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ZTE

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)

(1) SHARE TRANSACTION – PROPOSED ACQUISITION OF 18.8219% EQUITY INTEREST IN ZTE MICROELECTRONICS

AND

(2) PROPOSED NON-PUBLIC ISSUANCE OF A SHARES TO RAISE ANCILLARY FUNDS

SHARE TRANSACTION

The Company is pleased to announce that on 28 October 2020, the Company, Hengjian Xinxin and Huitong Rongxin entered into the Acquisition Agreement, pursuant to which the Company has conditionally agreed to purchase and each of Hengjian Xinxin and Huitong Rongxin has conditionally agreed to sell 10.1349% equity interest and 8.6870% equity interest in the Target Company, respectively, representing an aggregate of 18.8219% equity interest in the Target Company, in consideration of the allotment and issuance of Consideration Shares by the Company.

A further announcement will be made by the Company upon the determination of the consideration and the number of Consideration Shares proposed to be issued and be included in the circular to be despatched by the Company in relation to the Acquisition Agreement.

All the applicable percentage ratios in respect of the Acquisition are less than 5%. As the consideration for the Acquisition will be satisfied by the allotment and issuance of the Consideration Shares, the Acquisition constitutes a share transaction and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Hong Kong Listing Rules.

Pursuant to the Administrative Measures for the Major Asset Restructuring of Listed Companies issued by the CSRC, the Acquisition in consideration of the allotment and issuance of Shares by the Company is subject to the approval of the Shareholders at a general meeting.

INTRODUCTION

PROPOSED NON-PUBLIC ISSUANCE OF A SHARES TO RAISE ANCILLARY FUNDS

The Company proposed to conduct the Proposed Non-public Issuance of A Shares to Raise Ancillary Funds simultaneously with the Acquisition. The total amount of ancillary funds to be raised thereunder shall not exceed 100% of the consideration for the Acquisition. The Proposed Non-public Issuance of A Shares to Raise Ancillary Funds is subject to the approval of the CSRC and the implementation of the Acquisition, but the Acquisition is not subject to the Proposed Non-public Issuance of A Shares to Raise Ancillary Funds.

EGM AND CIRCULAR

Further terms of the Acquisition and the Proposed Non-public Issuance of A Shares to Raise Ancillary Funds will be subject to the approval of the Board and will be announced by the Company in due course. The EGM will be held to consider and, if thought fit, approve, among other things, (i) the Acquisition and (ii) the Proposed Non-public Issuance of A Shares to Raise Ancillary Funds after further approval of the Board.

A circular containing, among other things, (i) further details of the Acquisition; (ii) further details of the Proposed Non-public Issuance of A Shares to Raise Ancillary Funds; and (iii) the notice convening the EGM will be despatched to the Shareholders in due course.

The Company is pleased to announce that on 28 October 2020, the Company, Hengjian Xinxin and Huitong Rongxin entered into the Acquisition Agreement, pursuant to which the Company has conditionally agreed to purchase and each of Hengjian Xinxin and Huitong Rongxin has conditionally agreed to sell 10.1349% equity interest and 8.6870% equity interest in the Target Company, respectively, representing an aggregate of 18.8219% equity interest in the Target Company, in consideration of the allotment and issuance of Consideration Shares by the Company. The Company proposed to conduct the Proposed Non-public Issuance of A Shares to Raise Ancillary Funds simultaneously with the Acquisition. The total amount of ancillary funds to be raised thereunder shall not exceed 100% of the consideration for the Acquisition.

(1) SHARE TRANSACTION – ACQUISITION OF 18.8219% EQUITY INTEREST IN ZTE MICROELECTRONICS

The principal terms of the Acquisition Agreement are set out below:

Date

28 October 2020

Parties

- (i) the Company as purchaser; and
- (ii) Hengjian Xinxin and Huitong Rongxin as vendors.

