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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)

Announcement on the Signing of the “Cooperation Agreement” with Hengjian Xinxin and Huitong Rongxin

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 and misleading statement or material omission in this announcement.

Special reminder:

The Company and Renxing Technology entered into a “Cooperation Agreement” with Hengjian Xinxin and Huitong Rongxin (the “Cooperation”), which has been considered and approved by the Board of Directors of the Company (the “Board”), pending approval at the general meeting of the Company. Cooperation amounts involved in the Cooperation should be applied to the acquisition of 24% equity interests in ZTE Microelectronics by Renxing Technology only. In the event that the aforesaid acquisition of equity interests does not come into effect, the Cooperation will lapse. The attention of investors is drawn to the above.

I. General information

Following friendly negotiations between National Integrated Circuit Industry Investment Fund Corporation (國家集成電路產業投資基金股份有限公司) (“**IC Fund**”) and ZTE Corporation (the “**Company**” or “**ZTE**”), the Company has proposed to acquire, through Shenzhen Renxing Technology Company Limited (深圳市仁興科技有限責任公司) (“**Renxing Technology**”), a wholly-owned subsidiary of the Company, the 24% equity interests in ZTE Microelectronics Technology Company Limited (深圳市中興微電子技術有限公司) (“**ZTE Microelectronics**”), a subsidiary of the Company, held by IC Fund (the “**Acquisition**”). For details of the Acquisition, please refer to the “Announcement on the Acquisition of 24% Equity Interests in ZTE Microelectronics by Renxing Technology and the Waiver Of Preemptive Subscription Rights by the Company” published on the same date as this announcement.

Guangdong Hengjian Xinxin Investment Partnership Enterprise (Limited Partnership) (廣東恒健欣芯投資合夥企業(有限合夥)) (“**Hengjian Xinxin**”) and Shenzhen Huitong Rongxin Investment Co., Ltd (深圳市匯通融信投資有限公司) (“**Huitong Rongxin**”) have proposed to enter into cooperation with ZTE and Renxing Technology. Hengjian Xinxin and Huitong Rongxin will provide cooperation funds of RMB 1.4 billion and RMB 1.2 billion, respectively, to Renxing Technology to finance the payment of the consideration for the Acquisition, and will negotiate further cooperation with the Company and Renxing Technology after the completion of the Acquisition. The Cooperation has been considered and approved at the Twenty-third Meeting of the Eighth Session of the Board of the Company. In accordance with

the relevant rules of the Articles of Association of the ZTE Corporation, the Cooperation is subject to approval at the general meeting.

II. General information on Renxing Technology

Renxing Technology is a wholly-owned subsidiary of the Company incorporated on 2 September 2020.

Scope of operation: software R&D and sales; investment in and establishment of industrial operations (subject to separate application for specific projects); venture investment; project investment (subject to separate application for specific projects); investment consultation; investment advisory business; economic information consultation.

Registered capital: RMB10 million.

III. General information on Hengjian Xinxin and Huitong Rongxin

1. Hengjian Xinxin

Name of company: Guangdong Hengjian Xinxin Investment Partnership Enterprise (Limited Partnership)

Nature of company: Limited partnership enterprise

Executive partner: Guangdong Guanghengshun Investment Co., Ltd. (廣東廣恒順投資有限公司)

Uniform social credit code: 91440605MA5599P70M

Date of incorporation: 9 September 2020

Principal place of business: 404-405 Block III, Core Area, Qiandenghu Venture Business Township, No. 6 Guilan North Road, Guicheng Street, Nanhai District, Foshan (佛山市南海區桂城街道桂瀾北路 6 號千燈湖創投小鎮核心區三座 404-405) (declaration of address, group registration)

Investment amount: RMB1,401 million

Scope of operation: General project: Investing activities with owned funds. (Commencement of operations in accordance with business license, excluding project subject to approval by relevant authorities if so required under the law)

Partner and capital contribution ratio: The general partner is Guangdong Guanghengshun Investment Co., Ltd. (廣東廣恒順投資有限公司) (Capital contribution ratio is 42.90%). The limited partner is Guangdong Hengjian Asset Management Co., Ltd. (廣東恒健資產管理有限公司) (Capital contribution ratio is 28.55%) and Guangdong Henghang Industrial Investment Fund Partnership (limited partnership) (廣東恒航產業投資基金合夥企業 (有限合夥)) (Capital contribution ratio is 28.55%).

