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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)

Overseas Regulatory Announcement
Announcement on Matters pertaining to the Transfer of Certain Shares in ZTEsoft Technology Co., Ltd

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 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. ZTE Corporation ("ZTE" or "the Company "), Jiaxing Oula Investment Limited Partnership* (嘉興歐拉投資合夥企業 (有限合夥) ("Oula Investment ") and 10 partnerships including Xuzhou Kaixun Investment Limited Partnership* (徐州凱訊投資合夥企業 (有限合夥)) and others (collectively the "ZTEsoft Staff Shareholding Vehicles") held 80.1%、9.9% and 10% shares in ZTEsoft Technology Co., Ltd* (中興軟創科技股份有限公司) ("ZTEsoft"), respectively. Based on considerations for the strategic development of ZTE, the Company, Nanjing Xiruan Corporate Management Limited Partnership* (南京溪軟企業管理合夥企業 (有限合夥)) ("Nanjing Xiruan") and ZTEsoft entered into the Agreement for Share Transfer and New Share Subscription on 9 February 2018, pursuant to which the Company shall transfer 43.66% shares in ZTEsoft, its subsidiary, to Nanjing Xiruan for RMB1,223.3 million, while Nanjing Xiruan shall concurrently inject RMB100 million into ZTEsoft as capital (together the "Transaction"). Following the completion of the Transaction, the Company shall hold 35.19% shares in ZTEsoft.

On the same date, the Company, Oula Investment, the ZTEsoft Staff Shareholding Vehicles, Nanjing Xiruan and ZTEsoft entered into the Shareholders' Agreement.

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 Transaction does not constitute a connected transaction or a significant asset restructuring of the Company. The "Resolution on Matters pertaining to the Disposal of Shares in ZTEsoft Technology Co., Ltd, a Subsidiary" was considered and approved at the Twenty-seventh Meeting of the Seventh Session of the Board of Directors of the Company held on 9 February 2018. The Transaction does not require approval at the general meeting.

3. The Independent Non-executive Directors of the Company are of the view that: the approval procedures relating to the Transaction is legal and valid and the transaction price 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

The investing party to the Transaction is Nanjing Xiruan Corporate Management Limited Partnership, the general corporate information of which is set out in the following:

Name of company: Nanjing Xiruan Corporate Management Limited Partnership* (南京溪軟企業管理合夥企業 (有限合夥))

Date of incorporation: 8 January 2018

Nature of corporation: Limited partnership enterprise

Total amount of subscription and capital contribution: RMB1,604 million

Address: Level 9, Block 2, Nanjing New Town Technology Park, 8 Bailongjiang East Street, Jianye District, Nanjing (南京市建鄴區白龍江東街 8 號南京新城科技園綜合體 2 幢 9 層)

Executive partner: Shanghai Qipeng Investment Management Co., Ltd* (上海麒鵬投資管理有限公司) ("Shanghai Qipeng")

Scope of business: Corporate management consulting; business information consulting

Uniform social credit code: 91320105MA1UUXP178

Information of partners: Hangzhou Ali Venture Capital Co., Ltd.* (杭州阿里創業投資有限公司), Shanghai Qiwei Investment Centre (Limited Partnership)* (上海麒維投資中心 (有限合夥)), Shanghai Qipeng.

Shanghai Qipeng, a company established on 13 November 2017, is the general partner of Nanjing Xiruan.

Neither of Nanjing Xiruan, its general partner and its limited partner is related to the Company or its top ten shareholders. The Transaction does not constitute a connected transaction.

III. General information of the Target Company

General information of ZTEsoft immediately prior to the Transaction is set out in the following:

Name of company: ZTEsoft Technology Co., Ltd* (中興軟創科技股份有限公司)

Date of incorporation: 21 February 2003

Registered address: 68 Zijinghua Road, Yuhuatai District, Nanjing (南京市雨花臺區紫荊花路 68 號)

Registered capital: RMB600 million

Principal business: Business & operation support services(BOSS), R&D and customised production of application software products and application-level systems integration services for smart city transport (excluding railway transport, acquisitoin of RFID data and transport industry applications involving RFID data processing) and the public administration sector.

Shareholders and their respective shareholding percentages:

No.	Name of shareholder	Number of shares held (shares)	Percentage of shareholding
1	ZTE Corporation	480,594,654	80.10%
2	Jiaxing Oula Investment Limited Partnership* 嘉興歐拉投資合夥企業 (有限合夥)	59,405,346	9.90%
3	Xuzhou Kaixun Investment Limited Partnership* 徐州凱訊投資合夥企業 (有限合夥)	5,602,265	0.93%
4	Xuzhou Ruanxun Investment Limited Partnership* 徐州軟訊投資合夥企業 (有限合夥)	8,722,456	1.45%