Assets to be acquired

Pursuant to the Acquisition Agreement, the Company has conditionally agreed to purchase and each of Hengjian Xinxin and Huitong Rongxin has conditionally agreed to sell, 10.1349% equity interest and 8.6870% equity interest in the Target Company, respectively, representing an aggregate of 18.8219% equity interest in the Target Company.

Consideration

The consideration payable to the Vendors for the 18.8219% equity interest in the Target Company under the Acquisition shall be arrived at after arm's length negotiations between the parties after the audit and valuation work have been completed, with reference to the appraisal value of 100% equity interest in the Target Company as at the valuation benchmark date (i.e. 30 June 2020) to be determined by a professional independent valuer to be appointed by the parties to the Acquisition Agreement. The consideration payable by the Company to Hengjian Xinxin and Huitong Rongxin shall be satisfied by the allotment and issuance of Consideration Shares by the Company.

As at the date of this announcement, the audit and valuation work for the Acquisition have not been completed. The preliminary estimated valuation of the 100% equity interest of the Target Company is between RMB13.5 billion and RMB14.0 billion. Therefore, the preliminary estimated consideration for the Acquisition is between RMB2.541 billion and RMB2.635 billion.

A further announcement will be made by the Company upon the determination of the consideration and the number of Consideration Shares proposed to be issued and be included in the circular to be despatched by the Company in relation to the Acquisition Agreement.

Issue price and adjustment

In accordance with applicable laws and regulations and based on the negotiations between the parties, the issue price of the Consideration Shares shall be RMB30.80 per Consideration Share, representing 90% of the average of the trading prices of the A Shares for the last 20 trading days prior to the Pricing Benchmark Date (rounded up to the nearest two decimal points).

During the period from the Pricing Benchmark Date to the Issuance Date, in case of any ex-rights or ex-dividends events of the Company, such as distribution of dividends, bonus shares, capitalization issue and rights issue, the issue price and the number of Shares to be issued will be adjusted in accordance with relevant rules and regulations promulgated by the CSRC and the Shenzhen Stock Exchange.

Assuming P_0 as the issue price before adjustment, N as the number of bonus shares or shares to be issued upon capitalization issue per Share; K as the number of new shares to be allotted per Share; A as the issue price per new Share to be allotted, D as the dividend per Share and P_1 as the adjusted issue price, the formula for adjustment of the issue price for the Consideration Shares are set out below:

Dividend distribution: $P_1 = P_0 - D$

Bonus issue or capitalization issue: $P_1 = P_0 / (1 + N)$

Allotment of Shares: $P_1 = (P_0 + AK) / (1 + K)$

If all three events above are conducted simultaneously: $P_1 = (P_0 - D + AK) / (1 + K + N)$

Consideration Shares

The number of Consideration Shares to be issued shall be determined in accordance with the following formula: Number of Shares to be issued = Consideration of the Acquisition ÷ Issue price.

The consideration is subject to further negotiations between the parties based on valuation of the equity interest in the Target Company and the final number of A Shares to be issued is subject to the approval by the CSRC.

Application will be made for the listing of and trading on the Shenzhen Stock Exchange of the A Shares to be issued by the Company pursuant to the Acquisition Agreement as Consideration Shares.

The issue price of each Consideration Share is RMB30.80, which represents a premium of approximately 86.18% to the closing price of HK\$19.08 per H Share as quoted on the Hong Kong Stock Exchange on 28 October 2020, being the date of the Acquisition Agreement.

Based on the preliminary estimated consideration for the Acquisition is between RMB2.541 billion and RMB2.635 billion, the number of Consideration Shares is estimated to be between 82.50 million Shares and 85.55 million Shares. The maximum estimated number of Consideration Shares of 85.55 million represent:

- (i.) 2.22% of the total issued A Shares as at the date of this announcement and 2.17% of the enlarged A Shares; and
- (ii.) 1.85% of the total issued Shares as at the date of this announcement and 1.82% of the enlarged share capital of the Company.

