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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 Feasibility Analysis of Hedging Derivatives Trading and
the Application for Trading Limits for 2023**

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 information disclosure is true, accurate and complete and that there is no false or misleading statement in or material omission from this information disclosure.

IMPORTANT NOTES:

1. Trading types: the types of hedging derivatives trading that ZTE Corporation and its subsidiaries (together the "Company" or "ZTE") have proposed to carry out include: foreign exchange forwards, currency swaps, interest rate swaps, call options and structured forward contracts.
2. Trading amount: the Company has proposed the derivatives trading limit equivalent to USD4.1 billion (namely, the trading balance at any point of time during the effective period of the authorisation shall not exceed the equivalent of USD4.1 billion), and such limit shall be applied on a revolving basis during the effective period of the authorisation.
3. Special risk reminder: the trading is not entitled to any guarantee for the principal amount or income, and the course of trading is subject to market risks, liquidity risks and performance risks. Investors are reminded to beware of investment risks.

I. OVERVIEW OF DERIVATIVES TRADING

1. Trading objective: to prevent the volatility of exchange rate or interest rate from adversely affecting the Company's assets, liabilities and profitability, the Company carries out hedging derivative trading against the background of normal import and export business and foreign currency borrowings. Speculative derivative investments by the Company are prohibited.
2. Trading amount: the Company has proposed to apply for hedging derivatives trading with a limit of equivalent to USD4.1 billion for 2023, with an effective period commencing on the date of consideration and approval of the relevant resolution at the general meeting and ending from the date on the Company's next annual general meeting. The balance of trading at any point of time during the effective term of the authorisation shall not exceed the equivalent of USD4.1 billion, and such limit shall be applied on a revolving basis during the effective period of the authorisation. Specifically: (1) the limit for foreign exchange derivatives trading shall be the equivalent of USD3.8 billion. Such

foreign exchange derivatives shall be used for value protection against foreign exchange exposure, future receipts, future receipt and payment forecast and net investment in overseas operations, among others. (2) The limit for interest rate swap shall be the equivalent of USD0.3 billion. Such interest rate swaps shall be used for value protection against foreign currency loans.

3. Trading approach: the types of derivatives trading mainly include foreign exchange forwards, currency swaps, interest rate swaps, call options and structured forward contracts, which shall be settled by way of swap of principal amounts or on a net basis, and do not involve any performance guarantee. The derivatives that the Company will trade in are over-the-counter non-standard contracts and the counterparties to the Company's derivatives trading are banks or non-bank financial institutions qualified for the derivatives trading business with prudent operations and sound credit ratings, which basically gives rise to no risk in terms of contract performance. The effectiveness of derivative trading contracts derivative is subject to confirmation by the written document and standardised master agreements and supplementary agreements in compliance with industry conventions which will be entered into with the financial institutions. Any disputes will be settled on the basis of friendly mutual negotiations.

4. Expected trading deposit and royalty: derivatives trading mainly uses the Company's composite credit facilities in cooperative financial institutions, which does not occupy the actual cash flow. The composite credit facilities are expected to occupy no more than the equivalent of USD0.2 billion within the validity period of the authorization.

5. Trading term: to be matched with actual business requirements, generally not more than one year except for interest rate swaps.

6. Source of funds: internal funds, not involving the use of raised funds for derivatives trading.

II. PROCEDURES FOR CONSIDERATION AND APPROVAL

At the Tenth Meeting of the Ninth session of the Board of Directors of the Company held on 10 March 2023, the "Resolution on the Feasibility Analysis of Hedging Derivatives Trading and the Application for Trading Limits for 2023" was considered and approved. The resolution is subject to further approval at the general meeting of the Company.

The matter is not deemed as a connected transaction and is therefore not subject to the voting procedures applicable to connected transactions.

III. FEASIBILITY ANALYSIS OF DERIVATIVES TRADING

(I) RISK ANALYSIS

1. Market risks

The difference between the agreed exchange rate or interest rate for derivatives trading and the exchange rate or interest rate prevailing on the maturity date will result in investment gains or losses. Revaluation gains or losses will arise in respect of each accounting period during the effective period of the derivatives. Investment gains or losses shall be represented by the cumulative gains or losses on revaluation on the maturity date.

The Company's derivatives trading are value-protection derivatives, under which the contractual gain or loss are hedged against the fluctuation of value in the targets of value-protection. The aim is to alleviate the impact of uncertainty associated with exchange rate volatility on operating results. The Company will monitor the market situation and changes in the targets of value-protection and conduct sensitivity analysis in respect of market risks faced by the Company to assess contract losses that might be incurred if the relevant risk is realised and its impact on the Company's operating results.

The Company has established internal control mechanism, loss-cutting procedures and disclosure regulations, hence the impact of risks associated with derivatives trading on the Company's operations is limited.

2. Liquidity risks

Derivatives trading is based on the Company's projected receipts and payments in foreign exchange and incurred foreign currency loans and matched with the actual business to ensure the availability of sufficient funds for settlement upon completion or, alternately, settlement of derivatives on a net basis to reduce the outlay of cash flow at maturity and avoid liquidity risks.

3. Contract performance risks

The counterparties to the Company's derivatives trading are banks or non-bank financial institutions with sound credit ratings and long-standing business relationships with the Company, which basically gives rise to no risk in terms of contract performance.

