

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

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 TRANSACTION
FRAMEWORK AGREEMENT FOR ENTRUSTMENT OF DEVELOPMENT,
CONSTRUCTION, SALES AND OPERATION**

THE FRAMEWORK AGREEMENT

The Board is pleased to announce that on 9 February 2018, the Company entered into the Framework Agreement with Vanke Real Estate, pursuant to which Vanke Real Estate agreed to provide, and the Company agreed to receive the services in relation to (i) the development and construction of properties in the Nanshan Land; (ii) the sale of the Available-for-sale Properties; and (iii) the operation of the Entrusted Properties.

Pursuant to the Framework Agreement, the Company agreed to entrust Vanke Real Estate to provide the following services:

- (i) development and construction of properties of 189,890 sq.m. in the Nanshan Land;
- (ii) sale of the Available-for-sale Properties; and
- (iii) operation of the Entrusted Properties.

IMPLICATIONS UNDER THE HONG KONG LISTING RULES

As one or more applicable percentage ratios calculated in accordance with the Hong Kong Listing Rules in respect of the sale of the Available-for-sale Properties by the Company and the transfer of the operation right of the Entrusted Properties by the Company to Vanke Real Estate under the Framework Agreement, in aggregate, exceed 5% but are less than 25%, the transactions under the Framework Agreement constitutes a discloseable transaction of the Company which is subject to the reporting and announcement requirements but exempt from the shareholders' approval requirements under Chapter 14 of the Hong Kong Listing Rules.

IMPLICATIONS UNDER THE SHENZHEN LISTING RULES AND EGM

Pursuant to the Shenzhen Listing Rules, the transactions contemplated under the Framework Agreement are subject to the approval of the Shareholders at a general meeting of the Shareholders. Therefore, a resolution will be proposed at the EGM to be held on Wednesday, 28 March 2018 for the Shareholders to consider, and if thought fit, approve the Framework Agreement and the transactions contemplated thereunder. A supplementary notice of the EGM, together with the revised proxy form, will be despatched to the H Shareholders on 13 February 2018.

INTRODUCTION

Reference is made to the announcement of the Company dated 27 June 2017 and the overseas regulatory announcements of the Company dated 26 December 2017 and 25 January 2018, respectively, in relation to, among other things, (i) the acquisition of land use rights in respect of the Nanshan Land for a term of 30 years; and (ii) the Letter of Intent entered into between the Company and Vanke Real Estate in respect of the proposed entrustment of development, construction, sales and operation of properties in respect of the Nanshan Land.

Pursuant to the Letter of Intent, Vanke Real Estate paid an amount of RMB1,771,000,000 as deposit to the Company on 29 December 2017. Further to the Letter of Intent, the Board is pleased to announce that on 9 February 2018, the Company entered into the Framework Agreement with Vanke Real Estate, pursuant to which Vanke Real Estate agreed to provide, and the Company agreed to receive the services in relation to (i) the development and construction of properties in the Nanshan Land; (ii) the sale of the Available-for-sale Properties; and (iii) the operation of the Entrusted Properties.

THE FRAMEWORK AGREEMENT

The principal terms of the Framework Agreement are set out below:

Date

9 February 2018

Parties

- (i) The Company; and
- (ii) Vanke Real Estate

Subject matter

Pursuant to the Framework Agreement, the Company agreed to entrust Vanke Real Estate to provide the following services:

- (i) development and construction of properties of 189,890 sq.m. in the Nanshan Land;
- (ii) sale of the Available-for-sale Properties; and
- (iii) operation of the Entrusted Properties.

Development and construction of properties in respect of the Nanshan Land

Scope of services

Vanke Real Estate shall provide property development and construction services in respect of the Nanshan Land to the Company, including but not limited to, market research and product positioning, processing of construction approval and commencement procedures, survey and design management, project work management and coordination, contract management, tender and procurement management, pricing management, filing management, on-site management, construction quality and safety management, sales management, inspection and acceptance upon work completion, delivery of properties, filing upon work completion, project work maintenance management, and initial registrations of titles of properties.

Consideration

Vanke Real Estate undertook that the total amount of capital expenditure for the development and construction of properties in respect of the Nanshan Land (excluding service fees) shall be no less than RMB1,709,010,000 and shall not exceed RMB1,898,900,000. If the total amount of capital expenditure exceeds RMB1,898,900,000, Vanke Real Estate shall be responsible for paying any amount in excess of RMB1,898,900,000.

