
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular, or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **ZTE CORPORATION**, you should at once hand this circular, together with the enclosed proxy forms, the Independent Director's Proxy Forms and reply slips to the purchaser or the transferee or to the bank, licensed securities dealers or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

ZTE中兴
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)

**PROPOSED ADOPTION OF A-SHARE OPTION INCENTIVE SCHEME
AND PROPOSED GRANT THEREUNDER
NOTICE OF THE THIRD EXTRAORDINARY GENERAL MEETING of 2013
AND
NOTICE OF THE FIRST H SHAREHOLDERS' CLASS MEETING of 2013**

A letter from the Board is set out on pages 5 to 12 of this circular.

The EGM will be held at the 4th Floor, A Wing, ZTE Plaza, Keji Road South, Hi-Tech Industrial Park, Nanshan District, Shenzhen, Guangdong Province, the People's Republic of China at 9:00 a.m., on Tuesday, 15 October 2013 at which a special resolution will be proposed to, among other things, approve and adopt the Scheme and its related matters by poll. The notice convening the EGM is set out on pages 34 to 38 of this circular.

The H Shareholders' Class Meeting will be held at 4th Floor, A Wing, ZTE Plaza, Keji Road South, Hi-Tech Industrial Park, Nanshan District, Shenzhen, Guangdong Province, the People's Republic of China on Tuesday, 15 October 2013 immediately following the conclusion of the EGM and the A Shareholders' Class Meeting or any adjournment thereof, at which a special resolution will be proposed to, among other things, approve and adopt the Scheme and its related matters by poll. The notice convening the H Shareholders' Class Meeting is set out on pages 39 to 43 of this circular.

The proxy forms and the Independent Director's Proxy Forms for use at the EGM and the H Shareholders' Class Meeting and the reply slips are enclosed with this circular and are also published on the websites of Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.zte.com.cn>). Whether or not you are able to attend the EGM and the H Shareholders' Class Meeting, please complete and return the enclosed proxy forms or the Independent Director's Proxy Forms in accordance with the instructions printed thereon and to lodge the same with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as practicable and in any event not less than 24 hours before the time appointed for holding the EGM and the H Shareholders' Class Meeting. Completion and return of the proxy forms or the Independent Director's Proxy Forms will not preclude you from attending and voting at the EGM and/or the H Shareholders' Class Meeting or any adjournment thereof (as the case may be) should you so wish.

30 August 2013

CONTENTS

	<i>Page</i>
Definitions	1
Expected timetable	4
Letter from the Board	5
Appendix I — Summary of the principal terms of the Scheme and the Proposed Grant thereunder	13
Appendix II — The Share Option Incentive Scheme Performance Appraisal System	30
Notice of the Third Extraordinary General Meeting of 2013	34
Notice of the First H Shareholders' Class Meeting of 2013	39

DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“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
“A Shareholders’ Class Meeting”	the first A Shareholders’ class meeting of 2013 of the Company to be held at the 4th Floor, A Wing, ZTE Plaza, Keji Road South, Hi-Tech Industrial Park, Nanshan District, Shenzhen, Guangdong Province, the People’s Republic of China on Tuesday, 15 October 2013 immediately following the conclusion of the EGM or any adjournment thereof to, among other things, approve and adopt the Scheme and its related matters or any adjournment thereof (as the case may be)
“Articles of Association”	the articles of association of the Company
“Board”	the board of directors of the Company
“Class Meeting(s)”	the A Shareholders’ Class Meeting or the H Shareholders’ Class Meeting
“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
“Date of Grant”	the date on which Options are granted to Participants by the Company, which must be a trading day and within 30 days after the approval of the Scheme by the Shareholders
“EGM”	the third extraordinary general meeting of 2013 of the Company to be held at 4th Floor, A Wing, ZTE Plaza, Keji Road South, Hi-Tech Industrial Park, Nanshan District, Shenzhen, Guangdong Province, the PRC on Tuesday, 15 October 2013 at 9:00 a.m. to, among other things, approve and adopt the Scheme and its related matters or any adjournment thereof (as the case may be)

DEFINITIONS

“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
“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
“H Shareholders’ Class Meeting”	the first H Shareholders’ class meeting of 2013 of the Company to be held at the 4th Floor, A Wing, ZTE Plaza, Keji Road South, Hi-Tech Industrial Park, Nanshan District, Shenzhen, Guangdong Province, the People’s Republic of China on Tuesday, 15 October 2013 immediately following the conclusion of the EGM and A Shareholders’ Class Meeting or any adjournment thereof to, among other things, approve and adopt the Scheme and its related matters or any adjournment thereof (as the case may be)
“Incentive Measures”	the Administrative Measures on Share Incentives of Listed Company (Trial)* (《上市公司股權激勵管理辦法(試行)》)
“Independent Director’s Proxy Form(s)”	the proxy form(s) for the solicitation of votes by independent non-executive directors sent out by Mr. Tan Zhenhui, an independent non-executive Director, to solicit votes from the Shareholders on the special resolutions regarding the Scheme and its related matters at the EGM and the Class Meetings
“Latest Practicable Date”	26 August 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“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

DEFINITIONS

“Performance Appraisal System”	the Share Option Incentive Scheme Performance Appraisal System of ZTE Corporation, details of which are set out in Appendix II of this circular
“Periodic Report”	includes annual, interim, quarterly or any other interim period results announcement of the Company
“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 (revised 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

* *English translation denotes for identification purposes only.*

EXPECTED TIMETABLE

2013

Latest time for lodging transfers of the H Shares to qualify
for attendance and voting at the EGM and
the H Shareholders' Class Meeting 4:30 p.m., Friday, 13 September

H Share register closed Monday, 16 September to Monday,
14 October (both dates inclusive)

Latest date for lodging reply slips for the EGM and
the H Shareholders' Class Meeting Tuesday, 24 September

Latest time for lodging proxy forms for the EGM and
the H Shareholders' Class Meeting 9:00 a.m., Monday, 14 October

EGM and Class Meeting(s) 9:00 a.m., Tuesday, 15 October

H Share register re-opens Tuesday, 15 October

ZTE中兴
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)

Executive Directors:

Shi Lirong
Yin Yimin
He Shiyou

Non-executive Directors:

Hou Weigui
Zhang Jianheng
Xie Weiliang
Wang Zhanchen
Zhang Junchao
Dong Lianbo

Independent non-executive Directors:

