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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 Adjustment of Participants and Number of Share Options under the
2017 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 announcement is true, accurate and complete and that there is no false and misleading statement or material omission in this announcement.

Pursuant to the “Resolution on the Adjustment of Participants and Number of Share Options for the First Exercise Period of the 2017 Share Option Incentive Scheme” considered and approved at the Fifth Meeting of the Eighth Session of the Board of Directors of ZTE Corporation (the “Company”), the adjustment of participants and number of share options under the 2017 Share Option Incentive Scheme (the “Adjustment”) was approved. Following the Adjustment, the number of participants of the 2017 Share Option Incentive Scheme will be adjusted from 1,996 to 1,687, and the number of share options granted will be adjusted from 149,601,200 to 119,115,591, accounting of 2.8410% of the existing total share capital of the Company of 4,192,671,843 shares; for the first exercise period, the number of participants entitled to exercise share options 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. Matters pertaining to the Adjustment are announced as follows:

I. Overview of the 2017 Share Option Incentive Scheme

On 24 April 2017, the “Resolution on ‘ZTE Corporation 2017 Share Option Incentive Scheme (Draft)’ (the ‘Draft Scheme’) and its summary”, “Resolution on the ‘ZTE Corporation 2017 Share Option Incentive Scheme Performance Appraisal System’” and “Resolution on a mandate granted to the Board of Directors by the General Meeting of ZTE Corporation to deal with matters pertaining to the 2017 Share Option Incentive Scheme” were considered and passed at the Seventeenth Meeting of the Seventh Session of the Board of Directors and Fourteenth Meeting of the Seventh 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 Draft Scheme and the Independent Non-executive Directors and legal advisor of the Company have furnished opinions on matters relating to share option incentives, respectively.

The Company published the “Public Notice of the List of Participants for the 2017 Share Option Incentive Scheme of the Company” on the Company’s website (www.zte.com.cn) on 24 April 2017 to give public notice of the names and positions of the aforesaid Participants. The public notice period commenced on 24 April 2017 and ended on 4 May 2017. 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 5 days prior to the general meeting held to consider the 2017 Share Option Incentive Scheme.

The 2017 Share Option Incentive Scheme was approved pursuant to the “Resolution on the ‘ZTE Corporation 2017 Share Option Incentive Scheme (Draft)’ and its Summary”, “Resolution on the ‘ZTE Corporation 2017 Share Option Incentive Scheme Performance Appraisal System’” and “Resolution on a mandate granted to the Board of Directors by the General Meeting of ZTE Corporation to deal with matters pertaining to the 2017 Share Option Incentive Scheme” considered and approved at the 2016 Annual General Meeting, the First A Shareholders’ Class Meeting of 2017 and the First H Shareholders’ Class Meeting of 2017 (together, the “Shareholders’ Meetings”) on 20 June 2017.

Under the 2017 Share Option Incentive Scheme, share options are employed as an incentive means. Upon satisfaction of specific conditions by the Company and the participants, the Company may grant share options to the participants in accordance with the provisions of the Draft Scheme. All share options shall be subject to a vesting period of 24 months from the date of grant, during which the rights are not exercisable. Thereafter upon each exercise period, it will be determined, on the basis of whether the Company and the participants have satisfied the exercise conditions, whether the share options corresponding to such period are exercisable.

Pursuant to the “Resolution on Matters pertaining to the Grant of Shares Options under the 2017 Share Option Incentive Scheme” and “Resolution on the Adjustment to the List of Participants and Number of Share Options to be Granted under the 2017 Share Option Incentive Scheme” considered and passed at the Twentieth Meeting of the Seventh Session of the Board of Directors on 6 July 2017, the date of grant for the 2017 Share Option Incentive Scheme of the Company was set for 6 July 2017 (Thursday), and share options were granted to participants according to the adjusted list of participants and the number of share options to be granted; 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 grant of share options to participants as adjusted; The “Resolution on Matters pertaining to the Grant of Shares Options under the 2017 Share Option Incentive Scheme” and “Resolution on the Adjustment to the List of Participants and Number of Share Options to be Granted under the 2017 Share Option Incentive Scheme” were considered and passed at the Seventeenth Meeting of the Seventh Session of the Supervisory Committee on 6 July 2017, and the Seventh 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. The registration of the grant under the 2017 Share Option Incentive Scheme was completed on 20 July 2017. The initial exercise price was RMB17.06 per share.