Completion

Vanke Real Estate undertook to obtain the inspection acceptance, complete all relevant filing procedures of inspection acceptance in respect of the properties to be constructed in respect of the Nanshan Land and the inspection acceptance of the fine decoration of common areas within 990 days upon approval of the design proposal by the competent governmental authorities. Vanke Real Estate further undertook that it shall deliver all properties constructed to the Company with 90 days upon the completion of the filing procedures.

Vanke Real Estate shall deliver to the Company the office properties of 77,340 sq.m. and the premises for cultural facilities of 2,660 sq.m. (not being part of the Available-for-sale Properties and the Entrusted Properties). The bus terminal of 4,200 sq.m. shall be delivered to the government without consideration after completion of its construction. The property management premises of 390 sq.m. shall be jointly owned by the relevant landlords after completion of its construction.

Sale of Available-for-sale Properties

Scope of services

Vanke Real Estate shall provide sales services of the Available-for-sale Properties to the Company, including but not limited to, formulation of marketing plan for the Available-for-sale Properties, filing the record for spot-sale of the Available-for-sale Properties, filing the price list for the Available-for-sale Properties, decoration of the sales hall for the Available-for-sale Properties, recruitment and organisation of sales staff for sales reception, formulation and implementation of the work flow of sales process, formulation of the full set of contractual documents for the sales of the Available-for-sale Properties, organisation and planning of marketing activities, making payment calls in respect of various contract amounts on behalf of the principals, handling formalities for property delivery for the developer, handling registration of title deeds for sub-divided flats for the property owners.

Sale price

Vanke Real Estate undertook that the aggregate sale price of the Available-for-sale Properties shall be no less than RMB4,750,000,000 (excluding value-added taxes).

The sale prices of the Available-for-sale Properties are higher than their estimated sale prices under the “Research (Consulting Report) on the Development Value of the Shenzhen Bay Super Headquarters Base Project of ZTE Corporation” (《中興通訊深圳灣超級總部基地項目開發價值研究(諮詢報告)》) issued by DTZ Debenham Tie Leung Shenzhen Valuation Company Limited (深圳市戴德梁行土地房地產評估有限公司).

In the event the actual aggregate amount of sale of the Available-for-sale Properties is less than RMB4,750,000,000, Vanke Real Estate shall compensate the shortfall to the Company.

Pre-emptive right to purchase

Vanke Real Estate and its associated parties shall have pre-emptive rights to purchase the Available-for-sale Properties upon completion of their construction.

Fees

In the event the actual aggregate amount of sale of the Available-for-sale Properties exceeds RMB4,750,000,000, the Company agreed to pay the amount in excess thereof (net of any applicable costs and taxes) to Vanke Real Estate as the service fees for the services rendered in respect of the sale of the Available-for-sale Properties and the development and construction of properties in respect of the Nanshan Land.

No service fees are payable in the event the actual aggregate amount of sales is less than RMB4,750,000,000.

Operation of Entrusted Properties

Scope of services

The Company shall transfer the right to operate the Entrusted Properties to Vanke Real Estate upon completion of their construction. During the term of the land use rights of the Nanshan Land, Vanke Real Estate shall operate the Entrusted Properties and be entitled to receive any revenue derived from such operation, including but not limited to, using and leasing of the Entrusted Properties.

Consideration

Vanke Real Estate shall pay RMB2,515,000,000 (excluding value-added taxes) to the Company as the consideration for obtaining the right to operate the Entrusted Properties. Please refer to the paragraph headed “Earnest money and payment arrangement” below for the terms of payment.

Term of entrustment

The term of entrustment of the Entrusted Properties shall commence from the date of delivery of the Entrusted Properties and expire at the expiration of land use rights of the Nanshan Land.

Property leasing agreement

The Company and Vanke Real Estate shall execute a property leasing agreement in respect of the Entrusted Properties with a term being the maximum permissible term under the applicable laws and regulations within 30 days upon the licence for development and construction of the Nanshan Land has been granted.

Earnest money and payment arrangement

The earnest money for (i) the exclusive right to sell the Available-for-sale Properties and (ii) the right to operate the Entrusted Properties shall be paid by Vanke Real Estate to the Company as follows:

- (i) the amount of RMB1,771,000,000 already paid by Vanke Real Estate on 29 December 2017 pursuant to the Letter of Intent shall be automatically regarded as the earnest money in respect of the right to operate the Entrusted Properties;

- (ii) Vanke Real Estate shall pay an amount of RMB1,771,000,000, representing the earnest money in respect of the exclusive right to sell the Available-for-sale Properties, to the account designated by the Company by 30 June 2018;
- (iii) all settlements in relation to the investment and revenue of the development and construction, sale of the Available-for-sale Properties, transfer of right to operate the Entrusted Properties and return of earnest money shall be conducted in accordance with the settlement arrangements as determined by the Company and Vanke Real Estate under the Framework Agreement; and
- (iv) the Company shall provide Vanke Real Estate with the first bank assurance letter in respect of performance by the Company under the Framework Agreement with a maximum guaranteed amount of RMB1,771,000,000 within 45 days upon the execution of the Framework Agreement, and the second bank assurance letter in respect of performance by the Company under the Framework Agreement with a maximum guaranteed amount of RMB1,771,000,000 by 30 June 2018.