Qu Xiaohui
Wei Wei
Chen Naiwei
Tan Zhenhui
Richard Xike Zhang

Registered address:

ZTE Plaza
Keji Road South
Hi-Tech Industrial Park
Nanshan District
Shenzhen, Guangdong Province,
518057
The People's Republic of China

*Principal place of business
in Hong Kong:*

8/F Gloucester Tower
The Landmark
15 Queen's Road Central
Central Hong Kong

30 August 2013

To the Shareholders

Dear Sir or Madam,

**PROPOSED ADOPTION OF A-SHARE OPTION INCENTIVE SCHEME
AND PROPOSED GRANT THEREUNDER
NOTICE OF THE THIRD EXTRAORDINARY GENERAL MEETING of 2013
AND
NOTICE OF THE FIRST H SHAREHOLDERS' CLASS MEETING of 2013**

LETTER FROM THE BOARD

I. INTRODUCTION

On 22 July 2013, the Company announced that the Board had passed a resolution in respect of the proposed adoption of the Scheme and the Proposed Grant thereunder by the Company. It was further announced by the Company on 26 August 2013 that the Board has passed a resolution to approve certain amendments to the proposed terms of the Scheme in view of the requests of the regulators.

At the EGM and the Class Meetings, special resolutions will be proposed to the Shareholders to, among other things, approve and adopt the Scheme and its related matters.

The purpose of this circular is to provide you with details of the information concerning the proposed special resolutions to be passed at the EGM and the Class Meetings in relation to the Scheme and its related matters.

II. PROPOSED ADOPTION OF THE SCHEME

The Scheme is formulated 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. A summary of the principal terms of the Scheme is set out in Appendix I on page 13 to 29 of this circular.

III. PROPOSED GRANT

1. Source and number of Shares under the Scheme

The source of the underlying shares of the Options which are proposed to be granted to the Participants under the Scheme shall be A Shares denominated in RMB.

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.

The Options under the Scheme will be granted at once and the Proposed Grant (including the Options to be granted to the Directors and chief executives) has been approved by the independent non-executive Directors of the Company on 22 July 2013. Should there be any amendment to the Proposed Grant (especially the Options to be granted to the Directors and chief executives), further approval from the independent non-executive Directors will be required.

LETTER FROM THE BOARD

2. Exercise periods and performance targets before Options can be exercised

The exercise of the Options under the Proposed Grant is subject to a vesting period of 2 years, during which period the rights are not exercisable. Subject to the fulfillment of the exercise conditions, the Options under the Proposed Grant can be exercised in batches in the manner set forth below:

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%

For detailed information, please also refer to the paragraph headed “Validity Period, date of grant, vesting period, exercise date, exercise period and lock-up provisions” in Appendix I to this circular. The 2-year vesting period may provide incentives to the Participants to remain employed with the Company during such period and thereby enable the Company to benefit from the continued service of such Participants, thus providing long-term rewards and retention incentives to the Participants and retain human resources that are valuable to the growth and development of the Company as a whole.

In addition, Options may only be exercised by the Participants upon fulfillment of the conditions as set out in the paragraph headed “Conditions of grant and exercise of the Options” in Appendix I to this circular. Besides, Options granted to the Participants can only be exercised after the Participant has passed the performance appraisal for the relevant year. These requirements, together with the restriction period as mentioned above, may enable the Company to provide incentives to the Participants to motivate their pro-activeness and creativity in using their best endeavors to facilitate the growth and development of the Company. The above also correlates their interests with the long term development of the Company, and allows sustainable development of the Company.

LETTER FROM THE BOARD

The details of the Proposed Grant, including the information of the Participants, the number of A Shares subject to the Options which are proposed to be granted to the Participants and the exercise price, are set out in Appendix I on page 13 to 29 of this circular.

IV. THE SHARE OPTION INCENTIVE SCHEME PERFORMANCE APPRAISAL SYSTEM

Under the Scheme, the Participants must pass the performance appraisal in the preceding year according to the Performance Appraisal System before the exercise of any Options by the Participants. Details of the Performance Appraisal System are set out in Appendix II on page 30 to 33 of this circular.

V. CONDITIONS OF THE SCHEME BECOMING EFFECTIVE

The Scheme shall be effective upon satisfaction of the following conditions: the Scheme submitted by the state-owned controlling shareholder of the Company 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.

As at the Latest Practicable Date, the Scheme has been examined and approved by the SASAC and filed with the CSRC with no objection. The Scheme shall be effective upon approval of the Scheme by the Shareholders at a general meeting of the Company. The grant of Options and its effectiveness are also subject to the satisfaction of the conditions stipulated under the Scheme.

VI. VALUE OF THE OPTIONS

The Company used the Binomial Tree model to calculate the value of the Options. By taking the Latest Practicable Date as the measurement date, the estimated value of the Options is RMB7.12 per A Share, representing 40.92% of the market price of the A Shares, as at the Latest Practicable Date. Data used in and results of the calculation are as follows:

Factors	Amount of factors and description
Exercise price	RMB13.69 per A Share

The exercise price used herein was determined in accordance with the relevant provisions stated in the Scheme, being the higher of:

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

LETTER FROM THE BOARD

- (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 the announcement of the summary of the Scheme, which was RMB12.61 per A Share.

Market price	RMB17.4 per share, being the closing price of the A Shares on the Latest Practicable Date.
Expected life	The Participants shall exercise all his/her Options exercisable in the first, second and third exercise period within the third year, the fourth year and the fifth year from the Date of Grant, respectively.
Expected price volatility rate	The historical price volatility rate of the Company's A-Share for the first, second and third exercise period being 40.25%, 39.69%, 43.18% respectively
Expected dividend (Note 1)	RMB0.18 per share
Risk-free interest rate (Note 2)	The risk-free interest rate for the first, second and third exercise period being 3.34%, 3.40% and 3.46% respectively
Value of Options per A Share	RMB7.12

Note:

1. The expected dividend was calculated based on the historical dividends of the Company.
2. For the first, second and third exercise period, the Company adopted the three-year, four-year and five-year national bond yield rate as quoted in Reuters as at the Latest Practicable Date as the risk-free interest rate respectively.
3. The calculation results of the value of the Options are subject to a number of assumptions of the parameters used herein and the limitation of the model adopted, therefore the estimate value of the Options may be subjective and uncertain.

