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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 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 six months ended 30 June 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 six months ended 30 June 2017
(prepared in accordance with PRC ASBEs)**

Unit: RMB in thousands

Item	Six months ended 30 June 2017	Six months ended 30 June 2016	Percentage of change
Operating revenue	54,010,596	47,757,302	13.09%
Operating profit	3,293,661	495,416	564.83%
Total profit	3,264,330	2,707,781	20.55%
Net profit attributable to holders of ordinary shares of the listed company	2,293,665	1,766,397	29.85%
Basic earnings per share (RMB/share)	0.55	0.43	27.91%
Weighted average return on net assets	8.30%	5.83%	Increased by 2.47 percentage points
Item	30 June 2017	31 December 2016	Percentage of change
Total assets	139,811,919	141,640,910	(1.29%)
Owners' equity attributable to holders of ordinary shares of the listed company	28,844,008	26,401,151	9.25%
Share capital (thousand shares) ^{Note 2}	4,190,015	4,184,628	0.13%
Net assets attributable to holders of ordinary shares of the listed company (RMB/share)	6.88	6.31	9.03%

- Note 1: The above figures are based on figures of the consolidated financial statements;
- Note 2: The total share capital of the Company increased from 4,184,628,172 shares to 4,190,014,530 shares following the exercise of a total of 5,386,358 A share options by participants in the share option incentive scheme of the Company during the reporting period.

II. Operating results and financial conditions

For the first six months of 2017, the Group reported operating revenue of RMB54,010,596,000, representing growth of 13.09% as compared to the same period last year. Operating profit amounted to RMB3,293,661,000, representing growth of 564.83% as compared to the same period last year. Total profit amounted to RMB3,264,330,000, representing growth of 20.55% as compared to the same period last year. Net profit attributable to holders of ordinary shares of the listed company amounted to RMB2,293,665,000, representing growth of 29.85% 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. For the six months ended 30 June 2017, the Group's operating revenue amounted to RMB54,010,596,000, representing year-on-year growth of 13.09%. In connection with carriers' network, growth in both operating revenue and gross profit was reported for wireless communications and fixed-line and bearer systems, as domestic carriers continued to invest in transmission and access systems for 4G projects. In connection with consumer business, growth in both operating revenue and gross profit was reported for handset products following overseas market development. The combined effect of the aforesaid factors has contributed to growth in both operating revenue and gross profit of the Group for the reporting period;
2. In accordance with "ASBE No. 16 – Government Subsidies" implemented since 12 June 2017, the Group has presented government subsidies on a net amount basis, whereby government subsidies have been restored to other relevant items according to their different natures: 1) government subsidies (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 subsidies 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.

III. Other information

For details of the 2017 Interim Report of the Company, please refer to 2017 Interim Report Summary and Results Announcement to be published by the Company on 24 August 2017.

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

19 July 2017

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