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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 External Investments

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 and misleading statement or material omission in this announcement.

I. Overview of the external investment

In view of the strategic requirements and future needs for technological development of the Company, ZTE Corporation ("ZTE" or the "Company") has proposed to make an investment to construct the "ZTE Guangzhou Research Institute Project" (the "Project"), and to enter into the "ZTE Guangzhou Research Institute Project Cooperation Agreement" (the "Project Cooperation Agreement") with the Guangzhou Municipal People's Government (the "Guangzhou Government"). The aforesaid Project Cooperation Agreement does not constitute a connected transaction of the Company.

The "Resolution on the Investment in the ZTE Guangzhou Research Institute Project in Guangzhou and Proposed Execution of the Project Cooperation Agreement" was considered and approved at the Thirty-ninth Meeting of the Sixth Session of the Board of Directors of the Company held on 7 January 2016. As the total investment of the Project is estimated at not less than RMB5.6 billion, which exceeds the scope of approving authority of the Board of Directors, the Project and its related Project Cooperation Agreement shall require approval at the general meeting in accordance with the Articles of Association of ZTE Corporation.

II. General information on the counterparty to the Project Cooperation Agreement

1. Name: Guangzhou Government
2. Address: No. 1 Shifuqian Road, Guangzhou (廣州市府前路 1 號)

III. General information on the Project

ZTE has proposed to make an investment to establish ZTE Guangzhou Research Institute

Limited in Guangzhou. ZTE Guangzhou Research Institute Limited shall be positioned as the base for ZTE's regional headquarters, R&D centre and marketing centre in South China that fully integrates all relevant operations of ZTE in Guangzhou with a special emphasis on the research and development of technologies and creation of application brands in areas such as 5G and future communications, chips with proprietary intellectual property rights, the Smart City, Cloud services and Big Data, and New Energy. The total amount of investment in the Project within 5 years upon execution of the agreement shall be no less than RMB5.6 billion, of which the amount of total investment in research and development shall be no less than RMB3.5 billion and the amount of investment amount in project construction shall be no less than RMB2.1 billion.

IV. Principal terms of the Project Cooperation Agreement

1. The Guangzhou Government shall support the Company's bid for a project land site (which shall be a site designated for scientific research and design land use) in auctions in accordance with the law, facilitate a favourable environment for investment for the Company after the Company has acquired the aforesaid land use rights in relation to the project, and provide financial aid to the Company.
2. The Guangzhou Government shall support the Company's application to relevant competent authorities for the recognition of the Project as a provincial key project, key R&D base and hi-tech enterprise. The two parties shall jointly facilitate the establishments of respective technological institutes to be engaged in areas such as 5G and future communications, micro-electronics (IC), the Smart City, Cloud services and Big Data, New Energy and software alliance. The Guangzhou Government has designated the Tianhe District Government to be responsible for the coordination of matters pertaining to the construction of the Project.
3. The total amount of investment in the Project shall not be less than RMB5.6 billion and completion is scheduled for 2021; ZTE shall incorporate ZTE Guangzhou Research Institute Limited within 3 months from the date of execution of the agreement. If ZTE is unable to perform its obligations under the Project Cooperation Agreement, the Guangzhou Government shall have the right to demand ZTE or its subsidiaries to refund any amounts of financial aid that have been granted.
4. The Project Cooperation Agreement shall be effective for a term of 5 years commencing on the date it is executed by the two parties with seals affixed.

V. The purpose of the external investment and its potential risks and impact on the Company

In view of developments in internationalisation and the need to broaden the scope of

proprietary research and development, the Company is required to expand its research and development operations and accelerate the proprietary research and development of advanced technologies. As such, the building of a highly-efficient, integrated and forward-looking new research institute in tandem with the nation's key strategic plan of assisting the development of proprietary and innovative technologies is a requisite move, which underlines one of the major tasks of ZTE Guangzhou Research Institute Project. ZTE Guangzhou Research Institute shall be positioned as the regional headquarters and R&D base of the Company in South China, which will provide solid assurance for enhancing the Company's competitiveness in the region.

The construction and planning schedule of the Project is preliminary in nature, as the Project is subject to consideration by the general meeting in accordance with the Articles of Association of ZTE Corporation and other pertinent laws and regulations. The implementation of the Project is further subject to application to relevant government authorities for project listing and their approvals and the acquisition of a site for project construction in accordance with national legal procedures, hence there are uncertainties relating to the approval of the Project, land acquisition and project construction. The Company will fulfill its obligations in information disclosure in a timely manner in accordance with relevant regulations according to the progress of the implementation of the Project.

VI. Documents available for inspection

1. The Project Cooperation Agreement proposed to be entered into between the Company and Guangzhou Government;
2. Resolutions of the Thirty-ninth Meeting of the Sixth Session of the Board of Directors of the Company.

By Order of the Board
Hou Weigui
Chairman

Shenzhen, the PRC
7 January 2016

As at the date of this announcement, the Board of Directors of the Company comprises three executive directors, Shi Lirong, Yin Yimin and Zhao Xianming; six non-executive directors, Hou Weigui, Zhang Jianheng, Luan Jubao, Wang Yawen, Tian Dongfang and Zhan Yichao; and five independent non-executive directors, Tan Zhenhui, Richard Xike Zhang, Chen Shaohua, Lü Hongbing and Bingsheng Teng.