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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 Six Months Ended 30 June 2015**

*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 six months ended 30 June 2015 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 six months ended 30 June 2015 (prepared in accordance with PRC ASBEs)**

Unit: RMB in thousands

Item	Six months ended 30 June 2015	Six months ended 30 June 2014	Percentage of change
Operating revenue	45,937,759	37,697,309	21.86%
Operating profit	66,275	(210,049)	131.55%
Total profit	2,141,059	1,643,986	30.24%
Net profit attributable to holders of ordinary shares in the listed company <sup>Note 2</sup>	1,612,936	1,128,206	42.96%
Basic earnings per share (RMB/share) <sup>Note 2</sup>	0.47	0.33	42.42%
Weighted average return on net assets <sup>Note 3</sup>	6.26%	4.86%	Increased by 1.40 percentage points

Item	At 30 June 2015	At 31 December 2014	Percentage of change
Total assets	113,537,583	106,214,196	6.89%
Owners' equity attributable to holders of ordinary shares in the listed company <sup>Note 4</sup>	26,693,672	24,878,574	7.30%
Share capital (thousand shares)	3,437,541	3,437,541	-
Net asset per share attributable to holders of ordinary shares in the listed company (RMB/share) <sup>Note 4</sup>	7.77	7.24	7.32%

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

Note 2: The Company completed the issue of 2015 Tranche I Perpetual Medium Term Notes for an amount of RMB6 billion on 27 January 2015 and 2015 Tranche II Perpetual Medium Term Notes for an amount of RMB1.5 billion on 6 February 2015, which are presented under "Other equity instruments" in the interim report. For the six months ended 30 June 2015, net profit attributable to holders of ordinary shares in the listed company has been stated less accruable interests attributable to holders of the perpetual medium term notes amounting to RMB180,753,000; basic earnings per share has been arrived at by dividing net profit attributable to holders of ordinary shares in the listed company by the weighted average number of ordinary shares in issue;

Note 3: Weighted average return on net assets for the six months ended 30 June 2015 has been arrived at by dividing net profit attributable to holders of ordinary shares in the listed company by the weighted average net assets less equity attributable to holders of the perpetual medium term notes amounting to RMB7,415,500,000 and accruable interests of RMB180,753,000.

Note 4: Owners' equity attributable to holders of ordinary shares in the listed company as at 30 June 2015 has been stated less equity attributable to holders of the perpetual medium term notes amounting to RMB7,415,500,000 and accruable interests of RMB180,753,000. Net assets per share attributable to holders of ordinary shares in the listed company has been arrived at by dividing owners' equity attributable to holders of ordinary shares in the listed company by the number of ordinary shares in issue as at the end of the period.

## II. Operating results and financial conditions

For the six months ended 30 June 2015, the Group reported operating revenue of RMB45,937,759,000, representing growth of 21.86% as compared to the same period of the previous year. Operating profit amounted to RMB66,275,000, representing growth of 131.55% as compared to the same period of the previous year. Total profit amounted to RMB2,141,059,000, representing growth of 30.24% as compared to the same period of the previous year. Net profit attributable to holders of ordinary shares in the listed company amounted to RMB1,612,936,000, representing growth of 42.96% as compared to the same period of the previous year. Significant factors affecting the operating profit and net profit for the reporting period are as follows:

(1) In connection with carriers' networks, faster progress of domestic 4G projects and increased investments in wireline switch and access systems by the three major operators contributed to the growth in operating revenue and gross profit for domestic FDD-LTE system equipment and wireline switch and access systems. Contract profitability also

improved in line with the expanding scale of international 4G projects. In connection with the government and corporate sectors, growth in operating revenue and gross profit was reported as the number of signed-up smart city projects continued to grow, while our business in railway transport projects also reported steady growth. As a result of the combined effect of the aforesaid factors, the Group reported growth in operating revenue and gross profit for the reporting period;

(2) Expenses of the Group for the reporting period as a percentage of operating revenue remained largely unchanged as compared to the same period of the previous year. The increase in research and development costs as a percentage of operating revenue was mainly attributable to the ongoing increase in the Group's R&D investment in products such as LTE, bearer network, SDN and GPON to support long-term development. Meanwhile, selling and distribution costs and administrative expenses as a percentage of operating revenue decreased year-on-year following enhanced cost management by the Group.

As at 30 June 2015, the Group's total assets amounted to RMB113,537,583,000, representing growth of 6.89% compared to that as at the end of the previous year. Owners' equity attributable to holders of ordinary shares in the listed company amounted to RMB26,693,672,000, representing growth of 7.30% compared to that as at the end of the previous year. The gearing ratio as at 30 June 2015 was 68.15%, which was 7.10 percentage points lower than 75.25% as at the end of the previous year, reflecting mainly the effect of the issue of perpetual medium term notes by the Group and continuous improvements in the Group's profitability.

### **III. Other information**

For details of the 2015 Interim Report of the Company, please refer to the 2015 Interim Report Summary and Results Announcement to be published by the Company on 26 August 2015.

### **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  
**Hou Weigui**  
*Chairman*

Shenzhen, the PRC

21 July 2015

*As at the date of this announcement, the Board of Directors of the Company comprises three executive directors, Shi Lirong, Yin Yimin and He Shiyong; six non-executive directors, Hou Weigui, Zhang Jianheng, Xie Weiliang, Wang Zhanchen, Zhang Junchao and Dong Lianbo; and five independent non-executive directors, Qu Xiaohui, Wei Wei, Chen Naiwei, Tan Zhenhui and Richard Xike Zhang.*