promoted low-carbon procurement, low-carbon manufacturing, low-carbon logistics and low-carbon recycling to expedite green transformation, building the ZTE green supply chain on the back of green operation to support the implementation of the goal of scientific carbon consumption.

- **Green digital base:** we are committed to enhancing the energy efficiency of our products and the construction of end-to-end low-carbon ICT facilities to supply green digital base to all industrial and social sectors. Our product team reduces the carbon print throughout the life cycle of our products with the aid of innovative technologies and solutions.

- **Green industry empowerment:** The Company realises the value of data across the board through the combination of a range of state-of-art technologies, such as cloud net facilities, IoT, Big Data and AI, with traditional industries to increase productivity throughout the whole process and reduce energy consumption along the entire chain, thereby achieving our business development goals whilst meeting requirements for energy conservation and reduction in emission.

4.2 SOCIAL RESPONSIBILITY

During the first half of 2024, ZTE Charity Foundation actively launched community welfare services in various areas such as education assistance, medical relief, environmental protection and voluntary services in line with its vision of "goodwill reaching out to every corner", with a special emphasis on staff participation to share ZTE's compassion with the community in an open, transparent and professional manner.

In connection with support for the development of education, we set up the "ZTE Self-enhancement Class" at Jingning Secondary School in Lishui City, Zhejiang Province, the "ZTE Dream-Come-True Class" at Qiyang No. 1 Secondary School in Yongzhou City, Hunan Province and "ZTE Aspirations Class" at Yan'an Secondary School in Yan'an City, Shaanxi Province during the first half of 2024, whilst continuing to launch educational aid projects in Gansu, Qinghai, Guizhou and Jiangxi, providing financial assistance to 1,573 underprivileged senior secondary students. Meanwhile, our youth support initiative was underpinned mainly by the "Q&A for the Young" programme and complemented a variety of alternative modes, including physical library, career development planning, scientific literacy talks, house visits, letter correspondence and psychology talks, among others, in an active effort responding to queries of close to 10,000 teenage students.

In connection with support for medical relief, we continued to offer assistance according to different types of illnesses. During the first half of 2024, assistance were extended to 128 pediatric patients through the refractory nephrotic syndrome relief fund, primary immunodeficiency relief fund and Bright Babies retinopathy of prematurity relief fund and relief service was provided to close to 3,000 families through the Vcare facility. Moreover, the "Bright Babies" service was chosen as a key development programme as service outlets were established at Harbin Medical University No. 2 Affiliated Hospital and Heyuan City Women and Children Healthcare Institute during the first half of 2024. Preliminary consensus for cooperation has also been reached with Ningxia Healthcare Security Administration and Ningxia Eye Hospital, with plans to provide coverage for pediatric patients in Ningxia.

In connection with the support of low-carbon initiatives for the protection of the environment, ZTE Charity Foundation teamed up with China Green Carbon Foundation and Yichun Forestry Group on the "5.15 Global Low-carbon Day" as some 20 staff volunteers of the Company joined the tree planting activity to contribute to the revitalisation of aged forests. As at 30 June 2024, 157,500 trees were planted in Xiaoxinganling by way of replanting on barren grounds in forest areas, covering a forest area of 1,925 mu. In the meantime, in response to the call for the development of the "Great Green Wall" in North China, Northwest China and Northeast China in the new era, plans have been drawn up to plant new forests on the barren hills in Fengning Manchu Autonomous County, Hebei Province. Currently, the forestry deign has been completed with plans to plant 19,000 trees during the rainy season.

In connection with staff voluntary services, we had 11,493 registered staff volunteers who had served for 33,262.5 hours in on-site services as at 30 June 2024. In the first half of 2024, in addition to regular activities such as assistance for senior citizens, assistance for the disabled and aid for the underprivileged systematically carried out by 14 chapters of the volunteers' association, we also focused on activities under selected themes, such as assistance through consumer spending and rice donation under the theme of "New Year with Charity", care for women in the Tibetan region on Women's Day under the theme of "Protecting the Mountain Flowers", collection of unwanted books on the World Reading Day and international blood donation voluntary services under the theme of "Roll Up Your Sleeves for Charity", among others, in a bid to effectively utilise the service capacity afforded by the formidable ZTE staff volunteer team to meet the needs of the community.

4.3 CORPORATE GOVERNANCE

The Company has developed a governance structure comprising "three levels of governance bodies and one level of executive arm", namely, the General Meeting, the Board of Directors, the Supervisory Committee, and the management each of which fulfils its specific functions to facilitate independent and efficient decision making; as well as a "4+1" fulfillment platform under the Board of Directors, namely, the Audit Committee, Nomination Committee, Remuneration and Evaluation Committee and Export Compliance Committee plus the Independent Directors' Meeting, each of which playing a professional role to support efficient decision-making at the Board level. For details of corporate governance, please refer to the section headed "III. CORPORATE GOVERNANCE" in this report.

V. MATERIAL MATTERS

The Group's material matters during the first half of 2024 included litigation and arbitration, connected transactions, third-party guarantees and performance of undertakings, the details of which are set out as follows:

5.1 MATERIAL LITIGATION AND ARBITRATION

In the first half of 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 disclosed 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 RMB43,202,300). 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 RMB43,024,000) 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 ended.

   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 RMB114 million). 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 would expire 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 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 (as at the date of ruling, subject to inflationary adjustments as at the date of actual set-off, equivalent to approximately RMB244 million).

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 RMB550,000) 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 30 June 2024 where BRL amounts are translated at the exchange rate of BRL1: RMB1.3779.

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 X'ian 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 owing to 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 session 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.

   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.

5.2 MATERIAL CONNECTED TRANSACTIONS

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

In the first half of 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 30 June 2024. The Group had no connected transactions arising from acquisitions or disposals of assets or equity interests, nor connected transactions involving joint investment in third parties, nor non-operating creditors or debtors with connected parties, nor any connected financial companies. In the first half of 2024, there was no deposit, 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 the first half of 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 the first half of 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: 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	12,247.0	0.34%
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	22,537.9	2.46%
Huatong Technology Company Limited	Subsidiary of a company for which a connected natural person of the Company acted as director and executive vice president	Purchase of personnel hiring and project outsourcing services by the Company from the connected party	Special-grade engineer at a price ranging from RMB730–1,520 per head/day; Supervisory engineer at a price ranging from RMB560–1,150 per head/day; Senior engineer at a price ranging from RMB420–900 per head/day; Common engineer at a price ranging from RMB300–670 per head/day; Technician at a price ranging from RMB250–500 per head/day.	8,500	2,076.7	14.03%

V. MATERIAL MATTERS

Counterparty	Nature of connection	Subject matter	Price	Transaction limit for 2024 approved by the Board	Transaction amount in the first half of 2024	As a percentage of similar transactions (%)
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 and executive vice president	Purchase of personnel hiring and project outsourcing services by the Company from the connected party	Special-grade engineer at a price ranging from RMB730–1,520 per head/day; Supervisory engineer at a price ranging from RMB560–1,150 per head/day; Senior engineer at a price ranging from RMB420–900 per head/day; Common engineer at a price ranging from RMB300–670 per head/day; Technician at a price ranging from RMB250–500 per head/day.	8,500	2,689.8	18.17%
Shenzhen Zhongxing Hetai Hotel Investment and Management Company Limited ("Zhongxing Hetai") or its subsidiaries	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	2,145.7	5.62%
Zhongxing Hetai or its subsidiaries	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 related 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	2,514.7	12.78%

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

Connected parties from which the Company made purchases were selected through the Company's accreditation and bidding or negotiation procedures. Prices at which the purchase orders were entered into by the two parties were determined through arm's length negotiations and on the basis of normal commercial terms. Transaction prices at which products were sold 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.

5.3 MATERIAL CONTRACTS AND THEIR PERFORMANCE

In the first half of 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 the first half of 2024 are as follows:

(1) Overview of guarantee for third parties

As at 30 June 2024, the balance of the Group's third-party guarantee amounted to approximately RMB1,566,189,000, accounting for 2.22% of the Company's net assets attributable to holders of ordinary shares in the listed company as at 30 June 2024. Guarantee provided for parties with a gearing ratio of over 70% amounted to RMB613,410,900. There was no guarantee for related parties or guarantee in violation of regulations. An overview of the third-party guarantees is set out as follows:

Unit: RMB in ten thousands

	Guarantee approved during the Reporting Period	Guarantee incurred during the Reporting Period	Guarantee approved at the end of the Reporting Period	Balance of actual guarantee at the end of the Reporting Period
Provide to third parties outside the Group	—	—	—	—
Provided by the Company on behalf of subsidiaries	218,040.00	95,277.81	856,970.12	142,442.23
Provided by subsidiaries on behalf of fellow subsidiaries	83,582.00	14,176.67	83,582.00	14,176.67
Total	**301,622.00**	**109,454.48**	**940,552.12**	**156,618.90**

V. MATERIAL MATTERS

(2) Details of third-party guarantee

Guaranteed party	Date of domestic announcement	Amount guaranteed	Date incurred	Actual amount guaranteed	Type of guarantee	Duration	Whether completed
1. Guarantee provided to third parties outside the Group: Nil							
2. Provided by the Company on behalf of subsidiaries							
PT. ZTE Indonesia	19 February 2021	USD40 million	30 June 2021	USD40 million	Joint liability guarantee	Commencing on the date of issuance of the guarantee letter of the Company and ending upon the date on which performance of obligations of ZTE Indonesia under the "Equipment Purchase Contract" and "Technical Support Contract" is completed	No
		IDR400 billion	30 June 2021	IDR400 billion	Joint liability guarantee	Effective term of 3 years and 6 months or the date on which performance of obligations of ZTE Indonesia under the "Equipment Purchase Contract" and "Technical Support Contract" is completed, whichever is later	No
PT. ZTE Indonesia	11 October 2022	IDR8,100 million	4 November 2022	IDR8,100 million	Joint liability guarantee	Commencing on the date of issuance of the guarantee letter of the Company and ending upon the date on which performance of obligations of ZTE Indonesia under the "Private Network Equipment Purchase and Technical Support Contract" and "Agricultural Network Equipment Purchase and Technical Support Contract" are completed	No
ZTE France SASU	14 December 2011	EUR10 million	N/A	–	Assurance	From maturity to the date on which performance of obligations of ZTE France under the "SMS Contract" and "PATES Contract" expires or terminates (whichever is later)	N/A
11 overseas subsidiaries involved in the MTN Group project	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	USD125,561,100	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 1]	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	RMB40.20 million	Joint liability assurance	Three years from the maturity of the repayment period of the guaranteed debt	No
3. Provided by subsidiaries on behalf of fellow subsidiaries							
Netaş Bilişim Teknolojileri A.Ş.[Note 2]	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.[Note 3]	9 March 2024	USD70 million	Note 3	USD10,216,700	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 3	USD2,117,700	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 3	USD6,899,300	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 3	USD271,900	Joint liability guarantee	Ending on the date on which the repayment of debt relating to the guarantee is completed	No

Note 1: 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 in respect of ZTE HK's debt financing. The aforesaid guarantee was considered and approved 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 such USD500 million guarantee had been released upon expiry. The remaining USD100 million limit had yet to be utilised.

Note 2: 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 Netaş Bilişim Teknolojileri A.Ş. ("Netas Bilişim") 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 3: 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, under which the guaranteed principals could apply to financial institutions for credit facilities including loans, guarantee letters and reverse supply chain financing, among others, for an effective period commencing on the date on which the guarantee was considered and approved at the 2023 Annual General Meeting and ending on the date on which the 2024 Annual General Meeting is 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 USD10,216,700. Netaş and Netaş Bilişim shall provide credit loan guarantee for BDH within the guarantee limit. As at 30 June 2024, the balance of actual guarantee was USD2,117,700. 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 USD6,899,300. 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 USD271,900.

Note 4: 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 not 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 the USD300 million guarantee provided for the 3 subsidiaries. As at the end of the Reporting Period, the aforesaid guarantee had yet to be applied.

Note 5: In respect of outstanding guarantees, no guarantee liability or potential joint repayment liability has been incurred during the Reporting Period.

Note 6: The guarantee amounts were translated at the book exchange rates of the Company as at 30 June 2024: USD1: RMB7.268; EUR1: RMB7.7689; IDR1: RMB0.000443333.

(3) Entrusted fund management

General information of the Group's entrusted fund management in the first half of 2024 is set out in the following table:

Unit: RMB in ten thousands

Product type	Source of funds	Amount incurred[Note]	Outstanding balance	Overdue and unrecovered amount	Impairment amount provided for overdue and unrecovered financial products
Bank financial product	Internal funds	340,000	290,000	0	0
Total		**340,000**	**290,000**	**0**	**0**

Note: 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.

For the first half of 2024, the Group had no high-risk entrusted fund management with individually material amounts, low level of security, 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.

5.4 PERFORMANCE OF UNDERTAKINGS

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

(1) Undertaking to avoid competition in same business

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

During the first half of 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 the first half of 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.

5.5 APPROPRIATION OF NON-OPERATING FUNDS AND CREDIBILITY

During the first half of 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.

5.6 PUNISHMENT AND RECTIFICATION

During the first half of 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.

5.7 OTHER MATERIAL MATTERS

The 2023 financial report of the Group has been audited by Ernst & Young Huaming LLP, who has furnished a standard audit report without qualified opinion. The interim financial report for 2024 is unaudited. 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 did not dismiss or change its accounting firm, nor was it subject to bankruptcy or reorganisation in the first half of 2024. Save as matters disclosed in this report, there were no other discloseable material matters occurring to the Company or its subsidiaries or material social security issues that remained undisclosed.

VI. DEBT FINANCING INSTRUMENTS OF NON-FINANCIAL ENTERPRISES

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

6.1 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, medium term note, 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 medium-term notes during the effective term of registration.

As at 30 June 2024, 38 tranches of SCPs issued by the Company for an aggregate issue amount of RMB53.9 billion had been repaid upon maturity. Information on the Company's SCPs and medium-term notes issued and outstanding as at the date of this report is set out as follows:

Unit: RMB100 million

Bond name	Bond abbreviation	Bond code	Issue date	Accrual date	Maturity date	Bond balance	Interest rate
2024 Tranche XXXIX SCPs	24中興通訊SCP039	012481958	25 June 2024	26 June 2024	26 September 2024	15	1.86%
2024 Tranche I medium-term notes (Scientific Innovation Notes)	24中興通訊MTN001 (科創票據)	102483530	14 August 2024	16 August 2024	16 August 2029	5	2.25%
Total	–	–	–	–	–	**20**	–

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

In the first half of 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.

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

Item	**30 June 2024**	31 December 2023	Year-on-year increase/decrease
Current ratio	**1.91**	1.91	—
Quick ratio	**1.39**	1.41	(1.42%)
Gearing ratio	**65.57%**	66.00%	Decreased by 0.43 percentage point

Item	Six months ended 30 June 2024	Six months ended 30 June 2023	Year-on-year increase/decrease
Net profit after extraordinary gain/loss attributable to holders of ordinary shares of the listed company (RMB in thousands)	**4,963,643**	4,909,329	1.11%
Debt-to-EBITDA ratio	**14.52%**	15.15%	Decreased by 0.63 percentage point
Interest coverage ratio	**3.63**	4.68	(22.44%)
Cash interest coverage ratio	**7.20**	6.94	3.75%
EBITDA interest coverage ratio	**4.70**	6.12	(23.20%)
Loan repayment ratio	**100.00%**	100.00%	—
Interest repayment ratio	**100.00%**	100.00%	—

6.3 OTHER INFORMATION

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

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Consolidated Balance Sheet

30 June 2024
(Prepared in accordance with PRC ASBEs)
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Note: Items in the notes to the financial statements marked with # are additional disclosures provided in compliance with the Companies Ordinance of Hong Kong and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Stock Limited.

Assets	Note V	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Current assets			
Currency cash	1	70,943,466	78,543,219
Trading financial assets	2	3,039,236	153,285
Derivative financial assets	3	152,516	85,341
Trade receivables	4A	20,925,261	20,821,526
Factored trade receivables	4A	5,381	3,503
Receivable financing	4B	740,705	4,074,078
Prepayments	5	212,114	242,440
Other receivables	6	1,205,738	1,146,400
Inventories	7	40,960,382	41,131,259
Contract assets	8	5,206,849	4,844,974
Other current assets	20	8,229,862	7,458,528
Total current assets		151,621,510	158,504,553
Non-current assets			
Credit right investment	9	12,234,248	—
Long-term receivables	10	1,815,947	2,013,559
Factored long-term receivables	10	8,969	10,509
Investment in associates and joints	11	2,147,514	2,157,550
Other non-current financial assets	12	736,720	831,930
Investment properties	13	1,328,301	1,473,823
Property, plant and equipment	14	13,578,251	13,372,364
Construction in progress	15	757,130	987,803
Right-of-use assets	16	1,504,491	1,557,313
Intangible assets	17	7,553,364	7,697,446
Development costs		1,160,245	1,301,545
Goodwill	18	—	—
Deferred tax assets	19	4,177,503	4,145,923
Other non-current assets	20	6,883,583	6,904,000
Total non-current assets		53,886,266	42,453,765
TOTAL ASSETS		205,507,776	200,958,318

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

Consolidated Balance Sheet

30 June 2024
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

Liabilities	Note V	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Current liabilities			
Short-term loans	22	8,448,217	7,560,358
Bank advances on factored trade receivables	4A	5,664	3,687
Derivative financial liabilities	23	67,925	184,544
Short-term bonds payable	24	1,500,306	5,012,890
Bills payable	25A	10,476,704	9,442,739
Trade payables	25B	19,070,882	18,931,425
Contract liabilities	26	13,255,334	14,889,658
Taxes payable	27	1,071,623	1,413,093
Other payables	28	6,340,714	3,844,735
Employee benefits payable	29	14,887,882	16,176,919
Provisions	30	1,970,083	2,568,768
Non-current liabilities due within one year	31	2,484,384	3,001,598
Total current liabilities		79,579,718	83,030,414
Non-current liabilities			
Long-term loans	32	47,741,381	42,576,057
Bank advances on factored long-term trade receivables	10	9,441	11,062
Lease liabilities	16	1,003,380	960,459
Long-term employee benefits payable	29	138,343	141,762
Deferred income		2,340,712	2,315,842
Deferred tax liabilities	19	75,570	77,865
Other non-current liabilities	33	3,858,533	3,513,412
Total non-current liabilities		55,167,360	49,596,459
Total liabilities		134,747,078	132,626,873

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

Consolidated Balance Sheet

30 June 2024
(Prepared in accordance with PRC ASBEs)
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Shareholder's equity	Note V	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Shareholder's equity			
Share capital	34	4,783,252	4,783,252
Capital reserves	35	27,467,625	27,603,291
Other comprehensive income	36	(2,166,297)	(2,199,965)
Surplus reserve	37	3,053,382	3,053,382
Special reserve	38	76,932	53,394
Retained profits	39	37,180,438	34,714,953
Total equity attributable to holders of ordinary shares of the parent		70,395,332	68,008,307
Non-controlling interests		365,366	323,138
Total shareholders' equity		70,760,698	68,331,445
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		205,507,776	200,958,318

These financial statements are undersigned by the following persons:

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

Six months ended 30 June 2024
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

	Note V	Six months ended 30 June 2024 (Unaudited)	Six months ended 30 June 2023 (Unaudited)
Operating revenue	40	62,487,098	60,704,794
Less: Operating costs	40	37,198,353	34,469,210
Taxes and surcharges	41	557,343	683,389
Selling and distribution costs	42	4,187,180	4,616,237
Administrative expenses	43	2,236,650	2,515,771
Research and development costs	44	12,725,895	12,791,032
Finance costs	46	46,305	(813,752)
Including: Interest expense		2,382,497	1,648,613
Interest income		2,581,583	1,839,701
Add: Other income	47	1,800,310	993,917
Investment income	48	(183,125)	(464,257)
Including: Gains from investment in associates and joint ventures		(25,507)	75,367
Losses from derecognition of financial assets at amortised cost		(183,974)	(106,780)
Gains from changes in fair values	49	(416,539)	(430,990)
Credit impairment losses	50	74,715	(178,168)
Asset impairment losses	51	(600,582)	(277,146)
Gains from asset disposal	52	67,365	16,462
Operating profit		6,277,516	6,102,725
Add: Non-operating income	53	35,078	75,603
Less: Non-operating expenses	53	35,411	118,990
Total profit		6,277,183	6,059,338
Less: Income tax	54	566,793	667,086
Net profit		5,710,390	5,392,252
Analysed by continuity of operations			
Net profit from continuing operations		5,710,390	5,392,252
Analysed by ownership			
Holders of ordinary shares of the parent		5,732,446	5,472,153
Non-controlling interests		(22,056)	(79,901)

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

Consolidated Income Statement

Six months ended 30 June 2024
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

	Note V	**Six months ended 30 June 2024 (Unaudited)**	Six months ended 30 June 2023 (Unaudited)
Other comprehensive income, net of tax		**34,114**	(51,431)
Other comprehensive income attributable to holders of ordinary shares of the parent company, net of tax	36	**33,668**	(48,157)
Other comprehensive income that cannot be reclassified as profit or loss			
Changes arising from the re-measurement of defined benefit plans		**–**	–
		–	–
Other comprehensive income that will be reclassified to profit or loss			
Effective portion of hedge instruments		**2,715**	9,445
Exchange differences on translation of foreign operations		**30,953**	(57,602)
		33,668	(48,157)
Other comprehensive income attributable to non-controlling interests, net of tax		**446**	(3,274)
Total comprehensive income		**5,744,504**	5,340,821
Attributable to:			
Holders of ordinary shares of the parent		**5,766,114**	5,423,996
Non-controlling interests		**(21,610)**	(83,175)
Earnings per share (RMB/share)			
Basic	55	**RMB1.2**	RMB1.15
Diluted	55	**RMB1.2**	RMB1.15

