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ZTE CORPORATION

中興通訊股份有限公司

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 763)

Preliminary Results Announcement for the Nine Months ended 30 September 2017

This announcement is made by ZTE Corporation (the “Company” or “listed company”, together with its subsidiaries, the “Group”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

The Company and all the members of the Board of Directors confirm that all the information contained in this announcement is true, accurate and complete and that there is no false and misleading statement or material omission in this announcement.

Important: The financial data for the nine months ended 30 September 2017 contained in this announcement have been prepared in accordance with the Accounting Standards for Business Enterprises of the People's Republic of China (“PRC ASBEs”) and have not been audited by an accountant firm, and may differ from the finalised financial data to be announced. Investors should beware investment risks.

I. Major financial data and indicators for the nine months ended 30 September 2017 (prepared in accordance with PRC ASBEs)

Unit: RMB in thousands

Item	Nine months ended 30 September 2017	Nine months ended 30 September 2016	Percentage of change
Operating revenue	76,579,739	71,564,004	7.01%
Operating profit ^{Note 2}	5,286,675	952,358	455.11%
Total profit	5,290,544	4,186,202	26.38%
Net profit attributable to holders of ordinary shares of the listed company	3,904,652	2,858,887	36.58%
Basic earnings per share (RMB/share)	0.93	0.69	34.78%
Weighted average return on net assets	13.64%	9.25%	Increased by 4.39 percentage points
Item	30 September 2017	31 December 2016	Percentage of change
Total assets	146,028,404	141,640,910	3.10%
Owners' equity attributable to holders of ordinary shares of the listed company	30,865,790	26,401,151	16.91%

Share capital (thousand shares) ^{Note 3}	4,192,672	4,184,628	0.19%
Net assets attributable to holders of ordinary shares of the listed company (RMB/share)	7.36	6.31	16.64%

Note 1: The above figures are based on figures of the consolidated financial statements;

Note 2: In accordance with “ASBE No. 16 – Government Grants” implemented since 12 June 2017, the Group has presented government grants on a net amount basis, whereby government grants have been restored to other relevant items according to their different natures: 1) government grants (contained refund of VAT on software products) relating to day-to-day operations have been accounted for in operating profit (including deduction of related costs, expenses or amounts included in other income); 2) government grants not related to day-to-day operations have continued to be accounted for in non-operating revenue. As required under the accounting standard, the financial statements for the same period last year have not been adjusted retrospectively. As a result, substantial year-on-year growth in operating profit has been recorded for the reporting period;

Note 3: The total share capital of the Company increased from 4,184,628,172 shares to 4,192,671,843 shares following the exercise of a total of 8,043,671 A share options by participants in the 2013 share option incentive scheme of the Company during the first nine months ended 30 September 2017.

II. Operating results and financial conditions

For the nine months ended 30 September 2017, the Group reported operating revenue of RMB76,579,739,000, representing growth of 7.01% as compared to the same period last year. Operating profit amounted to RMB5,286,675,000, representing growth of 455.11% as compared to the same period last year. Total profit amounted to RMB5,290,544,000, representing growth of 26.38% as compared to the same period last year. Net profit attributable to holders of ordinary shares of the listed company amounted to RMB3,904,652,000, representing growth of 36.58% as compared to the same period last year. Significant factors affecting the operating profit and net profit for the reporting period are explained as follows:

1. During the reporting period, the Group recorded a year-on-year growth of 7.01% in operating revenue, primarily resulting from a year-on-year growth in revenue from carriers’ network and consumer business. The consolidated gross profit margin of the Group for the reporting period was 31.64%, substantially the same as that of the corresponding period last year.

2. For the third quarterly of 2017, the Company recorded investment income of RMB426 million (before tax) from the disposal of its 10.1% interests in Nubia Technology Limited. The investment income from its remaining 49.9% interests in Nubia Technology Limited held by the Company arising from fair-value re-measurement amounted to approximately RMB1,746 million (before tax). The figures have not been audited by an accountant firm, and may differ from the finalised financial data to be announced in the 2017 Annual Report.

III. Forecast for 2017 Annual Results

	From the beginning of the year to the end of the next reporting period (Year ended 31 December 2017)	For the same period of last year (Year ended 31 December 2016)	Percentage of change(%)
Estimated accumulated net profit attributable to holders of ordinary shares of the listed company (RMB in hundred million)	Profit: 43-48	Loss: 23.57	Increased by 282.44%-303.65%
Basic earnings per share (RMB/share)	Profit: 1.03-1.15	Loss: 0.57	Increased by 280.70%-301.75%
Further information for the preliminary results	<ol style="list-style-type: none">1. The operating revenue and the gross profit of the Group is expected to be increased as benefited from the year-to-year growth in the revenues from carriers' network and consumers business;2. The loss was recorded resulting from the one time impact caused by paying the fines of USD 892 million to the relevant U.S. government authorities for the year of 2016. No substantial non-operating expenses for the Group is expected to be recorded for this year.		

Note: The financial data as disclosed above were preliminarily estimated by the finance department of the Company based on the information up to this date and has not been audited by an accountant firm.

IV. Other information

For details of the third quarterly report of 2017 of the Company, please refer to the 2017 Third Quarterly Report to be published by the Company on 26 October 2017.

V. Documents for inspection

Comparative balance sheet and income statement prepared in accordance with PRC ASBEs signed by the Legal Representative, Chief Financial Officer and Head of Finance Division of the Company with the company seal affixed.

By Order of the Board

Yin Yimin

Chairman

Shenzhen, the PRC

18 October 2017

As at the date of this announcement, the Board of Directors of the Company comprises two executive directors, Yin Yimin and Zhao Xianming; seven non-executive directors, Zhang Jianheng, Luan Jubao, Wang Yawen, Tian Dongfang, Zhan Yichao, Wei Zaisheng and Zhai Weidong; and five independent non-executive directors, Richard Xike Zhang, Chen Shaohua, Lü Hongbing, Bingsheng Teng and Zhu Wuxiang.