

MEETING DATE	Fri, 29 Jun 2018 9:00 am	TYPE	AGM	ISSUE DATE	Mon, 15 Oct 2018
MEETING LOCATION	ZTE Plaza, Keji Road South, Hi-Tech Industrial Park, Nanshan District, Shenzhen, Guangdong Province, the People's Republic of China				
CURRENT INDICES	PIRC SE Asia				
SECTOR	Computer facilities management services				

COMPANY OVERVIEW

The Company is an integrated telecommunications equipment manufacturer and a provider of global telecommunications solutions, with shares listed on the main board of the Shenzhen Stock Exchange and the Main board of the Hong Kong Stock Exchange. The Group designs, develops, produces, distributes and installs a range of telecommunications systems and equipment, including carriers' networks, handset terminals and telecommunications software systems, services and other products.

MEETING SPECIFIC INFORMATION

Quorum requirements and voting requirements

Ordinary resolutions are approved by simple majority of the votes cast.

Special resolutions require a majority of at least two-thirds of the votes cast

Seven-year ban from trading with U.S. companies

On 16 April 2018, the U.S. Department of Commerce announced that ZTE would be denied export privileges by the U.S. Department of Commerce for seven years, for failing to comply with settlement terms in an earlier sanctions case. The export denial means American companies are banned from selling components to ZTE and ZTE Kangxun Telecommunications Ltd. Both are based in Shenzhen, People's Republic of China. Before the ban, the Company depended on U.S. companies to supply components used in its networking gear and smartphones.

In 2017, ZTE agreed to pay USD 1.19 billion to settle U.S. criminal and civil charges for illegally shipping telecommunications equipment to Iran and North Korea. ZTE was also accused of making false statements and obstruction for lying to U.S. authorities and destroying export records. As part of the settlement, ZTE promised to fire four senior employees and discipline 35 others by reducing their bonuses or reprimanding them. In March 2018, the Company admitted that it had fired the four senior employees but had not taken action against the others.

Company's reaction and counter-measures

In a statement issued following the decision, the Company qualified the ban as "unacceptable", and that it would "also hurt the interests of all ZTE's partners including a large number of U.S. companies." In April 2018, ZTE reportedly removed Cheng Gang, a senior vice-president, from his roles as chief compliance officer and chief legal officer, and replaced him by Wang Dong (already an employee of the Company). At this time, it is unclear whether Cheng remains an employee at ZTE.

In addition, in a statement to the Hong Kong Stock Exchange, the Company said that it had set up a compliance management committee led by its chief executive officer. The Company added that it had invested in export control compliance, provided compliance training to staff and cooperated with the work of independent compliance monitors. The U.S. Commerce Department has reportedly granted a request from ZTE to submit more evidence after the agency imposed the ban.

PROPOSALS**ADVICE**

- | | | |
|----------|--|----------------|
| 1 | Receive the Annual Report
Disclosure is acceptable and the report was made available in sufficient time in advance of the meeting. However, there are concerns over the settlement with the U.S. Department of Commerce (in March 2017) and the ongoing controversy regarding denied export privileges by the U.S. Department of Commerce (as of April 2018). Although the Company has undertaken some of the measures agreed with the U.S. Department of Commerce, concerns remain over uncertainties arising over the past reporting period, as well over the ability of the Company to continue as going concern. On balance, abstention is recommended. | Abstain |
| 2 | Receive the Directors Report
Disclosure is acceptable and the report was made available in sufficient time in advance of the meeting; the report includes a discussion of the ongoing controversy with the U.S. Department of Commerce.
Although the Company has undertaken some of the measures agreed with the U.S. Department of Commerce, and has reportedly replaced the Chief Compliance Officer, there are concerns over the settlement with the U.S. Department of Commerce (in March 2017) and the ongoing controversy regarding denied export privileges by the U.S. Department of Commerce (as of April 2018). concerns remain over uncertainties arising over the past reporting period, as well over the ability of the Company to continue as going concern. On balance, abstention is recommended. | Abstain |
| 3 | Approve the Supervisory Committee Report
Disclosure is acceptable and the report was made available in sufficient time in advance of the meeting. However, there are concerns over the settlement with the U.S. Department of Commerce (in March 2017) and the ongoing controversy regarding denied export privileges by the U.S. Department of Commerce (as of April 2018). Although the Company has undertaken some of the measures agreed with the U.S. Department of Commerce, and has reportedly replaced the Chief Compliance Officer, there remain uncertainties over the past reporting period, as well over the ability of the Company to continue a going concern. On balance, abstention is recommended. | Abstain |
| 4 | Approve the President of the Company's Report
Disclosure is acceptable and the report was made available in sufficient time in advance of the meeting. However, there are concerns over the settlement with the U.S. Department of Commerce (in March 2017) and the ongoing controversy regarding denied export privileges by the U.S. Department of Commerce (as of April 2018). Although the Company has undertaken some of the measures agreed with the U.S. Department of Commerce, and has reportedly replaced the Chief Compliance Officer, there remain uncertainties over the past reporting period, as well over the ability of the Company to continue as a going concern. On balance, abstention is recommended. | Abstain |
| 5 | Approve the Final Financial Accounts of the Company
Disclosure is acceptable and the report was made available in sufficient time in advance of the meeting. In March 2017, the Company agreed with the U.S. Department of Commerce to pay USD 1.2 billion for alleged violations the Export Administration Regulation. As the Company failed to uphold all of the agreed measures, the U.S. Department of Commerce issued a seven-year denial of export privileges. While the latest controversy is ongoing as of April 2018, and the Company has reportedly taken some counter-measures, there remain concerns regarding the accounts for 2017 and the ability to continue as a going concern. On balance, abstention is recommended. | Abstain |
| 6 | Approve the Dividend
A final dividend is proposed: RMB 3.3 for every 10 shares. At this time, the effect of the seven-year denial of export privileges, issued by the U.S. Department of Commerce, is still unclear. It would be considered reasonable and in shareholders' interest, to not distribute dividends for the year under review. | Oppose |

