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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)

Announcement Resolutions of the Fifth Meeting of the Eighth Session of the Board of Directors

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

ZTE Corporation (the "Company") issued the "Notice of the Fifth Meeting of the Eighth Session of the Board of Directors of ZTE Corporation" to all the Directors of the Company by electronic mail and telephone on 28 June 2019. The Fifth Meeting of the Eighth Session of the Board of Directors of the Company (the "Meeting") was convened at the Shenzhen headquarters of the Company, Beijing, Xi'an and other locations by way of video and telephone conference on 1 July 2019. The Meeting was presided over by Mr. Li Zixue, Chairman. Of the 9 Directors were required to attend the Meeting, 8 Directors attended in person and 1 Director appointed proxies to attend on his behalf. (Mr. Zhu Weimin, Director, was unable to attend the meeting due to work reasons and has authorized in writing Mr. Gu Junying, Director, to vote on his behalf.) Members of the Supervisory Committee of the Company and certain personnel concerned also attended the Meeting. The Meeting was convened and held in accordance with the relevant laws, administrative regulations, departmental rules and the Articles of Association of ZTE Corporation, and was legal and valid.

The following resolutions were considered and approved at the Meeting:

I. Consideration and approval of the "Resolution on the Adjustment of Participants and Number of Share Options of the 2017 Share Option Incentive Scheme."

That, in view of the following developments of the 2017 Share Option Incentive Scheme of the Company (the "Draft Scheme"), the adjustment of participants and number of share options pursuant to the Draft Scheme was approved, the details of which are as follows:

1. As of the date of the Meeting, as 301 original participants under the 2017 Share Option Incentive Scheme have departed, 7 have retired and 1 has become a Supervisor of the Company, they are no longer eligible as participants under the 2017 Share Option Incentive Scheme, it is approved that the Company shall disqualify the 309 aforesaid persons from participation in the 2017 Share Option Incentive Scheme and a total of 30,424,810 share options previously granted to them shall be cancelled;
2. As of the date of the Meeting, as 3 participants was punished by the Company with a demerit during the valid period of the 2017 Share Option Incentive Scheme, they did not meet the exercise conditions for the first exercise period, it is approved that a total of 60,799 of their granted share

options for the first exercise period shall be withdrawn and cancelled by the Company without compensation.

Following this adjustment, the number of participants under the 2017 Share Option Incentive Scheme will be adjusted from 1,996 to 1,687, and the number of granted share options will be adjusted from 149,601,200 to 119,115,591, accounting for 2.8410% of the existing total share capital of the Company of 4,192,671,843 shares. The number of participants for the first exercise period will be adjusted from 1,996 to 1,684 and the number of exercisable share options will be adjusted from 49,866,471 to 39,664,153.

Voting results: For: 8; against: 0; and abstained: 0.

Mr. Xu Ziyang, Director, being participants of the 2017 Share Option Incentive Scheme, did not take part in the voting in respect of this resolution at the Meeting.

For details, please refer to the “Announcement on the Adjustment of Participants and Number of Share Options under the 2017 Share Option Incentive Scheme” published on the same date of this announcement.

II. Consideration and approval of the “Resolution on the Fulfillment of Exercise Conditions for the First Exercise Period under the 2017 Share Option Incentive Scheme.”

Pursuant to the Draft Scheme, participants may exercise the share options granted in three periods: For the first exercise period, commencing from the first trading day after expiry of the 24-month period from the date of grant and ending on the last trading day of the 36-month period from the date of grant, 1/3 of the total number of share options granted may be exercised. Accordingly, the first exercise period for share options of A shares granted on 6 July 2017 will be from 6 July 2019 to 5 July 2020 (the “First Exercise Period”), and the number of share options exercisable for the First Exercise Period will be 1/3 of the total number of share options granted. As of now, the exercise conditions for the First Exercise Period of the 2017 Share Option Incentive Scheme have been fulfilled, the details of which are as follows:

Pursuant to the Draft Scheme and based on the appraisal results of the “ZTE Corporation 2017 Share Option Incentive Scheme Performance Appraisal System”, Directors present at the Meeting are of the view that 1,684 participants who have been granted share options have passed their respective individual appraisal results for 2018 and fulfilled the conditions for the exercise of share options in the First Exercise Period under the Draft Scheme, and are entitled to exercise 39,664,153 share options during the First Exercise Period.

Voting results: For: 8; against: 0; and abstained: 0.

Mr. Xu Ziyang, Director, being participants of the 2017 Share Option Incentive Scheme, did not take part in the voting in respect of this resolution at the Meeting.

For details, please refer to the “Announcement on the Fulfillment of Exercise Conditions for the First Exercise Period under the 2017 Share Option Incentive Scheme” published on the same date of this announcement.

III. Consideration and approval of the “Resolution on the Non-fulfillment of Exercise Conditions for the Second Exercise Period under the 2017 Share Option Incentive Scheme.”