VII. WAIVER FROM STRICT COMPLIANCE WITH THE HONG KONG LISTING RULES

The exercise price of the Options proposed to be granted under the Scheme shall be RMB13.69 per A Share, which is the higher of:

- (i) the closing price of the A Shares quoted on the Shenzhen Stock Exchange on the last trading day immediately preceding the date of the announcement of the summary of the Scheme (i.e. 12 July 2013), which was RMB 13.69 per A Share; and

LETTER FROM THE BOARD

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

Note 1 of Rule 17.03(9) of the Hong Kong Listing Rules requires that the exercise price must be at least the higher of (i) the closing price of the securities as states in the daily quotations sheet of the Hong Kong Stock Exchange on the date of grant; and (ii) the average closing price of the securities as stated in the daily quotations sheets for the five business days immediately preceding the date of grant.

However, since the Options subject to the Proposed Grant relate to A Shares only, and the determination of the exercise price is in accordance with the relevant rules and regulations promulgated by the SASAC and the CSRC and in view of the practical difficulties involved and the interests of the Shareholders being sufficiently protected, the Company has applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Note 1 of Rule 17.03(9) of the Hong Kong Listing Rules. For details of the determination of the exercise price under the Scheme, please refer to the paragraph headed “Exercise price and basis of determination” in Appendix I to this circular.

VIII. EGM AND THE H SHAREHOLDINGS’ CLASS MEETING

The EGM will be held at the 4th Floor, A Wing, ZTE Plaza, Keji Road South, Hi-Tech Industrial Park, Nanshan District, Shenzhen, Guangdong Province, the People’s Republic of China at 9:00 a.m., on Tuesday, 15 October 2013 at which a special resolution will be proposed to, among other things, approve and adopt the Scheme and its related matters by poll.

The H Shareholders’ Class Meeting will be held at 4th Floor, A Wing, ZTE Plaza, Keji Road South, Hi-Tech Industrial Park, Nanshan District, Shenzhen, Guangdong Province, the People’s Republic of China on Tuesday, 15 October 2013 immediately following the conclusion of the EGM and A Shareholders’ Class Meeting or any adjournment thereof, at which a special resolution will be proposed to, among other things, approve and adopt the Scheme and its related matters by poll.

Please note that Mr. Tan Zhenhui, an independent non-executive Director, has sent out the Independent Director’s Proxy Forms in accordance with the relevant regulations of the PRC to solicit votes from the Shareholders on the special resolutions regarding the Scheme and its related matters at the EGM and the Class Meetings. Should you wish to appoint Mr. Tan Zhenhui as your proxy to vote for you and on your behalf at the EGM and/or the H Shareholders’ Class Meeting on the special resolutions regarding the Scheme and its related matters, please complete the Independent Director’s Proxy Forms. Alternatively, if you wish to appoint any person other than Mr. Tan Zhenhui as your proxy to vote for you and on your behalf at the EGM and/or the H Shareholders’ Class Meeting on the special resolutions regarding the Scheme and its related matters, you may simply disregard the Independent Director’s Proxy Forms and complete and return the proxy forms instead. The Report on the Solicitation of Voting Rights by the Independent

LETTER FROM THE BOARD

Non-executive Director prepared by Mr. Tan Zhenhui has also been published on the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.zte.com.cn>) by an announcement of the Company dated 26 August 2013.

Notices convening the EGM and the H Shareholders' Class Meeting and the proxy forms and the Independent Director's Proxy Forms for use at the EGM and the H Shareholders' Class Meeting and the reply slips are enclosed with this circular and are also published on the websites of Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.zte.com.cn>). Whether or not you are able to attend the EGM and the H Shareholders' Class Meeting, please complete and return the enclosed proxy forms or the Independent Director's Proxy Forms in accordance with the instructions printed thereon and to lodge the same with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as practicable and in any event not less than 24 hours before the time appointed for holding the EGM and the H Shareholders' Class Meeting. Completion and return of the proxy forms or the Independent Director's Proxy Forms will not preclude you from attending and voting at the EGM and/or the H Shareholders' Class Meeting or any adjournment thereof (as the case may be) should you so wish. Any H Shareholders intending to attend the EGM and/or the H Shareholders' Class Meeting shall deliver the reply slips to the Company by hand, post or facsimile on or before Tuesday, 24 September 2013.

The register of members of the Company has been closed since Monday, 16 September 2013 until Monday, 14 October 2013 (both days inclusive) to determine qualifications of shareholders to attend and vote at the EGM and/or the H Shareholders' Class Meeting. Any H Shareholder who wishes to attend and vote at the EGM and/or the H Shareholders' Class Meeting shall lodge an instrument of transfer, together with the corresponding share certificate(s) with Computershare Hong Kong Investor Services Limited at Room 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m., Friday, 13 September 2013.

To the extent that the Company is aware having made all reasonable enquiries, none of the Shareholders is required to abstain from voting in respect of any of the special resolutions to be proposed at the EGM or the H Shareholders' Class Meeting.

IX. RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the proposed special resolutions for approving and adopting the Scheme and its related matters (including the authorization to the Board and the Performance Appraisal System) are in the best interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the special resolutions to be proposed at the EGM and the H Shareholders' Class Meeting to approve the same.

LETTER FROM THE BOARD

X. ADDITIONAL INFORMATION

Your attentions is drawn to the additional information set out in Appendix I (Summary of the principal terms of the Scheme and the Proposed Grant thereunder) and Appendix II (The Share Option Incentive Scheme Performance Appraisal System) to this circular for your information.

A copy of the Scheme is available for inspection at the principal place of business of the Company in Hong Kong at 8/F Gloucester Tower, The Landmark, 15 Queen's Road Central, Central Hong Kong during normal business hours from the date hereof up to and including 15 October 2013, being the date of the EGM and the Class Meetings.

XI. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement contained herein or this circular misleading.

Yours faithfully,
By Order of the Board of
Hou Weigui
ZTE CORPORATION
Chairman

Shenzhen, the PRC

APPENDIX I SUMMARY OF THE PRINCIPAL TERMS OF THE SCHEME AND THE PROPOSED GRANT THEREUNDER

The following is a summary of the principal terms of the Scheme to be approved and adopted at the EGM and the Class Meetings. It does not form part of nor is it intended to be part of, the terms of the Scheme and it should not be taken as affecting the interpretation of the terms of the Scheme. As the Scheme is prepared in Chinese, should there be any inconsistencies or conflicts between the English and the Chinese versions, the Chinese version shall prevail.

