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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)

**(1) Proposed adoption of A-Share Option Incentive Scheme
and Proposed Grant thereunder
AND
(2) Resumption of Trading**

This announcement is made by the Company pursuant to Rule 13.09 of the Hong Kong Listing Rules and the Inside Information Provisions (as defined in the Hong Kong Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong).

The Company hereby announces that on 22 July 2013, the Board passed a resolution in respect of the proposed adoption of the Scheme and the Proposed Grant thereunder by the Company, and the Board also proposed the draft of the Scheme and the draft proposal in respect of the Proposed Grant thereunder. The Scheme shall become effective upon approval of SASAC, no-objection filing with the CSRC and approval of the Shareholders in a general meeting of the Company. Before a general meeting is held for approval of the Scheme, the Company may make certain amendments to the draft of the Scheme and the draft proposal in respect of the Proposed Grant thereunder upon requests of the PRC and/or Hong Kong regulatory authorities.

The Company hereby announces the major contents of the proposed Scheme and the Proposed Grant thereunder, details of which are set out below:

I. PROPOSED ADOPTION OF THE SCHEME

1. Purpose of the Scheme

The Scheme is to further refine the corporate governance structure of the Company, to improve corporate incentive systems of the Company, to enhance loyalty and sense of responsibilities of the management and key personnel of the Company, to retain talent for sustainable development of the Company and to safeguard the realization of development targets of the Company.

2. Basis for determining the Participants and the scope of Participants of the Scheme

(1) Basis for determining the Participants

The Participants of the Scheme are determined taking into account of the Company's actual

situations, and in accordance with the Company Law, the Securities Law, the Incentive Measures, the Hong Kong Listing Rules as well as the relevant laws and regulations and the relevant provisions of the Articles of Association.

(2) Scope of Participants

The proposed Participants of the Scheme include Directors, senior management and key business personnel who have direct impact on the overall results and continuous development of the Company or who have outstanding contribution to the Company (but excluding any independent non-executive Directors, substantial Shareholders or de facto controllers which hold Shares representing 5% voting rights of the Company or above, or their spouse and lineal relatives).

In addition, persons listed below cannot be Participants under the Scheme, if they:

- (i) have been publicly censured or declared as an ineligible candidate by the Shenzhen Stock Exchange in the last three years;
- (ii) have been imposed with administrative penalties by the CSRC during the last three years due to material incompliance of laws and regulations; or
- (iii) are prohibited from acting as a Director, Supervisor or a member of the senior management of the Company under Article 147 of the Company Law;

3. Source and number of Shares under the Scheme

(1) Source of underlying Shares of the Scheme

The source of the underlying Shares of the Scheme shall be A Shares denominated in RMB.

(2) Number of underlying Shares

The total number of underlying A Shares in relation to the Options that may be granted under the Scheme shall not exceed 103,200,000 A Shares, representing approximately 3% of the Company's existing total issued share capital and approximately 3.7% of the total number of A Shares currently in issue.

Unless approved by the Shareholders in a general meeting, the aggregate number of A Shares to be issued to a Participant upon exercise of his Options under the Scheme or other effective share option incentive schemes of the Company (if any) at any time must not exceed 1% of the Company's total share capital of the same class, and the maximum entitlement which may be granted to a Participant (including exercised, cancelled and outstanding Options) within any 12-month period shall not exceed 1% of the Company's total share capital of the same class.

4. Incentive Method of the Scheme

Options will be granted under the Scheme as incentives. The underlying Shares are ordinary A Shares of the Company. Within the Validity Period and the exercise period, and subject to the fulfillment of the exercise conditions of the Scheme and the exercise arrangement, each

Option entitles the holder to acquire one A Share of the Company at a pre-determined price.

5. Validity Period, date of grant, vesting period, Exercise Date, exercise period and lock-up provisions

(1) Validity Period

The Scheme shall be effective for 5 years from the Date of Grant under the Scheme.

(2) Date of Grant

Please see the section “Proposed Grant under the Scheme — Date of Grant” below for further information on the date of grant of the Options.

(3) Vesting period

The vesting period of the Scheme is 2 years from the Date of Grant.

(4) Exercise Date

Options granted under the Scheme are exercisable according to its percentage as required under each batch subject to a vesting period of 2 years.

