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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)**

## **Announcement**

### **Resolutions of the Thirteenth Meeting of the Fifth Session of the Board of Directors**

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

The "Notice of the Thirteenth Meeting of the Fifth Session of the Board of Directors" has been despatched by ZTE Corporation (the "Company") to all Directors of the Company via electronic mail and by telephone on 22 November 2010. The Thirteenth Meeting of the Fifth session of the Board of Directors of the Company (the "Meeting") was held by way of voting via telecommunication means on 26 November 2010. All of the 14 Directors required to vote at the Meeting duly participated in the voting. The Meeting, which was held in accordance with the relevant laws, administrative regulations, departmental rules and the Articles of Association, was legal and valid.

The following resolutions were considered and passed by the Meeting:

#### **I. "Resolution relating to the First Unlocking of Subject Shares under the Second Award of the Phase 1 Share Incentive Scheme", the details of which are as follows:**

Voting results: For: 14; Against: 0; Abstained: 0.

##### **(I) Confirmation of conditions precedent to the First Unlocking of Subject Shares under the Phase I Share Incentive Scheme by 763 Scheme Participants of the Company participating in the Second Award being fulfilled and agreement to deal with the unlocking.**

Pursuant to the Phase I Share Incentive Scheme, the lock-up period of 2 years commenced on 25 November 2008 (the date of the Second Award). As at 25 November 2010, the lockup period for the Subject Shares under the Second Award of the Company has expired. Since 25 November 2010, the Company may proceed with the First Unlocking of the Subject Shares in the Share Incentive Scheme under the Second Award. 763 Scheme Participants of the Company satisfied the conditions precedent to the First Unlocking of the Subject Shares under the Phase I Share Incentive Scheme. The number of shares proposed to be unlocked shall account for 20%

of the share quota granted to the Scheme Participants. Details are as follows:

### **1. In respect of the Company:**

None of the following having occurred in respect of the Company:

- (1) The issue of an adverse opinion or a disclaimer of audit opinion on the financial and accounting report for the most recent accounting year by a firm of certified public accountants;
- (2) The imposition of administrative penalties by the CSRC during the most recent year due to significant violation of laws or regulations by the Company;
- (3) The annual performance appraisal of the Company falling short of performance standards stipulated under the Share Incentive Scheme;
- (4) Significant objection to the results or annual financial and accounting report of the Company raised by state-owned assets regulatory authorities or departments, the supervisory committee or audit department;
- (5) Other circumstances under which share incentives should not be implemented as determined by the CSRC.

### **2. In respect of the Scheme Participants:**

#### 2.1 Resignations of Scheme Participants

Since the registration of Subject Shares under the Phase I Share Incentive Scheme of the Company with the Shenzhen Branch of China Securities Depository and Clearing Company Limited in July 2009, 7 Scheme Participants under the Second Award have left employment. The 98,104 shares held by them (after the share capital increase) shall not be unlocked, and the subscription monies paid by the said Scheme Participants for the Subject Shares remaining under lock-up were refunded by the Company in accordance with the provisions of the Phase I Share Incentive Scheme.

2.2 None of the following having occurred in respect of Scheme Participants applying for the unlocking:

- (1) Public censure or declaration as a person not fit and proper by the stock exchange in the previous three years;
- (2) The imposition of administrative penalties by the CSRC during the previous three years due to significant violation of laws or regulations by the Company;
- (3) Circumstances under which the Scheme Participant is prohibited from acting as Director, Supervisor and Senior Management of the Company, as stipulated in the Company Law;
- (4) Violations of relevant laws and regulations of the State and articles of association of listed company;
- (5) Engagement in illegal and irregular acts such as bribery, embezzlement and theft, divulging of confidential operational and technical information and connected transactions of the listed company that harm the interests,

damage the reputation and bearing a material adverse impact on the image of the listed company, resulting in losses to the listed company;

(6) Other serious infringements of relevant regulations of the Company, as determined by the Board of Directors.

### **3. Conditions relating to Performance Appraisal of the Company**

The ratios of weighted average return on net assets before and after extraordinary items of the Company for 2007 were 10.94% and 10.88%, respectively, both of which were no less than 10%.

### **4. Conditions relating to Staff Performance Appraisal**

Based on the results of the 2008 appraisal of Scheme Participants conducted in accordance with the ZTE Performance Appraisal System, out of 764 Scheme Participants under employment, 763 Scheme Participants had met the staff performance appraisal conditions for unlocking while 1 Scheme Participant, who has been held accountable for breach of laws and regulations, had not. Out of the 763 eligible Scheme Participants, 1 Scheme Participant should have the number of Subject Shares to be unlocked reduced by 50%, namely, the number of Subject Shares to be unlocked was 10% of the Subject Share quotas granted, in accordance with Administrative Measures for the Phase I Share Incentive Scheme of ZTE Corporation.

