

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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)**

## **OVERSEAS REGULATORY ANNOUNCEMENT**

This announcement is made pursuant to Rule 13.10B of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The "Announcement of External Investments and Connected Transaction" published in Chinese on the website of the Shenzhen Stock Exchange, China Securities Journal, Securities Times and Shanghai Securities News (the "**A Share Announcement**") is enclosed hereto in English for your reference.

The proposed transaction as described in the A Share Announcement, if materialised, may constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. The Company will comply with the applicable requirements under Chapter 14A of the Listing Rules as and when required.

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

Shenzhen, the PRC  
17 April 2014

*As at the date of this announcement, the Board of Directors of the Company comprises three executive directors, Shi Lirong, Yin Yimin and He Shiyong; six non-executive directors, Hou Weigui, Zhang Jianheng, Xie Weiliang, Wang Zhanchen, Zhang Junchao and Dong Lianbo; and five independent non-executive directors, Qu Xiaohui, Wei Wei, Chen Naiwei, Tan Zhenhui and Richard Xike Zhang.*

## **ZTE Corporation**

### **Announcement of External Investments and Connected Transaction**

*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 or misleading statement in this announcement or material omission therefrom.*

#### **I. Overview of the External Investments and Connected Transaction**

##### *1. Brief description of the External Investments and Connected Transaction*

Shenzhen ZTE Capital Management Company Limited (“ZTE Capital”), a majority-owned subsidiary of ZTE Corporation (“ZTE” or the “Company”), or a wholly-owned subsidiary of ZTE Capital (as the case may be) (ZTE Capital or its wholly-owned subsidiary hereinafter referred to as “GP”) has proposed to establish, by way of promotion as the sole general partner, and subscribe for, with a capital contribution of RMB10 million, Shenzhen Zhonghe Chunsheng Partnership Private Equity Fund II (深圳市中和春生貳號股權投資基金合夥企業) (tentative name subject to the final approval of industrial and commercial registration authorities, hereinafter “Zhonghe Chunsheng Fund II”). With a view to fully leveraging opportunities in the industrial chain of the communication sector and fully realizing the potentials of certain business sectors to secure income from certain sub-segment markets, ZTE has proposed to subscribe for Zhonghe Chunsheng Fund II with a capital contribution of RMB100 million. Mr. Yin Yimin, Director of the Company, has also proposed to subscribe for Zhonghe Chunsheng Fund II with a capital contribution of RMB10 million. In accordance with the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange (the “Shenzhen Listing Rules”), the respective capital contributions to and subscriptions for Zhonghe Chunsheng Fund II by GP, ZTE and Mr. Yin Yimin constitute a connected transaction.

##### *2. Description of connected relationship*

Mr. Yin Yimin, as a Director of the Company, is a connected natural person of the Company under Rule 10.1.5 (III) of the Shenzhen Listing Rules.

Accordingly, the respective capital contributions to and subscriptions for Zhonghe Chunsheng Fund II by GP, ZTE and Mr. Yin Yimin constitute a connected transaction.

##### *3. Consideration by the Board of Directors and abstention of connected Director*

The aforesaid external investments and connected transaction were considered and approved at the Seventeenth Meeting of the Sixth Session of the Board of Directors of the Company. Mr. Yin Yimin, as a connected natural person of the Company, abstained from voting in respect of the capital contributions to and subscriptions for Zhonghe Chunsheng Fund II by GP and ZTE at the meeting of the Board of Directors.

*4. Prior acknowledgement (prior approval) by Independent Non-executive Directors and independent opinion furnished*

Having reviewed the connected transaction constituted by the respective capital contributions to and subscriptions for Zhonghe Chunsheng Fund II by GP, ZTE and Mr. Yin Yimin prior to the meeting, Independent Non-executive Directors of the Company, namely Ms. Qu Xiaohui, Mr. Wei Wei, Mr. Chen Naiwei, Mr. Tan Zhenhui and Mr. Richard Xike Zhang have given their consent to the submission of the aforesaid connected transaction to the Board of Directors of the Company for consideration and expressed an independent opinion in respect of the aforesaid connected transaction. For details, please refer to the section headed “VII. Opinion of the Independent Non-executive Directors” in this announcement.

*5. Other matters*

As the amount of the aforesaid connected transaction is less than 5% of the absolute value of the latest audited net assets of the Company, in accordance with the Articles of Association of ZTE Corporation (the “Articles”) and the Shenzhen Listing Rules, the aforesaid connected transaction does not require approval at the general meeting of the Company.

The aforesaid connected transaction does not constitute a significant asset restructuring under the “Rules for the Administration of Significant Asset Restructuring of Listed Companies” and therefore do not require any approval of relevant authorities.

**II. Basic information of the connected party**

Mr. Yin Yimin, as a Director of the Company since November 1997, is a connected natural person of the Company under Rule 10.1.5 (III) of the Shenzhen Listing Rules.

