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**ZTE**

**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)**

## **Proposed adoption of 2020 A-Share Option Incentive Scheme and Proposed Grant thereunder**

This announcement is made by the Company pursuant to Rule 13.09(2) of the Hong Kong Listing Rules and the Inside Information Provisions (as defined in the Hong Kong Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Company hereby announces that on 12 October 2020, the Board passed a resolution in respect of the proposed adoption of the 2020 Scheme and the Proposed Grant thereunder by the Company, and the Board also proposed the draft of the 2020 Scheme and the draft proposal in respect of the Proposed Grant thereunder. The 2020 Scheme shall become effective upon approval of the Shareholders in a general meeting of the Company.

The Company hereby announces the major contents of the proposed 2020 Scheme and the Proposed Grant thereunder as follows:

### **I. PROPOSED ADOPTION OF THE 2020 SCHEME**

#### **1. Purpose of the 2020 Scheme**

The 2020 Scheme is to further refine the corporate governance structure of the Company, improve corporate incentive systems of the Company, enhance loyalty and sense of responsibilities of the management and key personnel of the Company, retain talent for sustainable development of the Company and safeguard the realization of development targets of the Company.

#### **2. Basis for determining the Participants and the scope of Participants of the 2020 Scheme**

##### *(1) Basis for determining the Participants*

The Participants of the 2020 Scheme are determined taking into account the Company's actual situations, and in accordance with the Company Law, the Securities Law, the Incentive Measures, the Hong Kong Listing Rules as well as the relevant laws and regulations and the relevant provisions of the Articles of Association.

##### *(2) Scope of Participants*

The proposed Participants of the 2020 Scheme include Directors, senior management and key business personnel who have direct impact on the overall results and continuous development of the Company or who have outstanding contribution to the Company (but excluding any independent non-executive Directors, Supervisors, substantial Shareholders or de facto controllers which individually or together hold Shares representing 5% voting rights of the Company or above, and their spouse, parents and children).

In addition, persons cannot be Participants under the 2020 Scheme, if they:

- (i) have been declared an inappropriate candidate by the Shenzhen Stock Exchange in the past 12 months;
- (ii) have been declared an inappropriate candidate by the CSRC or its local bureaus in the past 12 months;
- (iii) have 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;
- (iv) have been prohibited from acting as a Director or a member of the senior management of the Company under the Company Law;
- (v) have been prohibited from participation in the share incentive schemes of listed companies under laws and regulations;
- (vi) fall within other circumstances as determined by the CSRC; or
- (vii) have committed other material violations of relevant regulations of the Company as determined by the Board.

### **3. Source and number of Shares under the 2020 Scheme**

#### *(1) Source of underlying Shares of the 2020 Scheme*

The source of the underlying Shares of the 2020 Scheme shall be A Shares denominated in RMB.

#### *(2) Number of underlying Shares*

The total number of underlying A Shares in relation to the Options that may be granted under the 2020 Scheme shall not exceed 163,492,000 A Shares, representing approximately 3.5438% of the Company's existing total issued share capital and approximately 4.2378% of the total number of A Shares currently in issue. Specifically, 158,492,000 Options will be granted initially, representing 96.9417% of the total Options available under the 2020 Scheme, and accounting for approximately 3.4354% of the Company's existing total issued share capital; and 5,000,000 Options will be reserved, representing 3.0583% of the total Options available under the 2020 Scheme, and accounting for approximately 0.1084% of the Company's existing total issued share capital.

Unless approved by the Shareholders in a general meeting, the aggregate number of A Shares to be issued to a Participant upon exercise of his/her Options under the 2020 Scheme or other effective share incentive schemes of the Company (if any) at any time must not exceed 1% of the Company's total A share capital, and the maximum entitlement which may be granted to a Participant (including exercised, cancelled and outstanding Options) within any 12-month period shall not exceed 1% of the Company's total A share capital.

#### **4. Incentive Method of the 2020 Scheme**

Options will be granted under the 2020 Scheme as incentives. The underlying Shares are ordinary A Shares. Within the Validity Period and the exercise period, and subject to the fulfillment of the exercise conditions of the 2020 Scheme and the exercise arrangement, each Option entitles the holder to acquire one A Share at a pre-determined price.

#### **5. Validity Period, date of grant, vesting period, Exercise Date, exercise period and lock-up provisions**

##### *(1) Validity Period*

The 2020 Scheme shall be effective for four years from the Date of First Grant under the 2020 Scheme.

##### *(2) Date of Grant*

Please see the section "Proposed Grant under the 2020 Scheme — Date of Grant" below for further information on the Date of Grant of the Options.

##### *(3) Vesting period*

The vesting period of the 2020 Scheme is one year from the Date of Grant.