- 7.1 Appoint the PRC Auditors and Allow the Board to Determine their Remuneration** **Oppose**
 EY proposed. Non-audit fees represented 8.84% of audit fees during the year under review and 9.41% on a three-year aggregate basis. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditor. The current auditor has been in place for more than ten years. In March 2017, the Company agreed to pay USD 1.2 billion for alleged unauthorized transactions. There are concerns that the auditor failed to flag violations of the U.S. Export Administration Regulation during 2017, namely transactions made with Iran and North Korea. It is considered that a rotation of the audit firm should be a positive measure, at this time. Opposition to the re-election of EY is therefore recommended.
- 7.2 Appoint the the Hong Kong Auditors and Allow the Board to Determine their Remuneration** **Oppose**
 EY proposed. Non-audit fees represented 8.84% of audit fees during the year under review and 9.41% on a three-year aggregate basis. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditor. The current auditor has been in place for more than ten years. In March 2017, the Company agreed to pay USD 1.2 billion for alleged unauthorized transactions. There are concerns that the auditor failed to flag violations of the U.S. Export Administration Regulation during 2017, namely transactions made with Iran and North Korea. It is considered that a rotation of the audit firm should be a positive measure, at this time. Opposition to the re-election of EY is therefore recommended.
- 7.3 Appoint the Internal Control Auditors** **Oppose**
 EY proposed. Non-audit fees represented 8.84% of audit fees during the year under review and 9.41% on a three-year aggregate basis. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditor. The current auditor has been in place for more than ten years. In March 2017, the Company agreed to pay USD 1.2 billion for alleged unauthorized transactions. There are concerns that the auditor failed to flag violations of the U.S. Export Administration Regulation during 2017, namely transactions made with Iran and North Korea. It is considered that a rotation of the audit firm should be a positive measure, at this time. Opposition to the re-election of EY is therefore recommended.
- 8.1 Approve the Application to Bank of China Limited for a Composite Credit Facility** **For**
 It is proposed to apply to the Bank of China Limited for a composite credit facility amounting to RMB 30.0 billion. Acceptable proposal.
- 8.2 Approve the Application to China Development Bank Corporation for a Composite Credit Facility** **For**
 It is proposed to apply to the China Development Bank Corporation, Shenzhen Branch, for for a composite credit facility amounting to USD 6.0 billion. The Company is seeking a credit facility for use in financing ongoing operations. Acceptable proposal.
- 9 Approve Limits of Derivative Investment of the Company for 2018** **For**
 It has been proposed to approve the Company's investments in value protection derivative products against its foreign exchange risk exposure through dynamic coverage rate for an net amount not exceeding the equivalent of USD 3.6 billion. Acceptable proposal.
- 10 Approve the Provision of Guarantee for Nine Overseas Wholly-owned Subsidiaries by the Company.** **For**
 It is proposed to provide guarantee for Nine Overseas Wholly-owned Subsidiaries by the Company for a total amount of USD 200 million. Acceptable proposal.
- 11 Provision of Guarantee in respect of Debt Financing of ZTE (H.K.) Limited** **For**
 It is proposed to provide guarantee for a total amount of not more than USD 600 million to ZTE Hong Kong for a period of 66 months. ZTE Honk Kong a wholly-owned subsidiary of the Company.As the Company has a controlling interest in the subsidiary, support is recommended.
- 12 Approve Increase in Non-executives Fees** **Oppose**
 It is proposed to approve an increase in fees from RMB 130,000 to RMB 250,000, which corresponds to an annual increase of 22%, on average, since the last increase. The proposed increase exceeds recommended limits and no adequate justification has been provided. Opposition is recommended.
- 13 Approve General Share Issue Mandate for 2018** **Oppose**
 The authority is limited to 20% of the share capital and expires at the next AGM. The authority exceeds recommended limits. An oppose vote is recommended.

