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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**

# **Disposal of Equity Interests in Shenzhen ZTE Special Equipment Company Limited**

*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. Overview of the transaction**

To meet the requirements of strategic development and to facilitate the development of principal business, ZTE Corporation (“ZTE” or the “Company”) and 10 investors (collectively the “Buyers”), including Shenzhen Capital Group Co., Ltd. (深圳市創新投集團有限公司), Guandong Hongtu Venture Capital Management Co., Ltd. (廣東紅土創業投資有限公司), Nanjing Hongtu Venture Capital Management Co., Ltd. (南京紅土創業投資有限公司) and others, entered into the “Equity Transfer Agreement on the Transfer of 68% equity interests in Shenzhen ZTE Special Equipment Company Limited” (the “Equity Transfer Agreement”) on 21 September 2012, pursuant to which the Company proposed to dispose of its 68% equity interests in Shenzhen ZTE Special Equipment Company Limited (“ZTE Special Equipment”) to the Buyers (the “Equity Transfer”).

The Equity Transfer does not constitute a connected transaction or a significant asset reorganisation of the Company under the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange or the Measures for the Administration of Significant Asset Reorganisation by Listed Companies. The “Resolution on the Disposal of Equity interests in Shenzhen ZTE Special Equipment Company Limited” was considered and approved at the Thirty-fourth Meeting of the Fifth Session of the Board of Directors of the Company held on 21 September 2012. The Equity Transfer is not subject to approval at the general meeting.

Independent Non-executive Directors of the Company, including Ms. Qu Xiaohui, Mr. Wei Wei, Mr. Chen Naiwei, Mr. Tan Zhenhui and Mr. Timothy Alexander Steinert, were of the view that: the disposal of 68% equity interests in ZTE Special Equipment will allow the Company to focus its resources on its principal businesses in line with the requirements of its strategic development. The said disposal of equity interests is legal and valid and the transaction is fair and reasonable without compromising the interests of the Company and its shareholders.

Shareholders of ZTE Special Equipment other than ZTE have waived their first right of refusal in respect of the 68% equity interests in ZTE Special Equipment under the Equity Transfer.

Monetary amounts in this announcement are expressed in Renminbi (RMB) unless otherwise stated.

## **II. General information on the parties to the transaction**

The Buyers for the Equity Transfer comprise 10 investors including Shenzhen Capital Group Co.,Ltd. (深圳市創新投集團有限公司)(“Shenzhen Capital Group”) and others, the general information of which is set out as follows:

### **1. Shenzhen Capital Group Co., Ltd. 深圳市創新投集團有限公司**

<b>Form of company</b>	: Company with limited liability
<b>Registered address</b>	: Zone B, Level 11, Investment Building, 4009 Shennan Avenue, Futian District, Shenzhen
<b>Principal place of business</b>	: Zone B, Level 11, Investment Building, 4009 Shennan Avenue, Futian District, Shenzhen
<b>Legal representative</b>	: Jin Haitao (靳海濤)
<b>Registered capital</b>	: RMB2, 501, 339, 000
<b>Registration number</b>	: 440301103269709
<b>Principal activities</b>	: Venture capital business; conduct of venture capital operations as agent for other venture capital entities or individuals; consultation services for venture capital business; venture capital management services for venture capital companies; participation in the incorporation of venture capital companies and venture capital management advisory institutions.

