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**ZTE CORPORATION**

**中興通訊股份有限公司**

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 763)**

## **Announcement on the Adjustment of the Exercise Price of Share Options under the Share Option Incentive Scheme Pursuant to the Rules**

*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.*

At the Seventh Meeting of the Seventh Session of the Board of Directors of ZTE Corporation (the "Company") held on 15 July 2016, the "Resolution of ZTE Corporation on the Adjustment of the Exercise Price of Share Options under the Share Option Incentive Scheme Pursuant to the Rules" was considered and approved. Details of the adjustment of the exercise price of the share options under the Share Option Incentive Scheme are set out as follows:

### **I. Brief description of the implementation of the Share Option Incentive Scheme**

(I) By virtue of the consideration and approval of the "Resolution on the ZTE Corporation Share Option Incentive Scheme (Revised Draft) (hereinafter the "Scheme") and its Summary" and the "Resolution on a Mandate Granted to the Board of Directors by the General Meeting of ZTE Corporation to Deal with Matters pertaining to the Scheme" at the Third Extraordinary General Meeting of 2013, the First A Shareholders' Class Meeting of 2013 and the First H Shareholders' Class Meeting of 2013 (together the "Meetings") held on 15 October 2013, the Scheme was approved and a mandate was granted by the general meeting of the Company to the Board of Directors to deal with matters pertaining to the Scheme.

(II) Pursuant to the "Resolution on Matters pertaining to the Grant of Share Options under the Share Option Incentive Scheme of the Company" and the "Resolution on Adjustments to the List of Participants and the Number of Share Options to be Granted under the Share Option Incentive Scheme of the Company" (the "First Adjustment") considered and passed at the Eleventh Meeting of the Sixth Session of the Board of Directors of the Company held on 31

October 2013, the date of grant was set for 31 October 2013, on which 102,989,000 share options were granted to 1,528 participants after adjustment at an exercise price of RMB13.69. The Independent Non-executive Directors furnished an expressly affirmative independent opinion in respect of the adjustments to the list of participants and the number of share options to be granted and the grant of share options to the participants after adjustment. The Supervisory Committee furnished an expressly affirmative examination opinion in respect of the adjusted list of participants and number of share options to be granted, and the “Resolution on Matters pertaining to the Grant of Share Options under the Share Option Incentive Scheme of the Company” and the “Resolution on Adjustments to the List of Participants and the Number of Share Options to be Granted under the Share Option Incentive Scheme of the Company” were considered and passed at the Ninth Meeting of the Sixth Session of the Supervisory Committee of the Company. On 13 November 2013, the registration of the grants under the Scheme was completed.

(III) Pursuant to the “Resolution on the Adjustment of the Number and Exercise Price of Share Options under the Share Option Incentive Scheme Pursuant to the Rules” (the “Second Adjustment”) considered and passed at the Twenty-eighth Meeting of the Sixth Session of the Board of Directors of the Company held on 22 July 2015, it was approved that the exercise price of the share options shall be adjusted to RMB13.66 after the implementation of the 2013 profit distribution plan; after the implementation of the 2014 plan for profit distribution and conversion of capital reserve, the number of share options was adjusted to 123,586,800 and the exercise price of share options was adjusted to RMB11.22; the Independent Non-executive Directors furnished an expressly affirmative independent opinion in respect of the adjustment of the number and exercise price of share options under the Scheme pursuant to the rules; the “Resolution on the Adjustment of the Number and Exercise Price of Share Options under the Share Option Incentive Scheme Pursuant to the Rules” was considered and passed at the Twenty-first Meeting of the Sixth Session of the Supervisory Committee of the Company held on 22 July 2015 giving consent to the implementation of the Second Adjustment by the Company, and an expressly affirmative examination opinion in respect of the Second Adjustment was furnished.

(IV) Pursuant to the “Resolution on the Adjustment of Participants and Number of Share Options for the First Exercise Period of the Share Option Incentive Scheme” (the “Third Adjustment”) considered and approved at the Thirty-second Meeting of the Sixth Session of the Board of Directors of the Company held on 27 October 2015, 99 persons were disqualified from participation in the Scheme and a total of 6,831,600 share options previously granted to these 99 persons were cancelled, as they no longer met the conditions for participants under the Scheme; a total of 142,200 share options previously granted to 5 persons and otherwise exercisable in the first exercise period were recalled and cancelled by the Company without compensation as the said 5 persons had not passed the annual

performance appraisal relevant to the first exercise period under the Scheme; the Remuneration and Evaluation Committee under the Board of Directors of the Company furnished an expressly affirmative opinion in respect of the adjustment of participants and number of share options for the first exercise period; the Independent Non-executive Directors furnished an expressly affirmative independent opinion in respect of the adjustment of participants and number of share options for the first exercise period; the “Resolution on the Adjustment of Participants and Number of Share Options for the First Exercise Period of the Share Option Incentive Scheme” was considered and passed at the Twenty-fourth Meeting of the Sixth Session of the Supervisory Committee of the Company held on 27 October 2015, and an expressly affirmative examination opinion in respect of the Third Adjustment was furnished.