### **5. Subscription monies of Subject Shares paid by Scheme Participants**

The price for the Subject Shares under the Second Award paid by the Scheme Participants shall be the closing price of ZTE A Shares as quoted on the Shenzhen Stock Exchange on the trading day immediately preceding the date on which the Twentieth Meeting of the Fourth Session of the Board of Directors granting the Subject Shares was held. Upon the award of the Subject Shares to the Scheme Participants by the Company, the Scheme Participants shall pay the subscription monies for the reserved Subject Shares at the said grant price in cash on the basis of the purchase of 5.2 shares for every 10 shares granted.

Scheme Participants applying for the current unlocking of Subject Shares have paid the subscription monies in accordance with the said price and based on the Subject Share quotas granted. The payments of the said subscription monies have been verified by BDO Guangdong Dahua Delu CPA, which issued Capital Verification Report on the Total Proceeds Received from the Implementation of the Share Incentive Scheme of ZTE Corporation (Hua De Zhuan Shen Zi [2009] No. 268) 《關於對中興通訊股份有限公司實施股權激勵所募集資金總額的驗資報告》(華德專審字[2009]268號).

### **6. Scheme Participants Subject to the Current Unlocking**

763 Scheme Participants of the Company applying for the current unlocking have satisfied the conditions precedent to the First Unlocking of Subject Shares under the Phase I Share Incentive Scheme. Circumstances in which non-eligibility as scheme participants or unlocking is prohibited under the *Administrative Measures on Share Incentives of Listed Companies (Trial)* 《上市公司股權激勵管理辦法(試行)》, the *Trial Measures for the Implementation of Share Incentives by State-owned Listed Companies (Domestic)* 《國有控股上市公司(境內)實施股權激勵試行辦法》 and the “Phase I Share Incentive Scheme” of the Company did not exist.

## **(II) Confirmation of the List of Scheme Participants and the Share Quotas to be Unlocked under the Unlocking**

In connection with the 771 Scheme Participants who had participated in the Second Award,

(1) A total of 23,731 Subject Shares were not unlocked due to 7 Scheme Participants having left employment and 1 Scheme Participants having breached disciplinary rules. The said Scheme Participants shall not re-apply in later years for the unlocking of such Subject Shares, the quotas of which will be cancelled.

(2) 763 Scheme Participants have fulfilled the staff performance appraisal conditions for unlocking. For 1 Scheme Participant, however, the number of Subject Shares to be unlocked, in accordance with the Administrative Measures for the Phase I Share Incentive Scheme of ZTE Corporation, should be reduced by 50% and a total of 1,310 Subject Shares had not been unlocked. The said 1 Scheme Participant shall not be entitled to re-apply in later years for the unlocking of such Subject Shares, the quotas of which will be cancelled. The number of shares proposed to be unlocked under the First Unlocking was 2,520,957 (fractional entitlements to shares that may arise upon the unlocking of the Subject Shares are subject to the relevant rules of the Shenzhen Stock Exchange and Shenzhen Branch of China Securities Depository and Clearing Company Limited, and the actual number of Subject Shares unlocked by Scheme Participants may vary).

Note: The share number figures stated above have been adjusted to reflect the 2007, 2008 and 2009 profit distribution plans implemented by the Company (2007: creation of 4 shares for every 10 shares held by way of capitalisation of capital reserves; 2008: creation of 3 shares for every 10 shares held by way of capitalisation of capital reserves; 2009: creation of 5 shares for every 10 shares held by way of capitalisation of capital reserves).

## **(III) Timing of and Work Arrangements for Unlocking of Subject Shares**

The timing of the unlocking of shares shall be the first trading day immediately following the day when the business of unlocking has been considered and passed by the Board. The Remuneration and Appraisal Committee of the Company, or other persons authorised by the Remuneration and Appraisal Committee, has been authorised to determine the timing for the listing of the Subject Shares and apply for such listing in accordance with the rules of Shenzhen Stock Exchange, and the specific timing will be subject to confirmation by Shenzhen Stock Exchange and Shenzhen Branch of China Securities Depository and Clearing Company Limited.

There is no discrepancy between the Share Incentive Scheme being implemented currently and the "Phase I Share Incentive Scheme (5 February 2007 revision)" announced on 14 February 2007.

**Independent Directors of the Company have reviewed the list of Scheme Participants and issued their independent opinion, and Supervisory Committee of the Company have verified the list of Scheme Participants and issued their verification opinions.**

Having conducted review on the list of the Scheme Participants applying for the current unlocking of shares, Ms. Qu Xiaohui, Mr. Wei Wei, Mr. Chen Naiwei, Mr. Tan Zhenhui and Mr. Timothy Alexander Steinert, Independent

Directors of the Company, are of the view that 763 Scheme Participants submitted by the Remuneration and Appraisal Committed to the Board of Directors for examination are in compliance with conditions precedent to the application for the First Unlocking of Subject Shares under the Second Award of the Phase I Share Incentive Scheme. The number of Subject Shares under the First Unlocking by such Scheme Participants is 2,520,957 shares.