### **List of shareholders:**

Name of shareholder	Capital contribution (RMB in ten thousands)	Percentage of capital contribution (%)
State-owned Assets Supervisory and Management Committee of Shenzhen People's Government	70525.7500	28.1952%
Shenzhen Liye Group Co., Ltd. 深圳市立業集團有限公司	11583.2000	4.6308%
SZ Capital Co., Ltd. 深圳市遠致投資有限公司	32000.0000	12.7931%
Guangdong Electric Power Development Co., Ltd. 廣東電力發展股份有限公司	9187.5000	3.6730%
Fujian Septwolves Group Co., Ltd. 福建七匹狼集團有限公司	11583.2000	4.6308%
Shenzhen Futian Investment and Development Co., Ltd. 深圳市福田投資發展公司	6115.3700	2.4448%
ZTE Corporation	583.7500	0.2334%
Shenzhen Yixin Investment Co., Ltd. 深圳市億鑫投資有限公司	8284.0000	3.3118%
Guangshen Railway Co., Ltd. 廣深鐵路股份有限公司	3502.5000	1.4003%
Shenzhen Galaxy Real Estate Development Co., Ltd. 深圳市星河房地產開發有限公司	43500.8400	17.3910%
Shenzhen Yantian Port Group Co., Ltd. 深圳市鹽田港集團有限公司	5837.5000	2.3338%
Xintong Industrial Development (Shenzhen) Co., Ltd. 新通產實業開發（深圳）有限公司	5837.5000	2.3338%
Shenzhen Energy Corporation 深圳能源集團股份有限公司	6745.2900	2.6967%
Shanghai Dazhong Public Utilities Group Co., Ltd. 上海大眾公用事業（集團）股份有限公司	34847.5000	13.9315%
Total	250133.9000	100%

The Company holds 0.2334% equity interests in Shenzhen Capital Group and Mr. Wai Zaisheng, Executive Vice President and Chief Financial Officer of the Company, is currently a supervisor of

Shenzhen Capital Group. Save as aforesaid, Shenzhen Capital Group is not otherwise related to the Company or any of the top 10 shareholders of the Company in terms of ownership, business, assets, credit rights and debts or staff.

**Financial information (audited):** Total assets, total liabilities and net owners' equity as at 31 December 2011 amounted to RMB10,735,723,487.00, RMB3,111,728,136.23 and RMB7,623,995,350.77, respectively. Operating income and net profit for the year ended 31 December 2011 amounted to RMB78,811,122.72 and RMB833,046,710.30, respectively.

**2. Guangdong Hongtu Venture Capital Management Co., Ltd. 廣東紅土創業投資有限公司 (“Guangdong Hongtu”)**

- Form of company** : Company with limited liability
- Registered address** : Unit 910, 237 Kexue Avenue, Science City Headquarter Economy Complex, Hi-tech Industry Development Zone, Luogang, Guangzhou
- Principal place of business** : Unit 910, 237 Kexue Avenue, Science City Headquarter Economy Complex, Hi-tech Industry Development Zone, Luogang, Guangzhou
- Legal representative** : Jin Haitao (靳海濤)
- Registered capital** : RMB1,000 million
- Registration number** : 440000000097890
- Principal activities** : Venture capital business; conduct of venture capital operations as agent for other venture capital entities or individuals; consultation services for venture capital business; venture capital management services for venture capital companies.

**List of shareholders:**

Name of shareholder	Capital contribution (RMB in ten thousands)	Percentage of capital contribution (%)
Shenzhen Capital Group Co., Ltd. 深圳市創新投資集團有限公司	35000	35%
Guangdong Technology Venture Capital Group Co., Ltd. 廣東省粵科風險投資集團有限公司	30000	30%
Shenzhen Galaxy Investment Co., Ltd. 深圳市星河投資有限公司	7000	7%
Guangdong Xinjiaxuan Investment Co., Ltd. 廣東新嘉軒投資有限公司	7000	7%

Guangdong Baocheng Investment Co., Ltd. 廣東寶鉞投資有限公司	6000	6%
Septwolves Investment Holdings Group Co., Ltd. 七匹狼投資控股集團股份有限公司	5000	5%
Guangdong Rongheng Investment Co., Ltd. 廣東榮恒投資有限公司	4000	4%
Guangdong Jinshui Industrial Group Co., Ltd. 廣東金穗實業集團有限公司	3000	3%
Shenzhen Weihu Logistics Co., Ltd. 深圳市威虎物流有限公司	3000	3%
Total	100000	100%

Guandong Hongtu is not in any way related to the Company or any of the top 10 shareholders of the Company in terms of ownership, business, assets, credit rights and debts or staff.

**Financial information:** Guandong Hongtu has been incorporated for less than one year with Shenzhen Capital Group as its single largest shareholder. Please refer to the foregoing for the financial data of Shenzhen Capital Group for the most recent year.

