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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)**

## **OVERSEAS REGULATORY ANNOUNCEMENT**

This announcement is made pursuant to Rule 13.10B of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The "Announcement of External Investments and Connected Transactions" published in Chinese on the website of the Shenzhen Stock Exchange, China Securities Journal, Securities Times and Shanghai Securities News (the "**A Share Announcement**") is enclosed hereto in English for your reference.

The proposed transaction as described in the A Share Announcement, if materialised, may constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. The Company will comply with the applicable requirements under Chapter 14A of the Listing Rules as and when required.

By Order of the Board  
**Zhao Xianming**  
*Chairman*

Shenzhen, the PRC  
31 May 2016

*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; six non-executive directors, Zhang Jianheng, Luan Jubao, Shi Lirong, 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.*

## **ZTE CORPORATION**

### **Announcement of External Investments and Connected Transactions**

*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 or misleading statement in this announcement or material omission therefrom.*

#### **I. Updates on subscription for and investment of the previous two equity investment funds**

In November 2010, Shenzhen ZTE Capital Management Company Limited (“ZTE Capital”), a subsidiary of ZTE Corporation (“ZTE” or the “Company”) established (as the general partner) Shenzhen Zhonghe Chunsheng Partnership Private Equity Fund I (“Zhonghe Chunsheng Fund”) by way of promotion. A total of 37 partners subscribed for Zhonghe Chunsheng Fund by way of cash capital contribution. Zhonghe Chunsheng Fund raised a total of RMB1,000 million, including RMB300 million and RMB10 million contributed by ZTE and ZTE Capital, respectively. By June 2014, Zhonghe Chunsheng Fund had been fully invested. As at May 2016, Zhonghe Chunsheng Fund has returned a principal amount of RMB656 million to its partners. It is expected that the full principal amount of RMB1,000 million will be completely returned in June 2016, and the distribution of investment return will be completed during the period from June 2016 to 2018.

In June 2014, Jiaxing Xinghe Capital Management Company Limited (“Xinghe Capital”), a wholly-owned subsidiary of ZTE Capital, established (as the general partner) Jiaxing Xinghe Equity Investment Partnership (“Xinghe Partnership”) by way of promotion. A total of 32 partners subscribed for Xinghe Partnership by way of cash capital contribution. Xinghe Partnership raised a total of RMB346 million, including RMB100 million, RMB10 million and RMB10 million contributed by ZTE, Xinghe Capital and Mr. Yin Yimin, respectively. Xinghe Partnership is currently in the stage of ongoing investment.

#### **II. Overview of the external investments and connected transactions**

##### *1. Brief description of the external investments and connection transactions*

ZTE Capital or its wholly-owned subsidiary (ZTE Capital or its wholly-owned subsidiary hereinafter “GP”) has proposed to establish, by way of promotion as the general partner, and subscribe for, by way of a capital contribution of RMB10 million, ZTE Fund III Equity Investment Partnership (Limited Partnership) (中興叁號基金股權投資合夥企業 (有限合夥)) (tentative title subject to the final approval of industrial and commercial registration authorities, hereinafter “ZTE Fund III”). ZTE has proposed to subscribe for ZTE Fund III with a capital contribution of RMB300 million. Concurrently, Mr. Yin Yimin has also

proposed to subscribe for ZTE Fund III with a capital contribution of RMB15 million. In accordance with the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange (“Shenzhen Listing Rules”), the respective capital contributions to and subscriptions for ZTE Fund III by GP, ZTE and Mr. Yin Yimin constitute connected transactions.

## *2. Description of connected relationship*

Mr. Yin Yimin, as a Director of the Company and chairman of Shenzhen Zhongxingxin Telecommunication Equipment Company Limited (“Zhongxingxin”), the controlling shareholder of the Company, is a connected natural person of the Company under Rule 10.1.5 (II) and (III) of the Shenzhen Listing Rules.

Accordingly, the respective capital contributions to and subscriptions for ZTE Fund III by GP, ZTE and Mr. Yin Yimin constitute connected transactions.

## *3. Consideration by the Board of Directors and abstention of connected Directors*

The aforesaid external investments and connected transactions were considered and passed at the Fourth Meeting of the Seventh Session of the Board of Directors of the Company. Mr. Yin Yimin, as a connected natural person of the Company, abstained from voting in respect of the capital contributions to and subscriptions for ZTE Fund III by GP and ZTE at the meeting of the Board of Directors.

## *4. Prior acknowledgement (prior approval) by Independent Non-executive Directors and independent opinion furnished*

Having reviewed the connected transactions constituted by the respective capital contributions to and subscriptions for ZTE Fund III by GP, ZTE and Mr. Yin Yimin prior to the meeting, Independent Non-executive Directors of the Company Mr. Richard Xike Zhang, Mr. Chen Shaohua, Mr. Lü Hongbing, Mr. Bingsheng Teng and Mr. Zhu Wuxiang have given their consent to the submission of the aforesaid connected transactions to the Board of Directors of the Company for consideration and expressed an independent opinion in respect of the aforesaid connected transactions. For details, please refer to the section headed “VIII. Opinion of the Independent Non-executive Directors” in this announcement.

## *5. Other matters*

As the amount of the aforesaid connected transactions is less than 5% of the absolute value of the latest audited net assets of the Company, in accordance with the Articles of Association of ZTE Corporation (the “Articles of Association”) and the Shenzhen Listing Rules, the aforesaid connected transactions do not require approval at the general meeting of the Company.

The aforesaid connected transactions do not constitute a significant asset restructuring under the “Rules for the Administration of Significant Asset Restructuring of Listed Companies” and therefore do not require any approval of relevant authorities.