Having conducted verification on the list of Scheme Participants entitled to the First Unlocking as approved by the Board of Directors, the Supervisory Committee of the Company is of the view that the facts relating to the dispensations of duties at the Company by the 763 Scheme Participants are true and that they are in compliance with conditions precedent to the application for the First Unlocking of Subject Shares under the Second Award of the Phase I Share Incentive Scheme.

**The legal opinion in respect of the current unlocking of Subject Shares issued by Jun He Law Offices, the legal advisor to the Company, is of the view that:**

The qualifications and conditions precedent to unlocking of the Scheme Participants applying for the current unlocking are in compliance with the requirements of the *Administrative Measures on Share Incentives of Listed Companies (Trial)* 《上市公司股權激勵管理辦法(試行)》 (the “Administrative Measures”), the *Trial Measures for the Implementation of Share Incentives by State-owned Listed Companies (Domestic)* 《國有控股上市公司(境內)實施股權激勵試行辦法》 (the “Trial Measures”) and the Phase I Share Incentive Scheme of ZTE Corporation and the relevant procedures stipulated in the Administrative Measures, Trial Measures and the Phase I Share Incentive Scheme have been fulfilled.

**II. “Resolution on the Proposed Continuing Connected Transaction Framework Agreements for 2011”, in connection with which the Board has considered on an individual basis the following continuing connected transaction framework agreements for 2011 and the 2011 cap of aggregated transaction amounts thereunder. The Board is of the view that such connected transactions are conducted in the ordinary course of business based on normal commercial terms, and the terms of such transactions are fair and reasonable and in the interests of the shareholders and the Company as a whole. Details of the resolution are as follows:**

1. That the “Framework Purchase Agreements” proposed to be entered into between the Company and its subsidiaries (together the “Group”) and connected party Shenzhen Ruide Electronic Industrial Company, Limited in relation to the procurement of handset batteries, rechargers and such other products with the cap of aggregated transaction amounts for 2011 estimated to be RMB1.15 billion (before VAT) be hereby approved.

Voting results: For: 14; Against: 0; Abstained: 0.

2. That the “Framework Purchase Agreements” proposed to be entered into between the Group and connected party Shenzhen Lead Communications Company, Limited in relation to the procurement of liquid crystal modules (LCM) with a cap of aggregated transaction amounts for 2011 estimated to be RMB375 million (before VAT) for 2011 be hereby approved.

Voting results: For: 14; Against: 0; Abstained: 0.

Having reviewed the proposed continuing connected transaction framework agreements for 2011 of the

Company prior to the Meeting, Ms. Qu Xiaohui, Mr. Wei Wei, Mr. Chen Naiwei, Mr. Tan Zhenhui and Mr. Timothy Alexander Steinert, Independent Directors of the Company, have agreed to submit the matter to the Board for consideration and issued the following independent opinion regarding the same:

The method of price determination and other terms fixed for the continuing connected transaction framework agreements for 2011 and the 2011 cap of aggregated transaction amounts thereunder (which are connected transactions defined under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited) proposed to be entered into by ZTE Corporation have been in compliance with relevant laws, regulations and the market principles without impairing the interests of the Company and its shareholders.

Voting results: For: 14; Against: 0; Abstained: 0.

Note:

According to relevant provisions of the Rules Governing the Listing of Stocks On Shenzhen Stock Exchange, rules, Shenzhen Ruide Electronic Industrial Company, Limited and Shenzhen Lead Communications Company, Limited are not deemed as connected parties of the Company.

Shenzhen Ruide Electronic Industrial Company, Limited is the Company's connected person pursuant to Rule 14A.11(5) of the Hong Kong Listing Rules as its substantial shareholder, Shenzhen Zhongxing Xindi Telecommunications Equipment Company, Limited ("Zhongxing Xindi"), is a connected person at the level of the Company by virtue of its 23% equity interest in Shenzhen Ruide Electronic Industrial Company, Limited. (Note: As a non-wholly owned subsidiary of Shenzhen Zhongxingxin Telecommunications Equipment Company, Limited ("Zhongxingxin"), Zhongxing Xindi is an associate (within the meaning of the Hong Kong Listing Rules). Zhongxingxin holds 70% equity interests in Zhongxing Xindi. As Zhongxingxin is the controlling shareholder (as well as one of the promoters) of the Company, Zhongxing Xindi constitutes a connected person of the Company as an associate of Zhongxingxin.

Shenzhen Lead Communications Company, Limited is a connected person of the Company pursuant to Rule 14A.11(5) of the Hong Kong Listing Rules, as its substantial shareholder Zhongxingxin (holding 22.5% equity interests in Lead) is the controlling shareholder of the Company.

By Order of the Board

**Hou Weigui**

*Chairman*

Shenzhen, PRC  
29 November 2010

*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, Lei Fanpei, Xie Weiliang, Wang Zhancheng, Zhang Junchao and Dong Lianbo; and five independent non-executive directors, Qu Xiaohui, Wei Wei, Chen Naiwei, Tan Zhenhui and Timothy Alexander Steinert.*