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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) PROPOSED NON-PUBLIC ISSUANCE OF A SHARES UNDER  
GENERAL MANDATE  
AND  
(2) PROPOSED AMENDMENTS TO THE ARTICLES OF  
ASSOCIATION**

The Board is pleased to announcement that on 31 January 2018, the Board has approved the Proposed Non-public Issuance of A Shares, pursuant to which the Company will issue not more than 686,836,019 A Shares to not more than 10 specific subscribers, which would raise the gross proceeds of up to RMB13 billion.

The EGM will be convened by the Company on Wednesday, 28 March 2018 at 9:00 a.m. at 4th Floor, A Wing, ZTE Plaza, Keji Road South, Hi-Tech Industrial Park, Nanshan District, Shenzhen, Guangdong Province, the People's Republic of China to consider and, if thought fit, pass, among other things, the resolutions in relation to the Proposed Non-public Issuance of A Shares under the General Mandate and the proposed amendments to the Articles of Association. The notice of the EGM and will be despatched to the Shareholders in due course.

A circular containing, among other things, (i) details of the Proposed Non-public Issuance of A Shares; and (ii) details of the proposed amendments to the Articles of Association, will be despatched to the Shareholders as soon as possible.

**INTRODUCTION**

The Board is pleased to announcement that on 31 January 2018, the Board has approved the Proposed Non-public Issuance of A Shares, pursuant to which the Company will issue not more than 686,836,019 A Shares to not more than 10 specific subscribers, which would raise the gross proceeds of up to RMB13 billion.

**PROPOSED NON-PUBLIC ISSUANCE OF A SHARES UNDER GENERAL MANDATE**

The details of the Proposed Non-public Issuance of A Shares 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 and time of issuance**

The Proposed Non-public Issuance of A Shares will be carried out by way of non-public issuance to specific subscribers. The A Shares will be issued at any appropriate time within the valid period as approved by the CSRC.

**Target subscribers and method of subscription**

The target subscribers of the Proposed Non-public Issuance of A Shares will be not more than 10 specific subscribers which satisfy the relevant requirements of the CSRC, including securities investment fund management companies, securities companies, insurance institutional investors, trust investment companies, finance companies, qualified foreign institutional investors and other legally qualified investors. A securities investment fund management company subscribing through 2 or more funds under its management shall be deemed as one single subscriber. A trust investment company, as a subscriber, can only subscribe for the A Shares with its internal funds.

Subject to the above requirements, the Company will determine the specific target subscribers through bidding in accordance with the Implementation Rules of Non-public Issuance of Shares by Listed Companies after obtaining the approval of the CSRC for the Proposed Non-public Issuance of A Shares.

All A Shares to be issued under the Proposed Non-public Issuance of A Shares will be subscribed for in cash.

As at the date of this announcement, (i) the Company has not entered into any agreement with any potential subscribers in respect of the Proposed Non-public Issuance of A Shares, and (ii) the Company expects that the A shares to be issued under the Proposed Non-public Issuance of A Shares will be issued to subscribers who and whose ultimate beneficial owners are third parties independent of the Company and its connected person, 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.

**Issue price and pricing principles**

Pursuant to the Implementation Rules of Non-public Issuance of Shares by Listed Companies, the Price Determination Date shall be the first day of the issue period of the Proposed Non-public Issuance of A Shares. The issue price of the Proposed Non-public Issuance of A Shares shall not be lower than 90% of the average trading price of the Company's 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 sponsor (the lead underwriter) based on the bidding results and in accordance with the Implementation Rules of Non-public Issuance of Shares by Listed Companies, after the Company has obtained the approval for the Proposed Non-public Issuance of A Shares from the CSRC.

The average trading price of the Company's A Shares for the 20 trading days immediately preceding the Price Determination Date shall be calculated by the following formula:

$$\frac{\text{Total turnover of the Company's A Shares for the 20 trading days immediately preceding the Price Determination Date}}{\text{Total trading volume of the Company's A Shares for the 20 trading days immediately preceding the Price Determination Date.}}$$

### **Number of A Shares to be issued**

The number of A Shares to be issued under the Proposed Non-public Issuance of A Shares shall not exceed 686,836,019 A Shares, which is determined based on 20% of the A share capital of the Company as at the date of the general meeting of the Company, being 20 June 2017, in which the "Resolution of the Company on the Application for General Mandate for 2017" was considered and approved by the Shareholders, and represents;

- (1) approximately 19.98% of the existing issued A Shares and approximately 16.38% of the existing total issued share capital of the Company as at the date of this announcement; and
- (2) approximately 16.65% of the enlarged issued A Shares and approximately 14.08% of the enlarged total issued share capital of the Company upon Completion.