The Exercise Date must be a trading day which falls in the period from the second trading day after the announcement of the periodic reports of the Company to the tenth trading day prior to the announcement of next periodic reports of the Company, but must not fall within any of the following periods:

- (i) The period commencing from 3 days prior to the publication of the Company’s announcement of estimated results and preliminary results and ending on the second trading day after such announcements are published;
- (ii) Anytime during the decision process of a major transaction or major event until two trading days after such transaction or event is announced;
- (iii) Commencing from the occurrence date of any material event that may influence the Share price of the Company and ending on the second trading day after such material event is announced; and
- (iv) Where the Participant is a Director, the period commencing from 60 days immediately preceding the publication date of the annual results and ending on the publication date of the annual results (publication date included); and the period commencing from 30 days immediately preceding the publication date of the quarterly results and half-year results and ending on the publication date of the quarterly results and half-year results (publication date included).

(5) Exercise period

Subject to the fulfillment of the exercise conditions, Options granted under the Scheme can be exercised in batches after the expiry of the 2-year period from the Date of Grant according to the following exercise arrangement:

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%

(6) Lock-up provisions to the underlying Shares

The A Shares acquired by the Participants pursuant to the exercise of the Options under the Scheme are subject to the following lock-up provisions:

- (i) Where the Participant is a Director or member of the senior management, the number of Shares which may be transferred by the Participant per year during his/her tenure of office shall not exceed 25% of the total number of the Shares held by him/her, and the Participant shall not transfer the Shares held by him/her within 6 months after his/her resignation.
- (ii) Where the Participant is a Director or member of senior management, all gains from the sale of Shares within 6 months of acquisition or from the acquisition of Shares within 6 months of sale by the Participant shall be accounted to the Company and the Board will collect all such gains.
- (iii) If, during the Validity Period, there is any amendment to requirements regarding the Share transfer by a Director and senior management of the Company under the Company Law, the Securities Law, the Hong Kong Listing Rules, relevant regulations and the Articles of Association, the amended restrictions shall apply.

6. Exercise price and basis of determination

Please see the section “Proposed Grant under the Scheme — Exercise price and basis of determination” below for further information on the exercise price and its basis of determination.

7. Conditions of grant and exercise of the Options

(1) Conditions of grant of Options

The following conditions must be fulfilled before Participants are granted with the Options:

- (i) None of the following circumstances has occurred in relation to the Company:
 - (a) 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;
 - (b) The imposition of administrative penalties by the CSRC during the past one year due to material non-compliance of laws and regulations by the Company; and
 - (c) Other circumstances as determined by the CSRC.
- (ii) None of the following circumstances has occurred in relation to the Participant:
 - (a) Public censure or declaration as ineligible candidate by the Shenzhen Stock Exchange in the previous three years;
 - (b) The imposition of administrative penalties by the CSRC during the previous three years due to material non-compliance of laws and regulations;
 - (c) 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
 - (d) Other material breach of relevant requirements of the Company as determined by the Board.

(2) Conditions of exercise of Options

- (i) Performance indicators

There are two performance indicators for the Options to be exercised: (a) average weighted return on net assets (“ROE”) and (b) growth rate of net profit attributable to Shareholders (“Net Profit Growth”).

For the purpose of calculating the performance indicators, “net assets” shall refer to the net assets attributable to the Shareholders and “net profit” shall refer to the lower value of net profit and net profit deducting non-recurring gains and losses.

- (ii) Exercise conditions of the Options

Subject to the conditions abovementioned, the Options can only be exercised upon satisfaction of the following conditions:

- (a) During the Validity Period, the net profit attributable to the Shareholders and the net profit attributable to the Shareholders deducting non-recurring gains and losses for each year must not be lower than the average level of the three accounting years preceding the Date of Grant and must not be negative.
- (b) No Option can be exercised unless the Company has achieved the following applicable performance targets in the relevant exercise period:

Exercise period	Performance target
First exercise period	ROE for the year 2014 shall be no less than 6% and Net Profit Growth for the year 2014 shall be no less than 20% compared with the net profit of the year 2013
Second exercise period	ROE for the year 2015 shall be no less than 8% and Net Profit Growth for the year 2015 shall be no less than 20% compared with the net profit of the year 2014
Third exercise period	ROE for the year 2016 shall be no less than 10% and Net Profit Growth for the year 2016 shall be no less than 44% compared with the net profit of the year 2014

