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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)**

## **INSIDE INFORMATION ANNOUNCEMENT AND RESUMPTION OF TRADING**

This announcement is made by ZTE Corporation (the “**Company**”) pursuant to Rule 13.09(2) of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined in the Listing Rules) of Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcements of the Company dated 17 April 2018, 20 April 2018, 22 April 2018, 25 April 2018, 27 April 2018, 1 May 2018, 6 May 2018, 9 May 2018, 16 May 2018, 23 May 2018, 30 May 2018 and 6 June 2018 in relation to the trading halt of H shares of the Company, the denial order activated by BIS and related effects, the actions taken by the Company and related parties, the continued suspension of trading of H shares of the Company and the 2018 First Quarterly Report of the Company (collectively the “**Announcements**”). Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as defined in the Announcements.

The Company and its wholly-owned subsidiary, Shenzhen ZTE Kangxun Telecom Company Limited (“**ZTE Kangxun**”, and collectively with the Company, “**ZTE**”) have reached a superseding settlement agreement (the “**Agreement**”) with BIS to supersede the settlement agreement signed between ZTE and BIS in March 2017. The Agreement has been approved by BIS via a superseding order relating to ZTE on 8 June 2018 (U.S. time) (the “**8 June 2018 Order**”), which was effective immediately. According to the Agreement, ZTE will pay civil monetary penalties totalling USD1.4 billion, including a lump sum payment of USD1 billion to be paid within 60 days of the issuance of the 8 June 2018 Order, and an additional suspended penalty of USD0.4 billion to be placed within 90 days of the issuance of the 8 June 2018 Order in an escrow account with a U.S. bank selected by ZTE and approved by BIS for the Probationary

Period (as defined below) and thereafter to be waived if ZTE complies with the probationary conditions set forth in the Agreement and the 8 June 2018 Order during the Probationary Period. BIS will terminate the denial order that BIS activated on 15 April 2018 (U.S. time) (the “**15 April 2018 Denial Order**”) and remove ZTE from the Denied Persons List after (1) full and timely payment by ZTE of USD1 billion and (2) placement by ZTE of an additional USD0.4 billion in an escrow account with a U.S. bank in accordance with the Agreement and the 8 June 2018 Order. BIS will notify the public if and when these conditions have been satisfied and ZTE has been removed from the Denied Persons List.

The Agreement also includes the following key terms:

1. A new denial order (the “**New Denial Order**”) for a period of ten years from the issuance of the 8 June 2018 Order (the “**Probationary Period**”) that would, among other things, restrict and prohibit ZTE from applying for, obtaining, or using any license, license exception, or export control document, and participating in any way in any transaction involving any commodity, software, or technology that is subject to the U.S. Export Administration Regulations (the “**Regulations**”) shall be imposed, but the New Denial Order shall be suspended during the Probationary Period, and thereafter be waived subject to ZTE's compliance with the Agreement and the 8 June 2018 Order.

2. ZTE shall replace the entire boards of directors (the “**Boards of Directors**”) of both the Company and ZTE Kangxun within 30 days of the issuance of the 8 June 2018 Order. Within 30 days of replacing the Boards of Directors, ZTE shall create special audit/compliance committees under the Boards of Directors composed of three or more independent members of the new Boards of Directors. The chair of the Boards of Directors can be a member of the committee but cannot chair the committee.

3. ZTE shall terminate all current members of the senior leadership of both the Company and ZTE Kangxun at or above the senior vice president level as well any executive or officer who participated in, oversaw, or was otherwise responsible for the conduct described in the proposed charging letter issued by BIS in March 2017 or the 15 April 2018 Denial Order, within 30 days of the issuance of the 8 June 2018 Order, and prohibit the re-hire of those employees by ZTE and any of its subsidiaries or affiliates. ZTE will promptly report to BIS on its implementation of this term. BIS, at its sole discretion, may consider exemptions to this term.

4. ZTE shall retain at its expense an independent special compliance coordinator (“**SCC**”) within 30 days of the issuance of the 8 June 2018 Order to coordinate, monitor, assess, and report on compliance by ZTE and its subsidiaries or affiliates worldwide with the U.S. Export Administration Act of 1979, the Regulations, the Agreement and the 8 June 2018 Order during

the Probationary Period. The SCC will report to the chief executive officer and the Board of Directors of ZTE and to BIS, equally.

5. ZTE shall complete and submit nine audit reports of its compliance with U.S. export control laws. At the conclusion of the term of the independent compliance monitor created according to the agreement signed between the Company and the United States Department of Justice (as disclosed in the announcement of the Company dated 8 March 2017) and any related court orders, the SCC will be responsible for conducting the six remaining audit reports.

6. ZTE shall provide extensive training on applicable export control requirements to its leadership, management and employees, and the leadership, management and employees of its subsidiaries, affiliates, and other entities worldwide over which it has ownership or control.

The Company will resume operating activities affected by the 15 April 2018 Denial Order as soon as practicable after BIS terminates the 15 April 2018 Denial Order. The Company will assess the full impact of the 15 April 2018 Denial Order and the Agreement on the 2018 First Quarterly Report, and prepare and disclose an updated 2018 First Quarterly Report.

At the request of the Company, trading in the H shares of the Company on the Stock Exchange was halted from 9:00 a.m. on 17 April 2018. Application has been made by the Company to the Stock Exchange for the resumption of trading of the H shares of the Company on the Stock Exchange with effect from 9:00 a.m. on 13 June 2018.

The Company will make announcements of material developments in relation to the above matters as soon as practicable. Investors of the Company are advised to pay attention to further announcements made by the Company and investment risks.

By Order of the Board

**Yin Yimin**

*Chairman*

Shenzhen, the PRC

12 June 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.*