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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 Commencement of the First Exercise Period 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.*

As announced by ZTE Corporation (the “Company”) on 27 October 2015, the exercise conditions for the first exercise period under the Share Option Incentive Scheme of A shares of the Company (the “Scheme”) has been fulfilled. Following examination by the Shenzhen Stock Exchange and China Securities Depository & Clearing Corporation Limited, Shenzhen Branch, participants under the Scheme may exercise their share options eligible to be exercised in the first exercise period during the first exercise period from 2 November 2015 to 31 October 2016.

### **I. Arrangements for exercise of share options in the first exercise period under the Scheme**

1. Source of underlying shares of the Scheme: additional A shares denominated in RMB placed to participants;

2. Participants entitled to exercise their share options and number of share options exercisable in the first exercise period

<b>Position</b>	<b>Name</b>	Number of share options exercisable in the first exercise period
		<b>(Unit: in ten thousands)</b>
Director	Zhang Jianheng	1.08
Director	Xie Weiliang	1.08
Director	Wang Zhanchen	1.08
Director	Zhang Junchao	1.08
Director	Dong Lianbo	1.08
Executive Vice President	Tian Wenguo	7.20

Position	Name	Number of share options exercisable in the first exercise period
		(Unit: in ten thousands)
Executive Vice President	Qiu Weizhao	18.00
Executive Vice President	Fan Qingfeng	18.00
Executive Vice President	Zhao Xianming	18.00
Executive Vice President	Zeng Xuezhong	16.20
Senior Vice President	Pang Shengqing	16.20
Senior Vice President	Xu Huijun	12.60
Senior Vice President	Ye Weimin	14.40
Senior Vice President	Zhu Jinyun	16.20
Senior Vice President	Zhang Renjun	12.60
Senior Vice President	Chen Jianzhou	16.20
Senior Vice President	Cheng Lixin	7.20
Senior Vice President	Xiong Hui	14.40
Senior Vice President	Zhang Zhenhui	7.02
Senior Vice President	Huang Dabin	9.00
Secretary to the Board	Feng Jianxiong	14.40
Other participants	1,403 persons	3,265.4160
Total	1,424 persons	3,488.4360

There shall be 1,424 participants entitled to exercise their share options and 34,884,360 share options exercisable in the first exercise period. The list of entitled participants for the first exercise period has been verified by the Supervisory Committee, Independent Non-executive Directors and Remuneration and Evaluation Committee of the Company, respectively.

3. Exercise price: the exercise price of the share options of A shares of the Company is currently RMB11.22. In the event of any dividend distribution, increase of share capital by way of conversion of capital reserve, issue of bonus shares, share division or consolidation during the exercise period, the exercise price will be adjusted accordingly.

4. Exercise period: dates on which the share options are exercisable during the period from 2 November 2015 to 31 October 2016.

5. Method of exercise: The participants shall exercise the share options on a voluntary basis. The participants may report their exercise of share options voluntarily via the system of the agent securities firm (Guosen Securities Co., Ltd.) during the exercise period. The agent securities firm has adopted effective measures to ensure the functions of the relevant service systems are in compliance with requirements for listed companies in relation to business operations and compliance. Shares increased as a result of the exercise of share options by Directors and senior management will be managed in accordance with relevant requirements of the Shenzhen Stock Exchange and China Securities Depository & Clearing Corporation Limited, Shenzhen Branch.

6. Participants shall not exercise their share options during the following periods:

(1) The period commencing on the date which is 30 days prior to the publication of a regular report or, in case of delay of the publication of a regular report for specific reasons, 30 days prior to the originally scheduled date for the publication, and ending on the second trading day after the publication;

(2) The period commencing on the date which is 10 days prior to the preliminary results announcement or express results announcement of the Company and ending on the second trading day after the announcement;

(3) The period during which the decision-making in respect of a substantial transaction or significant event is in process until the second trading day after the announcement of such event;

(4) The period commencing on the date on which other significant events that may affect the share price take place and ending on the second trading day after the announcement of such event;

(5) In case the participant is a Director, the period of 60 days immediately preceding the publication date of the annual results of the Company up to (and including) the publication date of the results, and the period of 30 days immediately preceding the publication date of the interim or quarterly results of the Company up to (and including) the publication date of such results.

7. The exercise of share options will not result in the distribution of shareholdings not meeting listing requirements

The 34,884,360 share options currently exercisable account for 0.85% of the total share capital of the Company of 4,125,049,533 shares. The full exercise of share options exercisable in the first exercise period will result in the increase of the Company's share capital to 4,159,933,893 shares, which will not result in the distribution of shareholdings not meeting listing requirements.

## **II. The effect of the exercise on the financial conditions and operation results of the Company for the relevant year**

In accordance with "ASBE 11 – Share-based Payment," services rendered by participants are charged to relevant costs or expenses at the fair value of the share options on the date of grant

and the capital reserve is credited accordingly, based on the best estimates of number of exercisable share options by the Company. During the exercise period of the share options, the Company will not adjust recognised costs or expenses. At each balance sheet date, share options exercised are transferred to and recognised in the capital reserve.

The share options shall be exercised by participants on a voluntary basis. The fair value on the date of grant of equity-settled share options granted is estimated by an independent third party engaged by the Company using the Binomial Tree model taking into account the terms and conditions for the grant of share options. The fair value of share options granted in 2013 is RMB524,023,000, while the amounts of share option expenses recognised for 2013 and 2014 are RMB29,707,000 and RMB178,241,000, respectively. The amounts of share option expenses estimated for 2015, 2016 and 2017 are RMB166,829,000, RMB101,102,000 and RMB48,144,000, respectively.

If the share options for the first exercise period are exercised in full, the total share capital of the Company will increase by 34,884,360 shares, and its capital reserve will increase by RMB356,518,160. Based on relevant figures as at the end of 2014, the basic earnings per share for 2014 would have decreased by RMB0.00535 (restated to reflect the 2014 plan for profit distribution and conversion of capital reserve), and the fully diluted return on net assets would have decreased by 0.164%. The actual figures of the effect are subject to figures audited by the accountant.

III. The Company will disclose information such as changes in participants under the Scheme, adjustments to significant parameters of the share options, details of voluntary exercise by participants and changes in the share capital of the Company in its regular reports (including quarterly reports, interim reports and annual reports) or in the form of temporary announcements on a quarterly basis.

By Order of the Board  
**Hou Weigui**  
*Chairman*

Shenzhen, the PRC  
17 November 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 Shiyou; 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.*