The first bank assurance letter shall expire on the thirty-first day from the date of completion of execution and filing of the pre-sale or sale agreement in respect of the Available-for-sale Properties. The second bank assurance letter shall expire on the thirty-first day from the date of execution of the property leasing agreement in respect of the Entrusted Properties.

Effectiveness

The Framework Agreement shall take effect upon the approval of the Framework Agreement at the Shareholders' meeting of the Company. If the Company is unable to convene the Shareholders' meeting or to obtain Shareholders' approval by 30 April 2018 or such other time as agreed in writing by the parties, the Company shall return the earnest money already paid to Vanke Real Estate in the amount of RMB1,771,000,000 and pay an additional amount of RMB5,000,000 to Vanke Real Estate as compensation.

REASONS FOR AND BENEFITS OF THE FRAMEWORK AGREEMENT

The Company acquired the land use rights in respect of the Nanshan Land in June 2017 for a term of 30 years. As the Company is not a property developer and does not have the professional experience or specialized personnel for development and construction, sale and operation of properties, while Vanke Real Estate is a property developer with the qualification, financial strength, extensive experience as well as professional management team for property development, the Company intends to entrust Vanke Real Estate to provide the relevant professional services in respect of the development and construction, sale and operation of properties in the Nanshan Land in order to ensure compliance with the applicable laws and regulations.

The consideration in respect of each of (i) the development and construction of properties in respect of the Nanshan Land; (ii) the sale of the Available-for-sale Properties; and (iii) the operation of the Entrusted Properties was determined by the Company with reference to, among other things, the "Research (Consulting Report) on the Development Value of the Shenzhen Bay Super Headquarters Base Project of ZTE Corporation" (《中興通訊深圳灣超級總部基地項目開發價值研究(諮詢報告)》) issued by DTZ Debenham Tie Leung Shenzhen Valuation Company Limited (深圳市戴德梁行土地房地產評估有限公司) and was agreed after arm's length negotiations between the Company and Vanke Real Estate. The Board considers that the consideration is fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

The development and construction of properties in respect of the Nanshan Land will be funded by the internal resources of the Company, including the considerations in respect of the transactions contemplated under the Framework Agreement.

In addition, it is expected that the Group will record a profit before taxation of approximately RMB2,723,000,000 in aggregate (subject to the audited financial statements of the Group) upon completion of the transactions contemplated under the Framework Agreement (expected to be in 2021 and subject to the actual year of completion), which was calculated based on the aggregate sale price of the Available-for-sale Properties and the consideration for obtaining the right to operate the Entrusted Properties, reduced by the cost of development, the cost of land, the value-added taxes of land and other taxes and fees in respect of the Available-for-sale Properties and the Entrusted Properties. The net proceeds from the sale of the Available-for-sale Properties and the entrustment of the operation rights to the Entrusted Properties under the Framework Agreement are intended to be applied by the Company for its general working capital.

The terms of the Framework Agreement and the transactions contemplated thereunder were agreed after arm's length negotiations between the Company and Vanke Real Estate. Based on the above factors the Directors (including the independent non-executive Directors) are of the view that the terms of the Framework Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES

Information on the Group

The Company is a joint stock limited company incorporated in the PRC and the H shares and A shares of which are listed on SEHK and SZSE respectively.

The Group is principally engaged in the design, development, production, distribution and installation of a broad range of advanced ICT-related solutions, systems, equipment and terminals, including carriers' networks, government and corporate business and consumer business.

Information on Vanke and Vanke Real Estate

Vanke Real Estate is a company established in the PRC and a subsidiary of Vanke. Vanke is a joint stock company established under the laws of the PRC, the H shares of which are listed on SEHK (stock code: 2202) and the A shares of which are listed on SZSE (stock code: 000002).

Vanke Real Estate is principally engaged in the development business of real estate.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Vanke Real Estate and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

IMPLICATIONS UNDER THE HONG KONG LISTING RULES

As one or more applicable percentage ratios calculated in accordance with the Hong Kong Listing Rules in respect of the sale of the Available-for-sale Properties by the Company and the transfer of the operation right of the Entrusted Properties by the Company to Vanke Real Estate under the Framework Agreement, in aggregate, exceed 5% but are less than 25%, the

transactions under the Framework Agreement constitutes a discloseable transaction of the Company which is subject to the reporting and announcement requirements but exempt from the shareholders' approval requirements under Chapter 14 of the Hong Kong Listing Rules.