##### *(4) Exercise Date*

Options granted under the 2020 Scheme are exercisable according to its proportion as required under each batch subject to a vesting period of one year.

The Exercise Date must be a trading day, which must not fall within any of the following periods:

- (i) the period commencing from 30 days prior to the publication of periodic reports of the Company; or in the event of delay in publishing the annual report or interim report of the Company due to special reasons, the period commencing from 30 days prior to the original date of publication and ending on one day immediately preceding the publication date;
- (ii) the period commencing from ten days prior to the publication of the Company's announcement of estimated results and quick summary of results;
- (iii) the period commencing from the date of occurrence of a material event which may have a substantial impact on the trading prices of the Company's shares and their derivatives

or the date on which relevant decision-making procedures start and ending on the second trading day following the publication of a relevant announcement in accordance with laws; and

(iv) other periods as stipulated by the CSRC and the Shenzhen Stock Exchange.

(5) *Exercise period*

(i) Options under the First Grant

The exercise of the Options under the First Grant is subject to a vesting period of one year, during which period the Options are not exercisable. Subject to the fulfillment of the exercise conditions, the Options under the First Grant can be exercised in batches in the manner set forth below:

<b>Exercise period</b>	<b>Duration</b>	<b>Proportion of Options exercisable to the total number of Options granted</b>
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

(ii) Options under the Reserved Grant

The exercise of the Options under the Reserved Grant is subject to a vesting period of one year, during which period the Options are not exercisable. Subject to the fulfillment of the exercise conditions, the Options under the Reserved Grant can be exercised in batches in the manner set forth below:

<b>Exercise period</b>	<b>Duration</b>	<b>Percentage of Options exercisable to the total number of</b>
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		<b>Options granted</b>
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) *Lock-up provisions to the underlying Shares*

The A Shares acquired by the Participants pursuant to the exercise of the Options under the 2020 Scheme are subject to the following lock-up provisions:

- (i) Where the Participant is a Director or member of the senior management, the number of Shares which may be transferred by the Participant per year during his/her tenure of office shall not exceed 25% of the total number of the Shares held by him/her, and the Participant shall not transfer the Shares held by him/her within six months after his/her resignation.
- (ii) Where the Participant is a Director or member of senior management, all gains from the sale of Shares within six months of acquisition or from the acquisition of Shares within six months of sale by the Participant shall be accounted to the Company and the Board will collect all such gains.
- (iii) If, during the Validity Period, there is any amendment to the requirements regarding the Share transfer by a Director and senior management of the Company under the Company Law, the Securities Law, the Shenzhen Listing Rules, the Hong Kong Listing Rules, relevant regulations and the Articles of Association, the amended restrictions shall apply.

**6. Exercise price and basis of determination**

Please see the section “Proposed Grant under the 2020 Scheme — Exercise price and basis of determination” below for further information on the exercise price and its basis of determination.

**7. Conditions of grant and exercise of the Options**

(1) *Conditions of grant of Options*

The following conditions must be fulfilled before Participants are granted with the Options:

- (i) None of the following circumstances has occurred in relation to the Company:

- (a) 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;
  - (b) 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;
  - (c) 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;
  - (d) Prohibition from participation in share incentive schemes under laws and regulations;
  - (e) Other circumstances as determined by the CSRC.
- (ii) None of the following circumstances has occurred in relation to the Participant:
- (a) Having been declared an inappropriate candidate by the Shenzhen Stock Exchange in the past 12 months;
  - (b) Having been declared an inappropriate candidate by the CSRC or its local bureaus in the past 12 months;
  - (c) 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;
  - (d) Being prohibited from acting as a Director or a member of the senior management of the Company under the Company Law;
  - (e) Being prohibited from participation in the share incentive schemes of listed companies under laws and regulations;
  - (f) Other circumstances as determined by the CSRC;
  - (g) Other material violations of relevant regulations of the Company as determined by the Board.
- (iii) The average of audited Net Profit for the latest three financial years as announced by the Company not being negative.

(2) *Conditions of exercise of Options*

- (i) Performance indicators

The performance indicator for the Options to be exercised: Net Profit.

(ii) Exercise conditions of the Options

Considering current business environment of the Company, the impact brought by the novel coronavirus outbreak in 2020, and the continuous investment in research and development by the Company in the future, the Options can only be exercised upon satisfaction of the following conditions:

- (a) No Option can be exercised unless the Company has achieved the following applicable performance targets in the relevant exercise period:

(A) Options under the First Grant

<b>Exercise period</b>	<b>Performance target</b>
First exercise period	Net Profit for 2020 shall be no less than RMB3.0 billion.
Second exercise period	Total Net Profit for 2020 and 2021 shall be no less than RMB6.47 billion.
Third exercise period	Total Net Profit for 2020, 2021 and 2022 shall be no less than RMB10.23 billion.