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

Consolidated Statement of Changes in Equity

Six months ended 30 June 2024
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

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

	Six months ended 30 June 2023 (Unaudited)								
	Equity attributable to holders of ordinary shares of the parent								
	Share capital	Capital reserves	Other comprehensive income	Surplus reserve	Special reserve	Retained profits	Sub-total	Non-controlling interests	Total shareholders' equity
I. Opening balance for the period	4,736,113	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 period									
(I) Total comprehensive income	–	–	(48,157)	–	–	5,472,153	5,423,996	(83,175)	5,340,821
(II) Shareholder's capital injection and capital reduction									
1. Ordinary share injection from shareholders	39,203	1,662,756	–	–	–	–	1,701,959	29,821	1,731,780
2. Equity settled share expenses charged to equity	–	(280,996)	–	–	–	–	(280,996)	–	(280,996)
3. Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	–
4. Disposal of subsidiaries	–	–	–	–	–	–	–	(3,155)	(3,155)
5. Others	–	(48,646)	–	–	–	–	(48,646)	–	(48,646)
(III) Profit appropriation									
1. Allocation to surplus reserve	–	–	–	–	–	–	–	–	–
2. Distribution to shareholders	–	–	–	–	–	(1,895,850)	(1,895,850)	(317,050)	(2,212,900)
(IV) Special reserve									
1. Allocated for the period	–	–	–	–	42,663	–	42,663	–	42,663
2. Utilised for the period	–	–	–	–	(16,994)	–	(16,994)	–	(16,994)
III. Closing balance for the period	4,775,316	27,225,946	(2,400,900)	3,029,811	52,222	30,884,924	63,567,319	528,477	64,095,796

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

Consolidated Cash Flow Statement

Six months ended 30 June 2024
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

	Note V	Six months ended 30 June 2024 (Unaudited)	Six months ended 30 June 2023 (Unaudited)
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		67,891,107	64,823,869
Tax refunds received		2,722,191	2,754,829
Cash received relating to other operating activities		3,355,985	6,262,181
Sub-total of cash inflows		73,969,283	73,840,879
Cash paid for goods and services		37,325,868	37,457,589
Cash paid to and on behalf of employees		17,609,231	17,255,190
Cash paid for various types of taxes		4,079,475	4,322,570
Cash paid relating to other operating activities		7,954,310	8,379,633
Sub-total of cash outflows		66,968,884	67,414,982
Net cash flows from operating activities	56	7,000,399	6,425,897
II. Cash flows from investing activities			
Cash received from sale of investments		25,250,854	6,792,478
Cash received from return on investment		804,377	632,238
Net cash received from the disposal of property, plant and equipment, intangible assets and other long-term assets		246,400	93,265
Net cash received from the disposal of subsidiaries and other operating units		—	30,000
Sub-total of cash inflows		26,301,631	7,547,981
Cash paid to acquisition of fixed asset, intangible assets and other long-term assets		1,879,826	1,990,360
Cash paid for acquisition of investments		35,805,202	7,064,058
Other cash paid in relation to investing activities		—	—
Sub-total of cash outflows		37,685,028	9,054,418
Net cash flows from investing activities		(11,383,397)	(1,506,437)
III. Cash flows from financing activities			
Cash received from capital injection		364,555	156,274
Including: Capital injection into subsidiaries by minority shareholders		364,555	33,000
Cash received from borrowings		130,085,114	134,891,520
Other cash received relating to financing activities	56	—	1,900
Sub-total of cash inflows		130,449,669	135,049,694
Cash repayment of borrowings		127,820,087	128,705,607
Cash payments for distribution of dividends, profits and for interest expenses		1,384,490	3,427,743
Including: Distribution of dividends, profits by subsidiaries to minority shareholders		140,640	312,972
Other cash paid relating to financing activities	56	207,885	198,296
Sub-total of cash outflows		129,412,462	132,331,646
Net cash flows from financing activities		1,037,207	2,718,048
IV. Effect of changes in foreign exchange rate on cash and cash equivalents		64,499	237,061
V. Net increase in cash and cash equivalents		(3,281,292)	7,874,569
Add: cash and cash equivalents at the beginning of year		51,013,167	47,071,729
VI. Net balance of cash and cash equivalents at the end of period	56	47,731,875	54,946,298

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

Balance Sheet

30 June 2024
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

Assets	Note XV	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Current assets			
Currency cash	1	40,594,145	61,975,191
Trading financial assets		2,171,477	24,227
Derivative financial assets		152,366	61,944
Trade receivables	2	33,595,731	35,943,738
Factored trade receivables		5,381	3,503
Receivable financing		530,045	4,073,264
Prepayments		8,767	16,657
Other receivables	3	33,285,419	31,653,053
Inventories		11,683,042	12,535,588
Contract assets		3,675,747	3,739,259
Other current assets		2,625,269	1,868,178
Total current assets		128,327,389	151,894,602
Non-current assets			
Credit right investment		9,277,081	—
Long-term receivables	4	4,568,983	4,833,124
Factored long-term trade receivables		8,969	10,509
Investment in associates, joints and subsidiaries	5	17,932,399	17,979,249
Other non-current financial assets		663,369	650,319
Investment properties		933,777	1,104,000
Property, plant and equipment		5,902,797	6,190,094
Construction in progress		319,087	327,044
Right-of-use assets		951,153	1,007,848
Intangible assets		2,417,882	2,499,545
Development costs		293,263	305,732
Deferred tax assets		1,392,504	1,550,517
Other non-current assets		4,737,060	4,738,904
Total non-current assets		49,398,324	41,196,885
TOTAL ASSETS		177,725,713	193,091,487

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

Balance Sheet

30 June 2024
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

Liabilities and shareholders' equity	Note XV	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Current liabilities			
Short-term loans		1,910,347	4,961,423
Bank advances on factored trade receivables		5,664	3,687
Derivative financial liabilities		62,042	183,217
Bills payable		14,186,484	12,661,855
Trade payables		25,585,136	34,859,532
Short-term bond payable		1,500,306	5,012,890
Contract liabilities		11,933,429	13,177,282
Employee benefits payable		8,788,275	8,867,734
Taxes payable		95,180	136,420
Other payables		12,700,696	9,694,757
Provisions		984,723	1,343,283
Non-current liabilities due within one year		977,482	1,497,603
Total current liabilities		78,729,764	92,399,683
Non-current liabilities			
Long-term loans		33,236,225	37,189,305
Bank advances on factored long-term trade receivables		9,441	11,062
Lease liabilities		626,430	621,273
Long-term employee benefits payable		138,343	141,762
Deferred income		97,626	141,204
Other non-current liabilities		2,045,596	1,700,411
Total non-current liabilities		36,153,661	39,805,017
Total liabilities		114,883,425	132,204,700
Shareholders' equity			
Share capital		4,783,252	4,783,252
Capital reserves		27,320,873	27,685,429
Other comprehensive income		751,123	768,139
Surplus reserve		2,391,626	2,391,626
Special reserve		52,924	37,173
Retained profits		27,542,490	25,221,168
Total shareholders' equity attributable to holders of ordinary shares		62,842,288	60,886,787
Total shareholders' equity		62,842,288	60,886,787
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		177,725,713	193,091,487

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

Income Statement

Six months ended 30 June 2024
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

	Note XV	Six months ended 30 June 2024 (Unaudited)	Six months ended 30 June 2023 (Unaudited)
Operating revenue	6	68,939,202	66,041,626
Less: Operating costs	6	57,467,412	52,930,437
Taxes and surcharges		136,522	299,491
Selling and distribution costs		2,955,009	2,553,278
Administrative expenses		1,813,374	1,989,783
Research and development costs		3,463,184	3,535,918
Finance costs		(233,973)	(809,666)
Including: Interest expense		1,173,602	1,163,538
Interest income		1,519,985	1,299,532
Add: Other income		477,579	53,649
Investment income	7	2,175,379	(424,044)
Including: Gains from investment in associates and joint ventures		(37,457)	75,012
Losses from derecognition of financial assets at amortised cost		(100,517)	(42,508)
Gains from changes in fair values		12,887	(173,766)
Credit impairment losses		(42,809)	(103,679)
Asset impairment losses		(175,233)	(388,340)
Gains from asset disposal		61,924	1,572
Operating profit		5,847,401	4,507,777
Add: Non-operating income		9,034	47,073
Less: Non-operating expenses		4,124	35,913
Total profit		5,852,311	4,518,937
Less: Income tax		264,028	342,119
Net profit		5,588,283	4,176,818
Including: net profit from continuing operations		5,588,283	4,176,818
Analysed by ownership			
Attributable to holders of ordinary shares		5,588,283	4,176,818
Other comprehensive income, net of tax		(17,016)	24,853
Other comprehensive income that cannot be reclassified to profit and loss			
Change arising from the re-measurement of defined benefit plans		–	–
Other comprehensive income that will be reclassified to profit or loss			
Effective hedging instruments		2,715	9,445
Exchange differences on translation of foreign operations		(19,731)	15,408
Total comprehensive income		5,571,267	4,201,671
Attributable to:			
Holders of ordinary shares		5,571,267	4,201,671

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

Statement of Changes in Equity

Six months ended 30 June 2024
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

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

Six months ended 30 June 2023 (Unaudited)	Share capital	Capital reserves	Other comprehensive income	Surplus reserve	Special reserve	Retained profits	Total equity of holders of ordinary shares	Total shareholders' equity
I. Opening balance for the period	4,736,113	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	–	–	24,853	–	–	4,176,818	4,201,671	4,201,671
(II) Shareholder's capital injection and capital reduction								
1. Capital injection from shareholder	39,203	1,692,577	–	–	–	–	1,731,780	1,731,780
2. Equity settled share expenses charged to equity	–	(280,996)	–	–	–	–	(280,996)	(280,996)
3. Others	–	(48,646)	–	–	–	–	(48,646)	(48,646)
(III) Profit appropriation								
1. Allocation to surplus reserve	–	–	–	–	–	–	–	–
2. Distribution to shareholders	–	–	–	–	–	(1,895,850)	(1,895,850)	(1,895,850)
(IV) Special reserve								
1. Allocated for the period	–	–	–	–	33,425	–	33,425	33,425
2. Utilised for the period	–	–	–	–	(9,790)	–	(9,790)	(9,790)
III. Closing balance for the period	4,775,316	27,306,837	772,100	2,368,055	34,679	21,664,210	56,921,197	56,921,197

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

Cash Flow Statement

Six months ended 30 June 2024
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

		Six months ended 30 June 2024 (Unaudited)	Six months ended 30 June 2023 (Unaudited)
I.	**Cash flows from operating activities**		
	Cash received from sale of goods or rendering of services	83,548,406	71,639,221
	Refunds of taxes	1,393,927	1,697,747
	Cash received relating to other operating activities	1,109,423	1,211,549
	Sub-total of cash inflows	86,051,756	74,548,517
	Cash paid for goods and services	73,958,480	62,483,783
	Cash paid to and on behalf of employees	5,586,936	5,506,492
	Cash paid for various types of taxes	637,468	739,584
	Cash paid relating to other operating activities	3,457,401	3,491,303
	Sub-total of cash outflows	83,640,285	72,221,162
	Net cash flows from operating activities	2,411,471	2,327,355
II.	**Cash flows from investing activities**		
	Cash received from sale of investments	21,762,194	4,810,663
	Cash received from return on investments	5,289,313	3,245,813
	Net cash received from the disposal of property, plant and equipment, intangible assets and other long-term assets	249,026	36,029
	Cash received relating to other investing activities	571,289	655,899
	Sub-total of cash inflows	27,871,822	8,748,404
	Cash paid to acquisition of fixed asset, intangible assets and other long-term assets	775,781	881,528
	Cash paid for acquisition of investments	26,278,110	5,532,233
	Other cash paid in relation to investing activities	6,044,466	15,935
	Sub-total of cash outflows	33,098,357	6,429,696
	Net cash flows from investing activities	(5,226,535)	2,318,708
III.	**Cash flows from financing activities**		
	Cash received from capital injection	–	123,283
	Cash received from borrowings	72,452,712	70,707,689
	Other cash received in relation to financing activities	1,702,648	16,951
	Sub-total of cash inflows	74,155,360	70,847,923
	Cash repayment of borrowings	83,477,487	64,519,607
	Cash payments for distribution of dividends and profits or for interest expenses	861,051	2,734,130
	Other cash paid in relation to financing activities	1,110,695	83,054
	Sub-total of cash outflows	85,449,233	67,336,791
	Net cash flows from financing activities	(11,293,873)	3,511,132
IV.	**Effect of changes in foreign exchange rate on cash and cash equivalents**	61,267	92,949
V.	**Net increase in cash and cash equivalents**	(14,047,670)	8,250,144
	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 period**	22,816,300	39,146,985

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

Notes to Financial Statements

Six months ended 30 June 2024
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

I. CORPORATE BACKGROUND

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

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

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

The financial statements were approved by the Board of Directors of the Company by way of resolution on 16 August 2024.

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, practice notes, 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 impairment provision, government grants, revenue recognition and measurement, deferred development costs, depreciation of property, plant and equipment, amortisation of intangible assets and measurement of investment properties.

1. Statement of compliance

The financial statements represent a true and complete reflection of the financial position of the Company and the Group as at 30 June 2024 and their results of operations and cash flows for the six months ended 30 June 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 30 June.

3. Reporting currency

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

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

Notes to Financial Statements

Six months ended 30 June 2024
(Prepared in accordance with PRC ASBEs)
(English translation for reference only)
RMB'000

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

4. Methods for determining criteria of materiality and bases for election

	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
Actual write-off of material receivables	Individual write-off amount accounting for more than 10% of the total amount of bad debt provision for receivables and with an amount exceeding RMB100 million
Material change to carrying value of contract assets	Individual amount of change accounting for 30% of the opening balance of contract assets
Material credit right investment	Individual item of credit right investment for more than 5% of the Group's net assets 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
Material non-wholly owned subsidiary	Net assets of the subsidiary accounting for more than 5% of the Group's net assets or non-controlling interests in an individual subsidiary accounting for more than 1% of the Group's net assets and with an amount exceeding RMB1,000 million
Material capitalized R&D project	Closing balance of individual project accounting for more than 10% of closing balance of development expenditure and with an amount exceeding RMB500 million
Material research project in progress externally acquired	Individual project accounting for more than 10% of the total amount of R&D investment

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

4. Methods for determining criteria of materiality and bases for election (continued)

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

5. Business combination

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

(1) Business combinations 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.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

5. Business combination (continued)

(2) Business combinations not involving entities under common control

A business combination not involving entities under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination.

The acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date. The excess of the combination cost over the share of the attributable net identifiable assets of the acquiree, measured at fair value, was recognised as goodwill, which is subsequently measured at cost less cumulative impairment loss. In case the combination cost is less than the fair value of the share of the attributable net identifiable assets of the acquiree, a review of the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities and the combination cost is conducted. If the review indicates that the combination cost is indeed less than the fair value of the share of the attributable net identifiable assets of the acquiree, the difference is recognised in current profit or loss.

6. Consolidated financial statements

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

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

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

6. Consolidated financial statements (continued)

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.

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.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Foreign currency translation (continued)

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 recognised 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.

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 by classification and initial valuation

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

(a) Classification and initial valuation 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.

Financial assets are measured at fair value at initial recognition, provided that trade receivables or bills receivable 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.

(b) Classification and initial valuation of financial liabilities

The Group classifies its financial liabilities at initial recognition: financial liabilities at fair value through profit or loss, financial liabilities at amortised cost and derivatives designated as effective hedging instruments. 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.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

(2) Subsequent measurement

(a) 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. Such type of financial assets shall be classified as trading financial assets. Financial assets with a maturity of over one year from the balance sheet date and expect to be held for over one year shall be classified as other non-current financial assets.

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.

In accordance with the aforesaid criterion, financial assets designated by the Group as such include mainly equity investments, and have not been designated as at fair value through other comprehensive income at initial measurement.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

(2) Subsequent measurement (continued)

(b) 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 derivative 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.

ii. Financial liabilities at amortised cost

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

(3) Impairment of financial instruments

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 and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

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;

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

(3) Impairment of financial instruments (continued)

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.

The Group estimates the expected credit loss of financial instruments individually and on a group basis. The Group considers the credit risk features of different customers and estimates the expected credit loss of financial instruments by aging portfolio based on common risk characteristics. The Group determines the age according to the date of payment agreed in the contract. In addition to the assessment of expected credit loss of financial instruments on a group basis, the Group also assesses expected credit loss individually. Where there is objective evidence indicating the credit risk of an individual trade receivable or contract asset is significantly different from that of other trade receivables or contract assets, provision for credit loss impairment is recognised as the difference between the present value of all contract cash flow receivable under the individual contract and the present value of all cash flow expected to be received.

The Group considers past events, current conditions and reasonable and evidenced information pertaining to future economic forecasts when assessing expected credit losses.

For the Group's criteria for judging whether credit risks have significantly increased, the definition of assets subjected to credit impairment, and assumptions underlying the measurement of expected credit losses, please refer to Note IX.2.

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.

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.

(4) Transfer and derecognition of financial instruments

(a) Transfer and derecognition of financial assets

If the Group has transferred substantially all the risks and rewards associated with the ownership of a financial asset to the transferee, the asset should be derecognised. If the Group retains substantially all the risks and rewards of ownership of a financial asset, the asset should not be derecognised.

When the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, it may either derecognise the financial asset and recognise any associated assets and liabilities if control of the financial asset has not been retained; or recognises the financial asset to the extent of its continuing involvement in the transferred financial asset and recognises an associated liability if control has been retained.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

(4) Transfer and derecognition of financial instruments (continued)

(a) Transfer and derecognition of financial assets (continued)

Assets formed by the continuing involvement by way of the provision of financial guarantee in respect of the transferred financial assets shall be recognised as the lower of the carrying value of the financial asset and the amount of financial guarantee. The amount of financial guarantee means the maximum amount among considerations received to be required for repayment.

(b) General principles of derecognition

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 account and balance sheet:

i. The right of receiving the cash flow generated from the financial asset has expired;

ii. 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 (a) substantially all risks and rewards of the ownership of such type of financial assets have been transferred, or (b) control over such type of financial assets has not been retained even though substantially all risks and rewards of the ownership of such type of financial assets have been neither transferred nor 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 differing in substance, or the terms of the present liability have been substantially modified, this substitution or modification is treated as derecognition of a present liability and recognition of a new liability with any arising differences recognised in profit or loss.

Conventional dealings in financial assets are recognised or derecognised under the trade day accounting method. Conventional dealings refer to the receipt or delivery of financial assets within periods stipulated by the law and according to usual practices. The trade day is the date on which the Group undertakes to buy or sell a financial asset.

(5) Offsetting of financial assets and financial liabilities

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

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

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

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

(6) Selected accounting policies on financial instruments relevant to the Group

(a) 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.

(b) 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 and contract fulfillment cost.

Inventories are initially recorded at costs. Inventories' costs include purchasing costs, processing costs and other costs. Actual costs of goods delivered are recognised using the weighted moving average method or standalone pricing 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, impairment provision shall be recognised on a combined basis.

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III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

11. Inventories (continued)

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

Contract costs classified as current assets are shown under inventories.

12. Investment in associates and joints

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

(1) Initial measurement of investment in associates and joints

Investment in associates and joints are initially measured at the initial investment cost upon acquisition.

(a) Investment in associates and joints formed through business combination

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.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

12. Investment in associates and joints (continued)

(2) Subsequent measurement of investment in associates and joints

(a) Cost method

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.

(b) Equity method

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.

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.

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III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

12. Investment in associates and joints (continued)

(2) Subsequent measurement of investment in associates and joints (continued)

(b) Equity method (continued)

The Group also adjusts the carrying amount of investment in associates and joints for other changes in owner's equity of the investees (other than the net-off of net profits or losses, other comprehensive income and profit allocation of the investee), and includes the corresponding adjustment in equity.

13. Investment properties

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

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

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

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

14. Property, plant and equipment

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

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

Gain/loss arising from retirement or disposal of property, plant and equipment is represented by the difference of the net proceeds from disposal and carrying value of the item and is recognized in profit or loss on the date of retirement or disposal.

RMB'000

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

14. Property, plant and equipment (continued)

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

	Useful life	Estimated residual value ratio	Annual depreciation rate
Freehold land	Indefinite	—	No depreciation
Buildings	30–50 years	5%	1.90%–3.17%
Electronic equipment	3–5 years	5%	19%–32%
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
Houses and buildings	Commencement of actual use/delivery upon completion and inspection, whichever earlier
Machinery equipment	Commencement of actual use/delivery upon completion of installation and inspection, whichever earlier

16. Borrowing costs

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

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

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

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

16. Borrowing costs (continued)

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

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

17. Intangible assets

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

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

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

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

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

18. Provisions

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 conducted by the Group at each balance sheet date during the pending period based on subsequent information such as latest updates on the change in the number of entitled employees and whether performance conditions have been fulfilled, and etc. The fair value of equity instruments is determined using the binomial option pricing model. For details see Note XII. Share-based payment.

The cost of equity-settled transactions is recognised, together with a corresponding increase in capital reserve, over the period in which the performance and service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

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.

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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.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

20. Revenue from customer contracts (continued)

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

(a) Standalone selling price

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

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

(b) Variable consideration

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

(c) Consideration payable to customers

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

(d) Return clauses

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

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III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

20. Revenue from customer contracts (continued)

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

(e) Significant financing component

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

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

(f) Warranty clauses

The Group provides quality assurance for products sold and assets built in accordance with contract terms and laws and regulations. The accounting treatment of quality assurance in the form of warranty assuring customers products sold are in compliance with required standards is set out in Note III.17. Where the Group provides a service warranty for a standalone service in addition to the assurance of compliance of products with required standards, such warranty is treated as a standalone contractual performance obligation, and a portion of the transaction price shall be allocated to the service warranty based on a percentage of the standalone price for the provision of product and service warranty and recognised upon the customer obtaining control of the service. When assessing whether a warranty is rendering a standalone service in addition to providing guarantee to customers that all sold goods are in compliance with required standards, the Group will consider whether or not such warranty is a statutory requirement, the term of the warranty and the nature of the Group's undertaking to perform its obligations.