14*	Amend Articles: 143, 151, 159, and 25 It is proposed the amendment of the relative clauses in the Articles of Association and the Rules of Procedure. The changes in the Articles will be: 143 The Chairman and Vice Chairman of the Board will be elected by a simple majority of all the members of the Board, 151 Independent Non-Executive Directors shall account for at least one third of the Board of Directors, 159, The Board of Directors shall consist of fourteen directors, including one Chairman, two Vice Chairmen. Independent non-executive directors shall account for at least one-third of the Board of Directors, and in Article 25 for the qualifications of the Candidate for the position of the Chairman paragraph VI will be deleted. None of the proposed amendments have any adverse effect on the shareholders position. Support is recommended.	For
15.1	Elect Mr. Li Zixue Newly appointed Executive Director. There are concerns over the majority of the Board comprising Executive Directors, and there being insufficient independent representation to protect minority shareholder interests. An oppose vote is recommended.	Oppose
15.2	Elect Mr. Li Buqing Executive Director. Newly appointed Executive Director. There are concerns over the majority of the Board comprising Executive Directors, and there being insufficient independent representation to protect minority shareholder interests. An oppose vote is recommended.	Oppose
15.3	Elect Mr. Gu Junying Newly appointed Executive Director. There are concerns over the majority of the Board comprising Executive Directors, and there being insufficient independent representation to protect minority shareholder interests. An oppose vote is recommended.	Oppose
15.4	Elect Mr. Zhu Weimin Newly appointed Executive Director. There are concerns over the majority of the Board comprising Executive Directors, and there being insufficient independent representation to protect minority shareholder interests. An oppose vote is recommended.	Oppose
15.5	Elect Ms. Fang Rong Newly appointed Executive Director. There are concerns over the majority of the Board comprising Executive Directors, and there being insufficient independent representation to protect minority shareholder interests. An oppose vote is recommended.	Oppose
16.1	Elect Ms. Cai Manli Independent Non-Executive Director. Support is recommended.	For
16.2	Elect Mr. Yuming Bao Independent Non-Executive Director. Support is recommended.	For
16.3	Elect Mr. Gordon Ng Independent Non-Executive Director. Support is recommended.	For

* = **Special resolution**

CORPORATE GOVERNANCE HIGHLIGHTS

BOARD AND OTHER GOVERNANCE INFORMATION	AFTER MEETING
Size of Board	9
Average Disclosed Age of Directors	49
Average Tenure of All Directors	-0.11
Average Tenure of Non-Executive Directors	0.0
Female Directors Representation	22.2%
Annual Election of Directors	No
Separate Chairman and CEO	Yes
The Company has a Lead Director	No
No Executive is On the Remuneration Committee	No
No Executive is On the Nomination Committee	Yes
No Executive is On the Audit Committee	Yes
Auditors tenure is less than five years	No
Audit fees and auditor's first date of appointment are disclosed	Yes
The Company Maintains a Corporate Jet	n/d

BOARD AND COMMITTEE COMPOSITION (post-Meeting)

BOARD CHANGES

According to the agreement the Company made with the United States Department of Commerce Bureau of Industry and Security. All the Directors of the Board will be resign by the Board and the committees which are participating upon the approval of the appointment of new Directors at the AGM of the Company. The new Directors proposed are: the Non-Independent Directors: Mr. Li Zixue, Mr. Li Buqing, Mr. Gu Junying, Mr. Zhu Weimin, Ms. Fang Rong and the Independent Directors: Ms. Cai Manli, Mr. Yuming Bao, Mr. Gordon Ng. The new Board will have eight members and after the AGM the Board will elect the Chairman and appoint the committees of the Board.