(B) Options under the Reserved Grant

<b>Exercise period</b>	<b>Performance target</b>
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.

- (b) The following conditions shall also be fulfilled by the Participants in order to exercise the Options:

- (A) During the Validity Period, none of the circumstances as stipulated in paragraph 7(1)(ii) has occurred in relation to the Participant as at the end of the relevant exercise period, otherwise the Participant shall abstain from participating in the 2020 Scheme without any compensation.
- (B) The Participant has passed his/her performance appraisal for the preceding year according to the “2020 Share Option Incentive Scheme Performance Appraisal System of ZTE Corporation”, otherwise the Options exercisable by him/her in the relevant exercise period will be withdrawn and cancelled by the Company without any compensation but the Participant will remain entitled to participate in the 2020 Scheme and the exercisable Options granted to him/her in other exercise periods shall remain valid.

If the above conditions are fulfilled, the Participants can exercise all his/her Options exercisable in the relevant exercise period.

## **8. Methods and procedures for adjustment of the number and the exercise price of the Options under the 2020 Scheme**

### ***(1) Method of adjusting the number of Options***

From the Date of Grant, in the event of any capitalisation issue, bonus issue, sub-division or rights issue or consolidation of Shares in relation to the A Shares of the Company before the exercise of the Options, an adjustment to the number of Options shall be made accordingly.

The method of adjustment in principle is set out below:

#### *(i) Capitalisation issue, bonus issue and sub-division of Shares*

$$Q=Q0 \times (1+n)$$

Where: Q0 represents the number of Options before the adjustment; n represents the ratio of increase per Share resulting from the capitalisation issue, bonus issue and sub-division of Shares (i.e. the number of increased Shares per Share upon capitalisation issue, bonus issue or subdivision of Shares); Q represents the adjusted number of Options.

#### *(ii) Rights Issue*

$$Q=Q0 \times P1 \times (1+n) / (P1+P2 \times n)$$

Where: Q0 represents the number of Options before the adjustment; P1 represents the closing price as at the record date; P2 represents the subscription price of the rights issue; n represents the basis of the rights issue (i.e. the number of Shares to be issued under the rights issue in proportion to the total share capital of the Company before the rights issue); Q represents the adjusted amount of Options.

#### *(iii) Consolidation of Shares*

$$Q=Q0 \times n$$

Where: Q0 represents the number of Options before the adjustment; n represents the ratio of consolidation of Shares (i.e. one Share shall be consolidated into n Shares); Q represents the adjusted number of Options.

### ***(2) Methods of adjusting the exercise price***

From the Date of Grant, in the event of any capitalisation issue, bonus issue, sub-division or rights issue or consolidation of Shares in relation to the A Shares before the exercise of the Options, an adjustment to the exercise price shall be made accordingly.

The method of adjustment in principle is set out below:

#### *(i) Capitalisation issue, bonus issue and sub-division of Shares*

$$P=P0 \div (1+n)$$



Where: P0 represents the exercise price before the adjustment; n represents the ratio of increase per Share resulting from the capitalisation issue, bonus issue and sub-division of Shares; P represents the adjusted exercise price.

*(ii) Rights issue*

$$P=P0 \times (P1+ P2 \times n) / (P1 \times (1+n))$$

Where: P0 represents the exercise price before the adjustment; P1 represents the closing price as at the record date; P2 represents the subscription price of the rights issue; n represents the basis of the rights issue (i.e. the number of Shares to be issued under the rights issue in proportion to the total share capital of the Company before the rights issue); P represents the adjusted exercise price.

*(iii) Consolidation of Shares*

$$P=P0 \div n$$

Where: P0 represents the exercise price before the adjustment; n represents the ratio of consolidation of Shares (i.e. one Share shall be consolidated into n Shares); P represents the adjusted exercise price.

**(3) Adjustment procedures**

The Board will be authorised by the Shareholders at a general meeting of the Company to adjust the exercise price and the number of Options under the 2020 Scheme upon occurrence of any of the abovementioned circumstances. The Company shall engage a legal adviser to advise the Board whether such adjustment, if any, is in compliance with the Incentive Measures, the Articles of Association and the 2020 Scheme.

Any adjustment to the exercise price, number of Options or other terms due to other reasons, after being reviewed by the Board, shall be submitted to a general meeting of the Company for approval before implementation.

