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ZTE中兴
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)

Snapshot of 2011 Interim Results

The Company and all 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 or misleading statement or material omission in this announcement.

Important: The financial data for the first half of 2011 contained in this announcement, prepared in accordance with the Accounting Standards for Business Enterprises of the People's Republic of China ("PRC ASBEs"), are unaudited and may vary from the financial data to be contained in the finalised announcement. Investors should beware of investment risks.

I. Major financial data and indicators for the first half of 2011 (prepared in accordance with PRC ASBEs)

Unit: RMB in thousands

Items	Reporting period	Same period of last year	Percentage change (%)
Operating revenue	37,345,220	30,725,420	21.55%
Operating profit	683,385	673,886	1.41%
Total profit	1,272,002	1,392,859	-8.68%
Net profit attributable to shareholders of the listed company ^{Note 2}	768,524	877,489	-12.42%
Basic earnings per share (RMB) ^{Note 2}	0.27	0.32	-15.63%
Weighted average return on net assets (%)	3.29%	4.41%	Decrease by 1.12 Percentage points
	End of the reporting period	At the beginning of the reporting period	Percentage change (%)
Total assets	96,870,946	84,152,357	15.11%
Owners' equity attributable to shareholders of the listed company ^{Note 2}	23,053,159	23,093,872	-0.18%
Share capital	2,866,732	2,866,732	0.00%
Net asset per share attributable to shareholders of the listed company ^{Note 2} (RMB)	8.22	8.24	-0.24%

Note 1: Per consolidated financial statements;

Note 2: Amounts attributable to shareholders of the listed company;

Note 3: Basic earnings per share for the first half of 2011 are calculated on the basis of the weighted average number of ordinary share capital, namely the total share capital as at 30 June 2011 (2,866,731,684 shares) less 62,407,186 restricted shares under the share incentive scheme remaining in lock-up;

Note 4: Basic earnings per share for the first half of 2010 are calculated on the basis of the weighted average number of ordinary share capital, namely the total share capital as at 30 June 2010 (2,866,731,684 shares) less 64,928,143 restricted shares under the share incentive scheme remaining in lock-up;

Note 5: Net assets per share for the first half of 2011 are calculated on the basis of the number of shares, equivalent to the total share capital as at 30 June 2011 (2,866,731,684 shares) less 62,407,186 restricted shares under the share incentive scheme remaining in lock-up.

II. Brief description of operating results and financial conditions

1. Review of business in the first half of 2011

For the first half of 2011, the Company reported operating revenue of RMB 37,345 million, representing a 21.55% growth over the same period last year. In the domestic market, as the year marked the beginning of the nation's 12th Five-Year Plan, the big three carriers showed varying emphases in their equipment investments during the first half of the year, while certain carriers were somewhat slackened in opening tenders for certain equipment, as compared to previous years. Against this backdrop, the Company nevertheless reported domestic business revenue of RMB 16,535 million, representing a year-on-year growth of 6.9% and accounting for 44.3% of its operating revenue.

Internationally, overall capital expenditure by carriers varied from region to region, although there were signs that equipment investments were back on a growth track. Investments were focused on the construction of wireless / wireline broadband networks, while the planning for 3G network deployment was also getting to greater depths. A number of countries started to auction their 4G licenses, with LTE construction taking place in mature markets such as Europe, the U.S. and Japan, etc. As wireless broadband connection was becoming more popular, sales of smart terminals were growing at a much faster rate than ordinary terminals to account for an increasing proportion among all terminal products. The Company's diligent efforts in international market development came in a variety of ways. Revenue from the international grew by 36.4% over the same period last year to RMB20,810 million, accounting for 55.7% of the Company's operating revenue.

For the first half of 2011, the Company recorded total profit of RMB1,272,002,000, which was 8.68% less compared to the same period last year. Net profit attributable to shareholders of the listed company amounted to RMB 768,524,000, decreasing by 12.42% as compared to the same period last year. The total profit and net profit for the reporting period have been materially affected by the following factors:

(1) The Company's gross profit margin for the reporting period was 29.76%, being 3.69 percentage points lower than 33.45% reported for the same period last year. This was mainly attributable to the

following reasons: A. Our market shares have been steadily increasing since 2010, as we have been reinforcing our strategy to seek breakthroughs in the scale of business with major countries and mainstream carriers by adopting more competitive product strategies. The corresponding major contracts were recognised in the current reporting period and, as a result, the gross profit margin of carriers' network products declined from 38.04% for the same period last year to 34.51% for the reporting period. B. The Company adopted an aggressive approach as it was in a critical stage of access to the key market segment of smart terminals. Consequently, the operating revenue of the Company's handset products as a percentage of its total operating revenue increased from 25.35% for the same period last year to 30.03%, while the overall gross profit margin for handset products declined from 22.71% for the same period last year to 19.63%.