Adjustment to the above performance indicators in light of equity financing conducted by the Company during the Validity Period are as follows:

- (A) If the Company conducts an equity financing during the Validity Period so as to fully settle or finance the consideration payable for an asset acquisition, then the relevant ROE and Net Profit Growth in the exercise period immediately after the year of completion of such equity financing shall be adjusted by excluding such new assets from the amount of net profit of the Company and excluding the value of such new assets from the amount of net assets of the Company.
 - (B) If the Company conducts an equity financing during the Validity Period not for settle or finance the consideration payable for an asset acquisition, then the relevant ROE and Net Profit Growth in the exercise period immediately after the year of completion of such equity financing shall remain unchanged.
 - (C) If the Company conducts equity financing during the Validity Period so as to partially settle or finance the consideration payable for an asset acquisition, then the relevant ROE and Net Profit Growth in the exercise period immediately after the year of completion of such equity financing shall be adjusted partially in light of the sub-paragraphs (A) and (B) above.
- (c) The following conditions shall also be fulfilled by the Participants in order to exercise the Options:
- (A) During the Validity Period, none of the circumstances as stipulated in paragraph 7(1)(ii) has occurred in relation to the Participant as at the end of the relevant

exercise period, otherwise the Participant will abstain from participating in the Scheme without any compensation.

- (B) The Participant has passed his/her performance appraisal for the preceding year according to the “Share Option Incentive Scheme Performance Appraisal System of ZTE Corporation”, otherwise the Options exercisable by him/her in the relevant exercise period will be withdrawn and cancelled by the Company without any compensation.

If the above conditions are fulfilled, the Participants can exercise all his/her Options exercisable in the relevant exercise period.

8. Methods and procedures for adjustment of the number and the exercise price of the Options under the Scheme

(1) Method of adjusting the number of Options

From the Date of Grant, in the event of any capitalisation issue, bonus issue, sub-division or rights issue or consolidation of Shares in relation to the A Shares of the Company before the exercise of the Options, an adjustment to the number of Options shall be made accordingly. The method of adjustment in principle is set out below:

(i). Capitalisation issue, bonus issue and sub-division of Shares

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

Where: Q_0 represents the number of Options before the adjustment; n represents the ratio of increase per Share resulting from the capitalisation issue, bonus issue and sub-division of Shares (i.e. the number of increased Shares per Share upon capitalisation issue, bonus issue or subdivision of Shares); Q represents the adjusted number of Options.

(ii). Rights Issue

$$Q = Q_0 \times P_1 \times (1+n) / (P_1 + P_2 \times n)$$

Where: Q_0 represents the number of Options before the adjustment; P_1 represents the closing price as at the record date; P_2 represents the subscription price of the rights issue; n represents the basis of the rights issue (i.e. the number of Shares to be issued under the rights issue in proportion to the total share capital of the Company before the rights issue); Q represents the adjusted amount of Options.

(iii) Consolidation of Shares

$$Q = Q_0 \times n$$

Where: Q_0 represents the number of Options before the adjustment; n represents the ratio of consolidation of Shares (i.e. one Share shall be consolidated into n Shares); Q represents the adjusted number of Options.

(2) Methods of adjusting the Exercise Price

From the Date of Grant, in the event of any dividend distribution, capitalisation issue, bonus issue, sub-division or rights issue or consolidation of Shares in relation to the A Shares of the Company before the exercise of the Options, an adjustment to the exercise price shall be made accordingly. The method of adjustment in principle is set out below:

(i). Capitalisation issue, bonus issue and sub-division of Shares

$$P = P0 \div (1+n)$$

Where: P0 represents the exercise price before the adjustment; n represents the ratio of increase per Share resulting from the capitalisation issue, bonus issue and sub-division of Shares; P represents the adjusted exercise price.

(ii). Rights issue

$$P = P0 \times (P1 + P2 \times n) / (P1 \times (1+n))$$

Where: P0 represents the exercise price before the adjustment; P1 represents the closing price as at the record date; P2 represents the subscription price of the rights issue; n represents the basis of the rights issue (i.e. the number of Shares to be issued under the rights issue in proportion to the total share capital of the Company before the rights issue); P represents the adjusted exercise price.

(iii). Consolidation of Shares

$$P = P0 \div n$$

Where: P0 represents the exercise price before the adjustment; n represents the ratio of consolidation of Shares (i.e. one Share shall be consolidated into n Shares); P represents the adjusted exercise price.

