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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 on the Application for Derivative Investment Limits for 2021**

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 information disclosure is true, accurate and complete and that there is no false or misleading statement in or material omission from this information disclosure.

IMPORTANT NOTES:

1. Investment types: the types of derivative trading that ZTE Corporation and its subsidiaries (together the “Company” or “ZTE”) have proposed to invest in include: foreign exchange forwards, interest rate forwards, currency swaps, interest rate swaps, call options, and structured forward contracts.
2. Investment amount: the Company has proposed a derivative investment limit equivalent to USD3.0 billion (namely, the investment balance at any point of time during the effective period of the authorisation shall not exceed the equivalent of USD3.0 billion), and such limit shall be applied on a revolving basis during the effective period of the authorisation.
3. Special risk reminder: the investment is not entitled to any guarantee for the principal amount or income, and the course of investment is subject to market risks, liquidity risks and performance risks. Investors are reminded to beware of investment risks.

I. OVERVIEW OF INVESTMENT

1. Investment objective: to prevent the volatility of exchange rate or interest rate from adversely affecting the Company’s assets, liabilities and profitability, it is necessary for the Company to conduct value-protection derivative investment to mitigate the risk of uncertainty. Speculative derivative investments by the Company are prohibited.
2. Investment amount: The Company has proposed to apply for value-protection derivative investment with a limit of equivalent to USD3.0 billion for 2021, for a period commencing on the date of consideration and approval of the relevant resolution at the general meeting and ending on the date on which the next annual general meeting of the Company concludes or this authorisation is modified or revoked at the general meeting (whichever earlier). The balance of investment at any point of time during the effective term of the authorisation shall not exceed the equivalent of USD3.0 billion, and such limit shall be applied on a revolving basis during the effective period of the authorisation. Specifically: (1) the limit for foreign exchange derivative investment shall be the equivalent of

USD2.7 billion. Such foreign exchange derivatives shall be used for value protection against foreign exchange exposure, future receipts and future receipt and payment forecast, among others. (2) The limit for interest rate swap shall be USD0.3 billion. Such interest rate swaps shall be used for value protection against foreign currency loans at floating interest rates.

3. Investment approach: the Company conducts investments in value-protection derivatives with foreign exchange and interest rate products provided by financial institutions based on its day-to-day import and export businesses and foreign currency loans. Derivative investment mainly involves foreign exchange forwards, interest rate forwards, currency swaps, interest rate swaps, call options, and structured forward contracts. Derivative investments shall be settled by way of swap of principal amounts or on a net basis. Derivative investments do not involve any performance guarantee. The derivatives that the Company will trade in are over-the-counter non-standard contracts and the counterparties to the Company's derivative investments are major international or domestic banks qualified for the derivative trading business with prudent operations and sound credit ratings, which basically gives rise to no risk in terms of contract performance. The effectiveness of derivative trading contracts derivative is subject to confirmation by the written document and standardised master agreements and supplementary agreements in compliance with industry conventions which will be entered into with the bankers. Any disputes will be settled on the basis of friendly mutual negotiations.

4. Investment term: to be matched with actual business requirements, generally not more than one year except for interest rate swaps.

5. Source of funds: derivative investments will primarily be financed by the composite bank credit facilities available to the Company, and shall be settled upon maturity by way of swap of principal amounts or on a net basis. The Company shall not apply its issue proceeds in derivative investment.

II. PROCEDURES FOR CONSIDERATION AND APPROVAL

At the Thirty-third Meeting of the Eighth session of the Board of Directors of the Company held on 16 March 2021, the "Resolution on the Feasibility Analysis of Derivative Investment and Application for Derivative Investment Limits for 2021" was considered and approved. The resolution is subject to further approval at the general meeting of the Company.

The matter is not deemed as a connected transaction and is therefore not subject to the voting procedures applicable to connected transactions.

III. RISK ANALYSIS AND RISK CONTROL MEASURES IN RELATION TO DERIVATIVE INVESTMENTS

(I) RISK ANALYSIS

1. Market risks

For value-protection derivative investments, the difference between the agreed exchange rate or interest rate for transaction and the exchange rate or interest rate prevailing on the maturity date will result in investment gains or losses. Revaluation gains or losses will arise in respect of each accounting period during the effective period of the value-protection derivatives. Investment gains or losses shall be represented by the cumulative gains or losses on revaluation on the maturity date.

The Company's derivative investments are value-protection derivatives, under which the contractual gain or loss are hedged against the fluctuation of value in the targets of value-protection. The aim is to alleviate the impact of uncertainty associated with exchange rate volatility on operating results. The Company will monitor the market situation and changes in the targets of value-protection and conduct sensitivity analysis in respect of market risks faced by the Company to assess contract losses that

might be incurred if the relevant risk is realised and its impact on the Company's operating results. The Company has established internal control mechanism, loss-cutting procedures and disclosure regulations, hence the impact of risks associated with derivative investments on the Company's operations is limited.

2. Liquidity risks

Value-protection derivatives are based on the Company's projected receipts and payments in foreign exchange and incurred foreign currency loans and matched with the actual business to ensure the availability of sufficient funds for settlement upon completion or, alternately, settlement of derivatives on a net basis to reduce the outlay of cash flow at maturity and avoid liquidity risks.

3. Contract performance risks

The counterparties to the Company's derivative investment trading are banks with sound credit ratings and long-standing business relationships with the Company, which basically gives rise to no risk in terms of contract performance.

4. Other risks

Failure of personnel in charge to operate derivative investments in accordance with stipulated procedures or fully understand information regarding derivatives when conducting transactions may result in operational risks; obscure terms in the trade contract may result in legal risks.

