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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)

**CONNECTED TRANSACTION
PROVISION OF FINANCIAL ASSISTANCE BY CONTROLLING
SHAREHOLDER**

On 31 October 2018, the Company entered into the Loan Agreement with Zhongxingxin (the controlling Shareholder), pursuant to which Zhongxingxin has agreed to provide the Loan in an aggregate amount of up to RMB1,000,000,000.

As at the date of this announcement, Zhongxingxin holds approximately 30.34% interest in the Company and is a controlling Shareholder and therefore a connected person of the Company under the Hong Kong Listing Rules. Therefore, the entering into of the Loan Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company.

As one or more of the applicable percentage ratios in respect of the Loan Agreement exceed 0.1% but are all below 5%, the entering into of the Loan Agreement and the transactions contemplated thereunder are subject to the announcement requirement but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

1. INTRODUCTION

On 31 October 2018, the Company entered into the Loan Agreement with Zhongxingxin (the controlling Shareholder), pursuant to which Zhongxingxin has agreed to provide the Loan in an aggregate amount of up to RMB1,000,000,000. The Loan will be used by the Company for its investment in the research and development of products.

2. THE LOAN AGREEMENT

The principal terms of the Loan Agreement are set forth below:

Date: 31 October 2018

Parties: (a) the Company (as borrower); and
(b) Zhongxingxin (as lender).

Maximum principal amount: RMB1,000,000,000, comprising (i) the first tranche of the Loan in an amount not exceeding RMB500,000,000 (“**Tranche 1**”); and (ii) the second tranche of the Loan in an amount not exceeding RMB500,000,000 (“**Tranche 2**”)

Term of the Loan: Each of Tranche 1 and Tranche 2 can be drawn down in a number of batches. The term of each of Tranche 1 and Tranche 2 shall be one year, commencing from the date on which the relevant loan amount is deposited into the bank account designated by the Company, subject to extension as agreed between the parties.

Interest rates and payment: Subject to compliance with the applicable laws and regulations, the interest rates of the Loan shall be determined with reference to the prevailing market rates, taking into account a number of factors such as the interest rates charged by other commercial banks and financial institutions which are independent third parties for similar types of loans and the financing costs of Zhongxingxin for the obtaining of financings from the relevant third party institutions.

The interests of the Loan shall be paid on a quarterly basis.

Effectiveness of the Loan: The Loan shall take effect from the date of approval of the Board.

Repayment: The principal amount of the relevant batches of the Loan under each of Tranche 1 and Tranche 2, together with the outstanding interests accrued thereon, shall be repaid by the Company in one lump sum upon maturity.

Security: Pursuant to the Loan Agreement, (i) the Company has agreed to pledge 16.17% of the equity interest in ZTE Microelectronics held by the Company in favour of Zhongxingxin to secure the Company’s repayment obligations under the Loan Agreement (the “**ZTE Microelectronics Pledge**”); and (ii) the Company and Zhongxingxin shall enter into a pledge agreement in respect of the ZTE Microelectronics Pledge.

The Company and Zhongxingxin have agreed to complete the pledge registration procedures in respect of the ZTE Microelectronics Pledge by stages according to the relevant ratio of the amount of each batch of the Loan to the maximum principal amount (i.e. RMB1,000,000,000).

3. REASONS FOR AND BENEFITS OF THE LOAN AGREEMENT

The Loan will be used by the Company for its investment in the research and development of products.

To ensure the interest rates of the Loan are determined with reference to the prevailing market rates, the Company will enquire with commercial banks and other financial institutions, who are independent third parties, to understand (i) the interest rates for loans of similar type provided to borrowers comparable to the Company in the same or nearby area, and compare such interest rates with the proposed interest rates for each of Tranche 1 and Tranche 2; and (ii) the average financing costs to be incurred by borrowers comparable to Zhongxingxin for the obtaining of financings similar to the Zhongxingxin Loan.

4. APPROVAL OF THE BOARD

At the forty-first meeting of the seventh session of the Board held on 31 October 2018, the Board approved the entering into of the Loan Agreement and the transactions contemplated thereunder.

Mr. Zhu Weimin, a non-executive Director who is also a director of Zhongxingxin, abstained from voting on the resolutions to approve the Loan Agreement. Other than as stated above, none of the Directors has a material interest in the Loan Agreement, nor are they required to abstain from voting on the relevant Board resolutions.

The Directors (including the independent non-executive Directors) are of the view that the Loan Agreement has been entered into on normal commercial terms, and such terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

5. GENERAL INFORMATION

The Group is dedicated to the provision of ICT products and solutions that satisfy the needs of customers, integrating design, development, production, sales and services with a special focus on carriers' networks, government and corporate business and consumer business.

As at the date of this announcement, Zhongxingxin holds approximately 30.34% interest in the Company and is a controlling Shareholder and therefore a connected person of the Company under the Hong Kong Listing Rules. Zhongxingxin is principally engaged in the development of software / hardware technologies relating to robotic vision systems, design and production of cabinets and cases, and investment in industrial businesses.

ZTE Microelectronics is principally engaged in the design, production and sale of integrated circuits and import and export business. As at the date of this announcement, ZTE Microelectronics is held by the Company as to 68.4%.

6. IMPLICATIONS UNDER THE HONG KONG LISTING RULES

As at the date of this announcement, Zhongxingxin holds approximately 30.34% interest in the Company and is a controlling Shareholder and therefore a connected person of the Company

under the Hong Kong Listing Rules. Therefore, the entering into of the Loan Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company.

As one or more of the applicable percentage ratios in respect of the Loan Agreement exceed 0.1% but are all below 5%, the entering into of the Loan Agreement and the transactions contemplated thereunder are subject to the announcement requirement but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

7. DEFINITIONS

In this announcement, unless the context otherwise requires the following expressions have the following meanings:

“Board”	the board of Directors
“Company”	ZTE Corporation, a company incorporated in the PRC, whose shares are listed on the Hong Kong Stock Exchange and the Shenzhen Stock Exchange
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Loan”	the loan in the aggregate amount of up to RMB1,000,000,000 to be provided by Zhongxingxin to the Company under the Loan Agreement
“Loan Agreement”	the loan agreement dated 31 October 2018 entered into between the Company and Zhongxingxin in respect of the Loan
“PRC”	the People's Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	share(s) of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Tranche 1”	has the meaning ascribed thereto in the section headed “2. The Loan Agreement” in this announcement

“Tranche 2”	has the meaning ascribed thereto in the section headed “2. The Loan Agreement” in this announcement
“ZTE Microelectronics”	深圳市中興微電子技術有限公司 (ZTE Microelectronics Technology Company Limited*), a company established in the PRC and a non-wholly owned subsidiary of the Company
“ZTE Microelectronics Pledge”	has the meaning ascribed thereto in the section headed “2. The Loan Agreement” in this announcement
“Zhongxingxin”	中興新通訊有限公司 (Zhongxingxin Telecom Company Limited*), a company established in the PRC and the controlling Shareholder
“Zhongxingxin Loan”	the loan obtained or to be obtained by Zhongxingxin from a commercial bank / financial institution which is an independent third party for the provision of the Loan to the Company
“%”	per cent.

By Order of the Board
Li Zixue
Chairman

Shenzhen, the PRC
31 October 2018

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.

** For identification purpose only*