21. Contract assets and contract liabilities

The Group presents contract assets or contract liabilities on the balance sheet according to the relationship between contractual performance obligations and customer payments.

(1) Contract assets

The unconditional (namely, dependent only on the passage of time) right to receive consideration from customers owned by the Group shall be presented as amounts receivable. The right to receive consideration following the transfer of products to customers which is dependent on factors other than the passage of time is presented as contract assets.

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 to customers in connection with customer consideration received or receivable is presented as contract liabilities, for example, amounts received prior to the transfer of the promised products.

Contract assets and contract liabilities under the same contract are presented on a net basis after set-off.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

22. Assets relating to contract cost

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

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

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

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

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

(3) they are expected to be recoverable.

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

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

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

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

23. Government grants

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

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

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

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III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

23. Government grants (continued)

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

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

24. Deferred tax

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

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

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

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

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

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

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

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

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

24. Deferred tax (continued)

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

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

25. Leases

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

(1) As 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:

(a) Right-of-use assets

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.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

25. Leases (continued)

(1) As a lessee (continued)

(b) Lease liabilities

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.

In calculating the present value of the lease payment amount, the Group adopts the inherent interest rate of the lease as the discount rate. Where the inherent interest rate of the lease cannot be ascertained, the incremental loan interest rate of the lessee is adopted as the discount rate. Interest expenses on lease liabilities over the respective periods of the lease term are computed based on fixed cyclical interest rates and charged to current profit or loss, other than those otherwise required to be included in relevant asset cost. 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. After the inception of the lease period, the carrying amount of lease liabilities is increased when the Group recognises interest expenses and reduced when lease amounts are paid. 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.

(c) Short-term lease and low-value asset lease

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 30,000 in brand new conditions is recognised as a low-value asset lease. If the Group sub-leases or expects to sub-lease such lease assets, the original lease shall not be recognised as a low-value asset lease. For short-term leases and low-value asset leases, the Group elects not to recognise right-of-use assets and lease liabilities, which are instead charged to relevant asset cost or current profit or loss over the respective periods during the lease term on a straight-line basis, while contingent rental is charged to current profit or loss as and when incurred.

(2) As 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.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

25. Leases (continued)

(2) As a lessor (continued)

(a) As the lessor under a finance lease

At the inception of the lease term, finance lease receivables are recognised in respect of finance lease, while financing leases 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.

(b) As the lessor under an operating lease

Rental income under an operating lease is recognised as current profit or loss over the respective periods of the lease term on a straight-line basis, while contingent rental is 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 recognising rental income and included in current profit or loss for each period.

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. Benefits provided by the Group to the spouses, children and dependents of employees and families of deceased employees and other beneficiaries are also a part of employee remuneration.

(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.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

27. Employee remuneration (continued)

(4) Termination benefits

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

(5) Other long-term employees' benefits

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

28 Fair value measurement

At each balance sheet date, the Group measures the fair value of investment properties, derivative financial instruments, other debt investments and listed and unlisted equity instrument investments. Fair value means the price receivable from the disposal of an asset or required to be paid for the transfer of a liability in an orderly transaction incurred by market participants on the measurement date.

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.

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III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

30. Hedge accounting

For the purpose of hedge accounting, hedges are classified as

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

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

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

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

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

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

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.

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.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

30. Hedge accounting (continued)

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

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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.

(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.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

31. Significant accounting judgements and estimates (continued)

(1) Judgement (continued)

(d) Characteristics of contract cash flow

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

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

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

(f) Derecognition of financial assets

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

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

31. Significant accounting judgements and estimates (continued)

(2) Estimation uncertainty

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

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

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

An impairment loss is recognised when the carrying amount of property, plant and equipment, construction in progress and intangible assets exceeds the recoverable amount. The carrying amount is written down to the recoverable amount and the 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 loss model requires significant judgement and estimates and the consideration of all reasonable and soundly based information, including forward-looking information. In making such judgement and estimates, the Group estimates the projected movements of the debtor's credit risk according to past repayment records, economic policies, macro-economic indicators and industry risks.

(c) Depreciation and amortisation

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

(d) Deferred tax assets

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

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

31. Significant accounting judgements and estimates (continued)

(2) Estimation uncertainty (continued)

(e) Estimated standalone selling price

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

(f) Provision for inventory impairment

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

(g) Warranty

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

(h) Fair value estimates of investment properties

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

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

31. Significant accounting judgements and estimates (continued)

(2) Estimation uncertainty (continued)

(i) Fair value of non-listed equity investment

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

(j) Incremental loan interest rate of lessee

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

RMB'000

IV. TAXATION

1. Principal tax items and tax rates

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

2. Tax concession

Company name	Concessionary tax rate	Applicable period
ZTE Corporation	15% (National-grade hi-tech enterprise)	2023–2025
Shenzhen Zhongxing Software Company Limited	15% (National-grade hi-tech enterprise)	2023–2025
Shanghai Zhongxing Software Company Limited	15% (National-grade hi-tech enterprise)	2023–2025
Xi'an Zhongxing New Software Company Limited	15% (National-grade hi-tech enterprise)	2023–2025
Zonson Smart Auto Corporation*	15% (National-grade hi-tech enterprise)	2021–2023
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)	2021–2023
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)	2021–2023

Note: *Income tax for the six months ended 30 June 2024 was provisionally calculated at a 15% tax rate. Registration of preferential tax rate for 2024 will be completed before the aggregated settlement for 2024.

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Currency cash

	30 June 2024	31 December 2023
Cash on hand	1,304	2,034
Bank deposit	69,009,994	77,252,663
Other currency cash	1,932,168	1,288,522
Total	70,943,466	78,543,219
Including: Total amount of cash placed overseas	7,529,109	3,767,355

As at 30 June 2024, the Group's cash placed overseas and subject to remittance restrictions amounted to RMB62,808,000 (31 December 2023: RMB81,955,000).

2. Trading financial assets

	30 June 2024	31 December 2023
Financial assets at fair value through current profit and loss	133,532	153,285
Structured deposits	2,905,704	—
	3,039,236	153,285

3. Derivative financial assets

	30 June 2024	31 December 2023
Fair-value hedging instrument (Note IX.4)	146,264	—
Cashflow hedging instrument (Note IX.4)	4,698	—
Derivative financial assets at fair value through current profit or loss	1,554	85,341
	152,516	85,341

4A. Trade receivables/factored trade receivables

Trade receivables are recognised according to the payment periods stipulated in contracts. The credit period for trade receivables normally ranges from 0 to 90 days, and may be extended to a maximum of 1 year depending on the credit standing of the customer. No interest is chargeable on trade receivables.

(1) Aging analysis of the Group's overdue trade receivables based on maturity date was as follows:

	30 June 2024	31 December 2023
Not overdue	14,186,161	17,409,393
Within 1 year	6,273,408	3,207,010
1 year to 2 years	1,541,565	1,299,538
2 years to 3 years	702,898	759,316
Over 3 years	5,061,846	5,102,441
	27,765,878	27,777,698
Less: bad debt provision	6,840,617	6,956,172
Total	20,925,261	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)

(1) Aging analysis of the Group's overdue trade receivables based on maturity date was as follows: (continued)

30 June 2024

	Book balance		Bad debt provision		Book value
	Amount	Percentage	Amount	Percentage of charge	
Standalone bad debt provision	**1,916,594**	**6.90%**	**1,916,594**	**100.00%**	**–**
Charge of bad debt provision by group with credit risk characteristics	**25,849,284**	**93.10%**	**4,924,023**	**19.05%**	**20,925,261**
Total	**27,765,878**	**100.00%**	**6,840,617**	**24.64%**	**20,925,261**

31 December 2023

	Book balance		Bad debt provision		Book value
	Amount	Percentage	Amount	Percentage of charge	
Standalone bad debt provision	1,900,628	6.84%	1,900,628	100.00%	–
Charge of bad debt provision 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 30 June 2024, bad debt provisions for trade receivables which were made on a group basis were as follows:

	Book balance	Impairment provision	Percentage of charge
Not overdue	**14,184,226**	**188,239**	**1.33%**
Within 1 year	**6,180,029**	**263,592**	**4.27%**
1 year to 2 years	**1,539,024**	**649,857**	**42.23%**
2 years to 3 years	**668,273**	**544,603**	**81.49%**
Over 3 years	**3,277,732**	**3,277,732**	**100.00%**
Total	**25,849,284**	**4,924,023**	

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

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

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

	Opening balance	Charge/ (reversal) for the period	Write-off for the period	Effect of exchange rate	Closing balance
30 June 2024	6,956,172	(44,613)	(11,711)	(59,231)	6,840,617

For the six months ended 30 June 2024, there was reversal of RMB2,241,000 (Six months ended 30 June 2023 RMB9,636,000) in bad debt provision for trade receivables which were individually significant and for which bad-debt provision had been made separately; and write-off of RMB146,000 (Six months ended 30 June 2023 RMB12,600,000) in bad debt provision for trade receivables which were individually significant and for which bad-debt provision had been made separately.

(3) Top 5 accounts of trade receivables and contract assets as at 30 June 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 aggregate closing balance of total trade receivables and contract assets	Closing balance of bad debt provision for trade receivables and impairment provision contract assets
Customer 1	3,435,558	689,813	4,125,371	12.40%	24,663
Customer 2	3,945,341	601,559	4,546,900	13.67%	17,209
Customer 3	2,396,068	521,592	2,917,660	8.77%	6,186
Customer 4	1,061,251	88,562	1,149,813	3.45%	278,588
Customer 5	585,088	—	585,088	1.76%	10,817
Total	11,423,306	1,901,526	13,324,832	40.05%	337,463

(4) Transfer and derecognition of trade receivables

Transfer of trade receivables that did not qualify for derecognition was separately classified as "Factored trade receivables" and "Bank advances on factored trade receivables". As at 30 June 2024, factored trade receivables amounted to RMB5,381,000 (31 December 2023: RMB3,503,000) and bank advances on factored trade receivables amounted to RMB5,664,000 (31 December 2023: RMB3,687,000). For details of the transfer of receivables, please refer to Note IX.5.

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

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

(5) Factored trade receivables

	30 June 2024			31 December 2023		
	Book balance	Bad debt provision	Carrying value	Book balance	Bad debt provision	Carrying value
Factored trade receivables	5,664	283	5,381	3,687	184	3,503

Movements in bad-debt provision for factored trade receivables

	Opening balance	Charge/ (reversal) for the period	Write-off for the period	Effect of exchange rate	Closing balance
30 June 2024	184	99	–	–	283

4B. Receiving financing

	30 June 2024	31 December 2023
Commercial acceptance bills	633,550	2,862,982
Bank acceptance bills	107,155	1,211,096
Total	740,705	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:

	30 June 2024		31 December 2023	
	Derecognised	Not derecognised	Derecognised	Not derecognised
Commercial acceptance bills	5,517,730	–	1,734	–
Bank acceptance bills	1,211,635	–	–	–
Total	6,729,365	–	1,734	–

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

4B. Receiving financing (continued)

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

	Opening balance	Charge/ (reversal) for the period	Transfer for the period	Closing balance
30 June 2024	2,577	(2,185)	—	392

5. Prepayments

(1) Aging analysis of prepayments was as follows:

	30 June 2024		31 December 2023	
	Book balance	Percentage	Book balance	Percentage
Within 1 year	212,114	100.00%	242,440	100.00%

(2) Top 5 accounts of prepayments as at 30 June 2024 were as follows:

Supplier	Amount	As a percentage of total amounts of prepayments
Supplier 1	39,487	18.62%
Supplier 2	14,544	6.86%
Supplier 3	14,000	6.60%
Supplier 4	9,418	4.44%
Supplier 5	8,765	4.13%
Total	86,214	40.65%

6. Other receivables

	30 June 2024	31 December 2023
Other receivables	1,205,738	1,146,400

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

	30 June 2024	31 December 2023
Within 1 year	1,018,058	1,167,738
1 year to 2 years	174,395	71,714
2 years to 3 years	71,113	96,431
3 years to 4 years	95,292	21,124
4 years to 5 years	21,124	9,849
Over 5 years	8,158	—
	1,388,140	1,366,856
Less: bad debt provision	182,402	220,456
Total	1,205,738	1,146,400

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

6. Other receivables (continued)

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

	30 June 2024	31 December 2023
Staff loan reserve	9,274	16,363
Transactions with third parties	1,378,866	1,350,493
Total	1,388,140	1,366,856

30 June 2024

	Book balance		Bad debt provision		Book value
	Amount	Percentage	Amount	Percentage of charge	
Charge of bad debt provision by group with credit risk characteristics	1,388,140	100.00%	182,402	13.14%	1,205,738

As at 30 June 2024, bad debt provisions for other receivables on a group basis were as follows:

	Book balance	Impairment provision	Percentage of charge
Aging risk portfolio	1,388,140	182,402	13.14%

(3) Changes in bad debt provisions for other receivables based on expected credit losses in the next 12 months and expected credit losses during the entire life were as follows:

	Stage 1 Expected credit losses in the next 12 months	Stage 2 Expected credit losses during the entire life (credit impairment not occurred)	Stage 3 Expected credit losses during the entire life (credit impairment occurred)	Total
Opening balance	2,101	–	218,355	220,456
Charge for the period	–	–	40,472	40,472
Reversed during the period	(1,022)	–	(73,517)	(74,539)
Write-off during the period	–	–	(174)	(174)
Exchange rate effect	–	–	(3,813)	(3,813)
Closing balance	1,079	–	181,323	182,402

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

6. Other receivables (continued)

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

	Opening balance	Charge/ (reversed) for the period	Write-off for the period	Exchange rate movement	Closing balance
Aging risk portfolio	220,456	(34,067)	(174)	(3,813)	182,402

(5) As at 30 June 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	500,000	36.02%	Transaction with third party	Within 1 year	–
Third-party entity 2	290,000	20.89%	Transaction with third party	Within 1 year	–
Third-party entity 3	116,623	8.40%	Transaction with third party	1–2 years 2–3 years	46,871 69,752
Third-party entity 4	24,771	1.78%	Transaction with third party	Within 1 year	–
Third-party entity 5	17,102	1.24%	Transaction with third party	Within 1 year	–
Total	948,496	68.33%			116,623

7. Inventories

	30 June 2024			31 December 2023		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Raw materials and materials under subcontract processing	29,782,036	3,624,104	26,157,932	29,063,295	3,171,930	25,891,365
Work in progress	2,882,307	40,323	2,841,984	2,585,816	40,641	2,545,175
Finished goods	3,111,570	274,880	2,836,690	2,908,425	310,209	2,598,216
Dispatch of goods	6,411,022	728,006	5,683,016	6,795,052	785,023	6,010,029
Contract costs	4,251,624	810,864	3,440,760	4,816,828	730,354	4,086,474
Total	46,438,559	5,478,177	40,960,382	46,169,416	5,038,157	41,131,259

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

7. Inventories (continued)

(1) *Movements in inventory impairment provision were as follows:*

	Opening balance	Charge/ (reversal) for the period	Transfer during the period	Others	Closing balance
Raw materials and materials under subcontract processing	3,171,930	452,474	(320)	20	3,624,104
Work in progress	40,641	(325)	–	7	40,323
Finished goods	310,209	(28,304)	(1,781)	(5,244)	274,880
Dispatch of goods and contract cost	1,515,377	51,017	(26,144)	(1,380)	1,538,870
Total	5,038,157	474,862	(28,245)	(6,597)	5,478,177

Reversal or transfer of inventory impairment provision for the period was attributable to the increase in net realizable value or transfer of inventory impairment provision following the sale of commodities.

(2) *Inventory impairment provision on a group basis was as follows:*

	30 June 2024			31 December 2023		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Terminal products	4,001,032	237,954	5.95%	3,139,812	261,637	8.33%
Non-terminal products						
Raw materials	28,088,035	3,471,987	12.36%	27,797,811	3,023,916	10.88%
Work in progress	2,372,463	30,931	1.30%	2,231,609	32,349	1.45%
Finished goods	1,442,899	198,435	13.75%	1,620,792	204,879	12.64%
Dispatch of goods and contract costs	10,534,130	1,538,870	14.61%	11,379,392	1,515,376	13.32%
Total	46,438,559	5,478,177	11.80%	46,169,416	5,038,157	10.91%

The specific basis for the net realisable value of terminal products is the estimated selling price net of cost for further processing, estimated selling expenses and related tax expenses. For the raw materials, products in progress and finished products non-terminal products, we draw reference from past risks relating to slow sales and outdatedness and future risks relating to market demand and generational product upgrade, taking into account the inventory age to arrive at an overall assessment off the realisable value of inventories. Meanwhile, for prudence purposes, impairment provision at full amount is made in respect of raw materials aged 5 years or above, products in progress aged 1 year or above and finished products aged 2 years or above. The net realisable value of dispatched goods and contract cost is determined on the basis of inventory age, past empirical data and business risk estimates.

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

8. Contract assets

	30 June 2024 Book balance	30 June 2024 Provision for impairment	30 June 2024 Carrying value	31 December 2023 Book balance	31 December 2023 Provision for impairment	31 December 2023 Carrying value
Contract assets	**5,503,252**	**296,403**	**5,206,849**	5,161,577	316,603	4,844,974

Contract assets refer to rights to receive consideration from customers for delivered goods. Contract assets arise when the performance of contract obligations is ahead of the payment schedule agreed under the contract. Contract assets are transferred to receivables when the right to receive payment becomes unconditional under the terms of the contract.

30 June 2024

	Book balance		Bad debt provision		Book value
	Amount	Percentage	Amount	Percentage of charge	
Standalone impairment provision	**125,997**	**2.29%**	**125,997**	**100.00%**	**–**
Charge of impairment provision by group with credit risk characteristics	**5,377,255**	**97.71%**	**170,406**	**3.17%**	**5,206,849**
Total	**5,503,252**	**100.00%**	**296,403**	**5.39%**	**5,206,849**

31 December 2023

	Book balance		Bad debt provision		Book value
	Amount	Percentage	Amount	Percentage of charge	
Standalone impairment provision	125,755	2.44%	125,755	100.00%	–
Charge of impairment provision 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

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

8. Contract assets (continued)

(1) *Contract assets for which impairment provisions were individually made were as follows:*

	30 June 2024				31 December 2023	
	Book balance	Impairment provision	Percentage of provision	Reason	Book balance	Impairment provision
Customer 1	42,745	42,745	100.00%	Debtor in serious financial difficulty	42,745	42,745
Customer 2	37,430	37,430	100.00%	Debtor in serious financial difficulty	36,441	36,441
Others	45,822	45,822	100.00%	Debtor in serious financial difficulty	46,569	46,569
Total	125,997	125,997			125,755	125,755

(2) *As at 30 June 2024, contract assets for which impairment provisions were made on a group basis were follows:*

	Book balance	Impairment provision	Percentage of provision
Contract assets	5,377,255	170,406	3.17%

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

	Opening balance	Charge/ (reversal) for the period	Transfer for the period	Exchange rate movements	Closing balance
30 June 2024	316,603	(18,577)	37	(1,660)	296,403

9. Credit right investment

	30 June 2024			31 December 2023		
	Book balance	Impairment provision	Carrying value	Book balance	Impairment provision	Carrying value
Time deposit with a term of more than one year	3,067	–	3,067	–	–	–
Large amount deposit certificate with a term of more than one year	12,231,181	–	12,231,181	–	–	–
Total	12,234,248	–	12,234,248	–	–	–

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

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

(1) Long-term receivables

	30 June 2024			31 December 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	1,857,090	41,143	1,815,947	2,048,547	34,988	2,013,559	4.10%–6.16%

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

	Opening balance	Charge/(reversal) for the period	Write-off for the period	Exchange rate effect	Closing balance
30 June 2024	34,988	6,132	–	23	41,143

Bad-debt provision for long-term receivables takes into account the credit characteristics of different customers and is based on expected credit loss during the entire life. All long-term trade receivables were not due and the rate of expected credit loss was 2.22%.

(3) Transfer of long-term receivables

Transfer of long-term trade receivables that did not qualify for derecognition was separately classified as "Factored long-term trade receivables" and "Bank advances on factored long-term trade receivables". As at 30 June 2024, factored trade receivables amounted to RMB8,969,000 (31 December 2023: RMB10,509,000) and bank advances on factored trade receivables amounted to RMB9,441,000 (31 December 2023: RMB11,062,000). For details of the transfer of long-term receivables, please refer to Note IX.5.