(II) RISK CONTROL MEASURES

1. Any derivative investments conducted by the Company shall be aimed at mitigating the impact of exchange rate volatility and interest rate on the Company. Risky speculative activities for profit-making are prohibited. Any derivative investments of the Company shall be limited to the authorised limit approved by the Board of Directors or the general meeting. Leveraged derivative investments are not permitted.

2. Prior to conducting any derivative investments, the Company will form a derivative investment committee and an investment work group comprising dedicated personnel in investment decision-making, operation of transactions and risk control. Personnel involved in the investment have full understanding of the risks associated with derivative investment and are committed to stringent implementation of the operational and risk management systems relating to derivative investment. Prior to conducting any derivative investment, the investment work group of the Company is required to conduct derivative investment risk analysis and draws up investment plans (including investment types, duration, amounts), which will be furnished to the derivative investment committee of the Company for risk examination before submission to the Chief Financial Officer for final approval.

3. The Company enters into contracts with clear terms with counterparty banks and stringently implements the risk management system to prevent legal risks. The Company will open settlement accounts with bankers engaged in derivative trading with the Company in accordance with their requirements and settle funds in accordance with trading instructions on the settlement date stipulated in the derivative contracts.

4. The derivative investment committee of the Company will track changes in the open market prices or fair values of the derivatives, conduct timely assessment of changes in the risk exposures of invested derivative products, and report to the Board of Directors and the Audit Committee on a regular basis. If any irregularities are identified, they will promptly be reported and loss-cutting and contingency measures may be implemented where necessary.

5. Process auditing and performance evaluation in respect of derivative investments shall be undertaken by the internal control and audit departments of the Company on a half-yearly basis.

6. The Company has established the System for Risk Control and Information Disclosure relating to Derivative Investments and formulated specific provisions in respect of risk control, procedures for consideration and approval, subsequent management and information disclosure requirements.

IV. IMPACT OF DERIVATIVE INVESTMENT ON THE COMPANY

Derivative investment represents a proactive management strategy adopted by the Company to mitigate the adverse impact of the volatility of exchange rate and interest rate on the Company. The Company will conduct relevant investments with prudence in accordance with the relevant provisions of pertinent laws and regulations and the systems of the Company. Derivative contracts are recognised as trading financial assets / liabilities in initial and subsequent measurements and accounted for and presented in accordance with ASBE 22 – Recognition and Measurement of Financial Instruments and ASBE 37 - Presentation of Financial Instruments and their guidelines promulgated by the Ministry of Finance of the PRC. Information disclosure obligations will be performed in accordance with relevant requirements of the securities supervision and management authorities. The derivative investments of the Company are conducted mainly against currencies with strong liquidity and a high level of market transparency, the traded prices and daily settlement unit price of which can fully reflect the fair value of the derivatives. The Company determines the fair-value gains or losses and investment gains or losses arising from derivative contracts based on prices provided by or obtained from price quotation service institutions such as banks and the Reuters system.

V. OPINION OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Independent Non-executive Directors of the Company have reviewed the derivative investments conducted by the Company and furnished an independent opinion in relation thereto as follows:

In view of the ongoing development of the international businesses of the Company and its majority-owned subsidiaries, in order to prevent the volatility of exchange rate or interest rate from adversely affecting the Company, it is necessary for the Company to conduct value-protection derivative investment. The Company has conducted meticulous internal assessment in respect of the derivative investments and has established relevant regulatory regimes. The internal review procedures performed have been in compliance with the provisions of relevant laws and regulations and of the Articles of Association of ZTE Corporation.

The Company has formulated the derivative investment management system and furnished a report on feasibility analysis in respect of the derivative investment. In order to prevent the volatility of exchange rate or interest rate from adversely affecting the Company and enhance the Company's financial soundness, the Company conducts derivative investments based on actual business. We are of the view that the derivative investment conducted by the Company is feasible.

VI. EXAMINATION OPINION OF THE SPONSOR

China Securities Co., Ltd. (“China Securities”), the sponsor, is of the view that:

The derivative investments proposed to be made in connection with the Company's application for the derivative investment limit for 2021 are value-protection derivative investment aimed at mitigating the impact of the fluctuations of exchange rate and interest rate on the Company. The Company has conducted stringent internal assessment in respect of its derivative transactions and established a corresponding mechanism for the regulation of such transactions. The matter has been considered and approved at the Thirty-third Meeting of the Eighth Session of the Board of Directors of the Company and an independent opinion has been furnished by the Independent Non-executive Directors. The matter is subject to consideration by the general meeting, and the relevant procedures are in

compliance with the requirements of pertinent regulations including the “Rules Governing the Listing of Stocks on Shenzhen Stock Exchange”, “Shenzhen Stock Exchange Guide to the Regulated Operation of Listed Companies” and “Articles of Association of ZTE Corporation”, among others. China Securities has no disagreement to ZTE’s application for the derivative investment limit for 2021.

VII. DOCUMENTS FOR INSPECTION

1. Resolution of the Thirty-third Meeting of the Eighth Session of the Board of Directors
2. Independent opinion of the Independent Non-executive Directors
3. Report on the Feasibility Analysis of Derivative Investment
4. System for Risk Control and Information Disclosure relating to Derivative Investments
5. Examination Opinion on ZTE Corporation’s Application for Derivative Investment Limit for 2021 from China Securities Co., Ltd..

By Order of the Board

Li Zixue

Chairman

Shenzhen, the PRC

16 March 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.