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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 Share Options

The Company and all the members of the Board of Directors confirm that the contents of this announcement are true, accurate and complete. It does not contain any false information or misleading statements, nor are there any material omissions therefrom.

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").

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 of ZTE Corporation (the "Company"), the date of grant has been set for 31 October 2013 (Thursday), on which share options shall be granted to Participants. Matters relating to the grant of share options are set out as follows:

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

(I) Brief description of the Share Option Incentive Scheme

Pursuant to the "ZTE Corporation Share Option Incentive Scheme (Revised Draft)" ("Share Option Incentive Scheme (Revised Draft)"), it is proposed that a total of not more than 103,200,000 share options shall be granted to Participants under the Share Option Incentive Scheme ("Share Option Incentive Scheme" or the "Scheme"). 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, subject to the conditions of exercise. The source of

shares under the 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 Share Option Incentive Scheme shall account for 3% of the total share capital of 3,440.08 million shares of the Company as at the date of announcement of the Share Option Incentive Scheme (Revised Draft). The exercise price shall be RMB13.69 / share.

On 31 October 2013, the “Resolution on Adjustments to the List of Participants and the Number of Share Options to be Granted under the Share Option Incentive Scheme of the Company” was considered and passed at the Eleventh Meeting of the Sixth Session of the Board of Directors of the Company. As certain Participants confirmed under the Share Option Incentive Scheme had left the Company or deceased and no longer qualified to be Participants, the Board of Directors of the Company resolved to adjust accordingly the list of Participants and the number of share options to be granted: the number of Participants shall be adjusted from 1,531 persons to 1,528 persons. While the number of share options to be granted shall be adjusted from 103.2 million to 102.989 million.

(II) Relevant approval procedures performed

1. On 22 July 2013, the “ZTE Corporation Share Option Incentive Scheme (Draft)” (“Share Option Incentive Scheme (Draft)”) and its summary was considered and passed at the Sixth Meeting of the Sixth Session of the Board of Directors and the Fourth Meeting of the Sixth 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 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.

Subsequently, the Company made certain amendments to certain provisions of the Share Option Incentive Scheme (Draft) in accordance with compliance comments given by The Stock Exchange of Hong Kong Limited pursuant to the Listing Rules of Hong Kong.

2. On 20 August 2013, the Company was notified that the opinion of the State-owned shareholder of the Company in respect of the Company's implementation of the Share Option Incentive Scheme had been approved by the State-owned Assets Supervisory and Administration Commission ("SASAC") by way of the "Reply to the Opinion on the Filing of the ZTE Corporation Share Option Incentive Scheme" (Guo Zi Ting Fen Pei [2013] No. 418) (《關於中興通訊股份有限公司股票期權激勵計劃備案有關意見的覆函》(國資廳分配[2013]418 號)) and had been filed by the SASAC.

3. On 23 August 2013, the Company was notified that Department No. 1 for the Regulation of Listed Companies under the China Securities Regulatory Commission ("CSRC") had confirmed it had no objection to the holding of a general meeting by the Company to consider the Share Option Incentive Scheme in accordance with the "Measures Governing Equity Incentive Plans of Listed Companies (Trial)" (《上市公司股權激勵管理辦法(試行)》) (the "Measures") by virtue of the document "Opinion on ZTE Corporation Share Option Incentive Scheme" (Shang Shi Yi Bu Han [2013] No. 539) (《關於中興通訊股份有限公司股票期權激勵計劃的意見》(上市一部函[2013]539 號)).

4. On 26 August 2013, "ZTE Corporation Share Option Incentive Scheme (Revised Draft)" and its summary was considered and passed at the Eighth Meeting of the Sixth Session of the Board of Directors of the Company, and it was resolved that the Third Extraordinary General Meeting of 2013, the First A Shareholders' Class Meeting of 2013 and the First H Shareholders' Class Meeting of 2013 will be held. The Independent Non-executive Directors and legal advisors of the Company have furnished opinions on the revision of the Share Option Incentive Scheme, respectively.