Any adjustments required under the Rule 17.03(13) of the Hong Kong Listing Rules must give the Participants the same proportion of the share capital as that to which that person was previously entitled, but no adjustments may be made to the extent that the Share would be issued at less than its nominal value. In respect of any adjustments required under the Rule 17.03(13) of the Hong Kong Listing Rules, other than any adjustments made on a capitalisation issue, an independent financial adviser or the Company's auditors will confirm to the Directors in writing that the adjustments satisfy the requirements set out in the note of Rule 17.03(13) of the Hong Kong Listing Rules.

**(4) Amendments to the 2020 Scheme**

If the Company intends to amend the 2020 Scheme prior to its consideration at the general meeting, such amendment shall be considered and approved by the Board. Prior to the convening of a general meeting of the Company for approval of the 2020 Scheme, the Company may amend the draft of the 2020 Scheme upon requests of the PRC and/or Hong

Kong regulatory authorities. In case of any discrepancies between the terms of the 2020 Scheme and the requirements of relevant laws, regulations, agreements, the Shenzhen Stock Exchange or the Hong Kong Stock Exchange or any amendment made thereto, the requirements of relevant laws, regulations, agreements, the Shenzhen Stock Exchange or the Hong Kong Stock Exchange shall prevail.

If the Company intends to amend the 2020 Scheme or terms of the Options granted pursuant to the 2020 Scheme after the 2020 Scheme is approved at the general meeting, such amendment shall be considered and determined at general meeting given that such amendment shall not result in the following:

- (i) accelerating the exercise of Options;
- (ii) reducing the exercise price of Options.

## **9. Handling method on special cases**

### **(1) *Change of the largest Shareholder***

Where there is a change of the largest Shareholder because of restructuring and merger and acquisition, the existing largest Shareholder shall add a term into the share transfer agreement (or other agreements resulting in the change of the largest Shareholder) that the new largest Shareholder shall guarantee that the 2020 Scheme will remain unchanged, ensure an effective implementation of the 2020 Scheme and complete the 2020 Scheme.

### **(2) *Merger and demerger***

Where there is merger or demerger of the Company, the parties shall undertake in the relevant merger/demerger agreements to continue implementing the 2020 Scheme and to adjust the content of the 2020 Scheme based on actual situations. The parties thereto cannot change the Participants, the number of Options granted under the 2020 Scheme, the exercise price and the exercise conditions without reasons.

### **(3) *Termination of the 2020 Scheme***

If any of the following occurs in relation to the Company, the 2020 Scheme shall be terminated. Options which are granted but not yet exercised by the Participants shall cease to be exercisable and shall lapse immediately. Such Options shall be withdrawn and cancelled by the Company without any compensation:

- (i) 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;
- (ii) 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;
- (iii) 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;

- (iv) Prohibition from participation in share incentive schemes under laws and regulations;
- (v) Other circumstances as determined by the CSRC.

**(4) *False statements***

Where false statements or misleading statements in or material omissions from the information disclosure documents of the Company result in non-compliance with arrangements for the grant or exercise of Options, all outstanding Options shall be repurchased and cancelled. In respect of Options already exercised, Participants concerned shall return to the Company all interests obtained from the 2020 Scheme after false statements or misleading statements in or material omissions from the information disclosure documents have been confirmed. Participants who bear no responsibility for the aforesaid matters and who incur losses as a result of the return of interests granted may seek compensation from the Company or responsible parties in accordance with relevant arrangements under the 2020 Scheme.

**(5) *Change of personal particulars of the Participant***

- (i) Should any of the following occur in relation to a Participant, all his/her Options which are exercisable but not yet exercised shall cease to be exercisable and Options which are not yet exercisable shall lapse forthwith at the date of occurrence:
  - (a) becoming a supervisor of the Company or other staff who cannot hold Shares or options of the Company;
  - (b) having been declared an inappropriate candidate by any stock exchange;
  - (c) having been declared an inappropriate candidate by the CSRC or its local bureaus;
  - (d) having been imposed with administrative penalties or prohibited from market entry by the CSRC or its local bureaus owing to material violations of laws and regulations;
  - (e) having been imposed with criminal penalties due to violation of laws and regulations, or disciplinary treatment due to violation of internal management regulations of the Company (including demerit record or any other more severe disciplinary actions imposed by the Company);
  - (f) having violated laws or regulations of the State and the provisions of Articles of Associations resulting in major economic loss to the Company;
  - (g) having been dismissed by the Company due to material non-compliance and violation of internal rules and regulations;
  - (h) having other situations as determined by the remuneration and evaluation committee of the Board; or