(iv). Declaration of dividend

$$P = P0 - V$$

Where: P0 represents the exercise price prior to adjustment; V represents the dividend rate per A Share; P represents the exercise price after adjustment.

(3) Adjustment procedures

The Board will be authorised by the Shareholders at a general meeting of the Company to adjust the exercise price and the number of Options under the Scheme upon occurrence of any of the abovementioned circumstances. The Company shall engage a legal adviser to advise the Board whether such adjustment, if any, is in compliance with the Incentive Measures, the Articles of Association and the Scheme.

Any adjustment to the exercise price, number of Options or other terms due to other reasons, after being reviewed by the Board, shall be submitted to a general meeting of the Company for approval before implementation.

(4) Amendments to the Scheme

The Board may make amendments to the Scheme and submit to the CSRC for filing in accordance with the requirements of laws and regulations. Prior to the convening of a general meeting of the Company for approval of the Scheme, the Company may amend the draft of the Scheme upon requests of the PRC and/or Hong Kong regulatory authorities. In case of any discrepancies between the terms of the Scheme and the requirements of relevant laws, regulations, agreements, the Shenzhen Stock Exchange or the Hong Kong Stock Exchange or any amendment made thereto, the requirements of relevant laws, regulations, agreements, the Shenzhen Stock Exchange or the Hong Kong Stock Exchange shall prevail. If certain amendments to the Scheme under the requirements of laws, regulations, agreements, the Shenzhen Stock Exchange or the Hong Kong Stock Exchange require the approval of a general meeting or of the CSRC or the Shenzhen Stock Exchange or the Hong Kong Stock Exchange, the Board must obtain such approval for the amendments to the Scheme. Any material amendments to other terms of the Scheme, or amendments to the power of the Board to amend the terms of the Scheme are subject to prior approvals at a general meeting of the Company.

9. Handling method on special cases

(1) Change of the largest Shareholder

Where there is a change of the largest Shareholder because of restructuring and merge and acquisition, the existing largest Shareholder shall add a term into the share transfer agreement (or other agreements resulting the change of the largest Shareholder) that the new largest Shareholder shall guarantee that the Scheme will remain unchanged, ensure an effective implementation of the Scheme and complete the Scheme.

(2) Merger and demerger

Where there is merger or demerger of the Company, the parties shall undertake in the relevant merger/demerger agreements to continue implementing the Scheme and to adjust the content of the Scheme based on actual situations. Without any reasons, the parties thereto cannot change the Participants, the number of Options granted under the Scheme, the exercise price and the exercise conditions.

(3) Termination of the Scheme

If any of the followings has occurred in relation to the Company, the Scheme shall be terminated. Options which are granted but not yet exercised by the Participants shall cease to be exercisable and lapse immediately. Such Options shall be withdrawn and cancelled by the Company without any compensation:

- (i) 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;
- (ii) The imposition of administrative penalties by the CSRC during the past one year due to material non-compliance of laws and regulations by the Company; and

(iii) Other circumstances as determined by the CSRC.

(4) False financial data

Where there is false data in the financial and accounting documents of the Company, the Participant who is responsible shall return all his/her benefits obtained under the Scheme to the Company within 12 months from the publication date of the financial and accounting documents.

(5) Change of personal particulars of the Participant

(i) Should any of the followings occur in relation to a Participant, all his/her Options which are exercisable but not yet exercised shall cease to be exercisable and be cancelled and Options which are not yet exercisable shall lapse forthwith at the date of occurrence:

- (a) becoming a Supervisor or other staff that cannot hold Shares or Options of the Company;
- (b) being public censure or declaration as ineligible candidate by any stock exchange;
- (c) being imposed of administrative penalties by the CSRC due to material non-compliance of laws and regulations;
- (d) being imposed of criminal penalties due to violation of laws and regulations, or disciplinary treatment due to violation of internal management regulations of the Company;
- (e) being violated laws, regulations and the provisions of Articles of Associations resulting in major economic loss to the Company;
- (f) being dismissed by the Company due to material non-compliance and violation of internal rules and regulations;
- (g) having other situations as determined by the remuneration and evaluation committee of the Board; or
- (h) during the Validity Period, where the Participants damage the interests or reputation of the Company as a result of his/her dereliction of duty or malfeasance which leads to a demerit record or any of the above disciplinary action imposed by the Company (excluding dismissal situations as stipulated in paragraph (d), (e) and (f) above), he/she cannot exercise his/her Options which are exercisable in the closest exercise period, and such Options which are exercisable but not yet exercised in the relevant exercise period cannot be exercised in the future, but other Options which are exercisable in the subsequent exercise periods will not be affected.