(2) During the reporting period, software VAT refund subsidies amounting to RMB 363 million attributable to the 2010 period were accounted for as non-operating income with the approval of the taxation authorities. As the Guo Fa [2000] Document No. 18 "Certain Incentive Policies for the Development Software Enterprises and the Integrated Circuit Industry" (国发[2000]18号文《鼓励软件企业和集成电路产业发展的若干政策》) promulgated by the State Council and the policy of immediate refund of software sales VAT charged at actual tax rates in excess of 3% (as approved by State authorities in charge of tax collection and management) expired at the end of 2010, whereas supporting financial and taxation policies relating to Guo Fa [2011] Document No. 4 "Notice on Further Incentive Policies for the Development Software Enterprises and the Integrated Circuit Industry" (国发[2011]4号文《进一步鼓励软件产业和集成电路产业发展若干政策的通知》), regarded as a continuation of the policy concerned, have yet to be announced. As a result, the Company did not receive any software VAT refund subsidies attributable to the 2011 period. As at the date of this announcement, it remained unclear when the supporting financial and taxation policies for Guo Fa [2011] No. 4 will be announced.

(3) The Company had held 54,400,000 shares in Nationz Technologies (subsequent to the implementation of Nationz Technologies' 2010 plan for profit distribution and share capital increase by way of capitalisation of capital reserve), accounting for 20% of the total share capital of Nationz Technologies. From 24 May 2011 to 24 June 2011, the Company disposed of a total of 17,680,000 shares in Nationz Technologies (accounting for 6.50% of the total share capital of Nationz Technologies) via the price bidding trading system and the bulk-volume trading system of Shenzhen Stock Exchange. Investment gains received by the Company from the disposal of its holdings of circulating Nationz Technologies shares amounted to approximately RMB 292 million. As at the end of the reporting period, the Company held 36,720,000 shares in Nationz Technologies, accounting for 13.50% of the total share capital of Nationz Technologies. As the Company no longer exercises significant influence on the operating activities of Nationz Technologies, shares that remain unsold have been reclassified from long-term equity investment to derivative financial assets for accounting purposes, and investment gains and fair-value gains amounting to RMB605 million were recognised based on fair-value measurement.

As at the end of the first half of 2011, gains from investments in Nationz Technologies and fair-value gains recognised by the Company since the listing of Nationz Technologies on ChiNext by way of initial public offering of shares amounted to approximately RMB1,379 million in aggregate, comprising investment gains of RMB474 million recognised for 2010, investment gains and fair-value gains amounting to approximately RMB905 million recognised for the first half of 2011. Nationz Technologies shares will be accounted for as derivative financial assets in accordance with pertinent requirements of ASBE No. 22 “Recognition and Measurement of Financial Instruments”.

2. Business strategy for the second half of 2011

Domestic carriers are expected to expedite their capital expenditure in the second half of the year. In the international market, Mobile broadband construction and smart terminal development will remain the focuses of the market. The Company will seek to maintain a positive balance between scale and profit with the fundamental aim of sustaining stable growth in business scale. We will enhance our efforts in implementing our transformation into an operating business entity, strengthen control over expenses and strive to improve our operating efficiency.

III. Other matters

For details of the 2011 interim results of the Company, please refer to the 2011 interim report summary and announcement of results, to be published on 30 August 2011.

IV. Documents for inspection

Comparative balance sheet and income statement prepared in accordance with PRC ASBEs and endorsed under the hands and seals of the Legal Representative, Chief Financial Officer and Head of Finance Division of the Company.

By Order of the Board
Hou Weigui
Chairman

Shenzhen, PRC
10 August 2011

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, Lei Fanpei, Xie Weiliang, Wang Zhancheng, Zhang Junchao and Dong Lianbo; and five independent non-executive directors, Qu Xiaohui, Wei Wei, Chen Naiwei, Tan Zhenhui and Timothy Alexander Steinert.