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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 of Matters relating to the Grant of 2017 Share Options

This announcement is made pursuant to Rule 17.06A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Company and all 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 or misleading statement or material omission in this announcement.

Pursuant to the "Resolution on Matters pertaining to the Grant of Share Options under the 2017 Share Option Incentive Scheme of the Company" considered and passed at the Twentieth Meeting of the Seventh Session of the Board of Directors of ZTE Corporation (the "Company"), the date of grant has been set for 6 July 2017 (Thursday), on which share options shall be granted to the participants of the Scheme (the "Participants"). Pertinent matters are set out as follows:

I. Brief description of the 2017 Share Option Incentive Scheme and relevant approval procedures performed

(I) Brief description of the 2017 Share Option Incentive Scheme

Pursuant to the "ZTE Corporation 2017 Share Option Incentive Scheme (Draft)" ("2017 Share Option Incentive Scheme (Draft)", or "2017 Share Option Incentive Scheme" or the "Scheme" for the purposes of the currently implemented share option scheme), it is proposed that a total of not more than 150 million share options shall be granted to Participants by the Company. Each share option shall entitle its holder to purchase one ZTE ordinary A share on any exercise date during the effective period of the Scheme at the exercise price and subject to the conditions of exercise. The source of shares under the 2017 Share Option Incentive Scheme shall be shares of the Company issued to the Participants by the Company by way of placing. Share options proposed to be granted under the 2017 Share Option Incentive Scheme shall account for approximately 3.6% of the total share capital of the Company as at the date of announcement of the 2017 Share Option Incentive Scheme (Draft). The exercise price

shall be RMB17.06 / share. The share options shall be valid for a period of 5 years from the date of grant. The vesting period for the share options granted shall be 2 years from the date of grant. Thereafter, one-third of the options shall become exercisable in each of the three exercise periods, namely, the first, second and third exercise periods, subject to the fulfilment of conditions relating to business performance.

On 6 July 2017, the “Resolution on Adjustments to the List of Participants and the Number of share options to be Granted under the 2017 Share Option Incentive Scheme of the Company” was considered and passed at the Twentieth Meeting of the Seventh Session of the Board of Directors of the Company. As certain Participants confirmed under the 2017 Share Option Incentive Scheme have left the Company or waived participation in the 2017 Share Option Incentive Scheme due to personal reasons, the Board of Directors of the Company resolved to adjust accordingly the list of Participants and the number of share options to be granted according to the 2017 Share Option Incentive Scheme (Draft): the number of Participants shall be adjusted from 2,013 persons to 1,996 persons, while the number of share options to be granted shall be adjusted from 150 million to 149,601,200.

(II) Relevant approval procedures performed

1. On 24 April 2017, the “Resolution on ‘ZTE Corporation 2017 Share Option Incentive Scheme (Draft)’ and its summary”, “Resolution on the ‘ZTE Corporation 2017 Share Option Incentive Scheme Performance Appraisal System’” and “Resolution on a mandate granted to the Board of Directors by the General Meeting of ZTE Corporation to deal with matters pertaining to the 2017 Share Option Incentive Scheme” were considered and passed at the Seventeenth Meeting of the Seventh Session of the Board of Directors and the Fourteenth Meeting of the Seventh Session of the Supervisory Committee of the Company. The Supervisory Committee of the Company has verified the list of Participants to be granted share options as confirmed under the 2017 Share Option Incentive Scheme and the Independent Non-executive Directors and legal advisors of the Company have furnished opinions on matters relating to share option incentives, respectively.

2. On 20 June 2017, the 2016 Annual General Meeting and the First A Shareholders’ Class Meeting of 2017 were held by way of a combination of on-site voting and online voting, and the First H Shareholders’ Class Meeting of 2017 was held by way of on-site meeting, at which the “Resolution on ‘ZTE Corporation 2017 Share Option Incentive Scheme (Draft)’ and its summary”, “Resolution on the ‘ZTE Corporation 2017 Share Option Incentive Scheme Performance Appraisal System’” and “Resolution on a mandate granted to the Board of Directors by the General Meeting of ZTE Corporation to deal with matters pertaining to the 2017 Share Option

Incentive Scheme” were considered and passed by way of special resolution.