(ii) Should any of the followings occur in relation to a Participant, all his/her Options which are exercisable but not yet exercised shall be exercised within 6 months from the date of occurrence and Options which are not yet exercisable shall lapse forthwith at the date of occurrence:

- (a) his/her labor contract or employment contract with the Company being unilaterally terminated or cancelled by the Participant;
- (b) either party to his/her labor contract or employment contract with the Company decided not to renew such contract upon its expiry; or
- (c) other situations as determined by the remuneration and evaluation committee of the Board.

(iii) Should any of the followings occur in relation to a Participant, all Options which are exercisable but not yet exercised shall be exercised within 6 months from the date of occurrence and Options which are not yet exercisable shall lapse forthwith at the date of occurrence:

- (a) death or incapacity;
- (b) retirement;
- (c) terminate the labor contract or employment contract in advance in consensus with the Company ; or
- (d) other situations as determined by the remuneration and evaluation committee of the Board.

(iv) Other unspecified situations and its handling method shall be determined by the remuneration and evaluation committee of the Board.

10. Supplementary Provisions

(1) The Scheme shall be effective upon satisfaction of the following conditions: the Scheme submitted by the state-owned controlling Shareholder to the SASAC being approved, the no-objection filing of the Scheme with the CSRC and approval of the Scheme at the general meeting of the Company.

(2) In case of any conflicts between relevant terms of the Scheme and relevant laws, regulations, administrative rules or regulatory documents of the State, the relevant laws, regulations and administrative rules and systems shall prevail. Any issues not specified in the Scheme shall be implemented in accordance with the relevant national laws, regulations, administrative rules and regulatory documents.

(3) The right of interpretation of the Scheme belongs to the Board.

(4) The issue of Shares pursuant to the exercise of the Options granted under the Scheme shall be in accordance with provisions of the Articles of Association as at the date of issue of Shares (the "Issue Date"), and shall rank *pari passu* in all respects with all paid-up A Shares in issue as at the Issue Date, entitling the Participants to qualify for all dividends and other distributions declared, paid or made after the Issue Date (except dividends and other distributions declared, paid or made before the Issue Date if resolutions for approving each

distribution or payment are passed before the Issue Date). Participants are bound by the blackout provisions of the Scheme (if applicable).

(5) The Company shall not provide any loans or any other forms of financial assistance (including providing guarantee for the loan extended to the Participants) to the Participants for exercising the Options.

(6) From the date of the approval of the Scheme at the general meeting to 30 days after the date of the approval of the Scheme at the general meeting, the Company shall not conduct any material transactions, such as issue of new Shares, injection of assets into the Company or issue of convertible notes.

(7) Options granted to the Participants under the Scheme are personal and the Participants shall not sell, assign, charge or mortgage or create any encumbrances in respect of any Options.

II. PROPOSED GRANT UNDER THE SCHEME

Major terms of the proposal in respect of the Proposed Grant of the Options are set out in details in this section. Relevant requirements of the proposal of the Proposed Grant of the Options shall also comply with the restrictive provisions under the Scheme. Other requirements not provided for in the proposal in respect of the Proposed Grant of Options shall be determined by reference to the relevant terms under the Scheme.

1. Number of underlying Shares in relation to the Options under the Proposed Grant

The total number of underlying A Shares in relation to the Options that may be granted under the Proposed Grant shall not exceed 103,200,000 A Shares, representing approximately 3% of the Company's existing total issued share capital and approximately 3.7% of the total number of A Shares currently in issue. It is proposed that the Proposed Grant will involve Options to subscribe for not exceeding 103,200,000 A Shares, representing approximately 3% of the Company's existing total issued share capital (3,440,078,020 Shares) and approximately 3.7% of the total number of A Shares currently in issue (2,810,492,575 A Shares).

