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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**

### **Introduction of a Strategic Investor by a Subsidiary and Waiver of Preemptive Subscription Rights by the Company**

*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.*

To meet the needs of its business development, Nubia Technology Limited\* (努比亞技術有限公司) (“**Nubia**” or the “**Target Company**”), a subsidiary of ZTE Corporation (the “**Company**”), has proposed to enlarge its share capital and bring in 蘇寧潤東股權投資管理有限公司 (“**Suning Rundong**” or the “**Investor**”). The Company will waive the preemptive right of subscription and capital contribution to the share capital increase of Nubia (the “**Capital Increase**”).

#### **I. General information of Nubia**

General information of Nubia prior to the transaction is set out as follows:

<b>Name of company:</b>	Nubia Technology Limited*
<b>Date of establishment:</b>	12 September 2001
<b>Address:</b>	Levels 6-8 and Levels 10-11, Zone A, Level 6, Zone B and Levels 6-10 Zone C, Dazu Chuangxin Building, No. 9018 Beihuan Avenue, Gaoxin Area, Nanshan New District, Shenzhen (深圳市南山區高新區北環大道9018號大族創新大廈A區6-8層, 10-11層, B區6層, C區6-10層)
<b>Registered capital:</b>	RMB79,166,000
<b>Principal businesses:</b>	Scope of general operations: R&D, sales, maintenance and provision of related advisory services in respect of communications products and handsets (excluding franchised, state-controlled and monopolised merchandise); R&D of earphones and chargers for handsets; import and export businesses (with the exception of items prohibited by laws,

administrative regulations and State Council decisions and subject to the obtaining of licences in case of restricted items). Scope of licensed operations: production and maintenance of communications products and handsets, production of earphones and chargers for handsets; assembly of handset batteries; information services (for the Internet information service business only and subject to a business licence expiring on 22 November 2017 in the case of the value-added telecommunication business)

**Shareholding structure:** ZTE Corporation (90%); 萍鄉市英才投資諮詢有限公司 (“**Yingcai Investment**”, together with the Company, the “**Existing Shareholders**”) (10%).

Nubia is a subsidiary reported in the consolidated financial statements of the Company. Major financial data of Nubia for the past three years and the most recent period are set out as follows:

Unit: RMB in ten thousands

Item	2012 (Audited)	2013 (Audited)	2014 (Audited)	Eleven months ended 30 November 2015 (Unaudited)
Operating revenue	304,824	277,504	432,182	521,561
Operating profit	27,287	18,850	20,641	19,447
Net profit	28,188	20,671	25,208	24,913
Net cash flows from operating activities	-22,715	30,225	36,913	-60,642
Item	At 31 December 2012 (Audited)	At 31 December 2013 (Audited)	At 31 December 2014 (Audited)	At 30 November 2015 (Unaudited)
Net assets	86,850	107,824	133,032	151,038
Total assets	176,596	245,110	344,031	390,747
Total liabilities	89,745	137,287	210,999	239,709

## II. General information of the Investor

The Investor of the Capital Increase is 蘇寧潤東股權投資管理有限公司, the general information of which is set out as follows:

**Name of company:** 蘇寧潤東股權投資管理有限公司

**Nature of company:** Limited liability Company

**Legal representative:** Yang Yang(楊洋)

**Business license number:** 91310000MA1FLOK8XL

**Date of establishment:** 16 November 2015

**Registered address:** Room 403-22, No. 14, Lane 1502, Luoshan Road, China (Shanghai) Trial Free Trade Zone (中國(上海)自由貿易試驗區羅山路1502弄14號403-22室)

**Registered capital:** RMB50,000,000

**Principal businesses:** investment consultation and investment management

**Major shareholders:** Suning Holdings Group Limited\*(蘇寧控股集團有限公司)  
(percentage of shareholding: 70%)

As the above Investor, its shareholders, directors, supervisors and senior management is a connected party of the Company or its top ten shareholders, the Capital Increase does not constitute a connected transaction or a material asset reorganisation under “Measures for the Administration of Material Asset Reorganisations of Listed Companies”\* (《上市公司重大資產重組管理辦法》).