**3. Nanjing Hongtu Venture Capital Management Co., Ltd. 南京紅土創業投資有限公司 (“Nanjing Hongtu”)**

- Form of company** : Company with limited liability
- Registered address** : Unit 2718, Tower B, Xincheng Building, 269 Jiangdong Middle Road, Jianye District, Nanjing
- Principal place of business** : Unit 2718, Tower B, Xincheng Building, 269 Jiangdong Middle Road, Jianye District, Nanjing
- Legal representative** : Zhong Lian (鐘廉)
- Registered capital** : RMB300 million
- Registration number** : 320100000148085
- Principal activities** : Licensed business: nil. General business: venture capital business; conduct of venture capital operations as agent for other venture capital entities or individuals; consultation services for venture capital business; venture capital management services for venture capital companies.

**List of shareholders:**

Name of shareholder	Capital contribution (RMB in ten thousands)	Percentage of capital contribution (%)
Shenzhen Capital Group Co., Ltd. 深圳市創新投資集團有限公司	10500	35%
Nanjing Venture Capital Development Centre 南京市創業投資發展中心	6000	20%
Nanjing Jianye District SOA (Holdings) Co., Ltd. 南京市建鄴區國有資產經營（控股）有限公司	3000	10%
Delan Group Co., Ltd. 德蘭集團有限公司	4500	15%
JOC Co., Ltd. 江蘇海企有限公司	3000	10%
Jiangsu Milan Industrial Investment Group Co., Ltd. 江蘇米蘭實業投資集團有限公司	3000	10%
Total	30000	100%

Nanjing Hongtu is not in any way related to the Company or any of the top 10 shareholders of the Company in terms of ownership, business, assets, credit rights and debts or staff.

**Financial information (audited):** Total assets, total liabilities and net owners' equity as at 31 December 2011 amounted to RMB173,884,048.57, RMB1,420,000.00 and RMB172,464,048.57, respectively. Operating income and net profit for the year ended 31 December 2011 amounted to RMB0.00 and RMB-6,840,614.89, respectively.

**4. Kunshan Hongtu Hi-tech Venture Capital Management Co., Ltd. 昆山紅土高新創業投資有限公司 (“Kunshan Hongtu”)**

**Form of company** : Company with limited liability

**Registered address** : Unit 1402, 1699 Weicheng South Road, Yushan Town, Kunshan

**Principal place of business** : Unit 1402, 1699 Weicheng South Road, Yushan Town, Kunshan

**Legal representative** : Zhong Lian (鐘廉)

**Registered capital** : RMB320 million

**Registration number** : 320583000542026

**Principal activities** : Licensed business: nil. General business: venture capital business; conduct of venture capital operations as agent for other venture capital entities or individuals; consultation services for venture capital business; venture capital management services for venture capital companies.

**List of shareholders:**

Name of shareholder	Capital contribution (RMB in ten thousands)	Percentage of capital contribution (%)
Shenzhen Capital Group Co., Ltd. 深圳市創新投資集團有限公司	7500	23.4375%
Kunshan Hi-tech Venture Capital Co., Ltd. 昆山高新創業投資有限公司	4500	14.0625%
Kunshan Venture Holdings Co., Ltd. 昆山市創業控股有限公司	3000	9.375%
Changzhou Lihua Investment Development Co., Ltd. 常州市麗華投資發展有限公司	3000	9.375%
Suzhou Tianma Pharma Group Co., Ltd. 蘇州天馬醫藥集團有限公司	3000	9.375%
Suzhou Hengrun Import & Export Corp., Ltd. 蘇州恒潤進出口有限公司	2000	6.25%
Kunshan Xinwanli Investment Development Co., Ltd. 昆山鑫萬利投資發展有限公司	2000	6.25%
Suzhou Runmin Investment Co., Ltd. 蘇州潤民投資有限公司	2000	6.25%
Kunshan Shangxia Co., Ltd. 昆山商廈股份有限公司	2000	6.25%
Kunshan Xinjiang Venture Capital Management Co., Ltd. 昆山市新江創業投資管理有限公司	1500	4.6875%
Kunshan Jianguo Investment Management Co., Ltd. 昆山市建國投資管理有限公司	1500	4.6875%
Total	32000	100%

Kunshan Hongtu is not in any way related to the Company or any of the top 10 shareholders of the Company in terms of ownership, business, assets, credit rights and debts or staff.

