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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)**

**BONUS SHARES ISSUE AND DIVIDENDS PAYMENT**

**DESPATCHING OF SHARE CERTIFICATES AND CHEQUES**

**DATE OF COMMENCEMENT OF DEALINGS**

**WITHHOLDING OF ENTERPRISE INCOME TAX FOR NON-RESIDENT ENTERPRISE SHAREHOLDERS**

**WITHHOLDING OF PERSONAL INCOME TAX FOR INDIVIDUAL H SHAREHOLDERS**

Reference is made to the Circular and the Announcement.

It is hereby announced that (1) the declaration and payment of a final dividend of RMB0.30 per Share (including tax) for A Shareholders and HK\$0.35859 for H Shareholders (based on an exchange rate of HK\$100 to RMB83.6616, being the average of the HK\$ to RMB exchange rates for the five business days up to and including 17 May 2011 as announced by The People's Bank of China); and (2) the issuance of a total of 573,346,336 Bonus Shares, out of which 104,930,907 Bonus H Shares will be issued to the H Shareholders whose names appeared on the H Shareholders' register on the H Share Record Date (being 15 April 2011), based on a total of 2,866,731,684 Shares (comprising a total of 524,654,538 H Shares and a total of 2,342,077,146 A Shares) in issue as at the respective record date for the A Shareholders and H Shareholders, have been approved by the Shareholders. Final dividend to be distributed to (1) all non-individual H Shareholders (including HKSCC Nominee Limited, corporate nominees or trustees, and other entities or organisations that are considered as non-resident enterprise shareholders) and (2) all individual H Shareholders, whose names appeared on the H Shareholders' register on the H Share Record Date (15 April 2011), will be subject to a 10% income tax and a 20% personal income tax, respectively, to be withheld by the Company.

The Board proposes to despatch (1) the cheques for the Dividends; and (2) the share certificates for the Bonus H Shares to the H Shareholders entitled thereto at their own risk on or about Wednesday, 6 July 2011 by ordinary post. The Dividends will be payable on 7 July 2011. Dealing in the Bonus H Shares is expected to commence on Thursday, 7 July 2011.

## **INTRODUCTION**

Reference is made to the circular of the Company dated 29 March 2011 (the “**Circular**”) in relation to the Proposed Bonus Shares Issue and Dividends and the announcement of the Company dated 17 May 2011 on the voting results of the annual general meeting of the Company held on 17 May 2011 (the “**Announcement**”), which relates to, among other things, Shareholders’ approval of the Bonus Share Issue and Dividends. Unless otherwise specified, capitalised terms used in this announcement shall have the same meanings as defined in the Circular.

It is hereby announced that (1) the declaration and payment of a final dividend of RMB0.30 per Share (including tax) for A Shareholders and HK\$0.35859 for H Shareholders (based on an exchange rate of HK\$100 to RMB83.6616, being the average of the HK\$ to RMB exchange rates for the five business days up to and including 17 May 2011 as announced by The People’s Bank of China); and (2) the issuance of a total of 573,346,336 Bonus Shares, out of which 104,930,907 Bonus H Shares will be issued to the H Shareholders whose names appeared on the H Shareholders’ register on the H Share Record Date (being 15 April 2011), based on a total of 2,866,731,684 Shares (comprising a total of 524,654,538 H Shares and a total of 2,342,077,146 A Shares) in issue as at the respective record date for the A Shareholders and H Shareholders, have been approved by the Shareholders. The issue of Bonus Shares will be conducted by way of capitalization of the capital reserve. Shareholders whose names appeared on the respective Record Dates for A Shareholders and H Shareholders will be issued two (2) Bonus Shares, credited as fully paid, for every ten (10) existing Shares held.

## **DESPATCHING OF CHEQUES AND SHARE CERTIFICATES**

The Board proposes to despatch (1) the cheques for the Dividends; and (2) the share certificates for the Bonus H Shares to the H Shareholders entitled thereto at their own risk on or about Wednesday, 6 July 2011 by ordinary post.

In case of joint shareholdings, the certificates for the Bonus H Shares will be posted to the address of the first person on the H Shareholder’s register in respect of such joint shareholdings.

## **LISTING AND DEALINGS IN THE BONUS H SHARES**

All necessary arrangements have been made for the Bonus H Shares to be admitted into CCASS. The Bonus H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Dealings in the Bonus H Shares are expected to commence on Thursday, 7 July 2011.

