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ZTE

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 Ninth Meeting of the Seventh 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 or misleading statement in this announcement or material omission therefrom

ZTE Corporation (the “Company”) issued the “Notice of the Ninth Meeting of the Seventh Session of the Board of Directors of the Company” to all the Directors of the Company by electronic mail and telephone on 13 October 2016. The Ninth Meeting of the Seventh Session of the Board of Directors of the Company (the “Meeting”) was convened by way of video conference on 27 October 2016 at the Shenzhen headquarters, Xi’an, Shanghai and Xiamen. The Meeting was presided over by Mr. Zhao Xianming, Chairman. Of the 14 Directors required to attend the Meeting, 8 Directors duly participated and 6 Directors appointed proxies to attend on their behalves. Mr. Zhang Jianheng, Vice Chairman, was unable to attend the Meeting due to work reasons and has authorized in writing Mr. Tian Dongfang, Director, to vote on his behalf. Mr. Luan Jubao, Vice Chairman, was unable to attend the Meeting due to work reasons and has authorized in writing Mr. Shi Lirong, Director, to vote on his behalf. Mr. Wang Yawen, Director, was unable to attend the Meeting due to work reasons and has authorized in writing Mr. Tian Dongfang, Director, to vote on his behalf. Mr. Zhan Yichao, Director, was unable to attend the Meeting due to work reasons and has authorized in writing Mr. Shi Lirong, Director, to vote on his behalf. Mr. Lü Hongbing, Independent Non-executive Director, was unable to attend the Meeting due to work reasons and has authorized in writing Mr. Chen Shaohua, Independent Non-executive Director, to vote on his behalf. Mr. Bingsheng Teng, Independent Non-executive Director, was unable to attend the Meeting due to work reasons and has authorized in writing Mr. Chen Shaohua, Independent Non-executive Director, to vote on his behalf. Members of the Supervisory Committee of the Company and certain personnel concerned also attended 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 Third Quarterly Report of the Company

Voting result: For: 14; against: 0; abstained: 0.

II. Consideration and approval of the “Resolution on the Participation in the Establishment of Guangxing Yunhe Industrial Equity Investment Fund (Limited Partnership)*”, the details of which are as follows:

1. That the execution by ZTE Xingyun Industrial Investment Management (Hangzhou) Company Limited* (中興興雲產業投資管理(杭州)有限公司) and ZTE Group Financial Holdings (Hangzhou) Limited* (中興通訊集團金融控股(杭州)有限公司), subsidiaries of the Company, of the “Partnership Agreement for Guangxing Yunhe Industrial Equity Investment Fund (Limited Partnership)* (廣興雲合股權投資產業基金(有限合夥)) (tentatively named)” with Guangfa Hexin Industrial Investment Management Company Limited* (廣發合信產業投資管理有限公司) and Guangfa Hexin (Shandong) Industrial Investment Management Company Limited* (廣發合信(山東)產業投資管理有限公司), and the execution by ZTE Xingyun Industrial Investment Management (Hangzhou) Company Limited* of the “Agreement for the Joint Management of Guangxing Yunhe Industrial Equity Investment Fund (Limited Partnership)* (tentatively named)” with Guangfa Hexin Industrial Investment Management Company Limited*, be approved;

2. That, subject to the execution of the aforesaid agreements, the capital contribution of RMB500,000 by ZTE Xingyun Industrial Investment Management (Hangzhou) Company Limited* as a general partner to participate in the subscription for Guangxing Yunhe Industrial Equity Investment Fund (Limited Partnership)* (tentative name subject to the final approval of the industrial and commercial administrative authorities) and the capital contribution of RMB400 million by ZTE Group Financial Holdings (Hangzhou) Limited* as a subordinated limited partner to subscribe for Guangxing Yunhe Industrial Equity Investment Fund (Limited Partnership)* be approved;

3. That the legal representative of the Company or his delegated signatory be authorised to execute legal contracts and documents pertaining to the aforesaid matter.

Voting result: For: 14; against: 0; abstained: 0.

For details, please refer to the “Announcement on the Participation in the Establishment of Guangxing Yunhe Industrial Equity Investment Fund (Limited Partnership)” published by the Company on 27 October 2016.

