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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**

## **Private Placing of Shares 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 incentivise staff and drive the long-term development of subsidiaries, ZTEsoft Technology Company Limited (“**ZTEsoft**”), a subsidiary of ZTE Corporation (the “**Company**”), has proposed to establish its phase I staff shareholding plan and incorporate the ZTEsoft No. 1 Designated Asset Management Plan (中興軟創1號定向資產管理計劃) (“**ZTEsoft #1**”) as entrusted by the staff shareholding plan, and to conduct a private placing of shares to **ZTEsoft #1**” (the “**Private Placing**”). In respect of the aforesaid share capital increase proposed by ZTEsoft, the Company will waive its preemptive rights for subscription and capital contribution, and has pledged not to transfer its shares prior to the record date (the record date for the general meeting of ZTEsoft held to consider the Private Placing) in connection with the Private Placing.

### **I. General information of ZTEsoft**

The general information on ZTEsoft prior to the Private Placing is as follows:

**Name of company:** ZTEsoft Technology Company Limited

**Date of incorporation:** 21 February 2003

**Registered address:** No. 68 Zijinghua Road, Yuhuatai District, Nanjing

**Registered capital:** RMB540 million

**Principal business:** telecommunication operation support services (i.e., BOSS operations), application software R&D, customisation and application-level systems integration services for transportation in the smart city sector (other than applications for railway transport, RFID data collection and transportation sector requiring RFID data processing) and for the government sector.

**Shareholding structure:** ZTE Corporation (89%); Jiaxing Oula Investment Partnership (Limited Partnership) (嘉興歐拉投資合夥企業 (有限合夥)) (11%).

**Other information:** ZTEsoft has been listed on NEEQ since 19 August 2016 (securities name: 中兴软创; securities code: 838824).

ZTEsoft is a subsidiary of the Company reported in the Company's consolidated statements. The key financial data of ZTEsoft for the 3 years ended 31 December 2015 and the 6 months ended 30 June 2016 is set out in the following table:

Unit: RMB in ten thousands

Item	2013 (Audited)	2014 (Audited)	2015 (Audited)	Six months ended 30 June 2016 (Unaudited)
Operating revenue	137,275.98	149,076.81	174,032.55	69,494.65
Operating profit	26,851.71	25,518.18	20,173.30	-6,003.51
Net profit	22,296.07	21,110.65	15,380.31	-6,075.56
Net cash flows from operating activities	799.97	-5,872.69	6,654.35	-31,675.78
Item	31 December 2013 (Audited)	31 December 2014 (Audited)	31 December 2015 (Audited)	30 June 2016 (Unaudited)
Total assets	224,492.68	255,425.32	307,288.09	302,241.56
Total liabilities	92,186.58	102,275.03	138,706.48	157,315.27
Net assets	132,306.09	153,150.29	168,581.61	144,926.29

## II. General information on ZTEsoft No. 1 Designated Asset Management Plan

The Private Placing of ZTEsoft is specifically conducted to issue shares to ZTEsoft No. 1 Designated Asset Management Plan, the general information of which is tentatively set out as follows:

**Name:** ZTEsoft No. 1 Designated Asset Management Plan

**Entrusted by:** ZTEsoft Technology Company Limited Phase I Staff Shareholding Plan (under the entrusted asset management contract to be signed between ZTEsoft (on behalf of the Phase I Staff Shareholding Plan) and the asset management institution)

**Manager:** China Securities Company Limited (中信建投證券股份有限公司)

**Custodian:** Bank of Ningbo Company Limited (寧波銀行股份有限公司)

**Date of incorporation:** Incorporation under progress

None of ZTEsoft #1, its entrusting party, manager or custodian is related to the Company or the top ten shareholders of the Company. Accordingly, the Private Placing does not constitute a connected transaction, nor does it constitute a significant asset restructuring under the Measures for the Administration of Significant Asset Restructuring of Listed Companies (《上市公司重大資產重組管理辦法》).

### **III. General information on the private placing of shares**

ZTEsoft has proposed to issue not more than 60 million shares to ZTEsoft #1 by way of private placing at a proposed issue price of RMB3.01/share (rounded figure of the amount arrived at by dividing the net asset of ZTEsoft as at 30 June 2016 of RMB1,623.24 million (as determined by the parties based on the valuation conducted by a third-party valuer) by ZTEsoft's current total share capital of 540 million shares) to raise proceeds of not more than RMB180.60 million. Following the completion of the issue, the total share capital of ZTEsoft will tentatively be no more than RMB600 million, and ZTEsoft #1 will hold not more than 10% of ZTEsoft shares, while ZTE and Jiaying Oula Investment Partnership (Limited Partnership) will hold approximately 80.1% and 9.9% of ZTEsoft shares, respectively.

### **IV. Opinion of the Board of Directors and the Independent Non-executive Directors**

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

To incentivise its staff and drive the long-term development of subsidiaries, the Company is of the view that it is necessary for ZTEsoft to set up a staff shareholding plan and issue additional shares by way of private placing.

If the Company does not waive the preemptive right for subscription and capital contribution in respect of the share capital increase while maintaining 89% equity interests, the Company will be required to contribute an amount of RMB160,734,000 based on the price of the Private Placing. Taking into account the current stage of development and the track records of ZTEsoft, the Private Placing of ZTEsoft equity interests has been priced within a reasonable range and, given that the primary purpose of the Private Placing is to provide staff incentives, the Board of Directors of the Company has agreed to waive its preemptive rights for subscription and capital contribution in respect of the share capital increase proposed by ZTEsoft and to pledge not to transfer its shares prior to the record date for the general meeting of ZTEsoft held to consider the Private Placing.

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

The Independent Non-executive Directors of the Company are of the view that, taking into account the current stage of development and the track records of ZTEsoft, the Private Placing of ZTEsoft equity interests has been priced within a reasonable range; the Private Placing will not compromise the interests of the Company or its shareholders; and the Board of Directors of the Company has considered the matter according to procedures that are in compliance with "Shenzhen Stock Exchange Memorandum on Main Board Information Disclosure No. 2 – Transaction and Connected Transaction Section IV Waiver of Rights" (《深交所主板信息披露業務備忘錄第2號--交易和關聯交易 第四節 放棄權利》) and the Articles of Association of ZTE Corporation and other relevant regulations.

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

The "Resolution on the proposed private placing of shares by ZTEsoft, a subsidiary"

was considered and unanimously approved at the Twelfth Meeting of the Seventh Session of the Board of Directors of the Company.

## **V. Impact of the matter**

The incorporation of the staff shareholding plan with the private placing of additional shares by ZTEsoft is conducive to enhancing staff participation and motivation, driving business expansion and increasing overall profitability. Following the completion of the capital increase by way of private placing, the overall financial conditions of ZTEsoft will be improved, as its total assets, net assets and owners' equity of ZTEsoft will increase, resulting in a lower gearing ratio.

Moreover, following the completion of the Private Placing, ZTEsoft will remain a majority-owned subsidiary of the Company reported in the Company's consolidated statements, and the Company's financial conditions and operating results will not be materially affected.

## **VI. Documents for inspection**

1. Resolutions of the Twelfth Meeting of the Seventh Session of the Board of Directors of the Company;
2. Independent Opinion of the Independent Non-executive Directors in respect of the aforesaid waiver of rights.

By Order of the Board  
**Zhao Xianming**  
Chairman

Shenzhen, the PRC  
28 December 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.*