

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 Transfer of 90% Equity Interests in Caltta Technologies Co., Ltd.

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 or misleading statement in or material omission from this announcement.

I. OVERVIEW OF THE TRANSACTION

1. ZTE Corporation (hereinafter “ZTE” or the “Company”) has entered into the Equity Transfer Agreement with Beijing E-Town Semiconductor Industry Investment Centre (Limited Partnership)* (北京屹唐半導體產業投資中心(有限合夥)) (hereinafter “E-Town Semiconductor”) on 11 January 2021, based on considerations relating to the Company’s strategic development. Pursuant to the Equity Transfer Agreement, the Company shall transfer its 90% equity interests in Caltta Technologies Co., Ltd.* (北京中興高遠通信技術有限公司) (hereinafter “Caltta”) to E-Town Semiconductor for a consideration of RMB1,035 million (hereinafter “the Transaction”). Following the completion of the Transaction, the Company will cease to hold any equity interest in Caltta.

2. Pursuant to pertinent regulations including the Rules Governing the Listing of Shares on the Shenzhen Stock Exchange, Measures for the Administration of the Material Asset Restructurings of Listed Companies and Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Transaction does not constitute a connected transaction or a material asset restructuring of the Company.

3. The “Resolution on the transfer of 90% equity interests in Caltta Technologies Co., Ltd. to Beijing E-Town Semiconductor Industry Investment Centre (Limited Partnership)” was considered and approved at the Thirtieth Meeting of the Eighth Session of the Board of Directors of the Company held on 11 January 2021, and the Transaction is not subject to approval at the general meeting. The Independent Non-executive Directors of the Company are of the view that: the approval procedures for the Transaction have been in compliance with the provisions of laws and regulations, the transaction price is fair and reasonable, and the interests of the Company and its shareholders have not been compromised.

4. The currency unit for all monetary amounts in this announcement is Renminbi (RMB).

II. GENERAL INFORMATION OF THE COUNTERPARTY TO THE TRANSACTION

The transferee of the equity interests under the Transaction is Beijing E-Town Semiconductor Industry Investment Centre (Limited Partnership), the general information of

which are as follows:

Name of enterprise: Beijing E-Town Semiconductor Industry Investment Centre (Limited Partnership)

Nature of enterprise: Limited partnership

Date of incorporation: 26 May 2015

Registered capital: RMB1,517,703,512

Registered address: Unit 309, Block 52, No. 2 Jingyuan North Street, Beijing Economic-Technological Development Area, Beijing (北京市北京經濟技術開發區景園北街 2 號 52 幢 309 室)

Managing partner: Beijing E-Town International Industrial Investment and Management Co., Ltd* (北京亦莊國際產業投資管理有限公司)

Uniform social credit code: 911103023482925854

Principal operations: Investment, investment consultation and investment management

Financial data: As at 31 December 2020, the total assets and net assets of E-Town Semiconductor amounted to RMB1,432 million and RMB1,432 million, respectively, and its operating income and net profit for 2020 amounted to RMB0 and RMB694 million, respectively.

Information on the partners:

No.	Name of partner	Form of organisation	Registered capital (in RMB ten thousand)	Shareholding percentage (%)
1	Beijing E-Town Investment Centre for International New Industries (Limited Partnership)* (北京亦莊國際新興產業投資中心(有限合夥))	Limited partner	151,769.3512	99.9993
2	Beijing E-Town International Industrial Investment and Management Co., Ltd* (北京亦莊國際產業投資管理有限公司)	General partner (managing partner)	1	0.0007
Total	-	-	151,770.3512	100

Beijing E-Town International Industrial Investment and Management Co., Ltd is a wholly-owned subsidiary of Beijing E-Town International Investment & Development Co., Ltd* (北京亦莊國際投資發展有限公司) (hereinafter “E-Town International Investment”). As at 31 December 2019, the total assets of E-Town International Investment amounted to RMB59.483 billion.

As none of E-Town Semiconductor, its general partner and its limited partner is related to the Company or its top ten shareholders, the Transaction does not constitute a connected transaction. E-Town Semiconductor and its ultimate beneficial owners are independent third

parties of the Company and its connected persons.

E-Town Semiconductor is not a discredited party subject to enforcement.

III. GENERAL INFORMATION OF THE SUBJECT OF TRANSACTION

General information of Caltta immediately prior to the Transaction is set out as follows:

Name of company: Caltta Technologies Co., Ltd.

Date of incorporation: 28 December 2012

Registered address: 801-6, 8th Floor, Block 52, No. 2 Jingyuan North Street, Beijing Economic-Technological Development Area, Beijing (北京市北京經濟技術開發區景園北街2號52幢8層801-6)

Registered capital: RMB47.50 million

Principal operations: R&D, production and sales of cluster products, public network clusters, emergency communication systems and integrated communication command platforms

Shareholding structure:

No.	Name of shareholder	Registered capital (in RMB ten thousand)	Shareholding percentage (%)
1	ZTE Corporation	4,275.00	90.0000
2	Shenzhen Gaodashang No. 1 Investment Consultation Partnership Enterprise (Limited Partnership)* (深圳市高大上一號投資諮詢合夥企業(有限合夥))	160.00	3.3684
3	Shenzhen Gaodashang No. 2 Investment Consultation Partnership Enterprise (Limited Partnership)* (深圳市高大上二號投資諮詢合夥企業(有限合夥))	90.00	1.8947
4	Shenzhen Gaodashang No. 3 Investment Consultation Partnership Enterprise (Limited Partnership)* (深圳市高大上三號投資諮詢合夥企業(有限合夥))	70.00	1.4737
5	Shenzhen Gaodashang No. 4 Investment Consultation Partnership Enterprise (Limited Partnership)* (深圳市高大上四號投資諮詢合夥企業(有限合夥))	155.00	3.2632
Total	-	4,750.00	100.00