5. On 15 October 2013, the Third Extraordinary General Meeting of 2013 and the First A Shareholders' Class Meeting of 2013 were held by way of a combination of on-site voting, online voting and voting by Independent Non-executive Directors as proxies, the First H Shareholders' Class Meeting of 2013 was held by way of a combination of on-site voting and voting by Independent Non-executive Directors as proxies, at which the "ZTE Corporation

Share Option Incentive Scheme (Revised Draft)” and its summary, “Resolution on the ZTE Corporation 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 Share Option Incentive Scheme” were considered and passed by way of special resolution.

6. On 31 October 2013, the “Resolution on Matters pertaining to the Grant of Share Options under the 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 Share Option Incentive Scheme of the Company” were considered and passed at the Eleventh Meeting of the Sixth Session of the Board of Directors and the Ninth Meeting of the Sixth Session of the Supervisory Committee of the Company, pursuant to which the date of grant for the Share Option Incentive Scheme of the Company has been set for 31 October 2013 (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 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 Share Option Incentive Scheme (Revised 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 a qualified opinion or indicates the inability to give an opinion;
- (2) The imposition of administrative penalties by the CSRC during the past year due to material non-compliance of laws and regulations by the Company; and
- (3) Other circumstances as determined by the CSRC.

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

- (1) Public censure or declaration as ineligible candidate by the Shenzhen Stock Exchange in the previous three years;
- (2) The imposition of administrative penalties by the CSRC during the previous three years due to material non-compliance of laws and regulations;
- (3) Occurrence of circumstances under which the Participant is prohibited from acting as a director and member of the senior management of a company, as stipulated in the Company Law; and
- (4) Other material breach of relevant requirements of the Company as determined by the Board of Directors.

(II) Statement of the Board of Directors on the fulfillment of the conditions for the grant of share options under the 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 Share Option Incentive Scheme to be implemented and the previously disclosed Share Option Incentive Scheme

As it has been confirmed that certain Participants under the Scheme have left the Company or have deceased, and have ceased to qualify as Participants according to the provisions of the Share Option Incentive Scheme, the Company has accordingly adjusted the list of Participants and the number of share options to be granted pursuant to the “Resolution on Matters pertaining to the Grant of Share Options under the 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 Share Option Incentive Scheme of the Company” considered and passed at the Eleventh Meeting of the Sixth Session of the Board of Directors and the Ninth Meeting of the Sixth Session of the Supervisory Committee of the Company held on 31 October 2013: the number of Participants has been adjusted from 1,531 persons to

1,528 persons, and the number of share options to be granted has been adjusted from 103.2 million to 102.989 million.

IV. Information on the grant of share options

1. Date of grant of share options: 31 October 2013 (Thursday).

2. Exercise price of the share options: RMB13.69 / share

For illustration purposes only, the closing prices of the Company's A shares and H shares on the date of grant were RMB15.18/share and HKD16.9/share, respectively.

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

Number	Position	Name	Number of options proposed to be allocated	As a percentage of the total number of share options to be granted	As a percentage of the current total share capital
			(Unit: in ten thousands)		
1	Director	Zhang Jianheng	3	0.03%	0.001%
2	Director	Xie Weiliang	3	0.03%	0.001%
3	Director	Wang Zhanchen	3	0.03%	0.001%
4	Director	Zhang Junchao	3	0.03%	0.001%
5	Director	Dong Lianbo	3	0.03%	0.001%
6	Executive Vice President	Tian Wenguo	20	0.19%	0.006%
7	Executive Vice President	Qiu Weizhao	50	0.49%	0.015%
8	Executive Vice President	Fan Qingfeng	50	0.49%	0.015%
9	Senior Vice President	Zhao Xianming	50	0.49%	0.015%
10	Senior Vice President	Pang Shengqing	45	0.44%	0.013%
11	Senior Vice President	Zeng Xuezhong	45	0.44%	0.013%
12	Senior Vice President	Xu Huijun	35	0.34%	0.010%
13	Senior Vice President	Ye Weimin	40	0.39%	0.012%
14	Senior Vice President	Zhu Jinyun	45	0.44%	0.013%
15	Senior Vice President	Zhang Renjun	35	0.34%	0.010%
16	Senior Vice President	Chen Jianzhou	45	0.44%	0.013%
17	Senior Vice President	Cheng Lixin	20	0.19%	0.006%

Number	Position	Name	Number of options proposed to be allocated	As a percentage of the total number of share options to be granted	As a percentage of the current total share capital
			(Unit: in ten thousands)		
18	Secretary to the Board of Directors	Feng Jianxiong	40	0.39%	0.012%
19	Other Participants	1,510 persons	9,763.9	94.81%	2.840%
	Total	1,528 persons	10,298.9	100%	3%

