

# 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 RESOLUTIONS PASSED AT THE SECOND MEETING OF THE FOURTH SESSION OF THE BOARD OF DIRECTORS

The Company and all the members of the Board of Directors confirm that the information contained in this announcement of the resolutions of the Board of Directors 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 the "Company") has issued the "Notice of convening the Second Meeting of the Fourth Session of the Board of Directors" to all the Directors of the Company by electronic mail and telephone on 4 April 2007. On 18 April 2007, the second meeting of the fourth session of the Board of Directors of the Company was held at the Conference Room on the 4th floor of the headquarters of the Company. Of the 14 Directors required to attend the meeting, 11 directors attended in person and 3 directors appointed proxies to attend on their behalf. Mr. Wang Zongyin, Vice Chairman, was unable to attend the meeting for work reasons and appointed Mr. Hou Weigui, Chairman, to vote on his behalf. Mr. Zhang Junchao and Mr. Shi Lirong, both Directors, were unable to attend the meeting for work reasons and appointed Mr. Yin Yimin, Director, to vote on their behalf. The meeting was convened and held in accordance with the relevant laws, administrative regulations, departmental rules and the Company's Articles of Association, and was legal and valid.

The following resolutions were considered and approved at the meeting:

I. THAT the full text of the 2006 Annual Report of the Company and the 2006 Annual Report Summary and Results Announcement of the Company be considered and approved.

Voting results: votes in favour of: 14, votes against: 0 and votes abstained: 0

II. THAT the 2006 financial statements of the Company audited by PRC and Hong Kong auditors be considered and approved, and be submitted to the 2006 Annual General Meeting for consideration.

Voting results: votes in favour of: 14, votes against: 0 and votes abstained: 0

III. THAT the 2006 report of the Board of Directors of the Company be considered and approved, and be submitted to the 2006 Annual General Meeting for consideration.

Voting results: votes in favour of: 14, votes against: 0 and votes abstained: 0

IV. THAT the 2006 report of the President of the Company be considered and approved, and be submitted to the 2006 Annual General Meeting for consideration.

Voting results: votes in favour of: 14, votes against: 0 and votes abstained: 0

V. THAT the final financial accounts of the Company for 2006 be considered and approved, and be submitted to the 2006 Annual General Meeting for consideration.

Voting results: votes in favour of: 14, votes against: 0 and votes abstained: 0

VI. THAT the profit distribution plan of the Company for 2006 (details of which are set out below) be considered and approved, and be submitted to the 2006 Annual General Meeting for consideration.

The audited net profit of the Company for 2006 calculated in accordance with generally accepted accounting principles in the People's Republic of China ("PRC GAAP") amounted to RMB650,356,000. Profit available for distribution amounted to RMB3,766,426,000, after adding the undistributed profit of RMB3,116,070,000 brought forward at the beginning of the year.

The audited net profit of the Company for 2006 calculated in accordance with Hong Kong accounting standards amounted to RMB831,130,000. Profit available for distribution amounted to RMB1,786,512,000 after adding the undistributed profit of RMB955,382,000 brought forward at the beginning of the year.

In accordance with the requirements of the Ministry of Finance of the People's Republic of China and the Company's Articles of Association, profit available for distribution shall be the lower of profit available for distribution as calculated in accordance with PRC GAAP and that calculated in accordance with Hong Kong Accounting Standards. Accordingly, the amount of profit available for distribution is RMB1,786,512,000.

The 2006 profit distribution plan recommended by the Board of Directors of the Company is as follows: RMB1.50 for every 10 shares (including tax) or a total of RMB143,928,000 in cash, based on the Company's total share capital of 959,521,650 shares as at 31 December 2006.

Voting results: votes in favour of: 14, votes against: 0 and votes abstained: 0

VII. THAT the resolutions with respect to the proposed application by the Company for composite credit facilities for 2007 (details of which are set out below) be considered and approved on an individual basis.

The Company proposed to apply for the following composite credit facilities from following banks (details of which are set out in the table below) in 2007, which are subject to approval by the banks.

