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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 the Subscription for Zhonghe Qiushi Fund**

*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. General information on the investment**

1. Shenzhen ZTE Capital Management Company Limited (“ZTE Capital” or “GP”), a subsidiary of ZTE Corporation (“ZTE” or “Company”) has proposed to establish by way of promotion as general partner Shenzhen Nanshan Zhonghe Qiushi Industrial Fund (Limited Partnership) (深圳南山中和秋實產業基金 (有限合夥)) (tentative title subject to the final approval of the industrial and commercial registration authorities, hereinafter the “Zhonghe Qiushi Fund”) and subscribe for Zhonghe Qiushi Fund with a capital contribution of RMB20 million. The Company has also proposed to subscribe for shares in Zhonghe Qiushi Fund as limited partner with a capital contribution of RMB1,280 million. Zhonghe Qiushi Fund principally invests in businesses capable of offering strategic synergies for ZTE.

2. At the Sixteenth Meeting of the Seventh Session of the Board of Directors of the Company held on 17 April 2017, the “Resolution on the Proposed Capital Contribution to and Subscription for Zhonghe Qiushi Fund” was considered and approved. Pursuant to the “Articles of Association of ZTE Corporation”, “Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange”, “Memorandum for Information Disclosure by Companies Listed on the Main Board of the Shenzhen Stock Exchange No. 8- Joint Investments by a Listed Company and Professional Investment Institutions” (《深圳證券交易所主板信息披露業務備忘錄第 8 號——上市公司與專業投資機構合作投資》) and other pertinent rules and regulations, the investment is not required to be tabled at the general meeting for

consideration. The investment does not involve any connected transaction, nor does it constitute a significant asset reorganization of a listed company under the “Measures for the Administration of Significant Asset Reorganizations of Listed Companies” (《上市公司重大資產重組管理辦法》).

3. The Company’s controlling shareholder, de factor controller, shareholders interested more than 5% of the Company’ shares, Directors, Supervisors and senior management will not participate in the subscription for shares in the fund; save for Mr. Yin Yimin (Chairman of the Company) as a proposed member of the Investment Decision Committee of the Fund, none of the other Directors, Supervisors or members of the senior management of the Company holds offices at the industrial fund.

## **II. General information on other partners**

### **(I) 深圳市引導基金投資有限公司**

1. Name of company: 深圳市引導基金投資有限公司 (“Guiding Fund”)
2. Date of incorporation: 21 August 2015
3. Registered address: 23/F, Xinxu Shuniu Building, 5055 Yitian Road, Futian Street, Futian District, Shenzhen (深圳市福田區福田街道益田路 5055 號信息樞紐大廈 23 層)
4. Registered capital: RMB20 billion
5. Legal representative: Ni Zewang (倪澤望)
6. Shareholding structure: 100% held by Shenzhen Municipal Financial Committee
7. Scope of operations: equity investment parent fund business (prohibited from securities investment; investment by way of public fundraising; and management of publicly raised funds); establishment of equity and venture investment enterprises and equity investment and venture investment management consultant firms; equity investment and venture investment business; equity investment and venture investment consulting services; venture management services for venture enterprises.

### **(II) 深圳市匯通金控基金投資有限公司**

1. Name of company: 深圳市匯通金控基金投資有限公司 (“Huitong Financial Holdings”)
2. Date of incorporation: 23 October 2015
3. Registered address: 11/F Laodong Building 12017 Shennan West Road, Nantou Street, Nanshan District, Shenzhen (深圳市南山區南頭街道深南西路 12017 勞動大廈 11 樓)
4. Registered capital: RMB8,500 million
5. Legal representative: Liu Li (劉理)
6. Shareholding structure: 100% held by State-owned Asset Supervision and Administration Committee of Nanshan District, Shenzhen
7. Scope of operations: equity investment funds; equity investment fund management, equity

investment, information consultation, trusted asset management (excluding projects prohibited by laws, administrative regulations and State Council decisions and subject to permission in the case of restricted projects).

### **(III) 尚信資本管理有限公司**

1. Name of company: 尚信資本管理有限公司 (“Shangxin Capital”)
2. Date of incorporation: 10 December 2014
3. Registered address: Unit 221, 2/F, No. 1 Building, 351 Wenshui East Road, Hongkou District, Shanghai (上海市虹口區汶水東路 351 號 1 號樓 2 層 221 室)
4. Registered capital: RMB100 million
5. Legal representative: Liu Xiangdong (劉響東)
6. Shareholding structure: held 20% by Fujian Panpan Investment Company Limited (福建盼盼投資有限公司), 20% by Shangxin Jiantou (Shanghai) Investment Centre (Limited Partnership) (尚信健投 (上海) 投資中心 (有限合夥)), 20% by Shanghai Puming New Energy Technology Company Limited (上海普明新能源科技有限公司), 20% by Shanghai International Trust Company Limited (上海國際信託有限公司) and 20% by Shenzhen Hebang Zhengzhixing Asset Management Company Limited (深圳和邦正知行資產管理有限公司).
7. Scope of operations: investment management, asset management, equity investment management, industrial investment, investment consulting, corporate management consulting, financial consulting, business information consulting (subject to approval by relevant authorities where such approval is required under the law)
8. Registration details: registered with the Asset Management Association of China (registration number: P1007009)