On 1 July 2019, the “Resolution on the adjustments to the participants and number of share options granted under the 2017 Share Option Incentive Scheme”, “Resolution on the fulfillment of exercise conditions for the first exercise period under the 2017 Share Option Incentive Scheme”, “Resolution on the Non-fulfillment of exercise conditions for the second exercise period under the 2017 Share Option Incentive Scheme” and “Resolution on the cancellation of certain share options”, among others, were considered and passed at the Fifth Meeting of the Eighth Session of the Board of Directors of the Company, pursuant to which the adjustments to participants and number of share options granted under the 2017 Share Option Incentive Scheme, confirmation of the fulfillment of exercise conditions for the first exercise period and non-fulfillment of exercise conditions for the second exercise period under the 2017 Share Option Incentive Scheme 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 and non-fulfillment of exercise conditions for the second exercise period under the 2017 Share Option Incentive Scheme and cancellation of certain share options; at the Fifth Meeting of the Eighth Session of the Supervisory Committee, the “Resolution on the adjustments to the participants and number of share options granted under the 2017 Share Option Incentive Scheme”, “Resolution on the fulfillment of exercise conditions for the first exercise period under the 2017 Share Option Incentive Scheme”, “Resolution on the Non-fulfillment of exercise conditions for the second exercise period under the 2017 Share Option Incentive Scheme” and “Resolution on the cancellation of certain share options”, among others, were considered and passed, and 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 and non-fulfillment of exercise conditions for the second exercise period under the 2017 Share Option Incentive Scheme and cancellation of certain share options.

II. Reasons for and method of the adjustments

(I) Reasons for the adjustments

1. As of the date of this announcement, as 301 original participants under the 2017 Share Option Incentive Scheme have departed¹, 7 have retired and 1 has become a Supervisor of the Company², they are no longer eligible as participants under the 2017 Share Option Incentive Scheme and 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 this announcement, 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 and 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 the 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.

(II) Comparison of particulars before and after the adjustment

Item	Before Adjustment	After Adjustment
Total number of share options	149,601,200	119,115,591
As a percentage of the existing total share capital of the Company	3.5682%	2.8410%
Total number of participants	1,996 persons	1,687 persons
Number of share options exercisable during the first exercise period	49,866,471	39,664,153
As a percentage of the existing total share	1.1894%	0.9460%

1 Messrs. Zhang Jianheng, Luan Jubao, Zhao Xianming, Wang Yawen, Tian Dongfang and Zhan Yichao resigned as Directors of the Company on 29 June 2018, while Messrs. Zhao Xianming, Xu Huijun, Zhang Zhenhui, Pang Shengqing, Xiong Hui and Shao Weilin have ceased to be senior management of the Company as from 5 July 2018. The 3,287,600 A share options previously granted to the aforesaid 11 persons as original participants under the 2017 Share Option Incentive Scheme of the Company were voided accordingly.

2 Mr. Li Quancai was elected Staff Representative Supervisor of the Company on 3 November 2017, and the 118,000 A share options previously granted to him were voided accordingly.

