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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 the Commencement of the First Exercise Period of the First Grant under the 2020 Share Option Incentive Scheme

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

As announced by ZTE Corporation (the “Company”) on 4 November 2021, the exercise conditions for the first exercise period of the first grant under the 2020 Share Option Incentive Scheme of the Company has been fulfilled. The exercise period shall be the dates on which the share options are exercisable during the period from 6 November 2021 to 5 November 2022. Following examination by the Shenzhen Stock Exchange and Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, 5,956 participants shall be entitled to exercise their share options and 51,442,763 share options shall be exercisable in the first exercise period of the first grant under the 2020 Share Option Incentive Scheme of the Company.

The Company has completed the procedures related to the exercise of share options, **the first exercise period of the first grant under the 2020 Share Option Incentive Scheme of the Company shall officially commence on 17 November 2021.**

The share option code for the voluntary exercise of share options: 037099; the abbreviated title of the option: 中興 JLC3.

I. Brief description of the 2020 Share Option Incentive Scheme

On 12 October 2020, the “Resolution on ‘ZTE Corporation 2020 Share Option Incentive Scheme (Draft)’ (the ‘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” were considered and passed at the Twenty-fifth Meeting of the Eighth Session of the Board of Directors and the 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 (Draft) 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” was 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 (Draft), 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 2 August 2021, the “Resolution on the adjustments of participants and number of share options under the 2020 Share Option Incentive Scheme” and “Resolution on the cancellation of certain share options”, among others, were considered and passed at the Thirty-seventh Meeting of the Eighth Session of the Board of Directors of the Company and the Twenty-eighth Meeting of the Eighth Session of the Supervisory Committee of the Company, pursuant to which the adjustments to participants and number of share options under the 2020 Share Option Incentive Scheme and cancellation of share options previously granted to participants who no longer fulfilled the conditions to be a participant were approved. Following the adjustments, the number of participants of the first grant has been adjusted from 6,123 persons to 6,122 persons, and the number of share options to be granted has been adjusted from 163,472,000 to 163,446,000, of which the number of share options to be granted initially has been adjusted from not more than 158,472,000 to 158,446,000 and the number of share options to be reserved remains 5,000,000.

On 23 September 2021, the “Resolution on Matters pertaining to the Grant of Reserved Share Options under the 2020 Share Option Incentive Scheme” was 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 registration of the reserved grant of share options under the 2020 Share Option Incentive Scheme was completed on 22 October 2021. A total of 5,000,000 share options had been granted to 410 participants, the initial exercise price was RMB34.92 per share.

On 4 November 2021, the “Resolution on the Adjustment of Participants and Number of Share Options of the First Grant under the 2020 Share Option Incentive Scheme”, “Resolution on the Fulfillment of Exercise Conditions for the First Exercise Period of the First Grant under the 2020 Share Option Incentive Scheme” and “Resolution on the cancellation of certain share options”, among others, were considered and passed at the Forty-second Meeting of the Eighth Session of the Board of Directors and the Thirty-third Meeting of the Eighth Session of the Supervisory Committee of the Company, pursuant to which the adjustments to participants and number of share options of the first grant under the 2020 Share Option Incentive Scheme, confirmation of the fulfillment of exercise conditions for the first exercise period 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 for the first grant under the 2020 Share Option Incentive Scheme and cancellation of certain share options; 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 for the first grant under the 2020 Share Option Incentive Scheme and cancellation of certain share options.

II. Details and arrangements for exercise of share options in the first exercise period for the first grant under the 2020 Share Option Incentive Scheme

(I) Source of underlying shares of the first grant under the 2020 Share Option Incentive Scheme: additional A shares denominated in RMB placed to participants.

(II) Description of the exercise conditions for the first exercise period of the first grant under 2020 Share Option Incentive Scheme and the fulfillment of the exercise conditions:

1. Exercise conditions required to be fulfilled for the first exercise period are as follows:

(1) Exercise conditions for the first exercise period in relation to the Company’s business performance:

The net profit attributable to holders of ordinary shares of the listed company (net profit) for 2020 not lower than RMB 3 billion.