I. SUMMARY OF THE PRINCIPAL TERMS 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

APPENDIX I SUMMARY OF THE PRINCIPAL TERMS OF THE SCHEME AND THE PROPOSED GRANT THEREUNDER

- (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.

**APPENDIX I SUMMARY OF THE PRINCIPAL TERMS OF THE SCHEME AND
THE PROPOSED GRANT THEREUNDER**

(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 Report of the Company to the tenth trading day prior to the announcement of next Periodic Report 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).

**APPENDIX I SUMMARY OF THE PRINCIPAL TERMS OF THE SCHEME AND
THE PROPOSED GRANT THEREUNDER**

(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.

APPENDIX I SUMMARY OF THE PRINCIPAL TERMS OF THE SCHEME AND THE PROPOSED GRANT THEREUNDER

- (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

**APPENDIX I SUMMARY OF THE PRINCIPAL TERMS OF THE SCHEME AND
THE PROPOSED GRANT THEREUNDER**

- (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

**APPENDIX I SUMMARY OF THE PRINCIPAL TERMS OF THE SCHEME AND
THE PROPOSED GRANT THEREUNDER**

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

$$Q = Q0 \times (1 + n)$$

Where: Q0 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

$$Q = Q0 \times P1 \times (1 + n) / (P1 + P2 \times n)$$

Where: Q0 represents the number of Options 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); Q represents the adjusted amount of Options.

(iii) Consolidation of Shares

$$Q = Q0 \times n$$

Where: Q0 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.

APPENDIX I SUMMARY OF THE PRINCIPAL TERMS OF THE SCHEME AND THE PROPOSED GRANT THEREUNDER

(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

APPENDIX I SUMMARY OF THE PRINCIPAL TERMS OF THE SCHEME AND THE PROPOSED GRANT THEREUNDER

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.

Any adjustments upon occurrence of any of the abovementioned circumstances or required under the Rule 17.03(13) of the Hong Kong Listing Rules must give Participant the same proportion of the share capital as that to which that person was previously entitled, but no adjustments may be made to the extent that the Share would be issued at less than its nominal value. In respect of any adjustments upon occurrence of any of the abovementioned circumstances or required under the Rule 17.03(13) of the Hong Kong Listing Rules, other than any adjustments made on a capitalisation issue, an independent financial adviser or the Company's auditors will confirm to the Directors in writing that the adjustments satisfy the requirements set out in the note of Rule 17.03(13) of the Hong Kong Listing Rules.

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.

APPENDIX I SUMMARY OF THE PRINCIPAL TERMS OF THE SCHEME AND THE PROPOSED GRANT THEREUNDER

(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;

**APPENDIX I SUMMARY OF THE PRINCIPAL TERMS OF THE SCHEME AND
THE PROPOSED GRANT THEREUNDER**

- (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.

APPENDIX I SUMMARY OF THE PRINCIPAL TERMS OF THE SCHEME AND THE PROPOSED GRANT THEREUNDER

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

10. 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.

Amendments to the Scheme shall be approved at the general meeting if (i) 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; (ii) the amendments relate to matters provided in Rule 17.03 of the Hong Kong Listing Rules and are to the advantage of the Participants; (iii) the amendments to the provisions of the Scheme or the terms of the Options granted are of a material nature; or (iv) the amendments relate to the power of the Board in amending the terms of the Scheme.

11. 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

APPENDIX I SUMMARY OF THE PRINCIPAL TERMS OF THE SCHEME AND THE PROPOSED GRANT THEREUNDER

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).

**APPENDIX I SUMMARY OF THE PRINCIPAL TERMS OF THE SCHEME AND
THE PROPOSED GRANT THEREUNDER**

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 Scheme	Percentage of number of Options to be granted to the Participant to the total number of Options under the Scheme	Percentage of underlying A Shares to the total number of share capital of the Company
Zhang Jianheng 張建恒	Director	30,000	0.03%	0.001%
Xie Weiliang 謝偉良	Director	30,000	0.03%	0.001%
Wang Zhancheng 王占臣	Director	30,000	0.03%	0.001%
Zhang Junchao 張俊超	Director	30,000	0.03%	0.001%
Dong Lianbo 董聯波	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 樊慶峰	Executive Vice President	500,000	0.48%	0.015%
Zhao Xianming 趙先明	Senior Vice President	500,000	0.48%	0.015%
Pang Shengqing 龐勝清	Senior Vice President	450,000	0.44%	0.013%
Zeng Xuezhong 曾學忠	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 葉衛民	Senior Vice President	400,000	0.39%	0.012%
Zhu Jinyun 朱進雲	Senior Vice President	450,000	0.44%	0.013%
Zhang Renjun 張任軍	Senior Vice President	350,000	0.34%	0.010%
Chen Jianzhou 陳健洲	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 馮健雄	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.

APPENDIX I SUMMARY OF THE PRINCIPAL TERMS OF THE SCHEME AND THE PROPOSED GRANT THEREUNDER

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 Report 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 Report;
- (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.

APPENDIX I SUMMARY OF THE PRINCIPAL TERMS OF THE SCHEME AND THE PROPOSED GRANT THEREUNDER

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).

APPENDIX II THE SHARE OPTION INCENTIVE SCHEME PERFORMANCE APPRAISAL SYSTEM

This Appendix sets out the English translation of the Chinese version of the Performance Appraisal System. Should there be any inconsistencies or conflicts between the English and Chinese versions, the Chinese version shall prevail.

ZTE CORPORATION

The Share Option Incentive Scheme Performance Appraisal System

The Share Option Incentive Scheme Performance Appraisal System of ZTE Corporation (“Performance Appraisal System”) is formulated in accordance with the Company Law of the People’s Republic of China (“Company Law”) and other pertinent laws and regulations as well as the prevailing performance appraisal systems with a view to improving the corporate governance structure, strengthening performance management and the incentive and binding mechanism of ZTE Corporation (the “Company” or “ZTE”), and assuring smooth implementation of the Company’s Share Option Incentive Scheme.

