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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 2016

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 2016 contained in this announcement has 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 of investment risks.

I. Major financial data and indicators for the year ended 31 December 2016 (prepared in accordance with PRC ASBEs)

Unit: RMB in thousands

Item	Year ended 31 December 2016	Year ended 31 December 2015	Percentage of change
Operating revenue	101,233,182	100,186,389	1.04%
Operating profit	1,165,548	320,471	263.70%
Total profit/(loss)	(767,751)	4,303,532	(117.84%)
Net profit/(loss) attributable to holders of ordinary shares of the listed company	(2,357,418)	3,207,885	(173.49%)
Basic earnings per share (RMB/share)	(0.57)	0.78	(173.08%)
Weighted average return on net assets	(8.40%)	12.28%	Decreased by 20.68 percentage points
Item	31 December 2016	31 December 2015 (Restated)	Percentage of change
Total assets ^{Note 2}	141,640,910	124,831,673	13.47%
Owners' equity attributable to holders of ordinary shares of the listed company	26,401,151	29,660,094	(10.99%)

Share capital (thousand shares) ^{Note 3}	4,184,628	4,150,791	0.82%
Net asset per share attributable to holders of ordinary shares of the listed company (RMB/share)	6.31	7.15	(11.75%)

Note 1: The above figures are based on the unaudited consolidated financial statements of the Company;

Note 2: For the reporting period, the debit balance of the breakdown items of “VAT Payable”, “Outstanding VAT”, “Credit tax available for deduction”, “Credit tax pending verification” and “Outstanding VAT credit” under the entry “Tax payable” as at the end of the period have been presented under “Other current assets” in accordance with the “Regulations for the Accounting Treatment of VAT*” (《增值稅會計處理規定》) issued by the PRC Ministry of Finance, and the balance sheet as at the end of 2015 has been restated accordingly.

Note 3: The total share capital of the Company increased from 4,150,791,215 shares to 4,184,628,172 shares following the exercise of 33,836,957 A share options by scheme participants under the share option incentive scheme of the Company during the reporting period.

II. Operating results and financial conditions

For 2016, the Company reported operating revenue of RMB101,233.182 million, representing growth of 1.04% as compared to the previous year. Operating profit amounted to RMB1,165.548 million, representing growth of 263.70% as compared to the previous year. Total loss amounted to RMB767.751 million. Net loss attributable to holders of ordinary shares of the listed company amounted to RMB2,357.418 million. Significant factors affecting the operating profit and net loss for the reporting period are discussed as follows:

(1) The Company’s operating revenue for 2016 increased by 1.04%, year-on-year. Such increase reflected mainly the year-on-year slight increase in revenue from carriers’ networks and consumer business. The overall gross profit margin of the Company for 2016 was 30.75%, which was largely unchanged as compared to the previous year.

(2) The Company reported relatively large exchange gains for the reporting period following flexible control of foreign exchange risk exposures in line with a proactive foreign exchange risk control strategy. Meanwhile, there was also a substantial decrease in net interest expense for the reporting period, which was attributable to the Company’s measures to optimise the allocation of interest-bearing liabilities, enhance centralised management of Group funds, vigorously broaden sources of capital gains, and refine the operation of innovative businesses.

(3) The Company was focused on value management through capital operations, which also helped to drive sustainable development. Substantial growth in investment gains from transactions of equity interests in subsidiaries was realized for the reporting period.

(4) In accordance with the agreements reached by the Company with the Bureau of Industry and Security of the United States Department of Commerce, the United States Department of

Justice and the Office of Foreign Assets Control of the United States Department of Treasury (for details, please refer to the announcement headed “Inside Information – Updated Information in relation to the Export Restrictions by the United States Department of Commerce” published on the same date as this announcement), the Company made a provision for relating losses amounting to approximately USD892 million for the reporting period in respect of the post-balance sheet date event in accordance with PRC ASBEs. Excluding the aforesaid provision for losses, the Company would have recorded total profit of RMB5,414.701 million, representing a year-on-year increase of 25.82%; and net profit attributable to holders of ordinary shares of the listed company would have been RMB3,825.034 million, representing a year-on-year increase of 19.24%.

III. Other information

For details of the financial information of the Company for the year ended 31 December 2016, please refer to the 2016 Annual Report Summary and Results Announcement to be published by the Company on 23 March 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
Zhao Xianming
Chairman

Shenzhen, the PRC
8 March 2017

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

**for identification purposes only*