

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 Adjustment of the Exercise Price of Share Options under
the 2017 Share Option Incentive Scheme Pursuant to the Rules

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 announcement is true, accurate and complete and that there is no false and misleading statement or material omission in this announcement

At the Twenty-second Meeting of the Eighth Session of the Board of Directors of the ZTE Corporation (the "Company") held on 28 August 2020, the "Resolution on Adjustment of the Exercise Price of Share Options under the 2017 Share Option Incentive Scheme Pursuant to the Rules" was considered and passed, pursuant to which the adjustment of the exercise price of share options under the 2017 Share Option Incentive Scheme pursuant to the rules (the "Adjustment") was approved. Details of the Adjustment are set out as follows:

I. Overview of the 2017 Share Option Incentive Scheme

On 24 April 2017, the "Resolution on 'ZTE Corporation 2017 Share Option Incentive Scheme (Draft)' (the 'Draft Scheme') and its summary", "Resolution on the 'ZTE Corporation 2017 Share Option Incentive Scheme Performance Appraisal System'" and "Resolution on a mandate granted to the Board of Directors by the General Meeting of ZTE Corporation to deal with matters pertaining to the 2017 Share Option Incentive Scheme" were considered and passed at the Seventeenth Meeting of the Seventh Session of the Board of Directors and Fourteenth Meeting of the Seventh Session of the Supervisory Committee of the Company. The Supervisory Committee of the Company has verified the list of participants to be granted share options as confirmed under the Draft Scheme and the Independent Non-executive Directors and legal advisor of the Company have furnished opinions on matters relating to share option incentives, respectively.

The Company published the "Public Notice of the List of Participants for the 2017 Share Option Incentive Scheme of the Company" on the Company's website (www.zte.com.cn) on 24 April 2017 to give public notice of the names and positions of the aforesaid Participants. The public notice period commenced on 24 April 2017 and ended on 4 May 2017. No instances of Participants' non-fulfillment of relevant qualifications had been identified upon the expiry of the public notice period. The Company disclosed the result of the verification of the list of Participants by the Supervisory Committee and the result of the public notice 5 days prior to the general meeting held to consider the 2017 Share Option Incentive Scheme.

The 2017 Share Option Incentive Scheme was approved pursuant to the “Resolution on the ‘ZTE Corporation 2017 Share Option Incentive Scheme (Draft)’ and its Summary”, “Resolution on the ‘ZTE Corporation 2017 Share Option Incentive Scheme Performance Appraisal System’” and “Resolution on a mandate granted to the Board of Directors by the General Meeting of ZTE Corporation to deal with matters pertaining to the 2017 Share Option Incentive Scheme” considered and approved at the 2016 Annual General Meeting, the First A Shareholders’ Class Meeting of 2017 and the First H Shareholders’ Class Meeting of 2017 (together, the “Shareholders’ Meetings”) on 20 June 2017.

Under the 2017 Share Option Incentive Scheme, share options are employed as an incentive means. Upon satisfaction of specific conditions by the Company and the participants, the Company may grant share options to the participants in accordance with the provisions of the Draft Scheme. All share options shall be subject to a vesting period of 24 months from the date of grant, during which the rights are not exercisable. Thereafter upon each exercise period, it will be determined, on the basis of whether the Company and the participants have satisfied the exercise conditions, whether the share options corresponding to such period are exercisable.

Pursuant to the “Resolution on Matters pertaining to the Grant of Shares Options under the 2017 Share Option Incentive Scheme” and “Resolution on the Adjustment to the List of Participants and Number of Share Options to be Granted under the 2017 Share Option Incentive Scheme” considered and passed at the Twentieth Meeting of the Seventh Session of the Board of Directors on 6 July 2017, the date of grant for the 2017 Share Option Incentive Scheme of the Company was set for 6 July 2017 (Thursday), and share options were granted to participants according to the adjusted list of participants and the number of share options to be granted; the Independent Non-executive Directors have furnished an unequivocal affirmative independent opinion on adjustments to the list of participants and the number of share options to be granted and the grant of share options to participants as adjusted; The “Resolution on Matters pertaining to the Grant of Shares Options under the 2017 Share Option Incentive Scheme” and “Resolution on the Adjustment to the List of Participants and Number of Share Options to be Granted under the 2017 Share Option Incentive Scheme” were considered and passed at the Seventeenth Meeting of the Seventh Session of the Supervisory Committee on 6 July 2017, and the Seventh Session of the Supervisory Committee of the Company has furnished an unequivocal affirmative examination opinion on the adjusted list of participants and number of share options to be granted. The registration of the grant under the 2017 Share Option Incentive Scheme was completed on 20 July 2017. The initial exercise price was RMB17.06 per share.