I. PURPOSE OF PERFORMANCE APPRAISAL

The scientific and comprehensive performance management system has been developed with the aim of fully implementing strategic goals in the Company’s overall development, assuring concerted efforts on the part of the Company staff to develop work and expand business in the overall interests of the Company, ensuring a high level of consistency between operational targets and the Company’s strategy, strengthening the Company’s incentive and binding mechanism and ensuring smooth implementation of the Share Option Incentive Scheme.

II. PARTICIPANTS OF PERFORMANCE APPRAISAL

1. Participants to be evaluated under the Performance Appraisal System shall be participants of Share Option Incentive Scheme.
2. The Company shall determine scheme participants subject to appraisal based on relevant provisions of the Company Law, Securities Law of the People’s Republic of China, Administrative Measures on Share Incentives of Listed Company (Trial) (《上市公司股權激勵管理辦法(試行)》) and Articles of Association of ZTE Corporation (the “Articles”) and other pertinent laws, regulations and regulatory documents; subject to compliance with laws and regulations and the Articles, the Company may adjust the scope of scheme participants to reflect changes in the Company’s business development and according to results of individual performance appraisals.
3. The Share Option Incentive Scheme shall be subject to consideration and approval by the board of directors of the Company (the “Board”) and verification by the supervisory committee of the Company, which shall give an account of the findings of the verification at the Company’s general meeting.

III. BASES AND PRINCIPLES FOR PERFORMANCE APPRAISAL

Different appraisal indicators and corresponding targets shall be set for different job positions and duties under the ZTE performance appraisal criteria, and such indicators and targets shall be subject to annual review and necessary adjustments. The share option incentives concerned shall be bound by the Performance Appraisal System, and the Board shall determine the number of exercisable options for scheme participants according to the results of the Company's overall performance appraisal and the extent of completion of individual performance.

The Company shall conduct a breakdown of its key business performance indicators to job positions at various levels in accordance with approved job duties. Management officers and their staff at various units shall agree on performance targets, performance indicators and evaluation criteria through mutual discussions. Specific requirements are as follows:

1. The targets should be specific, quantitative, with an appropriate measure of challenge and subject to deadlines. Individual targets should be set in close tandem with the targets of the entity with a view to mutual benefit.
2. In respect of a position subject to matrix management, performance targets for the employee concerned shall be jointly determined by his/her immediate administrative supervisor together with his/her immediate business supervisor.

IV. DUTIES OF THE ORGANIZATION RESPONSIBLE FOR THE PERFORMANCE APPRAISAL SYSTEM

The Performance Appraisal System, formulated and subject to interpretation and revision by the Company's human resources department (the "Human Resources Department"), shall come into effect on the date of publication. Departments responsible for organizing and implementing performance appraisal shall include the Company's operations management department, strategic planning department, financial management department and the Human Resources Department.

1. As the highest authority in the performance appraisal system, the Board and the remuneration and evaluation committee thereunder shall be responsible for formulating the targets of performance appraisal and the principles for appraisal and shall be vested with the authority to finalize appraisal results.
2. The Human Resources Department shall be responsible for setting up, in association with the Company's operations management department, strategic planning department and the financial management department, a Company appraisal and evaluation team, which shall be in charge of monitoring and coordinating appraisal and evaluation activities of various business units and relevant subsidiaries ("Units") of the Company.

3. Appraisal and evaluation teams at the respective Units shall be responsible for the selection, evaluation and examination, appraisal and assessment and determination of option quotas in respect of scheme participants in the respective Units under the teams' jurisdiction.

V. THE PERFORMANCE APPRAISAL SYSTEM

1. Contents of Appraisal

Performance appraisals in respect of the Company's directors (the "Director(s)") and senior management on the one hand and key personnel on the other shall be separately conducted.

(1) Appraisal of the Company's Directors and senior management

Appraisal of the Company's Directors and senior management shall be conducted by the remuneration and evaluation committee of the Board and reported to the Board for examination and confirmation. Appraisal of the Directors shall be based on the overall business performance indicators of the Company. Principal business performance indicators for the senior management shall be distinguished into two groups, namely financial indicators and non-financial indicators, in connection with which appraisal targets corresponding to such indicators shall be set annually based on pole data of industry peers and the Company's actual requirements by the remuneration and evaluation committee of the Board.

The Human Resources Department shall compute the performance results of the Company's Directors and senior management based on the extent of actual completion of the aforesaid appraisal indicators and specific targets.

(2) Appraisal of Key Personnel

- 1) Appraisal shall be conducted on an annual basis; and
- 2) Appraisal and evaluation teams at various levels shall evaluate scheme participants in the respective Units under the teams' jurisdiction in terms of their business performance, competence and values, in order to generate performance appraisal results.

2. Management of Appraisal Results

(1) Revision of Appraisal Indicators and Results

In the event of material force majeure or exceptional reasons occurring during the appraisal period that has affected the work and business performance of persons under appraisal, the Company's remuneration and evaluation committee may revise appraisal indicators and appraisal results with significant deviation.

(2) Feedback on Appraisal Results

Personnel under appraisal shall be notified of the appraisal results within 10 working days after the appraisal is completed.

VI. HOW PERFORMANCE APPRAISAL MIGHT AFFECT SHARE OPTION INCENTIVES

The exercise of share options granted to scheme participants shall be subject to the fulfilment of the Company's overall business performance indicators/targets and the achievement of a passing level for individual performance appraisal. Specifically, the conditions of fulfilment are as follows:

1. Achievement of the Company's overall performance appraisal targets; and
2. Achievement of the individual performance appraisal targets of the participant under appraisal: scheme participants having achieved a passing level in the appraisal for the previous year in accordance with the Performance Appraisal System.

If a scheme participant meets the aforesaid precedent conditions for the exercise of options, he/she may exercise all options exercisable during the relevant exercise period. If a scheme participant does not meet the precedent conditions for the exercise of options, the exercisable options granted to the scheme participant for the relevant exercise period will be withdrawn and cancelled by the Company without any compensation.

Provisions of ZTE Corporation Share Option Incentive Scheme (Revised Draft) relating to the exercise of options of scheme participants, if any, shall otherwise prevail.

VII. SUPPLEMENTARY PROVISIONS

The Performance Appraisal System shall be subject to interpretation and revision by the Human Resources Department and shall come into effect upon consideration and approval by the Board and the general meeting.