No	Bankers	Proposed composite credit facilities amount	Principal types of the composite credit facilities	Party utilizing composite credit facilities	Voting Details		
					For	Against	Abstain
1	China Merchants Bank, Co. Limited Shenzhen Branch	RMB2,000 million	Loans, acceptance bill, discounting, guarantee, letter of credit, factoring, trade financing etc	Company	14	0	0
2	China Minsheng Bank, Co. Limited Shenzhen Branch	RMB1,600 million	Loans, acceptance bill, discounting, guarantee, letter of credit, factoring, trade financing etc	Company	14	0	0
3	Pudong Development Bank, Co. Limited Shenzhen Branch	RMB1,000 million	Loans, acceptance bill, discounting, guarantee, letter of credit, factoring, trade financing etc	Company	14	0	0
4	CITIC Bank, Co. Limited Shenzhen Branch	RMB3,000 million	Loans, acceptance bill, discounting, guarantee, letter of credit, factoring, trade financing etc	Company	14	0	0
	Total	RMB7,600 million					

Note: The above composite credit facilities are the maximum amounts to be granted by the bankers to the Company for its business operations based on their assessments of the Company's condition. The Company will utilise such facilities for different types of business operations in accordance with actual production demand, after conducting internal approval procedures of the Company and corresponding approval procedures required by the banks. The composite credit facilities that the Company applies from the bankers provide strong financial backup for the Company's business development, and no expenses will be incurred from initially entering into the facilities.

Each of the above resolutions shall be valid with effect from 18 April 2007 until (1) the next new credit facilities have been granted, or (2) 31 December 2007 (whichever is earlier), and any single application for financing operations during the period and within such facilities shall be valid. Unless otherwise required, no subsequent resolution of the Board of Directors is required with respect to any such single application for financing operations. Mr. Hou Weigui, legal representative of the Company, or his authorised signatory is authorized to execute all related legal contracts and documents.

Voting results: votes in favour of: 14, votes against: 0 and votes abstained: 0

VIII. THAT the resolutions regarding connected transactions of the Company in connection with the lease of properties (the details of which are set out in the announcement on connected transactions published on the same date as this announcement) be considered and approved on an individual basis.

1. That the execution of a three-year Property Leasing Contract by the Company and Shenzhen Zhongxingxin Telecommunications Equipment Company, Limited, a connected party, for the leasing of the property located at No. 800 Tianfu Avenue Central, Chengdu, Sichuan with a leased area of 15,000 sq. m. at a monthly rent of RMB40/sq. m. (no management fees were payable as property management was undertaken by the Company) subject to an annual cap of RMB7.20 million from 18 April 2007 to 17 April 2010 be approved.

Mr. Hou Weigui, Chairman, Mr. Xie Weiliang, Vice Chairman, and Directors Mr. Dong Lianbo, Mr. Yin Yimin and Mr. Shi Lirong, as vice chairman, vice chairman, director, director and director, respectively, of Shenzhen Zhongxingxin Telecommunications Equipment Company, Limited, abstained from voting in respect of this matter at the meeting.

Voting results: votes in favour of: 9, votes against: 0 and votes abstained: 0

2. That the execution of a three-year Property Leasing Contract by the Company and Shenzhen Zhongxingxin Telecommunications Equipment Company, Limited, a connected party, for the leasing of the property located at Jinye Road, Electronics City, Xi'an, Shaanxi with a leased area of 44,000 sq. m. at a monthly rent of RMB42.5/sq. m. (inclusive of RMB2.5/sq. m. as monthly management fees) subject to an annual cap of RMB22.44 million from 18 April 2007 to 17 April 2010 be approved.

Mr. Hou Weigui, Chairman, Mr. Xie Weiliang, Vice Chairman, and Directors Mr. Dong Lianbo, Mr. Yin Yimin and Mr. Shi Lirong, as vice chairman, vice chairman, director, director and director, respectively, of Shenzhen Zhongxingxin Telecommunications Equipment Company, Limited, abstained from voting in respect of this matter at the meeting.

