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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)

Overseas Regulatory Announcement Announcement on Change in Accounting Policies

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 without any false and misleading statement or material omission.

I. General description of change in accounting policies

On 7 December 2018, the Ministry of Finance of the PRC issued the revised “ASBE No. 21 – Leases” (“New ASBE on Leases”) in replacement of the “ASBE No. 21 – Leases”. Enterprises with simultaneous listings in domestic and overseas markets were required to adopt the New ASBE on Leases with effect from 1 January 2019. ZTE Corporation (the “Company”) and its subsidiaries (the Company and its subsidiaries collectively the “Group”) has modified its accounting policies in accordance with the provisions of the aforesaid accounting standard. The change has been considered and approved at the Second Meeting of the Eighth Session of the Board of Directors and the Second Meeting of the Eighth Session of the Supervisory Committee of the Company held on 29 April 2019. The said change in accounting policies is not subject to consideration at the general meeting.

II. Impact of the change in accounting policies on the Company

In accordance with relevant convergence provisions under the New ASBE on Leases, the Group has elected not to reassess whether contracts subsisting prior to 1 January 2019 are lease contracts or contracts containing leases. As a lessee, the Group has elected to adopt a modified convergence treatment of retrospective adjustment. The cumulative effect from the first implementation of the New ASBE on Leases shall be recognised by adjusting only the opening balance of “Assets with right of use” and “Lease liabilities” in the financial statements as at 1 January 2019, while other items in the balance sheet shall not be affected. No retrospective adjustments shall be made to the comparative statements for the same period last year.

For operating leases subsisting prior to 1 January 2019, the Group as lessee shall measure lease liabilities on 1 January 2019 based on remaining lease payments discounted to present value using the incremental borrowing rate for the Group. Assets comprising rights of use are recognised as the amount of lease liabilities adjusted for rental prepayments as necessary. The Group has adopted the simplified treatment of recognising leases which will end within 12 months after 1 January 2019 as short-term

leases. Based on detailed evaluation of the impact of the adoption of the New ASBE on Leases, assets comprising rights of use with an amount of RMB952,264,000 and lease liabilities amounting to RMB952,264,000 have been recognised for the Group, and assets comprising rights of use with an amount of RMB660,822,000 and lease liabilities amounting to RMB660,822,000 have been recognised for the Company.

The said change in accounting policies has had no material impact on the Company's consolidated financial report.

III. Statement of the Board of Directors on the justification of the said change in accounting policies

The Board of Directors is of the view that the said change in accounting policies represents an adjustment made by the Company in accordance with the revised version of the relevant ASBE, and the decision-making procedures have been in compliance with relevant provisions of pertinent laws and regulations and the Articles of Association.

IV. Opinion of the Independent Non-executive Directors

The Independent Non-executive Directors of the Company are of the view that the decision-making procedures in relation to the said change in accounting policies have been in compliance with relevant provisions of pertinent laws and regulations and the Articles of Association and they concur with the said change in the Company's accounting policies.

V. Opinion of the Supervisory Committee

The Supervisory Committee is of the view that the decision-making procedures in relation to the said change in accounting policies have been in compliance with relevant provisions of pertinent laws and regulations and the Articles of Association without compromising the interests of the Company and the shareholders, and it concurs with the said change in the Company's accounting policies.

VI. Documents available for inspection

1. Resolutions of the Second Meeting of the Eighth Session of the Board of Directors;
2. Resolutions of the Second Meeting of the Eighth Session of the Supervisory Committee;
3. Independent opinion signed and endorsed by the Independent Non-executive Directors.

By Order of the Board

Li Zixue

Chairman

Shenzhen, the PRC

29 April 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.