2. Allocation of the Options under the Proposed Grant

The total number of proposed Participants under the Proposed Grant is 1,531, representing 2.3% of the total number of employees of the Company as at the date of this announcement. The proposed Participants of the Scheme include the Directors, senior management and key business personnel who have direct impact on the overall results and continuous development of the Company or who have outstanding contribution to the Company. Details of the allocation of the Proposed Grant under the Scheme are as follows:

Name of the Participant	Position of the Participant	Number of Options to be granted to the Participant under the	Percentage of number of Options to be granted to the Participant to	Percentage of underlying A Shares to the total number of share capital

		Scheme	the total number of Options under the Scheme	of the Company
Zhang Jianheng 张建恒	Director	30,000	0.03%	0.001%
Xie Weiliang 谢伟良	Director	30,000	0.03%	0.001%
Wang Zhancheng 王占臣	Director	30,000	0.03%	0.001%
Zhang Junchao 张俊超	Director	30,000	0.03%	0.001%
Dong Lianbo 董联波	Director	30,000	0.03%	0.001%
Tian Wenguo 田文果	Executive Vice President	200,000	0.19%	0.006%
Qiu Weizhao 邱未召	Executive Vice President	500,000	0.48%	0.015%
Fan Qingfeng 樊庆峰	Executive Vice President	500,000	0.48%	0.015%
Zhao Xianming 赵先明	Senior Vice President	500,000	0.48%	0.015%
Pang Shengqing 庞胜清	Senior Vice President	450,000	0.44%	0.013%
Zeng Xuezhong 曾学忠	Senior Vice President	450,000	0.44%	0.013%
Xu Huijun 徐慧俊	Senior Vice President	350,000	0.34%	0.010%
Ye Weimin 叶卫民	Senior Vice President	400,000	0.39%	0.012%
Zhu Jinyun 朱进云	Senior Vice President	450,000	0.44%	0.013%
Zhang Renjun 张任军	Senior Vice President	350,000	0.34%	0.010%
Chen Jianzhou 陈健洲	Senior Vice President	450,000	0.44%	0.013%
Chen Lixin 程立新	Senior Vice President	200,000	0.19%	0.006%
Feng Jianxiong 冯健雄	Board Secretary	400,000	0.39%	0.012%
Other Participants(1513)		97,850,000	94.82%	2.844%
Total		103,200,000	100%	3%

3. Date of Grant

Subject to no objection filing with the CSRC and within 30 days after the approval of the Scheme at a general meeting of the Company, the Board shall determine the Date of Grant and complete the relevant registration procedures and publication of an announcement.

The Date of Grant must be a trading day and must not fall within any of the following periods:

(1) the period commencing from 30 days prior to the publication of periodic reports of the Company according to the Shenzhen Listing Rules, or in the event of delay in publishing the reports for special reasons, 30 days prior to the original date of publication, and ending on the second trading day after the publication of the periodic reports;

(2) 10 trading days prior to the publication of the announcement of estimated results and preliminary results of the Company to the second trading day after the publication of the said announcement;

(3) the period commencing from the time at which a major transaction or major event is subject to decision, and ending on the second trading day after such transaction or event is announced;

(4) where the Participant is a Director, the period commencing from 60 days immediately preceding the publication date of the annual results and ending on the publication date of the annual results (publication date included); and the period commencing from 30 days immediately preceding the publication date of the quarterly results and half-year results and ending on the publication date of the quarterly results and half-year results (publication date included);

(5) no options can be granted in the period commencing from the date on which the Company becomes aware of any inside information and ending on the publication of such information. Particularly, no options can be granted in the period commencing one month immediately before the earlier of: (a) the date of the Board meeting for approving the Company's results of any year, half-year, quarterly or any other interim period; and (b) the deadline for the Company to announce its results for any year or half-year under the applicable listing rules, or any quarterly or any other interim period; and

(6) on the date of occurrence of any material event that may affect Share price, and ending on the second trading day after such event is announced.

4. Exercise price and basis of determination

The exercise price of the Options proposed to be granted under the Scheme shall be RMB13.69 per A Share. Upon fulfilment of exercise conditions, each Option granted to the Participant entitles the Participant to acquire one A Share of the Company at RMB13.69 per A Share.

The above exercise price is the higher of the followings:

(i) the closing price of the A Shares quoted on the Shenzhen Stock Exchange on the last trading day immediately preceding the date of this announcement (i.e. 12 July 2013), which was RMB13.69 per A Shares; and

(ii) the average of the closing prices of the A Shares quoted on the Shenzhen Stock Exchange for the last 30 trading days immediately preceding the date of this announcement, which was RMB12.61 per A Share.