IMPLICATIONS UNDER THE SHENZHEN LISTING RULES AND EGM

Pursuant to the Shenzhen Listing Rules, the transactions contemplated under the Framework Agreement are subject to the approval of the Shareholders at a general meeting of the Shareholders. Therefore, a resolution will be proposed at the EGM to be held on Wednesday, 28 March 2018 for the Shareholders to consider, and if thought fit, approve the Framework Agreement and the transactions contemplated thereunder. A supplementary notice of the EGM, together with the revised proxy form, will be despatched to the H Shareholders on 13 February 2018.

DEFINITIONS

Unless the context otherwise requires, the terms used in this announcement shall have the following meanings:

“A Share(s)”	ordinary share(s) of par value of RMB1.00 each in the registered capital of the Company, which are listed and traded on the SZSE
“A Shareholders”	holders of A Shares
“Available-for-sale Properties”	the commercial properties of 35,000 sq.m. and the hotel properties of 20,000 sq.m. to be constructed by Vanke Real Estate pursuant to the Framework Agreement
“Board”	the board of Directors
“Company”	ZTE Corporation, a joint stock limited company incorporated on 11 November 1997 under the Company Law in the PRC, whose shares are listed on the SEHK and the SZSE
“Company Law”	The Company Law of the People's Republic of China
“Director(s)”	member(s) of the board of directors of the Company
“EGM”	the first extraordinary general meeting of 2018 of the Company to be held on Wednesday, 28 March 2018 at 9 a.m. at 4th Floor, A Wing, ZTE Plaza, Keji Road South, Hi-Tech Industrial Park, Nanshan District, Shenzhen, Guangdong Province, the People's Republic of China
“Entrusted Properties”	the office properties of 44,200 sq.m. and the premises for cultural facilities of 6,100 sq.m. to

	be constructed by Vanke Real Estate pursuant to the Framework Agreement
“Framework Agreement”	the framework agreement date 9 February 2018 entered into between the Company and Vanke Real Estate in relation to, among other things, the entrustment of (i) the development and construction of properties in respect of the Nanshan Land; (ii) the sale of the Available-for-sale Properties; and (iii) the operation of the Entrusted Properties, together with (a) the entrustment of development, construction and sale agreement and (b) the entrustment of operation agreement, each dated 9 February 2018 and appended to the Framework Agreement, which set out the detailed terms of the development, construction, sale and operation services pursuant to the Framework Agreement
“H Share(s)”	ordinary share(s) of par value of RMB1.00 each in the registered capital of the Company, which are listed and traded on the SEHK
“H Shareholders”	holders of H Shares
“Hong Kong”	the 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
“Letter of Intent”	the letter of intent dated 25 December 2017 entered into between the Company and Vanke Real Estate
“Nanshan Land”	the parcel of land with lot no. T208-0049 and a site area of 47,730.83 sq.m. (with a construction site area of 43,167.36 sq.m. and a road area of 4,563.47 sq.m.) located in the Shenzhen Bay Super Headquarters Base, Nanshan District, Shenzhen, the PRC
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SEHK”	The Stock Exchange of Hong Kong Limited
“Shares”	A Share(s) and H Share(s)
“Shareholders”	A Shareholders and H Shareholders
“Shenzhen Listing Rules”	the Rules Governing the Listing of Stocks on the SZSE

“sq.m.”	square meters
“SZSE”	the Shenzhen Stock Exchange
“Vanke”	China Vanke Co., Ltd* (萬科企業股份有限公司), a joint stock company established under the laws of the PRC with limited liability, the H shares of which are listed on SEHK (stock code: 2202) and the A shares of which are listed on SZSE (stock code: 000002)
“Vanke Real Estate”	Shenzhen Vanke Real Estate Co., Ltd. (深圳市萬科房地產有限公司), a subsidiary of Vanke

By Order of the Board

Yin Yimin
Chairman

Shenzhen, the PRC
9 February 2018

As at the date of this announcement, the Board of Directors of the Company comprises two executive directors, Yin Yimin and Zhao Xianming; seven non-executive directors, Zhang Jianheng, Luan Jubao, Wang Yawen, Tian Dongfang, Zhan Yichao, Wei Zaisheng and Zhai Weidong; and five independent non-executive directors, Richard Xike Zhang, Chen Shaohua, Lü Hongbing, Bingsheng Teng and Zhu Wuxiang.