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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 of Matters relating to the Grant of 2020 Share Options

This announcement is made pursuant to Rule 17.06A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Company and all 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 or misleading statement or material omission in this announcement.

Important reminders:

1. Date of first grant under the 2020 Share Option Incentive Scheme: 6 November 2020 (Friday)
2. The number of share options to be granted of first grant under the 2020 Share Option Incentive Scheme: 158,472,000 share options

Pursuant to the "Resolution on Matters pertaining to the Grant of Share Options under the 2020 Share Option Incentive Scheme of the Company" considered and passed at the Twenty-seventh Meeting of the Eighth Session of the Board of Directors of ZTE Corporation (the "Company"), the date of first grant under the 2020 Share Option Incentive Scheme has been set for 6 November 2020 (Friday), on which share options shall be initially granted to the participants of the 2020 Share Option Incentive Scheme (the "Participants"). Pertinent matters are set out as follows:

I. Brief description of the 2020 Share Option Incentive Scheme and relevant approval procedures performed

On 12 October 2020, the "Resolution on 'ZTE Corporation 2020 Share Option Incentive Scheme (Draft)' (the '2020 Share Option Incentive Scheme') and its summary", "Resolution on the 'ZTE Corporation 2020 Share Option Incentive Scheme Performance Appraisal System'" and "Resolution on a mandate granted to the Board of Directors by the General Meeting to deal with matters pertaining to the 2020 Share Option Incentive Scheme" were considered and passed at the Twenty-fifth Meeting of the Eighth Session of the Board of Directors and Eighteenth Meeting of

the Eighth 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 2020 Share Option Incentive Scheme and the Independent Non-executive Directors and legal advisor of the Company have furnished opinions on matters relating to share option incentives, respectively.

On 12 October 2020, the “Resolution on the Verification of the List of Participants under the 2020 Share Option Incentive Scheme” were considered and passed at the Eighteenth Meeting of the Eighth Session of the Supervisory Committee of the Company. The Company published the “List of Participants for the ZTE Corporation 2020 Share Option Incentive Scheme (Draft)” on www.cninfo.com.cn. The Company gave public notice of the names and positions of the aforesaid Participants on the Company’s website (www.zte.com.cn), the public notice period commenced on 13 October 2020 and ended on 22 October 2020. 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 on 28 October 2020.

The 2020 Share Option Incentive Scheme was approved by the general meeting pursuant to the “Resolution on the ‘ZTE Corporation 2020 Share Option Incentive Scheme (Draft)’ and its Summary”, “Resolution on the ‘ZTE Corporation 2020 Share Option Incentive Scheme Performance Appraisal System’” and “Resolution on a mandate granted to the Board of Directors by the General Meeting to deal with matters pertaining to the 2020 Share Option Incentive Scheme” considered and approved at the Second Extraordinary General Meeting of 2020 on 6 November 2020.

Pursuant to the 2020 Share Option Incentive Scheme, it is proposed that a total of not more than 163,492,000 share options shall be granted to Participants by the Company, of which 158,492,000 share options will be granted initially, 5,000,000 share options will be reserved. Each share option shall entitle its holder to purchase one ZTE ordinary A share on any exercise date during the effective period of the 2020 Share Option Incentive Scheme at the exercise price and subject to the conditions of exercise. The source of shares under the Scheme is the issuance of shares of the Company to the Participants, the exercise price under the first grant shall be RMB34.47 / share.

On 6 November 2020, the “Resolution on the Adjustment to the List of Participants and Number of Share Options to be Granted under the 2020 Share Option Incentive Scheme” and “Resolution on Matters pertaining to the Grant of Shares Options under the 2020 Share Option Incentive Scheme” were considered and passed at the Twenty-seventh Meeting of the Eighth Session of the Board of Directors and the

Twentieth Meeting of the Eighth Session of the Supervisory Committee of the Company, pursuant to which the adjustments to Participants and number of share options granted under the 2020 Share Option Incentive Scheme were approved, and the date of first grant for the 2020 Share Option Incentive Scheme of the Company was set for 6 November 2020 (Friday); 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 first grant of share options to Participants as adjusted; and the Eighth 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.

