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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 Updates on Matters pertaining to the Transfer
of Certain Shares in ZTEsoft Technology Co., Ltd.

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 or misleading statement or material omission in this announcement.

I. Overview of the transaction

ZTE Corporation (“ZTE” or the “Company”), Nanjing Xiruan Corporate Management Limited Partnership (南京溪軟企業管理合夥企業 (有限合夥)) (“Nanjing Xiruan”) and ZTEsoft Technology Co., Ltd. (renamed “Whale Cloud Technology Co., Ltd.”, hereinafter “ZTEsoft”) entered into the Agreement for Share Transfer and New Share Subscription on 9 February 2018, pursuant to which the Company shall transfer 43.66% shares in ZTEsoft, its subsidiary, to Nanjing Xiruan for RMB1,223,300,000, while Nanjing Xiruan shall concurrently inject RMB100,000,000 into ZTEsoft as capital (together the “Transaction”). On the closing date, Nanjing Xiruan shall pay the transfer consideration and the new share subscription amount to the Company and ZTEsoft, respectively, in full lump-sum payments. For details of the aforesaid matter, please refer to the “Overseas Regulatory Announcement on Matters pertaining to the Transfer of Certain Shares in ZTEsoft Technology Co., Ltd” published by the Company on 9 February 2018. As of now, the closing of the transaction has yet to be completed.

At the Thirty-seventh Meeting of the Seventh Session of the Board of Directors of the Company held on 25 September 2018, the “Resolution on the execution of the Supplemental Agreement on Arrangements for Payment by Instalment in relation to matters pertaining to the disposal of shares in ZTEsoft Technology Co., Ltd.” was considered and passed. The Company entered into the Supplemental Agreement on Arrangements for Payment by Instalment (the “Supplemental Agreement”) with Nanjing Xiruan and ZTEsoft on 25 September 2018, pursuant to which the full lump-sum payment by Nanjing Xiruan agreed under the Agreement for Share Transfer and New Share Subscription shall be adjusted to payment by instalment.

II. Key terms of the Supplemental Agreement

The basic terms of the arrangements for payment by instalment under the Supplemental Agreement entered into by ZTE, Nanjing Xiruan and ZTEsoft are as follows:

The transfer consideration and subscription amount totalling RMB1,323,300,000 (including a transfer consideration of RMB1,223,300,000 payable to ZTE and a subscription amount of RMB100,000,000 payable to ZTEsoft) payable by Nanjing Xiruan under the Agreement for Share Transfer and New Share Subscription shall be settled in instalments.

(1) First Instalment

The full subscription amount of RMB100,000,000 payable to ZTEsoft and RMB381,050,000 out of the transfer consideration payable to ZTE shall be paid by Nanjing Xiruan within 10 working days after the signing of the Supplemental Agreement.

(2) Second instalment

RMB481,050,000 out of the transfer consideration payable to ZTE shall be paid by Nanjing Xiruan within 30 days after completion of payment of the first instalment.

(3) Third instalment

RMB361,200,000 out of the transfer consideration payable to ZTE shall be paid by Nanjing Xiruan within 120 days after completion of payment of the first instalment.

In the event that Nanjing Xiruan fails to honour payments in accordance with the Supplemental Agreement, ZTE shall have the right to act in accordance with the relevant clauses of the Supplemental Agreement. The Supplemental Agreement shall come into effect upon signature or the affixing of seals by the parties.

III. Documents for inspection

1. Resolutions of the Thirty-seventh Meeting of the Seventh Session of the Board of Directors of the Company;
2. "Supplemental Agreement on Arrangements for Payment by Instalment".

By Order of the Board
Li Zixue
Chairman

Shenzhen, the PRC
25 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.