3. The Company published the “Public Notice of the List of Participants for the 2017 Share Option Incentive Scheme of the Company” on the Company’s website (www.zte.com.cn) on 24 April 2017 to give public notice of the names and positions of the aforesaid Participants. The public notice period commenced on 24 April 2017 and ended on 4 May 2017. No instances of Participants’ non-fulfillment of relevant qualifications had been identified upon the expiry of the public notice period. The Company disclosed the result of the verification of the list of Participants by the Supervisory Committee and the result of the public notice 5 days prior to the general meeting held to consider the 2017 Share Option Incentive Scheme.

4. On 6 July 2017, the “Resolution on Matters pertaining to the Grant of Share Options under the 2017 Share Option Incentive Scheme of the Company” and “Resolution on Adjustments to the List of Participants and the Number of share options to be Granted under the 2017 Share Option Incentive Scheme of the Company” were considered and passed at the Twentieth Meeting of the Seventh Session of the Board of Directors and the Seventeenth Meeting of the Seventh Session of the Supervisory Committee of the Company, pursuant to which the date of grant for the 2017 Share Option Incentive Scheme of the Company has been set for 6 July 2017 (Thursday) and share options shall be granted to Participants according to the adjusted list of Participants and the number of share options to be granted. The Independent Non-executive Directors and legal advisors of the Company have furnished opinions on the matter, respectively.

II. Conditions for the grant of 2017 Share Options and statement of the Board of Directors on the fulfillment of the conditions of grant

(I) In accordance with the provisions of the 2017 Share Option Incentive Scheme (Draft), Participants shall be granted share options only if all of the following conditions for the grant of share options are fulfilled:

1. None of the following circumstances has occurred in relation to the Company:

(1) Issue of the Company’s financial and accounting report for the most recent financial year in which a certified public accountant gives an adverse opinion or indicates the inability to give an opinion;

(2) Issue of an audit report containing an adverse opinion or indication of inability to give an opinion by a certified public accountant in the internal control of financial reporting for the most recent accounting year;

- (3) Failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings during the past 36 months after listing;
- (4) Prohibition from participation in share incentive schemes under laws and regulations;
- (5) Other circumstances as determined by the CSRC

2. None of the following circumstances has occurred in relation to the Participants:

- (1) Having been declared an inappropriate candidate by the Shenzhen Stock Exchange in the past 12 months;
- (2) Having been declared an inappropriate candidate by the CSRC or its local bureaus in the past 12 months;
- (3) Having been imposed with administrative penalties or prohibited from market entry by the CSRC or its local bureaus in the past 12 months owing to material violations of laws and regulations;
- (4) Being prohibited from acting as a Director or a member of the senior management of the Company under the Company Law;
- (5) Being prohibited from participation in the share incentive schemes of listed companies under laws and regulations;
- (6) Other circumstances as determined by the CSRC;
- (7) Other material violations of relevant regulations of the Company as determined by the Board of Directors of the Company.

3. Conditions for the grant of share options under the Scheme in relation to business performance: the average amount of the published audited net profit of the Company attributable to ordinary shareholders of the listed company for the past 3 accounting years shall not be a negative value.

(II) Statement of the Board of Directors on the fulfillment of the conditions for the grant of share options under the 2017 Share Option Incentive Scheme:

As verified by the Board of Directors of the Company, none of the aforesaid circumstances has occurred in relation to the Company and the Participants, and the conditions for the grant of share options have been fulfilled. The Independent Non-executive Directors of the Company have furnished an independent opinion concurring to the grant.