**Financial information:** Kunshan Hongtu has been incorporated for less than one year with Shenzhen Capital Group as its single largest shareholder. Please refer to the foregoing for the financial data of Shenzhen Capital Group for the most recent year.

**5. Zhengzhou Britic Innovation Fund Investment Co., Ltd. 鄭州百瑞創新資本創業投資有限公司 (“Britic Innovation”)**

**Form of company** : Company with limited liability

**Registered address** : Unit 2902, Level 29, Building 1, 10 Shangwu Waihuan Road,  
Zhengdong New District, Zhengzhou

**Principal place of business** : Unit 2902, Level 29, Building 1, 10 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou

**Legal representative** : Li Shouyu (李守宇)

**Registered capital** : RMB180 million

**Registration number** : 410100100006007

**Principal activities** : Venture capital business; conduct of venture capital operations as agent for other venture capital entities or individuals; consultation services for venture capital business; venture capital management services for venture capital companies; participation in the incorporation of venture capital companies and venture capital management advisory institutions.

**List of shareholders:**

Name of shareholder	Capital contribution (RMB in ten thousands)	Percentage of capital contribution (%)
Britic Trust Co., Ltd. 百瑞信託有限責任公司	8640	48%
Shenzhen Capital Group Co., Ltd. 深圳市創新投資集團有限公司	7200	40%
Beijing Xinhe'an Investment Co., Ltd. 北京信和安投資有限公司	2160	12%
Total	18000	100%

Britic Innovation is not in any way related to the Company or any of the top 10 shareholders of the Company in terms of ownership, business, assets, credit rights and debts or staff.

**Financial information (audited):** Total assets, total liabilities and net owners' equity as at 31 December 2011 amounted to RMB467,671,867.32, RMB136,885,458.00 and RMB330,786,409.32, respectively. Operating income and net profit for the year ended 31 December 2011 amounted to RMB15,770,821.10 and RMB8,744,381.23, respectively.

**6. Shanghai Rongyin Equity Investment Partnership (Limited Partnership) 上海融銀股權投資合夥企業 (有限合夥) ("Shanghai Rongyin")**

**Form of company** : Limited Partnership

**Registered address** : Unit 810-15, 198 Wudong Road, Yangpu District, Shanghai

**Principal place of business** : Unit 810-15, 198 Wudong Road, Yangpu District, Shanghai

**Executive Partner** : Shanghai Rongyin Venture Capital Management Centre



(Limited Partnership) 上海融銀創業投資管理中心（有限合夥） (Authorised representative: Li Hongqing 李鴻清)

**Registration number** : 310000000106522

**Principal activities** : Equity investment, equity investment management, investment consultation, asset management, corporate management (subject to obtaining of relevant permits where administrative approvals are required)

**List of capital contributors:**

Name of capital contributors	Capital contribution (RMB in ten thousands)	Percentage of capital contribution (%)
Chen Zhangyin 陳章銀	8900	22.25%
Wu Zhize 吳志澤	8000	20%
Lin Kaiwen 林凱文	3000	7.5%
Zhao Wenfang 趙文芳	2000	5%
上海東洲企業投資管理有限公司 Shanghai Dongzhou Enterprise Investment Management Co., Ltd.	1000	2.5%
Shan Linhai 單林海	1000	2.5%
Zhang Ximiao 張錫淼	1000	2.5%
Lin Songxian 林松賢	1000	2.5%
Zhu Xiancai 朱顯財	1000	2.5%
Hu Yu 胡昱	1000	2.5%
Ge Jianfen 葛建芬	1000	2.5%
Chen Ying 陳瑛	2000	5%
Li Xinghua 李興化	1000	2.5%
Yu Jianliang 餘建亮	1000	2.5%
Zheng Shisan 鄭仕三	1000	2.5%
Wu Yongxu 吳永旭	1000	2.5%
Yu Xinguo 余新國	1000	2.5%
Wu Yunyun 吳云云	1000	2.5%
Shanghai Tianji Investment Development Co., Ltd. 上海添璣投資發展有限公司	1000	2.5%
Xu Xinrong 徐新榮	1000	2.5%
Huang Xiangwen 黃相文	1000	2.5%
Shanghai Rongyin Venture Capital Management Centre 上海融銀創業投資管理中心	100	0.25%

Total	40000	100%
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Shanghai Rongyin is not in any way related to the Company or any of the top 10 shareholders of the Company in terms of ownership, business, assets, credit rights and debts or staff.