After obtaining the written approval for the Proposed Non-public Issuance of A Shares from the CSRC, the Board or its authorized representative(s) shall, pursuant to the authorization of the Shareholders in the EGM, negotiate with the sponsor (the lead underwriter) to determine the final number of A Shares to be issued according to the relevant regulations of the CSRC and the price bids submitted by the target subscribers.

### **Lock-up period**

The A Shares to be subscribed for by the target subscribers under the Proposed Non-public Issuance of A Shares shall be subject to a lock-up period of 12 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 shall be carried out in accordance with the relevant regulations of the CSRC and the SZSE.

### **Amount and use of proceeds**

The gross proceeds from the Proposed Non-public Issuance of A Shares will not exceed RMB13 billion. The net proceeds from the Proposed Non-public Issuance of A Shares (after deducting all expenses related to the issuance) will be applied as follows:

<b>Use of proceeds</b>	<b>Total amount required (RMB billion) (approximately)</b>	<b>Amount to be applied from the proceeds from the Proposed Non-public Issuance of A Shares (RMB billion) (approximately)</b>
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Technology research and product development relating to 5G network evolution	42.878	9.1
Replenishment of working capital	3.9	3.9
<b>Total</b>	<b>46.778</b>	<b>13.0</b>

If there is any shortfall between the net proceeds from the Proposed Non-public Issuance of A Shares (after deducting all expenses related to the issuance) and the proposed amount of proceeds to be applied in each of the above item, 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, the Company will finance such project(s) with its internal funds based on the actual progress of the project(s). Such internal funds will be replaced by the proceeds upon the receipt of the proceeds.

### **Place of listing**

The A Shares to be issued under the Proposed Non-public Issuance of A Shares will be listed and traded on the SZSE upon expiration of the lock-up period.

### **Arrangement for the retained undistributed profits prior to the Proposed Non-public Issuance of A Shares**

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

### **Validity period of the resolutions in relation to the Proposed Non-public Issuance of A Shares**

The resolutions in relation to the Proposed Non-public Issuance of A Shares shall remain valid for 12 months from the date on which the resolutions are considered and approved at the EGM.

### **CONDITIONS PRECEDENT OF THE PROPOSED NON-PUBLIC ISSUANCE OF A SHARES**

The Proposed Non-public Issuance of A Shares is subject to the approval of the Shareholders at the EGM and the approval of the CSRC. Upon obtaining the approval of the CSRC, the Company will apply to the SZSE and the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited to complete the approval and registration procedures for the Proposed Non-public Issuance of A Shares.

### **EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY**

As at the date of this announcement, the total issued share capital of the Company is 4,192,671,843 Shares, which comprises 3,437,169,309 A Shares and 755,502,534 H Shares. The shareholding structure of the Company (i) as at the date of this announcement and (ii) immediately after Completion (assuming that (i) the maximum number of A Shares up to 686,836,019 A Shares is being issued and (ii) there is no change in the total issued share

capital of the Company from the date of this announcement up to Completion save for Proposed Non-public Issuance of A Shares) is set out as follows:

Shareholder	Class of Shares	As at the date of this announcement			Upon Completion		
		Number of Shares	Approximate percentage of A Shares (%)	Approximate percentage of the total issued share capital (%)	Number of Shares	Approximate percentage of A Shares (%)	Approximate percentage of the total issued share capital (%)
<b>Zhongxingxin</b>							
	A	1,269,830,333	36.94	30.29	1,269,830,333	30.79	26.03
	H	2,038,000	-	0.05	2,038,000	-	0.04
	<b>Subtotal</b>	<u>1,271,868,333</u>	-	<u>30.34</u>	<u>1,271,868,333</u>	-	<u>26.07</u>
<b>Public Shareholders</b>							
	A	2,167,338,976	63.06	51.69	2,854,174,995	69.21	58.49
	H	753,464,534	-	17.97	753,464,534	-	15.44
	<b>Subtotal</b>	<u>2,920,803,510</u>	-	<u>69.66</u>	<u>3,607,639,529</u>	-	<u>73.93</u>
	<b>Total</b>	<b>4,192,671,843</b>		<b>100.00</b>	<b>4,879,507,862</b>		<b>100.00</b>

Note:

The approximate percentages of (i) the A Shares and (ii) the total issued share capital are rounded to the nearest two decimal places may not add up to 100% due to rounding.

## FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company had not conducted any equity fund raising exercises during the 12 months immediately preceding the date of this announcement.

## REASONS FOR AND BENEFITS OF THE PROPOSED NON-PUBLIC ISSUANCE OF A SHARES

In recent years, the Company has been pursuing the strategy in leading 5G innovations through the continuous expansion of its investment in research and development as well as marketing for its core segments. With the global leading position in 5G network sector, the Company expects that 2018 to 2020 will be a crucial period for the formulation and industrialization of the global standard for 5G technology. The Company will continue to focus on 5G technology as its core strategy, and will commit its effort to various aspects including the formulation of standards, product research and development and commercial verification in order to maintain its leading position in terms of progress development, product functionality and cost advantage.

The Company considers that the Proposed Non-public Issuance of A Shares will enable the Company to maintain its high level of investment in research and development, 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 and the capital structure of the Company is expected to be further optimized, which may help the Company mitigate risks.

## GENERAL MANDATE TO ISSUE THE A SHARES

The A Shares to be issued pursuant to the Proposed Non-public Issuance of A Shares will be allotted and issued under the General Mandate. The Board has been authorized to allot and issue not more than 686,836,019 A Shares pursuant to the General Mandate. As at the date of this announcement, the Company has not issued any A Shares or H Shares pursuant to the General Mandate.

## PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Reference is made to the circular and the announcement of the Company dated 30 August 2013 and 15 October 2013, respectively, in relation to, among other things, the “ZTE Corporation Share Option Incentive Scheme (Revised Draft)” (the “**Scheme**”). Pursuant to the terms of the Scheme, the participants of the Scheme had exercised the rest of the share options granted to them, which led to an increase in the share capital of the Company. As a result, the amendments to the Articles of Association are required.

In addition, pursuant to the relevant requirements under the “Notice on Further Implementing Matters concerning Cash Dividends of Listed Companies” and the “Guidelines No. 3 on the Supervision and Administration of Listed Companies – Distribution of Cash Dividends of Listed Companies” issued by the CSRC, the Company proposes to make certain amendments to the provisions in relation to distribution of dividends.

The proposed amendments to the Articles of Association are set out as follows:

Existing articles	To be amended as
<b>Article 24</b> Subsequent to its establishment, the Company shall issue 4,185,896,909 ordinary shares, comprising 755,502,534 H Shares, accounting for 18.05% of the total number of ordinary shares issuable by the Company; and 3,430,394,375 Domestic Shares, accounting for 81.95% of the total number of ordinary shares issuable by the Company.	<b>Article 24</b> Subsequent to its establishment, the Company shall issue <b>4,192,671,843</b> ordinary shares, comprising 755,502,534 H Shares, accounting for <b>18.02%</b> of the total number of ordinary shares issuable by the Company; and <b>3,437,169,309</b> Domestic Shares, accounting for <b>81.98%</b> of the total number of ordinary shares issuable by the Company.
<b>Article 27</b> The registered capital of the Company shall be RMB4,185,896,909.	<b>Article 27</b> The registered capital of the Company shall be RMB <b>4,192,671,843</b> .
<b>Article 35</b> 1) reduction of the capital of the Company.	<b>Article 35</b> 1) reduction of the <b>registered</b> capital of the Company.
<b>Article 234</b> The profit distribution policy of the Company shall be as follows:	<b>Article 234</b> The profit distribution policy of the Company shall be as follows:

Existing articles	To be amended as
1) Reasonable investment returns for investors should be a key consideration in the profit distribution of the Company and continuity and stability should be maintained in its profit distribution policy;	1) Reasonable investment returns for investors should be a key consideration in the profit distribution of the Company and continuity and stability should be maintained in its profit distribution policy, <b>which should be in compliance with laws and regulations and the relevant requirements of regulatory authorities such as the China Securities Regulatory Commission;</b>
<b>Article 234</b> 3) Dividends may be distributed by the Company by way of cash and/or shares. Interim cash dividend may be distributed. Accumulated distribution of profit by way of cash by the Company in the three preceding years shall be no less than 30% of the annual average profit available for distribution realized in the three preceding years;	<b>Article 234</b> 3) <b>Subject to the fulfillment of conditions for dividend distribution,</b> the Company shall, <b>in principle, distribute its profit on an annual basis</b> by way of cash and/or shares, and may also carry out interim <b>profit distribution</b> . Accumulated distribution of profit by way of cash by the Company in the three preceding years shall be no less than 30% of the annual average profit available for distribution realized in the three preceding years;

The Articles of Association are prepared in Chinese and there is no official English version for the Articles of Association. The English translation above is for reference only. In the event of any discrepancy between the English translation and the Chinese version of the Articles of Association, the Chinese version shall prevail.

