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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 Year Ended 31 December 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 year ended 31 December 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 year ended 31 December 2017
(prepared in accordance with PRC ASBEs)**

Unit: RMB in thousands

Item	Year ended 31 December 2017	Year ended 31 December 2016	Percentage of change
Operating revenue	108,820,352	101,233,182	7.49%
Operating profit ^{Note 2}	6,681,282	1,165,548	473.23%
Total profit	6,655,788	(767,751)	966.92%
Net profit attributable to holders of ordinary shares of the listed company	4,553,788	(2,357,418)	293.17%
Basic earnings per share (RMB/share)	1.09	(0.57)	291.23%
Weighted average return on net assets	15.68%	(8.40%)	Increased by 24.08 points
Item	31 December 2017	31 December 2016	Percentage of change
Total assets	142,906,134	141,640,910	0.89%
Owners' equity attributable to holders of ordinary shares of the listed company	31,668,884	26,401,151	19.95%
Share capital (thousand shares) ^{Note3}	4,192,672	4,184,628	0.19%
Net assets attributable to holders of ordinary shares of the listed company (RMB/share)	7.55	6.31	19.65%

- 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 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 share option incentive scheme of the Company during the reporting period.

II. Operating results and financial conditions

In 2017, the Group was focused on the market of mainstream carriers and high-worth customers and persisted in a proactive yet prudent business strategy while exploring new opportunities for growth, and it actively took part in global network construction and technological evolution. On the back of its stock-up of technologies and products competitiveness over the years, the Group seized opportunities arising from changes in the global market landscape and technological revolutions to gradually enhance its global market position.

For 2017, the Group reported operating revenue of RMB108.820 billion, representing a year-on-year growth of 7.49%, while net profit attributable to holders of ordinary shares of the listed company amounted to RMB4.554 billion, representing a year-on-year growth of 293.17%. The main factors for the impact on conditions of operations and financial conditions are as follows:

1. The year-on-year growth in the Group’s operating revenue from carriers’ network, consumer business and government and corporate business was supported by ongoing investments in telecommunication networks by global carriers and the development of overseas markets for handsets and government and corporate businesses of the Group.
2. In March 2017, the Company reached a settlement with relevant U.S. government authorities and agreed to pay a penalty of approximately USD892 million. Such loss relating to penalty payments has been accounted for in the 2016 financial statements of the Company. The Company made a payment of approximately USD826 million to the relevant U.S. government authorities in 2017.
3. The year-on-year growth of 28.88% in the Group’s net cash flow from operating activities for 2017 to RMB6,779 million was attributable to stronger cash flow and sales revenue collection management by the Group. Excluding the effect of penalty payments to relevant U.S. government authorities, the Group’s net cash flow from operating activities was RMB12,444 million, representing a year-on-year growth of 136.58%.

III. Other information

For details of the 2017 Annual Report of the Company, please refer to 2017 Annual Report Summary and Results Announcement to be published by the Company on 15 March 2018.

IV. 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

1 February 2018

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.