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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)

**Announcement on the Acquisition of 24% Equity Interests in ZTE Microelectronics
by Renxing Technology and the Waiver of Preemptive Subscription Rights
by the Company**

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 and misleading statement or material omission in this announcement.

Special reminders:

The Acquisition has been considered and approved by the Board of the Company, pending approval at the general meeting of ZTE and assessment and registration by the Ministry of Finance, in the event that the Acquisition has not been approved by the general meeting of ZTE or has not completed the process of assessment and registration by the Ministry of Finance by 30 September 2020 (inclusive), the Acquisition will automatically lapse unless the Parties has entered into a supplemental agreement or new transaction document through separate negotiations. The Company will fulfill its obligations in information disclosure in a timely manner based on the progress of the transaction. The attention of investors is drawn to the above.

Following friendly negotiations between National Integrated Circuit Industry Investment Fund Corporation (國家集成電路產業投資基金股份有限公司) (“**IC Fund**”) and ZTE Corporation (the “**Company**” or “**ZTE**”), the Company has proposed to acquire, through Shenzhen Renxing Technology Company Limited (深圳市仁興科技有限責任公司) (“**Renxing Technology**”), a wholly-owned subsidiary of the Company, the 24% equity interests in ZTE Microelectronics Technology Company Limited (深圳市中興微電子技術有限公司) (“**ZTE Microelectronics**”), a subsidiary of the Company, held by IC Fund (the “**Acquisition**”). In connection with Renxing Technology’s acquisition of equity interests in ZTE Microelectronics, the Company and its subsidiary partnership enterprise Shenzhen Sai Jia Xun Investment Development Enterprise (Limited Partnership) (深圳市賽佳訊投資發展企業(有限合夥)) (“**Sai Jia Xun**”) will waive their respective preemptive subscription rights in relation to the Acquisition.

The Acquisition has been considered and approved at the Twenty-third Meeting of the Eighth Session of the Board of Directors (the “**Board**”) of the Company. In accordance with the relevant rules of the Articles of Association of the ZTE Corporation, the Acquisition is subject to approval at the general meeting. The Acquisition does not constitute a connected transaction under the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange or a material asset reorganisation under “Measures for the Administration of Material Asset Reorganisations of Listed Companies”. The Acquisition does not constitute a connected transaction of the Company under Chapter 14A or a discloseable transaction of the Company under Chapter 14

of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Renxing Technology is a wholly-owned subsidiary of the Company incorporated on 2 September 2020. Its scope of operation includes: software R&D and sales; investment in and establishment of industrial operations (subject to separate application for specific projects); venture investment; project investment (subject to separate application for specific projects); investment consultation; investment advisory business; economic information consultation. The registered capital of Renxing Technology is RMB10 million.

I. General information on ZTE Microelectronics

General information of ZTE Microelectronics immediately prior to the Acquisition is set out as follows:

Name of company: ZTE Microelectronics Technology Company Limited

Date of establishment: 28 November 2003

Registered address: ZTE Industry Park, Liuxian Avenue, Xili Street, Nanshan District, Shenzhen

Registered capital: RMB131,578,947

Principal businesses: Design, production and sales of integrated circuits (excluding franchised, state-controlled and monopolised merchandise); operation of import and export businesses

Shareholders and shareholding percentage: ZTE Corporation (68.4%); National Integrated Circuit Industry Investment Fund Corporation (24%); Shenzhen Sai Jia Xun Investment Development Enterprise (Limited Partnership) (7.6%).

Financial data: Major financial data of ZTE Microelectronics for the most recent annual and quarterly periods (as audited by Ernst & Young Hua Ming LLP) are set out in the following table:

Unit: RMB in ten thousands

	Year ended 31 December 2019 (Audited)	Three months ended 31 March 2020 (Audited)
Operating revenue	500,394.37	98,789.50
Operating profit	22,076.20	2,973.10
Net profit	19,570.65	2,922.43
Net cash flow from operating activities	-13,467.09	66,882.87
	31 December 2019 (Audited)	31 March 2020 (Audited)
Total assets	793,316.63	685,540.93
Total receivables	460,223.72	310,083.24
Total amount of contingent events	0	0
Total liabilities	339,809.04	229,110.92
Owners' equity	453,507.59	456,430.01

Other information: ZTE Microelectronics is not a discredited party subject to enforced actions.