II. Conditions for the grant of 2020 Share Options and statement of the Board of Directors on the fulfillment of the conditions of grant

(I) In accordance with the provisions of the 2020 Share Option Incentive Scheme (Draft), Participants shall be granted share options only if all of the following conditions for the grant of share options are fulfilled:

1. None of the following circumstances has occurred in relation to the Company:

- (1) Issue of the Company's financial and accounting report for the most recent financial year in which a certified public accountant gives an adverse opinion or indicates the inability to give an opinion;
- (2) Issue of an audit report containing an adverse opinion or indication of inability to give an opinion by a certified public accountant in the internal control of financial reporting for the most recent accounting year;
- (3) Failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings during the past 36 months after listing;
- (4) Prohibition from participation in share incentive schemes under laws and regulations;
- (5) Other circumstances as determined by the CSRC

2. None of the following circumstances has occurred in relation to the Participants:

- (1) Having been declared an inappropriate candidate by the Shenzhen Stock Exchange in the past 12 months;
- (2) Having been declared an inappropriate candidate by the CSRC or its local bureaus in the past 12 months;

- (3) Having been imposed with administrative penalties or prohibited from market entry by the CSRC or its local bureaus in the past 12 months owing to material violations of laws and regulations;
- (4) Being prohibited from acting as a Director or a member of the senior management of the Company under the Company Law;
- (5) Being prohibited from participation in the share incentive schemes of listed companies under laws and regulations;
- (6) Other circumstances as determined by the CSRC;
- (7) Other material violations of relevant regulations of the Company as determined by the Board of Directors of the Company.

3. Conditions for the grant of share options under the 2020 Share Option Incentive Scheme in relation to business performance: the average amount of the published audited net profit of the Company attributable to ordinary shareholders of the listed company for the past 3 accounting years shall not be a negative value.

(II) Statement of the Board of Directors on the fulfillment of the conditions for the grant of share options under the 2020 Share Option Incentive Scheme:

As verified by the Board of Directors of the Company, none of the aforesaid circumstances has occurred in relation to the Company and the Participants, and the conditions for the grant of share options have been fulfilled. The Independent Non-executive Directors of the Company have furnished an independent opinion concurring to the grant.

III. Differences between the 2020 Share Option Incentive Scheme to be implemented and the previously disclosed 2020 Share Option Incentive Scheme

As 1 Participant has waived participation in the 2020 Share Option Incentive Scheme due to personal reasons, the list of Participants and the number of share options to be granted have been adjusted pursuant to the “Resolution on Adjustments to the List of Participants and the Number of Share Options to be Granted under the 2020 Share Option Incentive Scheme of the Company” and “Resolution on Matters pertaining to the Grant of Share Options under the 2020 Share Option Incentive Scheme of the Company” considered and passed at the Twenty-seventh Meeting of the Eighth Session of the Board of Directors and the Twentieth Meeting of the Eighth Session of the Supervisory Committee of the Company held on 6 November 2020 in accordance with the provisions of 2020 Share Option Incentive Scheme(Draft): the number of Participants of the first grant has been adjusted from not more than 6,124 persons to 6,123 persons, and the number of share options to be granted has been adjusted from

not more than 163,492,000 to 163,472,000, of which the number of share options to be granted initially has been adjusted from not more than 158,492,000 to 158,472,000 and the number of share options to be reserved remains 5,000,000.

IV. Information on the grant of share options

1. Date of first grant of share options: 6 November 2020 (Friday).
2. Exercise price of the share options: RMB34.47 / share

Closing prices of shares on the date of grant:

The closing prices of the A shares and H shares of the Company on the date of grant is RMB35.80/ A share and HK\$21.05 / H share, respectively.

