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If you are in any doubt as to any aspect of this circular, or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in **ZTE Corporation**, you should hand this circular together with the enclosed proxy form and reply slip to the purchaser or the transferee or to the bank, licensed securities dealers or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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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)

(1) Proposed Provision of Guarantee of ZTE HK
(2) Proposed Registration and Issue of Perpetual Medium Term Note
and
(3) Notice of the First Extraordinary General Meeting of 2014

A letter from the Board is set out in pages 4 to 7 of this circular.

A notice of the EGM to be held at 4/F, A Wing, ZTE Plaza, Keji Road South, Hi-Tech Industrial Park, Nanshan District, Shenzhen, Guangdong Province, the People's Republic of China at 9:00 a.m. on Wednesday, 15 October 2014 is set out in pages 8 to 10 of this circular.

A proxy form and a reply slip for use at the EGM is enclosed with this circular and uploaded at the websites of the SEHK and the Company. Whether or not you are able to attend the EGM, please complete and return the enclosed proxy form in accordance with the instructions printed thereon as soon as practicable and in any event not less than 24 hours before the time appointed for holding the EGM or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting at the EGM or any adjourned meeting thereof should you so wish. Any H Shareholders intending to attend the EGM shall deliver the reply slip to the Company by hand, post or facsimile on or before Wednesday, 24 September 2014.

28 August 2014

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DEFINITIONS

In this circular, the following terms shall have the following meaning unless otherwise required by the context:

“A Share(s)”	Ordinary share(s) of par value of RMB1.00 each in the registered capital of the Company, which are listed and traded on the SZSE
“Articles of Association”	The Articles of Association of the Company
“Board”	The Board of Directors of the Company
“China or the PRC”	The People’s Republic of China
“Company”	ZTE Corporation, a joint stock limited company incorporated on 11 November 1997 under the Company Law in the PRC, whose shares are listed on the SEHK and the SZSE
“Company Law”	The Company Law of the People’s Republic of China
“Director(s)”	Member(s) of the Board of Directors of the Company
“EGM”	The First Extraordinary General Meeting of 2014 of the Company to be held at 4/F, A Wing, ZTE Plaza, Keji Road South, Hi-Tech Industrial Park, Nanshan District, Shenzhen, Guangdong Province, the People’s Republic of China at 9:00 a.m. on Wednesday, 15 October 2014
“EGM Notice”	Notice of the First Extraordinary General Meeting of 2014
“Group”	The Company and the subsidiaries included in its consolidated financial statements
“H Share(s)”	Ordinary share(s) of par value of RMB1.00 each in the registered capital of the Company, which are listed and traded on the SEHK
“H Shareholders”	Holders of H Shares
“Hong Kong Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Latest Practicable Date”	22 August 2014, being the latest practicable date prior to the printing of this circular for determining certain information set out in this circular

DEFINITIONS

“Perpetual Medium Term Note”	medium term note under which the issuer does not specify due dates but has the options of redeeming the note and deferring interest payments, while creditors are, usually, not entitled to demand redemption but are entitled to interest payments as agreed
“RMB”	Renminbi, the statutory currency of the PRC
“SEHK”	The Stock Exchange of Hong Kong Limited
“Shares”	A Share(s) and H Share(s)
“Shenzhen Listing Rules”	Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange
“SZSE”	The Shenzhen Stock Exchange
“ZTE HK”	ZTE (H.K.) Limited

EXPECTED TIMETABLE

2014

Latest time for lodging transfers of the H Shares
to qualify for attendance and voting at the EGM . . . 4:30 p.m., Friday, 12 September

H Share register closed Monday, 15 September to
Tuesday, 14 October
(both dates inclusive)

Latest date for lodging reply slips for the EGM Wednesday, 24 September

Latest time for lodging proxy forms for the EGM 9:00 a.m., Tuesday, 14 October

EGM 9:00 a.m., Wednesday, 15 October

H Share register re-opens Wednesday, 15 October

ZTE中兴
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(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 763)

Executive Directors:

Shi Lirong
Yin Yimin
He Shiyou

Registered Address:

ZTE Plaza
Keji Road South
Hi-Tech Industrial Park
Nanshan District
Shenzhen, 518057
Guangdong Province
The PRC

Non-executive Directors:

Hou Weigui
Zhang Jianheng
Xie Weiliang
Wang Zhanchen
Zhang Junchao
Dong Lianbo

Principle place of business in Hong Kong:

8/F Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

Independent Non-executive Directors:

Qu Xiaohui
Wei Wei
Chen Naiwei
Tan Zhenhui
Richard Xike Zhang

28 August 2014

To the Shareholders

Dear Sir or Madam,

- (1) Proposed Provision of Guarantee of ZTE HK**
(2) Proposed Registration and Issue of Perpetual Medium Term Note
and
(3) Notice of the First Extraordinary General Meeting of 2014

LETTER FROM THE BOARD

I. INTRODUCTION

The purpose of this circular is to give the EGM Notice to you and provide relevant information for your informed decision when voting for the ordinary resolution and special resolution to be proposed at the EGM in respect of, among others, the following matters:

1. **Proposed Provision of Guarantee of ZTE HK**
2. **Proposed Registration and Issue of Perpetual Medium Term Note**

II. PROPOSED PROVISION OF GUARANTEE OF ZTE HK

Reference is made to the “Announcement on the Provision of Guarantee for a Wholly-owned Subsidiary” published by the Company on 22 August 2014.