4. The share options shall be valid for a period of 5 years from the date of grant, subject to the exercise arrangements described in the following:

Exercise period	Duration	Percentage of options exercisable to the total number of options granted
First exercise period	Commencing from the first trading day after expiry of the 24-month period from the date of grant and ending on the last trading day of the 36-month period from the date of grant	30%
Second exercise period	Commencing from the first trading day after expiry of the 36-month period from the date of grant and ending on the last trading day of the 48-month period from the date of grant	30%
Third exercise period	Commencing from the first trading day after expiry of the 48-month period from the date of grant and ending on the last trading day of the 60-month period from the date of grant	40%

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

The Company's 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 31 October 2013 (Thursday). Assuming all

of the 1,528 Participants to be granted share options exercise their options in full during the respective exercise periods, the estimated expenses for the share options granted for the respective periods are calculated as follows:

Year	2013	2014	2015	2016	2017	Total
Amortisation (RMB in ten thousands)	3,127.03	18,762.19	17,560.92	10,642.35	5,067.79	55,160.28
Effect on earnings per share (RMB / share)	0.01	0.05	0.05	0.03	0.01	

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 is subject to the annual audit report furnished by the accountant 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 and other tax expenses payable on behalf of the Participants. Personal income tax and other tax expenses payable by the Participants shall be financed by the Participants on their own account. The Company shall not provide loans or any other forms of financial assistance (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 Share Option Incentive Scheme effected by the Company are in compliance with relevant provisions of the Measures, "Memorandum on Equity Incentives No. 1" (《股權激勵有關備忘錄 1 號》), "Memorandum on Equity Incentives No. 2" (《股權激勵有關備忘錄 2 號》), "Memorandum on Equity Incentives No. 3" (《股權激勵有關備忘錄 3 號》) and the Share Option Incentive Scheme (Revised 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 102.989 million share options to 1,528 Participants. For details, please refer to the "Overseas

Regulatory Announcement” 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 Share Option Incentive Scheme effected by the Company are in compliance with relevant provisions of the Measures, “Memorandum on Equity Incentives No. 1” (《股權激勵有關備忘錄 1 號》), “Memorandum on Equity Incentives No. 2” (《股權激勵有關備忘錄 2 號》), “Memorandum on Equity Incentives No. 3” (《股權激勵有關備忘錄 3 號》) and the Share Option Incentive Scheme (Revised 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 on Equity Incentives No. 1” (《股權激勵有關備忘錄 1 號》), “Memorandum on Equity Incentives No. 2” (《股權激勵有關備忘錄 2 號》), “Memorandum on Equity Incentives No. 3” (《股權激勵有關備忘錄 3 號》) and other laws, regulations and governing documents, and with the scope of Participants provided for in the Share Option Incentive Scheme, and their qualifications as Participants under the Share Option Incentive Scheme are legal and valid; other than certain Participants who have ceased to qualify as Participants by reason of resignation or decease and therefore have not been granted any share options, the list of Participants to be granted share options by the Company is consistent with the Participants set out in the Share Option Incentive Scheme approved 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. For details, please refer to the “Overseas Regulatory Announcement” 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 Share Option Incentive Scheme (Revised Draft); the Grant has fulfilled the conditions for the Participants to be granted share options provided under the Measures and the Share Option Incentive Scheme (Revised Draft); the Participants to be granted share options under the Grant are in compliance with relevant provisions of the “Company Law of the People’s Republic of China”, the “Securities Law of the People’s Republic of China”, the Measures, “Memorandum on Equity Incentives No. 1” (《股權激勵有關備忘錄 1 號》), “Memorandum on Equity Incentives No. 2” (《股權激勵有關備忘錄 2 號》), “Memorandum on Equity Incentives No. 3” (《股權激勵有關備忘錄 3 號》), and their qualifications as Participants under the Share Option Incentive Scheme of the Company are legal and valid.

By Order of the Board
Hou Weigui
Chairman

Shenzhen, the PRC
31 October 2013

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, Qu Xiaohui, Wei Wei, Chen Naiwei, Tan Zhenhui and Richard Xike Zhang.