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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 on the Disposal of Equity Interests in a Subsidiary

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 transaction

1. With a view to advancing the implementation of its core M-ICT strategy, ZTE Corporation (“ZTE” or the “Company”), Nubia Technology Limited* (努比亞技術有限公司) (“Nubia”), a subsidiary of the Company, Gosuncn Technology Group Co., Ltd. (高新興科技集團股份有限公司) (“Gosuncn”) and Zhuhai Kaiteng Investment Partnership (Limited Partnership)* (珠海凱騰投資合夥企業(有限合夥)) (“Zhuhai Kaiteng”) entered into the “Equity Transfer Agreement for the Transfer of 85.50% Equity Interests in Shenzhen ZTE We Link Technology Company Limited”* (《關於轉讓深圳市中興物聯科技有限公司 85.50% 股權之股權轉讓協議》) (the “Gosuncn and Zhuhai Kaiteng Equity Transfer Agreement”) on 30 November 2016, pursuant to which Nubia shall dispose of an aggregate of 85.50% equity interests in Shenzhen ZTE We Link Technology Company Limited* (深圳市中興物聯科技有限公司) (“ZTE We Link”), a subsidiary of Nubia, to Gosuncn and Zhuhai Kaiteng for a consideration of RMB692.55 million, comprising disposal of 11.43% equity interests in ZTE We Link to Gosuncn and 74.07% equity interests in ZTE We Link to Zhuhai Kaiteng by Nubia. At the same time, ZTE and Nubia entered into the “Equity Transfer Contract” (the “ZTE Equity Transfer Agreement”) on 30 November 2016, pursuant to which ZTE shall acquire 4.50% equity interests in ZTE We Link from Nubia for a consideration of RMB36.45 million (the transfer of equity interests in ZTE We Link between Nubia and Gosuncn and Zhuhai Kaiteng and the transfer of equity interests in ZTE We Link between Nubia and ZTE are hereinafter collectively referred to as the “Transactions”). Following the Transactions, ZTE shall directly hold 4.50% equity interests in ZTE We Link, while Nubia shall no longer hold any equity interests in ZTE We Link.

2. In accordance with the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange, 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》), Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and other pertinent regulations, the Transactions do not constitute a connected transaction or a significant asset restructuring of the Company. The “Resolution on the Transfer of Equity Interests in Shenzhen ZTE We Link Technology Company Limited” was considered and approved at the Tenth Meeting of the Seventh Session of the Board of Directors of the Company held on 30 November 2016. The Transactions do not require approval at the general meeting.

3. The Independent Non-executive Directors of the Company, namely, Mr. Richard Xike Zhang, Mr. Chen Shaohua, Mr. Lü Hongbing, Mr. Bingsheng Teng and Mr. Zhu Wuxiang, are of the view that: the transfer of equity interests is legal and valid and the transaction is fair and reasonable without compromising the interests of the Company and the shareholders.

4. Monetary amounts disclosed in this announcement are expressed in RMB unless otherwise stated.

II. General information of the counterparty

1. General information of Gosuncn Technology Group Co., Ltd.

Date of incorporation: 14 November 1997

Nature of corporation: joint stock limited company (listed on GEM Board of Shenzhen Stock Exchange since July 2010, stock code: 300098)

Address: 6th Floor, 2819 Kaichuang Avenue, Science City, Luogang District, Guangzhou (廣州市蘿崗區科學城開創大道 2819 號六樓)

Principal place of business: 6th Floor, 2819 Kaichuang Avenue, Science City, Luogang District, Guangzhou (廣州市蘿崗區科學城開創大道 2819 號六樓)

Legal representative: Liu Shuangguang (劉雙廣)

Registered capital: RMB1,074,764,571

Uniform social credit code: 91440000617430553W

Principal business: safe city and smart transportation, communication security, railway transport security, data security and other businesses.

