

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

DISCLOSEABLE TRANSACTIONS

DISPOSAL OF EQUITY INTEREST IN SHENZHEN CHANGFEI INVESTMENT COMPANY LIMITED

At the Thirty-sixth Meeting of the Fifth Session of the Board held on 16 November 2012, the Board approved (1) the CCBI Disposal Agreement, pursuant to which the Company has agreed to dispose 30% equity interest in Changfei Investment to CCBI (Shenzhen) at a consideration of RMB480,000,000; and (2) the All Access Disposal Agreement, pursuant to which the Company has conditionally agreed to dispose 51% equity interest in Changfei Investment to Guangdong All Access at a consideration of RMB816,000,000.

Upon completion of the Disposal, the Company will cease to have any interest in Changfei Investment and Changfei Investment will cease to be a subsidiary of the Company.

As one or more of the applicable percentage ratios for the Disposal, on an aggregated basis, exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Hong Kong Listing Rules.

1. INTRODUCTION

On 16 November 2012, the Company entered into the CCBI Disposal Agreement and the All Access Disposal Agreement.

2. THE DISPOSAL

The principal terms of each of the CCBI Disposal Agreement and the All Access Disposal Agreement are summarized as follows:

2.1 The CCBI Disposal Agreement

a. Parties

- (1) CCBI (Shenzhen) as purchaser; and
- (2) the Company as vendor.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, CCBI (Shenzhen) and its ultimate beneficial owners are

independent of the Company and connected persons (as defined in the Hong Kong Listing Rules) of the Company.

b. Subject matter

The CCBI (Shenzhen) has agreed to acquire, and the Company has agreed to transfer, 30% equity interest in Changfei Investment.

c. Consideration and adjustments

The consideration is RMB480,000,000, which is payable by CCBI (Shenzhen) to the Company in cash within 15 business days after completion of the CCBI Disposal Agreement.

The consideration is subject to downward adjustments that (i) if the operating results of Changfei Investment for each of the years ending 31 December 2012 to 2016 fails to achieve certain performance commitments as represented by the Company to CCBI (Shenzhen) in the CCBI Disposal Agreement, the Company in each of the corresponding year should pay a compensation of not more than RMB40,800,000 per year to CCBI (Shenzhen); and (ii) subject to the first right of refusal of the Company, if CCBI (Shenzhen) transfers the 30% equity interest of Changfei Investment to a third party in the years ending 31 December 2016 or 2017 at a consideration which would give CCBI (Shenzhen) an investment income less than RMB40,800,000 per year, the Company should pay such amount to CCBI (Shenzhen) so that the investment income for CCBI (Shenzhen) be at RMB40,800,000 per year.

The consideration is also subject to upward adjustment that if CCBI (Shenzhen) transfers the 30% equity interest of Changfei Investment to a third party at a consideration which would give CCBI (Shenzhen) an investment income higher than RMB40,800,000 per year, the Company is entitled to share 20% of such surplus and CCBI (Shenzhen) shall pay such amount to the Company within 30 days after the earlier of (i) the date when CCBI (Shenzhen) received such consideration from the third party or (ii) 31 December 2017.

The consideration was arrived at after arm's length negotiation between the parties by making reference to a price-to-earnings ratio of about 10.5 times based on the audited consolidated net profit of Changfei Investment for the year ended 31 December 2011.

d. Conditions precedent

The CCBI Disposal Agreement shall become effective upon due execution by each of the Company and CCBI (Shenzhen).

e. Completion

Within 10 business days after the date of the CCBI Disposal Agreement, the Company shall procure Changfei Investment to complete the change of registration in respect of the transfer of the 30% equity interest in Changfei Investment with the relevant PRC industry and commerce bureau from the Company to CCBI (Shenzhen).

f. Lock-up and transfer restrictions

CCBI (Shenzhen) agreed that, for a period of 3 years after completion of the CCBI Disposal Agreement, unless with the written consent of the Company, it will not transfer the 30% equity interest of Changfei Investment to any third party.

CCBI (Shenzhen) further agreed that it will not transfer, among others, any equity interest of Changfei Investment to certain specific entities, their controlling shareholders or actual controllers, companies or corporates directly or indirectly controlled by them, or any director, supervisor and senior management of any of the entities mentioned beforehand.