### **III. General information of the Capital Increase**

The Company, Yingcai Investment, Nubia and the Investor entered into the “Agreement in relation to the Capital Increase of and Strategic Investment in Nubia Technology Limited\*” on 30 December 2015 (the “Investment Agreement”), pursuant to which the Investor will subscribe for the Capital Increase of Nubia with capital contributions of RMB1,930 million in cash. Upon completion of the Capital Increase, the Company, Yingcai Investment, the Investor will hold 60.00%, 6.67% and 33.33% equity interests in Nubia, respectively. Yingcai Investment has agreed to waive its preemptive rights of subscription and capital contribution in respect of the Capital Increase proposed by Nubia. The major terms of the Investment Agreement are as follows:

1. Subject of transaction and transaction price: the Investor shall invest RMB1,930 million (the “**Investment Amount**”) in the Capital Increase to subscribe for 33.33% equity interests in Nubia, of which RMB39,582,300 shall be credited to the registered capital and the remaining RMB1,890,417,700 will be credited to the capital reserve of Nubia.

2. Settlement of the Investment Amount and precedent conditions to settlement: following the fulfillment in full of conditions precedent to closing as stipulated in the Investment Agreement, Nubia and the Existing Shareholders shall forthwith sign a letter certifying the fulfillment of conditions precedent to closing with documents evidencing such fulfillment attached thereto and, unless the Investor expresses disapproval in writing in a manner compliant with the provisions of the Investment Agreement, the conditions precedent to closing shall be deemed to have been fulfilled as from the date on which Nubia and the Existing Shareholders signed the aforesaid letter certifying the fulfillment of conditions precedent to closing. Within one month after the execution of the aforesaid certifying letter, the Investor shall settle the first instalment of the Investment Amount in accordance with the Investment Agreement. Within 10 working days after the settlement of the first instalment of the Investment Amount, Nubia shall start processing the registration of change with the industrial and commercial administration authorities in respect of the investment, and the Investor shall offer cooperation as necessary. The Investor shall settle the balance of the Investment Amount as stipulated in the Investment Agreement after receipt of the business licence indicating such registration of change in respect of the investment from the Target Company.

3. Corporate governance of Nubia: Following the completion of the Capital Increase, the board of directors of Nubia shall comprise 7 directors, 4 of which shall be appointed by the Company, 2 by the Investor and 1 by Yingcai Investment. The chairman of the board of directors shall be a director appointed by the Company. Ordinary resolutions of the board of directors shall required the approval of one half or more of all directors, provided that matters including but not limited to significant changes to the principal business of Nubia shall require the approval of three quarters or more of directors attending the meeting (including the approval of director(s) appointed by the Investor).

4. Rights of the Investor: Pursuant to the Investment Agreement, the Investors shall be entitled to rights including the preemptive rights, right of co-sale, anti-dilution rights, right to request for a qualified IPO, right of sale and senior right to liquidation.