(2) Events described in Paragraph 1 under Article 20^① of the 2020 Share Option Incentive Scheme (Draft) not having happened to the Company.

① Article 20: Conditions of grant of the share options

The Company shall grant share options to the participants in accordance with the Scheme only if it is not subject to the following:

1. None of the following has occurred to the Company

(1) A certified public accountant furnishing an audit report containing an opinion of disapproval or indicating the inability to give an opinion in respect of the financial accounting report for the most recent accounting year;

(2) A certified public accountant furnishing an audit report containing an opinion of disapproval or indicating the inability to give an opinion in respect of 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 the implementation of share option incentives under laws and regulations;

(5) Other circumstances as determined by the CSRC.

(3) Subject to the fulfilment of conditions relating to the Company’s business performance, personal exercise conditions in relation to the participant:

a. Events described in Paragraph 2 under Article 20 of the 2020 Share Option Incentive Scheme (Draft) not having happened to the participant during the valid period of the 2020 Share Option Incentive Scheme prior to the commencement of the current exercise period;

b. The participant having passed the performance appraisal for the previous year in accordance with the “ZTE Corporation 2020 Share Option Incentive Scheme Performance Appraisal System”.

(III) Participants entitled to exercise their share options and number of share options exercisable in the first exercise period for the first grant under the 2020 Share Option Incentive Scheme

5,956 participants shall be entitled to exercise their share options and 51,442,763 share options shall be exercisable in the first exercise period for the first grant under the 2020 Share Option Incentive Scheme. Of which, the number of Directors and senior management of the Company is 10 and 449,998 share options shall be exercisable; the number of other participants who are key talents of the Company is 5,946 and 50,992,765 share options shall be exercisable. The list of entitled participants for the first exercise period has been verified by the Supervisory Committee, Independent Non-executive Directors and Remuneration and Evaluation Committee of the Company, respectively.

Name	Position	Number of share options granted for the first grant after the adjustment (Unit: in ten thousands)	Number of exercisable share options for the first exercise period (Unit: in ten thousands)	As a percentage of the number of share options for the first grant after the adjustment	As a percentage of the existing total share capital of the Company
Li Zixue	Chairman	18	6	0.0388%	0.0013%
Xu Ziyang	Director and President	18	6	0.0388%	0.0013%
Li Buqing	Director	5	1.6666	0.0108%	0.0004%
Gu Junying	Director and Executive Vice President	18	6	0.0388%	0.0013%
Zhu Weimin	Director	5	1.6666	0.0108%	0.0004%
Fang Rong	Director	5	1.6666	0.0108%	0.0004%
Sub-total of Directors ^{Note}		69	22.9998	0.1488%	0.0051%
Wang Xiyu	Executive Vice President	18	6	0.0388%	0.0013%
Li Ying	Executive Vice President, Chief Financial Officer	18	6	0.0388%	0.0013%
Xie Junshi	Executive Vice President	18	6	0.0388%	0.0013%
Ding Jianzhong	Secretary to the	12	4	0.0259%	0.0008%

2. None of the following circumstances has occurred to the participant:

(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 subject to administrative penalties or prohibited from market entry by the CSRC or its local bureaus in the past 12 months due to material violation of laws and regulations; (4) Being prohibited from acting as a director or a senior management personnel of a company under the Company Law; (5) Being prohibited from participating in share option incentive schemes of listed companies under laws and regulations; (6) Other circumstances as determined by the CSRC; (7) Other serious violation of pertinent provisions of the Company as determined by the Board of Directors of the Company.

Name	Position	Number of share options granted for the first grant after the adjustment (Unit: in ten thousands)	Number of exercisable share options for the first exercise period (Unit: in ten thousands)	As a percentage of the number of share options for the first grant after the adjustment	As a percentage of the existing total share capital of the Company
	Board of Directors and Company Secretary				
Sub-total of senior management		66	22	0.1423%	0.0047%
Other key personnel of the Company		15,332.5339	5,099.2765	32.9674%	1.0780%
Total		15,467.5339	5,144.2763	33.2585%	1.0878%

Note: To avoid repetition in counting, the numbers of share options of Mr. Xu Ziyang, Director and President and Mr. Gu Junying, Director and Executive Vice President were included in the sub-total of Directors.

