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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 of execution of contracts including Framework Agreement for
Cooperation with Shenzhen Investment Holdings Co., Ltd.
and matters pertaining to Third-party Guarantee

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 contract execution

On 19 September 2018, ZTE Corporation (the “Company”) entered into the Framework Agreement for Cooperation (the “Agreement”) with Shenzhen Investment Holdings Co., Ltd. (“SIHC”) in relation to the proposed transaction with SIHC in respect of land and property assets located in North Zone, Xili Industrial Park of Nanshan District of Shenzhen (which refers to North Zone, ZTE Industry Park situated alongside Liuxian Avenue, Nanshan District, Shenzhen) and Buji Sub-district of Longgang District of Shenzhen, respectively, held directly or indirectly by the Company (the “Project”). On the same date, the Company entered into the relevant Mortgage Contract and Contract for the Pledge of Equity with SIHC to provide guarantee in respect of the Company’s obligations under the Project secured by 90% equity interest in Shenzhen Guoxin Electronics Development Company Limited (“Guoxin Electronics”), a subsidiary of the Company, and land blocks and buildings thereon in North Zone, Xili Industrial Park of Nanshan District of Shenzhen held by the Company; Shenzhen ZTE Kangxun Telecom Company Limited (“ZTE Kangxun”), a subsidiary of the Company, entered into the Contract for the Pledge of Equity with SIHC to provide guarantee in respect of ZTE Kangxun’s obligations under the Project secured by 10% equity interests in Guoxin Electronics held by ZTE Kangxun; Guoxin Electronics entered into the Mortgage Contract with SIHC to provide guarantee in respect of the Company’s obligations under the Project secured by land blocks and buildings thereon in Buji Sub-district of Longgang District of Shenzhen held by Guoxin Electronics.

The transaction plan and consideration for the Project have yet to be finalised. SIHC shall conduct due diligence in respect of the assets concerned and the two parties shall jointly appoint an appraiser to conduct valuation in respect of the assets under the Project. The transaction plan and the definitive agreement shall be finalised through further negotiations between the two

parties based on the valuation results and the actual conditions of the Projects.

II. General information on SIHC

Name of company: Shenzhen Investment Holdings Co., Ltd.

Legal representative: Wang Yongjian (王勇健)

Registered address: 18th Floor, Investment Building, Shennan Road, Futian District, Shenzhen

Registered capital: RMB23,149 million

Credit standing: upon inquiry, it is found that SIHC is not listed in the List of Enterprises with Serious Illegal and Dishonest Acts.

Scope of business: equity investment in and merger / acquisition of financial and similar businesses such as banking, securities, insurance, funds, guarantees; real estate development and operation subject to legal acquisition of relevant land use rights; investment and servicing in strategic new industries; investment, operation and management of state-owned equity interests of wholly-owned, majority-owned and investee enterprises through reorganisation and consolidation, capital transaction and asset disposal, etc; other businesses as authorised by Shenzhen SASAC (the scope of business set out above is subject to approvals in accordance with national regulations, where applicable).

SIHC is not related to the Company.

III. Principal terms of the Agreement

The definitive transaction plan and consideration for the Project shall be finalised through further negotiations between the two parties based on the progress of the transaction. Principal terms of the Agreement are set out as follows:

1. SIHC shall pay the first instalment of RMB2.2 billion to the Company within 3 working days after the Agreement and the relevant Mortgage Contract and Contract for the Pledge of Equity come into effect. An application for registration relating to the mortgaged assets and pledged assets shall be submitted to the competent authorities within 15 days from the date of payment of the first instalment by SIHC.
2. The two parties shall enter into a formal agreement and sign the documents after finalising the detailed terms thereof through friendly negotiations based on the condition of due diligence conducted by SIHC and the valuation results.
3. (1) In the event of, among others, the failure to complete registration for asset transfer within 180 days from the date of payment of the first instalment, SIHC shall have the right to terminate the Project at its discretion. (2) In the event of, among others, the failure to obtain the approval of either party through internal review procedures for the finalised transaction plan, the Agreement and other detailed transaction documents which have come into effect upon execution (save for the Mortgage Contract and the Contract for the Pledge of Equity) shall be terminated. Upon the payment in full by the Company of the first instalment and others amounts payable according to the transaction document, the two parties shall, in accordance with the Agreement, apply to the registration authorities for the cancellation of the mortgage registration and/or pledge registration under the Mortgage Contract and Contract for the Pledge of Equity.
4. In the event of the termination or annulment of the Project in part or in full, the Company

shall pay to SIHC a compensatory amount based on the consideration for acquisition already paid by SIHC in respect of the part of the Project for which no transaction has been concluded. The compensatory amount shall be arrived at by multiplying the unsettled amount by an annualised interest rate agreed by the two parties.