Voting results: votes in favour of: 9, votes against: 0 and votes abstained: 0

3. That the execution of a three-year Property Leasing Contract by the Company and Shenzhen Zhongxing Development Company Limited, a connected party, for the leasing of the property located at 19 Huayuan East Road, Haidian District, Beijing with a leased area of 25,000 sq. m. at a monthly rent of RMB115/sq. m. (no management fees were payable as property management was undertaken by the Company) subject to an annual cap of RMB34.5 million from 18 April 2007 to 17 April 2010 be approved.

Mr. Hou Weigui, Chairman, as chairman of Shenzhen Zhongxing Development Company Limited, a connected party, abstained from voting in respect of this matter at the meeting.

Voting results: votes in favour of: 13, votes against: 0 and votes abstained: 0

Mr. Zhu Wuxiang, Mr. Chen Shaohua, Mr. Qiao Wenjun, Mr. Mi Zhengkun and Mr. Li Jin, as Independent Directors of the Company, have reviewed the above connected transactions agreements prior to the meeting of the Board of Directors, and agreed to submit the above connected transactions agreements to the Board of Directors for consideration.

At the meeting of the Board of Directors, Mr. Zhu Wuxiang, Mr. Chen Shaohua, Mr. Qiao Wenjun, Mr. Mi Zhengkun and Mr. Li Jin, as Independent Directors of the Company, have expressed their independent opinion with respect to the above connected transactions agreements as follows:

The rental is concluded after arm's length negotiation and no higher than the market rental in other similar properties located in the neighbouring areas. The pricing basis and other terms in the property lease contracts are fair and reasonable and in the interests of the shareholders and the Company as a whole, and that the aforesaid transactions were conducted in the course of the ordinary business of the Company on normal commercial terms.

Directors who were connected parties abstained from voting in the Board of Directors' review of resolution and the voting procedures were legal and valid.

IX. THAT the resolution of the Company on the general mandate for 2007 be considered and approved (details of which are set out below), and be submitted to the 2006 Annual General Meeting for consideration.

1. Subject to the conditions set out below, the Board of Directors be hereby granted an unconditional and general mandate during the Relevant Period to separately or concurrently allot, issue and deal with additional domestic shares and overseas-listed foreign shares ("H Shares") of the Company and to make or grant offers, agreements or options in respect of the above;

(1) such mandate shall not extend beyond the Relevant Period, other than in the case of the making or granting of offers, agreements or options by the Directors during the Relevant Period which might require the performance or exercise of such powers after the close of the Relevant Period;

(2) the aggregate nominal amount of domestic shares and H shares authorised to be allotted and issued or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to an option or otherwise) by the Board of Directors, otherwise than pursuant to (i) a Rights Issue or (ii) any option scheme or similar arrangement from time to time being adopted for the grant or issue to Directors, Supervisors, senior management and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company, shall not exceed 20% of the aggregate nominal amount of each of the share capital of the domestic shares and H shares of the Company in issue at the date on which this Resolution is passed; and

(3) The Board of Directors will only exercise the above authority in compliance with the Company Law of the People's Republic of China (as amended from time to time) and Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time) and with the necessary approvals of the China Securities Regulatory Commission and/or other relevant PRC government authorities.

2. For the purpose of this resolution:

"Relevant Period" means the period from the passing of this Resolution until the earliest of:

(1) the conclusion of the next annual general meeting of the Company following the passing of this Resolution;

(2) the expiration of a twelve-month period following the passing of this Resolution; or

(3) the revocation or variation of the authority given to the Directors under this Resolution by the passing of a special resolution of the Company at a shareholders' general meeting.

