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ZTE CORPORATION

中興通訊股份有限公司

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

(Stock Code: 763)

**Bonus Share Issue and Dividend Payment
Dispatch of Cheques and Share Certificates
Bonus Share Issue to Overseas H Shareholders
Listing of and Trading in Bonus H Shares
Withholding of Income Taxes on Dividends Paid to Non-Resident Corporate
Shareholders and Individual Shareholders**

Reference is made to the circular of the Company dated 9 April 2015 in relation to proposed bonus share issue by conversion of capital reserve and dividends and the announcement of the Company dated 28 May 2015 on the voting results of the AGM of the Company held on 28 May 2015.

The Shareholders have approved: (1) the payment of a final dividend of RMB0.2 (before tax) per Share by the Company. The final dividend is payable to H Shareholders whose names appeared on the H Shares register of members of the Company on Monday, 8 June 2015. Dividend on A Shares shall be paid in Renminbi and dividend on H Shares shall be paid in Hong Kong dollar. A final dividend of HKD0.25348 (based on the average median of exchange rates of Hong Kong dollar against Renminbi published by The People's Bank of China for the 5 business days up to and including 28 May 2015 of HKD100 to RMB78.9008) is payable to the H Shareholders; and (2) a total of 687,508,255 Bonus Shares will be issued on the basis of 3,437,541,278 Shares (comprising 629,585,445 H shares and 2,807,955,833 A shares) in issue as at the respective Record Dates for the A Shareholders and the H Shareholders and two (2) Bonus Shares credited as fully paid for every ten (10) existing Shares held, including 125,917,089 Bonus H shares to H Shareholders whose names appear on the H Shares register of members on the H Share Record Date.

The (1) the cheques for the Dividends; and (2) the certificates of the Bonus H Shares will be dispatched by Computershare Hong Kong Investor Services Limited, the H share registrar of the Company, via ordinary post on Friday, 17 July 2015 to the H Shareholders at their own risk. Dividend payments will be made on Friday, 17 July 2015.

As at the H Share Record Date, there was one H Shareholder of the Company whose address is located in Macau. The Company has been advised by its legal advisor on the law of Macau that there is no legal restriction under the Macanese Laws or requirements of any relevant Macau regulatory body with respect to extending the Bonus Share Issue to the above-mentioned H Shareholder. Accordingly, the Bonus H Shares will be distributed to such H

Shareholder.

Trading in the Bonus H Shares are expected to commence on Friday, 17 July 2015.

Introduction

Reference is made to the circular of ZTE Corporation (the “**Company**”) dated 9 April 2015 (the “**Circular**”) in relation to proposed bonus share issue by conversion of capital reserve and dividends and the announcement of the Company dated 28 May 2015 on the voting results of the AGM of the Company held on 28 May 2015 which states, among other things, the approval of the bonus share issue and dividends by the Shareholders of the Company. Unless otherwise specified, capitalised terms used in this announcement shall have the same meanings as defined in the Circular.

The Shareholders have approved: (1) the payment of a final dividend of RMB0.2 (before tax) per Share by the Company. The final dividend is payable to H Shareholders whose names appeared on the H Shares register of members of the Company on Monday, 8 June 2015 (the “**H Share Record Date**”). Dividend on A Shares shall be paid in Renminbi and dividend on H Shares shall be paid in Hong Kong dollar. The following conversion formula shall apply to the calculation of the dividend payable to H Shareholders:

$$\begin{array}{l} \text{Final dividend per H} \\ \text{Share in Hong Kong} \\ \text{dollar} \end{array} = \frac{\text{Final dividend per Share in Renminbi}}{\text{The average median of exchange rates of Hong Kong dollar} \\ \text{against Renminbi published by The People's Bank of China} \\ \text{for the 5 business days up to and including the AGM date}}$$

The average median of exchange rates of Hong Kong dollar against Renminbi published by The People’s Bank of China for the 5 business days up to and including 28 May 2015 was HKD100 to RMB78.9008. Accordingly, the final dividend payable for each H Share is HKD0.25348 (before tax); and (2) the issue of a total of 687,508,255 Bonus Shares on the basis of 3,437,541,278 Shares (comprising 629,585,445 H shares and 2,807,955,833 A shares) in issue as at the respective Record Dates for the A Shareholders and the H Shareholders, including 125,917,089 Bonus H shares to H Shareholders whose names appear on the H Shares register of members on the H Share Record Date. The Bonus Share Issue will be conducted by way of conversion of capital reserve of the Company. Shareholders whose names appear on the respective Record Dates for the A Shareholders and the H Shareholders will each be issued two (2) Bonus Shares credited as fully paid for every ten (10) existing Shares held.

