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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)

Overseas Regulatory Announcement Announcement Change in Accounting Policies of Government Grants

This announcement is made pursuant to Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Company and all the members of its 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.

I. General description of the change in accounting policies

The Ministry of Finance of the People's Republic of China announced amendments to "ASBE 16 – Government grants" (the "New Standard") on 10 May 2017 for implementation with effect from 12 June 2017. ZTE Corporation (the "Company") had revised its accounting policy accordingly, and such revision was considered and approved at the Twenty-second Meeting of the Seventh Session of the Board of Directors and the Nineteenth Meeting of the Seventh Session of the Supervisory Committee held on 24 August 2017.

II. Effect of the change in accounting policies on the Company

1. Effect on financial statements prepared under the People's Republic of China Accounting Standards for Business Enterprises ("A-share Statements")

In accordance with the New Standard, the Company has modified the presentation of its A-share Statements. Government grants relating to day-to-day activities and specifically applied in the reimbursement of incurred related costs and expenses have been removed from "non-operating income" in the income statement and restated as set-off of related costs and expenses; other government grants relating to day-to-day activities (including refund of VAT on software products) are moved from "non-operating income" in the income statement to "other income" in the income statement. In accordance with the requirement of the New Standard, the Company has not made any retrospective adjustments to figures for the same period last year.

2. Effect on financial statements prepared under Hong Kong Financial Reporting Standards (“H-share Statements”)

In accordance with the “Joint Declaration of the China Accounting Standards Committee and the Hong Kong Institute of Certified Public Accountants on the converged China Accounting Standards for Business Enterprises and Hong Kong Financial Reporting Standards”, the Company has modified the presentation of its H-share Statements. Government grants relating to day-to-day activities and specifically applied for the reimbursement of incurred related costs and expenses have been removed from “other income and gains” in the comprehensive income statement and restated as set-off of related costs and expenses; the presentation of other government grants relating to day-to-day activities (including refund of VAT on software products) has remained unchanged and continued to be included under “other income and gains”. In accordance with HKAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, Company has made retrospective adjustments to figures for the same period last year.

The said change in accounting policies has affected the presentation of A-share Statements and H-share Statements only, but has not affected the net assets and net profit of the Company.

III. Statement of the Board of Directors on the reasonableness of the said change in accounting policies

The Board of Directors is of the view that the said change in accounting policies will enable the provision of more reliable and more relevant accounting information to users of the financial statements, and that the decision-making procedures have been in compliance with the relevant provisions of pertinent laws and regulations and the Articles of Association.

IV. Opinion of the Independent Non-executive Directors

The Independent Non-executive Directors of the Company, being of the view that the decision-making procedures pertaining to the said change in accounting policies have been in compliance with the relevant provisions of pertinent laws and regulations and the Articles of Association without having compromised the interests of the Company and its shareholders, concur to the said change in accounting policies of the Company.

V. Opinion of the Supervisory Committee

The Supervisory Committee is of the view that the decision-making procedures pertaining to the said change in accounting policies have been in compliance with the relevant provisions of pertinent laws and regulations and the Articles of Association without having

compromised the interests of the Company and its shareholders, concurs to the said change in accounting policies of the Company.

VI. Documents available for inspection

1. Resolutions of the Twenty-second Meeting of the Seventh Session of the Board of Directors;
2. Resolutions of the Nineteenth Meeting of the Seventh Session of the Supervisory Committee;
3. Independent Opinion signed and endorsed by the Independent Non-executive Directors.

By Order of the Board

Yin Yimin

Chairman

Shenzhen, the PRC

24 August 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.