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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 Participants and Number of Share Options under the Share Option Incentive Scheme**

*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 of ZTE Corporation on the Adjustment of Participants and Number of Share Options for the First Exercise Period of the Share Option Incentive Scheme” considered and approved at the Thirty-second Meeting of the Sixth Session of the Board of Directors of ZTE Corporation (the “Company”), the adjustment of participants and number of share options under the Share Option Incentive Scheme (the “Scheme”) was approved. Following the adjustment, the number of participants of the Scheme will be adjusted from 1,528 to 1,429, and the number of share options granted will be adjusted from 123,586,800 to 116,613,000 and, for the first exercise period, the number of participants entitled to exercise share options will be adjusted from 1,528 to 1,424, and the number of exercisable share options will be adjusted from 37,076,040 to 34,884,360. Matters pertaining to the adjustment are announced as follows:

### **I. Brief description of the Scheme**

(I) Pursuant to the “Resolution on the ZTE Corporation Share Option Incentive Scheme (Revised Draft) (the “Scheme”) and its Summary” and the “Resolution of ZTE Corporation on A Mandate Granted to the Board of Directors by the General Meeting to Deal with Matters pertaining to the Share Incentive Option Scheme” considered and approved 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 sanctioned and the Board of Directors was authorized by the general meeting of the Company 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 approved at the Eleventh Meeting of the Sixth Session of the Board of Directors, the date of grant was set for 31 October 2013 and it was resolved that 102.989 million share options would be granted to 1,528 participants, as adjusted, at an exercise price of RMB13.69. 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 Supervisory Committee has furnished an unequivocal affirmative examination opinion on the adjusted list of participants and number of share options to be granted. At the Ninth Meeting of the Sixth Session of the Supervisory Committee, 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 approved. On 13 November 2013, the registration of grants under the Scheme was completed.

(III) At the Twenty-eighth Meeting of the Sixth Session of the Board of Directors held on 22 July 2015, the “Resolution of ZTE Corporation 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 approved. After the implementation of the 2013 profit distribution plan, the exercise price of the share options was adjusted to RMB13.66. 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 was adjusted to RMB11.22. The Independent Non-executive Directors have furnished an unequivocal affirmative independent opinion on the adjustment of the number and exercise price of share options under the Scheme pursuant to the rules. At the Twenty-first Meeting of the Sixth Session of the Supervisory Committee held on 22 July 2015, 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 approved giving consent to the implementation of the adjustment by the Company and furnishing an unequivocal affirmative examination opinion on the adjustment.

(IV) At the Thirty-second Meeting of the Sixth Session of the Board of Directors held on 27 October 2015, the “Resolution on the Adjustment of Participants and Number of Share Options for the First Exercise Period of the Share Option Incentive Scheme”

(the “Second Adjustment”) was considered and approved. As 96 original participants have departed the Company, 1 original participant has deceased and 2 original participants have been terminated by the Company due to material violations of regulations, they shall no longer be qualified as participants under the Scheme. Accordingly, the Company will disqualify the 99 aforesaid persons from participating in the Scheme and a total of 6,831,600 share options previously granted to them will be cancelled. As 5 persons have not met the exercise conditions having not passed the annual performance appraisal for the first exercise period of the Scheme, a total of 142,200 granted original share options to be exercisable during the first exercise period will be withdrawn and cancelled by the Company without compensation. The Remuneration and Evaluation Committee of the Board of Directors of the Company has furnished an unequivocal affirmative opinion on the adjustment of participants and the number of share options for the first exercise period. The Independent Non-executive Directors have furnished an unequivocal affirmative independent opinion on the adjustment of participants and the number of share options for the first exercise period. At the Twenty-fourth Meeting of the Sixth Session of the Supervisory Committee held on 27 October 2015, 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 approved and the Supervisory Committee also furnished an unequivocal affirmative examination opinion on the adjustment.

## **II. Reasons for and method of the adjustments**

### **(I) Reasons for the adjustments**

As at the date of this announcement, as 96 original participants have departed the Company, 1 original participant has deceased and 2 original participants have been terminated by the Company due to material violations of regulations, they shall no longer be qualified as participants under the Scheme. Accordingly, the Company will annul the qualifications of the 99 aforesaid persons for participating in the Scheme and a total of 6,831,600 share options previously granted to them will be cancelled.

As 5 persons have not met the exercise conditions having not passed the annual performance appraisal for the first exercise period of the Scheme, a total of 142,200 granted original share options to be exercisable during the first exercise period will be withdrawn and cancelled by the Company without compensation.

Following the Second Adjustment, the number of participants of the Scheme will be adjusted from 1,528 to 1,429, and the number of share options granted will be

adjusted from 123,586,800 to 116,613,000, accounting for 2.83% of the existing total share capital of the Company of 4,125,049,533 shares. For the first exercise period, the number of participants entitled to exercise share options will be adjusted from 1,528 to 1,424, and the number of exercisable share options will be adjusted from 37,076,040 to 34,884,360.