Lock-up Period

Pursuant to the Acquisition Agreement, each of the Vendors has undertaken that:

- (i) if the equity interest of the Target Company has been continuously held by the Vendor for less than 12 months, the Vendor shall not transfer any Consideration Share within 36 months from the date of listing of the Consideration Shares; and
- (ii) if the equity interest of the Target Company has been continuously held by the Vendor for more than 12 months, the Vendor shall not transfer any Consideration Share within 12 months from the date of listing of the Consideration Shares.

During the lock-up period, the abovementioned lock-up period arrangement shall also apply to any increase of Shares as a result of ex-right or ex-dividend events of the Company, including distribution of bonus shares, capitalization issue and rights issue, etc. to which the Vendors are entitled as a result of the allotment and issuance of Consideration Shares under the Acquisition.

Conditions precedent

The effectiveness of the Acquisition Agreement shall be conditional upon the fulfilment of all the following conditions precedent:

- (i) the approval of the Acquisition by the Board and the shareholders meeting of the Company;
- (ii) the necessary internal approval and authorizations in relation to the Acquisition by each of the Vendors and its respective internal authorities; and
- (iii) the approval or consent of the Acquisition by the CSRC.

Completion

Upon satisfaction of the conditions precedent, the 18.8219% equity interest in the Target Company held by the Vendors will be registered under the name of the Company, and the relevant industrial and commercial registration shall be completed within 120 days prior to the expiration date to be specified in the approval to be granted by the CSRC in respect of the Acquisition.

The parties shall procure the Target Company to complete the relevant procedures in connection with the transfer of the 18.8219% equity interest in the Target Company, including the registration for shareholding changes of the Target Company and the filing of the Target Company's articles of association with the industrial and commercial registration authority.

REASONS AND BENEFITS OF THE ACQUISITION

Hengjian Xinxin and Huitong Rongxin previously provided to Renxing Technology (a wholly-owned subsidiary of the Company) cooperation funds of RMB1.4 billion and RMB1.2 billion, respectively, to fund the payment of the consideration for the acquisition of 24% equity interests in the Target Company by Renxing Technology. To implement the exit arrangement in connection with the provision of the cooperation funds, 18.8219% equity interests in the Target Company were subsequently transferred to Hengjian Xinxin and Huitong Rongxin after further negotiation. Please refer to the announcements of the Company dated 10 September 2020, 25 September 2020 and 20 October 2020 and circular of the Company dated 15 September 2020 for further details.

Through the Acquisition, the Company can acquire the remaining minority stake in ZTE Microelectronics, which is a non-wholly owned subsidiary of the Company as at the date of this announcement. Upon completion of the Acquisition, the Company can obtain full control of ZTE Microelectronic, which can strengthen the core competitiveness of the Company, and further enhance its profitability and the returns to the Shareholders.

Having considered the terms of Acquisition Agreement, the Directors are of the view that the terms of the Acquisition Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company with limited liability incorporated under the laws of the PRC, principally engaged in design, production and sales of integrated circuits (excluding

franchised, state-controlled and monopolised merchandise), and operation of import and export businesses. As at the date of this announcement, the Target Company is a non-wholly owned subsidiary of the Company and is owned as to 68.4% by the Company, 5.1781% by Renxing Technology (a wholly-owned subsidiary of the Company), 7.6% by Sai Jia Xun (a partnership wholly-owned by the Company), 10.1349% by Hengjian Xinxin and 8.6870% by Huitong Rongxin respectively. Upon completion of the Acquisition, the equity interest in the Target Company held by the Company will increase from 81.1781% to 100%.

Based on the consolidated financial statements of the Target Company, the financial information of the Target Company for the years ended 31 December 2018 and 2019 and the six months ended 30 June 2020 are set out as follows:

	For the year ended 31 December 2018 (audited) RMB'000	For the year ended 31 December 2019 (audited) RMB'000	For the six months ended 30 June 2020 (unaudited) RMB'000
Net profit/(loss) before taxation	155,231.5	220,702.6	306,695.6
Net profit/(loss) after taxation	157,635.1	195,706.5	306,695.6

As at 30 June 2020, based on the unaudited consolidated financial statements of the Target Company, the unaudited consolidated total assets and net asset value of the Target Company was approximately RMB8,358,197,600 and RMB4,841,771,500, respectively.

