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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)

**UPDATE ON DISCLOSEABLE TRANSACTION
SUPPLEMENTAL AGREEMENT TO THE FRAMEWORK AGREEMENT FOR
ENTRUSTMENT OF DEVELOPMENT, CONSTRUCTION, SALES AND OPERATION**

SUPPLEMENTAL AGREEMENT

On 11 July 2019, the Company and Vanke Real Estate entered into the Supplemental Agreement, pursuant to which the parties agreed to amend certain terms of the Framework Agreement to accelerate the development of the Project and to further define the parties' rights and obligations and provide further rights to direct the Project to Vanke Real Estate.

IMPLICATIONS UNDER THE HONG KONG LISTING RULES

As one or more applicable percentage ratios calculated in accordance with the Hong Kong Listing Rules in respect of the sale of the Available-for-sale Properties by the Company and the transfer of the operation right of the Entrusted Properties by the Company to Vanke Real Estate under the Framework Agreement and the Supplemental Agreement, in aggregate, exceed 5% but are less than 25%, the entry of the Framework Agreement and the Supplemental Agreement constitutes a discloseable transaction of the Company which is subject to the reporting and announcement requirements but exempt from the shareholders' approval requirements under Chapter 14 of the Hong Kong Listing Rules.

IMPLICATIONS UNDER THE SHENZHEN LISTING RULES AND EGM

Pursuant to the Shenzhen Listing Rules, the Supplemental Agreement are subject to the approval of the Shareholders at a general meeting of the Shareholders. Therefore, a resolution will be proposed at the forthcoming extraordinary general meeting to be held on Monday, 29 July 2019 for the Shareholders to consider, and if thought fit, approve the Supplemental Agreement. The supplemental notice of the meeting, together with the revised proxy form, will be despatched to the H Shareholders on or before 15 July 2019.

INTRODUCTION

Reference is made to the announcement of the Company dated 9 February 2018. On 11 July

2019, the Company and Vanke Real Estate entered into the Supplemental Agreement, pursuant to which the parties agreed to amend certain terms of the Framework Agreement to accelerate the development of the Project and to further define the parties' rights and obligations and provide further rights to direct the Project to Vanke Real Estate.

SUPPLEMENTAL AGREEMENT

Further details of the material terms of the Supplemental Agreement are set forth below:

Date: 11 July 2019

Parties

- (i) The Company; and
- (ii) Vanke Real Estate

Amendment in respect of Payment Mechanism and Consideration

The total consideration under Framework Agreement was RMB7,265,000,000, comprising: (i) the aggregate sale price of the Available-for-sale Properties of RMB4,750,000,000 and (ii) the consideration for obtaining the right to operate the Entrusted Properties of RMB2,515,000,000.

The actual cash consideration payable under the Framework Agreement was RMB5,366,100,000, being the difference between RMB7,265,000,000 and the development and construction properties fee of RMB1,898,900,000 which Vanke Real Estate had undertaken to pay. Under the Supplemental Agreement, an additional RMB72,640,000 in cash consideration shall be payable by Vanke Real Estate to the Company, representing the increase in the consideration for the right to operate the Entrusted Properties.

As at the date of this announcement, the amount of RMB3,542,000,000 had already been paid by Vanke Real Estate to the Company. Based on the negotiations between Vanke Real Estate and the Company, the aforesaid amount of RMB72,640,000 is expected to be paid by Vanke Real Estate to the Company on or before 16 July 2019. Under the Supplemental Agreement, Vanke Real Estate shall, within 10 days of the initial registration of the title of the Project or 31 December 2023 (whichever is earlier), pay to the Company the remaining amount of RMB1,824,100,000.

Amendment of the Term of Entrustment

Under the Supplemental Agreement, the term of entrustment of the Entrusted Properties shall commence from the effective date of the Supplemental Agreement (instead of date of delivery of the Entrusted Properties as originally provided for in the Framework Agreement) and expire upon the expiration of land use rights of the Nanshan Land (being 26 June 2047).

Amendment in the Rights of Vanke Real Estate over the Land Parcels

Pursuant to the Supplemental Agreement, with effect from the effective date of the Supplemental Agreement, in accordance with laws:

- (i) Vanke Real Estate shall have full power to direct the development, construction, sales, operations of the Available-for-Sale Properties and Entrusted Properties under the Project, and be responsible for all development and construction funds, costs and risks, and be entitled to the revenue in relation thereto; and
- (ii) Vanke Real Estate shall have full power to direct the development and construction of 26,940 sq.m. of office properties and cultural facilities, and be responsible for all development and construction funds, costs and risks, and be entitled to the revenue in relation thereto, and shall deliver the properties to the Company upon completion.

Effectiveness

The Supplemental Agreement shall take effect upon the date of approval of the Shareholders' meeting of the Company.

REASONS FOR AND BENEFITS OF THE SUPPLEMENTAL AGREEMENT

The Group does not possess an experienced and professional team in the development, construction, sales and operation of properties. In order to accelerate the development of the Project and to further define the parties' rights and obligations and provide further rights to direct the Project to Vanke Real Estate, the Supplemental Agreement was entered into between the parties based on the actual status of the Project and after friendly negotiations.