**Financial information:** Shanghai Rongyin has been incorporated for less than one year with Chen Zhangyin (陳章銀), a natural person, as its largest capital contributor.

**7. Hangzhou Zhongying Growth Investment Partnership (Limited Partnership) 杭州眾贏成長投資合夥企業(有限合夥) (“Hangzhou Zhongying”)**

- Form of company** : Limited Partnership
- Registered address** : Unit 829, 1038 Jincheng Road, Xiaoshan District, Hangzhou
- Principal place of business** : Unit 1808, Tower 8, Zancheng Taihe Plaza, 58 Qianjiang Road, Hangzhou, Zhejiang (non-registered address)
- Executive Partner** : Zhejiang Dazhong Equity Investment Management Co., Ltd.  
浙江大眾股權投資管理有限公司  
(Authorised representative: Jin Bo 金波)
- Registration number** : 330100000159096
- Principal activities** : Industrial investment, investment consultation and investment management services.

**List of capital contributors:**

Name of capital contributors	Capital contribution (RMB in ten thousands)	Percentage of capital contribution (%)
Zhejiang Dazhong Equity Investment Management Co., Ltd. 浙江大眾股權投資管理有限公司	138	1.0052%
Hangzhou Hongyu Textile Co., Ltd. 杭州宏宇紡織有限公司	1500	10.9266%
Hehe Science and Technology Group Co., Ltd. 和合科技集團有限公司	1800	13.1119%
Hangzhou Zhongjie Fiber Co., Ltd. 杭州中傑纖維有限公司	1500	10.9266%
He Yongshui 何永水	1500	10.9266%
Xiang Jiang 項江	1500	10.9266%
Zheng Fuqin 鄭複琴	1500	10.9266%
Zhang Sufang 張素芳	1500	10.9266%

Xu Jianchu 徐建處	2100	15.2972%
Chen Zhangfang 陳張芳	690	5.0262%
Total	13728	100%

Hangzhou Zhongying is not in any way related to the Company or any of the top 10 shareholders of the Company in terms of ownership, business, assets, credit rights and debts or staff.

**Financial information (unaudited):** Total assets, total liabilities and net owners' equity as at 31 December 2011 amounted to RMB44,976,424.14, RMB0 and RMB44,976,424.14, respectively. Operating income and net profit for the year ended 31 December 2011 amounted to RMB0 and RMB-783,575.86, respectively.

**8. Suzhou Guorun Venture Capital Development Co., Ltd. 蘇州國潤創業投資發展有限公司 (“Suzhou Guorun”)**

- Form of company** : Company with limited liability
- Registered address** : 9 Xingcheng Road, Suzhou Industrial Park
- Principal place of business** : 9 Xingcheng Road, Suzhou Industrial Park
- Legal representative** : Wang Runde (王潤德)
- Registered capital** : RMB200 million
- Registration number** : 320594000120728
- Principal activities** : Licensed business: nil. General business: venture capital business; conduct of venture capital operations as agent for other venture capital entities or individuals; venture capital management services for venture capital companies.