II. General information of IC Fund

Name of company: National Integrated Circuit Industry Investment Fund Corporation

Nature of company: other joint stock limited company (non-listed)

Legal representative: Lou Yuguang (樓宇光)

Uniform social credit code: 911100007178440918

Date of establishment: 26 September 2014

Registered address: Unit 718, Level 7, Block 52, 2 Jingyuan North Street, Beijing Economic and Technological Development Zone, Beijing

Principal office: Level 21, Block C, Staff Quarters, 1 Zhenwumiao Road, Xicheng District, Beijing

Registered capital: RMB98,720 million

Principal businesses: Equity investment; investment consultation; project investment and asset management; business management consultation.

Major shareholders: Ministry of Finance (36.47%); China Development Bank Capital Co. Ltd. (國開金融有限責任公司) (22.29%); China National Tobacco Corporation (中國煙草總公司) (11.14%); Etown Capital International Investment and Development Company Limited (北京亦莊國際投資發展有限公司) (10.13%); China Mobile Communications Group Co., Ltd. (5.06%); other shareholders in aggregate (14.91%).

IC Fund is not a discredited party subject to enforced actions. Other than holding 24% equity interests in ZTE Microelectronics, IC Fund is not related to the Company or the top 10 shareholders of the Company.

III. General information on the Acquisition

On 23 November 2015, IC Fund, the Company, Sai Jia Xun and ZTE Microelectronics entered into the “Capital Increase Agreement” and “Shareholders’ Agreement” (the “**Previous Transaction Documents**”) to agree on certain terms in respect of IC Fund’s subscription for the capital increase of ZTE Microelectronics (the “**Previous Transaction**”), pursuant to which IC Fund subscribed for the capital increase of ZTE Microelectronics with a capital contribution of RMB2,400 million in cash for a 24% equity interests in ZTE Microelectronics upon the completion of such capital increase. For details, please refer to the “Announcement Introduction of a Strategic Investor by a Subsidiary and Waiver of Preemptive Subscription Rights by the Company” published by the Company on 23 November 2015. The closing date of the Previous Transaction was 4 December 2015.

On 10 September 2020, IC Fund (the “transferor”), Renxing Technology (the “transferee”), the Company and ZTE Microelectronics entered into the “Share Transfer Agreement” (IC Fund, Renxing Technology, the Company and ZTE Microelectronics together called the “Parties”) in

respect of the Acquisition, pursuant to which the Company and Sai Jia Xun have agreed to waive their preemptive subscription rights in respect of Renxing Technology's acquisition of 24% equity interests in ZTE Microelectronics. Following the completion of the Acquisition, Renxing Technology, the Company and Sai Jia Xun will respectively hold 24%, 68.4% and 7.6% equity interests in ZTE Microelectronics, and ZTE Microelectronics will become a wholly-owned subsidiary of the Company.

Principal terms of the "Share Transfer Agreement" are as follows:

1. **Subject of transaction:** 24% equity interests in ZTE Microelectronics.

2. **Transaction price:** pursuant to the agreed terms of the Previous Transaction Documents, the pricing of the Acquisition shall be the higher of the following:

(1) $\text{RMB2,400 million} + \text{RMB2,400 million} \times 8\% \times \text{period of transaction and investment} \div 365 - \text{cumulative dividend payment of ZTE Microelectronics received by the transferor} - \text{dividend declared but not yet paid to the transferor by ZTE Microelectronics} - \text{distributions in any other forms received by the transferor.}$

The price arrived at based on this formula is approximately RMB3,315,287,671.

(2) The appraised price for the entire shareholders' equity of ZTE Microelectronics is RMB13,530,227,900, and the appraised price for 24% equity interests in ZTE Microelectronics is RMB3,247,254,696. Based on the assumptions of ongoing application of the assets, ongoing concern, consistency in scope and approach of operations with the current business strategy and balanced operating cash inflow and outflow, the appraised value, appraised by the third party, of the entire shareholders' equity of ZTE Microelectronics as at the valuation date (namely, 31 March 2020) is RMB13,530,227,900. The aforesaid appraised price will be finalised pending completion of assessment and registration by the Ministry of Finance.

The consideration for the equity transfer based on the amount arrived at using the aforesaid formula is RMB3,315,287,671, while the finalised appraised price after assessment and registration by the Ministry of Finance is pending. The consideration for the equity transfer shall be the higher of the two amounts.