### **(IV) Shenzhen ZTE Capital Management Company Limited**

1. Name of company: Shenzhen ZTE Capital Management Company Limited (深圳市中興創業投資基金管理有限公司)
2. Date of incorporation: 18 October 2010
3. Registered address: c/o Shenzhen Qianhai Commercial Secretarial Service Company Limited (深圳市前海商務秘書有限公司), Unit 201, Block A, Qianwan No. 1 Road, Qianhai Shenzhen Hong Kong Cooperation Zone, Shenzhen (深圳市前海深港合作區前灣一路 1 號 A 棟 201 室)
4. Registered capital: RMB30 million
5. Legal representative: Yin Yimin (殷一民)
6. Shareholding structure: held 55% by ZTE Corporation and 45% by Shenzhen Hekang Investment Management Company Limited (深圳市和康投資管理有限公司).
7. Scope of operations: entrusted management of venture investment fund; equity investment;

corporate management consulting and investment consulting (excluding projects subject to approval prior to registration under the aforesaid laws, regulations and State Council decisions).

8. Registration details: registered with the Asset Management Association of China (registration number: P1000694)

The Guiding Fund, Huitong Financial Holdings and Shangxin Capital are not related to the Company or parties to arrangements of interests with the Company. They do not directly or indirectly hold shares in the Company and are not related to the controlling shareholder, de facto controller, Directors, Supervisors and senior management of the Company or parties to arrangements of interests with the above. ZTE Capital is a subsidiary of the Company and the Company has not provided financial assistance or guarantee to ZTE Capital.

### III. Information on Zhonghe Qiushi Fund

**1. Name of fund:** Shenzhen Nanshan Zhonghe Qiushi Industrial Fund (Limited Partnership) (深圳南山中和秋實產業基金 (有限合夥)) (tentative title subject to the final approval of the industrial and commercial registration authorities)

**2. Size of fund and method and schedule of capital contribution:** the fund size is expected to be RMB3,700 million (subject to the finalized amount of proceeds raised). All capital contribution shall be made in cash. The capital contributions by the partners are set out as follows:

RMB in ten thousands

Name of partner	Corporate type	Capital contribution	Percentage of capital contribution	Class
Guiding Fund	Company with limited liability	90,000	24.32%	Limited partner
Huitong Financial Holdings	Company with limited liability	37,500	10.14%	Limited partner
ZTE	Joint stock limited company	128,000	34.59%	Limited partner
ZTE Capital	Company with limited liability	2,000	0.54%	General partner
Shangxin Capital	Company with limited liability	112,500	30.41%	Limited partner
<b>Total</b>		370,000	100%	

The paid-up capital contributions of the partners shall be settled according to the partnership agreement.

The controlling shareholder, de facto controllers, shareholders interested in 5% or more of the shares, Directors, Supervisors and senior management of ZTE have not participated in the

subscription for shares in Zhonghe Qiushi Fund. Mr. Yin Yimin, Chairman of ZTE, has been proposed for appointment as a member of the Investment Decision Committee of Zhonghe Qiushi Fund.

**3. Organization of the fund:** Zhonghe Qiushi Fund shall be in the form of limited partnership and established under the Law of the People's Republic of China on Partnership Enterprises and other relevant laws and regulations. ZTE Capital shall be a general partner and the Guiding Fund, Huitong Financial Holdings, ZTE and Shangxin Capital shall be limited partners.

**4. Duration:** Zhonghe Qiushi Fund shall operate for a period of not more than 8 years (including 8 years) from the date of establishment. With approval by voting at the partners' general meeting, the duration of Zhonghe Qiushi Fund may be extended to a period of not more than 10 years.

**5. Investment direction:** industries offering strategic synergies to ZTE.

**6. Zhonghe Qiushi Fund is prohibited from engagement in the following:**

(1) Investment in securities, options, futures, forward contracts, securities investment funds, corporate bonds, trust products, non value-protection financial products, insurance plans and other financial derivatives;

(2) Guarantee, pledge and real estate (including the purchase of properties for its own use);

(3) Expenses such as sponsorships and donations;

(4) Acceptance or disguised acceptance of public fund deposits, or provision of loans and financing to any third parties;

(5) External investments that are subject to unlimited joint liability;

(6) Other businesses from which the partnership enterprise is prohibited under national laws and regulations;

(7) The partnership enterprise is prohibited from borrowing loans from third parties, providing guarantees to third parties, or otherwise be engaged in any business that requires undertaking of the partnership enterprise in excess of the paid-up capital contributions of its partners.