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

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

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

(a) Factored long-term receivables

	30 June 2024			31 December 2023		
	Book balance	Bad-debt provision	Carrying value	Book balance	Bad-debt provision	Carrying value
Factored long-term receivables	9,441	472	8,969	11,062	553	10,509

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

	Opening balance	Charge/(reversal) for the period	Write-off for the period	Exchange rate effect	Closing balance
30 June 2024	553	(81)	–	–	472

11. Investment in associates and joints

		30 June 2024	31 December 2023
Equity method			
Joint ventures	(1)	935,819	856,886
Associates	(2)	1,328,953	1,417,922
Less: provision for impairment of investment in associates and joints		117,258	117,258
Total		2,147,514	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) Joint Ventures

	Shareholding percentage	Carrying value at beginning of year	Movement during the period: Increase of investment	Decrease of investment and other outgoing transfer	Investment gains/losses under equity method	Other comprehensive income	Other equity movement	Cash dividend	Allowance for impairment provision	Carrying value at end of period	Impairment provision at end of period
Puxing Mobile Tech Company Limited	33.85%	10,752	–	–	–	–	–	–	–	10,752	–
DataService Technology Co.,Ltd.	49.00%	36,054	–	–	(4,096)	–	–	–	–	31,958	–
Shaanxi Zhongtou Zhanlu Phase I Equity Investment Partnership (Limited Partnership)	40.00%	68,163	–	(2,194)	2,049	–	–	–	–	68,018	–
Shaanxi Zhongtou Zhanlu Phase II Equity Investment Partnership (Limited Partnership)	40.25%	60,722	32,200	–	9,791	–	–	–	–	102,713	–
Zhuhai Red Earth Zhanlu Equity Investment Partnership (L.P.)	40.00%	587,920	–	–	41,664	–	–	–	–	629,584	–
Beijing Shunyi Jianguang Zhanlu Emerging Industry Equity Investment Partnership (Limited Partnership)	58.75%	93,275	–	–	(481)	–	–	–	–	92,794	–
		856,886	32,200	(2,194)	48,927	–	–	–	–	935,819	–

(2) Associates

	Shareholding percentage	Carrying value at beginning of year	Movement during the period: Increase of investment	Decrease of investment and other outgoing transfer	Investment gains/losses under equity method	Other comprehensive income	Other equity movement	Cash dividend	(Charge)/ transfer of impairment provision	Carrying value at end of period	Impairment provision at end of period
Hengyang ICT Real Estate Co., Ltd	30.00%	–	–	–	–	–	–	–	–	–	(52,446)
WHALE CLOUD TECHNOLOGY CO., LTD.	27.62%	1,051,414	–	–	(68,328)	(5,166)	–	–	–	977,920	–
Jetflow Technologies Co., Ltd.	31.69%	10,899	–	–	(2,383)	–	–	–	–	8,516	(19,877)
Xingyun Times Technology Company Limited	23.26%	121,441	–	–	(3,735)	–	–	–	–	117,706	–
Zhongxing (Wenzhou) Urban Rail Transportation Communication Technical Co. Ltd.	45.90%	37,036	–	–	2,744	–	–	–	–	39,780	–
Qingdao Hongtu Zhanlu Phase II Private Equity Investment Fund Partnership (Limited Partnership)	33.33%	60,436	–	–	(559)	–	–	–	–	59,877	–
Other investment		19,438	–	(9,204)	(2,173)	–	–	(165)	–	7,896	(44,935)
		1,300,664	–	(9,204)	(74,434)	(5,166)	–	(165)	–	1,211,695	(117,258)

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

11. Investment in associates and joints (continued)

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

	Opening balance	Increase during the period	Decrease during the period	Closing balance
Hengyang ICT Real Estate Co., Ltd.	52,446	–	–	52,446
Jetflow Technologies Co., Ltd.	19,877	–	–	19,877
Other investments	44,935	–	–	44,935
	117,258	–	–	117,258

12. Other non-current financial assets

	30 June 2024	31 December 2023
Financial assets at fair value through current profit and loss	736,720	831,930

13. Investment properties

	Buildings and land use rights
Opening balance	1,473,823
Fair value change (Note V.49)	(145,522)
Closing balance	1,328,301

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

As at 30 June 2024, investment properties with a carrying value of RMB683,243,000 (31 December 2023: RMB818,000,000) had yet to obtain title registration certificates.

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

14. Property, plant and equipment

	Buildings	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	38,724	–	815,747	141,342	–	21,143	1,016,956
Construction in progress/other transfers	418,414	–	–	–	–	–	418,414
Disposal or retirement	(133,511)	–	(287,685)	(24,882)	(14,037)	(3,692)	(463,807)
Disposal of subsidiaries	–	–	–	–	–	–	–
Exchange rate adjustments	(11,878)	(3,698)	(3,162)	3,916	318	(604)	(15,108)
Closing balance	11,900,987	30,519	9,152,299	3,090,829	221,231	390,117	24,785,982
Cumulative depreciation							
Opening balance	2,995,983	–	5,078,798	1,951,089	132,853	258,240	10,416,963
Provision	262,548	–	673,014	127,711	5,570	16,618	1,085,461
Disposal or retirement	(27,210)	–	(267,385)	(24,315)	(7,756)	(2,805)	(329,471)
Disposal of subsidiaries	–	–	–	–	–	–	–
Exchange rate adjustments	(6,912)	–	(2,303)	4,272	314	11	(4,618)
Closing balance	3,224,409	–	5,482,124	2,058,757	130,981	272,064	11,168,335
Provision for impairment							
Opening balance	33,337	–	1,274	5,511	–	78	40,200
Provision	–	–	–	–	–	–	–
Disposal or retirement	(722)	–	–	–	–	–	(722)
Disposal of subsidiaries	–	–	–	–	–	–	–
Exchange rate adjustments	–	–	(82)	–	–	–	(82)
Closing balance	32,615	–	1,192	5,511	–	78	39,396
Book value							
At the end of the period	8,643,963	30,519	3,668,983	1,026,561	90,250	117,975	13,578,251
At the beginning of the period	8,559,918	34,217	3,547,327	1,013,853	102,097	114,952	13,372,364

As at 30 June 2024, the Group was in the process of applying for property ownership certificate for buildings in Shenzhen, Shanghai and Nanjing in China with a net book value of approximately RMB4,113,147,000 (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 30 June 2024 were as follows:

	Budget	Opening balance	Increase during the period	Transfer to property, plant and equipment	Other reduction	Impairment provision	Closing balance	Source of funds	Investment as a percentage of budget (%)	Work progress
Shenzhen Super Headquarters	688,251	297,640	21,448	–	–	–	319,088	Owned funds	46%	In progress
Others		690,163	166,363	418,484	–	–	438,042	Owned funds		In progress
		987,803	187,811	418,484	–	–	757,130			

As at 30 June 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 houses and buildings, transportation equipment and other equipment required in the course of business. Houses and buildings are typically leased for terms of 1 year to 10 years, transportation equipment and other equipment are typically leased for terms of 1 to 5 years, and other equipment are typically leased for terms of 1 to 5 years. Some lease contracts provide for options of renewal and termination.

	Six months ended 30 June 2024	Six months ended 30 June 2023
Interest expense on lease liabilities	35,353	30,528
Short-term leases through current profit or loss using simplified approach	101,746	84,211
Total cash outflow relating to leases	207,885	195,141

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

16. Leases (continued)

(1) As lessee (continued)

(a) Rights-of-use assets

	Buildings and structures	Vehicles	Other equipment	Total
Cost				
Opening balance	1,872,192	74,137	480,533	2,426,862
Increase	177,936	3,290	—	181,226
Decrease	(5,472)	—	(10,239)	(15,711)
Disposal of subsidiaries	—	—	—	—
Exchange rate adjustment	(6,887)	960	(2,155)	(8,082)
Closing balance	2,037,769	78,387	468,139	2,584,295
Cumulative depreciation				
Opening balance	793,052	57,193	19,304	869,549
Charge	175,030	1,094	46,926	223,050
Decrease	(3,145)	—	(7,694)	(10,839)
Disposal of subsidiaries	—	—	—	—
Exchange rate adjustment	(1,997)	739	(698)	(1,956)
Closing balance	962,940	59,026	57,838	1,079,804
Book value				
At the end of the period	1,074,829	19,361	410,301	1,504,491
At the beginning of the period	1,079,140	16,944	461,229	1,557,313

(b) Lease liabilities

Lease liabilities due within one year are show under Non-current liabilities due within one year, amounting to RMB499,000,000 as at 30 June 2024 (31 December 2023: RMB522,989,000).

Long-term lease liabilities are set out as follows:

	30 June 2024	31 December 2023
Lease liabilities	1,003,380	960,459

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

16. Leases (continued)

(2) As lessor

(a) Finance leasing

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

	Six months ended 30 June 2024	Six months ended 30 June 2023
Interest income from finance leases	**34,634**	36,426

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

	Six months ended 30 June 2024	Six months ended 30 June 2023
Within 1 year	**500,000**	1,824,100
Over 1 year	**1,182,270**	—
Less: unrealised finance income	**74,214**	36,426
Lease investment, net	**1,608,056**	1,787,674

(b) Operating lease

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

	Six months ended 30 June 2024	Six months ended 30 June 2023
Lease income	**49,119**	57,811

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

	Six months ended 30 June 2024	Six months ended 30 June 2023
Within 1 year (including 1 year)	**92,406**	88,008
1 to 2 years (including 2 years)	**74,238**	61,807
2 to 3 years (including 3 years)	**51,092**	61,537
3 to 4 years (including 4 years)	**47,908**	61,633
4 to 5 years (including 5 years)	**35,568**	59,873
More than 5 years	**185,742**	25,045
	486,954	357,903

The Group entered into operating property lease contracts with the lessees for terms ranging from 1 to 15 years, Leased properties were accounted for as investment properties. For details please refer to Note V.13.

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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	154,878	–	102,790	10,724	–	268,392
In-house R&D	–	–	–	–	844,335	844,335
Disposal or retirement	(33,589)	–	(18,296)	–	–	(51,885)
Disposal of subsidiaries	–	–	–	–	–	–
Exchange rate adjustments	8,117	–	–	(4,707)	–	3,410
Closing balance	1,555,670	460,093	2,833,091	2,142,860	20,929,387	27,921,101
Cumulative amortization						
Opening balance	851,957	345,040	544,616	1,551,814	14,989,720	18,283,147
Provision	113,847	9,780	35,561	37,674	1,040,086	1,236,948
Disposal or retirement	(33,026)	(17)	(4,078)	–	–	(37,121)
Disposal of subsidiaries	–	–	–	–	–	–
Exchange rate adjustments	5,531	–	–	2,004	–	7,535
Closing balance	938,309	354,803	576,099	1,591,492	16,029,806	19,490,509
Provision for impairment						
Opening balance	90,987	81,359	–	546,144	157,766	876,256
Charge	–	–	–	–	–	–
Disposal or retirement	(69)	–	–	–	–	(69)
Exchange rate adjustments	1,719	–	–	(678)	–	1,041
Closing balance	92,637	81,359	–	545,466	157,766	877,228
Book value						
At the end of the period	524,724	23,931	2,256,992	5,902	4,741,815	7,553,364
At the beginning of the period	483,320	33,694	2,203,981	38,885	4,937,566	7,697,446

As at 30 June 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 RMB86,605,000 (31 December 2023: RMB87,373,000).

As at 30 June 2024, intangible assets formed through internal research and development accounted for 63% of the book value of intangible assets as at the end of the period (31 December 2023: 64%).

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

18. Goodwill

	Zhuhai Guangtong Bus Co., Ltd.	Suzhou Laxense Technology Co., Ltd.	NETAŞ TELEKOMÜNİKASYON A.Ş.	Total
At cost				
Opening balance	186,206	33,500	89,763	309,469
Increase during the period	–	–	–	–
Decrease during the period	–	–	–	–
Exchange rate movement	–	–	–	–
	186,206	33,500	89,763	309,469
Impairment provision				
Opening balance	186,206	33,500	89,763	309,469
Increase during the period	–	–	–	–
Decrease during the period	–	–	–	–
Exchange rate movement	–	–	–	–
	186,206	33,500	89,763	309,469
Carrying value	–	–	–	–

Goodwill arising from business combination has been allocated to the Zonson Smart Auto Company Limited asset group (Zhuhai Guangtong Bus Co., Ltd.), Suzhou Laxense Technology Co., Ltd. asset group and NETAŞ TELEKOMÜNİKASYON A.Ş. asset group. Impairment tests have been conducted in respect of the aforesaid asset groups and full impairment provisions had been provided in respect of the goodwill of such asset groups for 2021 and prior years based on the impairment test results.

19. Deferred tax assets/liabilities

(1) Deferred tax assets which are not offset:

	30 June 2024		31 December 2023	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
Intra-group unrealised profits	2,105,319	357,904	1,713,412	291,280
Provision for impairment in inventory	6,011,322	1,224,790	5,750,049	1,160,521
Estimated contract losses	1,475,658	221,349	2,069,862	310,479
Amortisation of development costs	4,266,841	629,360	4,198,715	622,217
Provision for warranties and returned goods	220,739	50,770	219,194	50,415
Provision for retirement benefits	138,343	31,819	141,762	32,605
Deductible tax losses	1,279,686	213,287	3,867,771	599,883
Deferred income	1,884,310	458,552	1,709,991	382,136
Accruals	7,567,354	1,213,381	5,998,820	967,283
Lease liabilities	1,502,380	225,357	1,483,448	222,517
Total	26,451,952	4,626,569	27,153,024	4,639,336

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

19. Deferred tax assets/liabilities (continued)

(2) Deferred tax liabilities which are not offset

	30 June 2024		31 December 2023	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Deferred tax liabilities				
Revaluation gain of investment properties	727,864	109,180	873,386	131,008
Investment in equity instruments through profit or loss at fair value	353,491	73,695	242,839	54,555
Business combination not under common control				
Fair-value adjustment	74,933	11,240	87,387	13,108
Rights-of-use assets	1,504,491	225,674	1,557,313	233,597
Others	698,980	104,847	926,733	139,010
Total	3,359,759	524,636	3,687,658	571,278

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

	30 June 2024		31 December 2023	
	Amount of set-off	Amount after set-off	Amount of set-off	Amount after set-off
Deferred tax assets	449,066	4,177,503	493,413	4,145,923
Deferred tax liabilities	449,066	75,570	493,413	77,865

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

	30 June 2024	31 December 2023
Deductible temporary differences	11,452,466	11,302,999
Deductible tax losses	17,520,229	13,078,567
	28,972,695	24,381,566

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

19. Deferred tax assets/liabilities (continued)

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

	30 June 2024	31 December 2023
2024	139,222	176,887
2025	202,340	238,231
2026	435,708	513,150
2027	1,178,546	1,529,174
2028 and beyond	15,564,413	10,621,125
Total	17,520,229	13,078,567

As it is expected that the companies incurring the losses set out above are not likely to record profit in the future, there will not be profit sufficient to set off the loss and the Group has not recognize deferred tax asset in respect of the tax loss set out above.

20. Other current assets/other non-current assets

(1) Other current assets

	30 June 2024	31 December 2023
Prepaid output tax and credit tax available for set off	8,089,195	7,326,347
Others	140,667	132,181
Total	8,229,862	7,458,528

(2) Other non-current assets

	30 June 2024	31 December 2023
Prepayments for projects, equipment and land	682,678	698,055
Risk compensation fund	29,207	37,957
Guarantee deposit	22,585	22,575
Restricted cash (Note)	3,263,885	3,120,522
Prepaid income tax	185,982	198,662
Others	2,699,246	2,826,229
Total	6,883,583	6,904,000

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

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

21. Assets under restrictions on ownership or right of use

30 June 2024

	Book balance	Carrying value	Type of restriction	Status
Currency cash	1,932,168	1,932,168	Note 1	Note 1
Property, plant and equipment	506,837	435,107	Secured	Note 2
Intangible assets	160,790	136,404	Secured	Note 3
Other non-current assets — restricted cash and risk compensation fund	3,293,092	3,293,092	Note 4	Note 4
Total	5,892,887	5,796,771		

31 December 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 and risk compensation fund	3,158,479	3,158,479	Note 4	Note 4
Total	5,113,228	5,026,690		

Note 1: As at 30 June 2024, the Group's cash subject to ownership restriction amounted to RMB1,932,168,000 (31 December 2023: RMB1,288,522,000), including guarantee of RMB827,496,000 (31 December 2023: RMB1,202,428,000), dues from the People's Bank of China of RMB1,075,969,000 (31 December 2023: RMB57,518,000 and others of RMB28,703,000 (31 December 2023: RMB28,576,000).

Note 2: As at 30 June 2024, property, plant and equipment with a total carrying value of RMB435,107,000 (31 December 2023: RMB441,677,000) were pledged to secure bank borrowing. The depreciation charge for the six months ended 30 June 2024 on property, plant and equipment under security was RMB7,970,000 (six months ended 30 June 2023: RMB8,324,000).

Note 3: As at 30 June 2024, intangible assets with a total carrying value of RMB136,404,000 (31 December 2023: RMB138,012,000) were pledged to secure bank borrowing. The depreciation charge for the six months ended 30 June 2024 on intangible assets under security was RMB1,608,000 (six months ended 30 June 2023: RMB1,608,000).

Note 4: As at 30 June 2024, restricted funds represented a RMB3,263,885,000 (31 December 2023: RMB3,120,522,000) deposit in an escrow account, the details of which are set out in Note XIII; and risk compensation fund to be released after one year amounting to RMB29,207,000 (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)

22. Short-term loans

			30 June 2024		31 December 2023	
			Original currency	RMB equivalent	Original currency	RMB equivalent
Credit loans		RMB	1,029,159	1,029,159	2,363,898	2,363,898
		USD	39,928	290,195	23,512	166,856
		EUR	18,346	142,532	19,750	155,269
		TRY	27,000	5,978	602,325	145,203
		KZT	95,000	1,465	95,000	1,483
Bills discounting loans		RMB	1,089,932	1,089,932	474,183	474,183
Letter of credit loans		RMB	5,832,997	5,832,997	4,130,000	4,130,000
Guaranteed loans	Note 1	RMB	40,238	40,238	108,200	108,200
Secured loans	Note 2	RMB	15,721	15,721	15,266	15,266
Total				8,448,217		7,560,358

As at 30 June 2024, there was no overdue loans.

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

Note 2: The secured loan comprised mainly an RMB15,721,000 (31 December 2023: RMB15,266,000) loan extended to Zonson Smart Auto Company Limited secured by land use rights and property, plant and equipment with carrying values of RMB136,404,000 and RMB435,107,000, respectively. For details of the properties subject to the secured loan and their carrying value, please refer to Note V.21.

23. Derivative financial liabilities

	30 June 2024	31 December 2023
Fair-value hedging instrument (Note IX.4)	67,145	—
Cashflow hedging instrument (Note IX.4)	780	1,315
Derivative financial liabilities at fair value through current profit and loss	—	183,229
Total	67,925	184,544

24. Short-term bonds payable

	30 June 2024	31 December 2023
SCPs	1,500,306	5,012,890

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

24. Short-term bonds payable (continued)

The balance of bonds payable as at 30 June 2024 is set out as follows:

	Nominal value	Nominal interest rate	Issue date	Term	Issue amount	Opening balance	Issued during the period	Interest accrued at nominal value	Amortisation of discount/ premium	Repayment during the period	Closing balance	Whether in default
24中興通訊SCP039	1,500,000	1.86%	2024/6/25	92 days	1,500,000	–	1,500,000	306	–	–	1,500,306	No

25A. Bills payable

	30 June 2024	31 December 2023
Bank acceptance bills	2,878,268	5,700,328
Commercial acceptance bills	7,598,436	3,742,411
Total	10,476,704	9,442,739

As at 30 June 2024, there were no bills payables due and outstanding (31 December 2023: Nil).

25B. Trade payables

An aging analysis of the trade payables based on book record date is as follows:

	30 June 2024	31 December 2023
0 to 6 months	18,335,823	17,796,855
6 to 12 months	139,143	171,120
1 year to 2 years	331,323	418,887
2 years to 3 years	165,652	99,710
Over 3 years	98,941	444,853
Total	19,070,882	18,931,425

As at 30 June 2024, there were no material trade payables aged over 1 year or overdue (2023: Nil).

26. Contract liabilities

	30 June 2024	31 December 2023
Contracted consideration received	13,255,334	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.

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

27. Tax payable

	30 June 2024	31 December 2023
Value-added tax	327,351	370,284
Enterprise income tax	486,075	637,445
Including: The PRC tax	380,825	472,166
Overseas tax	105,250	165,279
Personal income tax	156,318	283,872
City maintenance and construction tax	34,233	33,290
Education surcharge	27,574	29,058
Other taxes	40,072	59,144
Total	1,071,623	1,413,093

28. Other payables

	30 June 2024	31 December 2023
Dividend payables	3,266,961	6,400
Other payables	3,073,753	3,838,335
Total	6,340,714	3,844,735

(1) Dividend payables

	30 June 2024	31 December 2023
Dividend payables to holders of ordinary shares	3,266,961	–
Dividend payables to minority shareholders	–	6,400
Total	3,266,961	6,400

As at 30 June 2024, there was no dividend payable aged over 1 year.

(2) Other payables

	30 June 2024	31 December 2023
Accruals	1,098,228	1,351,466
Deferred income from staff housing	79,494	73,737
Payables to external parties	1,424,178	1,938,142
Deposits	283,266	236,822
Others	188,587	238,168
Total	3,073,753	3,838,335

As at 30 June 2024, there were no material payables aged over 1 year or overdue.

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

29. Employee benefits payable/Long-term employee benefits payable

(1) Employee benefits payable

	Opening balance	Increase during the period	Decrease during the period	Closing balance
Short-term remuneration	15,074,253	16,022,767	(16,869,291)	14,227,729
Retirement benefits (Defined contribution scheme)	304,100	1,039,795	(1,033,551)	310,344
Termination benefits	798,566	—	(448,757)	349,809
Total	16,176,919	17,062,562	(18,351,599)	14,887,882

(a) Short-term remuneration analysed as follows:

	Opening balance	Increase during the period	Decrease during the period	Closing balance
Salary, bonus and allowance	12,255,875	14,228,893	(15,517,307)	10,967,461
Staff welfare	15,104	14,155	(16,159)	13,100
Social insurance	104,073	827,516	(821,841)	109,748
Including: Medical	97,827	787,836	(782,847)	102,816
Work injuries	2,336	17,776	(17,436)	2,676
Maternity	3,910	21,904	(21,558)	4,256
Housing funds	44,024	479,690	(467,322)	56,392
Labour union fund and employee education fund	2,655,177	472,513	(46,662)	3,081,028
Total	15,074,253	16,022,767	(16,869,291)	14,227,729

(b) Defined contribution plans are analysed as follows:

	Opening balance	Increase during the period	Decrease during the period	Closing balance
Pension insurance	300,025	1,000,548	(995,114)	305,459
Unemployment insurance	4,075	39,247	(38,437)	4,885
Total	304,100	1,039,795	(1,033,551)	310,344

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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

	30 June 2024	31 December 2023
Net liabilities from defined benefit plan	138,343	141,762

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.