(V) Pursuant to the “Resolution on the Adjustment of the Exercise Price of Share Options under the Share Option Incentive Scheme Pursuant to the Rules” (the “Fourth Adjustment”) considered and approved at the Seventh Meeting of the Seventh Session of the Board of Directors of the Company held on 15 July 2016, the exercise price of the share options shall be adjusted to RMB10.97 following the implementation of the 2015 profit distribution plan; the Independent Non-executive Directors furnished an expressly affirmative independent opinion in respect of the adjustment of the exercise price of share options under the Scheme pursuant to the rules; the “Resolution on the Adjustment of the Exercise Price of Share Options under the Share Option Incentive Scheme Pursuant to the Rules” was considered and passed at the Fifth Meeting of the Seventh Session of the Supervisory Committee of the Company held on 15 July 2016 giving consent to the implementation of the Fourth Adjustment by the Company, and an expressly affirmative examination opinion in respect of the Fourth Adjustment was furnished.

## **II. Reasons for and method of the adjustment of the exercise price under the Scheme**

Pursuant to the “Proposal for Profit Distribution of the Company for 2015” considered and approved at the 2015 Annual General Meeting of the Company, a cash dividend of RMB2.5 (before tax) for every 10 shares on the basis of the number of shares held by shareholders (including A shareholders and H shareholders) registered at the close of business on the record dates for registration of shareholdings for the purpose of dividend payments was considered and approved.

The implementation of the 2015 profit distribution plan was completed on 15 July 2016. Pursuant to the “Resolution on a Mandate Granted to the Board of Directors by the General Meeting of ZTE Corporation to Deal with Matters pertaining to the Scheme” considered and passed at the general meeting of the Company held on 15 October 2013 and in accordance with relevant rules and the provisions of the Scheme, the Board of Directors has resolved to

make a corresponding adjustment to the exercise price of the share options after the implementation of the 2015 profit distribution plan, the details of which are as follows:

**Following the implementation of the 2015 profit distribution plan, the number of share options shall remain unchanged, the exercise price needs to be adjusted.**

The formula for the adjustment of the exercise price shall be as follows:

$$P = P_0 - V$$

Where: P<sub>0</sub> represents the exercise price prior to adjustment; V represents the dividend per share; P represents the exercise price after adjustment. According to the formula, the adjusted share option exercise price shall be RMB11.22-0.25=RMB10.97.

### **III. Independent Opinion of the Independent Non-executive Directors on the Adjustment of the Exercise Price of Share Options under the Scheme Pursuant to the Rules**

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

### **IV. Examination Opinion of the Supervisory Committee on the Adjustment of the Exercise Price of Share Options under the Scheme Pursuant to the Rules**

The “Resolution on the Adjustment of the Exercise Price of Share Options under the Share Option Incentive Scheme Pursuant to the Rules” was considered and passed at the Fifth Meeting of the Seventh Session of the Supervisory Committee of the Company held on 15 July 2016 and an examination opinion in respect of the adjustment of the exercise price of share options under the Scheme was furnished. For details, please refer to the Overseas Regulatory Announcement published by the Company on the same date as this announcement.

### **V. Conclusion of the legal opinion**

Beijing Jun He Law Offices (Shenzhen Office) is of the view that: the adjustment has been duly authorised and approved and conducted according to currently required procedures; and that the adjustment to the exercise price of the share options by the Board of Directors of the Company in accordance with the mandate granted by the general meeting of the Company and pertinent rules of the Scheme are in compliance with relevant provisions of the Company Law of the People’s Republic of China, the Securities Law of the People’s Republic of China,

Measures for the Administration of Share Incentives at Listed Companies (Trial), Memorandum on Matters Pertaining to Share Option Incentives (No. 1), Memorandum on Matters Pertaining to Share Option Incentives (No. 2), Memorandum on Matters Pertaining to Share Option Incentives (No. 3), the Articles of Association of ZTE Corporation and the Scheme. As such, the adjustment is legal and valid. The adjustment is subject to information disclosure obligations to be performed and the processing of relevant procedures for registration changes.

## **VI. Documents for inspection**

1. Resolutions of the 2015 Annual General Meeting;
2. Resolution of the Seventh Meeting of the Seventh Session of the Board of Directors;
3. Resolution of the Fifth Meeting of the Seventh Session of the Supervisory Committee;
4. Examination Opinion of the Supervisory Committee on the Adjustment of the Exercise Price of Share Options under the Scheme Pursuant to the Rules;
5. Independent Opinion of the Independent Non-executive Directors on the Adjustment of the Exercise Price of Share Options under the Scheme Pursuant to the Rules;
6. “Legal Opinion on the Adjustment of the Exercise Price of Share Options under the Scheme by ZTE Corporation” furnished by Beijing Jun He Law Offices (Shenzhen Office).

By Order of the Board  
**Zhao Xianming**  
Chairman

Shenzhen, the PRC  
15 July 2016

*As at the date of this announcement, the Board of Directors of the Company comprises three executive directors, Zhao Xianming, Yin Yimin and Wei Zaisheng; six non-executive directors, Zhang Jianheng, Luan Jubao, Shi Lirong, Wang Yawen, Tian Dongfang and Zhan Yichao; and five independent non-executive directors, Richard Xike Zhang, Chen Shaohua, Lü Hongbing, Bingsheng Teng and Zhu Wuxiang.*