DIRECTOR	GENDER	INDEPENDENT BY		BOARD	AC	RC	NC	TENURE
		PIRC	COMPANY					
Mr. Li Zixue	M	No	No	Exec	-	-	-	<1
Mr. Gu Junying	M	No	No	Exec	-	M	-	<1
Mr. Li Buqing	M	No	No	NED	M	-	-	<1
Mr. Zhu Weimin	M	No	No	NED	M	M	-	<1
Ms. Fang Rong	F	No	No	NED	-	-	M	<1
Ms. Cai Manli	F	Yes	Yes	NED	C	C	M	<1
Mr. Yuming Bao	M	Yes	Yes	NED	M	M	M	<1
Mr. Gordon Ng	M	Yes	Yes	NED	M	M	C	<1
Xu Ziyang	M	No	No	Exec	-	-	-	<1
Number of Meetings				13	6	7	3	
Number of NED only Meetings				n/d				

PIRC assesses a non-executive director's independence according to PIRC's shareholder guidelines. Comments represent PIRC's analysis based on information in the report and accounts. AC = Audit Committee, RC = Remuneration Committee, NC = Nomination Committee, C = Chairperson of Committee, M = Member of Committee.

BOARD OF DIRECTORS (post-Meeting)

MR. LI ZIXUE		EXECUTIVE DIRECTOR			
AGE	54	TENURE	<1 Years	COMMITTEES	None
OTHER POSITION	ex-Xi'an Microelectronics Technology Research Institute [Exec]				
INDEPENDENT BY PIRC	N	INDEPENDENT BY COMPANY			N
COMMENT	Executive Director.				
MR. GU JUNYING		EXECUTIVE DIRECTOR			
AGE	51	TENURE	<1 Years	COMMITTEES	R
OTHER POSITION	Aerospace IoT Technology Co., Ltd [Ch]; China Times Prospect Technology Co., Ltd [NED]; ex-Beijing Huafeng Test & Control Co., Ltd [Ch];; ex-China Aerospace Times Electronics Limited [Exec]; ex-Factory 211 [Exec]				
INDEPENDENT BY PIRC	N	INDEPENDENT BY COMPANY			N
COMMENT	Executive Director.				

MR. LI BUQING		NON-EXECUTIVE DIRECTOR			
AGE	46	TENURE	<1 Years	COMMITTEES	A
OTHER POSITION	HT-Hysa Security Technology Engineering Co., Ltd [Ch]; Nanjing Aerospace Yinshan Electronic Co., Ltd [Ch]; ex-Aerospace Science & Industry Europe Co., Ltd [Ch]; ex-Shenzhen Aerospace Guangyu Industrial Company Limited [Exec]; ex-Shenzhen Aerospace Real Estate Consultation Co., Ltd [Ch]; ex-Shenzhen Zhenfeng Industry Limited [Exec]				
INDEPENDENT BY PIRC	N	INDEPENDENT BY COMPANY		N	
COMMENT	Not considered independent as the director is considered to be connected with a significant shareholder: he acts as a director of Shenzhen Aerospace Guangyu Industrial Company Limited, which is a shareholder of Zhongxingxin, the controlling shareholder of the Company.				
MR. ZHU WEIMIN		NON-EXECUTIVE DIRECTOR			
AGE	52	TENURE	<1 Years	COMMITTEES	A,R
OTHER POSITION	Shenzhen FDC Electronics Co., Ltd [NED]; Shenzhen Xinyu Tengyue Electronics Co., Ltd[NED]; Shenzhen Zhongxing WXT Equipment Company Limited [NED]; ex-Shenzhen Changfei Investment Co., Ltd [Exec]; ex-Shenzhen Zhongxing Semiconductor Co., Ltd [Exec]; ex-Suzhou Dongfeng Communication Equipment Factory Research Institute [Exec]; ex-Zhongxingxin [Exec]				
INDEPENDENT BY PIRC	N	INDEPENDENT BY COMPANY		N	
COMMENT	Not considered independent as the director is considered to be connected with a significant shareholder: is a director of Shenzhen Zhongxing WXT Equipment Company Limited, which is a shareholder of Zhongxingxin, the controlling shareholder of the Company.				
MS. FANG RONG		NON-EXECUTIVE DIRECTOR			
AGE	54	TENURE	<1 Years	COMMITTEES	N
OTHER POSITION	Zhongxing Development Company Limited [VP]; ex-Ministry of Posts and Telecommunications [Exec]				
INDEPENDENT BY PIRC	N	INDEPENDENT BY COMPANY		N	
COMMENT	Not considered independent as the director is considered to be connected with a significant shareholder: is director and executive vice president of Zhongxing Development Company Limited, an investee company of Zhongxingxin, the controlling shareholder of the Company.				
MS. CAI MANLI		NON-EXECUTIVE DIRECTOR			
AGE	45	TENURE	<1 Years	COMMITTEES	A*,R*,N
OTHER POSITION	HEYI Rising Assets Management Co., Ltd [Exec]; King & Wood Mallesons [Adv]; ex-M&A Governance Office II [Exec]; ex-Sichuan Xinwang Bank Co., Ltd [Exec]				
INDEPENDENT BY PIRC	Y	INDEPENDENT BY COMPANY		Y	
MR. YUMING BAO		NON-EXECUTIVE DIRECTOR			
AGE	46	TENURE	<1 Years	COMMITTEES	A,R,N
OTHER POSITION	Yantai Jereh Oilfield Services Group Co., Ltd [VP]; ex-Cisco[Adv]; ex-News Corporation [Adv]; ex-South China Holdings [Adv]				
INDEPENDENT BY PIRC	Y	INDEPENDENT BY COMPANY		Y	
MR. GORDON NG		NON-EXECUTIVE DIRECTOR			
AGE	54	TENURE	<1 Years	COMMITTEES	A,R,N*
OTHER POSITION	China Energine International [NED]; Mainland Headwear Holdings Limited [NED]; ex-Hong Kong Office of Dentons [Exec]				
INDEPENDENT BY PIRC	Y	INDEPENDENT BY COMPANY		Y	