30. Provisions

	Opening balance	Increase during the period	Decrease during the period	Closing balance
Expected contract loss (Note 1)	2,069,862	473,591	(1,067,795)	1,475,658
Outstanding litigation (Note 2)	358,409	(6,403)	(2,107)	349,899
Provision for warranties	140,497	46,903	(42,874)	144,526
Total	2,568,768	514,091	(1,112,776)	1,970,083

Note 1: Unavoidable cost for the performance of contract in excess of expected economic benefits of the contract.

Note 2: Provisions in respect of likely compensation amounts for cases as assessed based on the advice from appointed legal counsel and the progress of such cases.

31. Non-current liabilities due within one year

	30 June 2024	31 December 2023
Long-term loans due within one year (Note)	1,385,384	1,676,430
Lease liabilities due within one year	499,000	522,989
Other non-current liabilities due within one year	600,000	802,179
Total	2,484,384	3,001,598

Note: including long-term loans due within one year amounting to RMB19,795,000. For details, please refer to Note V.32.

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

32. Long-term loans

	30 June 2024	31 December 2023
Credit loans	47,646,486	42,456,659
Secured loans (Note)	94,895	119,398
Total	47,741,381	42,576,057

As at 30 June 2024, the annual interest rate for the aforesaid loans was 2.00%–5.64% (31 December 2023: 1.72%–5.64%).

Note: The secured loans comprised mainly an RMB114,690,000 (31 December 2023: RMB139,307,000) loan extended to Zhongxing Smart Auto Company Limited secured by land use rights with a book value of RMB136,404,000 and property, plant and equipment with a book value of RMB435,107,000, including long-term loans due within one year amounting to RMB19,795,000. For details of the properties subject to the secured loan and their carrying value, please refer to Note V.21.

Aging profile of bank loans

	30 June 2024	31 December 2023
Listed as:		
Bank loan repayable:		
Within one year	9,833,601	9,236,788
Within the second year	21,149,302	17,962,009
Within the third to fifth years, inclusive	26,592,079	20,471,048
Over five years	–	4,143,000
Total bank loans	57,574,982	51,812,845

33. Other non-current liabilities

	30 June 2024	31 December 2023
Deferred income relating to staff housing	8,672	8,507
Long-term payable	3,806,713	3,461,757
Financial liabilities through current profit or loss at fair value	43,148	43,148
Total	3,858,533	3,513,412

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

34. Share capital

	Opening balance ('000 shares)	Increase/decrease during the period ('000 shares)			Closing balance ('000 shares)
		Issue of new share	Others	Sub-total	
Restricted shares	728	–	(69)	(69)	659
Unrestricted shares	4,782,524	–	69	69	4,782,593
Total number of shares	4,783,252	–	–	–	4,783,252

Note: The Company did not issue additional new share capital during the period ended 30 June 2024.

35. Capital reserves

	Opening balance	Increase during the period	Decrease during the period	Closing balance
Share premium (Note)	26,403,231	–	(135,666)	26,267,565
Share-based payment	1,120,060	–	–	1,120,060
Other capital investment	80,000	–	–	80,000
Total	27,603,291	–	(135,666)	27,467,625

Note: The shareholders' premium of the capital reserve was decreased by RMB135,666 thousand for the period following the increase of capital by non-controlling interests.

36. Other comprehensive income

Accumulated balance of other comprehensive income on the balance sheet attributable to the parent company:

	Opening balance	Change	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)	–	(73,872)
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)	2,715	(65,865)
Differences arising from foreign currency translation	(2,894,632)	30,953	(2,863,679)
Fair value at date of reclassification of owned properties reclassified as investment properties at fair value in excess of book value	792,769	–	792,769
Total	(2,199,965)	33,668	(2,166,297)

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

36. Other comprehensive income (continued)

Amount of other comprehensive income:

	Amount before taxation	Less: amount recognised in other comprehensive income for the previous period and in profit and loss for the current period	Less: amount recognised in other comprehensive income for the previous period and in retained earnings for the current period	Less: income tax	Attributable to shareholders of the parent company	Attributable to non-controlling interests
Other comprehensive income that cannot be reclassified as profit or loss						
Changes in net liabilities arising from the re-measurement of defined benefit plans	–	–	–	–	–	–
Share of investee results in other comprehensive income under equity method which cannot be reclassified to profit or loss	–	–	–	–	–	–
Other comprehensive income that will be reclassified as profit or loss						
Effective portion of hedging instruments	3,089	–	–	374	2,715	–
Differences arising from foreign currency translation	31,399	–	–	–	30,953	446
Fair value at date of reclassification of owned properties reclassified as investment properties at fair value in excess of book value	–	–	–	–	–	–
Total	34,488	–	–	374	33,668	446

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

37. Surplus reserves

	Opening balance	Opening balance as adjusted	Increase during the period	Decrease during the period	Closing balance
Statutory surplus reserves	3,053,382	–	–	–	3,053,382

In accordance with the Company Law of the PRC and the articles of associations, the Company is required to allocate 10% of their profit after tax to the statutory surplus reserve, until the accumulated statutory surplus reserve has reached 50% of the registered capital of the Company.

The Company may further allocate to the discretionary surplus reserve after the statutory surplus reserves allocation. The discretionary surplus reserve can be applied towards making up losses of the previous years, or capitalized as the Company's share capital.

38. Special reserve

	Opening balance	Increase during the period	Decrease during the period	Closing balance
Safe production cost	53,394	51,312	(27,774)	76,932

39. Retained profits

	30 June 2024	31 December 2023
Retained profits at the beginning of the period	34,714,953	27,308,621
Net profit attributable to shareholders of the parent	5,732,446	9,325,753
Surplus reserve	–	(23,571)
Distributions to shareholders	(3,266,961)	(1,895,850)
Retained profits at the end of the period	37,180,438	34,714,953

Profit distribution

	30 June 2024	31 December 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 2023	–	3,266,961

Pursuant to the 2023 Profit Distribution Proposal recommended by the Board on 8 March 2024, the Company shall pay a cash dividend of RMB6.83 (before tax) per 10 shares or RMB0.683 per share to all shareholders based on the total share capital in issue as at the record date for profit distribution and dividend payment. The aforesaid matter has been tabled at the General Meeting for consideration and approval. Based on the total share capital in issue of 4,783,251,552 shares as at 8 March 2024, the total amount of actual profit distribution shall be RMB3,266,960,810.02 (before tax). The Company completed the dividend payment in July 2024.

For the interim period of 2024, the Company does not propose any profit distribution or conversion of capital reserve to share capital (six months ended 30 June 2023: Nil).

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

40. Operating revenue and costs

	Six months ended 30 June 2024		Six months ended 30 June 2023	
	Revenue	Cost	Revenue	Cost
Principal business	60,031,271	35,359,069	59,382,397	33,447,748
Other business	2,455,827	1,839,284	1,322,397	1,021,462
Total	62,487,098	37,198,353	60,704,794	34,469,210

(1) Operating revenue is analysed as follows:

	Six months ended 30 June 2024	Six months ended 30 June 2023
Revenue from customer contract	62,437,979	60,646,983
Rental income — operating leases	49,119	57,811
Total	62,487,098	60,704,794

(2) Breakdown of revenue from customer contracts:

	Six months ended 30 June 2024	Six months ended 30 June 2023
Types of key products		
Sale of products	22,980,975	19,803,579
Provision of service	5,605,868	5,244,272
Telecommunications system contracts with customers	33,851,136	35,599,132
Total	62,437,979	60,646,983
Major operating area		
The PRC	43,011,742	43,057,719
Asia (excluding the PRC)	7,536,916	6,139,353
Africa	2,995,895	2,870,199
Europe and Oceania	8,893,426	8,579,712
Total	62,437,979	60,646,983
Timing of transfer of goods		
Transferred at a point in time	56,832,111	55,402,711
Transferred over a period	5,605,868	5,244,272
Total	62,437,979	60,646,983

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

40. Operating revenue and costs (continued)

(2) Breakdown of revenue from customer contracts: (continued)

Breakdown of operating cost for the period as follows:

	Six months ended 30 June 2024
Types of key products	
Sale of products	**18,005,949**
Provision of service	**1,477,777**
Telecommunications system contracts with customers	**17,714,627**
Total	**37,198,353**
Major operating area	
The PRC	**24,768,925**
Asia (excluding the PRC)	**4,849,499**
Africa	**1,484,911**
Europe and Oceania	**6,095,018**
Total	**37,198,353**
Timing of transfer of goods	
Transferred at a point in time	**35,720,576**
Transferred over a period	**1,477,777**
Total	**37,198,353**

(3) Revenue included in the opening book value of contract liabilities recognised for the period is set out as follows:

	Six months ended 30 June 2024	Six months ended 30 June 2023
Revenue included in the opening book value of contract liabilities recognised for the period	**8,234,310**	8,667,235

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

40. Operating revenue and costs (continued)

(4) Group information relating to the obligation of contract performance set out as follows:

	Timing of performance of contract obligation	Material payment terms	Nature of undertaking to transfer goods	Whether performing as a principal	Expected refund to customers assumed	Warranties and related obligations provided
Sale of goods	Upon delivery	Payment upon delivery	Mainly sales of communication equipment	Yes	No	Statutory warranty, service warranty
Provision of services	Period during service is provided	Payment upon inspection at completion of service stage	Mainly sales of communication equipment and servicing, maintenance and technical service	Yes	No	No
Network construction — sales of equipment	Upon delivery	Payment upon delivery	Mainly sales of communication equipment	Yes	No	Statutory warranty, service warranty
Network construction — installation service	Per progress of service	Payment upon initial inspection, payment upon final inspection	Mainly sales of communication equipment installation service	Yes	No	No
Network construction — sales of equipment — non-separable equipment sales and installation service	Upon delivery	Payment upon delivery, payment upon initial inspection, payment upon final inspection	Mainly sales of integrated communication network solutions	Yes	No	Service warranty

Contract amounts are typically due within one year. Contracts do not usually contain significant financing components. Some contract contain terms of variable consideration such as cash discounts and price guarantees. Estimates on variable consideration are usually not subject to restrictions.

As at 30 June 2024, the estimated timing for recognition of income in respect of contractual obligations yet to be performed or completed under signed contracts was as follows:

	Six months ended 30 June 2024
Within 1 year	14,020,099
Over 1 year	7,676,174
Total	21,696,273

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

41. Taxes and surcharges

	Six months ended 30 June 2024	Six months ended 30 June 2023
City maintenance and construction tax	179,579	274,499
Education surcharge	128,382	200,152
Property tax	51,037	55,482
Stamp duty	125,643	87,770
Others	72,702	65,486
Total	557,343	683,389

42. Selling and distribution costs

	Six months ended 30 June 2024	Six months ended 30 June 2023
Wages, welfare and bonuses	3,003,574	2,782,368
Service charges	108,239	125,622
Travelling expenses	389,379	370,641
Hospitality expenses	176,041	213,861
Office expenses	97,929	97,101
Others	412,018	1,026,644
Total	4,187,180	4,616,237

43. Administrative expenses

	Six months ended 30 June 2024	Six months ended 30 June 2023
Wages, welfare and bonuses	1,102,382	1,284,364
Office expenses	108,774	69,951
Amortization and depreciation charges	293,568	268,728
Travelling expenses	38,078	44,132
Audit fees#	8,281	10,516
Others	685,567	838,080
Total	2,236,650	2,515,771

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

44. Research and development expenses

	Six months ended 30 June 2024	Six months ended 30 June 2023
Wages, welfare and bonuses	9,481,419	9,533,483
Amortization and depreciation charges	1,505,336	1,591,564
Technical cooperation fees	457,315	441,127
Direct material costs	427,280	494,222
Office expenses	224,708	242,581
Others	629,837	488,055
Total	12,725,895	12,791,032

45. 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:

	Six months ended 30 June 2024	Six months ended 30 June 2023
Cost of goods and services	33,823,306	31,345,299
Staff remuneration (including share-based payment)	16,419,401	16,409,353
Depreciation and amortization	2,527,383	2,380,308
Rental not included in the measurement of lease liabilities	101,747	84,211
Others	3,476,241	4,173,079
Total	56,348,078	54,392,250

46. Finance costs

	Six months ended 30 June 2024	Six months ended 30 June 2023
Interest expenses	2,382,497	1,648,613
Less: Interest income	2,581,583	1,839,701
Loss/(income) on foreign currency exchange	106,680	(735,447)
Bank charges	138,711	112,783
Total	46,305	(813,752)

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

47. Other income

	Six months ended 30 June 2024	Six months ended 30 June 2023
Refund of VAT on software products (Note)	1,115,629	797,954
Refund of handling charges for personal tax	33,045	31,030
Others	651,636	164,933
Total	1,800,310	993,917

Note: Refund of VAT on software products represents the refund of the portion of tax payment in excess of 3% in respect of software product sales by some subsidiaries of the Company 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.

48. Investment income

	Six months ended 30 June 2024	Six months ended 30 June 2023
(Loss)/gain from investment in associates and joints under equity method	(25,507)	75,367
Investment income from financial assets at fair value through profit or loss during the period of holding	4,905	4,855
Investment income/(loss) from disposal of derivative investment	33,373	(548,439)
Investment income arising from disposal of financial assets at fair value through profit or loss	65,419	218,511
Investment income/(loss) from disposal of investment in associates and joints	1,000	(1,036)
Loss on derecognition of financial assets at amortised cost and financial assets at fair value through other comprehensive income	(262,315)	(213,515)
Total	(183,125)	(464,257)

49. Gain from changes in fair values

	Six months ended 30 June 2024	Six months ended 30 June 2023
Financial assets at fair value through profit or loss	(112,974)	(211,174)
Derivative financial instruments	(158,043)	(218,166)
Investment properties at fair value	(145,522)	(1,650)
Total	(416,539)	(430,990)

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

50. Credit impairment losses

	Six months ended 30 June 2024	Six months ended 30 June 2023
Impairment (reversal)/loss of trade receivables	(44,613)	287,744
Impairment (reversal) on receivable financing	(2,185)	(1,465)
Impairment (reversal)/loss of other receivables	(34,067)	19,993
Impairment loss/(reversal) on long-term receivables	6,132	(117,087)
Impairment loss/(reversal) on factored trade receivables	99	(1,832)
Impairment (reversal) on long-term factored receivables	(81)	(9,185)
Total	(74,715)	178,168

51 Asset impairment losses

	Six months ended 30 June 2024	Six months ended 30 June 2023
Inventories provision loss	474,862	269,888
Impairment (reversal)/loss of contract assets	(18,577)	2,587
Prepayment impairment loss	9,303	4,100
Property, plant and equipment impairment loss	—	571
Impairment loss on other non-current assets	134,994	—
Total	600,582	277,146

52. Gains from asset disposal

	Six months ended 30 June 2024	Six months ended 30 June 2023
Gains from disposal of right-of-use assets	5,389	5,980
Gains from disposal of property, plant and equipment	53,965	2,638
Gains from disposal of intangible assets	8,011	7,844
Total	67,365	16,462

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

53. Non-operating income/non-operating expenses

(1) Non-operating income

	Six months ended 30 June 2024	Six months ended 30 June 2023	Amount of extraordinary gain/loss recognized for the six months ended 30 June 2024
Income from contract penalty and reward	5,450	16,748	5,450
Others	29,628	58,855	29,628
Total	35,078	75,603	35,078

(2) Non-operating expenses

	Six months ended 30 June 2024	Six months ended 30 June 2023	Amount of extraordinary gain/loss recognized for the six months ended 30 June 2024
Compensation	10,344	17,542	10,344
Others	25,067	101,448	25,067
Total	35,411	118,990	35,411

54. Income tax

	Six months ended 30 June 2024	Six months ended 30 June 2023
Current income tax	601,100	640,332
Deferred income tax	(34,307)	26,754
Total	566,793	667,086

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

54. Income tax (continued)

Reconciliation between income tax and total profit was as follows:

	Six months ended 30 June 2024	Six months ended 30 June 2023
Total profit	6,277,183	6,059,338
Tax at statutory tax rate (Note)	1,569,296	1,514,835
Effect of different tax rates applicable to certain subsidiaries	(679,475)	(547,079)
Adjustment to current tax in previous periods	6,888	(16,820)
Effect of non-assessable income	(9,607)	(14,891)
Effect of weighted deduction for research and development costs and non-deductible cost, expenses and loss	(840,984)	(556,965)
Effect of utilization of deductible losses in respect of unrecognized deferred tax assets from previous periods	(52,405)	(15,228)
Effect of deductible temporary difference or deductible loss in respect of unrecognized deferred tax assets for the period	573,080	303,234
Tax charge at the Group's effective rate	566,793	667,086

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.

55. Earnings per share

Calculations of basic and diluted earnings per shares were as follows:

	Six months ended 30 June 2024	Six months ended 30 June 2023
Earnings		
Net profit attributable to ordinary shareholders of the Company for the period	5,732,446	5,472,153
Shares		
Weighted average number of ordinary shares of the Company ('000 shares)	4,783,252	4,759,603
Diluted effect — weighted average number of ordinary shares ('000 shares)	—	—
Adjusted weighted average number of ordinary shares ('000 shares) of the Company in issue	4,783,252	4,759,603
Basic/diluted earnings per share (Note)	RMB1.20	RMB1.15

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.

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

56. Notes to items on the main cash flow statement

(1) Cash relating to operating activities

	Six months ended 30 June 2024	Six months ended 30 June 2023
Receipt of other cash relating to operating activities:		
Interest income	1,355,497	1,074,701
Payment of other cash relating to operating activities:		
Payment of fees for the period	5,598,953	5,024,952

(2) Cash relating to investing activities

	Six months ended 30 June 2024	Six months ended 30 June 2023
Receipt of material cash relating to investing activities:		
Release of time deposits and large amount deposit certificate of three months or above	22,966,779	6,518,191
Payment of material cash relating to investing activities:		
New time deposits and large amount deposit certificate of three months or above	30,092,591	6,208,714
New structured deposit	3,900,000	—

(3) Cash relating to financing activities

	Six months ended 30 June 2024	Six months ended 30 June 2023
Receipt of other cash relating to financing activities:		
Project construction financing	—	1,900
Payment of other cash relating to financing activities:		
Cash payment of lease principal	207,885	195,141
Repayment of investment by minority shareholders	—	3,155

Movements in liabilities arising from financing activities:

	Opening balance	Movements during the period		Closing balance
		Cash movement	Non-cash movement	
Short-term bonds payable	5,012,890	(3,815,192)	302,608	1,500,306
Short-term loans	7,560,358	533,112	354,747	8,448,217
Dividend payables	6,400	(140,640)	3,401,201	3,266,961
Long-term loans (including non-current liabilities due within one year)	44,252,487	4,303,324	570,954	49,126,765
Lease liabilities (including non-current liabilities due within one year)	1,483,448	(207,885)	226,817	1,502,380
	58,315,583	672,719	4,856,327	63,844,629

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

56. Notes to items on the main cash flow statement (continued)

(4) Supplemental information on cash flow statement

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

	Six months ended 30 June 2024	Six months ended 30 June 2023
Net profit	**5,710,390**	5,392,252
Add: Credit impairment losses	**(74,715)**	178,168
Asset impairment losses	**600,582**	277,146
Depreciation of property, plant and equipment	**1,085,396**	1,011,306
Depreciation of right-of-use assets	**223,050**	174,793
Amortisation of intangible assets	**1,218,937**	1,194,209
Gain on disposal of property, plant and equipment, intangible assets and other long-term assets	**(67,365)**	(16,462)
Loss from changes in fair value	**416,539**	430,990
Financial costs	**679,922**	1,369,726
Investment income	**(79,190)**	250,742
(Increase) in deferred tax assets	**(31,580)**	2,131
(Decrease) in deferred tax liabilities	**(2,295)**	(2,439)
Decrease/(increase) in inventories	**(297,388)**	(859,887)
(Increase)/decrease in operating receivables	**2,270,069**	1,594,275
(Decrease) in operating payables	**(4,008,307)**	(4,506,408)
Cost of share-based payment	**—**	98,701
Decrease in cash not readily available for payments	**(643,646)**	(163,346)
Net cash flow from operating activities	**7,000,399**	6,425,897

(b) Net change in cash and cash equivalents:

	Six months ended 30 June 2024	Six months ended 30 June 2023
Closing cash balance	**1,304**	1,190
Less: opening cash balance	**2,034**	1,604
Add: closing balance of cash equivalents	**47,730,571**	54,945,108
Less: opening balance of cash equivalents	**51,011,133**	47,070,125
Net increase in cash and cash equivalents	**(3,281,292)**	7,874,569

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

56. Notes to items on the main cash flow statement (continued)

(5) Information on subsidiaries and other business units disposed of

	Six months ended 30 June 2024	Six months ended 30 June 2023
Cash and cash equivalents received on disposal of subsidiaries and other business units during the period	–	30,000
Less: Cash and cash equivalents held by subsidiaries and other business units on the date of loss of control	–	–
Add: Cash and cash equivalents received on disposal of subsidiaries and other business units in previous years	–	–
Net cash received on disposal of subsidiaries and other business units	–	30,000

(6) Cash and cash equivalents

	30 June 2024	30 June 2023
Cash		
Including: Cash on hand	1,304	1,190
Bank deposit readily available for payment	47,730,571	54,945,108
Cash and cash equivalents at the end of period	47,731,875	54,946,298
Including: restricted cash and cash equivalent used by the Company and fellow subsidiaries within the Group	21,773	131,723

(7) Funds presented as cash and cash equivalents despite restrictions on scope of application

	30 June 2024	30 June 2023	Reason
Designated funds for exclusive use	21,773	131,723	Funds were designated for certain applications only but not frozen, pledged or otherwise subject to other rights, therefore were still considered cash and cash equivalents