3. Source of shares under the 2020 Share Option Incentive Scheme: shares issued by the Company to the Participants

4. Participants and the number of share options to be granted initially:

Name	Position	Number of share options proposed to be allocated	As a percentage of the total number of share options to be granted initially	As a percentage of the total share capital in issue of the Company
		(Unit: in ten thousands)	Percentage (%)	Percentage (%)
Li Zixue	Chairman	18	0.11%	0.0039%
Xu Ziyang	Director and president	18	0.11%	0.0039%
Li Buqing	Director	5	0.03%	0.0011%
Gu Junying	Director and executive vice president	18	0.11%	0.0039%
Zhu Weimin	Director	5	0.03%	0.0011%
Fang Rong	Director	5	0.03%	0.0011%
Wang Xiyu	Executive vice president	18	0.11%	0.0039%
Li Ying	Executive vice president and chief financial officer	18	0.11%	0.0039%
Xie Junshi	Executive vice president	18	0.11%	0.0039%
Ding Jianzhong	Board secretary	12	0.08%	0.0026%
Other key personnel	6,113	15,712.20	99.15%	3.4057%
Total options under the First Grant	6,123	15,847.20	100.00%	3.4350%

Save as disclosed above, none of the Participants is a director, chief executive or substantial shareholder of the Company, or any of their respective associates (as

defined under the Listing Rules) as at the date of this announcement.

5. Validity period of the share options to be granted under the first grant: the share options to be granted under the first grant shall be effective for four years from 6 November 2020, being the date of first grant under the 2020 Share Option Incentive Scheme.

6. Vesting period of the share options to be granted under the first grant: one year from the date of first grant, during which period the share options are not exercisable.

7. Exercise period:

The exercise of the share options under the first grant is subject to a vesting period of one year from the date of grant. Subject to the fulfillment of the exercise conditions, the share options under the first grant can be exercised in batches in the manner set forth below:

Exercise period	Duration	Proportion of share options exercisable to the total number of share options granted
First exercise period	Commencing on the first trading day after the expiry of the 12-month period from the date of first grant and ending on the last trading day of the 24-month period from the date of first grant	1/3
Second exercise period	Commencing on the first trading day after the expiry of the 24-month period from the date of first grant and ending on the last trading day of the 36-month period from the date of first grant	1/3
Third exercise period	Commencing on the first trading day after the expiry of the 36-month period from the date of first grant and ending on the last trading day of the 48-month period from the date of first grant	1/3

Share options not exercisable as a result of non-fulfillment of the performance-based conditions or not exercised during the relevant exercise periods shall lapse with immediate effect and withdrawn and cancelled by the Company without compensation.

V. Effect of the Company's 2020 Share Option Incentive Scheme on the financial

conditions and operating results of the Company for the relevant year

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.

The Board of Directors has confirmed that the date of first grant for the share options shall be 6 November 2020 (Friday). Assuming all of the 6,123 Participants to be granted share options exercise their options in full during the respective exercise periods, the estimated cost for the share options granted for the respective periods are calculated as follows:

Year	2020	2021	2022	2023	Total
Cost for the share options (RMB in ten thousands)	6,942	79,890	40,285	16,208	143,325

The cost of share options will be charged to recurring profit / loss. The effect on the Company’s financial conditions and operating results set out above represents estimates only and the final result is subject to the annual audit report furnished by the accounting firm.

VI. Financing arrangements relating to personal income tax for Participants

In accordance with national tax laws and regulations, the Company shall withhold and pay personal income tax on behalf of the Participants. Personal income tax shall be financed by the Participants on their own account. The Company shall not provide loans or other financial assistance in any form (such as the provision of guarantee for their loans) to the Participants.