NOTICE OF THE THIRD EXTRAORDINARY GENERAL MEETING OF 2013

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

ZTE中兴

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)

NOTICE OF THE THIRD EXTRAORDINARY GENERAL MEETING OF 2013

The Company and all the members of the Board of Directors confirm that all the information contained in this information disclosure is true, accurate and complete without any false or misleading statement or material omission.

NOTICE IS HEREBY GIVEN that the Third Extraordinary General Meeting of 2013 (hereinafter referred to as the “EGM”) of ZTE Corporation (hereinafter referred to as the “Company”) will be convened at 9 a.m., on Tuesday, 15 October 2013 at 4th Floor, A Wing, ZTE Plaza, Keji Road South, Hi-Tech Industrial Park, Nanshan District, Shenzhen, Guangdong Province, the People’s Republic of China to consider and, if thought fit, approve, the following resolutions (terms defined in this notice shall have the same meanings as those in the circular of the Company dated 30 August 2013, unless otherwise required by the context):

SPECIAL RESOLUTIONS

1. Resolution on the “ZTE Corporation Share Option Incentive Scheme (Revised Draft)” (the “Scheme”) and its summary

That: The Scheme (the terms of which have been set out in a document marked “A,” submitted to the EGM and signed by the chairman of the EGM for identification purposes, and a summary of terms of which, set out according to the structure and terms specified below, is contained in the circular of the Company dated 30 August 2013) be hereby approved and adopted:

- 1.1 Basis for determining the Participants and the scope of Participants of the Scheme;
- 1.2 Source and number of subject shares under the Scheme;

NOTICE OF THE THIRD EXTRAORDINARY GENERAL MEETING OF 2013

- 1.3 Validity Period, date of grant, vesting period, exercise arrangements and lock-up period for subject shares under the Scheme;
- 1.4 Exercise price of share options and basis of determination;
- 1.5 Conditions of grant and exercise of share options;
- 1.6 Methods and procedures for adjustment of the Scheme;
- 1.7 Accounting treatment of share options;
- 1.8 Procedures for the grant by the Company and the exercise by Participants of share options;
- 1.9 Respective rights and obligations of the Company and the Participants;
- 1.10 Handling of special cases; and
- 1.11 Amendment and Termination of the Scheme.

2. Resolution on the “ZTE Corporation Share Option Incentive Scheme Performance Appraisal System”

That: The Share Option Incentive Scheme Performance Appraisal System (the terms of which have been set out in a document marked “B,” submitted to the EGM and signed by the chairman of the EGM for identification purposes, and a summary of terms of which is contained in the circular of the Company dated 30 August 2013) be hereby approved and adopted.

3. Resolution on a mandate granted to the Board of Directors by the General Meeting of ZTE Corporation to deal with matters pertaining to the Scheme

That: the Board of Directors be hereby authorised to implement and administer the Scheme of the Company. The Board of Directors is hereby authorised to conduct, among others, the following:

- 3.1 To confirm the qualifications and conditions of Participants for joining the Scheme, to confirm the list of Participants (other than those as connected persons of the Company) and the number of share options to be granted and to confirm the grant price of the subject shares;
- 3.2 To grant shares to Participants upon their fulfillment of relevant conditions and to handle all matters required for the grant and unlocking of shares;
- 3.3 To adjust the number of subject shares in accordance with the principles and in the manner stipulated under the Scheme when such adjustment is required in respect of the Company’s ex-right or ex-dividend shares or for other reasons;

NOTICE OF THE THIRD EXTRAORDINARY GENERAL MEETING OF 2013

- 3.4 Subject to compliance with the terms of the Scheme, to formulate or modify provisions for the administration and implementation of the Scheme from time to time, provided that if such modifications are required by the laws, regulations or relevant regulatory authorities to be subject to the approval of the General Meeting and/or relevant regulatory authorities, such modifications by the Board of Directors must obtain the corresponding approvals;
- 3.5 To sign, execute, modify and terminate any agreements relating to the Scheme and other relevant agreements;
- 3.6 To appoint receiving banks, accountants, legal advisers and other intermediaries for the implementation of the Scheme;
- 3.7 To conduct other necessary matters required for the implementation of the Scheme, save for rights expressly stipulated in relevant documents to be exercised by the General Meeting;
- 3.8 To process examination, registration, filing, ratification, approval and other procedures with relevant governments and authorities in connection with the Scheme; to sign, execute, modify and complete documents submitted to relevant governments, authorities, organisations and individuals; and to do all acts, deeds and matters it deems necessary, proper or appropriate in connection with the Scheme; and
- 3.9 The mandate granted to the Board of Directors shall be coterminous with the Scheme.

Proxy Form for the Solicitation of Voting Rights by Independent Non-executive Directors (“Independent Director’s Proxy Form”)

Pursuant to the Administrative Measures on Share Incentives of Listed Company (Trial) (《上市公司股權激勵管理辦法(試行)》) (“Incentive Measures”), the Independent Non-executive Directors of a company listed on the Shenzhen Stock Exchange shall solicit voting rights from all shareholders of the company in the event of the proposed adoption of a share option incentive scheme by such company. The solicitation is intended to provide shareholders of such listed company with an alternative approach to participation in general meetings, so as to encourage them to vote on the resolution in respect of the adoption of a share option incentive scheme. Pursuant to the Incentive Measures and the authorisation of other Independent Non-executive Directors, Mr. Tan Zhenhui, Independent Non-executive Director, has sent out an Independent Director’s Proxy Form to solicit voting rights from the shareholders. For further details of the Independent Director’s Proxy Form, please refer to the Report on the Solicitation of Voting Rights by the Independent Non-executive Directors published by the Company on 26 August 2013.

NOTICE OF THE THIRD EXTRAORDINARY GENERAL MEETING OF 2013

Should you wish to appoint Mr. Tan Zhenhui as your proxy to vote for you and on your behalf at the EGM on the resolutions relating to the Scheme, please complete and return the Independent Director's Proxy Form to Computershare Hong Kong Investor Services Limited, the H share registrar of the Company, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by hand or by post, no later than 24 hours before the time appointed for holding the EGM or any adjournment thereof.

You may appoint Mr. Tan Zhenhui as your proxy to vote for you and on your behalf solely on resolutions relating to the Scheme (namely Resolutions Nos. 1-3 set out above). If you wish to appoint persons other than Mr. Tan Zhenhui as your proxy to vote for you and on your behalf on all resolutions (including resolutions relating to the Scheme) at the EGM, you may complete and return the proxy form only and disregard the Independent Director's Proxy Form.