(8) Currency cash not accounted for as cash and cash equivalents

	30 June 2024	30 June 2023	Reason
Time deposit and large amount deposit certificate with maturity of three months or above and interests	21,279,423	7,499,497	Currency cash with poor liquidity, not easily realisable and not readily available for payment
Guarantee amount	827,496	765,567	
Dues from the People's Bank of China	1,075,969	88,096	
Others	28,703	33,981	
	23,211,591	8,387,141	

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

57. Monetary items in foreign currencies

The Group's major monetary items in foreign currencies:

		30 June 2024		
		Original currency	Exchange rate	RMB Equivalent
Currency cash	USD	539,506	7.2680	3,921,133
	EUR	89,282	7.7689	693,619
	IDR	496,388,813	0.0004	220,066
	HKD	143,997	0.9306	134,008
	ETB	664,622	0.1268	84,243
Trade receivables	USD	539,115	7.2680	3,918,288
	EUR	152,766	7.7689	1,186,821
	IDR	2,479,529,342	0.0004	1,099,257
	MXN	784,269	0.3983	312,370
	MYR	199,573	1.5392	307,179
Other receivables	USD	33,806	7.2680	245,700
	EUR	6,436	7.7689	49,999
	IRR	165,255,209	0.0002	28,597
	QAR	9,097	1.9967	18,163
	PKR	649,678	0.0261	16,952
Trade payables	USD	743,459	7.2680	5,403,457
	IDR	1,249,112,338	0.0004	553,773
	EUR	44,196	7.7689	343,357
	INR	1,907,674	0.0871	166,140
	MXN	193,745	0.3983	77,168
Other payables	USD	32,500	7.2680	236,209
	MXN	472,037	0.3983	188,010
	EUR	13,819	7.7689	107,355
	THB	44,738	0.1975	8,834
	GBP	688	9.1750	6,316
Short-term loan	USD	39,928	7.2680	290,195
	EUR	18,346	7.7689	142,532
	TRY	27,000	0.2214	5,978
	KZT	95,000	0.0154	1,465

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

Analysed by nature as follows:

	Six months ended 30 June 2024	Six months ended 30 June 2023
Wages, welfare and bonuses	10,124,580	10,269,116
Amortization and depreciation charges	1,505,401	1,610,484
Technical cooperation fee	463,804	447,900
Direct material costs	478,027	501,603
Office expenses	224,708	242,581
Others	632,410	488,120
Total	13,428,930	13,559,804
Including: R&D expenses as cost	12,725,895	12,791,032
Capitalised R&D expenses	703,035	768,772

Development expenses of R&D projects qualified for capitalization as follows:

	Opening balance	Increase during the period	Decrease during the period	Closing balance
		Internal development	Recognition of intangible assets	
Systems products	1,301,545	703,035	(844,335)	1,160,245

VII. CHANGES TO THE SCOPE OF CONSOLIDATION

Company name	Reason for change	Date of inclusion in/exclusion from scope of consolidation
Beijing Lirui Micro-electronics Company Limited	New incorporation	February 2024
ZTE Regional Service Centre Company Limited	New incorporation	May 2024
Wuzhou Digital City Development Co., Ltd.	Completed deregistration with industrial and commercial administration authorities and excluded from scope of consolidation	January 2024
Nubia (U.S.) Corporation	Completed deregistration with industrial and commercial administration authorities and excluded from scope of consolidation	February 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	Business nature	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	100.00%	–
ZTE (H.K.) Limited	Hong Kong	Information technology	HKD2,483,747,800	100.00%	–
Shenzhen Zhongxing Software Company Limited*	Shenzhen	Servicing	RMB51.08 million	100.00%	–
Xi'an ZTE Terminal Technology Co., Ltd.*	Xi'an	Manufacturing	RMB300 million	100.00%	–
Sanechips Technology Co., Ltd.*	Shenzhen	Manufacturing	RMB131,578,900	87.22%	12.78%
ZTE (Nanjing) Co.,Ltd.*	Nanjing	Manufacturing	RMB1,000 million	100.00%	–
Shenzhen Zhongxing Telecom Technology & Service Company Limited*	Shenzhen	Telecommunications services	RMB200 million	90.00%	10.00%
CRS Technology Co., Ltd.*	Xi'an	Manufacturing	RMB1,000 million	–	100.00%

* Such subsidiaries are companies with limited liability incorporated under the laws of the PRC.

2. Interests in joint ventures and associates

During the Reporting Period, the Group had no subsidiary that was subject to material non-controlling interests, nor any material associate or joint venture that had a significant influence on the Group.

The following table sets out summarized financial information of insignificant joint ventures and associates of the Group:

	30 June 2024	31 December 2023
Joint ventures		
Aggregate carrying value of investments	935,819	856,886

	Six months ended 30 June 2024	Six months ended 30 June 2023
Aggregate amounts of the following attributable to shareholdings:		
Net gain	48,927	190,278
Other comprehensive income	–	–
Total comprehensive income	48,927	190,278

	30 June 2024	31 December 2023
Associates		
Aggregate carrying value of investments	1,211,695	1,300,664

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VIII. INTERESTS IN OTHER ENTITIES (continued)

2. Interests in joint ventures and associates (continued)

	Six months ended 30 June 2024	Six months ended 30 June 2023
Aggregate amounts of the following attributable to shareholdings:		
Net gain/(loss)	**(74,434)**	74,883
Other comprehensive income	**(5,166)**	1,168
Total comprehensive income	**(79,600)**	76,051

As at 30 June 2024, there were no contingent liabilities associated with the investments in joint ventures and associates (31 December 2023: Nil).

IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

1. Classification of financial instruments

As at 30 June 2024, financial assets at fair value through current profit and loss amounted to RMB3,777,510,000 in aggregate (31 December 2023: RMB1,070,556,000), presented mainly under derivative financial assets, trading financial assets and other non-current financial assets; financial assets measured at fair value through other comprehensive income amounted to RMB740,705,000 in aggregate (31 December 2023: RMB4,074,078,000), presented mainly under receivable financing; financial assets at amortised cost amounted to RMB110,813,797,000 in aggregate (31 December 2023: RMB105,923,863,000); presented mainly under currency cash, trade receivables, other receivables, long-term receivables, other non-current assets and credit right investment; financial assets representing derivative instruments designated as effective hedging instrument amounted to RMB150,962,000 (31 December 2023: Nil) and were mainly presented under derivative financial assets; financial liabilities at fair value through current profit and loss amounted to RMB43,148,000 in aggregate (31 December 2023: RMB227,692,000), presented mainly under derivative financial liabilities and other non-current liabilities; financial liabilities at amortised cost amounted to RMB96,443,103,000 in aggregate (31 December 2023: RMB93,172,985,000), presented mainly under bank loans, lease liabilities, bills payable, trade payables, short-term bonds payable, other payables and other non-current liabilities; financial liabilities representing derivative instruments designated as effective hedging instrument amounted to RMB67,925,000 (31 December 2023: Nil) and were mainly presented under derivative financial liabilities.

2. 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 risk management strategy adopted by the Group to reduce these risks are described as follows:

(1) Credit risk

The Group only trades with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis to ensure that the Group is not exposed to significant bad debts. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the special approval of the credit control department of the Group.

Since currency cash, bank acceptance bills receivable and derivative financial instruments are placed with the well-established banks with high credit ratings, the credit risk of these financial instruments is relatively low.

IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

2. Risks of financial instruments (continued)

(1) Credit risk (continued)

The Group's other financial assets, which comprise bank acceptance bills receivable, trade receivables and other receivables, are subject to credit risk arising from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

As the Group only carries out transactions with recognized third parties with sound reputation, no collaterals are required. Credit risk management is managed according to customers/trading counterparties, geographic region and industry. At 30 June 2024, the Group was subject to specific credit risk concentration, as 12% (31 December 2023: 14%) and 41% (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 the trade receivable balance.

(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 Group's main criterion for judging significant increase in credit risk is an overdue of more than 30 days, or significant change in one or more of the following indicators, significant adverse change in the debtor's operational, internal or external credit rating, actual or anticipated operating results.

(b) Definition of credit-impaired financial assets

The Group's main criterion for judging a credit impairment has occurred is an overdue for more than 90 days, although under certain circumstances, if internal or external information indicates that, without taking into consideration any credit enhancement held, it is probable that the Group may not be able to recover the contract amount, the Group will also consider that a credit impairment has occurred.

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 impairment provision for expected credit loss for the entire period has been made and the risk matric model, please refer to Notes V.4A, V.6 and V.8 for details.

(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 generated by the Group through operations and loans are regarded as operating financing.

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IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

2. Risks of financial instruments (continued)

(2) Liquidity risk (continued)

The maturity profile of financial liabilities based on undiscounted contractual cash flow was analysed in the following table:

30 June 2024

	Within 1 year	1–2 years	2–3 years	Over 3 years	Total
Bank loans	11,203,284	22,135,539	20,459,350	6,871,173	60,669,346
Lease liabilities	499,000	214,396	241,452	665,092	1,619,940
Derivative financial liabilities	67,925	–	–	–	67,925
Bills payable	10,476,704	–	–	–	10,476,704
Trade payables	19,070,882	–	–	–	19,070,882
Short-term bond payable	1,500,306	–	–	–	1,500,306
Bank advances on factored trade receivables and factored long-term trade receivable	5,665	3,776	3,776	1,888	15,105
Other payables (excluding accruals and staff housing fund contributions)	1,896,031	–	–	–	1,896,031
Other non-current liabilities	600,000	1,530,795	12,763	2,469,011	4,612,569
Total	45,319,797	23,884,506	20,717,341	10,007,164	99,928,808

31 December 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 factored long-term trade receivable	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)

2. 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 interest rate risks by closely monitoring the movements of interest rates and conduct loan reviews on a regular basis.

As at 30 June 2024, the bank loans of the Group and the Company including 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 2.00% to 60.00% (8.00%–60.00% for TRY loans). Approximately 13.56% (31 December 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 set out in the following table reflects the impact of reasonable and probable change in interest rates on net profit or loss (through the impact on floating rate loans) and other comprehensive income (net of tax) assuming that other variables remain constant.

	Increase/ (decrease) in basis points	Increase/ (decrease) in net profit or loss	Increase/ (decrease) in other comprehensive income net of tax	Increase/ (decrease) in total shareholders' equity
Six months ended 30 June 2024	25	(105,644)	–	(105,644)
	(25)	105,644	–	105,644
Six months ended 30 June 2023	25	(88,849)	–	(88,849)
	(25)	88,849	–	88,849

(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 fluctuation in value of the Group's assets or liabilities denominated in foreign currencies will affect the operating results of the Group. The Group offsets exchange rate risks by purchasing forward exchange contracts based on the risk exposures of currency assets and liabilities and forecasts of future foreign currency payments and receipts. The Group engages in hedge transactions against its exchange rate risk exposures subject to annual trading limits for exchange derivative products approved and authorized by the Board and the General Meeting. The Derivative Investment Committee is responsible for coordination and management of the Group companies derivative trading and adjusts its exchange hedge strategy according to market conditions. The Derivative Investment Work Group under the Committee is responsible for the actual trading.

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IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

2. 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 reflect the impact of a reasonably possible change in USD and EUR exchange rates on 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
Six months ended 30 June 2024				
Weaker RMB against USD	5%	306,855	–	306,855
Stronger RMB against USD	(5%)	(306,855)	–	(306,855)
Six months ended 30 June 2023				
Weaker RMB against USD	5%	330,581	–	330,581
Stronger RMB against USD	(5%)	(330,581)	–	(330,581)

	Increase/ (decrease) in EUR exchange rate	Increase/ (decrease) in net profit or loss	Increase/ (decrease) in other comprehensive income net of tax	Increase/ (decrease) in total shareholders' equity
Six months ended 30 June 2024				
Weaker RMB against EUR	5%	83,055	–	83,055
Stronger RMB against EUR	(5%)	(83,055)	–	(83,055)
Six months ended 30 June 2023				
Weaker RMB against EUR	5%	139,795	–	139,795
Stronger RMB against EUR	(5%)	(139,795)	–	(139,795)

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IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

3. Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group makes adjustments in the light of changes in economic conditions and in the risk profiles of relevant assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the current period ended 30 June 2024.

The Group manages capital using the financial gearing ratio, which is the ratio of interest-bearing liabilities to the sum of owners' equity and interest-bearing liabilities. The financial gearing ratio of the Group as at the balance sheet dates was as follows:

	30 June 2024	31 December 2023
Interest-bearing bank borrowings	57,574,982	51,812,845
Lease liabilities	1,502,380	1,483,448
Short-term bonds payable	1,500,306	5,012,890
Bank advances on factored receivables and long-term trade receivables	15,105	14,749
Total interest-bearing liabilities	60,592,773	58,323,932
Owners' equity	70,760,698	68,331,445
Total equity and interest-bearing liabilities	131,353,471	126,655,377
Gearing ratio	46.1%	46.0%

4. Hedge

(1) Cash flow hedge

The Group designates foreign currency forward exchange contracts as hedging instruments for exchange rate risk arising from future expenditure to be priced and settled in foreign currency, 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 expenditure and movements in forward exchange rates. The Group has determined a 1: 1 ratio for heading instrument and hedged items. Ineffective portions of cash flow hedge mainly arise from differences in forward exchange rates. The amount of ineffective hedge recognized for the period was not significant.

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IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

4. Hedge (continued)

(1) Cash flow hedge (continued)

Time distribution of nominal amount of hedging instruments and average exchange rates are set out as follows:

30 June 2024

	Within 6 months	6–12 months	After 1 year	Total
Nominal amount of foreign currency forward contract	943,489	130,824	–	1,074,313
Average RMB to foreign currency exchange rate	7.25	7.27	–	7.25

31 December 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

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

30 June 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 contract	1,074,313	4,698	780	Derivative financial assets/derivative financial liabilities	(57,802)

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IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

4. Hedge (continued)

(1) Cash flow hedge (continued)

31 December 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 contract	464,640	–	1,315	Derivative financial liabilities	7,222

Carrying values of hedged items and related adjustments are set out as follows:

30 June 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 period	Cash flow hedge reserve
	Assets	Liabilities	Assets	Liabilities			
Exchange rate risk — future expenditure dominated in foreign currency	–	–	–	–	N/A	53,767	3,089

31 December 2023

	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 period	Cash flow hedge reserve
	Assets	Liabilities	Assets	Liabilities			
Exchange rate risk — future expenditure dominated in foreign currency	–	–	–	–	N/A	(7,080)	(703)

IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

4. Hedge (continued)

(1) Cash flow hedge (continued)

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

Six months ended 30 June 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 contract	(57,311)	(491)	Gain/loss from fair-value change – hedging gain/loss	(59,802)	Administrative expense, finance cost

Six months ended 30 June 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 contract	11,111	–	N/A	–	N/A

(2) 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.

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IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

4. Hedge (continued)

(2) Fair-value hedge (continued)

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

30 June 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 — forward exchange contracts	18,866,191	146,264	67,145	Derivative financial assets, derivative financial liabilities	(59,057)

Carrying values of hedged items and related adjustments are set out as follows:

30 June 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 — forward exchange contracts	11,166,529	5,137,867	233,181	336,666	Trade receivables, other receivables, trade payables, other payables	(103,485)

Note 1: The hedged item represents assets or liabilities with the counterparty to the transaction. Exchange gain or loss from the currency items arising from the transaction cannot be setoff in the consolidated financial statements. Companies may designate it as a hedged item in the consolidated financial statements.

IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

4. Hedge (continued)

(2) Fair-value hedge (continued)

Ineffective portion of hedge in fair-value change of hedging instruments are shown as follows:

Six months ended 30 June 2024

	Ineffective portion of hedge recognised in current profit or loss	Ineffective portion of hedge recognised in other comprehensive income	Profit or loss items including ineffective portion of hedge
Exchange rate risk — forward exchange contracts	(67,194)	—	Gains from changes in fair values

5. Transfer of financial assets

Mode of transfer	Nature of financial assets transferred	Amount of financial assets transferred	Derecognition	Basis for determining derecognition
Bill discounting	Bills receivable	11,649,006	Derecognised	Substantially all risks and rewards have been transferred
Factoring	Trade receivables	3,186,276	Derecognised	Substantially all risks and rewards have been transferred
Letter of credit	Trade receivables	457,442	Derecognised	Substantially all risks and rewards have been transferred
Factoring	Trade receivables	14,350	Continuous involvement	Neither transferred nor retained substantially all risks and rewards arising from ownership of financial assets, while retaining control over relevant financial assets
Total		15,307,074		

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IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

5. Transfer of financial assets (continued)

For the six months ended 30 June 2024, financial assets derecognised after transfer are as follows:

	Mode of transfer of financial assets	Amount of financial assets derecognised	Profit or loss relating to derecognition
Bills receivable	Factored bill discounting	11,649,006	59,722
Trade receivables	Factoring	3,186,276	183,974
Trade receivables	Letter of credit	457,442	18,618
Total		15,292,724	262,314

At 30 June 2024, financial assets transferred but subject to continuous involvement are as follows:

	Mode of transfer of assets	Asset amount formed through continuous involvement	Liability amount formed through continuous involvement
Trade receivables	Factoring	5,381	5,664
Long-term receivables	Factoring	8,969	9,441
Total		14,350	15,105

X. DISCLOSURE OF FAIR VALUES

1. Assets and liabilities measured at fair value

30 June 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	–	152,516	–	152,516
Trading financial assets	39,178	2,905,704	94,354	3,039,236
Other non-current financial assets	–	–	736,720	736,720
Receivable financing	–	740,705	–	740,705
Investment properties				
Leased buildings and land	–	–	1,328,301	1,328,301
Total	39,178	3,798,925	2,159,375	5,997,478
Derivative financial liabilities	–	(67,925)	–	(67,925)
Other non-current liabilities	–	–	(43,148)	(43,148)
Total	–	(67,925)	(43,148)	(111,073)

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X. DISCLOSURE OF FAIR VALUES (continued)

1. Assets and liabilities measured at fair value (continued)

31 December 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				
Leased buildings and land	—	—	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)

2. Estimation of fair value

(1) Level-1 fair value measurement

Fair value of investment in equity instruments of listed companies not subject to lock-up is 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 instruments with a number of counterparties (who are mainly financial institutions with high credit rating). Derivative financial instruments include forward exchange contracts, which are measured using valuation techniques similar to those adopted for forward pricing and swap model, as well as 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 and an interest rate swap is identical with their fair value. As at 30 June 2024, the mark-to-market value of derivative financial assets represented the net value after offsetting credit valuation adjustments attributable to the risk of counterparty default. Changes in the credit risk of the counterparty do not have a material impact on the effectiveness of the designated derivative instrument hedge in a hedge relationship and other financial instruments measured at fair value.

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X. DISCLOSURE OF FAIR VALUES (continued)

2. Estimation of fair value (continued)

(3) Level-3 fair value measurement

Fair value of non-listed equity investment is estimated using the market-based method. The assumptions on which it is based are unobservable market prices or interest rate assumptions. The Group is required determine comparable listed companies based on industry, scale, gearing and strategy and compute appropriate price multiples in respect of each identified comparable listed company, such as enterprise value (E/V) multiple and price to earnings ("P/E") multiple, which are adjusted based on specific facts and conditions of the company, taking into account differences in liquidity and scale between the Group and such comparable listed companies.

The fair values of equity investments in listed companies during the lock-up period is arrived at based on quotations in an active market discounted at a percentage reflecting the lack of liquidity during lock-up.

Fair value of equity sell-back options in other non-current liabilities is measured using the binomial tree model.

The Group considers information from a variety of sources in measuring the fair value of investment properties, including: (a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences; (b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and (c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

3. Unobservable inputs

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

30 June 2024

	Fair value at end of period	Valuation techniques	Unobservable inputs	Range
Commercial properties	RMB1,328,301 thousand	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	RMB831,074 thousand	Market method	Liquidity discount rate	9.52%–50%
			P/E	11.38–33.70
			P/B	0.76–2.94
			P/S	2.1–6.2
Other non-current liabilities	RMB43,148 thousand	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)

3. Unobservable inputs (continued)

31 December 2023

	Fair value at end of year	Valuation techniques	Unobservable inputs	Range
Commercial properties	RMB1,473,823 thousand	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 thousand	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 thousand	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%

4. Fair value measurement adjustment

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

30 June 2024

	Opening balance	Transfer into Level 3	Transfer out of Level 3	Through profit or loss	Acquisition	Disposal	Closing balance	Change in unrealised profit or less for the period of assets held at end of period included in profit and loss
Investment properties	1,473,823	–	–	(145,522)	–	–	1,328,301	(145,522)
Trading financial assets	24,227	53,659	–	16,468	–	–	94,354	16,468
Other non-current financial assets	831,930	–	(53,659)	(51,255)	9,704	–	736,720	(51,255)
Other non-current financial liabilities	43,148	–	–	–	–	–	43,148	–

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X. DISCLOSURE OF FAIR VALUES (continued)

4. Fair value measurement adjustment (continued)

31 December 2023

	Opening balance	Transfer into Level 3	Transfer out of Level 3	Through profit or loss	Acquisition	Disposal	Closing balance	Change in unrealised profit or less for the period of assets held at end of year included in profit and 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 set out as follows:

	Six months ended 30 June 2024 Relating to financial assets	Six months ended 30 June 2023 Relating to financial assets
Total profit for the period included in profit and loss	**(34,787)**	(13,693)
Change in unrealised profit or loss for the period from assets held at the end of the period	**(34,787)**	(244,626)

	Six months ended 30 June 2024 Relating to non-financial assets	Six months ended 30 June 2023 Relating to non-financial assets
Total profit for the period included in profit and loss	**(145,522)**	(1,650)
Change in unrealised profit or loss for the period from assets held at the end of the period	**(145,522)**	(1,650)

X. DISCLOSURE OF FAIR VALUES (continued)

4. Fair value measurement adjustment (continued)

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

	Six months ended 30 June 2024 Relating to financial liabilities	Six months ended 30 June 2023 Relating to financial liabilities
Total profit for the period included in profit and loss	–	–
Change in unrealised profit for the period from liabilities held at the end of the period	–	–

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

XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES

1. Controlling shareholder

Name of controlling shareholder	Place of registration	Nature of business	Registered capital	Percentage of shareholding	Percentage of voting rights
Zhongxingxin Telecom Company Limited	Shenzhen, Guangdong	Manufacturing	RMB100 million	20.09%	20.09%

According to Shenzhen Stock Exchange Listing Rules, the Company's controlling shareholder is Zhongxingxin Telecom Company Limited.