III. Consideration and approval of the “ZTE Corporation Resolution on the Retention of the Right of Participants Under the Scheme to Exercise Granted Share Options”, the

details of which are set out as follows:

1. Participants who are re-assigned to positions at wholly-owned or majority-owned subsidiaries of the Company for work reasons shall continue to be entitled to the right to exercise granted but unexercised shares options;
2. Participants who are re-assigned to positions at wholly-owned or majority-owned subsidiaries of the Company for work reasons shall continue to be appraised in connection with the exercise of share options in accordance with pertinent provisions of the “ZTE Corporation Share Option Incentive Scheme (Revised Draft) (the “Scheme”), and may continue to exercise their rights in accordance with provisions under the Scheme if they meet the benchmarks of appraisal.

Directors Mr. Zhao Xianming and Mr. Zhang Jianheng, as participants under the Scheme of the Company, have refrained from voting during the consideration of the aforesaid matter at the Meeting.

Voting result: For: 12; against: 0; abstained: 0.

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

That, in view of the following which occurred during the exercise period under the Scheme, the adjustment of participants and number of share options for the second exercise period under the Scheme be approved, the details of which are set out as follows:

1. As at the date of this announcement, as 17 participants under the Scheme have unexercised share options outstanding as at the end of the exercisable period of the first exercise period¹ and 2 original participants have been terminated by the Company and disqualified as participants under the Scheme during the first exercise period due to material violations of regulations, a total of 327,690 share options previously granted to the 19 aforesaid persons but remained unexercised during the first exercise period shall be withdrawn and cancelled by the Company without compensation.
2. As 65 original participants under the Scheme departed, 1 became a Supervisor, 2 were deceased, 1 was subject to action by judiciary authorities due to material violations of discipline and 3 were terminated by the Company due to material violations of regulations during the period from 2 November 2015 (namely, the commencement of the first exercise period) to the date of this announcement, they no longer qualify as participants under the

¹ The first exercise period under the Scheme lasted from 2 November 2015 to 31 October 2016. As participants are not allowed to exercise their share options during the period falling between 30 days before the announcement of regular reports and 2 trading days after such announcement, participants are not allowed to exercise their granted share options for the first exercise period during the period from 27 September 2016 to 31 October 2016. As of now, the exercisable period of the first exercise period under the Scheme has ended.

Scheme. The Company shall disqualify the 72 aforesaid persons from participation in the Scheme and 1,759,320 share options previously granted to the 72 aforesaid persons for the second exercise period and 2,345,760 share options granted for the third exercise period (totaling 4,105,080 share options) shall be withdrawn and cancelled by the Company without compensation.

3. As 1 participant was punished by the Company with a demerit owing to his dereliction of duty or malfeasance damaging the interests or reputation of the Company during the period from 2 November 2015 to the date of this announcement and 6 participants did not pass the annual performance appraisal for the second exercise period of the Scheme, they do not meet the exercise conditions for the second exercise period and a total of 165,600 share options already granted to the 7 persons for the second exercise period shall be withdrawn and cancelled by the Company without compensation.

As a result, a total of 4,598,370 share options previously granted to the aforesaid original participants shall be cancelled by the Company.

Following the aforesaid adjustment, the number of participants under the Scheme will be adjusted from 1,429 to 1,357, and the number of share options granted will be adjusted from 116,613,000 to 112,014,630, accounting for 2.69% of the Company's current total share capital of 4,159,606,203 shares; the number of participants entitled to exercise their share options during the second exercise period will be adjusted from 1,429 to 1,350, and the number of exercisable share options will be adjusted from 35,026,560 to 33,101,640.

Directors Mr. Zhao Xianming and Mr. Zhang Jianheng, as participants under the Scheme of the Company, have refrained from voting during the consideration of the aforesaid matter at the Meeting.

Voting result: For: 12; against: 0; abstained: 0.

For details please refer to the "Announcement on the Adjustment of Participants and Number of Share Options for the Second Exercise Period under the Share Option Incentive Scheme" published by the Company on 27 October 2016.