2. Huitong Rongxin

Name of company: Shenzhen Huitong Rongxin Investment Co., Ltd

Nature of company: Limited liability company (legal person with sole investment invested in or controlled by a non-natural person)

Legal representative: Cheng Long (程龍)

Uniform social credit code: 91440300MA5G00HP3B

Date of incorporation: 9 December 2019

Registered address: Level 14 Huitong Building, No. 11 Wenxin Road V, Haizhu Community, Yuehai Street, Nanshan District, Shenzhen

Registered capital: RMB1,300 million

Scope of operation: investment in and establishment of industrial operations, venture investment; venture investment consultation.

Major shareholder and shareholding ratio: Shenzhen Huitong Jinkong Fund Investment Company Limited (深圳市匯通金控基金投資有限公司) (shareholding percentage: 100%).

Neither of Hengjian Xinxin and Huitong Rongxin is a discredited party subject to enforced actions. 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. Hengjian Xinxin and Huitong Rongxin are not connected parties of the Company.

IV. Principal terms of the “Cooperation Agreement”

The Company and Renxing Technology entered into the “Cooperation Agreement” with Hengjian Xinxin and Huitong Rongxin (together the “Parties”) on 10 September 2020. The principal terms of the “Cooperation Agreement” are set out as follows:

1. Principal amount of cooperation funds: Hengjian Xinxin and Huitong Rongxin (together the “Investors”) shall provide cooperation funds of RMB 1.4 billion and RMB 1.2 billion (together the “Principal Amount of Cooperation Funds”), respectively, to Renxing Technology.

2. Tenure of the cooperation funds: 30 days from the date on which Renxing Technology receives the respective amounts of the Principal Amount of Cooperation Funds paid by the Investors (“Drawdown Date for Cooperation Funds”) in full, which may be extended if so agreed among the Parties.

3. Application of the Principal Amount of Cooperation Funds and rate of drawdown fees: the Principal Amount of Cooperation Funds amounting to RMB2.6 billion in aggregate provided by the Investors shall be applied by Renxing Technology solely to fund the payment of the consideration for the Acquisition. The rate of drawdown fees for the cooperation funds shall be the most recently announced market quotation interest rate for one-year loans (LPR) on the date immediately preceding the date of execution of the “Cooperation Agreement” plus

10%. If ZTE and Renxing Technology complete the debt-to-equity arrangement in accordance with the “Cooperation Agreement” or the Parties have agreed otherwise, the Investors agree that ZTE and Renxing Technology shall not be required to pay any drawdown fees in accordance with the foregoing.

4. Subsequent arrangements for cooperation

(1) Arrangement for cooperation: Prior to the conclusion of the tenure of the cooperation funds, the Parties shall make active effort to drive the conversion of the cooperation funds towards Renxing Technology legally owned by the Investors into equity interests in Renxing Technology (the “Debt-to-Equity Conversion Arrangement”), or the withdrawal of the cooperation funds otherwise as separately agreed by the Parties, subject to the terms of the agreement to be signed by the Parties thereupon.

(2) Arrangement for repurchase: From the date which is 18 months after the date on which the relevant arrangements for debt-to-equity conversion or the withdrawal of the creditors’ rights of the Investors otherwise (namely, the date by which such arrangements are reflected in the relevant register of shareholders or capital contribution certificate), unless otherwise negotiated by the Parties, the Investors have the right to require ZTE to repurchase in full all equity interests in Renxing Technology held by them or equity interests in other entities held by the Investors according to subsequent arrangements for cooperation subsequent at a price arrived at through the following formula. Such equity interests may be repurchased by ZTE or a third party designated by ZTE.

The Principal Amount of Cooperation Funds paid by any one of the Investors + the Principal Amount of Cooperation Funds paid by any one of the Investors × 8 % × investment period ÷ 365 — cumulative dividend payment of Renxing Technology received by any one of the Investors — dividend payment considered and approved at Renxing Technology’s general meeting but yet to be paid to any one of the Investors — distributions in any other forms received by any one of the Investors

The aforesaid “investment period” refers to the total number of natural dates during the period from the Drawdown Date for Cooperation Funds to the date on which the repurchase amount is paid in full in accordance with the terms under the “Cooperation Agreement” by ZTE (excluding the date on which the repurchase amount is paid in full).

5. Arrangement for repayment: In the event that ZTE and Renxing Technology fail to complete the debt-to-equity arrangement in accordance with the “Cooperation Agreement”, unless the tenure of the cooperation funds is extended with the unanimous approval of all Parties, within 30 days from the date on which the tenure of the cooperation funds expires, (1) Renxing Technology and ZTE shall repay the respective cooperation funds extended to Renxing Technology by Hengjian Xinxin and Huitong Rongxin at the price computed in accordance with the following formula; or (2) ZTE may also elect to complete the acquisition of such cooperation funds respectively and in a timely manner at a price computed in accordance with the following formula by itself or through an appointed third party, to facilitate the release of the liability to make repayment to the Investors under the preceding point (1):

The Principal Amount of Cooperation Funds amount of any one of the Investors + the Principal Amount of Cooperation Funds amount of any one of the Investors × most recently announced market quotation interest rate for one-year loans (LPR) on the date immediately preceding the

date of execution of the “Cooperation Agreement” plus 10% × tenure of the cooperation funds ÷ 365

(This formula shall separately apply to Hengjian Xinxin and Huitong Rongxin in computation. “Any one of the Investors” shall mean Hengjian Xinxin and Huitong Rongxin in actual application.)