**III. Basic information of the proposed subscription for Zhonghe Chunsheng Fund II**

ZTE Capital is held as to 55% by ZTE and 45% by Shenzhen Hekang Investment Management Company Limited, therefore ZTE Capital is a majority-owned subsidiary of ZTE. ZTE Capital or its wholly-owned subsidiary has proposed to establish, by way of promotion as the sole general partner, and subscribe for, by way of capital contribution, Zhonghe Chunsheng Fund II, the basic information of which is as follows (subject to the signed final version of the joint venture agreement):

1. Name: Shenzhen Zhonghe Chunsheng Partnership Private Equity Fund II (Limited Partnership) 深圳市中和春生貳號股權投資基金合夥企業(有限合夥)

2. Size: RMB500 million to 700 million

3. Term: 5+3 years (The term of operation shall be 5 years, which may be extended by 3 years if the investment decision-making committee set up by the general partner so decides in view of undisposed of investments remaining upon the expiry of the 5-year term.)

4. How and to whom the fund will be offered: The fund will be offered to designated investors, comprising institutional investors (including corporate business units and financial investment institutions other than those prohibited by laws or regulations) and natural person investors.

5. General partner: ZTE Capital or its wholly-owned subsidiary shall be the sole general partner of Zhonghe Chunsheng Fund II.

6. Investment focus: Equity investments in non-listed TMT (telecoms, media and technology) companies and, to a lesser extent, strategic / new industries.

7. Mechanism of operation: Appointment of fund manager to conduct investment operations and custodian to conduct investment supervision over the accounts, in line with prevailing market practices.

8. Subscription amounts: Minimum subscription levels shall be RMB5 million for natural person investors and RMB10 million for institutional investors, and in the multiples of RMB1 million thereafter.

9. Profit distribution for fund investors (limited partners): Fund investors shall be entitled to fund interest pro-rata to their capital contributions to Zhonghe Chunsheng Fund II.

10. Basic fees

① Management fee payable to the fund manager: 2.5% per annum.

② Performance fee payable to the fund manager: 20% of net return on investment.

11. Risk control

① Security or guarantee for third-party capital prohibited;

② Appointment of qualified custodian bank to supervise fund applications;

③Appointment of independent accountants to conduct annual audit for examination and inspection.

#### **IV. Subject matter of the connected transaction**

The capital contributions to and subscriptions for Zhonghe Chunsheng Fund II in cash by GP, ZTE and Mr. Yin Yimin, in the amounts of RMB10 million, RMB100 million and RMB10 million, respectively.

#### **V. Objectives, risk exposures and impact of the external investments and connected transaction**

By making capital contributions to and subscribing for Zhonghe Chunsheng Fund II, GP and ZTE will secure additional income from sub-segment markets of relevant industries, thereby enhancing the competitiveness of their principal businesses. The major risks are concerned with the fundraising plan and project investments. GP will strengthen its internal control system and risk control system and conduct adequate assessments of risks involved in investments to be made by reference to rules and regulations applicable to the investment sector.

The capital contributors shall be entitled to rights and obligations according to the amount and proportion of their capital contributions in line with the principle of openness, equity and impartiality. The Company is not dependent on the connected party, and the aforesaid connected transaction will not compromise the independence of the Company. The aforesaid connected transaction has been conducted on normal commercial terms without prejudice to the interests of the Company and its shareholders.

#### **VI. Aggregate amount of connected transaction(s) incurred with such connected person during the period from the beginning of the year to the date of disclosure**

Other than the transaction disclosed herein, there was no connected transaction between the Company and Mr. Yin Yimin during the period from the beginning of the year to the date of disclosure.

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

Independent Non-executive Directors of the Company, namely Ms. Qu Xiaohui, Mr. Wei Wei, Mr. Chen Naiwei, Mr. Tan Zhenhui and Mr. Richard Xike Zhang have expressed an independent opinion in respect of the connected transaction constituted by the respective

capital contributions to and subscriptions for Zhonghe Chunsheng Fund II by GP, ZTE and Mr. Yin Yimin as follows:

The procedures for considering the connected transaction constituted by the respective capital contributions to and subscriptions for Zhonghe Chunsheng Fund II by GP, ZTE and Mr. Yin Yimin have been in compliance with provisions of the Company Law of the People's Republic of China, the Shenzhen Listing Rules, the Articles and other pertinent laws and regulations, and the connected transaction has been conducted on the basis of normal commercial terms in line with the principle of equity and impartiality, without prejudice to the interests of the Company and its shareholders. The voting procedure at the meeting of the Board of Directors held to consider the resolution has been legal and valid with the connected Director abstaining.

### **VIII. Subsequent events**

The Company will publish further announcements in respect of the promotion and establishment of Zhonghe Chunsheng Fund II and the effective subscriptions by GP, ZTE and Mr. Yin Yimin in a timely manner in accordance with pertinent provisions.

### **IX. Documents for inspection**

1. Resolutions of the Seventeenth Meeting of the Sixth Session of the Board of Directors of the Company;
2. Resolutions of the Thirteenth Meeting of the Sixth Session of the Supervisory Committee of the Company;
3. Independent Opinion furnished by the Independent Non-executive Directors of the Company in respect of the aforesaid connected transaction.

Board of Directors of ZTE Corporation  
18 April 2014