INFORMATION ON THE PARTIES INVOLVED

Information on the Group

The Company is a joint stock limited company incorporated in the PRC and the H shares and A shares of which are listed on Hong Kong Stock Exchange and Shenzhen Stock Exchange respectively.

The Group is dedicated to the provision of ICT products and solutions that satisfy the needs of customers, integrating design, development, production, sales and services with a special focus on carriers' networks, government and corporate business and consumer business.

Information on Hengjian Xinxin

Hengjian Xinxin is a limited partnership enterprise established under the laws of the PRC. Hengjian Xinxin is principally engaged in investing activities.

The general partner of Hengjian Xinxin is Guangdong Guanghengshun Investment Co., Ltd. (廣東廣恒順投資有限公司), and its limited partners are Guangdong Hengjian Asset Management Co., Ltd. (廣東恒健資產管理有限公司) and Guangdong Henghang Industrial Investment Fund Partnership (廣東恒航產業投資基金合夥企業 (有限合夥)).

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Hengjian Xinxin and its ultimate beneficial owners are independent third parties of the Company and its connected persons.

Information on Huitong Rongxin

Huitong Rongxin is a company with limited liability incorporated in the PRC. Huitong Rongxin is principally engaged in the investment in and establishment of industrial operations, venture investment and venture investment consultation. The sole shareholder of Huitong Rongxin is Shenzhen Huitong Jinkong Fund Investment Company Limited (深圳市匯通金控基金投資有限公司). Huitong Rongxin holds 43,032,108 A shares of the Company, accounting for 0.93% of the total share capital of the Company as at the date of this announcement.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Huitong Rongxin and its ultimate beneficial owners, are independent third parties of the Company and its connected persons.

HONG KONG LISTING RULES IMPLICATIONS

All the applicable percentage ratios in respect of the Acquisition are less than 5%. As the consideration for the Acquisition will be satisfied by the allotment and issuance of the Consideration Shares, the Acquisition constitutes a share transaction and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Hong Kong Listing Rules.

The Consideration Shares are proposed to be issued pursuant to the General Mandate. According to the General Mandate, the Board has been authorized to allot and issue not more than 771,580,100 A Shares and 151,100,506 H Shares. As at the date of this announcement, other than the Consideration Shares, up to 163,492,000 A Shares had been agreed to be issued under the General Mandate pursuant to the A Share Option Incentive Scheme proposed to be adopted by the Company (as further disclosed in the announcement of the Company dated 12 October 2020 and the circular of the Company dated 21 October 2020).

Pursuant to the Administrative Measures for the Major Asset Restructuring of Listed Companies issued by the CSRC, the Acquisition in consideration of the allotment and issuance of Shares by the Company is subject to the approval of the Shareholders at a general meeting.

(2) PROPOSED NON-PUBLIC ISSUANCE OF A SHARES TO RAISE ANCILLARY FUNDS

The Company proposed to conduct the Proposed Non-public Issuance of A Shares to Raise Ancillary Funds simultaneously with the Acquisition. The total amount of ancillary funds to be raised thereunder shall not exceed 100% of the consideration for the Acquisition. The Proposed Non-public Issuance of A Shares to Raise Ancillary Funds is subject to the approval of the CSRC and the implementation of the Acquisition, but the Acquisition is not subject to the Proposed Non-public Issuance of A Shares to Raise Ancillary Funds.

Details of the Proposed Non-public Issuance of A Shares to Raise Ancillary Funds are set out below:

Class and par value of Shares to be issued

The Shares to be issued are A Shares with a par value of RMB1.00 per share.

Method of issuance

The Proposed Non-public Issuance of A Shares to Raise Ancillary Funds will be carried out by way of non-public issuance to specific subscribers. All A Shares to be issued under the Proposed Non-public Issuance of A Shares to Raise Ancillary Funds will be subscribed for in cash.