XU ZIYANG		EXECUTIVE DIRECTOR			
AGE	46	TENURE	<1 Years	COMMITTEES	None
OTHER POSITION	ZTE Microelectronics Technology Company Limited [NED]				
INDEPENDENT BY PIRC	N	INDEPENDENT BY COMPANY			N
COMMENT	President. Mr. Xu joined the Company in 1998.				

BOARD COMPOSITION

BOARD COMPOSITION FOLLOWING THE AGM

	Number	% of Board
Executive Director	3	33.33
Independent NEDs	3	33.33
Connected NEDs	3	33.33
Other	0	0.0

BOARD COMMITTEES FOLLOWING THE AGM

	Number of Members	% Women	% Independent by PIRC	% Independent by Company
Whole Board	9	22.22	33.33	33.33
Audit	5	20.0	60.0	60.0
Remuneration	5	20.0	60.0	60.0
Nomination	4	50.0	75.0	75.0

AUDIT

Audit Firm	EY			
Date Appointed	2005-05-01			
Tenure	13 Years			
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AUDITOR REMUNERATION - CNYm		2017	2016	2015
		EY	EY	EY
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Statutory audit fee		7.0	6.6	6.2
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Acceptable non-audit work undertaken by the auditors				
<hr/>				
Audit-related, mandatory regulatory		1.0	0.0	0.88
Tax compliance		0.0	0.0	0.0
Subtotal Authorised		1.0	0.0	0.88
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Unacceptable non-audit work undertaken by the auditors				
<hr/>				
Other tax services		0.07	0.0	0.25
Acquisition-related		0.0	0.0	0.0
Other services		0.55	0.95	0.05
Total non-audit fees		0.62	0.95	0.29
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Company percentage of non-audit fees versus audit fees		8.84	14.39	4.74
Total Company three year percentage of unacceptable non-audit fees versus audit fees		9.0		

SHARE CAPITAL AND SHAREHOLDER RELATIONS

DISCLOSED ORDINARY VOTING RIGHTS

	PERCENTAGE
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Shenzhen Zhongxingxin Telecommunications Equipment Company Limited	30.34
HKSCC Nominees Limited	17.99

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Researcher: Menelaous Paloumpis
Email: pircresearchAMEA@pirc.co.uk

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Pensions & Investment Research Consultants Limited
8th Floor, Suite 8.02, Exchange Tower
2 Harbour Exchange Square
E14 9GE

Tel: 020 7247 2323
Fax: 020 7247 2457
<http://www.pirc.co.uk>

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