Please note that if you have completed and returned both the proxy form and the Independent Director's Proxy Form, but have given inconsistent voting instructions on the resolutions concerned between the proxy form and the Independent Director's Proxy Form, your voting instructions given in the Independent Director's Proxy Form will be counted as your vote for or against resolutions in relation to the Scheme (namely Resolutions Nos. 1-3 set out above).

By Order of the Board
Hou Weigui
Chairman

Shenzhen, the PRC
30 August 2013

Notes:

- 1. The Company will close its H share register from Monday, 16 September 2013 to Monday, 14 October 2013 (both days inclusive)** to determine qualifications of shareholders to attend and vote at the EGM. Any H Shareholder who wishes to attend and vote at the EGM **shall lodge an instrument of transfer, together with the corresponding share certificate(s) with Computershare Hong Kong Investor Services Limited at Room 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m., Friday, 13 September 2013.**
2. Shareholders intending to attend the EGM, whether in person or by proxy, should deliver the reply slip by hand, post or facsimile to the Company's registered office (for A shareholders) or principal place of business in Hong Kong (for H shareholders) on or before Tuesday, 24 September 2013. The registered office of the Company is: ZTE Plaza, Keji Road South, Hi-Tech Industrial Park, Nanshan District, Shenzhen, Guangdong Province, the People's Republic of China (Facsimile No.: +86 (755) 26770286). The principal place of business of the Company in Hong Kong is: 8th Floor Gloucester Tower, The Landmark, 15 Queen's Road Central, Central, Hong Kong (Facsimile No.: +852-35898555).

NOTICE OF THE THIRD EXTRAORDINARY GENERAL MEETING OF 2013

3. In order to be valid, the instruments appointing a proxy (including the proxy form and the Independent Director's Proxy Form) and the power of attorney or other authorisation documents (if any) of the signatory or notarised copies of such power of attorney or authorisation documents must be completed and deposited, no later than 24 hours before the time appointed for holding the EGM or any adjournment thereof at the Company's registered office (for A shareholders) or Computershare Hong Kong Investor Services Limited, the H share registrar of the Company, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for H shareholders). The completion and return of the proxy form and the Independent Director's Proxy Form shall not preclude a shareholder from attending and voting in person at the EGM or any adjournment thereof if he so wishes.
4. A shareholder entitled to attend and vote at the EGM convened by the aforesaid notice shall be entitled to appoint another one or more proxies to attend and vote for him. A proxy need not be a shareholder of the Company.
5. In case of joint holders of a share, any one of such holders is entitled to vote at the EGM, by himself or by proxy, as if he is the only one entitled to do so among the joint holders. However, only the vote of the person whose name stands first on the register of members in respect of such share shall be accepted if more than one joint holder attend the EGM personally or by proxy.
6. The EGM is expected to last for half a day. All transportation and accommodation expenses incurred by shareholders or their proxies in attending the EGM shall be borne by themselves. Shareholders or their proxies attending the EGM shall be required to produce identifications.

As at the date hereof, 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.

NOTICE OF THE FIRST H SHAREHOLDERS' CLASS MEETING OF 2013

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

ZTE中兴

ZTE CORPORATION

中兴通讯股份有限公司

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 763)

NOTICE OF THE FIRST H SHAREHOLDERS' CLASS MEETING OF 2013

The Company and all the members of the Board of Directors confirm that all the information contained in this information disclosure is true, accurate and complete without any false or misleading statement or material omission.

NOTICE IS HEREBY GIVEN that the First H Shareholders' Class Meeting of 2013 (hereinafter referred to as the "H Shareholders' Class Meeting") of ZTE Corporation (hereinafter referred to as the "Company") will be convened on Tuesday, 15 October 2013 immediately following the Third Extraordinary General Meeting of 2013 and the First A Shareholders' Class Meeting of 2013 or any adjournments thereof at 4th Floor, A Wing, ZTE Plaza, Keji Road South, Hi-Tech Industrial Park, Nanshan District, Shenzhen, Guangdong Province, the People's Republic of China to consider and, if thought fit, approve, the following resolutions (terms defined in this notice shall have the same meanings as those in the circular of the Company dated 30 August 2013, unless otherwise required by the context):

Special Resolutions

1. Resolution on the "ZTE Corporation Share Option Incentive Scheme (Revised Draft)" (the "Scheme") and its summary

That: The Scheme (the terms of which have been set out in a document marked "A," submitted to the EGM and signed by the chairman of the EGM for identification purposes, and a summary of terms of which, set out according to the structure and terms specified below, is contained in the circular of the Company dated 30 August 2013) be hereby approved and adopted.

- 1.1 Basis for determining the Participants and the scope of Participants of the Scheme;
- 1.2 Source and number of subject shares under the Scheme;

NOTICE OF THE FIRST H SHAREHOLDERS' CLASS MEETING OF 2013

- 1.3 Validity Period, date of grant, vesting period, exercise arrangements and lock-up period for subject shares under the Scheme;
- 1.4 Exercise price of share options and basis of determination;
- 1.5 Conditions of grant and exercise of share options;
- 1.6 Methods and procedures for adjustment of the Scheme;
- 1.7 Accounting treatment of share options;
- 1.8 Procedures for the grant by the Company and the exercise by Participants of share options;
- 1.9 Respective rights and obligations of the Company and the Participants;
- 1.10 Handling of special cases; and
- 1.11 Amendment and Termination of the Scheme.

2. Resolution on the “ZTE Corporation Share Option Incentive Scheme Performance Appraisal System”

That: The Share Option Incentive Scheme Performance Appraisal System (the terms of which have been set out in a document marked “B,” submitted to the EGM and signed by the chairman of the EGM for identification purposes, and a summary of terms of which is contained in the circular of the Company dated 30 August 2013) be hereby approved and adopted.