5. Where one party suffers any damages as a result of the violation of the Agreement by the other party, the defaulting party shall compensate the compliant party for the latter's actual economic losses.

6. The Agreement shall come into effect upon the signature and affixing of seals by the two parties.

IV. Guarantee provided by the subsidiary for the parent company

(I) General information on the guarantee

Guoxin Electronics entered into the Mortgage Contract with SIHC to provide guarantee in respect of the Company's obligations under the Project secured by land blocks and buildings thereon in Buji Sub-district of Longgang District of Shenzhen held by Guoxin Electronics for a guarantee amount of approximately RMB2,287 million. The principal terms of the Mortgage Contract are set out as follows:

1. Information on the collaterals: Guoxin Electronics shall provide guarantee by way of security for ZTE secured by land blocks and buildings thereon in Buji Sub-district of Longgang District of Shenzhen.

2. Guaranteed party: ZTE

3. Term of guarantee: 2 years commencing from the date of expiry of the performance period for the underlying debt owed by the debtor (namely, ZTE) under the underlying contract, or 2 years from the date of expiry of the performance period for the last instalment of the underlying debt, where such underlying contract is performed in stages.

4. Scope of guarantee: All debts owed by the debtor (namely, ZTE) under the underlying contract.

5. Type of guarantee: Guarantee by way of mortgage

6. Counter-guarantee: As ZTE is the controlling shareholder of Guoxin Electronics, ZTE has not provided any counter-guarantee to Guoxin Electronics in respect of the aforesaid guarantee.

(II) Opinion of the Board of Directors

The provision of guarantee for the Company by Guoxin Electronics has been considered and passed at the Thirty-sixth Meeting of the Seventh Session of the Board of Directors of the Company. The Directors is of the view that the guarantee is conducive to the long-term interests of the Company as a whole. The financial risk of Guoxin Electronics providing guarantees for the Company is under the Company's control and will not have a material impact on the Company's day-to-day operations.

(III) Cumulative amount of outstanding third-party guarantees and overdue guarantees

Following the provision of the said guarantee, the balance of the aggregate amount of third-party guarantees provided by the Company and its subsidiaries is approximately RMB7,855,449,300 (of which guarantees provided for subsidiaries by the Company amounted to approximately RMB5,202,520,900), representing 24.82% of the net asset value of the Company as set out in the audited consolidated accounting statement of the Company as at 31 December 2017. The balance of the aggregate amount of guarantees provided by the Company and its subsidiaries to parties not reported in the consolidated statements is approximately RMB28,784,800, representing 0.09% of the net asset value of the Company as set out in the audited consolidated accounting statement of the Company as at 31 December 2017. The aforesaid guarantee are in compliance with relevant provisions of China Securities Regulatory Commission. There are no guarantees provided in violation of relevant regulations.

The Company has no overdue guarantees.

V. Impact and risk reminder

The Project is conducive to the Company's move to further focus on its principal operations.

The Company will finalise the detailed transaction plan and detailed terms of the transaction documents through negotiations with SIHC based on the condition of due diligence conducted by SIHC and the valuation results. As negotiations involve uncertainty, investors are asked to beware of investment risks. The Company will go through relevant internal review procedures and fulfill its obligations in information disclosure in a timely manner based on the progress of the Project.

VI. Documents for inspection

1. Resolutions of the Thirty-sixth Meeting of the Seventh Session of the Board of Directors
2. Framework Agreement for Cooperation
3. Mortgage Contract and Contract for the Pledge of Equity

By Order of the Board
Li Zixue
Chairman

Shenzhen, the PRC
19 September 2018

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.