4. Other risks

Failure of personnel in charge to operate derivatives trading in accordance with stipulated procedures or fully understand information regarding derivatives when conducting transactions may result in operational risks; obscure terms in the trade contract may result in legal risks.

(II) RISK CONTROL MEASURES

1. Any derivatives trading conducted by the Company shall be aimed at mitigating the impact of exchange rate volatility and interest rate on the Company. Risky speculative activities for profit-making are prohibited. Any derivatives trading of the Company shall be limited to the authorised limit approved by the Board of Directors or the general meeting. Leveraged derivatives trading are not permitted.

2. The Company has formulated the Derivative Investment Risk Control and Information Disclosure Regulations and the Derivative Investment Management Regulations to specify the risk control, review procedure, subsequent management, and information disclosure of derivatives trading to effectively standardize derivatives trading behaviors and control derivatives trading risks.

3. The Company established the derivative investment committee and the derivative investment work group comprising dedicated personnel in investment decision-making, operation of transactions and risk control. Personnel involved in the trading have full understanding of the risks associated with derivatives trading and are committed to stringent implementation of the operational and risk management systems relating to derivatives trading.

The derivative investment committee evaluates and makes decisions on the derivative hedging scheme within the specific authorization scope of the Board of Directors or the general meeting, analyzes the feasibility and necessity of derivatives trading, and re-evaluates and makes decisions on risks in a timely manner according to major market changes and the actual operation of derivatives. The derivative investment committee reports the changes in fair values of derivatives and the changes in risk exposure of investment derivatives to the Company's Audit Committee every half year.

The derivative investment working group is responsible for derivatives trading operations. Prior to conducting any derivatives trading, the investment work group of the Company is required to conduct derivatives trading risk analysis and draws up trading plans (including trading types, duration, amounts), which will be furnished to the derivative investment committee of the Company for risk examination before submission to the Chief Financial Officer for final approval.

4. The Company enters into contracts with clear terms with counterparty financial institutions and stringently implements the risk management system to prevent legal risks. The Company will open settlement accounts with banks engaged in derivative trading with the Company in accordance with their requirements and settle funds in accordance with trading instructions on the settlement date stipulated in the derivative contracts.

5. Examination and evaluation in respect of derivatives trading shall be undertaken by the internal control and audit departments of the Company on a half-yearly basis.

(III) FEASIBILITY ANALYSIS CONCLUSION

The Company has formulated a management system for derivatives trading, established processes and organizations for analysis, decision-making, approval, operation and performance evaluation of derivatives trading, and carried out derivatives trading based on actual business, aiming to reduce the adverse impact of exchange rate and interest rate fluctuations on the Company, enhance the Company's financial stability, and prohibit any derivatives speculation. The Company is feasible to carry out derivatives trading.

IV. IMPACT OF DERIVATIVES TRADING ON THE COMPANY

Derivatives trading represents a proactive management strategy adopted by the Company to mitigate the adverse impact of the volatility of exchange rate and interest rate on the Company. The Company will conduct relevant investments with prudence in accordance with the relevant provisions of pertinent laws and regulations and the systems of the Company. Derivative contracts are presented in accordance with ASBE 22 – Recognition and Measurement of Financial Instruments, ASBE 24 – Hedge Accounting and ASBE 37 – Presentation of Financial Instruments and their guidelines promulgated by the Ministry of Finance of the PRC. Information disclosure obligations will be performed in accordance with relevant requirements of the securities supervision and management authorities. The derivatives trading of the Company are conducted mainly against currencies with strong liquidity and a high level of market transparency, the traded prices and daily settlement unit price of which can fully reflect the fair value of the derivatives. The Company determines the fair-value gains or losses and investment gains or losses arising from derivative contracts based on prices provided by or obtained from price quotation service institutions such as banks and the Reuters system.

V. OPINION OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Independent Non-executive Directors of the Company have reviewed the feasibility analysis of hedging derivatives trading and application for trading limits and furnished an independent opinion as follows:

The hedging derivatives trading of the Company and its controlling subsidiaries are carried out for the purpose of reducing the risk of foreign exchange rate and interest rate fluctuations, without any risk speculation. The Company has issued a feasibility analysis report on the proposed derivatives trading business. The Company conducts derivatives trading on the basis of actual business, aiming at reducing the adverse impact of exchange rate and interest rate fluctuations on the company and enhancing its financial stability. The Company has formulated the management system of derivative trading and established the corresponding supervision mechanism. It is feasible for the Company to carry out derivative trading, and the internal review procedures are in line with relevant laws and regulations and the Articles of Association of ZTE Corporation.

VI. DOCUMENTS FOR INSPECTION

1. Resolution of the Tenth Meeting of the Ninth Session of the Board of Directors
2. Independent Non-executive Directors' Independent Opinions on Matters Related to the Tenth

Meeting of the Ninth Session of the Board of Directors

3. Report on the Feasibility Analysis of Hedging Derivatives Trading of ZTE Corporation

4. System for Risk Control and Information Disclosure relating to Derivative Investments of ZTE Corporation

By Order of the Board

Li Zixue

Chairman

Shenzhen, the PRC

10 March 2023

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, Gordon Ng, Zhuang Jiansheng.