



**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)**

**ZTE CORPORATION**

**THE 2017 SHARE OPTION INCENTIVE SCHEME PERFORMANCE  
APPRAISAL SYSTEM**

*(This document is an English translation of the 2017 Share Option Incentive Performance Appraisal System of ZTE Corporation (《中興通訊股份有限公司2017年股票期權激勵計劃績效考核制度》). Should there be any inconsistencies or conflicts between the English and Chinese versions, the Chinese version shall prevail)*

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## **ZTE CORPORATION**

### **THE 2017 SHARE OPTION INCENTIVE SCHEME PERFORMANCE APPRAISAL SYSTEM**

The 2017 Share Option Incentive Scheme Performance Appraisal System of ZTE Corporation (“Performance Appraisal System”) is formulated in accordance with the Company Law of the People's Republic of China (“Company Law”), other pertinent laws and regulations and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Hong Kong Listing Rules”) as well as the prevailing performance appraisal systems with a view to improving the corporate governance structure, strengthening performance management and the incentive and binding mechanism of ZTE Corporation (the “Company” or “ZTE”), and assuring smooth implementation of the Company's 2017 Share Option Incentive Scheme (the “2017 Scheme”).

#### **I. PURPOSE OF PERFORMANCE APPRAISAL**

The scientific and comprehensive performance management system is developed with the aim of fully implementing strategic goals in the Company's overall development, assuring concerted efforts on the part of the Company staff to conduct business operations and development in the overall interests of the Company, ensuring a high level of consistency between operational targets and the Company's strategy, strengthening the Company's incentive and binding mechanism and ensuring smooth implementation of the 2017 Scheme.

#### **II. PARTICIPANTS OF PERFORMANCE APPRAISAL**

1. Participants to be evaluated under the Performance Appraisal System shall primarily be participants of the 2017 Scheme.
2. The Company shall determine scheme participants subject to appraisal based on relevant provisions of the Company Law, Securities Law of the People's Republic of China, Administrative Measures on Share Incentives of Listed Company (《上市公司股權激勵管理辦法》) and Articles of Association of ZTE Corporation (the “Articles of Association”) and other pertinent laws, regulations and regulatory documents; subject to compliance with laws and regulations, the Articles of Association and Hong Kong Listing Rules, the Company may adjust the scope of scheme participants to reflect changes in the Company's business development and according to results of individual performance appraisals.
3. Following consideration and approval of the 2017 Scheme by the board of directors of the Company (the “Board”), the supervisory committee of the Company (the “Supervisory Committee”) shall conduct verification in respect of the list of scheme participants. The statement of verification and publication of the list of participants shall be announced by the Company prior to the consideration of the share option incentive scheme at the Company's general meeting.

### **III. BASES AND PRINCIPLES FOR PERFORMANCE APPRAISAL**

Different appraisal indicators and corresponding targets shall be set for different job positions and duties under the ZTE performance appraisal criteria, and reviews and necessary adjustments shall be made on an annual basis. Performance appraisals for the 2017 Scheme shall be bound by the Performance Appraisal System, and the Board shall determine the number of exercisable options for scheme participants according to the results of the Company's overall performance appraisal and the extent of completion of individual performance targets.

The Company shall conduct a breakdown of its key business performance indicators into performance indicators for individual job positions at various levels in accordance with approved job duties. Management officers and staff at various units shall agree on performance targets, performance indicators and evaluation criteria through mutual discussions. Specific requirements are as follows:

1. The targets should be specific, quantitative, appropriately challenging and subject to deadlines. Individual targets should be set in close tandem with the targets of the unit with a view to mutual success.
2. In respect of a position subject to matrix management, performance targets for the employee concerned shall be jointly determined by his/her immediate administrative supervisor together with his/her immediate business supervisor.

### **IV. DUTIES OF THE ORGANIZATION RESPONSIBLE FOR THE PERFORMANCE APPRAISAL SYSTEM**

The Performance Appraisal System, formulated and subject to interpretation and amendment by the Company's human resources department (the "HR Department"), shall come into effect on the date of publication. Departments responsible for organizing and implementing performance appraisal shall include the Company's assessment office, operations management department, financial management department and the HR Department.

1. As the highest management authority in the performance appraisal system, the Board and the remuneration and evaluation committee thereunder shall be responsible for formulating the targets of performance appraisal and the principles for appraisal and shall be vested with the authority to finalize appraisal results.
2. The HR Department shall be responsible for setting up, in association with the Company's assessment office, operations management department and financial management department, a Company appraisal and evaluation team, which shall be in charge of monitoring and coordinating appraisal and evaluation activities of various business units and relevant subsidiaries ("Units") of the Company.
3. Appraisal and evaluation teams at the respective Units shall be responsible for the screened selection, evaluation and examination, appraisal and assessment and

determination of option quotas in respect of scheme participants in the respective Units under the teams' jurisdiction.

## **V. THE PERFORMANCE APPRAISAL SYSTEM**

### **1. Contents of Appraisal**

Performance appraisals in respect of the Company's directors (the "Director(s)") and senior management and performance appraisals in respect of the Company's key personnel shall be separately conducted.

#### *(1) Appraisal of the Company's Directors and senior management*

Appraisal of the Company's Directors and senior management shall be conducted by the remuneration and evaluation committee of the Board and reported to the Board for examination and confirmation. Appraisal of the Directors shall be based on the overall business performance indicators of the Company. Principal business performance indicators for the senior management shall be distinguished into two groups, namely financial indicators and non- financial indicators, in connection with which appraisal targets corresponding to such indicators shall be set by the remuneration and evaluation committee of the Board annually based on benchmark data of industry peers and the Company's actual requirements.

The HR Department shall compute the performance results of the Company's Directors and senior management based on the extent of actual completion of the aforesaid appraisal indicators and specific targets.

#### *(2) Appraisal of Key Personnel*

- 1) Appraisal shall be conducted on an annual basis;
- 2) Appraisal and evaluation teams at various levels shall evaluate scheme participants in the respective Units under the teams' jurisdiction in terms of their business performance, competence and values, in order to generate performance appraisal results.

### **2. Management of Appraisal Results**

#### *(1) Revision of Appraisal Indicators and Results*

In the event of material force majeure or exceptional reasons occurring during the appraisal period and affecting the work and business performance of persons under appraisal, the Company's remuneration and evaluation committee may adjust appraisal indicators and appraisal results that have been subject to significant deviations.

#### *(2) Notification of Appraisal Results*

Personnel under appraisal shall be notified of the appraisal results within ten working days after the appraisal is completed.

## **VI. HOW PERFORMANCE APPRAISAL MAY AFFECT SHARE OPTION INCENTIVES**

The exercise of share options granted to scheme participants shall be subject to the fulfilment of the Company's overall business performance indicators/targets and the achievement of a passing level for individual performance appraisal. Specifically, the conditions of fulfilment are as follows:

1. Achievement of the Company's overall performance appraisal targets; and
2. Achievement of the individual performance appraisal targets of the participant under appraisal: scheme participants having achieved a passing level in the appraisal for the previous year in accordance with the Performance Appraisal System.

In addition to achieving the performance appraisal targets, other provisions of the ZTE Corporation 2017 Scheme (Draft) relating to the exercise of options of scheme participants, if any, shall also be complied with.

## **VII. SUPPLEMENTARY PROVISIONS**

The Performance Appraisal System shall be subject to interpretation and amendment by the HR Department of ZTE and shall come into effect and implementation upon consideration and approval by the Board and the general meeting of the Company.

Shenzhen, the PRC

24 April 2017