**List of shareholders:**

Name of shareholder	Capital contribution (RMB in ten thousands)	Percentage of capital contribution (%)
Suzhou Hengrun Import & Export Corp., Ltd. 蘇州恒潤進出口有限公司	5000	25%
Suzhou Construction (Group) Co., Ltd. 蘇州建設（集團）有限責任公司	3000	15%
Suzhou Jinsheng Investment Management Co., Ltd. 蘇州晉盛投資管理有限公司	3000	15%
Suzhou Fangqi Investment Management Co., Ltd. 蘇州芳琪投資管理有限公司	3000	15%

Suzhou Ronghua Decoration Co., Ltd. 蘇州榮華裝飾有限公司	2000	10%
Suzhou Erjian Construction Group Co., Ltd. 蘇州二建建築集團有限公司	2000	10%
Suzhou Zhiyuan Import & Export Co., Ltd. 蘇州志遠進出口有限公司	1000	5%
Beijing Guorun Venture Capital Co., Ltd. 北京國潤創業投資有限公司	800	4%
Guorun Venture Capital (Suzhou) Management Co., Ltd. 國潤創業投資（蘇州）管理有限公司	200	1%
Total	20000	100%

Suzhou Guorun is not in any way related to the Company or any of the top 10 shareholders of the Company in terms of ownership, business, assets, credit rights and debts or staff.

**Financial information (audited):** Total assets, total liabilities and net owners' equity as at 31 December 2011 amounted to RMB188,969,956.15, RMB9,806,432.42 and RMB179,163,523.73, respectively. Operating income and net profit for the year ended 31 December 2011 amounted to RMB0 and RMB-2,089,991.64, respectively.

**9. Ms. Zhang Yuemei (張粵梅)**, ID Number: 430402196803023065, address: 9B, House 115, Yitian Village, Futian District, Shenzhen, Guangdong. Ms. Zhang is not in any way related to the Company or any of the top 10 shareholders of the Company in terms of ownership, business, assets, credit rights and debts or staff.

**10. Mr. Chen Zhangyin (陳章銀)**, ID number: 330324196311012414, address: Unit 1902, Dongnan Building, Gongyuan Road, Wuma Street, Lucheng District, Wenzhou, Zhejiang. Mr. Chen is not in any way related to the Company or any of the top 10 shareholders of the Company in terms of ownership, business, assets, credit rights and debts or staff.

### III. General information on the subject matter of the transaction

#### (I) General information

ZTE Special Equipment is a subsidiary of ZTE. Detailed information of ZTE Special Equipment prior to the Equity Transfer is set out as follows:

1. Name of the Company: Shenzhen ZTE Special Equipment Company Limited
2. Date of incorporation: 8 February 2003

3. Registered address: A Wing, ZTE Plaza, Keji Road South, Hi-Tech Industrial Park, Nanshan District, Shenzhen
4. Registered capital: RMB10 million
5. Scope of operation: production of broadband network ATM for communications purposes; technological development, services, consultation, purchase and sales of communications radar and other communications products (subject to approvals of pertinent authorities where special business items are involved; otherwise the company may commence operations at its discretion); import and export of goods and technologies (excluding distribution businesses and commodities subject to exclusive operation and control by the State).
6. Shareholding structure: ZTE (68%); 南京創碼科技有限責任公司 (18%); 南京因紐特軟件有限公司 (10%); Ling Dongsheng (凌東勝) (2%); Ju Xinxia (鞠新霞) (2%)

(II) Key financial data

Unit: RMB in ten thousands

<b>Item</b>	<b>2011 (audited)</b>	<b>Six months ended 30 June 2012 (unaudited)</b>
Operating income	15,133	10,086
Operating profit	4,576	3,141
Net profit	5,624	3,579
Extraordinary gains / losses	2,036	912
Net cash flow from operating activities	4,153	3,137
Total amount receivable	2,437	6,548
Net assets (Net owners' equity)	15,719	19,312
Total assets	23,097	27,816
Total liabilities	7,378	8,504
Total amount involving contingent events (including guarantees, litigations and arbitrations)	0	0

(III) Other information

The 68% equity interests in ZTE Special Equipment proposed to be transferred by ZTE are not subject to any securities, pledges or other third-party rights, significant disputes, litigations or arbitrations involving the underlying assets, or seizures, moratoria or other judicial actions. ZTE has not provided any guarantee for ZTE Special Equipment or entrusted any funds to ZTE Special Equipment as at the date of the Equity Transfer. There has been no non-operating appropriation of ZTE funds by ZTE Special Equipment.

