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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**

## **Acquisition of 48.04% Equity Interests in Netaş, a Listed Turkish Company**

*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. Owing to requirements of its business development, ZTE Corporation (“ZTE” or the “Company”) has entered, through ZTE Cooperatief U.A. (“ZTE Cooperatief”), its wholly-owned subsidiary, into the “SHARE PURCHASE AGREEMENT related to NETAŞ TELEKOMÜNİKASYON A.Ş.” (the “Share Purchase Agreement”) with OEP Turkey Tech. B. V. (“OEP” or the “Counterparty”) on 6 December 2016. Pursuant to the Share Purchase Agreement, ZTE Cooperatief shall acquire from OEP its holdings of 48.04% equity interests in NETAŞ TELEKOMÜNİKASYON A.Ş. (“Netaş” or the “Target Company”), a listed Turkish company, for a price of not more than USD101,280,539 (the “Transaction”). Following the completion of the Transaction, ZTE Cooperatief shall hold 48.04% equity interests in Netaş and become the largest shareholder of Netaş.

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 the Acquisition of 48.04% Equity Interests in Netaş, a Listed Turkish Company” was considered and approved at the Eleventh Meeting of the Seventh Session of the Board of Directors of the Company held on 5 December 2016. The Transaction does not require approval at the general assembly 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 Transaction is legal and valid and the transaction price is fair and reasonable without compromising the interests of the Company and the shareholders.

4. The Transaction is subject to the approval of the Competition Board of Turkey and shall be filed with the Economy, Trade and Information Commission of Shenzhen Municipality.

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

## II. General information of the Counterparty

**Name of company:** OEP Turkey Tech. B. V.

**Nature of corporation:** private limited company

**Registered address and principal place of business:** Herengracht 466, 1017 CA Amsterdam, the Netherlands

**Legal representative:** Andrew Dunn and Robert Harmzen (joint representatives)

**Registered capital:** EUR18,010

**Registration number (Registration with the Dutch Chamber of Commerce):** 50952218

**Principal business:** equity investment and asset management

**Shareholding structure:** held as to 80.21% by One Equity Partners Limited and 19.79% by Rhea Venture Capital Investment Trust

OEP Turkey Tech. B. V. 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 of the Target Company

### (I) General information of the Target Company immediately prior to the Transaction

**Name of company:** NETAŞ TELEKOMÜNİKASYON A.Ş.

**Date of incorporation:** 31 March 1967

**Registered address:** Yenişehir Mah. Osmanlı Bulvarı No:11 Esas Aeropark Binası 34912 Kurtköy-Pendik / İstanbul ,Turkey

**Listing information:** Listed on Borsa Istanbul of Turkey (BIST) on 15 March 1993; stock code: TRANETAS91H6, stock name: NETAS:IS

**Issued capital:** total share capital: 64,864,800 shares, comprising 33,081,048 A shares (51%) and 31,783,752 B shares (49%). Details of its share capital structure are set out as follows:

Name of shareholder	Class of shares	Number of shares held (shares)	Percentage of shareholding (%)
OEP Turkey Tech. B.V. (OEP)	A share	23,351,328	36%
	B share	7,811,241.63	12.04%
Turkish Armed Forces Foundation (TAFF)	A share	9,729,720	15%
Public	B share	23,972,510.37	36.96%
<b>Total</b>	--	<b>64,864,800</b>	<b>100%</b>

Note: A class shares are entitled to greater authority in terms of company management and control relative to B class shares, which are ordinary shares. B class shares are freely tradable, while A class shares are subject to preemptive rights for purchase and may not be disposed of unless other A class shareholders have waived such preemptive rights.

Pursuant to the Articles of Association of Netaş, either A class shareholder is entitled to preemptive rights for purchase in the event of the other party's disposal of equity interests in Netaş to third parties. Currently, TAFF has waived its preemptive rights for purchase.

**Principal business:** manufacturing and sales of telecommunications equipment; project installation, technical support and maintenance service; IT outsourcing service; project delivery and related services.

(For further information of Netaş, please visit the official website of the company <http://www.netas.com.tr>)

## (II) Key financial data

Item (Unit: RMB in ten thousands)	2013 (Audited)	2014 (Audited)	2015 (Audited)	Nine months ended 30 September 2015 (Unaudited)	Nine months ended 30 September 2016 (Unaudited)
Operating revenue	134,779	195,201	224,375	116,682	145,702
Operating profit	337	2,872	5,651	-818	41,612
Net profit	470	3,122	7,630	4,823	-478
Gains / losses from extraordinary items	-	-	-	-	-
Net cash flows from operating activities	-33,391	7,071	14,657	-42,646	-31,721
Item (Unit: RMB in ten thousands)	31 December 2013 (Audited)	31 December 2014 (Audited)	31 December 2015 (Audited)	30 September 2015 (Unaudited)	30 September 2016 (Unaudited)
Total trade receivables	100,210	133,281	132,676	120,661	118,722
Total assets	165,901	237,391	300,790	262,077	261,104
Total liabilities	104,207	152,326	203,567	168,020	161,165
Total amount involved in contingent events	38,484	61,237	76,204	74,893	86,754
Net assets	61,694	85,066	97,223	94,057	99,939

Note1: The financial statements are prepared in accordance with Turkish Accounting Standards.

