

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 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)

Resolutions of the Thirty-second Meeting of the Sixth Session of the Board of Directors

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

ZTE Corporation (the "Company") issued the "Notice of the Thirty-second Meeting of the Sixth Session of the Board of Directors of the Company" to all the Directors of the Company by electronic mail and telephone on 13 October 2015. The Thirty-second Meeting of the Sixth Session of the Board of Directors of the Company (the "Meeting") was convened by way of video conference on 27 October 2015 at the Shenzhen headquarters of the Company, Beijing, Xi'an, Shanghai and Xiamen. The Meeting was presided over by Mr. Hou Weigui, Chairman. Of the 14 Directors required to vote at the Meeting, 12 Directors duly participated and 2 Directors appointed proxies to attend on their behalves. Mr. Wang Zhanchen, Director, was unable to attend the Meeting due to work reasons and has authorized in writing Mr. Hou Weigui, Chairman, to vote on his behalf. Mr. Dong Lianbo, Director, was unable to attend the Meeting due to work reasons and has authorized in writing Mr. Hou weigui, Chairman, to vote on his behalf. Members of the Supervisory Committee of the Company and certain personnel concerned also attended the Meeting. Directors Mr. Zhang Jianheng, Mr. Xie Weiliang, Mr. Wang Zhanchen, Mr. Zhang Junchao and Mr. Dong Lianbo, being beneficiaries of the Share Option Incentive Scheme of the Company, abstained from the voting of relevant resolutions at the Meeting. The Meeting was convened and held in accordance with the relevant laws, administrative regulations, departmental rules and the Articles of Association of ZTE Corporation, and was legal and valid.

The following resolutions were considered and approved at the Meeting:

I. Consideration and approval of the "2015 Third Quarterly Report of the Company."

Voting results: For: 14; against: 0; and abstained: 0.

II. Consideration and approval of the “Resolution of the Company on the Amendments to Relevant Terms of the ‘Audit Committee Working Rules’.”

That, in accordance with the latest requirements set out in the revised Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited which will come into effect on 1 January 2016, amendments to relevant terms of the Audit Committee Working Rules as follows in accordance with the law be approved:

The original article	The amended article
<p>Article 8 – The principal duties and scope of authority of the Audit Committee shall be:</p> <p>.....</p> <p>(IX) To review the Company’s financial control, internal control and risk management system and to conduct examination of substantial connected transactions;</p> <p>(X) To hold discussions with the management on the internal control system to ensure that the management has performed its duty to develop an effective internal control system; This discussion should include the adequacy of resources, staff qualification and experience, training programs and budget of the Company’s accounting and financial reporting function;</p> <p>(XI) To conduct research on significant investigation findings in respect of internal control matters and management’s response thereto in a proactive manner or upon the request of the Board;</p> <p>(XII) To review any statement on the Company’s internal control systems prior to its submission to the Board for approval, if the same is contained in an annual report;</p> <p>.....</p>	<p>Article 8 – The principal duties and scope of authority of the Audit Committee shall be:</p> <p>.....</p> <p>(IX) To review the Company’s financial control, <u>risk management and</u> internal control and risk management system and to conduct examination of substantial connected transactions;</p> <p>(X) To hold discussions with the management on the <u>risk management and</u> internal control system to ensure that the management has performed its duty to develop an effective internal control system; This discussion should include the adequacy of resources, staff qualification and experience, training programs and budget of the Company’s accounting and financial reporting function;</p> <p>(XI) To conduct research on significant investigation findings in respect of <u>risk management and</u> internal control matters and management’s response thereto in a proactive manner or upon the request of the Board;</p> <p>(XII) To review any statement on the Company’s <u>risk management and</u> internal control systems prior to its submission to the Board for approval, if the same is contained in an annual report;</p> <p>.....</p>

Voting results: For: 14; against: 0; and abstained: 0.

The amended Audit Committee Working Rules (October 2015) will be published by the Company on 27 October 2015.

III. Consideration and approval of the “Resolution of ZTE Corporation on the Adjustment of Participants and Number of Share Options for the First Exercise Period of the Share Option Incentive Scheme.”

That, in view of the following developments during the first exercise period of the Share Option Incentive Scheme of the Company (the “Scheme”), the adjustment of participants and number of share options for the first exercise period pursuant to the Scheme be approved, the details of which are as follows:

1. As 96 original participants have departed the Company, 1 original participant has deceased and 2 original participants have been terminated by the Company due to material violations of regulations, they shall no longer be qualified as participants under the Scheme. Accordingly, it is approved that the Company will annul the qualifications of the 99 aforesaid persons for participating in the Scheme and a total of 6,831,600 share options previously granted to them will be cancelled;
2. As 5 persons have not met the exercise conditions having not passed the annual performance appraisal for the first exercise period of the Scheme, it is approved that a total of 142,200 granted original share options to be exercisable during the first exercise period will be withdrawn and cancelled by the Company without compensation.

Following this adjustment, the number of participants of the Scheme will be adjusted from 1,528 to 1,429, and the number of share options granted will be adjusted from 123,586,800 to 116,613,000; the number of participants entitled to exercise share options for the first exercise period will be adjusted from 1,528 to 1,424, and the number of exercisable share options will be adjusted from 37,076,040 to 34,884,360.

Directors Mr. Zhang Jianheng, Mr. Xie Weiliang, Mr. Wang Zhanchen, Mr. Zhang Junchao and Mr. Dong Lianbo, being participants of the Scheme, did not take part in the voting in respect of the aforesaid matter at the Meeting.