Major shareholders: As at 30 September 2016, the single largest shareholder of Gosuncn was Mr. Liu Shuanggang, the effective controller and corporate representative of the company, and the top ten shareholders of Gosuncn were set out as follows:

Name of shareholder	Number of shares held (shares)	Percentage of total share capital (%)
Liu Shuangguang	383,119,810	35.65
Wang Yunlan (王雲蘭)	93,955,530	8.74
Ping An Da Hua Fund – Ping An Bank – Guangdong Yuecai Trust – Yuecai Trust Jin Gold Designated No. 16 Individual Fund Trust Plan (平安大華基金-平安銀行-廣東粵財信託-粵財信託·金定向 16 號單一資金信託計劃)	44,117,647	4.10
E Fund Assets – Bank of Industry and Commerce -	21,764,705	2.03

Name of shareholder	Number of shares held (shares)	Percentage of total share capital (%)
Gosuncn Technology Group Co., Ltd.		
Ye Weichun (葉衛春)	16,996,329	1.58
Fu Tianyao (傅天耀)	14,912,789	1.39
Yu Zhongxun (俞仲勳)	14,912,789	1.39
Guangfa Qianhe Investment Company Limited* (廣發乾和投資有限公司)	14,705,882	1.37
Cheng Yi (程懿)	12,829,265	1.19
Gosuncn Technology Group Co., Ltd. - Phase I Staff Shareholding Plan	12,644,191	1.18
Total	629,958,900	58.62

Key financial data (RMB ten thousands):

Item	2013 (Audited)	2014 (Audited)	2015 (Audited)	First three quarters of 2016 (Unaudited)
Total assets	122,182	166,889	429,540	453,150
Liabilities	30,414	65,208	86,814	89,318
Net assets	91,768	101,681	342,726	363,832
Gearing ratio	24.89%	39.07%	20.21%	19.71%
Operating revenue	53,683	73,733	108,059	93,116
Net profit	5,872	13,379	14,088	19,935
Net profit attributable to owners of the parent company	5,374	12,896	14,014	20,053

Gosuncn is not related to the Company or its top ten shareholders in any way in terms of ownership, business, assets, creditors' rights and debts or personnel.

2. Zhuhai Kaiteng Investment Partnership (Limited Partnership)* (珠海凱騰投資合夥企業 (有限合夥))

Date of incorporation: 23 November 2016

Nature of corporation: Limited Partnership

Address: 23406 (Office Zone), Room 105, 6 Baohua Road, Hengqin New District, Zhuhai (珠海市橫琴新區寶華路 6 號 105 室-23406 (集中辦公區))

Principal place of business: 23406 (Office Zone), Room 105, 6 Baohua Road, Hengqin New District, Zhuhai (珠海市橫琴新區寶華路 6 號 105 室-23406 (集中辦公區))

Managing partner: Kaili Yifang Capital Management Company Limited* (凱利易方資本管理有限公司) (appointed representative: Gao Yan (高雁))

Total capital contribution subscribed for: RMB650 million

Total capital contribution paid-up: RMB400 million

Uniform social credit code: 91440400MA4W0FBN2F

Scope of operation: investment in equity interests, venture investment, investment consultant

Percentage share of partners:

Class of partner	Partner	Capital contribution amount (in ten thousand)	Percentage share
General partner	Kaili Yifang Capital Management Company Limited* (凱利易方資本管理有限公司)	1	0.0017%
Limited partner	Changdu Gaoteng Enterprise Management Corporation* (昌都市高騰企業管理股份有限公司)	40,000	66.6655%
Limited partner	Han Liqing (韓利慶)	24,999	33.3328%
-	Total	65,000	100%

Zhuhai Kaiteng is not related to the Company or its top ten shareholders in any way in terms of ownership, business, assets, creditors' rights and debts or personnel.

III. General information on the subject of transaction

(I) General information of the subject of transaction immediately prior to the Transactions

Name of company: Shenzhen ZTE We Link Technology Company Limited*

Legal representative: Hou Zhengzhi (侯正之)

Date of incorporation: 22 June 2011

Nature of corporation: limited liability company

Address: Level 9, Zone A, Dazu Chuangxin Building, 9018 Beihuan Avenue, Gaoxin Area, Nanshan 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 9 層)

Registered capital: RMB50 million

Principal business: design and development, production and sales of wireless communication electronic modules and related software products; technological development and sales of communication products and electronic products.