3. Resolution on a mandate granted to the Board of Directors by the General Meeting of ZTE Corporation to deal with matters pertaining to the Scheme

That: the Board of Directors be hereby authorised to implement and administer the Scheme of the Company. The Board of Directors is hereby authorised to conduct, among others, the following:

- 3.1 To confirm the qualifications and conditions of Participants for joining the Scheme, to confirm the list of Participants (other than those as connected persons of the Company) and the number of share options to be granted and to confirm the grant price of the subject shares;
- 3.2 To grant shares to Participants upon their fulfillment of relevant conditions and to handle all matters required for the grant and unlocking of shares;
- 3.3 To adjust the number of subject shares in accordance with the principles and in the manner stipulated under the Scheme when such adjustment is required in respect of the Company’s ex-right or ex-dividend shares or for other reasons;

- 3.4 Subject to compliance with the terms of the Scheme, to formulate or modify provisions for the administration and implementation of the Scheme from time to time, provided that if such modifications are required by the laws, regulations or relevant regulatory authorities to be subject to the approval of the General Meeting and/or relevant regulatory authorities, such modifications by the Board of Directors must obtain the corresponding approvals;
- 3.5 To sign, execute, modify and terminate any agreements relating to the Scheme and other relevant agreements;
- 3.6 To appoint receiving banks, accountants, legal advisers and other intermediaries for the implementation of the Scheme;
- 3.7 To conduct other necessary matters required for the implementation of the Scheme, save for rights expressly stipulated in relevant documents to be exercised by the General Meeting;
- 3.8 To process examination, registration, filing, ratification, approval and other procedures with relevant governments and authorities in connection with the Scheme; to sign, execute, modify and complete documents submitted to relevant governments, authorities, organisations and individuals; and to do all acts, deeds and matters it deems necessary, proper or appropriate in connection with the Scheme; and
- 3.9 The mandate granted to the Board of Directors shall be coterminous with the Scheme.

Proxy Form for the Solicitation of Voting Rights by Independent Non-executive Directors (“Independent Director’s Proxy Form”)

Pursuant to the Administrative Measures on Share Incentives of Listed Company (Trial) (《上市公司股權激勵管理辦法(試行)》) (“Incentive Measures”), the Independent Non-executive Directors of a company listed on the Shenzhen Stock Exchange shall solicit voting rights from all shareholders of the company in the event of the proposed adoption of a share option incentive scheme by such company. The solicitation is intended to provide shareholders of such listed company with an alternative approach to participation in general meetings, so as to encourage them to vote on the resolution in respect of the adoption of a share option incentive scheme. Pursuant to the Incentive Measures and the authorisation of other Independent Non-executive Directors, Mr. Tan Zhenhui, Independent Non-executive Director, has sent out an Independent Director’s Proxy Form to solicit voting rights from the shareholders. For further details of the Independent Director’s Proxy Form, please refer to the Report on the Solicitation of Voting Rights by the Independent Non-executive Directors published by the Company on 26 August 2013.

NOTICE OF THE FIRST H SHAREHOLDERS' CLASS MEETING OF 2013

Should you wish to appoint Mr. Tan Zhenhui as your proxy to vote for you and on your behalf at the H Shareholders' Class Meeting on the resolutions relating to the Scheme, please complete and return the Independent Director's Proxy Form to Computershare Hong Kong Investor Services Limited, the H share registrar of the Company, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by hand or by post, no later than 24 hours before the time appointed for holding the H Shareholders' Class Meeting or any adjournment thereof. For the avoidance of doubt, if you wish to appoint persons other than Mr. Tan Zhenhui as your proxy to vote for you and on your behalf on resolutions relating to the Scheme at the H Shareholders' Class Meeting, you may complete and return the proxy form only and disregard the Independent Director's Proxy Form.

Please note that if you have completed and returned both the proxy form and the Independent Director's Proxy Form, but have given inconsistent voting instructions on the resolutions concerned between the proxy form and the Independent Director's Proxy Form, your voting instructions given in the Independent Director's Proxy Form will be counted as your vote for or against resolutions in relation to the Scheme (namely Resolutions Nos. 1-3 set out above).

By Order of the Board
Hou Weigui
Chairman

Shenzhen, the PRC
30 August 2013

Notes:

- 1. The Company will close its H share register from Monday, 16 September 2013 to Monday, 14 October 2013 (both days inclusive) to determine qualifications of shareholders to attend and vote at the H Shareholders' Class Meeting. Any H Shareholder who wishes to attend and vote at the H Shareholders' Class Meeting shall lodge an instrument of transfer, together with the corresponding share certificate(s) with Computershare Hong Kong Investor Services Limited at Room 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m., Friday, 13 September 2013.**
2. Shareholders intending to attend the H Shareholders' Class Meeting, whether in person or by proxy, should deliver the reply slip by hand, post or facsimile to the principal place of business in Hong Kong (for H shareholders) on or before Tuesday, 24 September 2013. The principal place of business of the Company in Hong Kong is: 8th Floor Gloucester Tower, The Landmark, 15 Queen's Road Central, Central, Hong Kong (Facsimile No.: +852-35898555).
3. In order to be valid, the instruments appointing a proxy (including the proxy form and the Independent Director's Proxy Form) and the power of attorney or other authorisation documents (if any) of the signatory or notarised copies of such power of attorney or authorisation documents must be completed and deposited, no later than 24 hours before the time appointed for holding the H Shareholders' Class Meeting

NOTICE OF THE FIRST H SHAREHOLDERS' CLASS MEETING OF 2013

or any adjournment thereof at Computershare Hong Kong Investor Services Limited, the H share registrar of the Company, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for H shareholders). The completion and return of the proxy form and the Independent Director's Proxy Form shall not preclude a shareholder from attending and voting in person at the H Shareholders' Class Meeting or any adjournment thereof if he so wishes.

4. A shareholder entitled to attend and vote at the H Shareholders' Class Meeting convened by the aforesaid notice shall be entitled to appoint another one or more proxies to attend and vote for him. A proxy need not be a shareholder of the Company.
5. In case of joint holders of a share, any one of such holders is entitled to vote at the H Shareholders' Class Meeting, by himself or by proxy, as if he is the only one entitled to do so among the joint holders. However, only the vote of the person whose name stands first on the register of members in respect of such share shall be accepted if more than one joint holder attends the H Shareholders' Class Meeting personally or by proxy.
6. The H Shareholders' Class Meeting is expected to last for half a day. All transportation and accommodation expenses incurred by shareholders or their proxies in attending the H Shareholders' Class Meeting shall be borne by themselves. Shareholders or their proxies attending the H Shareholders' Class Meeting shall be required to produce identifications.

As at the date hereof, the Board of Directors of the Company comprises three executive directors, Shi Lirong, Yin Yimin and He Shiyou; 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.