Note2: Turkish Lira (TRY) / RMB exchange rates: 2.2253:1 (30 September 2016); 2.2238:1 (end of 2015); 2.1041:1 (30 September 2015); 2.6344:1 (end of 2014); 2.1343:1 (end of 2013).

## (III) Transaction price

The acquisition price of no less than USD95,981,703 (the "Floor Price") and no more than USD101,280,539 ("Cap Price") has been unanimously agreed by the two parties following friendly consultation taking into account analyses of the market value of Netaş. The final transaction price shall be subject the completion audit.

## (IV) Other information

Equity interests under the Transaction 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.

#### **IV. Principal terms of the Transaction**

**1. Subject of transaction:** 48.04% equity interests in Netaş held by OEP, namely 31,162,569.63 shares, comprising 23,351,328 A class shares and 7,811,241.63 B class shares.

**2. Acquisition price:** no less than USD95,981,703 and no more than USD101,280,539 to be settled in cash.

(1) On the completion date, ZTE Cooperatief shall make a cash payment of USD95,981,703 to OEP, and shall deposit cash of USD5,298,836 (the “Completion Escrow Amount”) into the completion escrow account of ZTE Cooperatief and OEP (the “Completion Escrow Account”).

(2) Within 20 working days after the completion date, the two parties shall determine the final transaction price for the subject of transaction based on the completion accounts. 1) If the final transaction price is higher than the Cap Price, the Completion Escrow Amount shall be paid to OEP in full by the completion accounts escrow agent (the “Escrow Agent”); 2) if the final transaction price is lower than the Floor Price, the Escrow Agent shall refund the Completion Escrow Amount to ZTE Cooperatief in full; 3) otherwise, the Escrow Agent shall pay to OEP the difference equivalent to the final transaction price less the Floor Price, and the balance in the Completion Escrow Account after the payment of the difference shall be refunded to ZTE Cooperatief.

**3. 4G incentive mechanism:** ZTE Cooperatief shall award incentives to OEP based on the performance of Netaş’ 4G/4.5G business after the completion. The amount of incentive shall be subject to a cap of USD15 million and shall be paid within four years after the completion .

**4. Arrangements for the completion of the equity transfer:** OEP shall procure Netaş to convene a general assembly meeting, replace its directors and complete registration of the equity transfer pertaining to the Transaction after the fulfillment of the precedent conditions for completion (the approval of the Competition Board of Turkey and the filing with the Economy, Trade and Information Commission of Shenzhen Municipality).

**5. Conditions for the effectiveness of the agreement:** the agreement shall come into effect upon execution by the two parties.

**6. Procedures to be fulfilled:** the completion of the Transaction is subject to the approval of the Competition Board of Turkey. The Transaction is also required to be filed with the Economy, Trade and Information Commission of Shenzhen Municipality.

**7. Source of funds:** internal funds.

#### **V. Purpose of acquisition and impact on the Company**

Netaş’ business scope and corporate direction is coherent with the M-ICT strategy of the Company. As one of the largest systems integration providers of Turkey, Netaş owns extensive customer resources and the Transaction will enable the Company to drive its business expansion in Turkey utilizing the privileged resources of Netaş. The Transaction will

not have any material impact on the current financial conditions and operating results of the Company.

According to the opinion of the Turkish legal counsel engaged by ZTE Cooperatief, the Transaction will not trigger a mandatory takeover bid under normal circumstances,<sup>1</sup> although this is subject to the ruling of the Capital Markets Board of Turkey. Assuming the obligation of ZTE Cooperatief to make a mandatory takeover bid is triggered, the total amount of funding needed for the mandatory takeover bid under Turkish laws, regulations and regulatory requirements following the completion of the Transaction is expected to be not more than USD130 million.

Apart from the Transaction, ZTE Cooperatief does not have any intention to acquire other equity interests in Netaş. Nevertheless, in view of the aforesaid opinion of the Turkish legal counsel, the Board of Directors of the Company has approved, for the sake of prudence, the total amount for a potential mandatory takeover bid in the event of a trigger as mentioned above, in addition to approving the Transaction.

## **VI. Documents for inspection**

1. Resolutions of the Eleventh Meeting of the Seventh Session of the Board of Directors
2. Resolutions of the Ninth Meeting of the Seventh Session of the Supervisory Committee
3. Opinion of the Independent Non-executive Directors
4. SHARE PURCHASE AGREEMENT related to NETAŞ TELEKOMÜNİKASYON A.Ş.

By Order of the Board

**Zhao Xianming**

*Chairman*

Shenzhen, the PRC

6 December 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.*

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<sup>1</sup> As defined under Capital Market Law No. 6362 of Turkey and certain supplementary regulations, the obligation of an acquirer (including its joint acquirers / concerted parties) to make an offer for acquisition on the same terms to all other holders of the remaining equity interests arises when it directly or indirectly acquires a listed company and obtains the “management control” of such listed company.