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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 - UPDATED INFORMATION IN RELATION TO THE
EXPORT RESTRICTIONS BY THE UNITED STATES DEPARTMENT OF
COMMERCE**

This announcement is made by ZTE Corporation (the “**Company**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) 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 9 March 2016, 23 March 2016, 28 March 2016, 6 April 2016, 28 June 2016, 19 August 2016, 18 November 2016, 14 February 2017 and 24 February 2017 in relation to the decisions of the Bureau of Industry and Security of the United States Department of Commerce and relevant updates (the “**Announcements**”). Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as defined in the Announcements.

The Company has reached agreements (collectively the “**Agreements**”) with the Bureau of Industry and Security of the United States Department of Commerce (“**BIS**”), the United States Department of Justice (“**DOJ**”) and the Office of Foreign Assets Control of the United States Department of Treasury (“**OFAC**”) in relation to investigations regarding the Company’s compliance with U.S. Export Administration Regulations (the “**EAR**”) and U.S. sanctions laws. Due to violations of U.S. export controls laws and U.S. rules and regulations in relation to the provision of information and other conduct during the investigations, the Company has agreed to plead guilty and pay a total of USD 892,360,064, with a further USD 300,000,000 to BIS, which is suspended for a period of seven years on the condition that the Company complies with the requirements in the agreement with BIS. While the agreement with OFAC takes effect immediately, the agreement with DOJ is pending approval from the United States District Court for the Northern District of Texas (“**Court**”). Similarly, Court approval of the DOJ agreement is a prerequisite before BIS will issue its settlement Order. In

the meantime, BIS will recommend that ZTE be removed from the Entity List, conditioned on court approval of the DOJ agreement, entry of the plea, and the issuance of Assistant Secretary's Order.

U.S. government department	Type of penalty	Amount of penalty (USD)	Payment term	Payment method
BIS	Civil penalty	361,000,000	Within 60 days from the issuance of the Order by BIS	Lump sum payment
DOJ	Criminal penalty and forfeiture	430,488,798	Within 90 days from the date of sentencing	Lump sum payment
OFAC	Civil penalty	100,871,266	Within 15 days of receiving the unsigned copy of the agreement, the Company will make arrangements to pay	Lump sum payment or installment to be determined
Total	-	892,360,064	-	-
BIS	Civil penalty	300,000,000	The penalty shall be suspended for a probationary period of seven years from the effective date of the agreement with BIS and thereafter shall be waived if the Company complies with the conditions under the agreement with BIS.	

The Agreements also include the following key issues:

- (i) A three-year monitor term shall be set up pursuant to the agreement between the Company and DOJ, to prepare annual reports during his/her term of office in order to monitor the Company's compliance with U.S. export control laws and performance of its obligations under the agreement. Thereafter, pursuant to the agreement between the Company and BIS, the Company shall appoint an independent compliance auditor for a three-year term, and the auditor will prepare annual audit reports of the Company's compliance with U.S. export control laws and performance of its obligations under the agreement.
- (ii) Pursuant to the agreement between the Company and BIS, BIS is suspending a denial order for seven years that would restrict and prohibit, among other things, the Company from applying for or using any licenses or buying or selling any item exported from the United States that is subject to the Regulations. BIS is suspending the denial order subject to the Company's compliance of the requirements under the agreement, and the denial order will be waived after the seven-year period.
- (iii) The Company shall provide extensive training on export control requirements to its management and employees and the management and employees of its subsidiaries and other entities over which it has ownership or control.

The Agreements will have a material impact on the financial conditions and operating results of the Company for the year ended 31 December 2016. For further information, please refer to the Preliminary Results Announcement For the Year Ended 31 December 2016 published by the Company on the same date as this announcement.

The Company has taken an overhaul of its organization and structure, business procedures and internal control, and has taken necessary measures to ensure the Company's compliance with U.S. export control laws and performance of its obligations under the Agreements.

The Company will make announcements of material development of the above matters as soon as practicable. Shareholders and potential investors of the Company are advised to pay attention to further announcements made by the Company and investment risks.

By Order of the Board
Zhao Xianming
Chairman

Shenzhen, the PRC
8 March 2017

As at the date of this announcement, the Board of Directors of the Company comprises three executive directors, Zhao Xianming, Yin Yimin and Wei Zaisheng; five non-executive directors, Zhang Jianheng, Luan Jubao, Wang Yawen, Tian Dongfang and Zhan Yichao; and five independent non-executive directors, Richard Xike Zhang, Chen Shaohua, Lü Hongbing, Bingsheng Teng and Zhu Wuxiang.