"Rights Issue" means an offer to all shareholders of the Company (except any shareholders to which the making of such offers by the Company is not permitted under the laws of the jurisdictions where they reside) and, as appropriate, holders of other equity securities of the Company who are qualified for such offers, for the allotment and issue of shares or other securities in the Company which will or might require the allotment and issue of shares in proportion to their existing holdings of such shares or other equity securities (subject to the exclusion of fractional entitlements);

3. Where the Board of Directors resolve to issue shares pursuant to paragraph 1 of this resolution, the Board of Directors be hereby authorised to approve and execute all documents and deeds and do all things or to procure the execution of such documents and deeds and the doing of such things necessary in their opinion for the issue of the new shares (including but not limited to determining the time and place for issue, submitting all necessary applications to relevant authorities, entering into underwriting agreements (or any other agreements), determining the use of proceeds, and fulfilling filing and registration requirements of the PRC, Hong Kong and other relevant authorities, including but not limited to registration with relevant PRC authorities of the increase in registered share capital as a result of the issue of shares pursuant to paragraph 1 of this Resolution); and

4. The Board of Directors be hereby authorised to amend the Company's Articles of Association as they deem necessary to increase the registered share capital of the Company and to reflect the new capital structure of the Company following the allotment and issue of the Company's shares contemplated in paragraph 1 of this Resolution.

Voting results: votes in favour of: 14, votes against: 0 and votes abstained: 0

X. THAT the resolutions on determining the audit fees of the PRC auditors and the Hong Kong auditors of the Company for 2006 be considered and approved on an individual basis (details of the resolutions as follows).

1. That the audit fees of Ernst & Young Hua Ming, PRC auditors of the Company, for 2006 be determined at RMB0.80 million (including expenses related to auditing such as travelling, accommodation, meal and telecommunications expenses).

Voting results: votes in favour of: 14, votes against: 0 and votes abstained: 0

2. That the audit fees of Ernst & Young, Hong Kong auditors of the Company, for 2006 be determined at HK\$4.80 million (including expenses related to auditing such as travelling, accommodation, meal and telecommunications expenses).

Voting results: votes in favour of: 14, votes against: 0 and votes abstained: 0

XI. THAT the resolutions on the appointment of the PRC auditors and the Hong Kong auditors of the Company for 2007 be considered and approved on an individual basis, and be submitted to the 2006 Annual General Meeting for consideration.

1. That Ernst & Young Hua Ming be re-appointed as the PRC auditors of the Company for 2007 and a proposal be made to the shareholders' general meeting to authorise the Board of Directors to determine the audit fees of Ernst & Young Hua Ming for 2007 based on specific audit work to be conducted.

Voting results: votes in favour of: 14, votes against: 0 and votes abstained: 0

2. That Ernst & Young be re-appointed as the Hong Kong auditors of the Company for 2007 and a proposal be made to the shareholders' general meeting to authorise the Board of Directors to determine the audit fees of Ernst & Young for 2007 based on the specific audit work to be conducted.

Voting results: votes in favour of: 14, votes against: 0 and votes abstained: 0

Mr. Zhu Wuxiang, Mr. Chen Shaohua, Mr. Qiao Wenjun, Mr. Mi Zhengkun and Mr. Li Jin, as Independent Directors of the Company, have expressed their independent opinion as follows:

Having reviewed the resolutions on the appointment of the PRC auditors and the Hong Kong auditors of the Company for 2007 prior to the meeting of the Board of Directors, the Independent Directors of the Company approved the re-appointment of Ernst & Young Hua Ming and Ernst & Young, as the PRC auditors and the Hong Kong auditors, respectively, of the Company for 2007.

XII. THAT the resolution on the implementation of new enterprise accounting standards by the Company be considered and approved.

Pursuant to Order No. 33 of the Ministry of Finance and requirements of the document Cai Kuai [2006] No. 3 (財會[2006]3), approval was granted to the Company for the full implementation of the revised "Enterprise Accounting Standards — Basic Standards" and 38 implementation rules, including "Enterprise Accounting Standard No. 1 — Inventory" and others, with effect from 1 January 2007, whereupon the "Enterprise Accounting System" and original "Enterprise Accounting Standards" shall cease to be implemented.

In accordance with "Enterprise Accounting Standard No. 38 — Initial Implementation of the Enterprise Accounting Standards," the Company shall classify, recognise and measure anew all assets, liabilities and shareholders' equity in accordance with the provisions of the Enterprise Accounting Standards on the date of initial implementation. The effect of the adjustment on the date of initial implementation on the shareholders' equity for A shares at the beginning of 2007 was a decrease of RMB21,955,000 in shareholders' equity. Please refer to the 2006 Annual Report of the Company for details.