2. Subsidiaries

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

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XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

3. Joint ventures and associates

	Relationship
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
ZTE Hotel Shenzhen Investment & Management Company Limited	Associate of the Company
ZTE Hotel Nanjing Management Company Limited	Subsidiary of an associate of the Company
ZTE Hotel Xi'an Management Company Limited	Subsidiary of an associate of the Company
ZTE Hotel Shanghai Investment & Management Company Limited	Subsidiary of an associate of the Company
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
Shanghai Ume Technologies Company Limited	No longer being the associate of the Company since June 2024
Jiangxi Guotou Information Technology Co., Ltd.	No longer being the associate of the Company since June 2024
SHIJIAZHUANG SMART INDUSTRY CO., LTD	No longer being the associate of the Company since June 2024
Anhui Qiying Intelligent Technology Company Limited	No longer being the associate of the Company since December 2023
Shandong Xingji Real Estate Company Limited	No longer being the associate of the Company since December 2023

4. Other connected parties

	Relationship
Sindi Technologies Co., Ltd.	Subsidiary of the Company's controlling shareholder
Shenzhen Zhongxing New Cloud Service Company Limited	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 Xingkai Communication Equipment Limited	Subsidiary of the Company's controlling shareholder
ZTE Development Company Limited	Company for which a connected natural person of the Company acted as director and executive vice president

XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

4. Other related parties (continued)

	Relationship
Huatong Technology Co., Ltd.	Subsidiary of a company for which a connected natural person of the Company acted as director and executive vice president
Nanchang Zhongzhan Digital Smart Technology Company Limited	Subsidiary of a company for which a connected natural person of the Company acted as director and executive vice president
Zhongxing Software Technology (Shenyang) Company Limited	Subsidiary of a company for which a connected natural person of the Company acted as director and executive vice president
ZTE Hotel Harbourview Hotel Investment Development Company Limited	Subsidiary of a company for which a connected natural person of the Company acted as director and executive vice president
Chongqing Zhongxing Zhongtou Property Service Company Limited	Subsidiary of a company for which a connected natural person of the Company acted as director and executive vice president
Xiazhi Technology Company Limited	Subsidiary of a company for which a connected natural person of the Company acted as director and executive vice president
Sanhe Zhongxing Property Service Company Limited	Subsidiary of a company for which a connected natural person of the Company acted as director and executive vice president
Chongqing Zhongxing Development Company Limited	Subsidiary of a company for which a connected natural person of the Company acted as director and executive vice president
Sanhe Zhongxing Development Company Limited	Subsidiary of a company for which a connected natural person of the Company acted as director and executive vice president
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 director and senior management
Tianhao Investment Co., Ltd.	Subsidiary of a company for which a connected natural person of the Company acted as director and senior management
Shenzhen Zhongxing Information Company Limited	Company for which a connected natural person of the Company acted as chairman
Shenzhen Zhongxing WXT Equipment Company Limited	Company for which a connected natural person of the Company acted as director
Beijing Zhongxing Xieli Technology Company Limited	Subsidiary of a company for which a connected natural person of the Company acted as director

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XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

4. Other related parties (continued)

	Relationship
Shenzhen ZTE International Investment Company Limited	Company for which a connected natural person of the Company acted as chairman
Tianjin ZTE International Investment Company Limited	Subsidiary of a company for which a connected natural person of the Company acted as chairman
Shenzhen Zhongxing Tenglang Eco-Tech Company Limited	Subsidiary of a company for which a connected natural person of the Company acted as chairman
Zhongxing Intelligent Technology (Wuhu) Company Limited	Subsidiary of a 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
Xi'an Microelectronics Technology Research Institute	Entity at which a connected natural person of the Company acted as head
Shenzhen Zhongxingxu Technology Company Limited	Company controlled by a connected natural person of the Company
Beijing Changrui Time Technology Limited	Company controlled by a connected natural person of the Company
Shenzhen Aerospace Property Management Co., Ltd.	Company for which a connected natural person of the Company acted as director during the past 12 months
Shanghai Zhongxing Keyuan Industrial Company Limited	Subsidiary of a company for which a connected natural person of the Company acted as chairman during the past 12 months
GD Ouke Air-conditioning & Refrigeration Company Limited	Subsidiary of a company for which a connected natural person of the Company acted as senior management during the past 12 months and was no longer the connected party since April 2024

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XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

5. Major transactions between the Group and related parties

(1) Transaction of goods with related parties

(a) Sales of goods and services to related parties

	Six months ended 30 June 2024	Six months ended 30 June 2023
Transactions with controlling shareholder and its subsidiaries:		
Zhongxingxin Telecom Company Limited	43	—
Sindi Technologies Co., Ltd.	—	82
	43	82
Transactions with companies where connected natural persons held positions and their subsidiaries:		
航天歐華信息技術有限公司	225,379	391,305
Shenzhen Zhongxing Information Company Limited	—	433
Tianhao Investment Co., Ltd.	14,713	—
ZTE Development Company Limited	42	—
Beijing Changrui Time Technology Limited	—	175
	240,134	391,913
Transactions relating to associates and joint ventures of the Company and their subsidiaries:		
ZTE Hotel Shenzhen Investment & Management Company Limited	27	25
ZTE Hotel Nanjing Management Company Limited	368	325
ZTE Hotel Xi'an Management Company Limited	1,352	822
ZTE Hotel Shanghai Investment & Management Company Limited	799	728
Puxing Mobile Telecom Equipment Co., Ltd.	811	811
WHALE CLOUD TECHNOLOGY CO., LTD	4,583	1,386
DataService Technology Co.,Ltd.	—	291
Shaanxi Zhongtou Zhanlu Phase I Equity Investment Partnership (Limited Partnership)	931	990
Anhui Qiying Intelligent Technology Company Limited*	—	1,416
Jiangxi Guotou Information Technology Co., Ltd.	75	—
Shaanxi Zhongtou Zhanlu Phase II Equity Investment Partnership (Limited Partnership)	1,174	866
	10,120	7,660
	250,297	399,655

* In 2023, the Group completed the disposal of the entire equity interest in Yingbo Super Computer (Nanjing) Technology Company Limited, which had been excluded from the Group's consolidated financial statements as from December 2023. Amounts disclosed in the table above represent transactions with Yingbo Super Computer (Nanjing) Technology Company Limited with Anhui Qiying Intelligent Technology Company Limited for the six months ended 30 June 2023.

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XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

5. Major transactions between the Group and related parties (continued)

(1) Transaction of goods with related parties (continued)

(b) Purchases of goods and services from related parties

	Six months ended 30 June 2024	Six months ended 30 June 2023
Transactions with controlling shareholder and its subsidiaries:		
Sindi Technologies Co., Ltd.#	57,432	69,749
Shenzhen Xinyu Tengyue Electronics Co., Ltd.#	6,893	10,354
Pylon Technologies Co., Ltd.#	—	14
Shenzhen Zhongxing Xinli Precision M&E Technology Company Limited#	58,145	47,530
Shenzhen New Video Smart Technology Company Limited#	—	587
	122,470	128,234
Transactions with companies where connected natural persons held positions and their subsidiaries:		
Shenzhen Aerospace Property Management Co., Ltd.	141	155
GD Ouke Air-conditioning & Refrigeration Company Limited	290	16,536
Beijing Zhongxing Xieli Technology Company Limited	2,989	1,918
Huatong Technology Co., Ltd.	20,767	20,724
Nanchang Zhongzhan Digital Smart Technology Company Limited	26,898	23,480
ZTE Hotel Harbourview Hotel Investment Development Company Limited	568	191
Xiazhi Technology Company Limited	—	115
Shenzhen Zhongxing Tenglang Eco-Tech Company Limited	—	8,646
	51,653	71,765
Transactions relating to associates and joint ventures of the Company and their subsidiaries:		
ZTE Hotel Shenzhen Investment & Management Company Limited	10,792	8,814
ZTE Hotel Nanjing Management Company Limited	4,989	7,354
ZTE Hotel Xi'an Management Company Limited	2,978	6,226
ZTE Hotel Shanghai Investment & Management Company Limited	2,698	3,395
Jetflow Technologies Co., Ltd.	88	—
WHALE CLOUD TECHNOLOGY CO., LTD	102,410	97,646
	123,955	123,435
	298,078	323,434

Continuing connected transaction subject to annual reporting under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Note: For the period, the Group conducted commodity trade with related parties based on market prices.

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XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

5. Major transactions between the Group and related parties (continued)

(2) Leasing with related parties

(a) As lessor

	Type of lease asset	Six months ended 30 June 2024 Lease income	Six months ended 30 June 2023 Lease income
Transactions with controlling shareholder and its subsidiaries:			
Shenzhen Zhongxing New Cloud Service Company Limited	Office	1,729	1,962
Shenzhen Zhongxing Xinli Precision M&E Technology Company Limited	Quarters	–	6
		1,729	1,968
Transactions with companies where connected natural persons held positions and their subsidiaries:			
Zhongxing Intelligent Technology (Wuhu) Company Limited	Office	73	85
Shenzhen ZTE International Investment Company Limited	Office	67	77
Huatong Technology Co., Ltd.	Office	17	17
Shanghai Zhongxing Keyuan Industrial Company Limited	Office	218	218
Shenzhen Zhongxing Energy Conservation & Environmental Service Company Limited.	Office	148	147
		523	544
Transactions relating to associates and joint ventures of the Company and their subsidiaries:			
ZTE Hotel Shenzhen Investment & Management Company Limited	Property and equipment & facilities	5,481	6,432
ZTE Hotel Nanjing Management Company Limited	Property and equipment & facilities	3,292	3,427
ZTE Hotel Xi'an Management Company Limited	Property and equipment & facilities	8,781	9,320
ZTE Hotel Shanghai Investment & Management Company Limited	Property and equipment & facilities	7,863	8,181
Jetflow Technologies Co., Ltd.	Office	307	–
		25,724	27,360
		27,976	29,872

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XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

5. Major transactions between the Group and related parties (continued)

(2) Leasing with related parties (continued)

(b) As lessee

	Type of lease asset	Rental expense based on simplified short term lease and low value asset lease	Variable lease payment not included in the measurement of lease liabilities	Rental paid	Lease liability interest expense assumed	Right of use assets added
Transactions with controlling shareholder and its subsidiaries:						
Zhongxingxin Telecom Company Limited	Office	107	–	3,121	621	–
Transactions with companies where connected natural persons held positions and their subsidiaries:						
Chongqing Zhongxing Development Company Limited	Office	439	–	3,010	694	29,096
Chongqing Zhongxing Zhongtou Property Service Company Limited	Office	212	–	–	–	–
Sanhe Zhongxing Property Service Company Limited	Office	1,644	–	–	–	–
Sanhe Zhongxing Development Company Limited	Office	–	–	7,736	1,516	–
Tianjin ZTE International Investment Company Limited	Office	687	–	1,925	653	–
		3,089	–	15,792	3,484	29,096

Note: The Group recognised lease income of RMB27,976,000 (Six months ended 30 June 2023: RMB29,872,000) for the period according to the lease contracts for the lease of office and equipment to the aforesaid related parties.

The Group recognised lease expense of RMB15,792,000 (six months ended 30 June 2023: RMB11,059,000) for the period according to the lease contracts for the lease of office from the aforesaid related parties.

(3) Other major related transactions

Remuneration of key management employees

	Six months ended 30 June 2024	Six months ended 30 June 2023
Short-term staff remuneration	6,069	6,092
Retirement benefit	165	163
Total	6,234	6,255

Note: In respect of the share option incentives granted to key management employees of the Company, no share-based payment expense was recognised the six months ended 30 June 2024 as the vesting period had expired. (six months ended 30 June 2023: RMB861,000). For details, please refer to Note XII.1.

RMB'000

XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

6. Commitments of the Group with related parties

(1) Information on purchases with related parties in 2024–2025 of the Group as purchaser was as follows:

Supplier	Subject of purchase	Date of agreement	Duration of agreement	Estimated purchase 2024	Estimated purchase 2025
Zhongxingxin Telecom Company Limited and its subsidiaries	Raw materials	December 2023	1 year	450,000	–
Huatong Technology Co., Ltd.	Software outsourcing	December 2022	2 years	85,000	–
Nanchang Zhongzhan Digital Smart Technology Company Limited	Software outsourcing	December 2022	2 years	85,000	–
ZTE Hotel Shenzhen Investment & Management Company Limited and its subsidiaries	Hotel service	December 2023	2 years	65,000	65,000
Total				685,000	65,000

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

(2) Information on sales with related parties in 2024 of the Group as seller was as follows:

Customer	Subject of sales	Date of agreement	Duration of agreement	Estimated sales 2024
航天歐華信息技術有限公司	Full range of government and corporate business products	December 2023	1 year	1,150,000

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

(3) Information on leases of the Group (as lessor) with related parties in 2024–2025 was as follows:

Lessee	Estimated lease income 2024	Estimated lease income 2025
Transactions with controlling shareholder and its subsidiaries	3,001	457
Transactions with companies where connected natural persons held positions and their subsidiaries	316	294
Transactions with associates and joint ventures of the Company and their subsidiaries	50,823	50,823
	54,140	51,574

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

(4) Information on leases of the Group (as lessee) with related parties in 2024–2025 was as follows:

Lessor	Estimated lease expense 2024	Estimated lease expense 2025
Transactions with controlling shareholder and its subsidiaries	11,888	11,888
Transactions with companies for which related natural persons held positions and their subsidiaries	29,550	30,264
	41,438	42,152

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

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XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

7. Balances of amounts due from/to related parties

Item	Name of related companies	30 June 2024 Book balance	30 June 2024 Bad debt provision	31 December 2023 Book balance	31 December 2023 Bad debt provision
Bills receivable	Jetflow Technologies Co., Ltd.	100	–	–	–
	航天歐華信息技術有限公司	390	–	283,374	–
		490	–	283,374	–
Trade receivable	WHALE CLOUD TECHNOLOGY CO., LTD	399	390	769	420
	Tiejian Union (Beijing) Technology Co., Ltd.	3,224	3,224	7,424	7,424
	ZTE Hotel Shenzhen Investment & Management Company Limited	46,759	29,180	42,202	26,250
	ZTE Hotel Xi'an Management Company Limited	25,957	8,483	25,907	9,592
	ZTE Hotel Nanjing Management Company Limited	4,636	631	5,007	868
	ZTE Hotel Shanghai Investment & Management Company Limited	70,712	45,349	67,530	43,756
	航天歐華信息技術有限公司	5	3	745	36
	Shenzhen Xingkai Communication Equipment Limited	22,060	17,868	22,060	17,868
	Shenzhen Zhongxing Information Company Limited	80	–	80	–
	Anhui Qiying Intelligent Technology Company Limited*	–	–	2,004	18
	Sindi Technologies Co., Ltd.	–	–	1,124	11
	SHIJIAZHUANG SMART INDUSTRY CO., LTD	–	–	389	389
	Jetflow Technologies Co., Ltd.	63	–	645	441
	Shanghai Zhongxing Keyuan Industrial Company Limited	–	–	115	–
	Zhongxing Intelligent Technology (Wuhu) Company Limited	–	–	51	–
	Beijing Changrui Time Technology Limited	414	254	414	77
		174,309	105,382	176,466	107,150
Prepayment	Shenzhen Zhongxing Xinli Precision M&E Technology Company Limited	–	–	731	–
	Shenzhen Zhongxing Information Company Limited	758	–	–	–
		758	–	731	–
Other receivables	Shandong Xingji Real Estate Company Limited	–	–	5,000	5,000

RMB'000

XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

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

Item	Name of related companies	30 June 2024	31 December 2023
Bills payable	WHALE CLOUD TECHNOLOGY CO., LTD	1,908	—
	Shenzhen Xinyu Tengyue Electronics Co., Ltd.	4,317	6,156
	Sindi Technologies Co., Ltd.	50,945	64,266
	Shenzhen Zhongxing Xinli Precision M&E Technology Company Limited	50,831	42,956
	GD Ouke Air-conditioning & Refrigeration Company Limited	2,144	25,602
	Pylon Technologies Co., Ltd.	—	808
	Shenzhen Zhongxing Tenglang Eco-Tech Company Limited	4,465	5,841
	Jetflow Technologies Co., Ltd.	100	201
	Shenzhen New Video Smart Technology Company Limited	29	83
		114,739	145,913
Trade payables	Shenzhen Xinyu Tengyue Electronics Co., Ltd.	1,624	3,202
	Sindi Technologies Co., Ltd.	16,202	17,310
	Shenzhen Zhongxing WXT Equipment Company Limited	327	483
	Shenzhen Zhongxing Information Company Limited	762	6,365
	Puxing Mobile Telecom Equipment Co., Ltd.	217	217
	Shenzhen Zhongxing Xinli Precision M&E Technology Company Limited	23,137	26,344
	GD Ouke Air-conditioning & Refrigeration Company Limited	—	102
	WHALE CLOUD TECHNOLOGY CO., LTD	198,339	152,100
	Pylon Technologies Co., Ltd.	2,207	2,202
	航天歐華信息技術有限公司	2,237	2,237
	Nanchang Zhongzhan Digital Smart Technology Company Limited	—	45
	Shenzhen Zhongxing Tenglang Eco-Tech Company Limited	398	453
		245,450	211,060

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XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

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

Item	Name of related companies	30 June 2024	31 December 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	6,244	10,975
	Zhongxing Software Technology (Shenyang) Company Limited	3	3
	WHALE CLOUD TECHNOLOGY CO., LTD	8,458	8,458
	Shaanxi Zhongtou Zhanlu Phase II Equity Investment Partnership (Limited Partnership)	1,636	—
	Shenzhen Zhongxingxu Technology Company Limited	3,000	—
	Shaanxi Zhongtou Zhanlu Phase I Equity Investment Partnership (Limited Partnership)	940	—
	Beijing Changrui Time Technology Limited	20	—
	Anhui Qiying Intelligent Technology Company Limited*	—	13
		27,403	26,551
Other payables	Zhongxingxin Telecom Company Limited	10	10
	Shenzhen Zhongxing WXT Equipment Company Limited	12	12
	INTLIVE TECHNOLOGIES (PRIVATE) LIMITED	5,440	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.	65	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
	Zhongxing Intelligent Technology (Wuhu) Company Limited	26	—
	Shenzhen Zhongxing Xinli Precision M&E Technology Company Limited	—	2
	Nanchang Zhongzhan Digital Smart Technology Company Limited	—	260
	ZTE Development Company Limited*	—	900
		12,559	17,991

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XI. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

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

Item	Name of related companies	30 June 2024	31 December 2023
Lease liabilities	Sanhe Zhongxing Development Company Limited	60,093	66,312
	Tianjin ZTE International Investment Company Limited	26,589	27,861
	Zhongxingxin Telecom Company Limited	24,406	26,906
	Chongqing Zhongxing Development Company Limited	27,823	1,043
		138,911	122,122

* In 2023, the Group completed the disposal of the entire equity interest in Yingbo Super Computer (Nanjing) Technology Company Limited, which had been excluded from the Group's consolidated financial statements as from December 2023. Amounts disclosed in the table above represent the balances of Yingbo Super Computer (Nanjing) Technology Company Limited with Anhui Qiying Intelligent Technology Company Limited and ZTE Development Company Limited as at November 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.

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 actual controller of the Company and their spouses, parents or children.

The share options under the initial grant shall be valid for a period of 4 years from the date of grant. After the expiry of a 1-year vesting period from the date of grant, one-third of the options shall become exercisable in each of the three subsequent exercise periods, namely, the first, second and third exercise periods, subject to the fulfilment of conditions relating to business performance. The share options not exercisable due to failure to fulfil conditions relating to business performance or those currently not exercised after the end of the exercise period shall forthwith become null and void and be repurchased without consideration and cancelled by the Company.

The performance indicators for the exercise of the share options include: 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)

(1) 2020 Share Option Incentive Scheme — initial grant (continued)

The detailed conditions for the exercise of the share options:

The conditions for the exercise of the granted share options for each exercise period:

Exercise period	Percentage of options exercisable	Duration	Conditions for exercise
First exercise period ("First Period")	1/3	2021.11.6– 2022.11.5	Net Profit for 2020 shall be no less than RMB3.0 billion
Second exercise period ("Second Period")	1/3	2022.11.6– 2023.11.5	Cumulative net profit for 2020 and 2021 shall be no less than RMB6.47 billion
Third exercise period ("Third Period")	1/3	2023.11.6– 2024.11.5	Cumulative net profit for 2020, 2021 and 2022 shall be no less than RMB10.23 billion

For the six months ended 30 June 2024, no share-based payment expense was recognised as the vesting period had expired.

(2) 2020 Share Option Incentive Scheme — reserved options

Pursuant to the "Resolution on Matters pertaining to the Grant of Reserved Share Options under the 2020 Share Option Incentive Scheme" considered and passed at the Fortieth Meeting of the Eighth Session of the Board of Directors of the Company and the Thirty-first Meeting of the Eighth Session of the Supervisory Committee held on 23 September 2021, 5,000,000 reserved share options shall be granted to 410 participants. In accordance with ASBE No. 11 — Share-based payment, the date of grant shall be the date on which the agreement governing the share-based payment is approved. Therefore, the date of grant for the reserved share options under the share option incentive scheme shall be 23 September 2021. Participants in the reserved share options shall be key business 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)

The 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 six months ended 30 June 2024, no share-based payment expense was recognised as the vesting period had expired.

