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

Item	2018.3.31			
	Consolidated		Company	
	Updated	Prior to updates	Updated	Prior to updates
<b>Total non-current assets</b>	<b>37,081,375</b>	36,331,375	<b>36,760,334</b>	36,010,334
<b>Total assets</b>	<b>137,876,425</b>	139,138,702	<b>133,336,342</b>	133,261,992
Salary and welfare payables	<b>7,500,600</b>	8,700,600	<b>4,163,021</b>	5,363,021
Other payables	<b>14,389,117</b>	7,972,417	<b>26,800,692</b>	20,383,992
Provisions	<b>1,258,142</b>	520,032	<b>1,020,450</b>	282,340
<b>Total current liabilities</b>	<b>89,952,893</b>	83,998,083	<b>103,964,651</b>	98,009,841
<b>Total liabilities</b>	<b>100,970,825</b>	95,016,015	<b>112,098,749</b>	106,143,939
Capital reserves	<b>11,313,503</b>	11,436,333	<b>9,075,745</b>	9,198,575
Retained profits	<b>8,707,859</b>	15,802,116	<b>(1,778,979)</b>	3,978,651
<b>Total equity attributable to ordinary shareholders of the parent</b>	<b>24,864,603</b>	32,081,690	<b>13,739,001</b>	19,619,461
<b>Total shareholders' equity</b>	<b>36,905,600</b>	44,122,687	<b>21,237,593</b>	27,118,053
<b>Total liabilities and shareholders' equity</b>	<b>137,876,425</b>	139,138,702	<b>133,336,342</b>	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	<b>27,526,342</b>	28,879,881	<b>29,483,810</b>	29,750,055
Operating costs	<b>19,816,145</b>	19,251,697	<b>23,694,139</b>	23,242,961
Selling and distribution costs	<b>2,515,748</b>	2,942,597	<b>1,418,513</b>	1,875,362
Administrative expenses	<b>653,009</b>	791,433	<b>423,232</b>	561,656
Research and development costs	<b>2,703,717</b>	3,431,274	<b>768,298</b>	1,495,855
Impairment losses	<b>998,839</b>	483,370	<b>962,549</b>	553,144
<b>Operating profit</b>	<b>1,139,704</b>	2,280,330	<b>1,544,262</b>	1,348,260
Non-operating expenses	<b>6,731,649</b>	28,017	<b>6,716,296</b>	12,664
<b>Total profit</b>	<b>(5,549,832)</b>	2,294,426	<b>(5,144,571)</b>	1,363,059
Income tax	<b>(240,670)</b>	509,331	<b>(519,050)</b>	230,950
<b>Net profit</b>	<b>(5,309,162)</b>	1,785,095	<b>(4,625,521)</b>	1,132,109
<b>Net profit attributable to holders of ordinary shares of the parent</b>	<b>(5,407,237)</b>	1,687,020	<b>(4,736,736)</b>	1,020,894
<b>Total comprehensive income</b>	<b>(5,702,245)</b>	1,392,012	<b>(4,626,176)</b>	1,131,454
<b>Total comprehensive income attributable to holders of ordinary shares of the parent</b>	<b>(5,800,199)</b>	1,294,058	<b>(4,737,391)</b>	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.*