3. **Arrangement for payment:** the consideration for the equity transfer shall be settled by a one-off payment, whereby Renxing Technology shall make a payment of the consideration in full to IC Fund within 90 working days after 8 September 2020 or such other later dates as may be agreed between Renxing Technology and IC Fund.

4. **Registration of change with industrial and commercial administration authorities:** After IC Fund has received the payment for the consideration in full, it will work with Renxing Technology and ZTE Microelectronics to process registration changes with the industrial and commercial administration authorities in accordance with the "Share Transfer Agreement".

5. **Conditions for taking effect:** the "Share Transfer Agreement" shall be established on the date on which it is signed by the legal representatives or authorised representatives of the Parties with the affixing of corporate seals, and shall come into effect on the date on which the Acquisition is approved at the ZTE general meeting and assessment and registration by the Ministry of Finance is completed.

6. **Risk alert:** As the Acquisition is subject to approval at the general meeting of ZTE and assessment and registration by the Ministry of Finance, in the event that the Acquisition has not been approved by the general meeting of ZTE or has not completed the process of assessment and registration by the Ministry of Finance by 30 September 2020 (inclusive), the Acquisition will automatically lapse unless the Parties has entered into a supplemental agreement or new transaction document through separate negotiations.

IV. Opinion of the Board and the Independent Non-executive Directors

1. Opinion of the Board

The Company's decision to acquire, through its wholly-owned subsidiary Renxing Technology, 24% equity interests in ZTE Microelectronics held by IC Fund has been made taking into account of factors such its overall development strategy, the status of its cooperation with IC Fund and its current financial conditions. The Acquisition of equity interests in ZTE Microelectronics is in line with the long-term strategic planning of the Company.

The acquiring party in the Acquisition is Renxing Technology, a wholly-owned subsidiary of the Company. The Board of the Company has agreed to the waiver by the Company and its subsidiary partnership enterprise Sai Jia Xun waive the preemptive right for subscription in respect of the acquisition of equity interests in ZTE Microelectronics by Renxing Technology.

The Board has agreed to table the aforesaid matter at the general meeting of the Company for consideration.

2. Opinion of the Independent Non-executive Directors

The Independent Non-executive Directors of the Company are of the view that the pricing of the Acquisition is determined on the basis of the Previous Transaction Documents and the Acquisition will not compromise the interests of the Company or its shareholders. The Board of the Company has considered the matter and agreed to the tabling of the matter at the general meeting for consideration, and the related procedures are in compliance with pertinent provisions under laws and regulations and the Articles of Association of ZTE Corporation.

3. Voting at the Board

The "Resolution on the Acquisition of 24% equity interests in ZTE Microelectronics by Renxing Technology and the Waiver of Preemptive Subscription Rights by the Company" was considered and approved by a unanimous vote at the Twenty-third Meeting of the Eighth Session of the Board of the Company.

V. The matters relate to the Extraordinary General Meeting

In accordance with Article 160 of the Articles of Association of ZTE Corporation, as the amount of acquisition exceeds 10% of the latest audited net assets of the Company, the approval of the Company's shareholder is required. Therefore, the general meeting is asked to approve the proposed acquisition of 24% equity interests in ZTE Microelectronics by Renxing Technology and waiver of preemptive subscription rights by the Company. The Company will convene an extraordinary general meeting on 30 September 2020 to consider and, if thought

fit, approved the Acquisition.

The Company will close its H share register from Friday, 25 September 2020 to Wednesday, 30 September 2020 (both days inclusive) to determine qualifications of shareholders to attend and vote at the EGM. Any H Shareholder who wishes to attend and vote at the EGM shall lodge an instrument of transfer, together with the corresponding share certificate(s) with Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m., Thursday, 24 September 2020.

A circular containing (among others) further details of the Acquisition and the notice convening the extraordinary general meeting will be dispatched to the shareholders in due course.

VI. Effect on the Company

Following the completion of the Acquisition, ZTE Microelectronics will remain a subsidiary reported in the consolidated financial statements of the Company, and there will be no change to its scope of business and other attributes. As such, there will be no material impact on the financial conditions and operating results of the Company.

VII. Documents for inspection

1. Resolutions of the Twenty-third Meeting of the Eighth Session of the Board of the Company;
2. Opinion furnished by the Independent Non-executive Directors of the Company;
3. The audited financial statements of ZTE Microelectronics Technology Company Limited;
4. Share Transfer Agreement.

By Order of the Board
Li Zixue
Chairman

Shenzhen, the PRC
10 September 2020

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.