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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 2012**

*This announcement is made by ZTE Corporation (the "Company") pursuant to Rule 13.09 of the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited and Part XIVA to the Securities and Futures Ordinance.*

*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.*

### **I. Preliminary results for the period**

1. Period to which the preliminary results relate: 1 January 2012 to 31 December 2012
2. Preliminary results: loss
3. Table of preliminary results announcement

<b>Item</b>	<b>Current period</b>	<b>Same period last year</b>	<b>Increase /decrease</b>
Net profit attributable to shareholders of the listed company (RMB'000)	Loss: 2,500,000 – 2,900,000	Profit: 2,060,166	Decrease: 221.35% - 240.77%
Basic earnings per share (RMB/share)	Loss: approximately 0.73 – 0.85	Profit: 0.61	Decrease: 219.67% - 239.34%

## **II. Preliminary audit of the preliminary results announcement**

The preliminary results announcement has not been audited by certified public accountants.

## **III. Reasons for the change in results**

Operating revenue of the Company for the fourth quarter of 2012 decreased by approximately 18% as compared to same period last year, reflecting primarily the combined effects of, among others, postponed execution of certain systems contracts and decrease in revenue from terminals in the domestic market, delayed progress of certain international projects. The overall gross profit margin of the Company for the fourth quarter of 2012 decreased by approximately 11 percentage points as compared to the same period last year, reflecting primarily a larger number of low-margin contracts in Africa, South America, Asia and the domestic market recognized for the current period. As affected by the loss in the second half of 2012, operating revenue of the Company in 2012 dropped slightly over last year with a decrease in overall gross profit margin of approximately 7 percentage points. Net profit attributable to shareholders of the listed company was down by approximately 221.35% - 240.77% over last year.

## **IV. Other relevant information**

1. Having enhanced management in cash flow in 2012, the Company recorded net cash inflows from operating activities due to an increase in sales collection over last year, resulting in significant improvement in the cash flow position over last year.
2. The financial data for 2012 set out above has been arrived at through preliminary computations of the financial department of the Company. The finalized figures will be disclosed in detail in the annual report of 2012.
3. Investment income of approximately of RMB820 million to RMB880 million arising from the disposal of equity interest in Shenzhen ZNV Technology Co., Ltd. ("Shenzhen ZNV") by the Company calculated in accordance with the PRC Accounting Standards for Business Enterprises and the Hong Kong Financial Reporting Standards shall be recognized in the financial statement for the first quarter of 2013. For details of the disposal of equity interest in Shenzhen ZNV by the Company, please refer to the "DISCLOSEABLE TRANSACTION DISPOSAL OF 81% EQUITY INTEREST IN

SHENZHEN ZNV TECHNOLOGY CO., LTD.” published on 28 December 2012 by the Company.

4. As a result of the aforesaid investment income arising from the disposal of equity interest in Shenzhen ZNV, the estimated results for the principal businesses in the first quarter of 2013 and the continuous efforts on cost control initiatives by the Company, it is anticipated that the Company will make profit in the first quarter of 2013. However, the above anticipation is subject to a number of uncertainties, such as macro-economic environment, fierce competition in the industry as well as the effectiveness of cost control initiatives by the Company.

The information in this announcement is only a preliminary estimate by the management of the Company and is not based on any figures or information which have been audited or reviewed by the Company’s auditor. Therefore, investors should be aware of any investment risks associated therewith.

By Order of the Board  
**Hou Weigui**  
*Chairman*

Shenzhen, the PRC  
20 January 2013

*As at the date of this announcement, the Board of Directors of the Company comprises three executive directors, Shi Lirong, Yin Yimin and He Shiyong; six non-executive directors, Hou Weigui, Zhang Jianheng, Xie Weiliang, Wang Zhanchen, Zhang Junchao and Dong Lianbo; and five independent non-executive directors, Qu Xiaohui, Wei Wei, Chen Naiwei, Tan Zhenhui and Timothy Alexander Steinert.*