No.	Name of shareholder	Number of shares held (shares)	Percentage of shareholding
5	Xuzhou Xixiang Investment Limited Partnership* 徐州熙享投資合夥企業 (有限合夥)	5,621,944	0.94%
6	Xuzhou Xiji Investment Limited Partnership* 徐州熙吉投資合夥企業 (有限合夥)	8,086,249	1.35%
7	Xuzhou Xijia Investment Limited Partnership* 徐州熙嘉投資合夥企業 (有限合夥)	7,889,675	1.31%
8	Xuzhou Xiliao Investment Limited Partnership* 徐州熙廖投資合夥企業 (有限合夥)	8,438,791	1.41%
9	Xuzhou Chuangliao Investment Limited Partnership* 徐州創廖投資合夥企業 (有限合夥)	2,691,772	0.45%
10	Xuzhou Chuangjiao Investment Limited Partnership* 徐州創椒投資合夥企業 (有限合夥)	6,001,543	1.00%
11	Xuzhou Chuangjia Investment Limited Partnership* 徐州創嘉投資合夥企業 (有限合夥)	3,154,952	0.53%
12	Xuzhou Chuangkai Investment Limited Partnership* 徐州創凱投資合夥企業 (有限合夥)	3,790,353	0.63%
Total	-	**600,000,000**	**100%**

Notes: Shareholders Nos. 3 to 12 are shareholding vehicles formed by ZTEsoft staff and are hereinafter collectively referred to as the "ZTEsoft Staff Shareholding Vehicles".

Key financial information for the immediately preceding year and period:

(Unit: RMB in ten thousand)

Item	2016 (Audited)	January to November 2017 (Unaudited)
Operating revenue	193,010.32	152,075.12
Operating profit	5,245.73	-17,383.44
Net profit	12,648.71	-8,229.47
Extraordinary items	2,098.79	1,315.77
Net cashflow from operating activities	9,025.89	-25,939.09
Item	**As at 31 December 2016 (Audited)**	**As at 30 November 2017 (Unaudited)**
Total assets	339,991.67	330,928.27
Total liabilities	176,185.10	175,656.95
Owners' equity	163,806.57	155,271.32
Total trade receivables	122,960.17	140,298.76
Total amounts involved in contingent events (including guarantees, litigations and arbitrations)	6,989.52	5,837.06

Other information:

ZTEsoft shares 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, ZTE had no outstanding guarantees for ZTEsoft or outstanding funds under entrusted management by ZTEsoft, nor was ZTEsoft engaged in the appropriation of funds of ZTE for non-operating purposes.

IV. Principal terms of the agreements relating to the Transaction

(I) Principal terms of the Agreement for Share Transfer and New Share Subscription

1. Subject of transaction

The Transaction comprises the transfer of shares and the subscription for new shares. Shares proposed to be transferred are 43.66% shares in ZTEsoft (261,948,608 shares) held by ZTE. Concurrently, Nanjing Xiruan will inject RMB100 million as capital into ZTEsoft.

Following the completion of the Transaction, the shareholding structure of ZTEsoft shall be as follows:

No.	Name of shareholder	Number of shares held (shares)	Percentage of shareholding
1	ZTE Corporation	218,646,046	35.19%
2	Jiaxing Oula Investment Limited Partnership	59,405,346	9.56%
3	Xuzhou Kaixun Investment Limited Partnership	5,602,265	0.90%
4	Xuzhou Ruanxun Investment Limited Partnership	8,722,456	1.40%
5	Xuzhou Xixiang Investment Limited Partnership	5,621,944	0.90%
6	Xuzhou Xiji Investment Limited Partnership	8,086,249	1.30%
7	Xuzhou Xijia Investment Limited Partnership	7,889,675	1.27%
8	Xuzhou Xiliao Investment Limited Partnership	8,438,791	1.36%
9	Xuzhou Chuangliao Investment Limited Partnership	2,691,772	0.43%
10	Xuzhou Chuangjiao Investment Limited Partnership	6,001,543	0.97%
11	Xuzhou Chuangjia Investment Limited Partnership	3,154,952	0.51%
12	Xuzhou Chuangkai Investment Limited Partnership	3,790,353	0.61%
13	Nanjing Xiruan Corporate Management Limited Partnership	283,361,884	45.60%
Total	-	**621,413,276**	**100%**

2. Pricing method and amount for new share subscription

Following friendly negotiations, the two parties have agreed the total value of 100% equity interests in ZTEsoft to be RMB2,802 million, and have unanimously determined the transfer price for the share transfer under the Transaction to be RMB4.67 per share. Accordingly, the transfer amount for Nanjing Xiruan's acquisition of 43.66% shares is RMB1,223.3 million.

Nanjing Xiruan shall inject RMB100 million as capital into ZTEsoft based on the price of RMB4.67 per share, out of which RMB21,413,276 shall be contributed towards ZTEsoft's registered capital, while the remaining RMB78,586,724 shall be credited to the its capital reserve.