The impact of the implementation of new Enterprise Accounting Standards on the Company's financial report mainly included the following:

1. Research and development expenses incurred by the Company during the development stage may, subject to certain conditions, be recognised as intangible assets and amortised over the benefit period;

2. For sales contracts that effectively embody a financing nature with deferred receipt of sales amounts, operating income shall be recognised at the fair value of the goods sold and finance gains arising from the contracts shall be recognised on a deferred basis;

3. Staff welfare expenses shall be recognised as remuneration payable to staff (staff welfare) based on the actual staff welfare expenses and the welfare schemes;

4. Share-based payments settled in equity (such as the Phase 1 Share Incentive Scheme of the Company) shall be recognised as current expenses at the fair value of the equity tools based on the number of options exercised;

5. Government subsidies shall be recognised when the conditions of grant are being fulfilled and such subsidies become receivable, rather than upon actual receipt. Expenses or asset depreciation related to government subsidies shall be directly charged to the current profit and loss when incurred; government subsidies used as compensation shall be concurrently recognised as non-operating income;

6. Changes in the fair value of financial assets or liabilities that are measured at fair value and whose changes are dealt with in profit and loss shall be directly to the current profit and loss account and balance sheet.

7. Derivative financial tools, hedging tools and their profit or loss shall be separately recognised in the financial report;

8. Real estate properties held for investment purposes shall be separately recognised in the financial report using cost model measurement, if such costs can be reliably measured;

9. Investments in subsidiaries shall be accounted for using the cost method and dividends payable by the subsidiaries to the parent shall not be recognised as investment gains until being declared, with no impact on the consolidated statement.

The revision of the current accounting system of the Company in accordance with the new Enterprise Accounting Standards was also approved. The Accounting System (2007) of ZTE Corporation was considered and approved.

Voting results: votes in favour of: 14, votes against: 0 and votes abstained: 0

At the meeting of the Board of Directors, Mr. Zhu Wuxiang, Mr. Chen Shaohua, Mr. Qiao Wenjun, Mr. Mi Zhengkun and Mr. Li Jin, as Independent Directors of the Company, have expressed the following independent opinion with respect to the implementation of new Enterprise Accounting Standards by the Company:

The implementation of the new Enterprise Accounting Standards will further standardise the Company's accounting recognition, measurement and reporting, improve the quality of its financial information and narrow the differences between financial reports prepared under PRC accountings standards and Hong Kong accounting standards.

XIII. THAT the resolution with respect to the convening of the 2006 Annual General Meeting be considered and approved.

The Company has resolved to convene its 2006 Annual General Meeting at the Conference Room on the 4th floor of the Company's headquarters in Shenzhen at 9:00 a.m. on 15 June 2007. The Notice of 2006 Annual General Meeting will be delivered to the H shareholders in due course pursuant to the provisions of the articles of association of the Company and the applicable laws and regulations.

The Company will close its H share register from Wednesday, 16 May 2007 to Thursday, 14 June 2007 (inclusive) for 2006 Annual General Meeting. Any H shareholder of the Company who wishes to receive the proposed final dividend for the year (the details of the profit distribution plan are set out under Resolution VI of the Board of Directors in this announcement) shall lodge all the relevant together with the corresponding share certificate(s) with Computershare Hong Kong Investor Services Limited at Room 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 15 May 2007 at 4:00 p.m..

Voting results: votes in favour of: 14, votes against: 0 and votes abstained: 0

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

Shenzhen, the PRC  
19 April 2007

As at the date of this announcement, the Board of Directors of the Company comprises three executive directors, Yin Yimin, Shi Lirong and He Shiyou; six non-executive directors, Hou Weigui, Wang Zongyin, Xie Weiliang, Zhang Junchao, Li Juping and Dong Lianbo; and five independent non-executive directors, Zhu Wuxiang, Chen Shaohua, Qiao Wenjun, Mi Zhengkun and Li Jin.