III. Differences between the 2017 Share Option Incentive Scheme to be implemented and the previously disclosed 2017 Share Option Incentive Scheme

As 13 Participants have left the Company and 4 Participants have waived participation in the Scheme due to personal reasons who are confirmed under the 2017 Share Option Incentive Scheme, the list of Participants and the number of share options to be granted have been adjusted pursuant to the “Resolution on Matters pertaining to the Grant of Share Options under the 2017 Share Option Incentive Scheme of the Company” and “Resolution on Adjustments to the List of Participants and the Number of Share Options to be Granted under the 2017 Share Option Incentive Scheme of the Company” considered and passed at the Twentieth Meeting of the Seventh Session of the Board of Directors and the Seventeenth Meeting of the Seventh Session of the Supervisory Committee of the Company held on 6 July 2017 in accordance with the provisions of 2017 Share Option Incentive Scheme(Draft): the number of Participants has been adjusted from 2,013 persons to 1,996 persons, and the number of share options to be granted has been adjusted from 150 million to 149,601,200.

IV. Information on the grant of share options

1. Date of grant of share options: 6 July 2017 (Thursday).

2. Exercise price of the share options: RMB17.06 / share

Closing prices of shares on the date of grant:

The closing prices of the A shares and H shares of the Company on the date of grant is RMB23.25/ A share and HK\$18.40 / H share, respectively.

3. Scheme Participants and the number of share options to be granted:

Position	Name	Number of share options proposed to be allocated	As a percentage of the total number of share options to be granted	As a percentage of the total share capital in issue of the Company
		(Unit: in ten thousands)	Percentage (%)	Percentage (%)
Vice chairman	Zhang Jianheng	5	0.0334%	0.0012%
Vice chairman	Luan Jubao	5	0.0334%	0.0012%
Director and President	Zhao Xianming	80	0.5348%	0.0191%
Director	Wang Yawen	5	0.0334%	0.0012%
Director	Tian Dongfang	5	0.0334%	0.0012%
Director	Zhan Yichao	5	0.0334%	0.0012%
Executive Vice	Xu Huijun	55	0.3676%	0.0131%

Position	Name	Number of share options proposed to be allocated	As a percentage of the total number of share options to be granted	As a percentage of the total share capital in issue of the Company
		(Unit: in ten thousands)	Percentage (%)	Percentage (%)
President				
Executive Vice President	Zhang Zhenhui	55	0.3676%	0.0131%
Executive Vice President	Pang Shengqing	45	0.3008%	0.0107%
Executive Vice President	Xiong Hui	45	0.3008%	0.0107%
Board Secretary	Cao Wei	20	0.1337%	0.0048%
Other core personnel	1,985	14,635.12	97.8277%	3.4928%
Total	1,996	14,960.12	100.0000%	3.5703%

Save as disclosed above, none of the Participants is a director, chief executive or substantial shareholder of the Company, or any of their respective associates (as defined under the Listing Rules) as at the date of this announcement.

V. Effect of the Company's 2017 Share Option Incentive Scheme on the financial conditions and operating results of the Company for the relevant year

The Company's 2017 Share Option Incentive Scheme will affect the financial conditions and operating results of the Company for the relevant year. The Board of Directors has confirmed that the date of grant for the share options shall be 6 July 2017 (Thursday). Assuming all of the 1,996 Participants to be granted share options exercise their options in full during the respective exercise periods, the estimated cost for the share options granted for the respective periods are calculated as follows:

Year	2017	2018	2019	2020	2021	Total
Cost for the share options (RMB in ten thousands)	26,836.79	53,673.59	41,880.02	21,725.42	6,682.19	150,798.01

The cost of share options will be charged to recurring profit / loss. The effect on the Company's financial conditions and operating results set out above represents estimates only and the final result is subject to the annual audit report furnished by the accounting firm.

VI. Financing arrangements relating to personal income tax for Participants

In accordance with national tax laws and regulations, the Company shall withhold and pay personal income tax on behalf of the Participants. Personal income tax shall be financed by the Participants on their own account. The Company shall not provide

loans or other financial assistance in any form (such as the provision of guarantee for their loans) to the Participants.