Funds required for the exercise of options by the participants and the payment of personal income tax shall be financed by the participants on their own. The Company undertakes not to provide loans or financial assistance in any other forms to the participants for their exercise of share options under the 2020 Share Option Incentive Scheme, including the provision of guarantee for loans.

(IV) Exercise price: Pursuant to the 2020 Share Option Incentive Scheme (Draft), the exercise price for share options of the first grant under the 2020 Share Option Incentive Scheme is RMB 34.47 per share. In the event of any increase of share capital by way of conversion of capital reserve, issue of bonus shares, share division or consolidation during the exercise period, the exercise price will be adjusted accordingly.

(V) Exercise period: The dates on which the share options are exercisable during the period from 17 November 2021 to 5 November 2022.

(VI) Method of exercise: The participants shall exercise the share options on a voluntary basis. The participants may report their exercise of share options voluntarily via the system of the agent securities firm (Guosen Securities Co., Ltd.) during the exercise period. The agent securities firm has adopted effective measures to ensure the functions of the relevant service systems are in compliance with requirements for listed companies in relation to business operations and compliance. Shares increased as a result of the exercise of share options by Directors and senior management will be managed in accordance with relevant requirements of the Shenzhen Stock Exchange and Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

(VII) Details of the dedicated account for the deposit of issue proceeds

The Company has opened a dedicated account for the management of proceeds from the exercise of options. Issue proceeds from the exercise of options shall be deposited in the aforesaid bank account and utilised as additional working capital for the Company.

The Company undertakes that proceeds from the exercise of options shall be deposited in the aforesaid designated bank account and shall be applied in strict accordance with the use of proceeds as disclosed.

(VIII) Participants shall not exercise their share options during the following periods:

1. The period commencing on the date which is 30 days prior to the publication of periodic report, or in the event of delay in publishing the annual report and interim report for special reasons, 30 days prior to the original date of publication, and ending on the date which is 1 day prior to the publication;

2. The period commencing on the date which is 10 days prior to the preliminary results announcement or express results announcement of the Company;
3. The period commencing on the date on which a significant event that may have a material impact on the trading prices of the Company's shares and their derivative products or the date on which the decision-making relating to such significant event has started and ending on the lapse of 2 trading days after the relevant announcement in accordance with the law; and
4. Other periods stipulated by the CSRC and Shenzhen Stock Exchange.

“A significant event that may have a material impact” described above shall be transactions or other significant events required to be disclosed by the Company under the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange or Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Any transfer of subject shares held by participants shall be in compliance with the provisions of laws, regulations and regulatory documents, including the Company Law, Securities Law and Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange, and the Articles of Association. Participants who are Directors or members of the senior management should avoid short-term trading, namely, they shall not sell their holdings of shares in the Company within 6 months after exercising any share options, nor shall they exercise the share options within 6 months after selling any of their holdings of shares in the Company.

(IX) The exercise of share options will not result in the distribution of shareholdings not meeting listing requirements

The 51,442,763 share options currently exercisable account for 1.09% of the total share capital of the Company. The full exercise of share options exercisable in the first exercise period will not result in non-compliance with listing requirements regarding the breakdown of shareholdings.

III. The effect of the exercise on the financial conditions and results of operation 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 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.

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.

If the share options for the first exercise period are exercised in full, the total share capital of the Company will increase by 51,442,763 shares, and its capital reserve will increase by RMB 1,721,789,000. Based on relevant figures as at the end of 2020, the basic earnings per share for 2020 would have decreased by RMB0.01, and the fully diluted return on net assets would have decreased by 0.39 percentage point. The actual figures of the effect are subject to figures audited by the accountant.

IV. Arrangements pertaining to subsequent information disclosure

The Company will disclose such information as changes in participants under the 2020 Share Option Incentive Scheme, adjustments to significant parameters of the share options, details of voluntary exercise by participants and changes in the share capital of the Company on a quarterly basis in its regular reports (including quarterly reports, interim reports and annual reports) or in the form of interim announcements.

By Order of the Board

Li Zixue

Chairman

Shenzhen, the PRC

16 November 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.