## (II) Comparison of particulars of the Scheme before and after adjustment

Item	Before Adjustment	After Adjustment
Total number of share options	<b>123,586,800</b>	<b>116,613,000</b>
As a percentage of total share capital of the Company	<b>3.00%</b>	<b>2.83%</b>
Total number of participants	<b>1,528 persons</b>	<b>1,429 persons</b>
Number of share options exercisable during the first exercise period	<b>37,076,040</b>	<b>34,884,360</b>
As a percentage of total share capital of the Company	<b>0.90%</b>	<b>0.85%</b>
Number of persons entitled to exercise the share options during the first exercise period	<b>1,528 persons</b>	<b>1,424 persons</b>

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

Following the Second Adjustment, the number of exercisable share options of the Company in the first exercise period shall be 34,884,360, accounting for 0.85% of the current total share capital of the Company. There shall be a total of 1,424 participants entitled to exercise the share options, comprising 21 Directors and senior management of the Company and 1,403 other participants. Details are set out as follows:

No.	Position	Name	Number of exercisable share options	As a percentage of the total number of share options granted after the adjustment	As a percentage of the total share capital
			(Unit: in ten thousands)		
1	Director	Zhang Jianheng	1.08	0.0093%	0.0003%
2	Director	Xie Weiliang	1.08	0.0093%	0.0003%
3	Director	Wang Zhanchen	1.08	0.0093%	0.0003%
4	Director	Zhang Junchao	1.08	0.0093%	0.0003%
5	Director	Dong Lianbo	1.08	0.0093%	0.0003%
6	Executive Vice President	Tian Wenguo	7.20	0.0617%	0.0017%
7	Executive Vice President	Qiu Weizhao	18.00	0.1544%	0.0044%
8	Executive Vice President	Fan Qingfeng	18.00	0.1544%	0.0044%
9	Executive Vice President	Zhao Xianming	18.00	0.1544%	0.0044%
10	Executive Vice President	Zeng Xuezhong	16.20	0.1389%	0.0039%
11	Senior Vice President	Pang Shengqing	16.20	0.1389%	0.0039%
12	Senior Vice President	Xu Huijun	12.60	0.1080%	0.0031%

No.	Position	Name	Number of exercisable share options	As a percentage of the total number of share options granted after the adjustment	As a percentage of the total share capital
			(Unit: in ten thousands)		
13	Senior Vice President	Ye Weimin	14.40	0.1235%	0.0035%
14	Senior Vice President	Zhu Jinyun	16.20	0.1389%	0.0039%
15	Senior Vice President	Zhang Renjun	12.60	0.1080%	0.0031%
16	Senior Vice President	Chen Jianzhou	16.20	0.1389%	0.0039%
17	Senior Vice President	Cheng Lixin	7.20	0.0617%	0.0017%
18	Senior Vice President	Xiong Hui	14.40	0.1235%	0.0035%
19	Senior Vice President	Zhang Zhenhui	7.02	0.0602%	0.0017%
20	Senior Vice President	Huang Dabin	9.00	0.0772%	0.0022%
21	Secretary to the Board	Feng Jianxiong	14.40	0.1235%	0.0035%
22	Other Participants	1,403 persons	3,265.4160	28.0022%	0.7916%
	Total	1,424 persons	3,488.4360	29.9146%	0.8457%

For details, please refer to the Overseas Regulatory Announcement published by the Company 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 Scheme**

For details, please refer to the Overseas Regulatory Announcement published by the Company 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 Scheme**

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

### **V. Examination of the adjustment of participants and number of share options under the Scheme by the Supervisory Committee**

The Supervisory Committee considered and approved the “Resolution on the Adjustment of Participants and Number of Share Options for the First Exercise Period of the Share Option Incentive Scheme” at the Twenty-fourth Meeting of the Sixth Session of the Supervisory Committee held on 27 October 2015 and furnished an examination opinion on the adjustment of participants and number of share options under the Scheme. For details, please refer to the Overseas Regulatory Announcement published by the Company 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, as at the date of issue of its “Legal Opinion on Matters pertaining to the Exercise of Share Options for the First Exercise Period of ZTE Corporation,” the participants and number of share options for the current exercise, 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 Scheme, are in compliance with relevant provisions of the Administrative Measures on Share Incentives of Listed Company (Trial), Memorandum on Share Incentives Nos. 1-3, the Scheme and the Articles of Association of ZTE Corporation.

## **VII. Documents for inspection**

1. Resolution of the Thirty-second Meeting of the Sixth Session of the Board of Directors;
2. Resolution of the Twenty-fourth Meeting of the Sixth Session of the Supervisory Committee;
3. Examination Opinion of the Supervisory Committee on Matters pertaining to the Exercise of Share Options for the First Exercise Period under the Share Option Incentive Scheme;
4. Independent Opinion of the Independent Non-executive Directors on Matters pertaining to the Exercise of Share Options for the First Exercise Period under the Share Option Incentive Scheme;
5. Opinion of the Remuneration and Evaluation Committee of the Board of Directors on Matters pertaining to the Exercise of Share Options for the First Exercise Period under the Share Option Incentive Scheme;
6. “Legal Opinion on Matters pertaining to the Exercise of Share Options for the First Exercise Period of ZTE Corporation” furnished by Beijing Jun He Law Offices (Shenzhen Office).

By Order of the Board

**Hou Weigui**

*Chairman*

Shenzhen, the PRC

27 October 2015

*As at the date of this announcement, the Board of Directors of the Company comprises three executive directors, Shi Lirong, Yin Yimin and He Shiyong; six non-executive directors, Hou Weigui, Zhang Jianheng, Xie Weiliang, Wang Zhanchen, Zhang Junchao and Dong Lianbo; and five independent non-executive directors, Tan Zhenhui, Richard Xike Zhang, Chen Shaohua, Lü Hongbing and Bingsheng Teng.*