## EGM

The EGM will be convened by the Company on Wednesday, 28 March 2018 at 9:00 a.m. at 4th Floor, A Wing, ZTE Plaza, Keji Road South, Hi-Tech Industrial Park, Nanshan District, Shenzhen, Guangdong Province, the People's Republic of China to consider and, if thought fit, pass, among other things, the resolutions in relation to the Proposed Non-public Issuance of A Shares under the General Mandate and the proposed amendments to the Articles of Association. The notice of the EGM and will be despatched to the Shareholders in due course.

A circular containing, among other things, (i) details of the Proposed Non-public Issuance of A Shares; and (ii) details of the proposed amendments to the Articles of Association, will be despatched to the Shareholders as soon as possible.

**The completion of the Proposed Non-public Issuance of A Shares are subject to the satisfaction of certain conditions. Accordingly, the Proposed Non-public Issuance of A Shares may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

## DEFINITIONS

Unless the context otherwise requires, the terms used in this announcement shall have the following meanings:

“A Share(s) or Domestic Shares”	ordinary share(s) of par value of RMB1.00 each in the registered capital of the Company, which
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	are listed and traded on the SZSE
“A Shareholders”	holders of A Shares
“Articles of Association”	the articles of association of the Company
“Board”	the board of Directors
“China” or the “PRC”	the People’s Republic of China
“Company”	ZTE Corporation, a joint stock limited company incorporated on 11 November 1997 under the Company Law in the PRC, whose shares are listed on the SEHK and the SZSE
“Company Law”	The Company Law of the People’s Republic of China
“Completion”	completion of the Proposed Non-public Issuance of A Shares
“CSRC”	the China Securities Regulatory Commission
“Director(s)”	member(s) of the board of directors of the Company
“EGM”	the First Extraordinary General Meeting of 2018 of the Company to be convened to consider and, if thought fit, approve, among other things, (i) the Proposed Non-public Issuance of A Shares and (ii) the proposed amendments to the Articles of Association
“General Mandate”	the general mandate granted by the Shareholders to the Board at the annual general meeting of the Company held on 20 June 2017 to allot, issue or otherwise deal with Shares not exceeding 20% of the total number of Shares in issue on the date thereof, which is proposed to be renewed at the annual general meeting for the year ended 31 December 2017 to be convened by the Company
“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 SEHK
“H Shareholders”	holders of H Shares
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited



“Implementation Rules of Non-public Issuance of Shares by Listed Companies”	the “Implementation Rules of Non-public Issuance of Shares by Listed Companies” (as revised in 2017) (《上市公司非公开发行股票实施细则》(2017年修订))
“Price Determination Date”	the price determination date for the Proposed Non-public Issuance of A Shares, being the first day of the issue period, in accordance with the Implementation Rules of Non-public Issuance of Shares by Listed Companies
“Proposed Non-public Issuance of A Shares”	the proposed non-public issuance of A shares by the Company to specific target subscribers for the purpose of raising funds
“RMB”	Renminbi, the lawful currency of the PRC
“Securities Law”	The Securities Law of the People’s Republic of China
“SEHK”	The Stock Exchange of Hong Kong Limited
“Shares”	A Share(s) and H Share(s)
“Shareholders”	A Shareholders and H Shareholders
“SZSE”	The Shenzhen Stock Exchange
“Zhongxingxin”	Shenzhen Zhongxingxin Telecommunications Equipment Company

By Order of the Board  
**Yin Yimin**  
*Chairman*

Shenzhen, the PRC  
31 January 2018

*As at the date of this announcement, the Board of Directors of the Company comprises two executive directors, Yin Yimin and Zhao Xianming; seven non-executive directors, Zhang Jianheng, Luan Jubao, Wang Yawen, Tian Dongfang, Zhan Yichao, Wei Zaisheng and Zhai Weidong; and five independent non-executive directors, Richard Xike Zhang, Chen Shaohua, Lü Hongbing, Bingsheng Teng and Zhu Wuxiang.*