During the Validity Period, in the event of any dividend distribution, capitalization issue, bonus issue, sub-division or rights issue or consolidation of Shares in relation to the A Shares of the Company before the exercise of the Options, an adjustment to the exercise price shall be made accordingly.

5. Conditions of Proposed Grant and exercise of the Options

The Proposed Grant of Options and its effectiveness are also subject to the satisfaction of the conditions stipulated under the Scheme (the major terms of which are set out above).

III. HONG KONG LISTING RULES IMPLICATION

The Scheme constitutes a share option scheme pursuant to Chapter 17 of the Hong Kong Listing Rules and the Company has obtained a waiver from strict compliance with Note (1) to Rule 17.03(9) of the Hong Kong Listing Rules in respect of the exercise price of the Options that may be granted under the Scheme. Any grant of Options under the Scheme to any Participant who is a connected person of the Company will be exempted from all the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.31(3)(b) of the Hong Kong Listing Rules.

IV. GENERAL MEETING AND CIRCULAR

An extraordinary general meeting and class meetings will be held to approve the Scheme. A circular containing, among other things, (i) terms of the Scheme; (ii) details of the Proposed Grant; (iii) a notice convening the extraordinary general meeting of the Company; and (iv) a notice convening the class meeting for holders of H Shares of the Company, will be despatched to the Shareholders as soon as possible.

V. SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading of its A Shares on the Shenzhen Stock Exchange was suspended with effect from 15 July 2013, and trading of its H Shares on the Hong Kong Stock Exchange was suspended with effect from 9:00 a.m. on 15 July 2013 respectively, pending publication of this announcement of the proposed adoption of the Scheme and the Proposed Grant thereunder. Application has been made to the Shenzhen Stock Exchange and the Hong Kong Stock Exchange to resume trading of its A shares with effect from 23 July 2013 and H Shares with effect from 9:00 a.m. on 23 July 2013 respectively.

DEFINITION

“A Share(s)”	ordinary share(s) of par value of RMB1.00 each in the registered capital of the Company, which are listed and traded on the Shenzhen Stock Exchange
“Articles of Association”	the articles of association of the Company

“Board”	the board of directors of the Company
“Company”	ZTE Corporation (中興通訊股份有限公司), a joint stock limited company incorporated in the PRC and the H Shares and A Shares of which are listed on the Hong Kong Stock Exchange (stock code: 0763) and the Shenzhen Stock Exchange (stock code: 000063), respectively
“Company Law”	the Company Law of the PRC
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“Exercise Date”	the date on which a Participant is entitled to exercise an Option, which must be a trading day
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Hong Kong Stock Exchange (as amended from time to time)
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“H Share(s)”	ordinary share(s) of par value of RMB1.00 each in the registered capital of the Company, which are listed and traded on the Hong Kong Stock Exchange
“Incentive Measures”	the Measures Governing Equity Incentive Plans of Listed Companies (Trial)* (《上市公司股權激勵管理辦法(試行)》)
“Option(s)”	the right to be granted to a Participant to acquire certain number of A Shares of the Company at a pre-determined price in a particular period of time and subject to certain conditions under the Scheme
“Participant(s)”	the person to be granted Option(s) under the Scheme
“PRC”	The People’s Republic of China
“Proposed Grant”	the proposed grant of not exceeding 103,200,000 Options to the Participants pursuant to the Scheme
“SASAC”	State-owned Assets Supervision and Administration Commission of the PRC
“Securities Law”	the Securities Law of the PRC

“Scheme”	the proposed A-Share option incentive scheme (draft) of the Company
“Shareholder(s)”	the holders of Shares
“Share(s)”	A Share(s) and H Share(s), or the context requires, either of them
“Shenzhen Listing Rules”	Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange
“Shenzhen Stock Exchange”	the Shenzhen Stock Exchange
“Supervisor(s)”	the supervisor(s) of the Company
“Validity Period”	the period during which the Scheme remains effective
“RMB”	Renminbi, the lawful currency of the PRC

By Order of the Board
Hou Weigui
Chairman

Shenzhen, the PRC

22 July 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.

** English translation denotes for identification purposes only.*