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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 of Waiver of Rights**

*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 or material omission from this announcement.*

To meet the needs of its business development, ZTE Corporation South Africa (Proprietary) Limited ("ZTE South Africa"), a wholly-owned subsidiary of ZTE (H.K.) Limited ("ZTE HK") which, in turn, is a wholly-owned subsidiary of ZTE Corporation ("ZTE" or the "Company"), has proposed to increase its share capital and introduce new shareholders in accordance with pertinent requirements of overseas laws. In connection with the proposed share capital increase of ZTE South Africa, ZTE HK will waive the first right of refusal to share subscription and capital contribution in respect of the share capital increase.

### **I. General Information on ZTE South Africa**

ZTE South Africa was established on 6 February 2006. Its registered place of business is Johannesburg, the Republic of South Africa, and its registered capital amounts to ZAR2,010,083 (equivalent to approximately RMB1,269,200)<sup>1</sup>. It is principally engaged in the provision of equipment for the communications industry. It is 100%-owned by ZTE HK, a wholly-owned subsidiary of the Company.

Major financial indicators of ZTE South Africa for the three years ended 31 December 2012

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<sup>1</sup> Translations between ZAR and RMB amounts in this announcement are based on the Company's book exchange rate of ZAR1: RMB0.6314 as at 30 June 2013.

and the six months ended 30 June 2013 are set out as follows:

Unit: ZAR

<b>Financial indicators</b>	<b>Year ended 31 December 2010</b>	<b>Year ended 31 December 2011</b>	<b>Year ended 31 December 2012</b>	<b>Six months ended 30 June 2013</b>
	<b>(Audited)</b>	<b>(Audited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Total operating revenue	158,897,779	378,373,158	1,155,946,612	442,333,456
Net profit	5,711,794	-114,876,820	315,542,865	86,533,429
	<b>31 December 2010</b>	<b>31 December 2011</b>	<b>31 December 2012</b>	<b>30 June 2013</b>
	<b>(Audited)</b>	<b>(Audited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Total assets	290,918,882	429,223,940	1,247,601,208	1,557,521,582
Net assets	-53,395,820	-168,272,638	106,002,487	180,045,970
Net operating cash flow	-156,894,853	-204,287,099	-155,921,698	-185,741,649

## **II. Proposed share capital increase of ZTE South Africa**

The Broad-Based Black Economic Empowerment Act (“B-BBEE Act”) and its codes of good practice have set, by way of law, specific benchmarks for black empowerment in business enterprises in terms of equity ownership, management participation and skills development and so on, procuring business enterprises to sell shares to competent black people<sup>2</sup> with a view to enhancing the economic status of black people in general. In compliance with the B-BBEE Act and its codes of good practice, all enterprises engaged in the communications business in South Africa are required by the country’s Ministry of the Department of Trade and Industry to have, as a basic condition, black shareholders owning at least 30% of its equity.

In view of the above, ZTE South Africa has proposed to introduce black shareholders who are qualified under the B-BBEE Act and who are not connected parties of the Company to subscribe for 861,507 shares (namely, approximately 30% equity interests) in cash for a price of approximately ZAR116.6 million (equivalent to approximately RMB73,621,200), in order to comply with the local laws and regulations and meet the needs of its business development. The aforesaid price for capital increase has been arrived at by reference to a valuation report issued by Deloitte & Touche Corporate Finance LLC, a third-party valuer. Following the

<sup>2</sup> According to Section 1 of the Broad-based Black Economic Empowerment Act of South Africa, the term “black people” means Africans, Coloureds and Indians.

completion of the transaction, ZTE HK will hold approximately 70% equity interests in ZTE South Africa, while the proposed black shareholders will hold approximately 30% equity interests in ZTE South Africa. Currently, ZTE HK and ZTE South Africa are engaged in active liaison and talks to line up qualified and interested black shareholders.

