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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 pertaining to the Grant of Reserved Share Options under the 2020 Share Option Incentive Scheme

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 "Hong Kong Listing Rules").

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

Important reminders:

1. Date of reserved grant under the 2020 Share Option Incentive Scheme: 23 September 2021 (Thursday)
2. The number of share options to be granted of reserved grant under the 2020 Share Option Incentive Scheme: 5,000,000 share options

Pursuant to the "Resolution on Matters pertaining to the Grant of Reserved Share Options under the 2020 Share Option Incentive Scheme" considered and passed at the Fortieth Meeting of the Eighth Session of the Board of Directors of ZTE Corporation (the "Company"), the date of reserved grant under the 2020 Share Option Incentive Scheme has been set for 23 September 2021 (Thursday), on which reserved share options shall be granted to the participants of the 2020 Share Option Incentive Scheme (the "Reserved Grant"). Pertinent matters are set out as follows:

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

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 held on 12 October 2020 and at the Second Extraordinary General Meeting of 2020 held 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.

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 registration of the first grant of share options under the 2020 Share Option Incentive Scheme was completed on 30 November 2020. A total of 158,472,000 share options had been granted to 6,123 participants, the initial exercise price was RMB34.47 per share.

On 23 September 2021, the “Resolution on Matters pertaining to the Grant of Reserved Share Options under the 2020 Share Option Incentive Scheme” were considered and passed at the Fortieth Meeting of the Eighth Session of the Board of Directors and the Thirty-first Meeting of the Eighth Session of the Supervisory Committee of the Company, pursuant to which the date of reserved grant for the 2020 Share Option Incentive Scheme of the Company was set for 23 September 2021 (Thursday); the Independent Non-executive Directors have furnished an unequivocal affirmative independent opinion on the grant of reserved share options to participants; and the Eighth Session of the Supervisory Committee of the Company has furnished an unequivocal affirmative examination opinion on the list of participants and number of reserved share options to be granted.

II. Differences between the Reserved Grant and the previously disclosed 2020 Share Option Incentive Scheme

There are no differences between the Reserved Grant and the previously disclosed 2020 Share Option Incentive Scheme.

III. Statement on the fulfillment of the conditions of the Reserved Grant

(I) In accordance with the provisions of the 2020 Share Option Incentive Scheme, 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 Reserved Grant:

As verified by the Board of Directors of the Company, the conditions for the Reserved Grant have been fulfilled. The Independent Non-executive Directors of the Company have furnished an independent opinion concurring to the Reserved Grant.

IV. Information on the grant of the reserved share options

1. Date of reserved grant of share options: 23 September 2021 (Thursday).

2. Exercise price of the reserved share options: RMB34.92 per share¹

Pursuant to the 2020 Share Option Incentive Scheme, The exercise price of the options under the Reserved Grant shall not be lower than the par value of the A Shares, and shall be the higher of the following:

- (i) the average of the trading prices of the A Shares on the last trading day immediately preceding the date of the announcement on the board of Directors approval of the Reserved Grant published on the Shenzhen Stock Exchange; and
- (ii) one of the average of the trading prices of the A Shares for the last 20 trading days, 60 trading days or 120 trading days immediately preceding the date of the announcement on the board of Directors approval of the Reserved Grant published on the Shenzhen Stock Exchange.

The average of the trading prices of the A shares on the last trading day immediately preceding the date of the announcement on the board of Directors approval of the Reserved Grant (namely 23 September 2021) is RMB34.92 per A share and the average of the trading prices of the A shares for the last 20 trading days immediately preceding the date of the announcement on the board of Directors approval of the Reserved Grant is RMB33.95 per A share. Therefore, the exercise price of the Reserved Share options is RMB34.92 per share.

Closing prices of shares on the date of reserved grant: The closing prices of the A shares and H shares of the Company on the date of reserved grant is RMB35.03 per A share and HK\$26.65 per H share, respectively.

3. Source of shares under the Reserved Grant: A shares issued by the Company to the participants

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

Participants	Number of the participants	Number of share options proposed to be allocated (Unit: in ten thousands)	As a percentage of the total number of reserved share options to be granted	As a percentage of the total share capital in issue of the Company
Key personnel of the Company	410	500	100%	0.1077%

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 Hong Kong Listing Rules) as at the date of this announcement.

5. Arrangements for exercise of the reserved share options to be granted

¹ Note 1 of Rule 17.03(9) of the Hong Kong Listing Rules requires that the exercise price of any option must be at least the higher of: (i) the closing price of the securities as stated in the daily quotations sheet of the Hong Kong Stock Exchange on the date of grant, which must be a business day; and (ii) the average closing price of the securities as stated in the the daily quotations sheet for the five business days immediately preceding the date of grant. The Company has applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Note 1 of Rule 17.03(9) of the Hong Kong Listing Rules.

The share options to be granted under the Reserved Grant shall be effective for three years from 23 September 2021, being the date of reserved grant. The exercise of the share options under the Reserved Grant is subject to a vesting period of one year, during which period the share options are not exercisable. The exercise period shall commence after a 1-year vesting period from the date of reserved grant. 1/2 of the options shall become exercisable in each of the two exercise periods, namely, the first and second exercise periods, subject to the fulfilment of conditions relating to business performance.

Exercise period	Duration	Proportion of share options exercisable to the total number of share options granted
Vesting period	Commencing on the date of reserved grant and ending on the last trading day of the 12-month period from the date of reserved grant	
First exercise period	Commencing on the first trading day after the expiry of the 12-month period from the date of reserved grant and ending on the last trading day of the 24-month period from the date of reserved grant	1/2
Second exercise period	Commencing on the first trading day after the expiry of the 24-month period from the date of reserved grant and ending on the last trading day of the 36-month period from the date of reserved grant	1/2

6. Conditions of exercise of the reserved share options to be granted:

Exercise period	Performance target
First exercise period	Total Net Profit for 2020 and 2021 shall be no less than RMB6.47 billion.
Second exercise period	Total Net Profit for 2020, 2021 and 2022 shall be no less than RMB10.23 billion.

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 Reserved Grant on the financial conditions and operating results of the Company for the relevant year

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 the Company using the Binomial Tree model taking into account the terms and conditions for the grant of share options. 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 reserved 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 grant for the reserved share options shall be 23 September 2021 (Thursday). Assuming all of the 410 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	2021	2022	2023	Total
Cost for the share options (RMB in ten thousands)	649	2,204	769	3,622

The cost of reserved share options to be granted 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

For details, please refer to the “Overseas Regulatory Announcement” published on the same date as this announcement.

VIII. Opinion of the Supervisory Committee

For details, please refer to the “Overseas Regulatory Announcement” published on the same date as this announcement.

IX. Conclusive views of the legal opinion

Beijing Jun He Law Offices (Shenzhen Office) is of the view that, matters pertaining to the Reserved 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 Reserved Grant, and the date of grant so determined is in compliance with relevant provisions of the “Administrative Measures on Share Incentives of Listed Company” (the “Measures”) and the 2020 Share Option Incentive Scheme; The Reserved Grant has fulfilled the conditions for the participants to be granted share options under the reserved grant provided under the Measures and the 2020 Share Option Incentive Scheme; the participants to be granted share options under the Reserved Grant are in compliance with relevant provisions of the “Company Law of the People’s Republic of China”, the “Securities Law of the People’s Republic of China”, the Measures and the “Guidelines for Business Handling of Listed Companies in Shenzhen Stock Exchange No. 9 – Share Option Incentive”, 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 Fortieth Meeting of the Eighth Session of the Board of Directors;
2. Resolution of the Thirty-first 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

23 September 2021

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.