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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)

**Announcement on Strategic Cooperation with E-Capital Transfer Co., Ltd.
and
Disposal of Equity Interests in Subsidiary**

The Company and all the members of the Board of Directors confirm that all the information contained in this information disclosure is true, accurate and complete and that there is no false or misleading statement in or material omission from this announcement.

I. Overview of the Transaction

1. On 16 June 2016, ZTE Corporation (“ZTE” or the “Company”), E-Capital Transfer Co., Ltd. (“E-Capital”), Shenzhen Zhongxing Software Company Limited (“Zhongxing Software”, a wholly-owned subsidiary of the Company) and 上海沃芮歐信息科技有限公司 (“Shanghai Wo Rui Ou”, a wholly-owned subsidiary of E-Capital) entered into a strategic cooperation agreement providing for extensive cooperation between the Company and E-Capital in areas such as payment services and internet finance with a view to achieving complementary effects and mutual benefits, following friendly consultation between the Company and E-Capital for the purpose of comprehensive strategic cooperation in major business areas.

2. On 16 June 2016, Zhongxing Software and Shanghai Wo Rui Ou entered into an equity transfer agreement for the transfer of 90% equity interests in 深圳市訊聯智付網絡有限公司 (“訊聯智付”) (“Equity Transfer Agreement”), pursuant to which Zhongxing Software agreed to dispose of 90% equity interests in 訊聯智付, a subsidiary of Zhongxing Software, to Shanghai Wo Rui Ou for a consideration of RMB382.5 million (the “Transaction”). Upon the completion of the Transaction, Zhongxing Software will hold 10% equity interests in 訊聯智付.

3. In accordance with relevant provisions of the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange, Rules for the Administration of Significant Asset Reorganisation

of Listed Companies (《上市公司重大資產重組管理辦法》) and Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Transaction does not constitute a connected transaction or significant asset reorganisation of the Company. The “Resolution on the Transfer of 90% Equity Interests in 深圳市訊聯智付網絡有限公司” was considered and approved at the Fifth Meeting of the Seventh Session of the Board of Directors of the Company held on 16 June 2016. The Transaction does not require approval at the general meeting of the Company.

4. The independent non-executive directors of the Company, namely Mr. Richard Xike Zhang, Mr. Chen Shaohua, Mr. Lü Hongbing, Mr. Bingsheng Teng and Mr. Zhu Wuxiang, are of the view that this disposal of equity interests are legally valid, such Transaction is fair and reasonable and in the interests of the Company and its shareholders as a whole.

5. The Transaction is subject to examination and approval by the People’s Bank of China.

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

II. Particulars of the parties of the Transaction

1. Particulars of 上海沃芮歐信息科技有限公司

Name of company: 上海沃芮歐信息科技有限公司

Date of incorporation: 8 January 2010

Nature of enterprise: company with limited liability

Address: Room 13004-3, 188 Wudong Road, Yangpu District, Shanghai (上海市楊浦區武東路 188 號 13004-3 室)

Principal office: 7/F, Tower 6, 308 Jinkang Road, Shanghai (上海市錦康路 308 號 6 號樓 7 樓)

Authorised representative: Wang Guanrong (王關榮)

Registered capital: RMB408 million

Uniform social credit code: 91310110550000443P

Scope of business: R&D, design, manufacturing and sales of computer software (other than products exclusively used for computer information system security); design, installation, testing and maintenance of network engineering, systems integration and related technical consultation, technical services and technology transfers; e-commerce (subject to prohibition from valued-added telecommunication and financial operations); sales of computer hardware, peripheral equipment and accessories, electronic products and communication equipment; advertising design, production, agency and publication.

Shareholding structure: 100% held by E-Capital

Financial position: As at 31 December 2015, the total assets, total liabilities and net assets of

Shanghai Wo Rui Ou amounted to RMB25,652,500, RMB25,015,200 and RMB637,200, respectively; operating revenue and net profit after taxation for 2015 amounted to RMB81,700 and RMB27,200, respectively. After increase in capital contribution of Shanghai Wo Rui Ou by E-Capital in June 2016, the registered capital of Shanghai Wo Rui Ou has increased from RMB25.5 million to RMB408 million.

Shanghai Wo Rui Ou is not related to the Company or the top ten shareholders of the Company in terms of ownership, business, assets, creditors' rights and debts, and staff.

2. Particulars of E-Capital Transfer Co., Ltd.

Name of company: E-Capital Transfer Co., Ltd.

Date of incorporation: 8 January 2015

Nature of enterprise: joint stock limited company (non-listed)

Address: Block 1, 27 Xinjinqiao Road, Shanghai (上海市新金橋路 27 號 1 幢)

Principal office: 7/F, Block 6, 308 Jinkang Road, Shanghai (上海市錦康路 308 號 6 號樓 7 樓)

Authorised representative: Wang Guanrong (王關榮)

Registered capital: RMB2,518.75 million

Uniform social credit code: 91310000324360627T

Scope of business: Establishment of inter network remittance platform for securities sector, financial information services, e-commerce, investment and assets management, software and information technology services and operations of property development.

E-Capital is not related to the Company or the top ten shareholders of the Company in terms of ownership, business, assets, creditors' rights and debts, and staff.

III. Particulars of the subject of the Transaction

(I) General information of the subject of the Transaction immediately before the Transaction

Name of company: 深圳市訊聯智付網絡有限公司

Date of incorporation: 18 June 2013

Address: Room B815, Wuhan University Shenzhen Industrial, Academic and Research Building, 6 Yuexing II Road, Yuehai Street, Nanshan District, Shenzhen (深圳市南山區粵海街道粵興二道 6 號武漢大學深圳產學研大樓 B815 房) (c/o Qianhai Business Secretarial Corporation (前海商務秘書公司))

Registered capital: RMB100 million

Scope of business: Electronic payment, technological development and technological consulting services for payment settlement and clearing system; online payment through internet, mobile handset and digital television; computer technology services, software and

hardware design for computer, technological development and sales of computer; data base and computer network services; online data processing and transaction business and information services.

