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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)

DETERMINATION OF ISSUE PRICE FOR THE NON-PUBLIC ISSUANCE OF A SHARES AND ENTERING INTO OF SUBSCRIPTION AGREEMENT

The Company and all the members of the Board of Directors confirm that all the information contained in this announcement is true, accurate and complete and that there is no false and misleading statement or material omission in this announcement.

References are made to the announcements of ZTE Corporation (the “**Company**”) respectively dated 31 January 2018, 1 February 2018, 28 March 2018, 10 April 2018, 29 October 2018, 19 November 2018, 17 January 2019, 23 January 2019, 25 February 2019, 20 March 2019, 5 August 2019, 7 August 2019, 22 August 2019 and 21 October 2019 and the circulars of the Company dated 2 March 2018 and 28 February 2019 (the “**Circulars**”) in relation to, amongst others, the Proposed Non-Public Issuance of A Shares. Unless otherwise stated, capitalized terms used in this announcement shall have the same meanings as those defined in the Circulars.

Subscription Agreement

On 15 January 2020, the Company and the subscribers of the Proposed Non-Public Issuance of A Shares entered into the Subscription Agreement, the principal terms of which are set out as follows:

Date: 15 January 2020

Parties: (i) The Company, as issuer; and (ii) 10 subscribers.

The subscribers are independent professional or institutional investors in China.

To the best of the Directors’ knowledge and having made all reasonable enquiries, the subscribers and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

None of the subscribers will become a substantial shareholder of the Company immediately after the completion of the subscription.

Total number of A Shares to be issued: 381,098,968 A Shares

Issue price: RMB30.21 per A Share

Gross proceeds: RMB11,512,999,823.28

Net proceeds: RMB11,459,418,724.31

Issue price and pricing principles

Pursuant to the Implementation Rules of Non-public Issuance of Shares by Listed Companies, the Price Determination Date shall be 3 January 2020. The issue price of the Proposed Non-public Issuance of A Shares shall not be lower than 90% of the average trading price (i.e. RMB33.56 per A Share) of the Company's A Shares for the 20 trading days immediately preceding the Price Determination Date (i.e. 3 January 2020), which is RMB30.21 per A Share. The average trading price of the Company's A Shares for the 20 trading days immediately preceding the Price Determination Date is determined by the total turnover of the Company's A Shares for the 20 trading days immediately preceding the Price Determination Date, divided by the total trading volume of the Company's A Shares for the 20 trading days immediately preceding the Price Determination Date, and rounded up to 2 decimal points.

Pursuant to the Hong Kong Listing Rules, the issue price of the Proposed Non-public Issuance of A Shares shall not represent a discount of 20% or more to the benchmarked price, being the higher of (i) the closing price of the H Shares on the date of the relevant agreement involving the Proposed Non-public Issuance of A Shares (i.e. the closing price of HK\$27.05 on 15 January 2020); (ii) the average closing price of the H Shares in the 5 trading days immediately prior to the date of the announcement of the Company dated 17 January 2019 (i.e. HK\$15.672); and (iii) the average closing price of the H Shares in the 5 trading days immediately prior to the earlier of (i.e. the average closing price of H Shares of HK\$24.54 in the 5 trading days immediately preceding 7 January 2020): (x) the date of this announcement; (y) the date of the relevant agreement involving the Proposed Non-public Issuance of A Shares (i.e. 15 January 2020); and (z) the date on which the issue price of the Proposed Non-public Issuance of A Shares is fixed (i.e. 7 January 2020). Therefore, the issue price of the Proposed Non-public Issuance of A Shares shall not be lower than HK\$21.64 per share.

The Company shall determine entitlements to subscription and proceed with the placing in accordance with the principles of price priority, amount priority and timing priority. The issue price has been set at RMB30.21 per A share based on the bid prices offered by investors in all valid applications. The Company will issue 381,098,968 A Shares at the issue price of RMB30.21 per A Share under the non-public issuance. The total nominal value of the A Shares to be issued is RMB381,098,968 and the net price per A Share is RMB30.07. On the signing date of the Subscription Agreement pursuant to which the issue price and other terms of the Proposed Non-public Issuance of A Shares

were determined (i.e. 15 January 2020), the closing price of H Shares was HK\$27.05 and the closing price of A Shares was RMB36.92.