Instead of the expected recognition of RMB2,723,000,000 in profit before taxation upon completion as contemplated under the original Framework Agreement, it is expected that the Group will record a profit before taxation of approximately RMB3,000,000,000 to RMB3,300,000,000 in aggregate throughout the course of the Project, of which profit before taxation of approximately RMB2,600,000,000 to RMB2,900,000,000 is expected to be recognized in 2019 and the remainder is expected to be recognized from 2020 to 2022. The aforesaid profit before taxation shall be subject to the audited financial statements of the Group. The aforesaid profit before taxation was estimated based on the total consideration of the Project, minus the cost of land, the related taxes and other fees. The final completion of the Project is subject to the progress of the cooperation between the parties.

The net proceeds from the sale of the Available-for-sale Properties and the entrustment of the operation rights to the Entrusted Properties under the Framework Agreement and the Supplemental Agreement are intended to be applied by the Company for its general working capital.

The terms of the Supplemental Agreement were agreed after arm's length negotiations between the Company and Vanke Real Estate. Based on the above factors the Directors (including the independent non-executive Directors) are of the view that the terms of the Supplemental Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES

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 SEHK and SZSE 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 Vanke and Vanke Real Estate

Vanke Real Estate is a company established in the PRC and a subsidiary of Vanke. Vanke is a joint stock company established under the laws of the PRC, the H shares of which are listed on SEHK (stock code: 2202) and the A shares of which are listed on SZSE (stock code: 000002).

Vanke Real Estate is principally engaged in the development business of real estate.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Vanke Real Estate and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

IMPLICATIONS UNDER THE HONG KONG LISTING RULES

As one or more applicable percentage ratios calculated in accordance with the Hong Kong Listing Rules in respect of the sale of the Available-for-sale Properties by the Company and the transfer of the operation right of the Entrusted Properties by the Company to Vanke Real Estate under the Framework Agreement and the Supplemental Agreement, in aggregate, exceed 5% but are less than 25%, the entry of the Framework Agreement and the Supplemental Agreement constitutes a discloseable transaction of the Company which is subject to the reporting and announcement requirements but exempt from the shareholders' approval requirements under Chapter 14 of the Hong Kong Listing Rules.

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for the Shareholders to consider, and if thought fit, approve the Supplemental Agreement. The supplemental notice of the meeting, together with the revised proxy form, will be despatched to the H Shareholders on or before 15 July 2019.

DEFINITIONS

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

“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 SZSE
“A Shareholders”	holders of A Shares
“Available-for-sale Properties”	the commercial properties of 35,000 sq.m. and the hotel properties of 20,000 sq.m. to be constructed by Vanke Real Estate pursuant to the Framework Agreement and Supplemental Agreement
“Board”	the board of Directors
“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
“Director(s)”	member(s) of the board of directors of the Company
“Entrusted Properties”	the office properties of 44,200 sq.m. and the premises for cultural facilities of 6,100 sq.m. to be constructed by Vanke Real Estate pursuant to the Framework Agreement and Supplemental Agreement
“Framework Agreement”	the framework agreement date 9 February 2018 entered into between the Company and Vanke Real Estate in relation to, among other things, the entrustment of (i) the development and construction of properties in respect of the Nanshan Land; (ii) the sale of the Available-for-sale Properties; and (iii) the operation of the Entrusted Properties, together with (a) the entrustment of development, construction and sale agreement and (b) the entrustment of operation agreement, each dated 9 February 2018 and appended to the Framework Agreement, which set out the

	detailed terms of the development, construction, sale and operation services pursuant to the Framework Agreement
“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
“Nanshan Land”	the parcel of land with lot no. T208-0049 and a site area of 47,730.83 sq.m. (with a construction site area of 43,167.36 sq.m. and a road area of 4,563.47 sq.m.) located in the Shenzhen Bay Super Headquarters Base, Nanshan District, Shenzhen, the PRC
“PRC”	the People’s Republic of China
“Project”	the construction, development, sales, operation and other entrusted services in relation to the Nanshan Land between the Company and Vanke Real Estate
“RMB”	Renminbi, the lawful currency of the PRC
“SEHK”	The Stock Exchange of Hong Kong Limited
“Shares”	A Share(s) and H Share(s)
“Shareholders”	A Shareholders and H Shareholders
“Shenzhen Listing Rules”	the Rules Governing the Listing of Stocks on the SZSE
“sq.m.”	square meters
“Supplemental Agreement”	the supplemental agreement dated 11 July 2019 entered into between the Company and Vanke Real Estate to amend the terms of the Framework Agreement
“SZSE”	the Shenzhen Stock Exchange

“Vanke”

China Vanke Co., Ltd* (萬科企業股份有限公司), a joint stock company established under the laws of the PRC with limited liability, the H shares of which are listed on the SEHK (stock code: 2202) and the A shares of which are listed on the SZSE (stock code: 000002)

“Vanke Real Estate”

Shenzhen Vanke Development Co., Ltd.* (深圳市萬科發展有限公司) (formerly known as Shenzhen Vanke Real Estate Co., Ltd. (深圳市萬科房地產有限公司)), a subsidiary of Vanke

By Order of the Board

Li Zixue

Chairman

Shenzhen, the PRC

11 July 2019

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.