On 1 July 2019, the “Resolution on the adjustments to the participants and number of share options granted under the 2017 Share Option Incentive Scheme”, “Resolution on the fulfillment of exercise conditions for the first exercise period under the 2017 Share Option Incentive Scheme”, “Resolution on the Non-fulfillment of exercise conditions for the second exercise period under the 2017 Share Option Incentive Scheme” and “Resolution on the cancellation of certain share options”, among others, were considered and passed at the Fifth Meeting of the Eighth Session of the Board of Directors of the Company, pursuant to which the adjustments to participants and number of share options granted under the 2017 Share Option Incentive Scheme, confirmation of the fulfillment of exercise conditions for the first exercise period and non-fulfillment of exercise conditions for the second exercise period under the 2017 Share Option Incentive Scheme and cancellation of share options previously granted to participants who no longer fulfilled the conditions to be a participant or share options that did not meet the exercise conditions were approved; the Independent Non-executive Directors have furnished an unequivocal affirmative independent opinion on the adjustments to participants and number of share options granted, fulfillment of exercise conditions for the first exercise period and non-fulfillment of exercise conditions for the second exercise period under the 2017 Share Option Incentive Scheme and cancellation of certain share options; at the Fifth Meeting of the Eighth Session of the Supervisory Committee, the “Resolution on the adjustments to the participants and number of share options granted under the 2017 Share Option Incentive Scheme”, “Resolution on the fulfillment of exercise conditions for the first exercise period under the 2017 Share

Option Incentive Scheme”, “Resolution on the Non-fulfillment of exercise conditions for the second exercise period under the 2017 Share Option Incentive Scheme” and “Resolution on the cancellation of certain share options”, among others, were considered and passed, and the Supervisory Committee has furnished an unequivocal affirmative examination opinion on the adjusted list of participants and number of share options, fulfillment of exercise conditions for the first exercise period and non-fulfillment of exercise conditions for the second exercise period under the 2017 Share Option Incentive Scheme and cancellation of certain share options.

On 28 August 2020, the “Resolution on the Cancellation of Certain Share Options” and “Resolution on the Adjustment of the Exercise Price of Share Options under the 2017 Share Option Incentive Scheme Pursuant to the Rules” were considered and passed at the Twenty-second Meeting of the Eighth Session of the Board of Directors of the Company, pursuant to which the cancellation of 66 unexercised share options as at the end of the exercisable period of the first exercise period was approved, and it was approved that the exercise price of share options under the 2017 Share Option Incentive Scheme shall be adjusted to RMB16.86; the Independent Non-executive Directors have furnished an unequivocal affirmative independent opinion on the cancellation of certain share options and the adjustment of the exercise price of share options under the 2017 Share Option Incentive Scheme pursuant to the rules; at the Sixteenth Meeting of the Eighth Session of the Supervisory Committee, the “Resolution on the Cancellation of Certain Share Options” and “Resolution on the Adjustment of the Exercise Price of Share Options under the 2017 Share Option Incentive Scheme Pursuant to the Rules” were considered and passed, and the Supervisory Committee has furnished an unequivocal affirmative examination opinion on the cancellation of certain share options and the adjustment of the exercise price of share options under the 2017 Share Option Incentive Scheme pursuant to the rules.

II. Reasons for and method of the adjustment of the exercise price under the Share Option Incentive Scheme

Pursuant to the “Proposal for Profit Distribution of the Company for 2019” considered and approved at the 2019 Annual General Meeting of the Company, distribution of RMB2 in cash (before tax) for every 10 shares to all shareholders based on the total share capital (including A shares and H shares) as at the record date for profit distribution and dividend payment was considered and approved.

