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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

Progress 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.

It has been disclosed in the “Announcement Resolutions of the Fourth Meeting of the Seventh Session of the Board of Directors” and “Overseas Regulatory Announcement” published by ZTE Corporation (the “Company”) on 31 May 2016 that Shenzhen ZTE Capital Management Company Limited (“ZTE Capital”), a subsidiary of the Company, or its wholly-owned subsidiary, the Company and Mr. Yin Yimin proposed to subscribe for ZTE Fund III Equity Investment Partnership (Limited Partnership) (中興叁號基金股權投資合夥企業 (有限合夥)) (tentative title subject to the final approval of industrial and commercial registration authorities) by way of cash capital contributions of RMB10 million, RMB300 million and RMB15 million, respectively. The Company hereby announces progress of the aforesaid matter as follows:

I. Establishment of 蘇州中和春生三號投資中心 (有限合夥) (Suzhou Zhonghe Chunsheng III Investment Centre (Limited Partnership)*)

嘉興市興和創業投資管理有限公司(Jiaxing Xinghe Capital Management Company Limited*) (“Xinghe Capital”), a wholly-owned subsidiary of ZTE Capital (as general partner) established 蘇州中和春生三號投資中心 (有限合夥)¹ (“Suzhou Partnership”) by way of promotion. A total of 50 partners, including Xinghe Capital, the Company and Mr. Yin Yimin, subscribed for Suzhou Partnership by way of cash capital contribution. The

¹ The fund was tentatively named “中興叁號基金股權投資合夥企業 (有限合夥)” when the “Resolution of the Company on the Proposed Capital Contribution to and Subscription for ZTE Fund III” was considered and approved at the Fourth Meeting of the Seventh Session of the Board of Directors of the Company held on 31 May 2016, as the name of the fund had yet to be finalised at the time pending registration with authorities for industrial and commercial administration. Currently, the name of the fund has been confirmed as “蘇州中和春生三號投資中心 (有限合夥)”.

partnership will be focused on equity investments in unlisted companies within the TMT (technology, media and telecommunication) industry. Suzhou Partnership has recently obtained the approval of the Suzhou Bureau for Industrial and Commercial Administration and completed registration as a partnership.

II. Principal terms of the partnership agreement

The partners of Suzhou Partnership have entered into a partnership agreement, the principal terms of which are as follows:

1. Establishment of the partnership: the name of the partnership shall be 蘇州中和春生三號投資中心（有限合夥） and its registered address is Room 601-2, 333 Dongnan Avenue, Hi-tech Industry Development Zone, Changshu, Jiangsu, China. It will be focused on equity investments in unlisted companies within the TMT (technology, media and telecommunication) industry. The term of operation of Suzhou Partnership shall be 5 years, which may be extended by 3 years if the investment decision committee set up by the general partner so decides in view of undisposed of investments remaining upon the expiry of such 5-year period. If undisposed of investments still remain upon expiry of the aforesaid 3-year extended period, the term of operation may be extended for 1 further year upon proposal by the investment decision committee set up by the general partner and approval of the investment consulting committee of the partnership. Upon the expiry of the said 1-year extended period, the term of operation of the partnership may be further extended with the consent of the general partner and upon approval of limited partners representing two thirds or above of the voting rights at the partners' meeting.

2. Partners and their capital contributions: a total of RMB1,200 million has been raised, comprising a cash capital contribution of RMB10 million by Xinghe Capital as general partner, cash capital contributions of RMB300 million and RMB15 million, respectively, by the Company and Mr. Yin Yimin, each as a limited partner (which have been considered and approved at the Fourth Meeting of the Seventh Session of the Board of Directors of the Company), and cash capital contributions by other limited partners in accordance with the partnership agreement entered into by them with an aggregate amount of RMB875 million. The general partner shall assume unlimited joint liability for the indebtedness of the partnership, while the limited partners shall assume liability for the indebtedness of the partnership to the extent of the respective capital contribution amounts they have subscribed for.

3. Profit distribution: Profit generated from the disposal of projects shall first and foremost be applied to the returning of the principal investment amounts contributed by the partners. After the principal investment amounts have been repaid in full, the remaining profit shall be

distributed to the investors of the fund (i.e., the limited partners) in proportion to their paid-up capital contributions after setting aside a performance-based fee for the fund manager (i.e., the general partner).

4. Management fee: an annual management fee shall be payable to the general partner at the rate of 2.5% per annum based on the paid-up capital contributions of all partners during the term of operation.

By Order of the Board
Zhao Xianming
Chairman

Shenzhen, the PRC
25 July 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*