Voting results: For: 9; against: 0; and abstained: 0.

For details, please refer to the “Announcement on the Adjustment of Participants and Number of Share Options under the Share Option Incentive Scheme” published by the Company on 27 October 2015.

IV. Consideration and approval of the “Resolution of ZTE Corporation on the Fulfillment of Exercise Conditions for the First Exercise Period of the Share Option Incentive Scheme.”

Pursuant to the Scheme, participants may exercise the share options granted in three periods: For the 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, not more than 30% of the total number of share options granted may be exercised. Accordingly, the first exercise period for share options of A shares granted on 31 October 2013 will be from 2 November 2015 to 31 October 2016 (the “First Exercise Period”), and the number of share options exercisable for the First Exercise Period will be 30% of the total number of share options granted. As of now, the exercise conditions for the First Exercise Period of the Scheme have been fulfilled, the details of which are as follows:

Pursuant to the Scheme and based on the appraisal results of the Share Option Incentive Scheme Performance Appraisal System, Directors present at the Meeting are of the view that 1,424 participants who have been granted share options have passed their respective individual appraisal results for 2014 and fulfilled the conditions for the exercise of share options in the First Exercise Period under the Scheme, and are entitled to exercise 34,884,360 share options during the First Exercise Period.

Directors Mr. Zhang Jianheng, Mr. Xie Weiliang, Mr. Wang Zhanchen, Mr. Zhang Junchao and Mr. Dong Lianbo, being participants of the Scheme, did not take part in the voting in respect of the aforesaid matter at the Meeting.

Voting results: For: 9; against: 0; and abstained: 0.

V. Consideration and approval of the “Resolution of ZTE Corporation on the Adoption of the Voluntary Exercise Model for the Share Option Incentive Scheme” to give approval for the exercise of share options under the Scheme on a voluntary basis.

The Board of Directors is of the view that the impact of the voluntary exercise of share options during the first exercise period of the Scheme on the pricing and valuation of the share options under the Scheme is as follows:

In accordance with “ASBE 11 – Share-based Payment,” services rendered by participants are charged to relevant costs or expenses at the fair value of the share options on the date of grant and the capital reserve is credited accordingly, based on the best estimates of number of exercisable share options. During the exercise period of the share options, the Company will not adjust recognised costs or expenses. At each balance sheet date, share options exercised

are transferred to and recognised in the capital reserve.

The share options shall be exercised by participants on a voluntary basis. The fair value on the date of grant of equity-settled share options granted is estimated by an independent third party engaged by the Company using the Binomial Tree model taking into account the terms and conditions for the grant of share options. The fair value of share options granted in 2013 is RMB524,023,000, while the amounts of share option expenses recognised for 2013 and 2014 are RMB29,707,000 and RMB178,241,000, respectively. The amounts of share option expenses estimated for 2015, 2016 and 2017 are RMB166,829,000, RMB101,102,000 and RMB48,144,000, respectively.

If the share options for the first exercise period are exercised in full, the total share capital of the Company will increase by 34,884,360 shares, and its capital reserve will increase by RMB356,518,160. Based on relevant figures as at the end of 2014, the basic earnings per share for 2014 would have decreased by RMB0.00535 (restated to reflect the 2014 plan for profit distribution and conversion of capital reserve), and the fully diluted return on net assets would have decreased by 0.164%. The actual figures of the effect are subject to figures audited by the accountant.

Directors Mr. Zhang Jianheng, Mr. Xie Weiliang, Mr. Wang Zhanchen, Mr. Zhang Junchao and Mr. Dong Lianbo, being participants of the Scheme, did not take part in the voting in respect of the aforesaid matter at the Meeting.

Voting results: For: 9; against: 0; and abstained: 0.

For details of Resolutions IV and V, please refer to the “Announcement on the Fulfillment of Exercise Conditions for the First Exercise Period of the Share Option Incentive Scheme” published by the Company on 27 October 2015.

VI. Consideration and approval of the “Resolution of ZTE Corporation on the Cancellation of Certain Share Options.”

That the cancellation of a total of 6,973,800 share options previously granted to the following original participants who no longer fulfill the conditions as participants of the Scheme, including 96 persons who have departed the Company, 1 person who has deceased and 2 persons who have been terminated by the Company due to material violations of regulations, as well as 5 persons who do not fulfill the exercise conditions having not passed the annual performance appraisal corresponding to the first exercise period under the Scheme, be approved.

The said cancellation of certain share options will not affect the implementation of the Scheme.

Directors Mr. Zhang Jianheng, Mr. Xie Weiliang, Mr. Wang Zhanchen, Mr. Zhang Junchao and Mr. Dong Lianbo, being participants of the Scheme, did not take part in the voting in respect of the aforesaid matter at the Meeting.

Voting results: For: 9; against: 0; and abstained: 0.

For details, please refer to the “Announcement on the Cancellation of Certain Share Options” published by the Company on 27 October 2015.

The Independent Non-executive Directors and Supervisory Committee of the Company and Beijing Jun He Law Offices (Shenzhen Office) have furnished their respective opinions on Resolutions III, IV and VI set out above. The Remuneration and Evaluation Committee of the Board of Directors has furnished its opinion on Resolutions III and IV set out above. For details, please refer to the Overseas Regulatory Announcements published by the Company on 27 October 2015.

By Order of the Board
Hou Weigui
Chairman

Shenzhen, the PRC
27 October 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, Tan Zhenhui, Richard Xike Zhang, Chen Shaohua, Lü Hongbing and Bingsheng Teng.