2.2 The All Access Disposal Agreement

a. Parties

- (1) Guangdong All Access as purchaser; and
- (2) the Company as vendor.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, Guangdong All Access and its ultimate beneficial owners are independent of the Company and connected persons (as defined in the Hong Kong Listing Rules) of the Company.

b. Subject matter

Guangdong All Access has conditionally agreed to acquire, and the Company has conditionally agreed to transfer, 51% equity interest in Changfei Investment.

c. Consideration

The consideration is RMB816,000,000, which is payable by Guangdong All Access to the Company in cash in the following manner:

- (i) RMB163,000,000 will be payable within one business day after the date on which the All Access Disposal Agreement is approved by the shareholders of China All Access in accordance with the requirements of the Hong Kong Listing Rules as the first instalment;
- (ii) RMB245,000,000 will be payable within one business day after the relevant PRC industry and commerce bureau has issued an acknowledgement of receipt of the application for the change of registration in respect of the transfer of the 51% equity interest in Changfei Investment to Guangdong All Access as the second instalment;
- (iii) subject to completion of the change of registration in respect of the transfer of the 51% equity interest in Changfei Investment to Guangdong All Access by the relevant PRC industry and commerce bureau, RMB204,000,000 will be payable by Guangdong All Access before 30 September 2013 as the third instalment; and
- (iv) subject to completion of the change of registration in respect of the transfer of the 51% equity interest in Changfei Investment to Guangdong All Access by the relevant PRC industry and commerce bureau, RMB204,000,000 will be payable by Guangdong All Access before 30 April 2014 as the balance of consideration.

The consideration was arrived at after arm's length negotiation between the parties by making reference to a price-to-earnings ratio of about 10.5 times based on the audited consolidated net profit of Changfei Investment for the year ended 31 December 2011.

d. Conditions precedent

The All Access Disposal Agreement shall become effective upon fulfilment of the following conditions:

- (i) the approval by the shareholders of China All Access of the All Access Disposal Agreement in accordance with the requirements of the Hong Kong Listing Rules; and
- (ii) the approval by the Board of the All Access Disposal Agreement.

e. Completion

Upon the All Access Disposal Agreement becoming effective and within 15 business days thereafter, the Company shall procure Changfei Investment to complete the change of registration in respect of the transfer of the 51% equity interest in Changfei Investment with the relevant PRC industry and commerce bureau from the Company to Guangdong All Access. In the event that the said change of registration cannot be completed within six months from the date of the All Access Disposal Agreement, the All Access Disposal Agreement shall terminate automatically.

f. Lock-up and transfer restriction

Guangdong All Access agreed that, for a period of 10 years after completion of the All Access Disposal Agreement, it will not transfer, among others, any equity interest of Changfei Investment to certain specific entities, their controlling shareholders or actual controllers, companies or corporates directly or indirectly controlled by them, or any director, supervisor and senior management of any of the entities mentioned beforehand.

g. Guarantee

On the date of the All Access Disposal Agreement, Hebei Noter Communication Technology Co. Ltd. issued a letter of guarantee to the Company securing the due performance of the obligations of Guangdong All Access to pay the third instalment, the balance of consideration, the interest and penalty payable by Guangdong All Access arising from delayed payment and the relevant enforcement costs of the Company.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, Hebei Noter Communication Technology Co. Ltd. and its ultimate beneficial owners are independent of the Company and connected persons (as defined in the Hong Kong Listing Rules) of the Company.

3. INFORMATION OF CHANGFEI INVESTMENT

Changfei Investment is principally engaged in industrial investment, and its subsidiaries carry out research and development, and production of a wide spectrum of products and parts in the supply chain of various types of mobile terminals.

As at the date of this announcement, Changfei Investment is held as to 75.3838% by the Company, as to 16.2162% by Zhu Weimin and as to 8.4% by Liu Weili. At the Thirty-sixth Meeting of the Fifth Session of the Board, the Board approved the acquisition of 5.6162% equity interest in Changfei Investment by the Company from Liu Weili, as all of the applicable

percentage ratios for which are less than 5% and which is exempt from all disclosure requirements under Chapter 14 of the Hong Kong Listing Rules, upon completion of which Changfei Investment would be held as to 81% by the Company. Upon completion of the Disposal, the Company will cease to have any interest in Changfei Investment and Changfei Investment will cease to be a subsidiary of the Company.

Set out below is a summary of the consolidated accounts of Changfei Investment and its subsidiaries prepared in accordance with PRC GAAP for the two years ended 31 December 2011 and the six months ended 30 June 2012:

Unit:RMB

	For the year ended 31 December 2010 (unaudited)	For the year ended 31 December 2011 (audited)	For the six months ended 30 June 2012 (unaudited)
Profit before taxation	142,778,773	188,644,312	133,807,768
Profit after taxation	129,781,934	153,057,702	109,450,005
Net asset value	521,306,995	646,854,095	756,304,501
Net asset value attributable to equity holders of the parent	382,457,793	493,868,774	585,890,628

According to the PRC GAAP, the net gain in the form of investment income expected to accrue to the Company on the Disposal, assuming no material change from the financial position of Changfei Investment as at 30 June 2012, would be approximately RMB450,000,000 to 850,000,000, which is arrived at by deducting the carrying value of the 81% equity interest of Changfei Investment from the total consideration payable by CCBI (Shenzhen) and Guangdong All Access to the Company and taking into account the potential adjustments to consideration under the CCBI Disposal Agreement as disclosed above in paragraph 2.1(c). The Company will apply the proceeds from the Disposal to working capital of the Company so as to support the development of the Company's main business.

