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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 Shaanxi Zhongxing Innovative Investment 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. ZTE Zhongchuang (Xi'an) Investment Management Company Limited ("ZTE Zhongchuang"), a subsidiary of ZTE Corporation ("ZTE" or "**Company**") has proposed to establish by way of promotion as general partner Shaanxi Zhongxing Innovative Investment Fund Partnership Enterprise (Limited Partnership) (陝西省中興創新投資基金合夥企業 (有限合夥)) (tentative title subject to the final approval of the industrial and commercial registration authorities, hereinafter the "Zhongxing Innovative Investment Fund") and subscribe for Zhongxing Innovative Investment Fund with a capital contribution of RMB1 million. The Company has also proposed to subscribe for shares in Zhongxing Innovative Investment Fund as limited partner with a capital contribution of RMB39 million. Zhongxing Innovative Investment Fund will be invested in full in ICT and TMT projects, with a special focus on enterprises in their initial or early stage of development and to a lesser extent in enterprises in their intermediary or latter stage of development.

2. At the Eleventh Meeting of the Eighth Session of the Board of Directors of the Company held on 11 November 2019, the "Resolution on the Establishment of Shaanxi Zhongxing Innovative Investment Fund Partnership Enterprise (Limited Partnership)" 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 No. 8- Joint Investments by a Listed Company and Professional Investment Institutions" (《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 reorganisation 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, shareholders interested more than 5% of the Company shares, Directors, Supervisors and senior management will not participate in the subscription for shares in, nor does any of them hold offices at, Zhongxing Innovative Investment Fund. The Company has no de facto controller.

II. General information on other partners

(I) 陝西科技控股集團有限責任公司

1. Name of company: 陝西科技控股集團有限責任公司
2. Date of incorporation: 17 October 2014
3. Registered address: Level 4-5, West Wing, Zone B, Provincial Technology Resource Administration Centre, 10 Zhangba No. 5 Road, Gaoxin District, Xi'an, Shaanxi Province (陝西省西安市高新區丈八五路 10 號省科技資源統籌中心辦公樓 B 區西側 4-5 層)
4. Registered capital: RMB900 million
5. Legal representative: Fan Fuhui (范福會)
6. Shareholding structure: 100% held by the State-owned Assets Supervisory and Administration Committee of Shaanxi Provincial People's Government
7. Scope of operations: technology R&D; research, development, production and sales of and after sales service for products and data systems; product quality supervision and inspection tests and technical services; surveying, design, construction work, supervision and main contractor service for building construction; environmental impact assessment; technical standard formulation and services; import and export of various commodities and technologies as principal and agent (other than commodities and technologies subject to national restriction or prohibition); conversion of technological achievements. (projects requiring approval in accordance with the law shall not commence operations unless duly approved by relevant authorities)

(II) 西安產業投資基金有限公司

1. Name of company: 西安產業投資基金有限公司
2. Date of incorporation: 26 April 2018
3. Registered address: Room 216, Digital Building, 8 Keji No. 5 Road, Gaoxin District, Xi'an, Shaanxi Province (陝西省西安市高新區科技五路 8 號數字大廈 216 室)
4. Registered capital: RMB10 billion
5. Legal representative: Liu Jianli (劉建利)
6. Shareholding structure: 100% held by 西安投資控股有限公司
7. Scope of operations: Industrial investment, equity investment, investment consultation, investment management (subject to prohibition against public fund-raising and limited to investment with internal funds only). (projects requiring approval in accordance with the law shall not commence operations unless duly approved by relevant authorities)
8. Registration details: registered with the National Development and Reform Commission (registration number: 180271)

(III) 西安高新新興產業投資基金合夥企業 (有限合夥)

1. Name of company: 西安高新新興產業投資基金合夥企業 (有限合夥)
2. Nature of enterprise: Limited Partnership Fund
3. Date of incorporation: 11 March 2016
4. Registered address: Room 11804, Unit 1, Block 1, Building B, City Gate, 1 Jinye Road, Gaoxin District, Xi'an, Shaanxi Province (陝西省西安市高新區錦業路 1 號都市之門 B 座 1 幢 1 單元 11804 室)
5. Executive Partner: Capitech Venture Capital Co., Ltd. (西安高新技術產業風險投資有限責任公司)
6. Partners and proportion of subscribed capital: the general partner is Capitech Venture Capital Co., Ltd. (西安高新技術產業風險投資有限責任公司) and the proportion of subscribed capital is 0.5%; the limited partner is 西安高新產業投資有限公司 and the proportion of subscribed capital is 99.5%.
7. Scope of operations: general operation projects: investment (subject to prohibition against public fund-raising and limited to investment with internal funds only, projects requiring approval in accordance with the law shall not commence operations unless duly approved by relevant authorities); investment management; investment consultation (except for the special control and license items specified by the country)
8. Registration details: the fund has registered with Securities Investment Fund Association of China

