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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 Waiver of Rights**

***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.***

Pursuant to the “Resolution on the Waiver of First Right of Refusal in respect of 10% Equity Interests in Shanghai Zhongxing Telecom Equipment Technologies Company Limited\* (上海中興通訊技術有限責任公司), a Subsidiary of the Company” considered and approved at the Thirty-third Meeting of the Sixth Session of the Board of Directors (the “Board”) of ZTE Corporation (“ZTE” or the “Company”), it is proposed that an application be made by Shanghai Zhongxing Telecom Equipment Technologies Company Limited\* (“Shanghai Zhongxing”), a subsidiary of the Company, for quotation on the National Equities Exchange and Quotations (“NEEQ”) subject to compliance with relevant national laws, regulations and policies. In accordance with the “Rules for the Operation of the National Equities Exchange and Quotations (Trial)\*” (《全國中小企業股份轉讓系統業務規則(試行)》) and “Guidelines for Basic Standards Applicable to Conditions for Quotation on the National Equities Exchange and Quotations (Trial)\*” (《全國中小企業股份轉讓系統股票掛牌條件適用基本標準指引(試行)》) and other relevant regulations, Shanghai Zhongxing should settle the issue of employees’ shares currently held by a nominee, namely, the employees’ shares equivalent to 10% equity interests in Shanghai Zhongxing held by Mr. Liu Bobin (劉伯斌) on behalf of the employees of Shanghai Zhongxing are to be transferred to 2 limited partnership enterprises of which limited partners are Shanghai Zhongxing employees who are effective owners of the said shares. ZTE has proposed to waive its first right of refusal. The relevant matters are announced as follows:

### **I. General information of Shanghai Zhongxing**

Name of company:	Shanghai Zhongxing Telecom Equipment Technologies Company Limited*
Legal representative:	Zeng Xuezhong (曾學忠)
Date of establishment:	10 May 2004
Registered capital:	RMB50 million
Address of company:	Zhangjiang Hi-tech Park, Pudong New District, Shanghai
Scope of business:	Research and development of communication technologies; design, research, development, manufacturing and sales of communication products and related soft/hardware (other than proprietary products for computer information system security); relevant technical consultation and services; import and export of products and technologies; design, installation, testing and maintenance of network construction works; implementation of communication project construction; design and implementation of architectural intelligentisation project construction; specialised implementation of telecommunication project construction (undertaking of the aforesaid project implementation is subject to qualifications).
Principal businesses:	Indoor coverage products, Angle-care products.
Shareholding structure:	ZTE and Mr. Liu Bobin (劉伯斌) hold 90% and 10% equity interests, respectively, in Shanghai Zhongxing.

Financial information (Shanghai Zhongxing being a subsidiary of ZTE included in the latter's consolidated financial statements):

Unit: RMB in ten thousands

Financial indicator	2012	2013	2014	Six months ended 30 June 2015
	(Audited)	(Audited)	(Audited)	(Audited)
Operating revenue	56,480.33	56,722.53	57,752.81	33,508.50
Net profit	3,887.72	3,241.64	4,368.24	2,626.29
	<b>31 December 2012</b>	<b>31 December 2013</b>	<b>31 December 2014</b>	<b>30 June 2015</b>
	(Audited)	(Audited)	(Audited)	(Audited)
Net assets (shareholders' equity)	12,523.78	14,641.68	19,422.93	22,168.87
Total assets	62,528.37	59,682.72	79,678.95	76,452.82
Operating cash flows	6,574.84	4,586.54	-825.97	-2,315.19

## II. Brief information on the transferees

It is proposed that Mr. Liu Bobin (劉伯斌) and Mr. Yang Yu (楊宇), both are employees of Shanghai Zhongxing, will make capital contributions to set up a limited company (tentatively named Shanghai Bo Yu Investment Management Company Limited\* (上海珀瑀投資管理有限公司) subject to industrial and commercial registration) and act as general partners. This limited company and Shanghai Zhongxing employees effectively owning the subject shares will make capital contributions to set up 2 limited partnership enterprises (tentatively named

Shanghai Bo Yu Tong Hang Investment Partners' Enterprise (Limited Partnership)\* (上海珀瑀彤珩投資合夥企業(有限合夥)) and Shanghai Bo Yu Tong Heng Investment Partners' Enterprise (Limited Partnership)\* (上海珀瑀彤衡投資合夥企業(有限合夥)) subject to industrial and commercial registration). These 2 limited partnership enterprises will acquire the 10% equity interests in Shanghai Zhongxing currently held by Mr. Liu Bobin (劉伯斌) as nominee. The percentage and volume of shareholdings in Shanghai Zhongxing held by all employees who are effective owners of the shares indirectly through the limited partnership enterprises will remain unchanged.