Shareholders and percentage of shareholdings:

Shareholder	Capital contribution amount (in ten thousand)	Shareholding percentage
Nubia	4,500	90%
Zhuhai Yibei Investment Partnership (Limited Partnerships)* (珠海億倍投資合夥企業(有限合夥))	307.52	6.1504%
Zhuhai Yige Investment Partnership (Limited Partnership)* (珠海億格投資合夥企業(有限合夥))	154.40	3.0880%
Zhuhai Yitai Investment Partnership (Limited Partnership)* (珠海億泰投資合夥企業(有限合夥))	38.08	0.7616%
Total	5,000	100%

Note: Nubia is a 60%-held subsidiary of ZTE, Zhuhai Yibei Investment Partnership (Limited Partnership)*, Zhuhai Yige Investment Partnership (Limited Partnership)* and Zhuhai Yitai Investment Partnership (Limited Partnership)* are limited partnerships set up with capital contributions from the staff of ZTE We Link.

(II) Key financial data (RMB in ten thousands)

Item	2015 (Audited)	First three quarters of 2016 (Unaudited)
Operating revenue	45,120.47	40,248.55
Operating profit	3,299.24	2,254.33
Net profit	3,283.39	2,315.59
Gain / loss from extraordinary items	-100.35	124.41
Net cash flows from operating activities	9,762.66	1,457.64
Net assets	10,846.63	13,162.22
Total assets	46,818.60	62,058.59
Total liabilities	35,971.97	48,896.37
Total trade receivables	6,081.57	6,217.08
Total amounts involved in contingent events (including guarantee, litigation and arbitration)	0	0

(III) Valuation and pricing

Based on the valuation report (“Valuation Report”) prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the fair value of 100% equity interests in ZTE We Link as at 30 September 2016 under the income approach is valued at RMB793 million. The parties have agreed, through consultation with reference to the outcome of the valuation, to set the overall value of 100% equity interests in ZTE We Link at RMB810 million.

(IV) Other information

1. Equity interests in ZTE We Link proposed to be transferred are not subject to any security, pledge or other third-party rights, nor involved in material disputes, litigation or arbitration relating to assets, nor subject to impounding, freezing or other judiciary measures. At the time of the transfer, neither ZTE nor Nubia had outstanding guarantees for ZTE We Link or outstanding funds under entrusted management by ZTE We Link. ZTE We Link is not engaged in the appropriation of funds of ZTE or Nubia for non-operating purposes.

2. Other shareholders of ZTE We Link, namely, Zhuhai Yibei Investment Limited Partnership (Limited Partnership)*, Zhuhai Yige Investment Partnership (Limited Partnership)* and Zhuhai Yitai Investment Partnership (Limited Partnership)*, have confirmed that they would waive the preemptive rights in respect of the transfer of equity interests under the Transactions.

3. As disclosed in the Company’s announcements dated 23 December 2015 and 31 May 2016, ZTE We Link has previously applied for its shares to be quotation and traded on the National Equities Exchange and Quotations (“NEEQ”). With a view to expediting the Transactions, ZTE We Link has withdrawn the aforesaid application.

IV. Principal terms of the Transactions

1. Subject of transaction

The 90% equity interests in ZTE We Link held by Nubia will be transferred as to 11.43% to

Gosuncn, 74.07% to Zhuhai Kaiteng and 4.50% to ZTE.

2. Transfer price

The transfer prices for the acquisition of 11.43% equity interests in ZTE We Link by Gosuncn, 74.07% equity interests in ZTE We Link by Zhuhai Kaiteng and 4.50% equity interests in ZTE We Link by ZTE are RMB92,583,000, RMB599,967,000 and RMB36,450,000, respectively.

3. Arrangements for payment

(1) Within 3 working days from the date of execution of the Gosuncn and Zhuhai Kaiteng Equity Transfer Agreement, Gosuncn and Zhuhai Kaiteng shall pay 50% of the transfer price in cash, comprising RMB46,291,500 to be paid by Gosuncn and RMB299,983,500 to be paid by Zhuhai Kaiteng.

ZTE shall settle the full price, namely, RMB36,450,000, in one lump-sum cash payment to Nubia within 7 working days from the date of execution of the ZTE Equity Transfer Agreement.