### **III. Basic information of the connected party**

Mr. Yin Yimin, as a Director of the Company since November 1997 and chairman of Zhongxingxin (the controlling shareholder of the Company) since August 2015, is a connected natural person of the Company under Rule 10.1.5 (II) and (III) of the Shenzhen Listing Rules.

### **IV. Basic information of ZTE Fund III**

ZTE Capital is held as to 55% by ZTE and 45% by Shenzhen Hekang Investment Management Company Limited, therefore ZTE Capital is a majority-owned subsidiary of ZTE. ZTE Capital or its wholly-owned subsidiary has proposed to establish, by way of promotion as the general partner, and subscribe for, by way of capital contribution, ZTE Fund III, the basic information of which is as follows (subject to the final version of the partnership agreement as signed):

1. Name: ZTE Fund III Equity Investment Partnership (Limited Partnership) (中興叁號基金股權投資合夥企業 (有限合夥))
2. Size: estimated at RMB1,000 million to 1,200 million
3. Term: 5+3 years (The term of operation shall be 5 years, which may be extended by 3 years if the investment decision-making committee set up by the general partner so decides in view of undisposed investments remaining upon the expiry of the 5-year term.)
4. How and to whom the fund will be offered: The fund will be privately offered to designated investors, comprising institutional investors (including corporate business units and financial investment institutions other than those to whom such offers are prohibited by laws or regulations) and natural person investors.
5. General partner: ZTE Capital or its wholly-owned subsidiary shall be the sole general partner of ZTE Fund III.
6. Investment focus: Equity investments in non-listed TMT (telecoms, media and technology) companies and, to a lesser extent, strategic / new industries.
7. Mechanism of operation: Appointment of fund manager (the general partner) to conduct investment of the assets and custodian to conduct investment supervision over the accounts, in line with prevailing market practices.
8. Subscription amounts: Minimum subscription levels shall be RMB10 million for institutional investors and RMB5 million for natural person investors, and in the multiples of RMB1 million thereafter.
9. Profit distribution for fund investors (limited partners): Fund investors shall be entitled to fund interest pro-rata to their capital contributions to ZTE Fund III.

#### 10. Basic fees

- (1) Management fee payable to the fund manager: 2.5% per annum on the basis of the capital contributions of the fund investors during the term of the fund;
- (2) Performance fee payable to the fund manager: 20% of net return on investment.

#### 11. Risk control

- (1) Prohibition of security or guarantee for third-party capital;
- (2) Appointment of qualified custodian bank to supervise fund applications;
- (3) Appointment of independent accountants to conduct annual audit for examination and inspection.

### **V. Subject matter of the connected transactions**

The capital contributions to and subscriptions for ZTE Fund III in cash by GP, ZTE and Mr. Yin Yimin, in the amounts of RMB10 million, RMB300 million and RMB15 million, respectively. The capital contribution of RMB300 million by ZTE is funded by the principal amount recouped from Zhonghe Chunsheng Fund.

### **VI. Objectives, risk exposures and impact on the Company of the external investments and connected transactions**

By making capital contributions to and subscribing for ZTE Fund III, GP and ZTE will secure additional income from sub-segment markets of relevant industries, thereby enhancing the competitiveness of their principal businesses. The major risks are concerned with the fundraising plan and project investments. GP will strengthen its internal control system and risk control system and conduct adequate assessments of risks involved in investments to be made by reference to rules and regulations applicable to the investment sector.

The capital contributors shall be entitled to rights and obligations according to the amount and proportion of their capital contributions in line with the principle of openness, equity and impartiality. The Company is not dependent on the connected party, and the aforesaid connected transactions will not compromise the independence of the Company. The aforesaid connected transactions have been conducted on normal commercial terms without prejudice to the interests of the Company and its shareholders.

### **VII. Aggregate amount of connected transactions incurred with such connected person during the period from the beginning of the year to the date of disclosure**

Other than the transaction disclosed herein, there was no connected transactions between the Company and Mr. Yin Yimin during the period from the beginning of the year to the date of this announcement.

### **VIII. Opinion of the Independent Non-executive Directors**

Independent Non-executive Directors of the Company Mr. Richard Xike Zhang, Mr. Chen Shaohua, Mr. Lü Hongbing, Mr. Bingsheng Teng and Mr. Zhu Wuxiang have expressed an

independent opinion in respect of the connected transactions constituted by the respective capital contributions to and subscriptions for ZTE Fund III by GP, ZTE and Mr. Yin Yimin as follows:

The procedures for considering the connected transactions constituted by the respective capital contributions to and subscription for ZTE Fund III by GP, ZTE and Mr. Yin Yimin have been in compliance with provisions of the Company Law of the People's Republic of China, the Shenzhen Listing Rules, the Articles of Association and other pertinent laws and regulations, and the connected transactions have been conducted on the basis of normal commercial terms in line with the principle of equity and impartiality without prejudice to the interests of the Company and its shareholders. The voting procedure at the meeting of the Board of Directors held to consider the relevant resolution has been legal and valid with the connected Director abstaining.

#### **IX. Subsequent events**

The Company will publish further announcements in respect of the promotion and establishment of ZTE Fund III and the effective subscriptions by GP, ZTE and Mr. Yin Yimin in due course in accordance with pertinent provisions.

#### **X. Documents for inspection**

1. Resolutions of the Fourth Meeting of the Seventh Session of the Board of Directors of the Company;
2. Resolutions of the Third Meeting of the Seventh Session of the Supervisory Committee of the Company;
3. Opinion of Independent Directors furnished by the Independent Non-executive Directors of the Company in respect of the aforesaid connected transactions.

Board of Directors of ZTE Corporation  
1 June 2016