As the equity transfer is essentially an arrangement that reverts the nominee shareholding on behalf of the Shanghai Zhongxing employee shareholders to direct shareholding by them, it is different from the transfer of equity interests in Shanghai Zhongxing by Mr. Liu Bobin (劉伯斌) to non-shareholder, third-party principals which might affect the interests of other shareholders. Assuming the adoption of the audited net assets of Shanghai Zhongxing as at 30 June 2015 (audited net assets of Shanghai Zhongxing as at 30 June 2015 amounted to RMB221,688,700) as the pricing basis for the transfer, the consideration payable by Shanghai Bo Yu Tong Hang Investment Partners' Enterprise (Limited Partnership)\* for the transfer of 8.26% equity interests in Shanghai Zhongxing is RMB18,301,400; and the consideration payable by Shanghai Bo Yu Tong Heng Investment Partners' Enterprise (Limited Partnership)\* for the transfer of 1.74% equity interests in Shanghai Zhongxing is RMB3,867,500. Following the transfer, the shareholding structure of Shanghai Zhongxing will be as follows:

Shareholder	Percentage of shareholding
ZTE	90%
Shanghai Bo Yu Tong Hang Investment Partners' Enterprise (Limited Partnership)*	8.26%
Shanghai Bo Yu Tong Heng Investment Partners' Enterprise (Limited Partnership)*	1.74%
Total	100%

The 2 limited partnership enterprises listed above are not connected parties of ZTE. In the event that ZTE does not waive the first right of refusal in respect of the 10% equity interests in Shanghai Zhongxing, ZTE will have to make a capital contribution of RMB22,168,900.

### III. Opinions of the Board and the Independent Non-executive Directors

#### 1. Opinion of the Board

The 10% equity interests in Shanghai Zhongxing proposed to be transferred by Mr. Liu Bobin (劉伯斌), shareholder of Shanghai Zhongxing are in effect held by Mr. Liu Bobin (劉伯斌) on behalf of the Shanghai Zhongxing employees. The transferees in the transfer are

limited partnership enterprises set up by Shanghai Zhongxing employees as limited partners, and the transfer is conducted in compliance with the specific requirements of NEEQ for enterprises seeking quotation thereon. Following the completion of the transfer, the shareholding structure of Shanghai Zhongxing will be further clarified. The Board of the Company agrees to waive the first right of refusal in respect of the proposed transfer of equity interests in Shanghai Zhongxing.

As the average return on net assets of Shanghai Zhongxing for the past three years is not lower than the return on net assets of ZTE for the latest accounting year, in accordance with “Main Board Information Disclosure Memorandum No. 2 – Transactions and Connected Transactions\*” (《主板信息披露業務備忘錄第 2 號——交易和關聯交易》) dated 20 April 2015 issued by the Companies Management Department of the Shenzhen Stock Exchange, the equity transfer should be submitted to the Board for consideration and announced to the public, but is not subject to approval by shareholders at a general meeting.

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

The Independent Non-executive Directors of the Company are of the view that the transfer of the 10% equity interests in Shanghai Zhongxing held by Mr. Liu Bobin (劉伯斌) as nominee to 2 limited partnership enterprises of which limited partners are Shanghai Zhongxing employees who are effective holders of the said shares is essentially an arrangement that reverts the nominee shareholding on behalf of the Shanghai Zhongxing employee shareholders to direct shareholding by them, which will not compromise the interests of the Company or its shareholders; the Board of the Company has considered the matter according to procedures which are in compliance with the Company Law of the People’s Republic of China, “Main Board Information Disclosure Memorandum No. 2 – Transactions and Connected Transactions\*,” the Articles of Association of ZTE Corporation and other relevant regulations.

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

The “Resolution on the Waiver of First Right of Refusal in respect of 10% Equity Interests in Shanghai Zhongxing Telecom Equipment Technologies Company Limited\*, a Subsidiary of the Company” was considered and approved by a unanimous vote at the Thirty-third Meeting of the Sixth Session of the Board of the Company.

## **IV. Effect on ZTE**

The main purpose of the equity transfer is to settle the issue of nominee shareholding at Shanghai Zhongxing, so that the shareholding structure of Shanghai Zhongxing will be

further clarified in compliance with the the specific requirements of NEEQ for enterprises seeking quotation thereon. The percentage of shareholdings in Shanghai Zhongxing held by all employees who are owners of the shares indirectly through the limited partnership enterprises will remain unchanged. The waiver of rights will have no substantive effect on the business and financial statements of the ZTE.

## **V. Documents for inspection**

1. Resolutions of the Thirty-third Meeting of the Sixth Session of the Board of the Company;
2. Resolutions of the Twenty-fifth 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 waiver of rights.

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

Shenzhen, the PRC  
11 November 2015

*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, Tan Zhenhui, Richard Xike Zhang, Chen Shaohua, Lü Hongbing and Bingsheng Teng.*

*\* For identification purposes only*