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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 Cancellation of Certain Share Options**

*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 on the Cancellation of Certain Share Options” considered and approved at the Ninth Meeting of the Seventh Session of the Board of Directors of ZTE Corporation (the “Company”), it has been approved that a total of 4,598,370 share options previously granted to original participants will be cancelled. Matters pertaining to the cancellation of such share options are announced as follows:

### **I. Reasons for the cancellation of certain share options and number of share options to be cancelled**

In accordance with relevant provisions of pertinent laws and regulations and ZTE Corporation Share Option Incentive Scheme (Revised Draft) (the “Scheme”), the “Resolution on the Cancellation of Certain Share Options” was considered and approved at the Ninth Meeting of the Seventh Session of the Board of Directors of the Company held on 27 October 2016:

As at the date of this announcement, as 17 participants under the Scheme have certain unexercised options outstanding as at the end of the exercisable period of the first exercise period and 2 original participants have been terminated by the Company and disqualified as participants under the Scheme during the first exercise period due to material violations of regulations, a total of 327,690 share options previously granted to the 19 aforesaid persons but remained unexercised for the first exercise period shall be withdrawn and cancelled by the Company without compensation.

As 65 original participants under the Scheme of the Company departed, 1 became a Supervisor, 2 were deceased, 1 was subject to action by judiciary authorities due to material violations of discipline and 3 were terminated by the Company due to material violations of regulations during the period from 2 November 2015 to the date of this announcement, they are no longer qualified as participants under the Scheme. The Company shall disqualify the 72 aforesaid persons from participation in the Scheme and 1,759,320 share options previously granted to the 72 aforesaid persons for the second exercise period and 2,345,760 share options granted for the third exercise period (totaling 4,105,080 share options) shall be

withdrawn and cancelled by the Company without compensation.

As 1 participant was punished by the Company with a demerit owing to his dereliction of duty or malfeasance damaging the interests or reputation of the Company during the period from 2 November 2015 to the date of this announcement and 6 participants did not pass the annual performance appraisal for the second exercise period of the Scheme, such 7 persons did not meet the exercise conditions for the second exercise period and a total of 165,600 of their granted share options for the second exercise period shall be withdrawn and cancelled by the Company without compensation.

As a result, a total of 4,598,370 share options previously granted to the aforesaid original participants shall be cancelled by the Company.

The said cancellation of certain share options will not affect the implementation of the Scheme.

## **II. Details of the cancellation of share options**

Content	Remark
Type of stock cancelled	Share options
Number of share options cancelled	4,598,370
Cancelled share options as a percentage of adjusted total number of share options granted	4.1052%
Cancelled share options as a percentage of the current total share capital of the Company	0.1105%

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

The said cancellation of certain share options represents normal adjustments conducted in accordance with relevant provisions under the Scheme. It will not have any material impact on the operating results of the Company, nor affect the diligent dispensation of duties by the staff and management team of the Company, who will continue to perform their duties meticulously and use their best endeavor to add value for shareholders.

## **IV. Independent opinion of the Independent Non-executive Directors on the cancellation of certain share options**

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

## **V. Opinion of the Supervisory Committee on the cancellation of certain share options**

The Supervisory Committee considered and approved the "Resolution on the Cancellation of Certain Share Options" at the Seventh Meeting of the Seventh Session of the Supervisory Committee held on 27 October 2016. 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 Second Exercise Period of ZTE Corporation,” the cancellation of certain share options by the Company was in compliance with relevant provisions of pertinent laws and regulations, the Scheme and the Articles of Association of ZTE Corporation.

## **VII. Documents for inspection**

1. Resolution of the Ninth Meeting of the Seventh Session of the Board of Directors;
2. Resolution of the Seventh Meeting of the Seventh Session of the Supervisory Committee;
3. Examination Opinion of the Supervisory Committee on Matters pertaining to the Exercise of Share Options for the Second 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 Second Exercise Period under the Share Option Incentive Scheme;
5. “Legal Opinion on Matters pertaining to the Exercise of Share Options for the Second Exercise Period of ZTE Corporation” furnished by Beijing Jun He Law Offices (Shenzhen Office).

By Order of the Board

**Zhao Xianming**

*Chairman*

Shenzhen, the PRC

27 October 2016

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