Target subscribers

The target subscribers of the Proposed Non-public Issuance of A Shares to Raise Ancillary Funds will be not more than 35 specific subscribers.

Issue price and pricing principles

In accordance with the PRC laws and regulations, the issue price of the Proposed Non-public Issuance of A Shares to Raise Ancillary Funds shall not be lower than 80% of the average trading price of the A Shares for the 20 trading days immediately preceding the Price Determination Date. The final issue price shall be determined through negotiations between the Board (or its authorized representative(s)) and the independent financial adviser (i.e., the lead underwriter) based on the bidding results and in accordance with applicable laws, administrative regulations and regulatory documents.

Pursuant to the Hong Kong Listing Rules, the issue price of the Proposed Non-public Issuance of A Shares to Raise Ancillary Funds shall not represent a discount of 20% or more to the benchmarked price of the H Shares as described under Rule 13.36(5) of the Hong Kong Listing Rules, such benchmarked price being the higher of:

- (a) the closing price of the H Shares on the date of the relevant agreement involving the Proposed Non-public Issuance of A Shares to Raise Ancillary Funds; and
- (b) the average closing price of the H Shares in the five trading days immediately prior to the earlier of:
 - (i) the date of the announcement on the terms of the Proposed Non-public Issuance of A Shares to Raise Ancillary Funds;
 - (ii) the date of the relevant agreement involving the Proposed Non-public Issuance of A Shares to Raise Ancillary Funds; and
 - (iii) the date on which the issue price of the Proposed Non-public Issuance of A Shares to Raise Ancillary Funds is fixed.

Total funds to be raised and number of Shares to be issued

The total funds to be raised under the Proposed Non-public Issuance of A Shares to Raise Ancillary Funds shall not exceed 100% of the consideration for the Acquisition. The actual

amount shall be approved by the Board upon completion of the audit and valuation work and determination of the consideration in relation to the Acquisition. The total number of Shares to be issued shall be equivalent to the total funds to be raised divided by the issue price under the Proposed Non-public Issuance of A Shares to Raise Ancillary Funds. The total number of Shares to be issued shall satisfy the relevant regulations of the CSRC and other regulatory authorities and in compliance with the requirements of the General Mandate.

In addition, the Shares under the Proposed Non-public Issuance of A Shares to Raise Ancillary Funds are proposed to be issued pursuant to the General Mandate, and hence the total number of Shares to be issued under the Proposed Non-public Issuance of A Shares to Raise Ancillary Funds, together with the number of A Shares issued or agreed to be issued pursuant to the General Mandate, shall not exceed 20% of the total A Shares as at the date of the relevant resolution approving the General Mandate.

Lock-up period

The A Shares to be subscribed for by the target subscribers under the Proposed Non-public Issuance of A Shares to Raise Ancillary Funds shall be subject to a lock-up period of six months from the date of completion. After the expiration of the lock-up period, any transfer of the A Shares under the Proposed Non-public Issuance of A Shares to Raise Ancillary Funds shall be carried out in accordance with the relevant regulations of the CSRC and the Shenzhen Stock Exchange.

Use of proceeds

The proceeds from the Proposed Non-public Issuance of A Shares to Raise Ancillary Funds shall be used to replenish the Company's working capital and the development of the projects of the Target Company, etc., of which not more than 50% of the gross proceeds shall be used for replenishment of working capital. The actual use and amount shall be approved by the Board after the completion of the audit and valuation work and the determination of the consideration in relation to the Acquisition.

If there is any shortfall between the net proceeds from the Proposed Non-public Issuance of A Shares to Raise Ancillary Funds (after deducting all expenses related to the issuance) and the proposed amount of proceeds to be applied in the above uses, the shortfall will be met by the internal funds of the Company. Prior to the receipt of the proceeds from the Proposed Non-public Issuance of A Shares to Raise Ancillary Funds, the Company will finance such uses with its internal funds or through other financing means. If internal funds of the Company are used, they will be replaced by the proceeds upon receipt of the proceeds.