- (i) during the Validity Period, where the Participants damage the interests or reputation of the Company as a result of his/her dereliction of duty or malfeasance which leads to a demerit record or a more severe disciplinary action imposed by the Company (excluding dismissal situations as stipulated in paragraph (e), (f) and (g) above), he/she cannot exercise his/her Options which are exercisable in the closest exercise period, and such Options which are exercisable but not yet exercised in the relevant exercise period cannot be exercised in the future, but other Options which are exercisable in the subsequent exercise periods will not be affected.
- (ii) Should any of the following occur in relation to a Participant, all his/her Options which are exercisable but not yet exercised shall be exercised within six months from the date of occurrence and Options which are not yet exercisable shall lapse forthwith at the date of occurrence:
  - (a) his/her labor contract or employment contract with the Company having been unilaterally terminated or cancelled by the Participant;
  - (b) either party having decided not to renew the labor contract or employment contract after its expiration; or
  - (c) other situations as determined by the remuneration and evaluation committee of the Board.
- (iii) Should any of the following occur in relation to a Participant, all his/her Options which are exercisable but not yet exercised shall be exercised within six months from the date of occurrence and Options which are not yet exercisable shall lapse forthwith at the date of occurrence:
  - (a) death or incapacity;
  - (b) retirement;
  - (c) termination of the labor contract or employment contract in advance in consensus with the Company ; or
  - (d) other situations as determined by the remuneration and evaluation committee of the Board.
- (iv) The Options held by a Participant shall not be affected by any change in his/her job position or his/her transfer to a wholly-owned or controlled subsidiary of the Company, and by any change in his/her job position or his/her transfer from a wholly-owned or controlled subsidiary of the Company to the Company, and he/she shall remain entitled to the grant and exercise of Options.
- (v) Other unspecified situations and its handling method shall be determined by the remuneration and evaluation committee of the Board.

## **10. Supplementary Provisions**

- (1) The 2020 Scheme shall be effective upon approval of the 2020 Scheme at the general meeting of the Company.
- (2) In case of any conflicts between relevant terms of the 2020 Scheme and relevant laws, regulations and administrative rules, regulatory documents of the State or the Hong Kong Listing Rules, the relevant laws, regulations and administrative rules, regulatory documents of the State and the Hong Kong Listing Rules shall prevail. Any issues not specified in the 2020 Scheme shall be implemented in accordance with the relevant laws, regulations, administrative rules, regulatory documents of the State and the Hong Kong Listing Rules.
- (3) The right of interpretation of the 2020 Scheme belongs to the Board.
- (4) The issue of Shares pursuant to the exercise of the Options granted under the 2020 Scheme shall be in accordance with provisions of the Articles of Association as at the date of issue of Shares (the “Issue Date”), and shall rank *pari passu* in all respects with all paid-up A Shares in issue as at the Issue Date, entitling the Participants to qualify for all dividends and other distributions declared, paid or made after the Issue Date (except dividends and other distributions declared, paid or made before the Issue Date if resolutions for approving each distribution or payment are passed before the Issue Date). Participants are bound by the blackout provisions of the 2020 Scheme (if applicable).
- (5) The Company shall not provide any loans or any other forms of financial assistance (including providing guarantee for the loan extended to the Participants) to the Participants for exercising the Options.
- (6) Options granted to the Participants under the 2020 Scheme are personal and the Participants shall not sell, assign, charge or mortgage or create any encumbrances in respect of any Options.

## **II. PROPOSED GRANT UNDER THE 2020 SCHEME**

The principal terms of the proposal in respect of the Proposed Grant of the Options are set out in details in this section. Relevant requirements of the proposal of the Proposed Grant of the Options shall also comply with the restrictive provisions under the 2020 Scheme. Other requirements not provided for in the proposal in respect of the Proposed Grant of Options shall be determined by reference to the relevant terms under the 2020 Scheme.

### **1. Number of underlying Shares in relation to the Options under the Proposed Grant**

The total number of underlying A Shares in relation to the Options that may be granted under the Proposed Grant shall not exceed 163,492,000 A Shares, representing approximately 3.5438% of the Company’s existing total issued share capital and approximately 4.2378% of the total number of A Shares currently in issue. Specifically, 158,492,000 Options will be granted initially, representing 96.9417% of the total Options available under the 2020 Scheme, and accounting for approximately 3.4354% of the Company’s existing total issued share capital; and 5,000,000 Options will be reserved, representing 3.0583% of the total Options available under the 2020 Scheme, and accounting for approximately 0.1084% of the Company’s existing total issued share capital. It is proposed that the Proposed Grant will

involve Options to subscribe for not more than 163,492,000 A Shares, representing approximately 3.5438% of the Company's existing total issued share capital (4,613,434,898 Shares) and approximately 4.2378% of the total number of A Shares currently in issue (3,857,932,364 A Shares).