- (1) Preemptive Rights. In the event of re-financing of the Nubia, the Investor shall enjoy the same preemptive rights as the Existing Shareholders to purchase additional shares. If any of the shareholders of Nubia proposes to sell its shareholding in Nubia, the remaining shareholders including the Investor shall have the preemptive right to purchase such shares. Preemptive Rights shall not be applicable to the shares issued due to any employee share incentive scheme as approved by the Investor.
- (2) Right of Co-sale. If any of the Existing Shareholders of Nubia decides to sell any of its shareholding in Nubia, the Investor shall have the right of co-sale to participate in such sale on the same terms and conditions of part of all of its shareholding in Nubia. The right of co-sale shall not be applicable to transfers to connected parties by the Existing Shareholders of the Target Company owing to internal requirements of the Group and the transfer of equity interests under employee incentive schemes with the approval of the Investor.
- (3) Anti-Dilution Rights. Unless otherwise approved by the Investor in writing of a lower New Issue Price, if Nubia issues any new shares, convertible bonds or any options at a lower new issue price, the Investor shall have the rights to further obtain shares issued by Nubia at the price stipulated in the Investment Agreement. Such Rights are not applicable for the shares issued due to any employee share incentive scheme as approved by the Investor.
- (4) Right to Request for a Qualified IPO. If the Target Company fulfills the financial requirements for a Qualified IPO and the Investor proposes a request for an IPO but such request is refused by the Existing Shareholders, the Investor shall have the right to require the Existing Shareholders who refused the IPO request to purchase such shares of the Target Company held by the Investor.
- (5) Right of sale. If Nubia fails to conduct a Qualified IPO within the period stipulated in the Investment Agreement, and an independent third party not related to the Investor is willing to acquire the equity interests in Nubia in full for a reasonable valuation, and the Investor notifies other shareholders in writing that it agrees to accept the offer

for acquisition of such independent third party, other shareholders shall agree to such acceptance. If other shareholders do not agree, they should acquire equity interests in the Target Company held by the Investor at such price.

- (6) Senior rights to liquidation. If, after the repayment of relevant debts in accordance with legal requirements, there are surplus assets in the Target Company available for distribution, the Investor shall have senior rights to the allocation of such distributable surplus assets pursuant to the terms of the investment agreement.

5. Conditions for taking effect: the Investment Agreement shall come into effect on the date on which it is executed by the legal representatives of the parties or their authorised attorneys with corporate seals duly affixed.

#### **IV. Opinion of the Board of Directors (the “Board”) and Independent Non-executive Directors**

##### **1. Opinion of the Board**

The Capital Increase will provide the source of strategic funds required by Nubia for a considerable period during its stage of development, enabling Nubia to increase investment in brand-building, enhance the reputation and exposure of its brand, improve the overall competitive strengths of Nubia products, upgrade the ecological chain of its peripheral businesses and foster favourable conditions for further development.

In the course of the Capital Increase, if the Company does not waive the preemptive right for subscription and capital contribution while maintaining 90% equity interests, the Company will be required to contribute an amount of RMB1,737 million based on the price for the Capital Increase. Given the current stage of development of Nubia, the level of industry valuation, the track records of Nubia and the credentials of the investor to be brought in, the pricing of the equity interests in Nubia in connection with the share capital increase is within a reasonable range. The Board of the Company has agreed to waive its preemptive rights of subscription and capital contribution in respect of the Capital Increase proposed by Nubia.

##### **2. Opinion of the Independent Non-executive Directors**

The Independent Non-executive Directors of the Company are of the view that, taking into consideration of the current stage of development of Nubia, the level of industry valuation, its historical track records and the industry influence of the Investor to be introduced, the pricing of the equity interests in Nubia in connection with the Capital Increase has been set within a reasonable range, and the Capital Increase will not compromise the interests of the Company or its shareholders; the Board of the Company has considered the matter and the related procedures are in compliance with the Articles of Association of ZTE Corporation and other relevant regulations.

##### **3. Voting at the Board**

The “Resolution on the Introduction of a Strategic Investor by Nubia Technology Limited\*, a Subsidiary” was considered and approved by a unanimous vote at the Thirty-eighth Meeting of the Sixth Session of the Board of the Company.

## **V. Effect on the Company**

Nubia will remain a subsidiary of the Company which will continue to be reported in the consolidated financial statements of the Company following the completion of the Capital Increase. As such, the Capital Increase will have no material impact on the financial conditions and operating results of the Company.

## **VI. Documents for inspection**

- 1 Resolutions of the Thirty-eighth Meeting of the Sixth Session of the Board of the Company;
- 2 Independent opinion furnished by the Independent Non-executive Directors of the Company in respect of the aforesaid waiver of rights.

By Order of the Board  
**Hou Weigui**  
*Chairman*

Shenzhen, the PRC  
31 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.*

*\* For identification purposes only*