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ZTE

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 Number and 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 Twenty-eighth Meeting of the Sixth Session of the Board of Directors of ZTE Corporation (“Company”) 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 approved. Details of the adjustment of the number and 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

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” 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. Pursuant to the “Resolution on Matters pertaining to the Grant of Share Options under the Share Option Incentive Scheme of the Company” considered and passed at the Eleventh Meeting of the Sixth Session of the Board of Directors held on 31 October 2013, the date of grant has been set for 31 October 2013. On 13 November 2013, the registration of the grant of share options was completed. The exercise price of the share options is RMB13.69, which shall be adjusted in accordance with pertinent provisions of the Scheme in the event of, among other things, dividend payment and conversion of capital reserve during the effective period of the share options.

Rule 25 of the Measures for the Administration of Share Incentives at Listed Companies

(Trial) (《上市公司股權激勵管理辦法(試行)》) stipulates that: “Where a listed company is required to adjust the exercise price or number of share options, whether as a result of ex-rights or ex-dividend adjustments of the subject shares or otherwise, it may do so in accordance with the principles and methods provided for under the share option scheme.”

II. Details of the adjustment of the number and exercise price of share options

Pursuant to the “Proposals of Profit Distribution of the Company for 2013” considered and approved at the 2013 Annual General Meeting of the Company, cash dividend of RMB0.3 for every 10 shares (before tax) based on the Company’s total share capital of 3,437,541,278 shares as at 31 December 2013 was approved.

Pursuant to the “Proposal for Profit Distribution and Conversion of Capital Reserve for 2014” considered and approved at the 2014 Annual General Meeting of the Company, cash dividend of RMB2.0 for every 10 shares (before tax) based on the Company’s total share capital of 3,437,541,278 shares as at 31 December 2014 and the creation of 2 shares for every 10 shares by way of conversion of capital reserves were approved.

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 approved at the Meetings held on 15 October 2013 and in accordance with pertinent laws and regulations and the rules of the Scheme, the Board of Directors has resolved to the number and exercise price of the share options accordingly following the implementation of the 2013 profit distribution plan and 2014 plan for profit distribution and conversion of capital reserve.

1. Following the implementation of the 2013 profit distribution plan, the number of share options shall remain unchanged, while the exercise price shall be adjusted.

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

$$P = P_0 - V$$

Where: P₀ 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 13.69-0.03 = RMB13.66.

2. Following the implementation of the 2014 plan for profit distribution and conversion of capital reserve, both the number and exercise price of share options shall be adjusted.

The formula for the adjustment of the number of share options shall be as follows:

$$Q = Q_0 \times (1+n)$$

Where: Q₀ represents the number of share options before the adjustment; n represents the increase per share resulting from the conversion of capital reserve, bonus issue and subdivision of shares (i.e. the number of increased shares per share upon conversion issue, bonus issue or subdivision of shares); Q represents the adjusted number of share options.

On 13 October 2013, the Company granted a total of 102,989,000 share options to 1,528 scheme participants. Accordingly, the formula for arriving at the adjusted number of share options shall be $Q_0 \times (1+0.2)$, and the adjusted number of share options shall be 123,586,800, a breakdown of which is set out as follows:

Position	Name	Number of share options
		(Unit: 10,000)
Director	Zhang Jianheng	3.6
Director	Xie Weiliang	3.6
Director	Wang Zhanchen	3.6
Director	Zhang Junchao	3.6
Director	Dong Lianbo	3.6
Executive Vice President	Tian Wenguo	24
Executive Vice President	Qiu Weizhao	60
Executive Vice President	Fan Qingfeng	60
Executive Vice President	Zhao Xianming	60
Executive Vice President	Zeng Xuezhong	54
Senior Vice President	Pang Shengqing	54
Senior Vice President	Xu Huijun	42
Senior Vice President	Ye Weimin	48
Senior Vice President	Zhu Jinyun	54
Senior Vice President	Zhang Renjun	42
Senior Vice President	Chen Jianzhou	54
Senior Vice President	Cheng Lixin	24
Senior Vice President	Xiong Hui	48
Senior Vice President	Zhang Zhenhui	23.4
Secretary to the Board of Directors	Feng Jianxiong	48
Other Participants	1,508	11,645.28
Total	1,528	12,358.68

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

$$\text{Dividend payout: } P = P_0 - V$$

Where: P₀ represents the exercise price prior to the adjustment; V represents the dividend amount per share; P represents the exercise price after the adjustment.

According to the formula, the adjusted share option exercise price = $13.66 - 0.2 = \text{RMB}13.46$.

Conversion of capital reserve: $P = P_0 \div (1 + n)$

Where: P_0 represents the exercise price before the adjustment; n represents the increase per share resulting from the conversion of capital reserve, bonus issue and sub-division of shares; P represents the adjusted exercise price.

According to the formula, the adjusted share option exercise price shall be $13.46 \div (1 + 0.2) = \text{RMB}11.22$.

In summary, after the implementation of the 2013 profit distribution plan, the exercise price of share options shall be adjusted to $\text{RMB}13.66$; after the implementation of the 2014 plan for profit distribution and conversion of capital reserve, the number of share options shall be adjusted to 123,586,800, and the exercise price shall be adjusted to $\text{RMB}11.22$.

III. Conclusion of the legal opinion

Beijing Jun He Law Offices (Shenzhen Office) is of the view that: the adjustment of the number and exercise price of the share options has been duly authorised and approved and conducted according to currently required procedures; and that the adjustment to the number and exercise price of the share options under the Scheme 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 is in compliance with relevant provisions of 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 (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) and the Articles of Association. As such, the adjustment is legal and valid.

IV. Documents for inspection

1. Resolutions of the 2013 Annual General Meeting and resolutions of the 2014 Annual General Meeting;
2. "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" of the Twenty-eighth Meeting of the Sixth Session of the Board of Directors;
3. "Legal Opinion on the Adjustment of the Number and Exercise Price of Share Options

under the Share Option Incentive Scheme by ZTE Corporation Pursuant to the Rules”
furnished by Beijing Jun He Law Offices (Shenzhen Office).

By Order of the Board

Hou Weigui

Chairman

Shenzhen, the PRC

22 July 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.