4. REASONS FOR AND BENEFITS OF ENTERING INTO THE DISPOSAL

The Disposal allows the Company to concentrate and focus on its main business, which is in line with the Company's strategic development needs. The Disposal will increase the investment income by RMB450,000,000 to 850,000,000 in the Company and increase the Company's working capital so as to support the development of the Company's main business.

5. BOARD APPROVAL

At the Thirty-sixth Meeting of the Fifth Session of the Board held on 16 November 2012, the Board approved (1) the CCBI Disposal Agreement, pursuant to which the Company has agreed to dispose 30% equity interest in Changfei Investment to CCBI (Shenzhen) at a consideration of RMB480,000,000; and (2) the All Access Disposal Agreement, pursuant to which the Company has conditionally agreed to dispose 51% equity interest in Changfei Investment to Guangdong All Access at a consideration of RMB816,000,000.

At the same meeting, the Board also approved the subscription by ZTE (H.K.) Limited, a wholly-owned subsidiary of the Company, of certain shares and certain convertible bonds of China All Access. As all of the applicable percentage ratios for such subscription, on an

aggregate basis, are less than 5%, such subscription is exempt from all disclosure requirements under Chapter 14 of the Hong Kong Listing Rules,

The Board (including the independent non-executive Directors) takes the view that the Disposal is entered into on normal commercial terms, and such terms are fair and reasonable and in the interests of the Company and its shareholders as a whole. None of the Directors have a material interest in the Disposal nor are they required to abstain from voting in the relevant board resolutions pursuant to the Hong Kong Listing Rules and/or the articles of association of the Company.

In light of the uncertainty of the future operating conditions and the capital market performance of China All Access and Guangdong All Access, the Disposal and the subscription may pose an uncertainty on the overall income of the Company in the future, the potential investors and the shareholders are advised to exercise caution when dealing in shares of the Company.

6. INFORMATION OF THE RELEVANT PARTIES

The Company and its subsidiaries are principally engaged in the design, development, production, distribution and installation of a broad range of advanced telecommunications systems and equipment, including carrier networks, terminals and telecommunications software systems and other products.

Guangdong All Access and Hebei Noter Communication Technology Co. Ltd. are wholly-owned subsidiaries of China All Access and are principally engaged in the development and provision of communication equipment and application services system operating management, application upgrade and system maintenance.

CCBI (Shenzhen) is principally engaged in investment management and consulting (excluding special management and restricted projects), marketing planning and business information consultation, project investment and corporate acquisition, merger, reorganization, and investment management related advisory services.

7. HONG KONG LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios for the Disposal, on an aggregated basis, exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Hong Kong Listing Rules.

8. DEFINITIONS

In this announcement, unless the context otherwise requires the following expressions have the following meanings:

“All Access Disposal Agreement”	an equity transfer agreement dated 16 November 2012 by the Company as vendor and Guangdong All Access as purchaser in respect of the sale and purchase of 51% equity interest in Changfei Investment
“Board”	the board of directors of the Company
“CCBI (Shenzhen)”	CCB International (Shenzhen) Investment Co., Ltd., a company established under the laws of the PRC with limited liability
“CCBI Disposal Agreement”	an equity transfer agreement dated 16 November 2012 by

	the Company as vendor and CCBI (Shenzhen) as purchaser in respect of the sale and purchase of 30% equity interest in Changfei Investment
“Changfei Investment”	深圳市長飛投資有限公司 (Shenzhen Changfei Investment Company Limited*), a company established under the laws of the PRC with limited liability and a non wholly-owned subsidiary of the Company as at the date of this announcement
“China All Access”	China All Access (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the main board of the Hong Kong Stock Exchange
“Company”	ZTE Corporation, a company incorporated in the PRC, whose shares are listed on the Hong Kong Stock Exchange and the Shenzhen Stock Exchange
“Directors”	the director(s) of the Company
“Guangdong All Access”	Guangdong All Access Noter Communication Technology Co., Ltd. (廣東全通諾特通信技術有限公司), a company established under the laws of the PRC with limited liability
“Disposal”	the disposal of an aggregated 81% equity interest in Changfei Investment by the Company to CCBI (Shenzhen) and Guangdong All Access pursuant to the terms and conditions of the CCBI Disposal Agreement and the All Access Disposal Agreement
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“PRC GAAP”	generally accepted accounting principles in the PRC
“RMB”	Renminbi, the lawful currency of PRC

By Order of the Board
Hou Weigui
Chairman

Shenzhen, the PRC

16 November 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 Shiyou; six non-executive directors, Hou Weigui, Zhang Jianheng, 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.

* English translation denotes for identification purposes only.