

# 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)

## Announcement of the Board of Directors regarding the Share Incentive Scheme

The Company and all the members of the Board of Directors confirm that the information contained in this announcement is true, accurate and complete and that there are no false and misleading statements or material omissions in this announcement.

ZTE Corporation (hereinafter referred to as "ZTE" or the "Company") has further revised Phase I of the Share Incentive Scheme of the Company and a non-current letter has been received from the China Securities Regulatory Commission ("CSRC") in respect of the revised Phase I of the Share Incentive Scheme of ZTE Corporation (Version Dated 5 February 2007).

Shenzhen Zhongxingxin Telecommunications Equipment Company, Limited ("Zhongxingxin"), the controlling shareholder of the Company, submitted ex tempore motions to the Company in respect of Phase I of the Share Incentive Scheme of ZTE Corporation on 12 February 2007, requesting the Board of Directors to table motions at the first extraordinary general meeting of the Company for 2007 for its consideration and approval.

The Board of Directors of the Company hereby announces the aforesaid matters as follows:

### I. Phase I of the Share Incentive Scheme of ZTE Corporation

The Company announced the Phase I of the Share Incentive Scheme of ZTE Corporation (Draft) on 26 October 2006 and the Phase I of the Share Incentive Scheme of ZTE Corporation (Revised Draft) on 18 December 2006 (hereinafter referred to as "Phase I Share Incentive Scheme (Revised Draft)"). With a view to perfecting its terms, the Company has further revised Phase I Share Incentive Scheme (Revised Draft) and prepared the Phase I of the Share Incentive Scheme of ZTE Corporation (Version Dated 5 February 2007) (hereinafter referred to as "Phase I Share Incentive Scheme (5 February 2007 Version)"). The key revisions are set out as follows.

- (I) Specifying how the quota of Subject Shares will be dealt with if the Unlocking Conditions are not satisfied: The Company shall return the Scheme Participants the Subscription Cost for the Subject Shares still subject to the lock-up purchased by the Scheme Participants at their own cost. The quota for Subject Shares still subject to the lock-up as a result of the Unlocking Conditions not having been satisfied shall be cancelled. For details of the revision please refer to "Special Note — 2 and 3 (2)", "VI-3, "IX — (I), (II), (III) and (IV)" of Phase I Share Incentive Scheme (5 February 2007 Version).
- (II) Revision of the clauses relating to the change of duties or departure of Scheme Participants. For details of the revision please refer to "IX — (I)" of Phase I Share Incentive Scheme (5 February 2007 Version).
- (III) Revising related regulations for the granting procedures: Within 30 trading days after the approval of the Share Incentive Scheme by the general meeting and the satisfaction of the conditions of grant, Scheme Participants shall pay the subscription amounts for the Subject Shares and will be granted the quota for the Subject Shares. For details of the revision please refer to "Special Note — 7" and "VII — (III) 2" of Phase I Share Incentive Scheme (5 February 2007 Version).
- (IV) Specifying how the Reserved Subject Shares will be dealt with. Under the Phase I Share Incentive Scheme (5 February 2007 Version), the quota of Subject Shares proposed to be granted to the Scheme Participants shall be 47,980,000 A shares of the Company, out of which 10% (namely 4,798,000 shares) will be aside as the Reserved Subject Shares to be issued pursuant to the general mandate to be granted to the Board of Directors of the Company for the period when such Reserved Subject Shares are granted. The Grant Price of the Reserved Subject Shares shall be the closing price of the Company's A shares as quoted on the Shenzhen Stock Exchange on the trading day immediately preceding the date on which the meeting of the Board of Directors in connection with the grant of the Reserved Subject Shares is convened. For details of the revision please refer to "VIII. Reserved Subject Shares" and "VII — (II)" of Phase I Share Incentive Scheme (5 February 2007 Version).

For more details of the revisions please refer to Phase I Share Incentive Scheme (5 February 2007 Version) published on the same date as this announcement.

### II. Ex tempore motions submitted by Zhongxingxin

On 12 February 2007, the Board of Directors of the Company received "The resolution with respect to Phase I of the Share Incentive Scheme of ZTE Corporation (Version Dated 5 February 2007)", "The resolutions regarding the grant and issue of Subject Shares (including the number of shares) to twenty one Scheme Participants who are Directors and Senior Management of the Company pursuant to the Phase I of the Share Incentive Scheme of ZTE Corporation" and "The resolution regarding requesting the general meeting of ZTE Corporation to authorize the Board to deal with certain matters regarding the Phase I of the Share Incentive Scheme" submitted by Zhongxingxin, the controlling shareholder of the Company, as ex tempore motions, requesting the Board of Directors of the Company to table the said resolutions at the first extraordinary general meeting of the Company for 2007 for its consideration and approval.

After due examination of the above ex tempore motions, the Directors of the Company take the view that Zhongxingxin is qualified to propose the ex tempore motions and the contents of such ex tempore motions fall within the terms of reference of the general meeting in that they have a clear subject matter and are apparently specific. Therefore, the Board of Directors of the Company agreed to table these resolutions at the first extraordinary general meeting of the Company for 2007 for its consideration and approval in accordance with Regulatory Opinion on General Meetings of Listed Companies (《上市公司股東大會規則》) issued by the CSRC.

Pursuant to the resolutions regarding rescheduling the extraordinary general meeting passed at the twentieth and the twenty first meetings of the third session of the Board of Directors of the Company and relevant terms of the aforesaid additional ex tempore motions, the Company has revised the notice for the first extraordinary meeting of the Company for 2007 accordingly. The Company will publish and despatch to the shareholders a revised notice for the first extraordinary meeting of the Company for 2007 in due course to include the new resolutions to be tabled at the meeting.

By Order of the Board of Directors  
**Hou Weigui**  
Chairman

Shenzhen, PRC  
14 February 2007