**7. Fund management:** Zhonghe Qiushi Fund shall establish an investment decision committee (the "Investment Decision Committee") as its sole investment decision-making body. The Investment Decision Committee shall comprise 7 members to be nominated by the general partner and unanimously approved at the partners' general meeting. The Investment Decision Committee shall have 1 convener to be confirmed by the general partner, and the convener shall be responsible for convening and presiding over meetings of the Investment Decision Committee. All resolutions of the Investment Decision Committee shall be

approved by 4 votes out of 7 or over 4 votes out of 7 in order to be valid.

The Guiding Fund and Huitong Financial Holdings shall be entitled to conduct compliance vetting in respect of a project proposed for investment by Zhonghe Qiushi Fund , and shall be entitled to one veto vote in respect of proposed investment projects which are not compliant with relevant regulations. In respect of projects vetoed by the vote of the Huitong Financial Holdings, no further investment or discussion by the general partners in connection with such projects is permitted. ZTE shall not be entitled to any veto vote in respect of proposed investment targets of Zhonghe Qiushi Fund.

#### **8. Profit allocation:**

Zhonghe Qiushi Fund shall conduct profit allocation in accordance with the principle of “profit distribution after recouping of principal amount of investment”. After all partners have recouped their respective paid-up capital contribution according to their respective paid-up capital contribution ratio, 20% of the net investment income of the partnership enterprise shall be allocated to the general partner, while the remaining 80% shall be allocated to the all partners according to the respective paid-up capital contribution ratios. “Net investment income” shall mean the distributable profit attributable to the partnership enterprise after all its partners have recouped their respective paid-up capital contributions in full.

#### **9. Major expenses of the fund:**

Management fee payable to the fund manager: management fee payable by the partnership enterprise to the general partner each year shall be computed on the basis of the total amount of paid-up capital contribution to the fund less investments in divested projects at a rate of 2% per annum during the investment period and 1% per annum during the return period. No management fee shall be payable to the general partner during the extended period.

#### **10. Withdrawal from the fund:**

(1) The limited partner shall withdraw from the fund as an order of course in case of its business license being revoked, receiving orders of closure, cancellation, or being declared bankrupt as provided in the partnership agreement; or removed with the unanimous agreement of all other partners in case of material losses of the partnership enterprise or breaches of other requirements under the partnership agreement caused willfully by, or due to a material fault of, the limited partner;

(2) A general partner shall withdraw from the fund as an order of course in case of its business license being revoked in accordance with the law, receiving orders of closure, cancellation, or being declared bankrupt as provided in the partnership agreement; or removed with the unanimous agreement of all other partners in case of failing to perform its investment commitment or discharge its required roles and responsibilities as a general partner pursuant to the partnership agreement, material losses of the partnership enterprise or

breaches of other requirements under the partnership agreement caused willfully by, or due to a material fault of, such general partner.

**11. Fund accounting:** the fund shall be an accounting subject with separate accounts and subject to independent accounting and preparation of financial reports. Zhonghe Qiushi Fund shall be consolidated in the consolidated statements of ZTE.

The information set out above shall be subject to the finalized details of the relevant partner agreements for the partners and as approved by the authorities for industrial and commercial administration.

#### **IV. Statement on possible competition in the same business or connection transaction arising from the investments of Zhonghe Qiushi Fund**

Zhonghe Qiushi Fund is not involved in any specific businesses and is principally engaged in equity investments. It is not involved in competition with the Company in the same business or connected transaction at the current stage. In the event that operation of Zhonghe Qiushi Fund leads to its competition in the same business with the Company, the Company will resolve the matter through arm's length consultation in strict accordance with the provisions of pertinent laws, regulations and regulatory documents and the requirements of regulatory authorities. If Zhonghe Qiushi Fund is involved in connected transactions with the Company in future, the Company shall fulfill its obligations in information disclosure and adhere to relevant internal decision-making and approval procedures in strict accordance with provisions of pertinent laws, regulations, regulatory documents and the Articles of Association without compromising the interests of the Company and other shareholders, in particular those of the minority shareholders.

#### **V. Impact on the Company and inherent risks**

The capital contributions by ZTE Capital and the Company for Zhonghe Qiushi Fund will facilitate the strategic development of the Company, enhance the competitiveness of our principal businesses, and enable the acquisition of additional gains from the sub-segment markets of relevant industries. The risk of the investment is mainly focused on the project investments. ZTE Capital (as general partner) shall enhance its internal control and risk control systems by reference to regulations for the investment industry and conduct thorough assessment of any risks associated with the investment projects.

#### **VI. Documents available for inspection**

1. Resolutions of the Sixteenth Meeting of the Seventh Session of the Board of Directors

By Order of the Board

**Yin Yimin**

*Chairman*

Shenzhen, the PRC

17 April 2017

*As at the date of this announcement, the Board of Directors of the Company comprises three executive directors, Yin Yimin, Zhao Xianming and Wei Zaisheng; five non-executive directors, Zhang Jianheng, Luan Jubao, 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.*