The number of A Shares to be issued under the Proposed Non-public Issuance of A Shares represents (i) approximately 9.01% of the existing total issued share capital of the Company and approximately 10.97% of the existing issued A Shares of the Company as at the date of this announcement; and (ii) approximately 8.27% of the total issued share capital of the Company as enlarged immediately after the completion of issue and approximately 9.89% of the issued A Shares of the Company as enlarged immediately after the completion of issue.

Conditions precedent of the Proposed Non-public Issuance of A Shares

The Proposed Non-public Issuance of A Shares is subject to the approval of the Shareholders at the general meeting and the approval of the CSRC. The Proposed Non-public Issuance of A Shares has been approved by the Shareholders at the Extraordinary General Meetings held on 28 March 2018 and 20 March 2019 respectively; on 21 October 2019, the Company received the “Approval in Relation to the Non-public Issuance of Shares by ZTE Corporation” (Zheng Jian Xu Ke [2019] No. 1904) from the CSRC (《關於核准中興通訊股份有限公司非公開發行股票的批復》(證監許可(2019)1904號)), approving the Company’s non-public issuance of not more than 686,836,019 new A Shares.

General mandate to issue shares

The A Shares to be issued pursuant to the Proposed Non-public Issuance of A Shares will be allotted and issued under the General Mandate granted to the Board at the Annual General Meeting of the Company held on 30 May 2019. The Board has been authorized to allot and issue not more than 687,433,861 A Shares pursuant to the General Mandate. As at the date of this announcement, the Company had not issued any A Shares or H Shares pursuant to the General Mandate (excluding the A Shares to be issued pursuant to the Proposed Non-public Issuance of A Shares).

Reasons for the issuance and use of proceeds

The gross proceeds from the Proposed Non-public Issuance of A Shares is RMB11,512,999,823.28, and the net proceeds (after deducting all expenses related to the issuance) is RMB11,459,418,724.31, which will be applied: (1) technology research and product development relating to 5G network evolution; and (2) replenishment of working capital. If there is any shortfall between the net proceeds from the Proposed Non-public Issuance of A Shares (after deducting all expenses related to the issuance) and the proposed amount of proceeds to be use for each of the above items, the shortfall will be funded by the internal funds of the Company. Prior to the receipt of the proceeds

from the Proposed Non-public Issuance of A Shares, the Company will finance such project(s) with its internal funds based on the actual progress of the project(s). Such internal funds will be replaced by the proceeds from the issuance upon the receipt of the proceeds.

The Proposed Non-public Issuance of A Shares will enable the Company to maintain its high level of investment in research and development, ensure its technological competitive edge and develop its main products and businesses with core advantages, which may help the Company increase its market shares in the mainstream markets and products as well as enhance customer satisfaction, thereby increasing the profitability of the Company.

In addition, the demand for working capital of the Company for business development may be replenished by the Proposed Non-public Issuance of A Shares and the capital structure of the Company will be further optimized, which may help the Company strengthen its ability to mitigate risks.

Lock-up period

The A Shares to be subscribed for by the subscribers under the Proposed Non-public Issuance of A Shares shall not be transferred within 12 months from the date of listing of the A Shares issued under the Proposed Non-public Issuance of A Shares. After the expiration of the lock-up period, any transfer of the A Shares issued under the Proposed Non-public Issuance of A Shares shall comply with the relevant regulations of the CSRC and the SZSE.

Equity fund raising activities in the past 12 months

The Company had not conducted any equity fund raising activities during the 12 months immediately preceding the date of this announcement.

The A Shares to be issued pursuant to the Proposed Non-public Issuance of A Shares shall be subject to registration and listing with the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited and the SZSE. The Company will disclose further details about the Proposed Non-public Issuance of A Shares in due course. Investors are hereby reminded to beware of investment risks.

By Order of the Board
Li Zixue
Chairman

Shenzhen, the PRC
16 January 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, Yuming Bao, Gordon Ng.