## 2. Allocation of the Options under the Proposed Grant

The total number of proposed Participants under the Proposed Grant shall not exceed 6,124, representing approximately 8.84% of the total number of employees of the Company as at the date of this announcement. The proposed Participants of the 2020 Scheme include Directors, senior management and key business personnel who have direct impact on the overall results and continuous development of the Company or who have outstanding contribution to the Company. Details of the allocation of the Proposed Grant under the 2020 Scheme are as follows:

<b>Name of the Participant</b>	<b>Position of the Participant</b>	<b>Number of Options to be granted to the Participant under the 2020 Scheme</b>	<b>Percentage of number of Options to be granted to the Participant to the total number of Options under the 2020 Scheme</b>	<b>Percentage of underlying A Shares to the total number of share capital of the Company as at the date of this announcement</b>
Li Zixue	Chairman	180,000	0.11%	0.0039%
Xu Ziyang	Director and president	180,000	0.11%	0.0039%
Li Buqing	Director	50,000	0.03%	0.0011%
Gu Junying	Director and executive vice president	180,000	0.11%	0.0039%
Zhu Weimin	Director	50,000	0.03%	0.0011%
Fang Rong	Director	50,000	0.03%	0.0011%
Wang Xiyu	Executive vice president	180,000	0.11%	0.0039%
Li Ying	Executive vice president and chief financial officer	180,000	0.11%	0.0039%
Xie Junshi	Executive vice president	180,000	0.11%	0.0039%
Ding Jianzhong	Board secretary	120,000	0.07%	0.0026%
Other key personnel (up to 6,114 in total)	-	157,142,000	96.12%	3.4062%
Total options under the First Grant		158,492,000	96.94%	3.4354%
Options under the Reserved Grant		5,000,000	3.06%	0.1084%
<b>Total</b>		<b>163,492,000</b>	<b>100.00%</b>	<b>3.5438%</b>

All of the participants are employees of the Group and save as disclosed above, none of them is a Director, chief executive or substantial shareholder (as defined in the Hong Kong Listing Rules) of the Company or an associate of any of them (as defined in the Hong Kong Listing Rules). Of the up to 6,114 participants who are the other key personnel of the Company under the Proposed Grant, no single individual would be granted share options the underlying shares of which would represent 1% or more of the total A share capital of the Company.

In addition, the aggregate number of A Shares to be issued to a Participant upon exercise of his/her Options under the 2020 Scheme pursuant to the Proposed Grant and the 2017 Scheme would not exceed 1% of the Company's total A share capital in issue, and the maximum entitlement which may be granted to a Participant (including exercised, cancelled and outstanding Options) within any 12-month period would not exceed 1% of the Company's total A share capital.

In accordance with Rule 17.04(1) of the Hong Kong Listing Rules, the above grant of options to directors and chief executives of the Company have been approved by the independent non-executive Directors. None of the proposed Participant is a substantial shareholder or independent non-executive director of the Company or their respective associates. The above grant of options to directors and chief executives of the Company have also been reviewed and approved by the remuneration and evaluation committee of the Company.

### **3. Date of Grant**

Within 60 days after the approval of the 2020 Scheme at a general meeting of the Company, the Board shall determine the Date of First Grant and complete the relevant registration procedures and publication of an announcement.

The Date of Grant must be a trading day and must not fall within any of the following periods:

- (1) where the Participant is a Director, the period commencing from 60 days immediately preceding the publication date of the annual results and ending on the publication date of the annual results (publication date included); and the period commencing from 30 days immediately preceding the publication date of the quarterly results and half-year results and ending on the publication date of the quarterly results and half-year results (publication date included);
- (2) period commencing on the date on which the Company becomes aware of any inside information and ending on the publication of such information. In particular, no options can be granted in the period commencing one month immediately before the earlier of:  
(a) the date of the Board meeting for approving the Company's results of any year, half-year, quarterly or any other interim period; and (b) the deadline for the Company to announce its results for any year or half-year under the applicable listing rules, or any quarterly or any other interim period.

The Date of Reserved Grant shall be determined by the Board within 12 months after the 2020 Scheme is approved by the Shareholders at the general meeting.

### **4. Exercise price and basis of determination**

(1) Exercise price and basis of determination of the Options under the First Grant

The exercise price of the Options proposed to be granted under the First Grant of 2020 Scheme shall be RMB34.47 per A Share. Upon fulfilment of exercise conditions, each Option granted to the Participant entitles the Participant to acquire one A Share at RMB34.47 per A Share.