Place of listing

The A Shares to be issued under the Proposed Non-public Issuance of A Shares to Raise Ancillary Funds will be listed on the Shenzhen Stock Exchange.

Arrangement for the retained undistributed profits prior to the Proposed Non-public Issuance of A Shares to Raise Ancillary Funds

The retained undistributed profits of the Company prior to the Proposed Non-public Issuance of A Shares to Raise Ancillary Funds will be shared by the existing Shareholders and the new Shareholders upon completion.

Validity of resolution

This resolutions for the Acquisition and the Proposed Non-public Issuance of A Shares to Raise Ancillary Funds shall be effective for a period of 12 months from the date of approval of the shareholders at the EGM. Subject to the approval of CSRC, the effective period may be extended to the date of completion of the Acquisition and the Proposed Non-public Issuance of A Shares to Raise Ancillary Funds.

REASONS FOR AND BENEFITS OF THE PROPOSED NON-PUBLIC ISSUANCE OF A SHARES TO RAISE ANCILLARY FUNDS

The Company considers that the Proposed Non-public Issuance of A Shares to Raise Ancillary Funds will enable the Company to maintain its high level of investment in research and development in 5G, help ensure its technological competitive edge and develop its main products and businesses with core advantages, which may help the Company increase its market shares in the mainstream products and markets as well as enhance customer satisfaction, thereby help increasing the profitability of the Company.

In addition, the demand for working capital of the Company for business development may be replenished by the Proposed Non-public Issuance of A Shares to Raise Ancillary Funds and the capital structure of the Company is expected to be further optimized, which may help the Company mitigate risks.

GENERAL

The A Shares to be issued pursuant to the Proposed Non-public Issuance of A Shares to Raise Ancillary Funds, if materialized, are proposed to be allotted and issued under the General Mandate.

As at the date of this announcement, (i) the Proposed Non-public Issuance of A Shares to Raise Ancillary Funds is subject to the further approval by the Board after further terms of the Acquisition (including consideration) are finalized; (ii) the Company has not entered into any agreement with any potential subscribers in respect of the Proposed Non-public Issuance of A Shares to Raise Ancillary Funds; and (iii) the Company expects that the A Shares to be issued under the Proposed Non-public Issuance of A Shares to Raise Ancillary Funds will be issued to subscribers who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons, and none of them will become substantial Shareholders upon completion of their respective subscriptions of A shares under the Proposed Non-public Issuance of A Shares to Raise Ancillary Funds. Further announcement(s) will be made by the Company as and when appropriate in accordance with the Hong Kong Listing Rules.

EGM AND CIRCULAR

Further terms of the Acquisition and the Proposed Non-public Issuance of A Shares to Raise Ancillary Funds will be subject to the approval of the Board and will be announced by the Company in due course. The EGM will be held to consider and, if thought fit, approve, among

other things, (i) the Acquisition and (ii) the Proposed Non-public Issuance of A Shares to Raise Ancillary Funds after further approval of the Board.

A circular containing, among other things, (i) further details of the Acquisition; (ii) further details of the Proposed Non-public Issuance of A Shares to Raise Ancillary Funds; and (iii) the notice convening the EGM will be despatched to the Shareholders in due course.

WARNING

As each of the Proposed Acquisition and the Proposed Non-public Issuance of A Shares to Raise Ancillary Funds is subject to, amongst other things, the approval of the Shareholders, CSRC and/or other regulatory authorities and may or may not proceed, Shareholders and potential investors are reminded to exercise caution in dealing in the securities of the Company.