(2) Within 3 working days following the completion of change in registration with the industrial and commercial authorities in connection with the transfer of equity interests in ZTE We Link for registration under the names of Gosuncn and Zhuhai Kaiteng, Gosuncn and Zhuhai Kaiteng shall pay 50% of the transfer price in cash, comprising RMB46,291,500 to be paid by Gosuncn and RMB299,983,500 to be paid by Zhuhai Kaiteng.

(3) If either of Gosuncn and Zhuhai Kaiteng is in breach of the representations and warranties or obligations and undertakings of Gosuncn and Zhuhai Kaiteng under the Gosuncn and Zhuhai Kaiteng Equity Transfer Agreement, Gosuncn and Zhuhai Kaiteng shall assume joint liability for compensation to Nubia. In particular, Nubia shall have the right to forthwith demand the other party to pay the outstanding transfer price in full if either of Gosuncn and Zhuhai Kaiteng fails to pay the transfer price in full in a timely manner in accordance with the Gosuncn and Zhuhai Kaiteng Equity Transfer Agreement.

4. Arrangements for the closing of equity transaction

In accordance with the provisions of the Gosuncn and Zhuhai Kaiteng Equity Transfer Agreement, the parties to the agreement shall use their respective reasonable best effort to procure the issuance of the notice of approval for change of registration (or a document with similar effect) in respect of the transfer by authorities for the administration of industry and commerce within sixty working days from the date of execution of the agreement.

In accordance with the provisions of the ZTE Equity Transfer Agreement, Nubia shall work with ZTE and ZTE We Link to complete the registration of shareholding changes within 7 working days from the date on which the contract comes into effect.

5. Subsequent arrangements for ZTE's holding of equity interests in ZTE We Link

Pursuant to the Gosuncn and Zhuhai Kaiteng Equity Transfer Agreement, during the period from 1 July 2021 to 31 July 2021 (inclusive of both dates), ZTE may request Gosuncn to acquire all equity interests in ZTE We Link then held by ZTE at a price equivalent to the 2020 audited net profit of ZTE We Link multiplied by a designated price / earnings ratio, subject to a minimum price of RMB36.45 million. ZTE shall have the option to receive cash or Gosuncn shares as payment for the acquisition.

6. Conditions for the effectiveness of the agreement

Each of the Gosuncn and Zhuhai Kaiteng Equity Transfer Agreement and the ZTE Equity Transfer Agreement shall come into effect upon execution by the legal representatives or authorised representatives of the respective parties with their respective company seals affixed thereto.

V. Other arrangements involving the disposal of assets

1. ZTE We Link is not a related party of the Company prior to and upon the completion of the Transactions.
2. The Transactions will not involve any relocation of the staff of ZTE We Link.

VI. Purpose of the disposal of equity interests in ZTE We Link and its impact on the Company

The disposal of controlling interests in ZTE We Link by the Company has been conducted with the aim of better serving the purposes of the Company's core M-ICT strategy and driving development of the Company's IOT and smart-city ecospheres. ZTE We Link is principally engaged in the R&D, production and sales of wireless communication modules and terminals targeted at the market for industrial applications. The principal business of ZTE We Link does not fall within the scope of the core businesses of ZTE and Nubia. Following the Transactions, the Company will directly hold 4.50% equity interests in ZTE We Link, which will not affect the Company's existing businesses and the implementation of its IOT-related strategies.

The disposal of 85.50% equity interests in ZTE We Link by Nubia will increase the investment income on the consolidated financial statement of the Company by approximately RMB603 million, comprising investment income attributable to the Company of approximately RMB362 million, subject to the audited financial statements of ZTE following the completion of the aforesaid transaction. Following the completion of the Transactions, ZTE We Link will no longer be reported in the consolidated financial statements of ZTE.

VII. Documents for inspection

1. Resolution of the Tenth Meeting of the Seventh Session of the Board of Directors of the Company

2. Resolution of the Eighth Meeting of the Seventh Session of the Supervisory Committee of the Company
3. Opinion of the Independent Non-executive Directors
4. “Equity Transfer Agreement for the Transfer of 85.50% Equity Interests in Shenzhen ZTE We Link Technology Company Limited”
5. “Equity Transfer Contract”

By Order of the Board
Zhao Xianming
Chairman

Shenzhen, the PRC
30 November 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*