(3) Equity instruments granted are as follows:

Volume: in unit of 1,000

	Grant during the period		Exercised during the period		Unlocked during the period		Cancelled during the period	
	Volume	Amount	Volume	Amount	Volume	Amount	Volume	Amount
Sales employees	–	–	–	–	–	–	–	–
Management employees	–	–	–	–	–	–	–	–
R&D employees	–	–	–	–	–	–	–	–
Total	–	–	–	–	–	–	–	–

(4) Equity instruments issued and outstanding at the end of the period are as follows:

	Share option	
	Range of exercise price	Remaining term of contract
Sales, management and R&D employees	RMB34.47–34.92	3–4 months

(5) Details of equity-settled share-based payments are as follows:

	30 June 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 the period-end
Reason for material difference between estimate for the period and estimate for the previous year	Nil
Cumulative amount of equity-settled share-based payment charged to capital reserve	1,120,060

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XIII. COMMITMENTS AND CONTINGENT EVENTS

1. Material commitments

	30 June 2024	31 December 2023
Contracted but not provided of		
Capital expenditure commitments	2,430,802	2,322,794
Investment commitments	423,320	495,170
Including: investment commitment to joint ventures	366,820	438,670
	2,854,122	2,817,964

2. Contingent events

2.1. 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 owing to 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 session 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 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 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, the second trial commenced at Shaanxi Higher People's Court.

Based on the legal opinion furnished by the legal counsel engaged by the Company and the progress of the cases, the Company is currently not able to make reliable estimates on outcome of the litigation.

XIII. COMMITMENTS AND CONTINGENT EVENTS (continued)

2. Contingent events (continued)

2.2. 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 (its wholly-owned subsidiary) ("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.

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XIII. COMMITMENTS AND CONTINGENT EVENTS (continued)

2. Contingent events (continued)

2.2. (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 Export Compliance Screen System (ECSS), to automate key aspects of export compliance management; carried out ECCN Publication Project, which makes available to its customers and business partners the applicable Export Control Classification Number ("ECCN") and other export control information for products subject to the EAR via a public website; continued to provide online and offline export compliance training for senior management, subsidiaries, compliance liaisons, account managers and new employees; cooperated with the special compliance coordinator to conduct various monitoring and compliance audits; and made continuous investment on the work on export control compliance.

In the first half of 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.

2.3. As at 30 June 2024, an amount of RMB12,538,929 thousand (31 December 2023: RMB10,049,921 thousand) was outstanding under the bank guarantee letters issued by the Group.

XIV. OTHER SIGNIFICANT MATTERS

1. Segment reporting

(1) Operating segment

For management purposes, the Group is organised into business units based on its products and services and has 3 reportable operating segments as follows:

(a) Carriers' network is focused on meeting carries' requirements in network evolution with the provision of wireless access, wireline access, bearer systems, core networks, server and storage and other innovative technologies and product solutions;

(b) The Consumer Business is focused on bringing experience in smart devices to customers while also catering to the requirements of industry clients through the development, production and sale of products such as home information terminal, smart phones, mobile Internet terminals, innovative fusion terminals, as well as the provision of related software application and value-added services;

(c) The Government and Corporate Business is focused on meeting requirements of government and corporate clients, providing informatisation solutions for the government and corporations through the application of products such as "communications networks, IOT, Big Data and cloud computing".

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted total profit from continuing operations, which is consistent with the Group's total profit from continuing operations, except for the exclusion of finance costs, other income, non-operating income, fair value gains from financial instruments, investment income 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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XIV. OTHER SIGNIFICANT MATTERS (continued)

1. Segment reporting (continued)

(1) Operating segment (continued)

Six months ended 30 June 2024

	Carriers' network	Consumer business	Government and corporate business	Total
Segment revenue				
Six months ended 30 June 2024				
Revenue from customer contracts	37,296,344	16,018,963	9,122,672	62,437,979
Rental income	—	—	49,119	49,119
Sub-total	37,296,344	16,018,963	9,171,791	62,487,098
Segment results	17,427,241	1,816,261	1,300,720	20,544,222
Unallocated revenue				1,835,388
Unallocated cost				(15,614,076)
Finance costs				(46,305)
Gain from changes in fair values				(416,539)
Investment gain from associates and joint ventures				(25,507)
Total profit				6,277,183
Total assets				
30 June 2024				
Segment assets	42,914,375	17,700,252	10,553,358	71,167,985
Unallocated assets				134,339,791
Sub-total				205,507,776
Total liabilities				
30 June 2024				
Segment liabilities	9,043,332	3,006,582	2,223,905	14,273,819
Unallocated liabilities				120,473,259
Sub-total				134,747,078
Supplemental information				
Six months ended 30 June 2024				
Depreciation and amortisation expenses	1,508,506	647,910	370,967	2,527,383
Capital expenditure	1,407,061	604,340	346,019	2,357,420
Asset impairment losses	(358,466)	(153,963)	(88,153)	(600,582)
Credit impairment losses	44,595	19,154	10,966	74,715

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XIV. OTHER SIGNIFICANT MATTERS (continued)

1. Segment reporting (continued)

(1) Operating segment (continued)

Six months ended 30 June 2023

	Carriers' network	Consumer business	Government and corporate business	Total
Segment revenue				
Six months ended 30 June 2023				
Revenue from external transactions	40,811,506	14,017,511	5,817,966	60,646,983
Rental income	—	—	57,811	57,811
Sub-total	40,811,506	14,017,511	5,875,777	60,704,794
Segment results	18,558,924	1,273,644	1,103,390	20,935,958
Unallocated revenue				1,069,520
Unallocated cost				(16,404,269)
Finance costs				813,752
Gain from changes in fair values				(430,990)
Investment gain from associates and joint ventures				75,367
Total profit				6,059,338
Total assets				
30 June 2023				
Segment assets	47,115,712	15,661,647	6,783,416	69,560,775
Unallocated assets				116,626,396
Sub-total				186,187,171
Total liabilities				
30 June 2023				
Segment liabilities	10,464,751	2,844,125	1,506,647	14,815,523
Unallocated liabilities				107,275,852
Sub-total				122,091,375
Supplemental information				
Six months ended 30 June 2023				
Depreciation and amortisation expenses	1,600,268	549,643	230,397	2,380,308
Capital expenditure	1,400,822	481,140	201,681	2,083,643
Asset impairment losses	(186,324)	(63,997)	(26,825)	(277,146)
Credit impairment losses	(119,781)	(41,141)	(17,246)	(178,168)

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XIV. OTHER SIGNIFICANT MATTERS (continued)

1. Segment reporting (continued)

(2) Geographic Information

Total revenue

	Six months ended 30 June 2024	Six months ended 30 June 2023
The PRC	43,060,861	43,115,530
Asia (excluding the PRC)	7,536,916	6,139,353
Africa	2,995,895	2,870,199
Europe, America and Oceania	8,893,426	8,579,712
	62,487,098	60,704,794

Total non-current assets

	30 June 2024	30 June 2023
The PRC	23,606,820	23,519,552
Asia (excluding the PRC)	1,387,241	1,105,587
Africa	489,899	450,286
Europe, America and Oceania	397,822	284,636
	25,881,782	25,360,061

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 RMB17,647,222,000 was derived from carriers' network and consumer business revenue from one major customer (Six months ended 30 June 2023: RMB19,635,193,000 from one major customer).

2. # Net current assets/(liabilities)

	30 June 2024 Group	31 December 2023 Group	30 June 2024 Company	31 December 2023 Company
Current assets	151,621,510	158,504,553	128,327,389	151,894,602
Less: current liabilities	79,579,718	83,030,414	78,729,764	92,399,683
Net current assets/(liabilities)	72,041,792	75,474,139	49,597,625	59,494,919

3. # Total assets less current liabilities

	30 June 2024 Group	31 December 2023 Group	30 June 2024 Company	31 December 2023 Company
Total assets	205,507,776	200,958,318	177,725,713	193,091,487
Less: current liabilities	79,579,718	83,030,414	78,729,764	92,399,683
Total assets less current liabilities	125,928,058	117,927,904	98,995,949	100,691,804

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XV. MAJOR ITEMS IN THE FINANCIAL STATEMENTS

1. Currency cash

	30 June 2024	31 December 2023
Cash on hand	644	1,106
Bank deposit	31,208,067	39,799,977
Other currency cash	525,903	882,058
Amounts placed with the Group Finance Company	8,859,531	21,292,050
	40,594,145	61,975,191
Including: Total amount of cash placed overseas	476,591	430,443

As at 30 June 2024, the Group's currency cash placed overseas and subject to restrictions amounted to RMB111,000 (31 December 2023: RMB73,000).

2. Trade receivables

(1) The aging analysis of trade receivables is set out as follows:

	30 June 2024	31 December 2023
Not overdue	13,313,021	16,278,135
Within 1 year	12,935,537	11,770,438
1–2 years	3,365,193	4,091,017
2–3 years	1,758,606	1,400,995
Over 3 years	8,410,479	8,559,056
	39,782,836	42,099,641
Less: bad debt provision for trade receivables	6,187,105	6,155,903
Total	33,595,731	35,943,738

30 June 2024

	Book balance		Bad debt provision		Book value
	Amount	Percentage	Amount	Percentage	
Standalone impairment provision	1,706,019	4.29%	1,706,019	100.00%	–
Charge of impairment provision by group with credit risk characteristics	38,076,817	95.71%	4,481,086	11.77%	33,595,731
Total	39,782,836	100.00%	6,187,105	15.55%	33,595,731

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XV. MAJOR ITEMS IN THE FINANCIAL STATEMENTS (continued)

2. Trade receivables (continued)

(1) The aging analysis of trade receivables is set out as follows: (continued)

31 December 2023

	Book balance		Bad debt provision		Book value
	Amount	Percentage	Amount	Percentage	
Standalone impairment provision	1,690,977	4.02%	1,690,977	100.00%	–
Charge of impairment provision 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

As at 30 June 2024, bad debt provisions for trade receivables on a group basis were as follows:

	Book balance	Impairment provision	Percentage of provision
Not overdue	13,313,021	117,747	0.88%
Within 1 year	12,843,841	163,338	1.27%
1–2 years	3,362,901	375,437	11.16%
2–3 years	1,742,114	254,484	14.61%
Over 3 years	6,814,940	3,570,080	52.39%
Total	38,076,817	4,481,086	11.77%

(2) Movements in bad-debt provisions for trade receivables:

	Opening balance	Provision/ (reversal) for the period	Write off for the period	Exchange rate movement	Closing balance
30 June 2024	6,155,903	48,985	(7,661)	(10,122)	6,187,105

During the six months ended 30 June 2024, there was a reversal of RMB2,225,000 (six months ended 30 June 2023: RMB9,636,000) and a write-off of RMB0 (six months ended 30 June 2023: RMB0) in respect of bad-debt provision for individually significant trade receivables.

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XV. MAJOR ITEMS IN THE FINANCIAL STATEMENTS (continued)

2. Trade receivables (continued)

(2) Movements in bad-debt provisions for trade receivables: (continued)

Top 5 accounts of trade receivables and contract assets as at 30 June 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 aggregate closing balance of total trade receivables and contract assets	Closing balance of bad debt provision for trade receivables and impairment provision contract assets
Customer 1	3,081,971	638,375	3,720,346	8.52%	11,316
Customer 2	3,847,193	597,066	4,444,259	10.18%	15,251
Customer 3	2,246,269	384,372	2,630,641	6.02%	2,937
Customer 4	605,545	60,887	666,432	1.53%	154,626
Customer 5	398,130	3,475	401,605	0.92%	21,099
Total	10,179,108	1,684,175	11,863,283	27.17%	205,229

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

3. Other receivables

	30 June 2024	31 December 2023
Dividend receivable	638,753	2,823,753
Other receivables	32,646,666	28,829,300
Total	33,285,419	31,653,053

(1) Other receivables

Aging analysis of other receivables as follows:

	30 June 2024	31 December 2023
Within 1 year	20,744,128	20,584,027
1–2 years	6,350,554	4,364,164
2–3 years	2,129,992	2,310,947
3–4 years	1,838,043	959,975
4–5 years	940,776	658,639
Over 5 years	658,639	—
	32,662,132	28,877,752
Bad debt provision	15,466	48,452
Total	32,646,666	28,829,300

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XV. MAJOR ITEMS IN THE FINANCIAL STATEMENTS (continued)

3. Other receivables (continued)

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

	30 June 2024	31 December 2023
Transactions with third parties	32,662,132	28,877,752

30 June 2024

	Book balance		Bad debt provision		Book value
	Amount	Percentage	Amount	Percentage	
Charge of bad debt provision by group with credit risk characteristics	32,662,132	100.00%	15,466	0.05%	32,646,666

As at 30 June 2024, bad debt provisions for other receivables on a group basis were as follows:

	Book balance	Impairment provision	Percentage of provision
Aging risk portfolio	32,662,132	15,466	0.05%

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

	Opening balance	Charge/ (reversal) for the period	Write-off for the period	Closing balance
Aging risk portfolio	48,452	(32,986)	–	15,466

4. Long-term receivables

	30 June 2024	31 December 2023
Loans granted to subsidiaries (Note)	2,872,513	2,963,702
Installment payments for the provision of telecommunication system construction projects	1,727,905	1,894,521
	4,600,418	4,858,223
Less: Bad debt provision for long-term receivables	31,435	25,099
	4,568,983	4,833,124

Note: 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.

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XV. MAJOR ITEMS IN THE FINANCIAL STATEMENTS (continued)

4. Long-term receivables (continued)

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

	Opening balance	Charge/ (reversal) for the period	Closing balance
30 June 2024	**25,099**	**6,336**	**31,435**
31 December 2023	35,930	(10,831)	25,099

The interest rate of long-term receivables ranged from 4.10%–6.16%.

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

5. Investment in associates, joints and subsidiaries

		30 June 2024	31 December 2023
Equity method			
Joint Ventures	(1)	**765,088**	728,001
Associates	(2)	**965,383**	1,050,567
Less: Provision for impairment in investment in associates, joints and subsidiaries		**—**	—
Total		**1,730,471**	1,778,568
Cost method			
Subsidiaries	(3)	**16,815,454**	16,814,207
Less: Provision for impairment in investment in associates, joints and subsidiaries	(4)	**613,526**	613,526
Total		**16,201,928**	16,200,681
Total		**17,932,399**	17,979,249

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XV. MAJOR ITEMS IN THE FINANCIAL STATEMENTS (continued)

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

(1) *Joint Ventures*

		Movements during the period								
	Opening balance	Increase of investment	Decrease of investment	Investment gains/losses under equity method	Other Comprehensive income	Other equity movements	Cash Dividend declared	Allowance for impairment provision	Closing book balance	Impairment provision at the end of the period
Puxing Mobile Telecom Equipment Co., Ltd.	10,752	–	–	–	–	–		–	10,752	–
DataService Technology Co., Ltd.	36,054	–	–	(4,096)	–	–	–	–	31,958	–
Zhuhai Red Earth Zhanlu Equity Investment Partnership (L.P.)	587,920	–	–	41,664	–	–	–	–	629,584	–
Beijing Shunyi Jianguang Zhanlu Emerging Industry Equity Investment Partnership (Limited Partnership)	93,275	–	–	(481)	–	–	–	–	92,794	–
Total	728,001	–	–	37,087	–	–	–	–	765,088	–

(2) *Associates*

		Movements during the period									
	Opening balance	Increase of investment	Decrease of investment	Investment gains/losses under equity method	Other Comprehensive income	Other equity movements	Cash Dividend declared	Allowance for impairment provision	Others	Closing book balance	Impairment provision at the end of the period
WHALE CLOUD TECHNOLOGY CO., LTD.	820,204	–	–	(68,328)	(5,166)	–	–	–	–	746,710	–
Jetflow Technologies Co., Ltd.	5,991	–	–	(2,383)	–	–	–	–	–	3,608	–
Xingyun Times Technology Co., Ltd.	121,441	–	–	(3,735)	–	–	–	–	–	117,706	–
Qingdao Hongtu Zhanlu Phase II Private Equity Investment Fund Partnership (Limited Partnership)	60,436	–	–	(559)	–	–	–	–	–	59,877	–
Zhongxing (Wenzhou) Urban Rail Transportation Communication Technical Co. Ltd.	34,738	–	–	2,744	–	–	–	–	–	37,482	–
Other investments	7,757	–	(5,474)	(2,283)	–	–	–	–	–	–	–
Total	1,050,567	–	(5,474)	(74,544)	(5,166)	–	–	–	–	965,383	–

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XV. MAJOR ITEMS IN THE FINANCIAL STATEMENTS (continued)

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

(3) *Subsidiaries*

	Investment cost	Opening balance	Increase/ decrease during the period	Closing balance	Percentage of shareholding	Percentage of voting rights	Cash dividend for the period
Shenzhen Zhongxing Software Company Limited	263,293	263,293	–	263,293	100%	100%	1,500,000
ZTE KANGXUN TELECOM CO., LTD.	580,000	580,000	–	580,000	100%	100%	–
Sanechips Technology Co., Ltd.	2,702,784	2,702,784	–	2,702,784	100%	100%	–
Shenzhen ZTE Technology & Service Company Limited	45,000	45,000	–	45,000	100%	100%	–
Xi'an Zhongxing New Software Company Limited	340,000	340,000	–	340,000	100%	100%	–
ZTE (H.K.) Limited	2,226,963	2,226,963	–	2,226,963	100%	100%	–
ZTE (Heyuan) Company Limited	500,000	500,000	–	500,000	100%	100%	–
ZTE Group Finance Company Limited	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 Co., Ltd.	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	100%	100%	–
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	2,790,152	2,788,905	1,247	2,790,152	–	–	1,049,500
Total	16,815,454	16,814,207	1,247	16,815,454	–	–	2,560,060

* 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 period	Closing balance
Shenzhen ZTE Technology & Service Company Limited	9,656	–	9,656
ZXNE CORPORATION	232,360	–	232,360
Other investment	371,510	–	371,510
Total	613,526	–	613,526

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XV. MAJOR ITEMS IN THE FINANCIAL STATEMENTS (continued)

6. Operating revenue and costs

	Six months ended 30 June 2024		Six months ended 30 June 2023	
	Revenue	Cost	Revenue	Cost
Principal operations	58,585,164	57,368,489	57,300,564	52,716,465
Other businesses	10,354,038	98,923	8,741,062	213,972
Total	68,939,202	57,467,412	66,041,626	52,930,437

7. Investment income

	Six months ended 30 June 2024	Six months ended 30 June 2023
Investment (loss)/income from investment in associates, joints and subsidiaries under equity method	(37,457)	75,012
Investment income from investment in associates, joints and subsidiaries under cost method	2,560,060	210,750
Investment income earned during the period of holding financial assets at fair value through profit or loss for the period	1,572	2,714
Investment loss from disposal of investment in associates, joints and subsidiaries	–	(13,560)
Investment loss from disposal of derivative investment	(170,346)	(549,716)
Investment income from disposal of financial assets at fair value through current profit or loss	407	–
Loss on derecognition of financial assets at amortised cost and financial assets at fair value through other comprehensive income	(178,857)	(149,244)
Total	2,175,379	(424,044)

Supplementary Information

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1. BREAKDOWN OF EXTRAORDINARY GAINS/LOSSES

	Six months ended 30 June 2024
Gain from the disposal of non-current assets	67,365
Investment gain from the disposal of investment in associates and joints	1,000
Gains or losses from fair value change arising from financial assets and financial liabilities and gains or losses from disposal of financial assets and financial liabilities held by the Company, excluding the effective value protection hedge business relating to the ordinary business of the Company	(141,560)
Gain or loss from fair-value change of investment properties	(145,522)
Other gains other than income from software VAT rebate and income from refund of handling charge for withholding personal tax	185,922
Write-back of provision for individually tested receivable impairment	2,241
Net of other non-operating income and expenditure other than the above	(333)
Other gains or losses falling under the definition of extraordinary gain or loss	935,935
	905,048
Effect of income tax	(135,757)
Effect of non-controlling interests (net of tax)	(488)
	768,803

Note: The Group recognises extraordinary items in accordance with "Explanatory Announcement for Information Disclosure by Issuers of Public Securities No. 1 Extraordinary Items" (Revised 2023) (CSRC Announcement [2023] No. 65). The extraordinary gain/(loss) items within the definition of extraordinary gain/(loss) and items set out as extraordinary gain/(loss) but defined as recurring gain/(loss) items are as follows:

	Six months ended 30 June 2024	Reasons
Refund of VAT on software products	1,115,629	In line with national policies and received on an ongoing basis
Handling charge for withholding personal tax	33,045	In line with national policies and received on an ongoing basis
Investment gain and gain from fair-value change of Shenzhen ZTE Capital Management Company Limited ("ZTE Capital")	(30,665)	Within the scope of business of ZTE Capital

2. RETURN RATIO ON NET ASSETS AND EARNINGS PER SHARE

	Weighted average return on net assets	Earnings per share	
		Basic	Diluted
Net profit attributable to ordinary shareholders of the Company	8.28%	RMB1.20	RMB1.20
Net profit after extraordinary items attributable to ordinary shareholders of the Company	7.17%	RMB1.04	RMB1.04

DOCUMENTS AVAILABLE FOR INSPECTION

- Financial statements duly signed under the hand and seal of the Company's Legal Representative, Chief Financial Officer and Head of Finance Division;
- Original copies of all of the Company's documents and announcements published during the Reporting Period; and
- Articles of Association.

By order of the Board
Li Zixue
Chairman
16 August 2024

中兴通讯股份有限公司
ZTE CORPORATION