#### **IV. Major terms of the Equity Transfer Agreement**

1. Subject matter of the transaction: 68% equity interests in ZTE Special Equipment;

2. The transaction price: **Net profit of ZTE Special Equipment x 11.1 x 68%**

“Net profit of ZTE Special Equipment” refers to the sum of the net profit of ZTE Special Equipment for the year ended 31 December 2012 as audited by an auditor qualified for auditing for the securities sector jointly appointed by the parties to the transaction and the costs of share-based payments (if any). In the event that the net profit of ZTE Special Equipment is less than RMB65 million, the transaction price shall be RMB65 million. In the event that the net profit of ZTE Special Equipment is higher than RMB75 million, the transaction price shall be RMB75 million. In the event that the net profit of ZTE Special Equipment falls between RMB65 million and RMB75 million, the transaction prices shall be based on the actual audit result.

“Costs of share-based payments” refer to amounts chargeable to relevant costs and expenses of ZTE Special Equipment in accordance with the Accounting Standards for Business Enterprises and applicable laws and regulations in the event of any transfer of equity interests in ZTE Special Equipment to its management or employees prior to 31 December 2012 which will be recognised as share-based payments by the auditor in the audit of ZTE Special Equipment’s financial data for 2012. The parties to the transaction have agreed to determine the actual amount of the costs of share-based payments based on the 2012 auditor’s report of ZTE Special Equipment furnished by the auditor or a written statement separately furnished by the auditor.

3. Completion date: the date of approval and issue stated on the notice of approval of changes in industrial and commercial registration details in respect of the Equity Transfer.

4. Method of payment and due dates: The pre-determined transaction amount of the equity transfer (the “Pre-determined Amount”) amounts to RMB528,360,000. Within 5 working days from the execution of the Equity Transfer Agreement, the Buyers shall pay to ZTE 50% of the Pre-determined Amount, namely RMB264,180,000. The Buyers shall pay to ZTE the remaining 50% of the Pre-determined Amount within 5 working days from the completion date or within 45 days from the date of execution of the Equity Transfer Agreement (not later than the 45<sup>th</sup> day from the date of execution of the Equity Transfer Agreement). Within 10 working days from the date on which the 2012 audit report of ZTE Special Equipment is furnished by the auditors, a finalized transfer amount shall be arrived at by ZTE and the Buyers based on the formula set out in the foregoing Paragraph 2 headed “The transaction price,” and the difference between the

finalized transfer amount and the Pre-determined Amount (excluding interests accruable on such difference for the period commencing on the date of payment of the Pre-determined Amount and ending on the date the difference has been settled in full) shall be refunded by ZTE to the Buyers or paid by the Buyers to ZTE, as the case may be.

5. Registration of the transfer: ZTE will process changes in industrial and commercial registration details after the execution of the Equity Transfer Agreement.

6. Effectiveness: The Equity Transfer Agreement will come into effect on the date of its execution by the parties under their respective seals.

## **V. Purpose for the disposal of equity interests in ZTE Special Equipment and its impact on the Company**

The disposal of equity interests in ZTE Special Equipment will allow the Company to focus its resources on its principal businesses in line with the requirements of its strategic development. Investment income generated from the disposal of equity interests, estimated to be in the range of RMB360 million to RMB440 million, will replenish the working capital of the Company in support of the development of its principal businesses.

Taking into account the financial conditions and credit standings of the Buyers and in accordance with the covenants of the Equity Transfer Agreement, if any Buyer other than Shenzhen Capital Group fails to honour payment of the Pre-determined Amount or the difference (if any), Shenzhen Capital Group shall, within 10 working days from the date on which the default occurs, make good in full amounts. The Company is of the view that the aforesaid Buyers have sound contract performance ability to fulfill the Equity Transfer Agreement that they have entered into with the Company.

## **VI. Documents for inspection**

1. Resolutions of the Thirty-fourth Meeting of the Fifth Session of the Board of Directors of the Company;
2. Resolutions of the Twenty-first Meeting of the Fifth Session of the Supervisory Committee of the Company;
3. Opinion of the Independent Directors;
4. Equity Transfer Agreement.

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

Shenzhen, the PRC  
21 September 2012

*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.*