DEFINITIONS

Unless otherwise stated, the following expressions have the following meanings in this announcement:

“A Share(s)”	ordinary share(s) of par value of RMB1.00 each in the registered capital of the Company, which are listed and traded on the Shenzhen Stock Exchange
“A Share Option Incentive Scheme”	the proposed 2020 A Share option incentive proposed to be adopted by the Company, subject to shareholder approval, the details of which are disclosed in the announcement of the Company dated 12 October 2020 and the circular of the Company dated 21 October 2020
“Acquisition”	the proposed acquisition of 18.8219% equity interest in the Target Company from the Vendors pursuant to the terms and conditions set out in the Acquisition Agreement
“Acquisition Agreement”	the agreement dated 28 October 2020 entered between the Company and the Vendors in relation to the Acquisition
“Board”	the board of Directors
“Company”	ZTE Corporation, a joint stock limited company incorporated in the PRC, whose shares are listed on the Hong Kong Stock Exchange and the Shenzhen Stock Exchange
“Completion”	completion of the industrial and commercial registration in relation to the transfer of 18.8219% of equity interest in the Target Company to the name of the Company
“connected person”	has the meaning ascribed thereto under the Hong Kong Listing Rules

“Consideration Share(s)”	the new A Share(s) to be allotted and issued by the Company to the Vendors pursuant to the Acquisition Agreement as consideration payable to the Vendors for the Acquisition
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held to consider and, if thought fit, approve, among other things, (i) the Acquisition and (ii) the Proposed Non-public Issuance of A Shares to Raise Ancillary Funds
“General Mandate”	the general mandate granted by the Shareholders to the Board at the 2019 annual general meeting of the Company held on 19 June 2020 to allot, issue and otherwise deal with the A Shares and H Shares, each not more than 20% of the aggregate nominal amount of the Company’s A Shares and H Shares, respectively, in issue as at the date of the meeting (i.e. 151,100,506 H Shares and 771,580,100 A Shares) (which is subject to renewal at the annual general meeting of the Company for the year ending 31 December 2020)
“Group”	the Company and its subsidiaries
“H Share(s)”	ordinary share(s) of par value of RMB1.00 each in the registered capital of the Company, which are listed and traded on the Hong Kong Stock Exchange
“Hengjian Xinxin”	Guangdong Hengjian Xinxin Investment Partnership Enterprise (Limited Partnership) (廣東恒健欣芯投資合夥企業(有限合夥)), a limited liability partnership established in the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Huitong Rongxin”	Shenzhen Huitong Rongxin Investment Co., Ltd (深圳市匯通融信投資有限公司), a limited liability company established in the PRC
“ICT”	information and communications technology

“Issuance Date”	the date on which the Consideration Shares are allotted and issued to the Vendors pursuant to the Acquisition Agreement
“PRC”	the People’s Republic of China
“Price Determination Date”	the price determination date for the Proposed Non-public Issuance of A Shares to Raise Ancillary Funds, being the first day of the issue period of the Proposed Non-public Issuance of A Shares to Raise Ancillary Funds
“Pricing Benchmark Date”	the date of the announcement on the resolution of the Board regarding the Acquisition published on Shenzhen Stock Exchange(i.e. 29 October 2020)
“Proposed Non-public Issuance of A Shares to Raise Ancillary Funds”	the proposed non-public issuance of A Shares by the Company, simultaneously with the Acquisition, to specific target subscribers to raise ancillary funds
“Renxing Technology”	Shenzhen Renxing Technology Company Limited (深圳市仁興科技有限責任公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sai Jia Xun”	Shenzhen Sai Jia Xun Investment Development Enterprise (Limited Partnership)(深圳市賽佳訊投資發展企業(有限合夥)), a limited liability partnership established in the PRC and a partnership wholly-owned by the Company
“Share(s)”	A Share(s) and H Share(s), or the context requires, either of them
“Shareholder(s)”	the holder(s) of Shares
“Shenzhen Listing Rules”	Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange
“Shenzhen Stock Exchange”	the Shenzhen Stock Exchange
“Target Company” or “ZTE Microelectronics”	ZTE Microelectronics Technology Company Limited (深圳市中興微電子技術有限公司), a limited liability company established in the PRC and a non-wholly owned subsidiary of the Company
“Vendors”	Hengjian Xinxin and Huitong Rongxin
“%”	per cent

By Order of the Board

Li Zixue
Chairman

Shenzhen, the PRC
28 October 2020

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.