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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 Cancellation of Certain Share Options**

*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.*

**I. Overview of the Scheme**

Pursuant to the “Resolution on the ZTE Corporation (the “Company”) Share Option Incentive Scheme (Revised Draft) (the “Scheme”) and its Summary” 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 approved.

Under the 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 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 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” considered and approved 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 (the “Date of Grant”). 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. On 31 October 2013, 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 at the Ninth Meeting of the Sixth Session of the Supervisory Committee of the Company. The Sixth 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. On 13 November 2013, the registration of grants under the Scheme was completed and the initial exercise price of the share options was set at RMB13.69.

Pursuant to 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” considered and approved at the Twenty-eighth Meeting of the Sixth Session of the Board of Directors of the Company held on 22 July 2015, the number of share options was adjusted to 123,586,800 and the exercise price of the share options was adjusted to RMB11.22 after the implementation of the 2013 profit distribution plan and the 2014 plan for profit distribution and conversion of capital reserve. 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 of the Company 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 and an unequivocal affirmative examination opinion on the adjustment was furnished.

At the Thirty-second Meeting of the Sixth Session of the Board of Directors of the Company 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” and the “Resolution on the Fulfillment of Exercise Conditions for the First Exercise Period of the Share Option Incentive Scheme” were considered and approved to confirm the fulfillment of exercise conditions for the first exercise period under the Scheme. Following the adjustment, there shall be 1,424 participants entitled to exercise the share options and 34,884,360 exercisable share options for the first exercise period under the Scheme. The Independent Non-executive Directors have furnished an unequivocal affirmative independent opinion on the fulfillment of exercise conditions for the first exercise period and the adjustment of participants entitled to exercise the share options and the number of share options. 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” and the “Resolution on the Fulfillment of Exercise Conditions for the First Exercise Period under the

Share Option Incentive Scheme” were considered and approved to confirm the fulfillment of exercise conditions for the first exercise period under the Scheme and an unequivocal affirmative examination opinion on the adjusted list of participant and number of share options granted was furnished.

At the Seventh Meeting of the Seventh Session of the Board of Directors of the Company held on 15 July 2016, the “Resolution on the Adjustment of the Exercise Prices of Share Options under the Share Option Incentive Scheme Pursuant to the Rules” was considered and approved. After the implementation of the 2015 profit distribution plan, the exercise price of the share options was adjusted to RMB10.97. The Independent Non-executive Directors have furnished an unequivocal affirmative independent opinion on the adjustment of the exercise price of share options under the Scheme pursuant to the rules. At the Fifth Meeting of the Seventh Session of the Supervisory Committee held on 15 July 2016, 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 approved, giving consent to the implementation of the adjustment by the Company and furnishing an unequivocal affirmative examination opinion on the adjustment.

At the Ninth Meeting of the Seventh Session of the Board of Directors of the Company held on 27 October 2016, the “Resolution on the Adjustment of Participants and Number of Share Options for the Second Exercise Period of the Share Option Incentive Scheme” and the “Resolution on the Fulfillment of Exercise Conditions for the Second Exercise Period of the Share Option Incentive Scheme” were considered and approved to confirm the fulfillment of exercise conditions for the second exercise period under the Scheme. Following the adjustment, there shall be 1,350 participants entitled to exercise the share options and 33,101,640 exercisable share options for the second exercise period under the Scheme. The Independent Non-executive Directors have furnished an unequivocal affirmative independent opinion on the fulfillment of exercise conditions for the second exercise period and the adjustment of participants entitled to exercise the share options and the number of share options. At the Seventh Meeting of the Seventh Session of the Supervisory Committee of the Company held on 27 October 2016, the “Resolution on the Adjustment of Participants and Number of Share Options for the Second Exercise Period of the Share Option Incentive Scheme” and the “Resolution on the Fulfillment of Exercise Conditions for the Second Exercise Period under the Share Option Incentive Scheme” were considered and approved to confirm the fulfillment of exercise conditions for the second exercise period under the Scheme and an unequivocal affirmative examination opinion on the adjusted list of participant and number of share options granted was furnished.

## **II. Reasons for the cancellation of certain granted share options for the second exercise period and number of share options to be cancelled**

As 2 participants under the Scheme of the Company had 36,000 unexercised share options

outstanding as at the end of the exercisable period of the second exercise period (including 10,800 share options previously granted to Mr. Zhang Jianheng, director), and such participants waived the exercise of such share options, the aforesaid granted but unexercised share options shall be withdrawn and cancelled by the Company without compensation in accordance with relevant provisions of the Scheme.

### **III. Details of the cancellation of share options granted for the second exercise period**

Details	Remark
Type of stock cancelled	Share options
Number of share options cancelled	36,000
Cancelled share options as a percentage of the current total share capital of the Company	0.00086%

### **IV. Effect on the Company's results**

The said cancellation of certain share options granted for the second exercise period represents normal adjustments conducted in accordance with relevant provisions under the Scheme, which will not have any material impact on the operating results of the Company.

### **V. Opinion of the Remuneration and Evaluation Commission of the Board of Directors on the cancellation of certain share options granted for the second exercise period**

The cancellation of certain share options granted for the second exercise period is in compliance with relevant provisions of pertinent laws and regulations and the Scheme and will not have any substantial effect on the financial conditions and operating results of the Company.

### **VI. Independent opinion of the Independent Non-executive Directors on the cancellation of certain share options granted for the second exercise period**

The cancellation of certain share options granted for the second exercise period is in compliance with relevant provisions of pertinent laws and regulations and the Scheme and the approving procedures are in compliance with relevant laws and regulations. It will not have any substantial effect on the financial conditions and operating results of the Company.

### **VII. Opinion of the Supervisory Committee on the cancellation of certain share options granted for the second exercise period**

The cancellation of certain share options granted for the second exercise period is in compliance with relevant provisions of pertinent laws and regulations and the Scheme and the approving procedures are in compliance with relevant laws and regulations. It will not

have any substantial effect on the financial conditions and operating results of the Company.

### **VIII. 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 Cancellation of Certain Granted Share Options for the Second Exercise Period under the Share Option Incentive Scheme of ZTE Corporation,” the cancellation of certain previously granted share options has been duly authorised and approved and conducted according to currently required procedures; procedures performed in connection with the cancellation of certain previously granted share options are in compliance with relevant provisions of pertinent laws and regulations, including the Company Law of the People’s Republic of China, Securities Law of the People’s Republic of China, Measures for the Administration of Share Incentives at Listed Companies, Memorandum for Information Disclosure by Main Board Listed Companies No. 3 – Share Option Incentives and Staff Shareholding Plans, the Scheme and the Articles of Association.

### **IX. Documents for inspection**

1. Resolution of the Twenty-fourth Meeting of the Seventh Session of the Board of Directors;
2. Resolution of the Twentieth Meeting of the Seventh Session of the Supervisory Committee;
3. Independent Opinion of the Independent Non-executive Directors on the cancellation of certain share options granted for the second exercise period;
4. “Legal Opinion on Matters pertaining to the Cancellation of Certain Granted Share Options for the Second Exercise Period under the Share Option Incentive Scheme of ZTE Corporation” furnished by Beijing Jun He Law Offices (Shenzhen Office).

By Order of the Board

**Yin Yimin**

*Chairman*

Shenzhen, the PRC

26 October 2017

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