As the exercise conditions for the second exercise period under the 2017 Share Option Incentive Scheme have not been fulfilled, share options that cannot be exercised owing to the non-fulfillment of conditions pertaining to business results will lapse with immediate effect and withdrawn and

cancelled by the Company without compensation in accordance with the Draft Scheme. After the adjustment of participants and number of share options pursuant to the “Announcement on the Adjustment of Participants and Number of Share Options for the First Exercise Period under the 2017 Share Option Incentive Scheme”, a total of 39,724,952 share options have been granted in respect of the second exercise period shall be withdrawn and cancelled by the Company without compensation.

Voting results: For: 8; against: 0; and abstained: 0.

Mr. Xu Ziyang, Director, being participants of the 2017 Share Option Incentive Scheme, did not take part in the voting in respect of this resolution at the Meeting.

For details, please refer to the “Announcement on the Non-fulfillment of Exercise Conditions for the Second Exercise Period under the 2017 Share Option Incentive Scheme” published on the same date as this announcement.

IV. Consideration and approval of the “Resolution on the Adoption of the Voluntary Exercise Model for the 2017 Share Option Incentive Scheme” to give approval for the exercise of share options under the 2017 Share Option Incentive Scheme on a voluntary basis.

The Board of Directors is of the view that the impact of the voluntary exercise of share options on the pricing and valuation of the share options under the 2017 Share Option Incentive Scheme is as follows:

In accordance with the “ASBE 11 – Share-based Payment”, services rendered by participants are charged to relevant costs or expenses at the fair value of the share options on the date of grant and the capital reserve is credited accordingly, based on the best estimates of number of exercisable share options. During the exercise period of the share options, the Company will not adjust recognised costs or expenses. According to the actual situation of exercising, the Company recognized monetary funds received, as well as the increase in the share capital and capital reserve.

The share options shall be exercised by participants on a voluntary basis. The fair value on the date of grant of equity-settled share options granted is estimated by an independent third party engaged by the Company using the Binomial Tree model taking into account the terms and conditions for the grant of share options. As of now, based on the best estimates of expected number of exercisable options, the fair value of share options granted in 2017 is RMB821,468,400, while the amounts of share option expenses recognised for 2017 and 2018 are RMB262,956,500 and RMB193,186,600, respectively. The amounts of share option expenses estimated for 2019, 2020 and 2021 are RMB205,367,100, RMB106,638,800 and RMB53,319,400, respectively.

If the share options for the first exercise period are exercised in full, the total share capital of the Company will increase by 39,664,153 shares, and its capital reserve will increase by RMB637,006,300. Based on relevant figures as at the end of 2018, the basic earnings per share for 2018 would have increased by RMB0.02, and the fully diluted return on net assets would have increased by 0.88 percentage point¹. The actual figures of the effect are subject to figures audited by the accountant.

Voting results: For: 8; against: 0; and abstained: 0.

Mr. Xu Ziyang, Director, being participants of the 2017 Share Option Incentive Scheme, did not take part in the voting in respect of this resolution at the Meeting.

¹ As the Company’s net loss was recorded for 2018, the exercise of the options resulted in the increase in total share capital and the increase in basic earnings per share and fully diluted yield on net assets.

V. Consideration and approval of the “Resolution on the Cancellation of Certain Share Options.”

1. As of the date of the Meeting, as 301 original participants under the 2017 Share Option Incentive Scheme have departed, 7 have retired and 1 has become a Supervisor of the Company, they are no longer eligible as participants under the 2017 Share Option Incentive Scheme, it is approved that a total 30,424,810 share options granted to the 309 aforesaid persons shall be cancelled by the Company;

2. As of the date of the Meeting, as 3 participants was punished by the Company with a demerit during the valid period of the 2017 Share Option Incentive Scheme, they did not meet the exercise conditions for the exercise period, it is approved that a total of 60,799 of their granted share options for the first exercise period shall be cancelled.

3. As the exercise conditions for the second exercise period under the 2017 Share Option Incentive Scheme have not been fulfilled, share options that cannot be exercised owing to the non-fulfillment of conditions pertaining to business results will lapse with immediate effect and withdrawn and cancelled by the Company without compensation in accordance with the Draft Scheme. It is approved that a total of 39,724,952 share options granted to 1,687 persons for the second exercise period shall be cancelled

It is approved that a total of 70,210,561 share options shall be cancelled by the Company. The said cancellation of certain share options will not affect the implementation of the 2017 Share Option Incentive Scheme.

Voting results: For: 8; against: 0; and abstained: 0.

Mr. Xu Ziyang, Director, being participants of the 2017 Share Option Incentive Scheme, did not take part in the voting in respect of this resolution at the Meeting.

For details, please refer to the “Announcement on the Cancellation of Certain Share Options” published on the same date of this announcement.

The Independent Non-executive Directors, Remuneration and Evaluation Committee of the Board of Directors and Supervisory Committee of the Company and Beijing Jun He Law Offices (Shenzhen Office) have furnished their respective opinions on the resolutions set out above. For details, please refer to the relevant announcement published on the same as this announcement.

By Order of the Board
Li Zixue
Chairman

Shenzhen, the PRC
1 July 2019

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.