VII. Opinion of Independent Non-executive Directors

The adjustments to the Participants and the number of Share options to be granted under the 2017 Share Option Incentive Scheme effected by the Company are in compliance with relevant provisions of the Administrative Measures on Share Incentives of Listed Company (《上市公司股權激勵管理辦法》) (the “Measures”), Memorandum on Information Disclosure on the Main Board No. 3 – Share Option Incentives and Staff Shareholding Plan (“Memorandum No. 3”) and the 2017 Share Option Incentive Scheme (Draft) of the Company, and the Independent Non-executive Directors of the Company unanimously approve the conduct of the aforesaid adjustments to the Participants and the number of Share options to be granted and the grant of 149,601,200 Share options to 1,996 Participants. For details, please refer to the “Overseas Regulatory Announcement Independent Opinion of the Independent Non-executive Directors on the 2017 Share Option Incentive Scheme” published on the same date as this announcement.

VIII. Verification of the list of Participants by the Supervisory Committee

Having conducted verification of the list of Participants of the Company, the Supervisory Committee is of the view that: adjustments to the Participants and the number of Share options under the 2017 Share Option Incentive Scheme effected by the Company are in compliance with relevant provisions of the Measures, Memorandum No. 3 and the 2017 Share Option Incentive Scheme (Draft); Participants to be granted Share options as confirmed by the Company following the adjustments are in compliance with the conditions for Participants set out in the Measures, Memorandum No. 3 and other laws, regulations and governing documents, and within the scope of Participants provided for in the 2017 Share Option Incentive Scheme, and their qualifications as Participants under the 2017 Share Option Incentive Scheme are legal and valid; other than certain Participants who did not receive any grant after leaving the Company or waiving participation in the 2017 Share Option Incentive Scheme due to personal reasons, the list of Participants to be granted Share options by the Company is consistent with the Participants set out in the 2017 Share Option Incentive Scheme approved at the 2016 Annual General Meeting, the First A Shareholders’ Class Meeting of 2017 and the First H Shareholders’ Class Meeting of 2017. For details, please refer to the “Overseas Regulatory Announcement Verification Opinion of the Seventh Session of Supervisory Committee on the List of Participants for and the number of Share options to be granted under the 2017 Share Option Incentive Scheme” published on the same date as this announcement.

IX. Conclusive views of the legal opinion

Beijing Jun He Law Offices (Shenzhen Office) is of the view that, the adjustments to the list of Participants and the number of Share options to be granted under the Share Option Incentive Scheme of the Company (the “Adjustments”) and matters pertaining to the grant of Share options to the Participants following the Adjustments (the “Grant”) have received requisite authorisations and approvals and fulfilled procedures required at this stage; the Board of Directors of the Company has the right to determine the date of grant for the Grant, and the date of grant so determined is not in violation of relevant provisions of the Measures and the 2017 Share Option Incentive Scheme (Draft); the adjustment to the list of Participants for and the number of options to be granted under the 2017 Share Option Incentive Scheme by the Board of Directors of the Company has been in compliance with relevant provisions of the “Company Law of the People’s Republic of China” (the “Company Law”), the “Securities Law of the People’s Republic of China” (the “Securities Law”), the Measures and Memorandum No. 3, and the Adjustments are legal and valid. The Grant has fulfilled the conditions for the Participants to be granted Share options provided under the Measures and the 2017 Share Option Incentive Scheme (Draft); the Participants to be granted Share options under the Grant are in compliance with relevant provisions of the Company Law, the Securities Law, the Measures and Memorandum No. 3, and their qualifications as Participants under the 2017 Share Option Incentive Scheme of the Company are legal and valid.

X. Documents for inspection

1. Resolution of the Twentieth Meeting of the Seventh Session of the Board of Directors;
2. Resolution of the Seventeenth Meeting of the Seventh Session of the Supervisory Committee;
3. Legal Opinion furnished by Beijing Jun He Law Offices (Shenzhen Office).

By Order of the Board

Yin Yimin

Chairman

Shenzhen, the PRC

6 July 2017

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