3. Closing date

Nanjing Xiruan shall make payments for the transfer amount and new shares subscription amount within 20 business days (or such other time as unanimously agreed in writing by ZTE, ZTEsoft and Nanjing Xiruan) ("Closing Date") following the proven fulfillment or waiver of all precedent conditions to the Transaction.

4. Arrangements for payments

On the Closing Date, Nanjing Xiruan shall pay the transfer amount to ZTE in full in one lump sum.

On the Closing Date, Nanjing Xiruan shall pay the amount for the subscription of new shares to ZTEsoft in full in one lump sum.

5. Conditions for the effectiveness of the agreement

The Agreement for Share Transfer and New Share Subscription shall be effective upon due signature by the parties with seals affixed.

(II) Principal terms of the Shareholders' Agreement

The Shareholders' Agreement contains mainly provisions on, among others, corporate government, restrictions on shares transfers and conditions precedent to the effectiveness of the agreement. The principal terms in relation to restrictions on shares transfers are as follows:

1. During a period of 3 years from the Closing Date, ZTE and its related parties[1] shall not transfer ZTEsoft shares to any third parties, whether directly or indirectly, without the approval of Nanjing Xiruan in writing, provided that any transfers by ZTE to its related parties shall not require the approval of other shareholders, and other shareholders shall not be entitled to any pre-emptive right.

2. During a period of 3 years from the Closing Date, Nanjing Xiruan, the partners of Nanjing Xiruan and their related parties shall not transfer ZTEsoft shares to any third parties, whether directly or indirectly, without the approval of ZTE in writing, provided that any transfers of shares of Nanjing Xiruan among the partners of Nanjing Xiruan shall not require the approval of ZTE.

3. Prior to the fulfillment of conditions including the eligible listing of ZTEsoft, the ZTEsoft Staff Shareholding Vehicles shall not transfer any ZTEsoft shares held by them without the approval of Nanjing Xiruan in writing.

4. The transfer by Oula Investment of its holdings of ZTEsoft shares shall not require the prior approval in writing of other shareholders, provided that Oula Investment shall be obligated to procure the transferee to join and sign the Shareholders' Agreement and be bound thereby, such that the transferee(s) shall be entitled to the same rights and subject to the same obligations as the transferor under the Shareholders' Agreement.

5. The transfer by Nanjing Xiruan of its holdings of ZTEsoft shares to Alibaba Group Holding Ltd and its related parties shall not require the prior approval in writing of other shareholders, but shall be subject to relevant provisions under the Shareholders' Agreement.

6. Subject to aforesaid transfer restrictions, other shareholders shall not be entitled to any pre-emptive right in respect of any transfer of shares by the ZTEsoft Staff Shareholding Vehicles to shareholders of ZTEsoft, and such transfer shall not require the approval of other shareholders.

The Shareholders' Agreement shall be instituted on the date of execution / seal-affixing by the parties and should come into effect as from the Closing Date.

V. Purpose of the Transaction and impact on the Company

The transfer of shares in ZTEsoft by the Company is based on considerations for strategic development.

Following the completion of the Transaction, the Company shall no longer exercise control over ZTEsoft, and ZTEsoft shall be excluded from the consolidated financial statements of the Company. Investment gains generated from the Company's disposal of 43.66% shares in ZTEsoft shall amount to approximately RMB450 million (before taxation), while investment gains arising from fair-value revaluation of the remaining 35.19% shares in ZTEsoft held by the Company shall be in the range of approximately RMB200 million to RMB340 million (before taxation), adding up to aggregate investment gains of approximately RMB650 million to RMB790 million. The actual amounts shall be subject to the audited financial statements of the Company following the closing and completion of the Transaction.

VI. Documents for inspection

[1] For the purposes of this announcement, "related parties" shall mean, in respect of any specific entity, any other entities which directly or, through one of more intermediaries, indirectly exercise control over, or be controlled by, or subject to common control by another entity with such specific entity; and, in respect of any specific natural person, the spouse, children and the spouses of such children, parents, parents of the spouse, siblings and the spouses of such siblings, and the siblings of the spouse of such specific natural person.

1. Resolutions of the Twenty-seventh Meeting of the Seventh Session of the Board of Directors;
2. Agreement for Share Transfer and New Share Subscription;
3. Shareholders' Agreement.

By Order of the Board
Yin Yimin
Chairman

Shenzhen, the PRC
9 February 2018

As at the date of this announcement, the Board of Directors of the Company comprises two executive directors, Yin Yimin and Zhao Xianming; seven non-executive directors, Zhang Jianheng, Luan Jubao, Wang Yawen, Tian Dongfang, Zhan Yichao, Wei Zaisheng and Zhai Weidong; and five independent non-executive directors, Richard Xike Zhang, Chen Shaohua, Lü Hongbing, Bingsheng Teng and Zhu Wuxiang.

* *For identification purposes only*