With a view to lower the debt financing costs of the Company and the subsidiaries included in its consolidated financial statements and meeting additional working capital requirements for the Company, the Company proposes to seek overseas debt financing (including but not limited to banks loans and issue of corporate bonds) of not more than RMB2 billion, with ZTE HK, its wholly-owned subsidiary, as the principal. Proceeds received by ZTE HK from such debt financing will primarily be applied to replace RMB debts and fund other operating expenses of the Group. In view of the current financial conditions and credit rating of ZTE HK, the Company will provide guarantee by way of joint liability assurance for an amount of not more than RMB2 billion in relation to the aforesaid debt financing of ZTE HK, in order to secure debt financing at favourable costs. In accordance with Chapter 9 of the Shenzhen Listing Rules, a guarantee provided to a guaranteed person with gearing ratio exceeding 70% shall be subject to approval of the company’s shareholders. The gearing ratio of ZTE HK exceeds 70%, therefore approval of the proposed provision of guarantee of ZTE HK is sought from the EGM.

For details please refer to Ordinary Resolution No. 1 of the EGM Notice.

III. PROPOSED REGISTRATION AND ISSUE OF PERPETUAL MEDIUM TERM NOTE

To further facilitate the Company’s business development and optimise its debt structure, the Company has proposed to apply to National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會) for the registration and issue of perpetual medium term note with an amount of not more than RMB9 billion. In accordance with Clause 1) the increase or reduction of share capital and the issue of any types of shares, warrants and other similar securities by the Company and Clause 2) the issue of corporate bonds of Article 107 of the Articles of Association, the aforesaid matter shall require the approval of the Company’s shareholders. Hence approval at the EGM of the registration and issue of perpetual medium term note by the Company is sought.

For details please refer to Special Resolution No. 2 of the EGM Notice.

LETTER FROM THE BOARD

IV. EGM

EGM Notice, Proxy Form and Reply Slip

The EGM will be convened by the Company on Wednesday, 15 October 2014 at 9:00 a.m. at 4/F, A Wing, ZTE Plaza, Keji Road South, Hi-Tech Industrial Park, Nanshan District, Shenzhen, Guangdong Province, the People's Republic of China to consider and, if thought fit, pass, among others, the following resolutions: (i) Proposed Provision of Guarantee of ZTE HK, (ii) Proposed Registration and Issue of Perpetual Medium Term Note. The EGM Notice is set out in pages 8 to 10 of this circular.

A proxy form and a reply slip for use at the EGM is enclosed with this circular and uploaded at the websites of the SEHK and the Company. Whether or not you are able to attend the EGM, please complete and return the enclosed proxy form in accordance with the instructions printed thereon as soon as practicable and in any event not less than 24 hours before the time appointed for holding the EGM or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting at the EGM or any adjourned meeting thereof should you so wish. Any H Shareholders intending to attend the EGM shall deliver the reply slip to the Company by hand, post or facsimile on or before Wednesday, 24 September 2014.

Close of share register

The Company will close its H share register from Monday, 15 September 2014 to Tuesday, 14 October 2014 (both days inclusive) to determine qualifications of shareholders to attend and vote at the EGM. Any H Shareholder who wishes to attend and vote at the EGM shall lodge an instrument of transfer, 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 4:30 p.m., Friday, 12 September 2014.

Voting by way of poll at a general meeting

In accordance with Rule 13.39 (4) of the Hong Kong Listing Rules, all resolutions proposed at a general meeting for consideration and approval if thought fit shall be voted upon by way of poll, provided that resolutions pertaining to procedural or administrative matters only may be voted upon by a show of hands if permission for the same is given in good faith by the chairman of the general meeting.

LETTER FROM THE BOARD

V. RECOMMENDATION

The Board is of the view that the resolutions set out in the EGM Notice in respect of the: (i) Proposed Provision of Guarantee of ZTE HK, (ii) Proposed Registration and Issue of Perpetual Medium Term Note are in the best interests of the Company and the shareholders as a whole and accordingly recommend the shareholders to vote in favour of the relevant resolutions at the EGM.