### **III. Opinions of the Board of Directors and Independent Non-executive Directors**

#### **1. Opinion of the Board of Directors**

The proposed share capital increase and introduction of black shareholders has been aimed at complying with the B-BBEE Act of South Africa and meeting business development needs; if ZTE HK does not waive the first right of refusal to share subscription and capital contribution and maintains its 100% equity interests, ZTE HK will be required to make a capital contribution of approximately ZAR116.6 million (equivalent to approximately RMB73,621,200), although, even with the completion of such capital increase, ZTE South Africa will not be in compliance with the requirements of local laws and regulations. The proposed share capital increase and introduction of investors by ZTE South Africa has been priced within a reasonable range based on valuation by a third-party valuer taking into account of factors such as the current stage of ZTE South Africa's business development and its historic growth, etc, without compromising the interests of the Company or its shareholders. In view of the above, the Board of Directors of the Company approves ZTE HK's waiver of the first right of refusal to share subscription and capital contribution in respect of the proposed share capital increase of ZTE South Africa, and approves the authorisation of the Company's management to introduce qualified new shareholders in accordance with ZTE South Africa's proposed plan for share capital increase.

As ZTE South Africa has reported a compound annual growth rate of 169.72% in its revenue from principal operations for the past three years, the matter is required to be tabled at the general meeting of the Company for consideration in accordance with the following provisions of the "Information Disclosure Memorandum No. 35 – Waiver of Rights" (信息披露業務備忘錄第35號——放棄權利) issued by Shenzhen Stock Exchange on 29 June 2011: "I. The waiver of rights as described in this Memorandum by a subsidiary of a listed

company shall be deemed as the waiver of rights by such listed company and shall be subject to this Memorandum” and “IV. In the event of the waiver of rights by a listed company under one of the following circumstances, the matter shall be tabled at the general meeting of the Company for consideration, in addition to being disclosed in a timely manner: (IV) The subsidiary (or investee or joint venture project) in respect of which a waiver of rights is sought by the Company has reported a compound annual growth rate in revenue from principal operations of 20% or above for the past three years.”

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

The Independent Non-executive Directors of the Company are of the view that the waiver of rights has been proposed to seek compliance with specific laws and regulations of the country where ZTE South Africa is located, and the first right of refusal to share subscription and capital contribution proposed to be waived has been priced on the basis of a valuation arrived at by a third-party valuer. As such, the interests of the Company or its shareholders will not be compromised. The Board of Directors of the Company has considered the matter and tabled the same for consideration at the general meeting of the Company, and the procedures for consideration are in compliance with “Information Disclosure Memorandum No. 35 – Waiver of Rights” (信息披露業務備忘錄第35號——放棄權利), “Articles of Association of ZTE Corporation” and other pertinent regulations.

## **3. Voting of the Board of Directors**

The “Resolution of ZTE Corporation on the Waiver of Rights” was considered and unanimously approved at the Ninth Meeting of the Sixth Session of the Board of Directors of the Company.

## **IV. Impact on the Company**

With ZTE indirectly holding 100% equity interests in ZTE South Africa through ZTE HK prior to the completion to the said share capital increase, the shareholding structure of ZTE South Africa is not in compliance with the B-BBEE Act of South Africa and its normal business operation are affected by such non-compliance; with the successful completion of

the share capital increase, ZTE will hold approximately 70% equity interests in ZTE South Africa through ZTE HK, which will allow it to maintain a controlling stake in ZTE South Africa on the one hand while assuring normal business operations for ZTE South Africa on the other by complying with the requirements of local laws and regulations. The proposed share capital increase and introduction of new shareholders to comply with the B-BBEE Act of South Africa will have no material impact on the financial and operating results of ZTE for the current period.

## **V. Documents for Inspection**

1. Resolutions of the Ninth Meeting of the Sixth Session of the Board of Directors of the Company;
2. Resolutions of the Seventh Meeting of the Sixth Session of the Supervisory Committee of the Company;
3. Independent Opinion issued by the Independent Non-executive Directors in respect of the aforesaid waiver of rights.

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

Shenzhen, the PRC  
12 September 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 Richard Xike Zhang.*