Major financial data for the latest year and period:

(Unit: RMB in ten thousands)

Major financial indicator	31 December 2019 (Audited)	30 June 2020 (Audited)
Total assets	52,483.25	59,343.39
Total liabilities	26,612.25	31,400.99
Net assets	25,871.00	27,942.40

Major financial indicator	31 December 2019 (Audited)	30 June 2020 (Audited)
Total trade receivables	17,686.17	18,444.22
Total contingency amount	-	-
Major financial indicator	Year ended 31 December 2019 (Audited)	Six months ended 30 June 2020 (Audited)
Operating income	42,418.88	22,321.38
Operating profit	3,453.13	2,112.82
Net profit	3,447.13	2,071.39
Cash flow from operating activities	3,801.50	-1,486.26 ^{Note}

Note: Cash flow statement for the six months ended 30 June 2020 is unaudited.

Other matters:

As at 31 December 2020, the balance of trade payables owed by Caltta to the Company and subsidiaries of the Company in current account transactions amounted to RMB5.50 million; the balance of borrowings by Caltta from ZTE Group Finance Co., Ltd., a subsidiary of the Company, amounted to RMB70 million. It is stipulated in the agreement for the Transaction that Caltta shall settle the repayment of the aforesaid borrowings before the industrial and commercial registration. The Company has not provided any guarantee or financial assistance to Caltta or entrusted Caltta to conduct fund management. Upon the completion of the Transaction, ZTE will not be engaged in the provision of financial assistance to Caltta disguised as current account transactions using operating funds. The equity interests in Caltta proposed to be transferred under the Transaction are not subject to any mortgage, pledge or other third-party rights, or any dispute, litigation or arbitration of a material nature relating to assets, or judicial measures such as seizure or freezing.

Other shareholders of Caltta have agreed to waive their preferential right of purchase in respect of the Transaction.

Caltta is not a discredited party subject to enforcement.

IV. PRINCIPAL TERMS OF THE TRANSACTION AGREEMENT

1. Transferor: ZTE

2. Transferee: E-Town Semiconductor

3. Subject of transaction: 90% equity interests in Caltta held by ZTE

4. Pricing of transaction and method of payment:

Based on the operating and financial conditions of Caltta, the two parties to the transaction have agreed, through arm's length negotiations, on a transfer price of RMB1,035 million for the transfer of 90% equity interests in Caltta by ZTE. The equity transfer payment under the Transaction shall be settled by way of cash.

5. Conditions precedent to industrial and commercial registration

Conditions precedent to industrial and commercial registration stipulated under the Equity Transfer Agreement shall include, among others: the transaction documents having been duly signed become effective; the relevant statements and warranties being true, accurate and

complete and not being misleading; E-Town Semiconductor having settled the first instalment of the transfer payment in accordance with the Equity Transfer Agreement; and the completion of all internal and external decision-making procedures required for the Transaction. ZTE shall procure Caltta to deliver industrial and commercial registration documents for the purposes of industrial and commercial registration no later than within 3 business days after the date on which all conditions precedent to industrial and commercial registration are fulfilled or waived in writing.

6. Closing date

The closing date for the Transaction shall be the date on which the second instalment of the transfer payment is made to ZTE by E-Town Semiconductor in accordance with the Equity Transfer Agreement within 6 business days from the date on which Caltta obtains the industrial and commercial registration approval / filing documents issued by the competent authority for industrial and commercial registration (or a later date, if such later date is separately negotiated and agreed by the two parties).

7. Arrangements for payment

(1) First instalment of the transfer payment: E-Town Semiconductor shall pay to ZTE an amount equivalent to 50% of the transfer payment, namely, RMB517.5 million, within 6 business days from the date of signing of the Equity Transfer Agreement;

(2) Second instalment of the transfer payment: E-Town Semiconductor shall pay to ZTE an amount equivalent to 50% of the transfer payment, namely, RMB517.5 million, on the closing date.

8. Effectiveness of the agreement

The Equity Transfer Agreement shall be constituted and become effective on the date on which it is officially signed by two parties with seals affixed.

V. PURPOSES OF THE TRANSACTION AND EFFECT ON THE COMPANY

As the cluster business in which Caltta is principally engaged is not among the principal operations of ZTE, the Transaction is not expected to have any material effect on the business of ZTE.

Following the completion of the Transaction, the Company shall cease to hold any equity interests in Caltta, and Caltta shall cease to be included in the consolidated financial statements of the Company. Investment income (before taxation) generated from the Company's transfer of 90% equity interests in Caltta amounts to approximately RMB774 million, and the exact amount shall be subject to the audited financial reports of the Company prepared subsequent to the closing date.

In view of the scale of the assets owned by E-Town Semiconductor and E-Town International Investment, the Company is of the view that E-Town Semiconductor is capable of fulfilling the equity transfer payment, and is soundly capable of fulfilling the equity transfer agreement entered into with the Company.

VI. DOCUMENTS FOR INSPECTION

1. Resolutions of the Thirtieth Meeting of the Eighth Session of the Board of Directors of the Company;

2. The Equity Transfer Agreement.

By Order of the Board
Li Zixue
Chairman

Shenzhen, the PRC
11 January 2021

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.

** For identification purposes only*