By Order of the Board
Hou Weigui
ZTE Corporation
Chairman

Shenzhen, the PRC

NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING OF 2014

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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)

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NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING OF 2014

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

NOTICE IS HEREBY GIVEN that the 2014 First Extraordinary General Meeting of 2014 (hereinafter referred to as the “EGM”) of ZTE Corporation (hereinafter referred to as the “Company”) will be convened at 9 a.m., on Wednesday, 15 October 2014 at 4th Floor, A Wing, ZTE Plaza, Keji Road South, Hi-Tech Industrial Park, Nanshan District, Shenzhen, Guangdong Province, the People’s Republic of China to consider and if thought fit, approve, the following resolutions (terms defined in this notice shall have the same meanings as those in the circular of the Company dated 28 August 2014, unless otherwise required by the context):

Ordinary Resolution

1. Resolution on the Provision of Guarantee by the Company for ZTE (H.K.) Limited, a Wholly-owned Subsidiary, in respect of Debt Financing

- (1) That the provision of guarantee by way of joint liability assurance for an amount of not more than RMB2 billion for a term of not more than three years (from the date on which the general meeting resolution takes effect) by the Company in respect of overseas debt financing (including but not limited to bank loans and the issue of corporate bonds) of ZTE (H.K.) Limited (“ZTE HK”) be approved.

NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING OF 2014

- (2) That Mr. Hou Weigui, the legal representative of the Company, or his authorized signatory be authorised to determine the specific amount and period of guarantee based on the results of negotiations between ZTE HK and the relevant debt financing parties subject to the aforesaid limit and period of guarantee and to negotiate with the relevant debt financing parties and execute all guarantee agreements and other pertinent legal contracts and documents relating to the said guarantee, and deal with other matters pertaining to such guarantee.

Special Resolution

2. Resolution on the Proposed Registration and Issue of Perpetual Medium Term Note of the Company

- (1) That the registration and issue plan for the issue of perpetual medium term note with a size of not more than RMB9 billion by the Company be approved.
- (2) That Mr. Hou Weigui, the legal representative of the Company, or his authorized signatory be authorised to:
 - (a) confirm the appointment of service agents relating to the registration and issue, including but not limited to the lead underwriter and bookrunner, etc;
 - (b) confirm the actual issue plan (including the timing, amount and tranches of issue, etc) based on the outcome of negotiations between the Company and parties related to the issue, subject to the aforesaid plan for the registration and issue of perpetual medium term note, negotiate and sign relevant agreements with parties relating to the issue and other relevant legal contracts and documents and deal with other relevant matters;
 - (c) determine, after registration, matters pertaining to redemption in accordance with the redemption clauses of the registration and issue plan; and
 - (d) determine, after registration, arrangements for interest payments and deferred interest payments in accordance with the interest payment clauses of the registration and issue plan.

Notes:

1. **The Company will close its H share register from Monday, 15 September 2014 to Tuesday, 14 October 2014 (both days inclusive)** to determine qualifications of shareholders to attend and vote at the EGM. Any H Shareholder who wishes to attend and vote at the EGM **shall lodge an instrument of transfer, together with the**

NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING OF 2014

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 4:30 p.m., Friday, 12 September 2014.

2. Shareholders intending to attend the EGM, whether in person or by proxy, should deliver the reply slip of EGM by hand, post or facsimile to the Company's principal place of business in Hong Kong (for H shareholders) on or before Wednesday, 24 September 2014. The principal place of business of the Company in Hong Kong is: 8th Floor Gloucester Tower, The Landmark, 15 Queen's Road Central, Central, Hong Kong (Facsimile No.: +852-35898555).
3. In order to be valid, the instruments appointing a proxy (namely the proxy form) and the power of attorney or other authorisation documents (if any) of the signatory or notarised copies of such power of attorney or authorisation documents must be completed and deposited, no later than 24 hours before the time appointed for holding the EGM or any adjournment thereof at Computershare Hong Kong Investor Services Limited, the H share registrar of the Company, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for H shareholders). The completion and return of the proxy form shall not preclude a shareholder from attending and voting in person at the EGM or any adjournment thereof if he so wishes.
4. A shareholder entitled to attend and vote at the EGM shall be entitled to appoint another one or more proxies to attend and vote for him. A proxy need not be a shareholder of the Company.
5. In case of joint holders of a share, any one of such holders is entitled to vote at the EGM, by himself or by proxy, as if he is the only one entitled to do so among the joint holders. However, only the vote of the person whose name stands first on the register of members in respect of such share shall be accepted if more than one joint holder attend the EGM personally or by proxy.
6. The EGM is expected to last for half a day. All transportation and accommodation expenses incurred by shareholders or their proxies in attending the EGM shall be borne by themselves. Shareholders or their proxies attending the EGM shall be required to produce identifications.

By Order of the Board
Hou Weigui
Chairman

Shenzhen, the PRC
28 August 2014

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, Qu Xiaohui, Wei Wei, Chen Naiwei, Tan Zhenhui and Richard Xike Zhang.