Item	Before Adjustment	After Adjustment
capital of the Company		
Number of persons entitled to exercise the share options during the first exercise period	1,996 persons	1,684 persons

(III) Exercise of share options during the first exercise period after the adjustment

Following the Adjustment, the number of exercisable share options of the Company in the first exercise period shall be 39,664,153, accounting for 0.9460% of the existing total share capital of the Company. There shall be a total of 1,684 participants entitled to exercise the share options, comprising 3 Directors and senior management of the Company and 1,681 other participants, the details of which are set out as follows:

No.	Position	Name	Number of exercisable share options for the exercise period ^{note}	As a percentage of the total number of share options granted after the adjustment	As a percentage of the existing total share capital of the Company
			(Unit: in ten thousands)		
1	Director and President	Xu Ziyang	8.4000	0.0705%	0.0020%
2	Executive Vice President	Wang Xiyu	8.7466	0.0734%	0.0021%
3	Executive Vice President, Chief Financial Officer	Li Ying	5.2800	0.0443%	0.0013%
4	Other participants	1,681 persons	3,943.9887	33.1107%	0.9406%
	Total	1,684 persons	3,966.4153	33.2989%	0.9460%

Note: In the first exercise period, the participants are entitled to exercise 1/3 of the share options granted, rounded down to the nearest unit.

For details, please refer to the “List of Participants Entitled to Right of Exercise for the First Exercise Period under the 2017 Share Option Incentive Scheme of ZTE Corporation” published on the same date as this announcement.

III. Opinion of the Remuneration and Evaluation Committee in respect of the adjustment of participants and number of share options under the 2017 Share Option Incentive Scheme

For details, please refer to the “Opinion of the Remuneration and Evaluation Committee of the Board of Directors of ZTE Corporation in respect of matters pertaining to the 2017 Share Option Incentive Scheme” published on the same date as this announcement.

IV. Independent opinion of the Independent Non-executive Directors in respect of the adjustment of participants and number of share options under the 2017 Share Option Incentive Scheme

For details, please refer to the “Independent opinion of the Independent Non-executive Directors of ZTE Corporation in respect of matters pertaining to the 2017 Share Option Incentive Scheme” published on the same date as this announcement.

V. Examination of the adjustment of participants and number of share options of the 2017 Share Option Incentive Scheme by the Supervisory Committee

On 1 July 2019, the “Resolution on the Adjustment of Participants and Number of Share Options of the 2017 Share Option Incentive Scheme” was considered and approved at the Fifth Meeting of the Eighth Session of the Supervisory Committee, the Supervisory Committee furnished an examination opinion on the adjustment of participants and number of share options of the 2017 Share Option Incentive Scheme. For details, please refer to the “Examination opinion of the Supervisory Committee in respect of matters pertaining to the 2017 Share Option Incentive Scheme” published on the same date as this announcement.

VI. Conclusion of the legal opinion

Beijing Jun He Law Offices (Shenzhen Office) is of the view that the participants and number of share options for the current exercise of the Company, as adjusted by the Board of Directors of the Company pursuant to the mandate of general meeting of the Company and relevant provisions of the Draft Scheme, are in compliance with relevant provisions of pertinent laws and regulations, the Draft Scheme and the Articles of Association.

VII. Documents for inspection

1. Resolution of the Fifth Meeting of the Eighth Session of the Board of Directors;
2. Resolution of the Fifth Meeting of the Eighth Session of the Supervisory Committee;
3. Opinion of the Remuneration and Evaluation Committee of the Board of Directors on Matters pertaining to the 2017 Share Option Incentive Scheme;
4. Independent Opinion of the Independent Non-executive Directors on Matters pertaining to the 2017 Share Option Incentive Scheme;
5. Examination Opinion of the Supervisory Committee on Matters pertaining to the 2017 Share Option Incentive Scheme;
6. “Legal opinion on matters pertaining to adjustments to the participants and volume of grant, fulfillment of exercise conditions for the first exercise period, non-fulfillment of exercise conditions for the second exercise period and cancellation of certain share option previously granted under the 2017 Share Option Incentive Scheme of ZTE Corporation” furnished by Beijing Jun He Law Offices (Shenzhen Office).

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.