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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)

Announcement Updates of the Financial Statements of 2018 First Quarterly Report

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.

ZTE Corporation (“ZTE” or the “Company”) announced the 2018 First Quarterly Report on 27 April 2018. As disclosed in the “INSIDE INFORMATION ANNOUNCEMENT AND CONTINUED SUSPENSION OF TRADING”, “INSIDE INFORMATION ANNOUNCEMENT”, “INSIDE INFORMATION ANNOUNCEMENT AND RESUMPTION OF TRADING” and “INSIDE INFORMATION ANNOUNCEMENT” published by the Company on 20 April 2018, 9 May 2018, 12 June 2018 and 15 July 2018, respectively, the Company prepared and disclosed the updated 2018 First Quarterly Report, and the updated contents of financial statements are disclosed as follows:

1. Balance sheet

Unit: RMB in thousands

Item	2018.3.31			
	Consolidated		Company	
	Updated	Prior to updates	Updated	Prior to updates
Inventories	26,917,759	27,433,228	15,683,416	16,092,821
Amount due from customers for contract works	3,761,841	5,258,649	2,064,252	2,330,497
Total current assets	100,795,050	102,807,327	96,576,008	97,251,658
Deferred tax assets	2,315,990	1,565,990	1,336,187	586,187

Item	2018.3.31			
	Consolidated		Company	
	Updated	Prior to updates	Updated	Prior to updates
Total non-current assets	37,081,375	36,331,375	36,760,334	36,010,334
Total assets	137,876,425	139,138,702	133,336,342	133,261,992
Salary and welfare payables	7,500,600	8,700,600	4,163,021	5,363,021
Other payables	14,389,117	7,972,417	26,800,692	20,383,992
Provisions	1,258,142	520,032	1,020,450	282,340
Total current liabilities	89,952,893	83,998,083	103,964,651	98,009,841
Total liabilities	100,970,825	95,016,015	112,098,749	106,143,939
Capital reserves	11,313,503	11,436,333	9,075,745	9,198,575
Retained profits	8,707,859	15,802,116	(1,778,979)	3,978,651
Total equity attributable to ordinary shareholders of the parent	24,864,603	32,081,690	13,739,001	19,619,461
Total shareholders' equity	36,905,600	44,122,687	21,237,593	27,118,053
Total liabilities and shareholders' equity	137,876,425	139,138,702	133,336,342	133,261,992

2. Income statement

Unit: RMB in thousands

Item	Three months ended 31 March 2018			
	Consolidated		Company	
	Updated	Prior to updates	Updated	Prior to updates
Operating revenue	27,526,342	28,879,881	29,483,810	29,750,055
Operating costs	19,816,145	19,251,697	23,694,139	23,242,961
Selling and distribution costs	2,515,748	2,942,597	1,418,513	1,875,362
Administrative expenses	653,009	791,433	423,232	561,656
Research and development costs	2,703,717	3,431,274	768,298	1,495,855
Impairment losses	998,839	483,370	962,549	553,144
Operating profit	1,139,704	2,280,330	1,544,262	1,348,260
Non-operating expenses	6,731,649	28,017	6,716,296	12,664
Total profit	(5,549,832)	2,294,426	(5,144,571)	1,363,059
Income tax	(240,670)	509,331	(519,050)	230,950
Net profit	(5,309,162)	1,785,095	(4,625,521)	1,132,109
Net profit attributable to holders of ordinary shares of the parent	(5,407,237)	1,687,020	(4,736,736)	1,020,894
Total comprehensive income	(5,702,245)	1,392,012	(4,626,176)	1,131,454
Total comprehensive income attributable to holders of ordinary shares of the parent	(5,800,199)	1,294,058	(4,737,391)	1,020,239

Item	Three months ended 31 March 2018			
	Consolidated		Company	
	Updated	Prior to updates	Updated	Prior to updates
Basic earnings per share	RMB(1.29)	RMB0.40	/	/
Diluted earnings per share	RMB(1.29)	RMB0.40	/	/

Changes in the items of the financial statements of 2018 First Quarterly Report of the Company set out above were mainly attributable to the provision for USD1 billion penalty as referred in the “INSIDE INFORMATION ANNOUNCEMENT AND RESUMPTION OF TRADING” published by the Company on 12 June 2018 and the combined effect of the advanced provision for adjusted matters resulting from the suspension of the major operating activities of the Company as referred in “INSIDE INFORMATION ANNOUNCEMENT” published by the Company on 9 May 2018.

For details of the updated context of the 2018 First Quarterly Report, please refer to the “2018 First Quarterly Report (Updated Version)”. For the preliminary results for the six months ended 30 June 2018, please refer to the “Preliminary Results Announcement for the Six Months ended 30 June 2018” published by the Company on 13 July 2018.

By Order of the Board
Li Zixue
Chairman

Shenzhen, the PRC
27 July 2018

As at the date of this announcement, the Board of Directors of the Company comprises two executive directors, Li Zixue, Gu Junying; three non-executive directors, Li Buqing, Zhu Weimin, Fang Rong; and three independent non-executive directors, Cai Manli, Yuming Bao, Gordon Ng.