V. Consideration and approval of the "ZTE Corporation Resolution on the Fulfillment of Exercise Conditions for the Second Exercise Period of the Share Option Incentive Scheme"

In accordance with the Scheme, participants may exercise share options granted to them in three periods. The second exercise period commences on the first trading day after a period of 36 months from the date of grant and ends on the last trading day within a period of 48 months from the date of grant, during which share options not exceeding 30% of the total number of options granted may be exercised. Accordingly, the second exercise period for A

share options granted on 31 October 2013 lasts from 1 November 2016 to 31 October 2017 (the “Second Exercise Period”). Share options that may be exercised during the Second Exercise Period represent 30% of the total number of options granted.

As of now, the exercise conditions for the Second Exercise Period under the Scheme have been fulfilled. Based on the results of appraisals conducted in accordance with the Scheme and the Share Option Incentive Scheme Performance Appraisal System, the Board of Directors is of the view that 1,350 participants who have been granted share options have passed their personal performance appraisal for 2015 and have fulfilled conditions for the exercise of share options for the Second Exercise Period stipulated by the Scheme. A total of 33,101,640 share options are exercisable during the Second Exercise Period.

Directors Mr. Zhao Xianming and Mr. Zhang Jianheng, as participants under the Scheme of the Company, have refrained from voting during the consideration of the aforesaid matter at the Meeting.

Voting result: For: 12; against: 0; abstained: 0.

For details please refer to the “Announcement on the Fulfillment of Exercise Conditions for the Second Exercise Period under the Share Option Incentive Scheme” published by the Company on 27 October 2016.

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

As at the date of this announcement, as 17 participants under the Scheme have unexercised share options outstanding as at the end of the exercisable period of the first exercise period and 2 original participants have been terminated by the Company and disqualified as participants under the Scheme during the first exercise period due to material violations of regulations, a total of 327,690 share options previously granted to the 19 aforesaid persons but remained unexercised during the first exercise period shall be withdrawn and cancelled by the Company without compensation.

As 65 original participants under the Scheme departed, 1 became a Supervisor, 2 were deceased, 1 was subject to action by judiciary authorities due to material violations of discipline and 3 were terminated by the Company due to material violations of regulations during the period from 2 November 2015 to the date of this announcement, they no longer qualify as participants under the Scheme. The Company shall disqualify the 72 aforesaid persons from participation in the Scheme and 1,759,320 share options previously granted to the 72 aforesaid persons for the second exercise period and 2,345,760 share options granted for the third exercise period (totaling 4,105,080 share options) shall be withdrawn and cancelled by the Company without compensation.

As 1 participant was punished by the Company with a demerit owing to his dereliction of duty or malfeasance damaging interests or reputation of the Company during the period from 2 November 2015 to the date of this announcement and 6 participants did not pass the annual performance appraisal for the second exercise period of the Scheme, they do not meet the exercise conditions for the second exercise period and a total of 165,600 share options already granted to the 7 aforesaid persons for the second exercise period shall be withdrawn and cancelled by the Company without compensation.

As a result, a total of 4,598,370 share options previously granted to the aforesaid original participants shall be cancelled by the Company.

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

Directors Mr. Zhao Xianming and Mr. Zhang Jianheng, as participants under the Scheme of the Company, have refrained from voting during the consideration of the aforesaid matter at the Meeting.

Voting result: For: 12; against: 0; abstained: 0.

For details please refer to the “Announcement on the Cancellation of Certain Share Options” published by the Company on 27 October 2016.

The Independent Non-executive Directors, the Remuneration and Evaluation Committee of the Board of Directors and Beijing Jun He Law Offices (Shenzhen Office) have furnished their respective opinions on matters pertaining to the second exercise period under the Scheme. For details, please refer to the Overseas Regulatory Announcement published by the Company on 27 October 2016.

By Order of the Board
Zhao Xianming
Chairman

Shenzhen, the PRC
27 October 2016

As at the date of this announcement, the Board of Directors of the Company comprises three executive directors, Zhao Xianming, Yin Yimin and Wei Zaisheng; six non-executive directors, Zhang Jianheng, Luan Jubao, Shi Lirong, Wang Yawen, Tian Dongfang and Zhan Yichao; and five independent non-executive directors, Richard Xike Zhang, Chen Shaohua, Lü Hongbing, Bingsheng Teng and Zhu Wuxiang.

** For identification purposes only*