Under the circumstances described in (1), the “tenure of the cooperation funds” shall mean the total number of natural dates during the period from the Drawdown Date for Cooperation Funds to the date on which the Principal Amount of Cooperation Funds provided by such Investor together with drawdown fees accrued thereon are paid in full in accordance with the terms under the “Cooperation Agreement” by Renxing Technology and ZTE (excluding the date on which the Principal Amount of Cooperation Funds and drawdown fees are paid in full); Under the circumstances described in (2), the “tenure of the cooperation funds” shall mean the total number of natural dates during the period from the drawdown date for Principal Amount of Cooperation Funds to the date on which the amount for acquiring the cooperation funds in accordance with the terms under the “Cooperation Agreement” by ZTE or a third party appointed by ZTE (excluding the date on which the amount for acquiring the cooperation funds is paid in full).

6. Conditions for taking effect: the “Cooperation Agreement” shall be established on the date on which it is signed by the legal representatives or authorised representatives of the Parties with the affixing of corporate seals, and shall come into effect on the date on which the resolution on the “Cooperation Agreement” is passed at the Company’s general meeting.

The Cooperation does not constitute a connected transaction of the Company under Chapter 14A and a discloseable transaction of the Company under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

V. Opinion of the Board and the Independent Non-executive Directors

1. Opinion of the Board

The Company’s decision to acquire, through its wholly-owned subsidiary Renxing Technology, the 24% equity interests in ZTE Microelectronics held by IC Fund and to fund the payment of the consideration for the Acquisition partially by cooperation funds provided to Renxing Technology by Hengjian Xinxin and Huitong Rongxin has been made taking into account of factors such as the status of its cooperation with IC Fund, the Company’s overall development strategy and its current financial conditions. The Cooperation is in line with the long-term strategic planning of the Company.

The “Resolution on the Signing of the ‘Cooperation Agreement’ with Hengjian Xinxin and Huitong Rongxin” was considered and approved by a unanimous vote at the Twenty-third Meeting of the Eighth Session of the Board of the Company. The Board has agreed to table the aforesaid matter at the general meeting of the Company for consideration.

2. Opinion of the Independent Non-executive Directors

The Independent Non-executive Directors of the Company are of the view that, the provision of cooperation funds by Hengjian Xinxin and Huitong Rongxin to Renxing Technology to

partially fund the payment of the consideration for the acquisition of 24% equity interests in ZTE Microelectronics and the proposed subsequent arrangements for cooperation with the Investors are determined based on the transaction arrangements between the Company and IC Fund, the Company's overall development strategy and its current financial conditions. The Cooperation is in the interest of the Company and its shareholders. The Board of the Company has considered the matter and agreed to table at the general meeting for consideration, and the related procedures are in compliance with pertinent provisions under laws and regulations and the Articles of Association of ZTE Corporation.

VI. The matters relate to the Extraordinary General Meeting

In accordance with Article 160 of the Articles of Association of ZTE Corporation, as the amount of acquisition exceeds 10% of the latest audited net assets of the Company, the approval of the Company's shareholder is required. Therefore, the general meeting is asked to approve the proposed signing of the Cooperation Agreement with Hengjian Xinxin and Huitong Rongxin. The Company will convene an extraordinary general meeting on 30 September 2020 to consider and, if thought fit, approved the Cooperation.

The Company will close its H share register from Friday, 25 September 2020 to Wednesday, 30 September 2020 (both days inclusive) to determine qualifications of shareholders to attend and vote at the EGM. Any H Shareholder who wishes to attend and vote at the EGM shall lodge an instrument of transfer, together with the corresponding share certificate(s) with Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m., Thursday, 24 September 2020.

A circular containing (among others) further details of the Cooperation and the notice convening the extraordinary general meeting will be dispatched to the shareholders in due course.

VII. Documents for inspection

1. Resolutions of the Twenty-third Meeting of the Eighth Session of the Board of the Company
2. Opinion furnished by the Independent Non-executive Directors of the Company
3. The Cooperation Agreement

By Order of the Board
Li Zixue
Chairman

Shenzhen, the PRC
10 September 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.