The implementation of the 2019 profit distribution plan was completed on 12 August 2020. Pursuant to the “Resolution on a mandate granted to the Board by the General Meeting of ZTE Corporation to deal with matters pertaining to the 2017 Share Option Incentive Scheme” considered and passed at the general meeting of the Company held on 20 June 2017 and in accordance with relevant rules and the provisions of the Draft Scheme, the Board of Directors has resolved to make a corresponding adjustment to the exercise price of the share options, the details of which are as follows:

Following the implementation of the 2019 profit distribution plan, the number of share options shall remain unchanged, the exercise price needs to be adjusted.

The formula for the adjustment of the exercise price shall be as follows:

$$P=P_0-V$$

Where: P_0 represents the exercise price prior to adjustment; V represents the dividend per share; P represents the exercise price after adjustment. According to the formula, the adjusted share option exercise price shall be $RMB17.06-0.2=RMB16.86$.

III. Independent opinion of the Independent Non-executive Directors on the adjustment of the exercise price of share options under the 2017 Share Option Incentive Scheme pursuant to the rules

The Independent Non-executive Directors are of the view that: the adjustment of the exercise price of share options under the 2017 Share Option Incentive Scheme pursuant to the rules has been duly authorised and approved and conducted according to currently required procedures. The Adjustment is in compliance with relevant provisions of “Administrative Measures on Share Incentives of Listed Company”, “Guidelines for handling business of Listed Companies in Shenzhen Stock Exchange No. 9 – Share Option Incentive”, the Articles of Association and the Draft Scheme. We agree to adjust the exercise price of share options under 2017 Share Option Incentive Scheme.

IV. Examination Opinion of the Supervisory Committee on the adjustment of the exercise price of share options under the 2017 Share Option Incentive Scheme pursuant to the rules

On 28 August 2020, the “Resolution on Adjustment of the Exercise Price of Share Options under the 2017 Share Option Incentive Scheme Pursuant to the Rules” was considered and approved at the Sixteenth Meeting of the Eighth Session of the Supervisory Committee, the Supervisory Committee has furnished an unequivocal affirmative examination opinion on the adjustment of the exercise price of share options under the 2017 Share Option Incentive Scheme. For details, please refer to the “Overseas Regulatory Announcement” published on the same date as this announcement.

V. Conclusion of the legal opinion

Beijing Jun He Law Offices (Shenzhen Office) is of the view that the Adjustment has been duly authorised and approved and conducted according to currently required procedures; and the adjustment to the exercise price of share options under the 2017 Share Option Incentive Scheme by the Board of Directors of the Company in accordance with the mandate granted by the general meeting of the Company and pertinent rules of the Draft Scheme is in compliance with relevant provisions of the “Company Law of the People’s Republic of China”, “Securities Law of the People’s Republic of China”, “Administrative Measures on Share Incentives of Listed Company” and “Guidelines for handling business of Listed Companies in Shenzhen Stock Exchange No. 9 – Share Option Incentive”. As such, the Adjustment is legal and valid.

VI. Documents for inspection

1. Resolution of the Twenty-second Meeting of the Eighth Session of the Board of Directors;
2. Resolution of the Sixteenth Meeting of the Eighth Session of the Supervisory Committee;
3. Independent Opinions of Independent Non-Executive Directors on Related Matters considered at the Twenty-second Meeting of the Eighth Session of the Board of Directors;
4. Examination Opinion of the Supervisory Committee on the Cancellation of Certain Share Options and the Adjustment of the Exercise Price of share options under the 2017 Share Option Incentive Scheme Pursuant to the Rules;
5. “Legal Opinion on matters pertaining to the Cancellation of Certain Share Options and the Adjustment of the Exercise Price of 2017 Share Option Incentive Scheme Pursuant to the Rules” furnished by Beijing Jun He Law Offices (Shenzhen Office).

By Order of the Board

Li Zixue

Chairman

Shenzhen, the PRC
28 August 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.