The above exercise price is 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 of the draft and summary of the 2020 Scheme published on the Shenzhen Stock Exchange (i.e. 12 October 2020), which was RMB34.47 per A Shares; and
- (ii) the average of the trading prices of the A Shares for the last 20 trading days immediately preceding the date of the announcement of the draft and summary of the 2020 Scheme published on the Shenzhen Stock Exchange, which was RMB34.16 per A Share.

According to the Incentive Measures promulgated by the CSRC, the exercise price of the Options shall be the higher of:

- (i) the average of the trading prices of the A Shares on the last trading day immediately preceding the date of announcement of the draft scheme; 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 of the draft scheme.

In respect of (ii) above, the Company has selected the average of the trading prices of the A Shares for the last 20 trading days immediately preceding the date of the announcement of the draft and summary of the 2020 Scheme published on the Shenzhen Stock Exchange.

(2) Exercise price and basis of determination of the Options under the Reserved Grant

Before each grant of the Options under the Reserved Grant, the Company shall hold a board meeting to pass the relevant resolution, and shall disclose the information of such grant. 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 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 approval of the Reserved Grant published on the Shenzhen Stock Exchange.



During the Validity Period, in the event of any capitalization issue, bonus issue, sub-division or rights issue or consolidation of Shares in relation to the A Shares before the exercise of the Options, an adjustment to the exercise price shall be made accordingly.

## **5. Conditions of Proposed Grant and exercise of the Options**

The Proposed Grant of Options and the exercise of the Options are also subject to the satisfaction of the conditions stipulated under the 2020 Scheme (the principal terms of which are set out in the section “I. PROPOSED ADOPTION OF THE 2020 SCHEME - 7. Conditions of grant and exercise of the Options” above).

## **III. HONG KONG LISTING RULES IMPLICATIONS AND WAIVER FROM STRICT COMPLIANCE WITH THE HONG KONG LISTING RULES**

The 2020 Scheme constitutes a share option scheme pursuant to Chapter 17 of the Hong Kong Listing Rules. Any grant of Options under the 2020 Scheme to any Participant who is a connected person of the Company will be exempted from the reporting, announcement and independent shareholders’ approval requirements pursuant to Rule 14A.92(3)(a) of the Hong Kong Listing Rules.

The Shares to be issued under the Options proposed to be granted under the 2020 Scheme will be issued pursuant to the general mandate granted by the Shareholders to the Board at the annual general meeting of the Company held on 19 June 2020 to allot, issue and otherwise deal with the A Shares and H Shares, each not more than 20% of the aggregate nominal amount of the Company’s A Shares and H Shares, respectively, in issue as at the date of the meeting. As at the date of this announcement, no Shares had been issued or agreed to be issued pursuant to such general mandate.

The exercise price of the Options proposed to be granted under the First Grant pursuant to the 2020 Scheme shall be RMB34.47 per A Share, which is the higher of:

- (i) the average of the trading prices of the A Shares on the last trading day immediately preceding the date of the announcement of the draft and summary of the 2020 Scheme published on the Shenzhen Stock Exchange (i.e. 12 October 2020), which was RMB34.47 per A Share; and
- (ii) the average of the trading prices of the A Shares for the last 20 trading days immediately preceding the date of announcement of the draft and summary of the 2020 Scheme published on the Shenzhen Stock Exchange, which was RMB34.16 per A Share.

The exercise price of the Options proposed to be granted under the First Grant was determined at the time of the Board approval of the proposed adoption of the 2020 Scheme.

Before each grant of the Options under the Reserved Grant, the Company shall hold a board meeting to pass the relevant resolution, and shall disclose the information of such grant. 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 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 approval of the Reserved Grant published on the Shenzhen Stock Exchange.

#### **Note 1 to Rule 17.03(9) and Rule 19A.39C of the Hong Kong Listing Rules**

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 daily quotations sheets for the five business days immediately preceding the date of grant.

Rule 19A.39C provides that the Hong Kong Stock Exchange may waive the exercise price requirement under Note 1 to Rule 17.03(9) for a share option scheme of a PRC issuer dually listed on the Hong Kong Stock Exchange and a PRC stock exchange, provided that: (i) the scheme involves only shares listed on the PRC stock exchange; and (ii) the scheme contains provisions to ensure that the exercise price of the options is no less than the prevailing market price of the relevant shares on the PRC stock exchange at the time of grant of the options.

Since (i) the Options subject to the Proposed Grant relate to A Shares only which are listed on the Shenzhen Stock Exchange; (ii) the 2020 Scheme is subject to the approval of the Shareholders at a general meeting; (iii) the determination of the exercise price is in accordance with the relevant rules and regulations promulgated by the CSRC; and (iv) the 2020 Scheme contains provisions to ensure that the exercise price of the Options is no less than the prevailing market price of the relevant shares on the PRC stock exchange as at the time of the relevant announcement and Board approval as described above, and in view of the practical difficulties involved, 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.

