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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**

To provide support for its future business development, ZTE Corporation ("ZTE" or the "Company") has proposed to make an investment to construct the "ZTE Changsha Base Project" (the "Project") in Changsha Development Zone for Hi-tech Industries (the "Changsha Hi-tech Zone"), and to enter into a "Project Investment Contract" with the Management Committee of Changsha Development Zone for Hi-tech Industries (the "Changsha Hi-tech Zone Management Committee"). The aforesaid "Project Investment Contract" does not constitute a connected transaction of the Company.

The "Resolution on the Investment in the ZTE Changsha Base Project in Changsha Hi-tech Zone and Proposed Execution of the 'Project Investment Contract'" was considered and approved at the Thirty-seventh Meeting of the Sixth Session of the Board of Directors of the Company held on 28 December 2015. In accordance with Article 160 of the Articles of Association of ZTE Corporation, "the Board of Directors shall be accountable to the general meeting and shall exercise the following functions and powers: (19) to approve to conduct an external investment which is related to the principal business of the Company and is less than 10% of the Company's most recently audited net asset value, or an external investment which is outside the principal business of the Company and is less than 5% of the Company's most recently audited net asset value". As the total investment of the Project is estimated at RMB4 billion, which exceeds the scope of approving authority of the Board of Directors, the Project and its related investment contracts shall require approval at the general meeting.

### **II. General information on the counterparty to the investment contract**

1. Name: Management Committee of Changsha Development Zone for Hi-tech

## Industries

2. Legal (Authorised) representative: Zhou Qingnian(周慶年)

3. Address: No. 668 Lugu Avenue, Hexi, Changsha, Hunan Province(湖南省長沙市河西麓谷大道 668 號)

Changsha Hi-tech Zone was established in October 1988. In March 1991, it was named among the first lot of 27 national-grade hi-tech zones approved by the State Council. After years of development, Changsha Hi-tech Zone has achieved remarkable results in economic and social development and has been named an advanced hi-tech zone of China for 7 years in a row.

As one of the only seven exemplary zones for proprietary innovation in China and the only core industries zone of national-grade hi-tech zones in Central China, Changsha Hi-tech Zone leverages vigorously on its double strengths and opportunities presented by the “Made in China 2025” initiative to build itself into a base for high-end manufacturing, R&D and conversion with a special focus on the electronic information sector as a pillar industry for the zone. In this connection, it has also been designated as a “Hub for the Mobile Internet Industry of Hunan Province” and a “Mobile Internet Feature Industry Park of Hunan Province.”

### **III. General information on the Project**

With a total investment of RMB4 billion, the Project will host R&D and production functions over a total GFA of approximately 260,000 square metres. It will be implemented in Changsha Hi-tech Zone by 長沙中興智能技術有限公司, a wholly-owned subsidiary of the Company, and other subsidiaries. Specifically, this investment project will be engaged in the full roll-out of the R&D and production on set-top box and other smart equipment, Internet products and storage products, R&D of software relating to wireline communications, as well as R&D of software relating to Cloud terminals and related business.

### **IV. Major contents of the “Project Investment Contract”**

1. Changsha Hi-tech Zone Management Committee gives consent to the investment in and construction of the Project in Changsha Hi-tech Zone by the Company and agrees to foster a sound environment for investment for the Company and offer relevant preferential policies to the Company.

2. The planned site for the Project (which has already been removed from the list of available sites) has an area of 197 *mu* and is designated for industrial use with a 50-year term for its land use rights. A production base, an R&D centre, an office block and related ancillary buildings will be constructed on the Project site.

3. The total investment of the Project amounts to RMB4 billion. ZTE will complete its investment in the Project in full within 5 full years from the year of execution of the “Project Investment Contract.”

4. The compliant party shall have the right to take certain actions, such as demanding

the breaching party to continue to perform other obligations under the “Project Investment Contract”, terminating the contract, or adjusting obligations of the compliant party under the contract.

5. The “Project Investment Contract” shall come into effect upon execution by the two parties with seals affixed and approval by the general meeting of ZTE.

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

The Project represents a significant strategic move of the Company and a milestone in the future development of ZTE in Central China. The Project will ease the pressure on the Company in seeking sites for the future development of its Changsha R&D Centre, lay a solid foundation for the Company’s business development and deliver satisfactory economic benefits.

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, therefore the approval of the Project and its construction is still subject to uncertainty. 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 Investment Contract” that the Company proposes to enter into with Changsha Hi-tech Zone Management Committee;
2. Resolutions of the Thirty-seventh Meeting of the Sixth Session of the Board of Directors of the Company.

By Order of the Board

**Hou Weigui**

*Chairman*

Shenzhen, the PRC

28 December 2015

*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.*