(registration number: SH8772)

(IV) ZTE Zhongchuang (Xi'an) Investment Management Company Limited

1. Name of company: ZTE Zhongchuang (Xi'an) Investment Management Company Limited
2. Date of incorporation: 15 September 2017
3. Registered address: C201, Main Block, ZTE Industrial Park, 10 Tangyan South Road, Zhangba Street, Gaoxin District, Xi'an, Shaanxi Province (陝西省西安市高新區丈八街辦唐延南路 10 號中興產業園主樓 C201)
4. Registered capital: RMB10 million
5. Legal representative: Wang Xiang (王翔)
6. Shareholding structure: held 100% by ZTE Corporation
7. Scope of operations: equity investment, investment management, investment consultation, fund investment (subject to prohibition against public fund-raising and limited to investment with owned funds only); fund management (excluding securities investment fund); asset management (with the exception of financial institutions) (projects requiring approval in accordance with the law shall not commence operations unless duly approved by relevant authorities)
8. Registration details: registered with the Securities Investment Fund Association of China as private equity manager (registration number: P1069857)

陝西科技控股集團有限責任公司 (“Shaanxi Technology Group”), 西安產業投資基金有限公司 (“Xi'an Channel Fund”) and 西安高新新興產業投資基金合夥企業(有限合夥) (“Emerging Industry Fund”) are not concerted parties, nor are they discredited parties subject to enforcement. They 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, Directors, Supervisors and senior management of the Company or parties to arrangements of interests with the above. ZTE Zhongchuang is a wholly-owned subsidiary of the Company and the Company has not provided financial assistance or guarantee to ZTE Zhongchuang.

III. Information on Zhongxing Innovative Investment Fund

1. Name of fund: Shaanxi Zhongxing Innovative Investment Fund Partnership Enterprise (Limited Partnership) (陝西省中興創新投資基金合夥企業(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 RMB100 million (subject to the finalised amount of proceeds raised).

Shaanxi Technology Group, Xi'an Channel Fund, Emerging Industry Fund, ZTE and ZTE Zhongchuang will make a capital contribution of RMB100 million in aggregate in cash currency. The capital contributions by the partners are set out in the following table:

RMB in ten thousands

Name of partner	Corporate type	Capital contribution	Percentage of capital contribution	Class
ZTE Zhongchuang	Company with limited liability	100	1.00%	General partner
ZTE	Joint stock limited company	3,900	39.00%	Limited partner
Shaanxi Technology Group	Company with limited liability	2,000	20.00%	Limited partner
Xi'an Channel Fund	Company with limited liability	2,000	20.00%	Limited partner
Emerging Industry Fund	Limited partnership	2,000	20.00%	Limited partner
Total		10,000	100.00%	

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

3. Organisation of the fund: Zhongxing Innovative Investment 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 pertinent laws and regulations. ZTE Zhongchuang shall be a general partner, while Shaanxi Technology Group, Xi'an Channel Fund, Emerging Industry Fund and ZTE shall be limited partners.

4. Duration: The limited partnership shall operate for a period of 7 years. With the unanimous approval of all partners, it may be dissolved prematurely or its term of operation may be extended. A maximum of 2 extensions may be sought, each for a period of not more than 1 year.

5. Investment direction: Apart from funds falling to be expensed or set aside for expenses such as management fees and partnership fees, the paid-in capital contribution of the fund shall be invested in full in ICT and TMT projects. Investments made by the partnership enterprise shall be focused on enterprises in their initial or early stage of development and to a lesser extent in enterprises in their intermediary or latter stage of development. Investments in enterprises in their initial or early stage of development shall account for no less than 60% of the paid-in capital contribution to the fund.

6. Other than cash management, the fund is subject to the following restrictions in its investment activities:

- (1) Prohibition loan, third-party guarantee, pledge or entrusted loan;
- (2) Prohibition investment in stocks in the secondary market, futures, real estates, securities investment funds, corporate bonds with ratings lower than AAA, trust products, non value-protection financial products, insurance plans and financial derivatives;
- (3) Prohibition sponsorships and donations to third parties (save for approved charitable donations);
- (4) Prohibition acceptance or disguised acceptance of deposits, or provision of loans and financing to any third parties;
- (5) Prohibition external investments that are subject to unlimited joint liability;
- (6) Prohibition issue of trust or wealth management pool products for the raising of funds;
- (7) Activities involving loan disguised as share subscription that increase the debt of the government;
- (8) Other businesses prohibited by national laws and regulations.