#### **IV. THE EXTRAORDINARY GENERAL MEETING**

Resolutions will be proposed at the Extraordinary General Meeting to approve the 2020 Scheme. A circular containing, among other things, (i) summary of the principal terms of the 2020 Scheme and the Proposed Grant thereunder; and (ii) the notice of the Extraordinary General Meeting will be despatched to the Shareholders as soon as possible.

The Company will close its H share register from Tuesday, 3 November 2020 to Friday, 6 November 2020 (both days inclusive) to determine qualifications of shareholders to attend and vote at the EGM. Any H Shareholder who wishes to attend and vote at the EGM shall lodge an instrument of transfer, together with the corresponding share certificate(s) with Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m., Monday, 2 November 2020.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“2017 Scheme”	the A-Share option incentive scheme adopted by the Company in 2017, details of which were disclosed in the circular of the Company dated 26 April 2017 and the announcements of the Company dated 6 July 2017, 20 July 2017, 1 July 2019, 5 July 2019, 14 July 2019, 28 August 2020 and 2 September 2020
“2020 Scheme”	the proposed 2020 A-Share option incentive scheme (draft) of the Company
“A Share(s)”	ordinary share(s) of par value of RMB1.00 each in the registered capital of the Company, which are listed and traded on the Shenzhen Stock Exchange
“Articles of Association”	the articles of association of the Company
“Board”	the board of directors of the Company
“Company”	ZTE Corporation (中興通訊股份有限公司), a joint stock limited company incorporated in the PRC and the H Shares and A Shares of which are listed on the Hong Kong Stock Exchange (stock code: 0763) and the Shenzhen Stock Exchange (stock code: 000063), respectively
“Company Law”	the Company Law of the PRC
“CSRC”	China Securities Regulatory Commission
“Date of First Grant”	the date on which the Options under the First Grant are granted to the Participants by the Company under the 2020 Scheme
“Date of Grant”	the date on which the Options are granted to Participants by the Company under the 2020 Scheme
“Date of Reserved Grant”	the date on which Options under the Reserved Grant are granted to Participants by the Company under the 2020 Scheme
“Director(s)”	the director(s) of the Company
“Exercise Date”	the date on which a Participant is entitled to exercise an Option, which must be a trading day

“Extraordinary General Meeting” or “EGM”	the second extraordinary general meeting of 2020 of the Company to be held at 4/F, A Wing, ZTE Plaza, Keji Road South, Hi-Tech Industrial Park, Nanshan District, Shenzhen, Guangdong Province, the People’s Republic of China at 3:30 p.m. on Friday, 6 November 2020 to consider and, if thought fit, approve the proposed 2020 Scheme and the related matters or any adjournment thereof (as the case may be)
“First Grant”	the proposed first grant of not more than 158,492,000 Options to the Participants pursuant to the 2020 Scheme
“H Share(s)”	ordinary share(s) of par value of RMB1.00 each in the registered capital of the Company, which are listed and traded on the Hong Kong Stock Exchange
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Hong Kong Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Incentive Measures”	the Administrative Measures on Share Incentives of Listed Company* (《上市公司股權激勵管理辦法》) issued by the CSRC
“Net Profit”	net profit attributable to the holders of ordinary shares of the Company
“Option(s)”	the right to be granted to a Participant to acquire certain number of A Shares of the Company at a pre-determined price in a particular period of time and subject to certain conditions under the 2020 Scheme
“Participant(s)”	the person to be granted Option(s) under the 2020 Scheme
“PRC”	the People’s Republic of China
“Proposed Grant”	the proposed grant of not more than 163,492,000 Options to the Participants pursuant to the 2020 Scheme (including the First Grant and the Reserved Grant)
“Reserved Grant”	the proposed reserved grant of not more than 5,000,000 Options to the Participants pursuant to the 2020 Scheme, the Participants of which shall be determined by the Board within 12 months after the 2020 Scheme is approved by the Shareholders

“RMB”	Renminbi, the lawful currency of the PRC
“Securities Law”	the Securities Law of the PRC
“Share(s)”	A Share(s) and H Share(s), or the context requires, either of them
“Shareholder(s)”	the holders of Shares
“Shenzhen Listing Rules”	Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange
“Shenzhen Stock Exchange”	the Shenzhen Stock Exchange
“Supervisor(s)”	the supervisor(s) of the Company
“Validity Period”	the period during which the 2020 Scheme remains effective

By Order of the Board  
**Li Zixue**  
*Chairman*

Shenzhen, the PRC

12 October 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.*

*\* English translation denotes for identification purposes only.*