VII. Opinion of Independent Non-executive Directors

The Participants determined by the 2020 Share Option Incentive Scheme of the Company is in compliance with relevant provisions of the Administrative Measures on Share Incentives of Listed Company (《上市公司股權激勵管理辦法》) (the “Measures”), “Guidelines for Business Handling of Listed Companies in Shenzhen Stock Exchange No. 9 – Share Option Incentive” (“Business Handling Guidelines No. 9”) and the 2020 Share Option Incentive Scheme (Draft) of the Company, their qualifications as Participants under the 2020 Share Option Incentive Scheme are legal and valid; the date of first grant under the Scheme has been set for 6 November 2020 (Friday) by the Board of Directors, which is in compliance with relevant provisions in relation with the grant date of the Measures, Business Handling Guidelines No. 9 and

the 2020 Share Option Incentive Scheme (Draft); the Grant is in compliance with relevant provisions in relation with the first grant of share options to the Participants of the 2020 Share Option Incentive Scheme (Draft) of the Company. The Independent Non-executive Directors of the Company unanimously approve the first grant of 158,472,000 share options to 6,123 Participants. For details, please refer to the “Overseas Regulatory Announcement Independent Opinion of the Independent Non-executive Directors on the 2020 Share Option Incentive Scheme” published on the same date as this announcement.

VIII. Verification of the list of Participants by the Supervisory Committee

Having conducted verification of the list of Participants of the Company, the Supervisory Committee is of the view that: adjustments to the Participants and the number of share options under the 2020 Share Option Incentive Scheme effected by the Company are in compliance with relevant provisions of the Measures, Business Handling Guidelines No. 9 and the 2020 Share Option Incentive Scheme (Draft); Participants to be granted share options under the first grant as confirmed by the Company following the adjustments are in compliance with the conditions for Participants set out in the Measures, Business Handling Guidelines No. 9 and other laws, regulations and governing documents, and within the scope of Participants provided for in the 2020 Share Option Incentive Scheme, and their qualifications as Participants under the 2020 Share Option Incentive Scheme are legal and valid; other than 1 Participant who did not receive any grant after waiving participation in the 2020 Share Option Incentive Scheme due to personal reasons, the list of Participants to be granted share options by the Company is consistent with the Participants set out in the 2020 Share Option Incentive Scheme approved at the Second Extraordinary General Meeting of 2020.

IX. Conclusive views of the legal opinion

Beijing Jun He Law Offices (Shenzhen Office) is of the view that, the adjustments to the list of Participants and the number of Share options to be granted under the 2020 Share Option Incentive Scheme of the Company (the “Adjustments”) and matters pertaining to the grant of share options under the first grant to the Participants following the Adjustments (the “Grant”) have received requisite authorisations and approvals and fulfilled procedures required at this stage; the Board of Directors of the Company has the right to determine the date of grant for the Grant, and the date of grant so determined is in compliance with relevant provisions of the Measures and the 2020 Share Option Incentive Scheme (Draft); the adjustment to the list of Participants for and the number of options to be granted initially under the 2020 Share Option Incentive Scheme by the Board of Directors of the Company has been in compliance with relevant provisions of the “Company Law of the People’s Republic of China”

(the “Company Law”), the “Securities Law of the People’s Republic of China” (the “Securities Law”), the Measures and Business Handling Guidelines No. 9, and the Adjustments are legal and valid. The Grant has fulfilled the conditions for the Participants to be granted share options under the first grant provided under the Measures and the 2020 Share Option Incentive Scheme (Draft); the Participants to be granted share options under the Grant are in compliance with relevant provisions of the Company Law, the Securities Law, the Measures and Business Handling Guidelines No. 9, and their qualifications as Participants under the 2020 Share Option Incentive Scheme of the Company are legal and valid.

X. Documents for inspection

1. Resolution of the Twenty-seventh Meeting of the Eighth Session of the Board of Directors;
2. Resolution of the Twentieth Meeting of the Eighth Session of the Supervisory Committee;
3. Legal Opinion furnished by Beijing Jun He Law Offices (Shenzhen Office).

By Order of the Board

Li Zixue

Chairman

Shenzhen, the PRC

6 November 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.