Shareholding structure: 100% held by Zhongxing Software, a wholly-owned subsidiary of the Company

(II) Key financial data

Unit: RMB in ten thousands

Item	2015	First Quarter of 2016
	(audited)	(unaudited)
Operating revenue	401.8	198.5
Operating profit	-1,121.8	-273.6
Net profit	-1,121.7	-277.6
Extraordinary gain / loss	0.1	-4.0
Net cash flows from operating activities	-1,108.6	57.8
Total receivables	52.4	249.6
Net assets	7,830.7	7,553.1
Total assets	14,916.9	14,153.0
Total liabilities	7,086.2	6,599.9
Total amount of contingent liabilities (including guarantees, litigations and arbitrations)	0	0

As of now, there are no bank loans on the books of 訊聯智付, the Company has not provided any guarantee for 訊聯智付 or entrusted 訊聯智付 with financial management duties and there has been no non-operating appropriation of the Company's funds by 訊聯智付.

(III) Valuation and pricing

The transfer price for the Transaction is mutually agreed at RMB382.5 million following friendly consultation between the two parties of the Transaction by reference to the asset valuation report issued by Orient Appraisal Co., Ltd.

(IV) Other information

The equity interests involved in the Transaction are not subject to any securities, pledges or other third-party rights, significant disputes, litigations or arbitrations over the underlying assets or seizures, moratoria or other judicial actions.

IV. Principal terms of the Transaction

(I) Strategic cooperation agreement

1. ZTE shall engage in extensive cooperation with E-Capital in areas such as payment services and internet finance. The two parties shall develop close liaison and establish a specific mechanism for communication to conduct in-depth investigation of ways to

cooperate in payment services and internet finance, with a view to achieving complementary effects and mutual benefits.

2. ZTE and E-Capital will provide business supports to each other leveraging their respective strengths in IT and finance sectors, to jointly develop the relevant markets.

3. E-Capital shall support the continued provision of payment services by 訊聯智付 to ZTE's Smart City business.

4. Both parties shall explore potential for capital and business cooperation.

(II) Equity Transfer Agreement

1. Subject of transaction: 90% equity interests in 訊聯智付.

2. Transfer price: RMB382.5 million.

3. Payment arrangements

(1) Within 5 working days from the execution of the Equity Transfer Agreement, Shanghai Wo Rui Ou shall pay to Zhongxing Software 30% of the transfer price, namely RMB114.75 million.

(2) Within 5 working days from the issuance of an approval of the change in the principal capital contributor of 訊聯智付 by the People's Bank of China, Shanghai Wo Rui Ou shall pay to Zhongxing Software 30% of the transfer price, namely RMB114.75 million.

(3) Within 5 working days from the date stated on the document granting an approval of the change in registration issued by competent authorities for industrial and commercial administration in respect of the Transaction, Shanghai Wo Rui Ou shall pay to Zhongxing Software 40% of the transfer price, namely RMB153 million.

4. Arrangements for the closing of the equity transaction

Zhongxing Software shall procure 訊聯智付 to complete procedures relating to the change in industrial and commercial registration required by the equity transfer within 30 working days from the date on which the approval of the change in the principal capital contributor of 訊聯智付 is issued by the People's Bank of China.

5. Conditions to effectiveness

The Equity Transfer Agreement shall come into effect upon the issuance of the approval of the change in the principal capital contributor of 訊聯智付 by the People's Bank of China.

V. Other arrangements relating to the sales of assets

1. Upon the completion of the Transaction, 訊聯智付 will not be a connected party of the Company.
2. The Transaction will not involve any staff placement exercise for 訊聯智付.

VI. Objective of the disposal of equity interests in 訊聯智付 and impact on the Company

1. Objective of the disposal

The disposal of controlling interests in 訊聯智付 will enable the effective introduction of external resources, strengthen the Company's ability to provide third-party payment solutions, and better serve its M-ICT core strategy. In the meantime, ZTE and E-Capital can enter into further cooperation through the transaction of equity interests to drive mutual business development by leveraging their respective strengths.

2. Impact on businesses

Given E-Capital's strong background in the financial industry, the equity and business cooperation of the two parties facilitated by the Transaction will provide support for the Company's efforts to further expand its business in the financial sector.

Following the Transaction, the Company will continue to be provided supports by the third-party payment service of 訊聯智付 through business cooperation. Meanwhile, the Company will continue to hold shares in 訊聯智付 through Zhongxing Software, 訊聯智付 and the transferee will undertake to provide services to the relevant businesses of the Company at favourable prices. Therefore, the integrity of comprehensive solutions of the Company's relevant businesses will not be affected by the equity transfer, and there will be no impact on the existing businesses of the Company.

3. Financial impact

Increase in investment gain of approximately RMB300 million to RMB380 million from the transfer of 90% equity interests in 訊聯智付 is expected to be credited to the combined financial statements of the Company, and the exact amount shall be subject to ZTE's audited financial statements upon the completion of the equity transfer. 訊聯智付 will no longer be consolidated into the Company's financial statements upon the completion of the equity transfer.

VII. Documents available for inspection

1. Resolutions of the Fifth Meeting of the Seventh Session of the Board of Directors

2. Resolutions of the Fourth Meeting of the Seventh Session of the Supervisory Committee of the Company
3. Opinion of the Independent Directors
4. Strategic Cooperation Agreement
5. Equity Transfer Agreement

By Order of the Board

Zhao Xianming

Chairman

Shenzhen, the PRC

16 June 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.