7. Fund management: Zhongxing Innovative Investment Fund shall establish an investment decision committee (the "Investment Decision Committee") as its supreme decision-making body for approving project investments. The Investment Decision Committee shall comprise 5 members, 4 of which shall be nominated and decided by the general partner and 1 by Emerging Industry Fund. The Investment Decision Committee shall have 1 convener to be determined by the general partner, and the convener shall be responsible for convening and presiding over meetings of the Investment Decision Committee. Each committee member shall have one vote and all resolutions of the Investment Decision Committee shall be approved by three-fifths or above of the votes, unless otherwise provided for under the partnership agreement.

Shaanxi Technology Group and Xi'an Channel Fund shall each be entitled to appoint 1 external committee member. The external committee members shall attend the meetings of the Investment Decision Committee without being involved in any market-based judgement on projects or intervening with any market-based decisions on project investments, but each of them shall be entitled to one veto vote on matters in violation of laws and regulations and covenants relating to investment directions

stipulated in the partnership agreement, restrictions in investment amount and investment region, investment methods, business restrictions, investment decision-making procedures and connected transactions. The document containing resolutions on investment decisions shall be endorsed by the external committee members with signature in order to be valid.

8. Profit allocation:

Zhongxing Innovative Investment Fund shall conduct profit allocation in cash in accordance with the principle of “profit distribution after recouping of principal amount of investment”, “profit distribution once recouping” in the following order:

(1) First of all, all partners shall recoup their respective paid-up capital contribution according to their respective paid-up capital contribution ratio;

(2) After all partners have recouped their respective paid-up capital contribution, investment income shall be allocated to the partners according to their respective paid-up capital contribution ratio based on the following formula: the amount of income allocated to each partner = the sum of the balance of paid-in capital contribution per day by the partner from the date of the payment of such paid-in capital contribution to the date on which the recoup of such paid-in capital contribution is completed * 6.9%/365;

(3) In the event there is a balance after all partners have recouped their respective paid-up capital contribution and income has been allocated according to all partners based on the aforesaid formula, such balance shall be allocated between the general partner and the limited partners at a ratio of 20% / 80%. The 80% to which the limited partners are entitled to shall be allocated among the limited partners according to their respective paid-up capital contribution ratio.

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:

Withdrawal may be facilitated through legally permissible ways, such as IPO listing, merger and acquisition or reorganisation, shareholders' repurchase, equity transfer and liquidation.

11. Fund accounting: the fund shall be an accounting subject with separate accounts and subject to independent accounting and preparation of financial reports.

12. Effectiveness of agreement: from the date on which the agreement has been signed by all partners under the seal.

13. Date of execution of the agreement: 21 November 2019

The information set out above is subject to the finalised agreement signed by the partners and approved by the industrial and commercial administration authorities.

IV. Statement on possible competition in the same business or connected transaction arising from the investments of Zhongxing Innovative Investment Fund

Zhongxing Innovative Investment Fund 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 of any changes in the future, due procedures shall be performed in accordance with pertinent laws and regulations.

V. Impact on the Company and inherent risks

The capital contributions by ZTE Zhongchuang and the Company for Zhongxing Innovative Investment Fund will facilitate investment in and assistance for a broader scope of innovative businesses and enterprises along the upstream and downstream industrial chains, cost reduction and risk diversion, and thereby ensuring better implementation and execution of the Company's strategy.

The capital contributions by ZTE Zhongchuang and the Company are funded by internal resources and are conducive to the Company's strategic development and the enhancement of its innovative ability, while allowing the Company to earn additional income from relevant industries and markets.

Zhongxing Innovative Investment Fund has yet to be established and is required to complete registration as a private fund following its establishment. Hence, it is subject to the risks of not obtaining approval for registration or failure to raise sufficient funds. Other than the aforesaid, the risk of the investment is mainly focused on the project investments. ZTE Zhongchuang (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

Resolutions of the Eleventh Meeting of the Eighth Session of the Board of Directors

By Order of the Board
Li Zixue
Chairman

Shenzhen, the PRC
21 November 2019

As at the date of this announcement, the Board of Directors of the Company comprises three executive directors, Li Zixue, Xu Ziyang, Gu Junying; three non-executive directors, Li Buqing, Zhu Weimin, Fang Rong; and three independent non-executive directors, Cai Manli, Yuming Bao, Gordon Ng.