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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)

UPDATE ON POTENTIAL QUOTATION OF ZTESOFT ON THE NATIONAL EQUITIES EXCHANGE AND QUOTATIONS

Reference is made to the announcement of ZTE Corporation (the “**Company**” and together with its subsidiaries, the “**Group**”) dated 6 April 2016 and the announcement of the Company dated 29 April 2016 (the “**Announcements**”), in relation to among other things, the proposed application for a quotation of the shares of ZTEsoft Technology Co., Ltd*(中興軟創科技股份有限公司) (“**ZTEsoft**” and together with its subsidiaries, the “**Spin-off Group**”), a non-wholly owned subsidiary of the Company, on the National Equities Exchange and Quotations* (全國中小企業股份轉讓系統) (the “**NEEQ**”) in the People’s Republic of China. Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as those defined in the Announcements.

ZTEsoft is a company established in the PRC. As at the date of this announcement, it is directly held as to 89% by the Company and 11% by Jiaxing Oula Investment Limited Partnership* (嘉興歐拉投資合夥企業 (有限合夥)). It is principally engaged in the business of provision of business & operation support system, smart city transport support system and customized production and application layer system integration services of public affairs software.

LISTING RULES IMPLICATIONS

The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) has on 18 May 2016 confirmed that the Company may proceed with the Potential Quotation pursuant to Practice Note 15 of the Listing Rules.

WAIVER FROM STRICT COMPLIANCE WITH PARAGRAPH 3(F) OF PRACTICE NOTE 15 OF THE LISTING RULES

Paragraph 3(f) of Practice Note 15 of the Listing Rules requires listed issuers carrying out

spin-offs to provide existing shareholders with an assured entitlement to shares in the spun-off entity, either by way of distribution in specie of existing shares or by way of preferred application in any offering of existing or new shares in the spun-off entity.

However, according to the advice of the PRC legal counsel of ZTEsoft, foreign natural persons, legal persons or institutions cannot invest in shares quoted on the NEEQ unless they are (i) qualified foreign institutional investors; (ii) Renminbi qualified foreign institutional investors; (iii) strategic investors that are approved by the relevant authority in the PRC; or (iv) foreign natural persons who are permanent residents in the PRC or residents of Hong Kong, Macao or Taiwan who work and live in the PRC, and have more than RMB5 million worth of securities assets and more than two years of experience in securities investment. Compliance with paragraph 3(f) of Practice Note 15 of the Listing Rules in relation to the Potential Quotation will not therefore be feasible. The Company has therefore applied to the Stock Exchange for, and the Stock Exchange has granted the Company, a waiver from strict compliance with paragraph 3(f) of Practice Note 15 of the Listing Rules.

Having considered that ZTEsoft and the Company should comply with the requirements under PRC law and ZTEsoft will remain a subsidiary of the Company and the results of which will continue to be consolidated into the accounts of the Company upon completion of the Potential Quotation, the Board is of the view that the Potential Quotation and the non-provision of assured entitlements in connection with the Potential Quotation are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The implementation of the Potential Quotation will be subject to, among other things, approval from NEEQ Co. Ltd.

Shareholders and potential investors should note that there is no assurance as to whether or when the Potential Quotation will proceed. As the Potential Quotation may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board
Zhao Xianming
Chairman

Shenzhen, the PRC
19 May 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.

** For identification purposes only*