## **WITHHOLDING OF ENTERPRISE INCOME TAX FOR NON-RESIDENT ENTERPRISE SHAREHOLDERS**

Pursuant to the “Enterprise Income Tax Law of the People’s Republic of China”(《中華人民共和國企業所得稅法》) and the “Implementation Regulations of the Enterprise Income Tax Law of the People’s Republic of China”(《中華人民共和國企業所得稅實施條例》), both effective as from 1 January 2008, any PRC domestic enterprise which declares and pays dividend to a non-resident enterprise shareholder (i.e. a corporate shareholder) in respect of any financial period beginning from 1 January 2008 shall withhold and pay enterprise income tax on behalf of such shareholder. The obligation to withhold and pay the enterprise income tax shall rest with the dividend payer.

Final dividend to be distributed to non-individual H Shareholders (including HKSCC Nominees Limited, corporate nominees or trustees, and other entities or organisations that are considered as non-resident enterprise shareholders) whose names appeared in the H Shareholders’ register on the H Share Record Date (being 15 April 2011) will be subject to a 10% income tax to be withheld by the Company.

## **WITHHOLDING OF PERSONAL INCOME TAX FOR INDIVIDUAL H SHAREHOLDERS**

Following recent changes in PRC laws and regulations on taxation, the “Notice on Issues relating to the Collection of Income Tax on Profits from the Transfer of Stocks (Equity Interests) and Dividends Received by Enterprises with Foreign Investment, Foreign Enterprises and Individual Foreigners”(《關於外商投資企業、外國企業和外籍個人取得股票(股權)轉讓收益和股息所得稅收問題的通知》) (Guo Shui Fa [1993] No. 45) (the “**Notice**”, pursuant to which dividends (bonuses) received by foreign individuals holding H Shares from domestic H-share issuing enterprises were for the time being exempted from PRC personal income tax) was rescinded, as announced by the State Administration of Taxation in its “Announcement on the List of Regulatory Documents on Taxation Wholly or Partially Nullified and Rescinded”(《關於公布全文失效廢止、部份條款失效廢止的稅收規範性文件目錄的公告》) dated 4 January 2011. Therefore, the Notice no longer provides any basis for the exemption of personal income tax for individual shareholders holding the Company’s H shares whose names appeared on the register of members of H shares of the Company (the “**Individual H Shareholders**”) in respect of the Company’s payment of the final dividend for the year ended 31 December 2010. Pursuant to the “Personal Income Tax Law of the People’s Republic of China”(《中華人民共和國個人所得稅法》), Implementation Regulations of the Personal Income Tax Law of the People’s Republic of China(《中華人民共和國個人所得稅法實施條例》), Provisional Measures for the Withholding and Payment of Personal Income Tax(《個人所得稅代扣代繳暫行辦法》) and other pertinent laws and regulations (the “**Relevant Regulations**”) and the opinions issued by relevant PRC tax authorities, Individual H Shareholders shall pay personal income tax at a tax rate of 20% upon their receipt of dividend and bonus from the Company,

which personal income tax shall be withheld and paid by the Company on behalf of Individual H Shareholders. Subject to confirmation by competent tax authorities of relevant information furnished by Individual H Shareholders, such Individual H Shareholders may be entitled to tax concessions (if any) in accordance with relevant provisions of, among others, taxation agreements (arrangements). However, as relevant PRC tax authorities have yet to announce detailed operational procedures for the execution of taxation agreements, the Company is not in a position to advise the actual procedures for claiming relevant concessions in accordance with relevant provisions of, among others, taxation agreements (arrangements), or what information shall Individual H Shareholders be required to furnish. The Company will make timely announcements to advise Individual H Shareholders on actions to be taken after relevant PRC tax authorities have specified the relevant procedures in future.

To ensure the timely payment of dividend to all Shareholders without violations of pertinent regulations, final dividend to be distributed to all individual H Shareholders whose names appeared on the H Shareholders' register on the H Share Record Date (15 April 2011) will be subject to a 20% personal income tax, with a total amount of HK\$66,990.78, to be withheld by the Company.

Shareholders should consult their tax advisors regarding tax implications in the PRC, Hong Kong and otherwise associated with the ownership or disposal of H shares in the Company.

By Order of the Board  
Hou Weigui  
Chairman

Shenzhen, PRC  
30 June 2011

*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, Lei Fanpei, Xie Weiliang, Wang Zhancheng, Zhang Junchao and Dong Lianbo; and five independent non-executive directors, Qu Xiaohui, Wei Wei, Chen Naiwei, Tan Zhenhui and Timothy Alexander Steinert.*