Fractional Bonus Shares will not be distributed to Shareholders, but will be aggregated and sold for the benefit of the Company.

Dispatch of Cheques and Share Certificates

The Company has appointed Bank of China (Hong Kong) Trustees Limited as the receiving agent (the “**Receiving Agent**”) in Hong Kong which will receive the declared final dividend from the Company on behalf of H Shareholders. The final dividend will be paid by the Receiving Agent. The (1) the cheques for the Dividends; and (2) the certificates of the Bonus

H Shares will be dispatched by Computershare Hong Kong Investor Services Limited, the H share registrar of the Company, via ordinary post on Friday, 17 July 2015 to the H Shareholders at their own risk. Dividend payments will be made on Friday, 17 July 2015.

In case of a joint shareholding, the certificate(s) of the Bonus H Shares will be posted to the first named person on the H Shares register of members in respect of such joint shareholding.

Bonus Share Issue to Overseas H Shareholders

As at the H Share Record Date, there was one H Shareholder of the Company whose address is located in Macau. The Company has been advised by its legal advisor on the law of Macau that there is no legal restriction under the Macanese Laws or requirements of any relevant Macau regulatory body with respect to extending the Bonus Share Issue to the above-mentioned H Shareholder. Accordingly, the Bonus H Shares will be distributed to such H Shareholder.

Listing of and Trading in Bonus H Shares

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

Trading in the Bonus H Shares are expected to commence on Friday, 17 July 2015.

Withholding of Income Taxes on Dividends Paid to Non-Resident Corporate Shareholders and Individual Shareholders

Under the relevant tax rules and regulations of the PRC (collectively the “**PRC Tax Law**”), the Company is required to withhold corporate income tax at the rate of 10% when distributing the final dividend to non-resident enterprises (such term shall have the meaning as defined under the PRC Tax Law) whose names appear on the H Shares register of members of the Company on the H Share Record Date.

In accordance with the PRC Tax Law, the Company is also required to withhold individual income tax when distributing the final dividend to individual shareholders whose names appeared on the H Shares register of members of the Company on the H Share Record Date. The Company will determine the country of domicile of the individual shareholders based on the registered addresses as recorded in the H Shares register of members of the Company on the H Share Record Date with details as follows:

- For individual shareholders who are Hong Kong and Macau residents and those whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of them.
- For individual shareholders whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of less than 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of

them. The Company would make applications on their behalf to seek entitlement of the relevant agreed preferential treatments pursuant to the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative) (Guo Shui Fa [2009] No. 124) (《國家稅務總局關於印發〈非居民享受稅收協議待遇管理辦法(試行)〉的通知》(國稅發[2009]124號)).

- For individual shareholders whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of higher than 10% but lower than 20%, the Company would withhold and pay the individual income tax at the agreed-upon effective tax rate on behalf of them.
- For individual shareholders who are residents of those countries without any tax treaties with the PRC or having tax treaties with the PRC stipulating a dividend tax rate of 20% and other situations, the Company would withhold and pay the individual income tax at a tax rate of 20% on behalf of them.

Shareholders of the Company should read this section carefully, if any change in the identity of shareholder is required, please enquire about the relevant procedures with the nominees or trustees. The Company is neither obligated nor responsible for ascertaining the identity of shareholders and will strictly comply with the relevant laws on withholding and paying income taxes in accordance with the records of the H Shares register of members as at the H Share Record Date, and will not entertain any requests in relation to any delay or error in ascertaining the identity of shareholders.

By Order of the Board
Hou Weigui
Chairman

Shenzhen, the PRC
10 July 2015

As at the date of this announcement, the Board of Directors of the Company comprises three executive directors, Shi Lirong, Yin Yimin and He Shiyong; six non-executive directors, Hou Weigui, Zhang Jianheng, Xie Weiliang, Wang Zhanchen, Zhang Junchao and Dong Lianbo; and five independent non-executive directors, Qu Xiaohui, Wei Wei, Chen Naiwei, Tan Zhenhui and Richard Xike Zhang.