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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 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

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 Election and Appointment of Non-independent Directors
of the Eighth Session of the Board**
 - (2) Proposed Election and Appointment of Independent Non-executive Directors
of the Eighth Session of the Board**
 - (3) Proposed Election and Appointment of Shareholders' Representative Supervisors
of the Eighth Session of the Supervisory Committee**
 - (4) Proposed Authorization to Purchase Directors', Supervisors' and
Senior Management's Liability Insurance**
 - (5) Proposed entering into of the Zhongxingxin Purchase Framework Agreement
with Zhongxingxin (A Connected Person)**
 - (6) Revised Terms of Proposed Non-Public Issuance of A Shares Under the General Mandate**
 - (7) Extension of Validity Period of the Shareholders' Resolutions in relation
to the Proposed Non-Public Issuance of A Shares**
- And**
- (8) New Authorization to the Board in relation to the Proposed Non-Public Issuance
of A Shares**

A letter from the Board is set out in pages 6 to 26 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, 20 March 2019, together with the proxy form and reply slip for use at the EGM, were despatched to the Shareholders on 24 January 2019.

Whether or not you are able to attend the EGM, please complete and return the 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, 27 February 2019.

28 February 2019

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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)” or “Domestic Shares”	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
“A Shareholders”	holders of A Shares
“Announcement”	the announcement of the Company dated 17 January 2019 in relation to the Revised Terms of the Proposed Non-public Issuance of A Shares under the General Mandate, the extension of the validity period of the Shareholders’ Resolutions and the New Board Authorization
“Articles of Association”	the articles of association of the Company
“Board”	the board of directors of the Company
“Candidate(s) for Director(s)”	candidate(s) for Director(s) of the Eighth Session of the Board
“Candidate(s) for Supervisor(s)”	candidate(s) for shareholders’ representative supervisor(s) of the Eighth Session of the Supervisory Committee
“China or “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
“Completion”	completion of the Proposed Non-public Issuance of A Shares
“Connected Person”	has the meaning ascribed to it under the Hong Kong Listing Rules
“CSRC”	the China Securities Regulatory Commission
“Director(s)”	member(s) of the board of directors of the Company
“EGM”	the First Extraordinary General Meeting of 2019 of the Company to be held 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 at 9:00 a.m. on Wednesday, 20 March 2019
“EGM Notice”	notice of the First Extraordinary General Meeting of 2019

DEFINITIONS

“First Circular”	the circular of the Company dated 2 March 2018 in respect of, among other things, the Proposed Non-public Issuance of A Shares
“First EGM”	the First Extraordinary General Meeting of 2018 of the Company held 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 at 9:00 a.m. on Wednesday, 28 March 2018
“Floor Price”	the issue price of the Proposed Non-public Issuance of A Shares of not lower than RMB30.00 per A Share
“General Mandate”	the general mandate granted by the Shareholders to the Board at the annual general meeting of the Company held on 29 June 2018 to allot, issue or otherwise deal with Shares not exceeding 20% of the total number of Shares in issue on the date thereof, which is proposed to be renewed at the annual general meeting for the year ending 31 December 2018 to be convened by the Company
“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”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Implementation Rules of Non-public Issuance of Shares by Listed Companies”	the “Implementation Rules of Non-public Issuance of Shares by Listed Companies” (as revised in 2017) (《上市公司非公開發行股票實施細則》) (2017年修訂)
“Latest Practicable Date”	25 February 2019, being the latest practicable date prior to the printing of this circular for determining certain information set out in this circular
“New Board Authorization”	the new authorization to the Board and its authorized representatives to deal with all matters in connection with the Proposed Non-Public Issuance of A Shares with full discretion

DEFINITIONS

“Original Announcement”	the announcement of the Company dated 31 January 2018 in relation to, among other things, the Proposed Non-public Issuance of A Shares
“Original Board Authorization”	the original authorization granted to the board of directors of the Company and its authorized representatives at the time on the First EGM to deal with all matters in connection with the Proposed Non-Public Issuance of A Shares with full discretion
“Price Determination Date”	the price determination date for the Proposed Non-public Issuance of A Shares, being the first day of the issue period, in accordance with the Implementation Rules of Non-public Issuance of Shares by Listed Companies
“Proposed Non-public Issuance of A Shares”	the proposed non-public issuance of A shares by the Company to specific target subscribers for the purpose of raising funds
“Revised Terms”	the cancellation of the Floor Price of the Proposed Non-public Issuance of A Shares as described in the section headed “VII. Proposed Non-public Issuance of A Shares under General Mandate and Revised Terms — 1. Proposal in relation to the arrangement of the Floor Price of the Proposed Non-public Issuance of A Shares” of this circular
“RMB”	Renminbi, the statutory currency of the PRC
“Securities Law”	The Securities Law of the People’s Republic of China
“SEHK”	The Stock Exchange of Hong Kong Limited
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	A Shareholders and H Shareholders
“Shareholders’ Resolutions”	the shareholders’ resolutions in relation to the Proposed Non-Public Issuance of A Shares
“Shareholders’ Resolutions Extension Resolution”	the proposed special resolution to extend the validity period of the Shareholders’ Resolutions for a further period of 12 months, to 27 March 2020
“Shares”	A Share(s) and H Share(s)
“Shenzhen Listing Rules”	Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange

DEFINITIONS

“Supervisor(s)”	member(s) of the Supervisory Committee of the Company
“Supervisory Committee”	the supervisory committee of the Company
“SZSE”	The Shenzhen Stock Exchange
“VAT”	value added tax
“Zhongxingxin”	Zhongxingxin Telecom Company Limited, the controlling shareholder of the Company
“Zhongxingxin Group”	Zhongxingxin, its subsidiaries and companies whose equity interests are directly or indirectly owned by Zhongxingxin as to 30% or more from time to time
“Zhongxingxin Purchase Framework Agreement”	the framework agreement dated 25 December 2018 between the Company and Zhongxingxin in relation to the purchase of raw materials by the Group from the Zhongxingxin Group for the period from 1 January 2019 to 31 December 2021

EXPECTED TIMETABLE

2019

Latest time for lodging transfers of the H Shares to
qualify for attendance and voting at the EGM 4:30 p.m., Friday, 15 February

H Share register closed Saturday, 16 February to
Tuesday, 19 March (both dates inclusive)

Latest date for lodging reply slips for the EGM Wednesday, 27 February

Latest time for lodging proxy forms for the EGM 9:00 a.m., Tuesday, 19 March

EGM 9:00 a.m., Wednesday, 20 March

H Share register re-opens Wednesday, 20 March



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)

Executive Directors:

Li Zixue
Xu Ziyang
Gu Junying

Non-executive Directors:

Li Buqing
Zhu Weimin
Fang Rong

Independent Non-executive Directors:

Cai Manli
Yuming Bao
Gordon Ng

Registered Address:

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

Principle place of business in Hong Kong:

31/F, Tower Two
Times Square
1 Matheson Street, Causeway Bay
Hong Kong

28 February 2019

To the Shareholders

Dear Sir or Madam,

- (1) Proposed Election and Appointment of Non-independent Directors of the Eighth Session of the Board**
 - (2) Proposed Election and Appointment of Independent Non-executive Directors of the Eighth Session of the Board**
 - (3) Proposed Election and Appointment of Shareholders' Representative Supervisors of the Eighth Session of the Supervisory Committee**
 - (4) Proposed Authorization to Purchase Directors', Supervisors' and Senior Management's Liability Insurance**
 - (5) Proposed entering into of the Zhongxingxin Purchase Framework Agreement with Zhongxingxin (A Connected Person)**
 - (6) Revised Terms of Proposed Non-Public Issuance of A Shares Under the General Mandate**
 - (7) Extension of Validity Period of the Shareholders' Resolutions in relation to the Proposed Non-Public Issuance of A Shares**
- And**
- (8) New Authorization to the Board in relation to the Proposed Non-Public Issuance of A Shares**

LETTER FROM THE BOARD

I. INTRODUCTION

Reference is made to (i) the Original Announcement, (ii) the First Circular, (iii) the poll results announcement of the Company dated 28 March 2018, (iv) the overseas regulatory announcement of the Company dated 10 April 2018 on the admission by the CSRC of the application for the Proposed Non-public Issuance of A Shares, (v) the overseas regulatory announcement of the Company dated 29 October 2018 and 19 November 2018, respectively, on the receipt and extension of deadline to the “Notice Regarding the China Securities Regulatory Commission’s First Feedback on the Review of Administrative Permission Items”, the overseas regulatory announcement of the Company dated 23 January 2019 on the reply to the “Notice Regarding the China Securities Regulatory Commission’s First Feedback on the Review of Administrative Permission Items”, and the overseas regulatory announcement of the Company dated 25 February 2019 on Reply (Revised Draft) to the Feedback on Application Materials for the Approval of Non-public Issuance of A Shares, (vi) the Announcement, (vii) the announcement in relation to the election and appointment of the Directors and Shareholders’ Representative Supervisors of the Company date 17 January 2019 and (viii) the EGM Notice.

As disclosed in the Original Announcement, the Board has approved the Proposed Non-public Issuance of A Shares, pursuant to which the Company will issue not more than 686,836,019 A Shares to not more than 10 specific subscribers, which would raise the gross proceeds of up to RMB13 billion.

As disclosed in the Announcement, the Board has (i) determined to cancel the previously announced Floor Price for the Proposed Non-public Issuance of A Shares; (ii) proposed to extend the validity period of the Shareholders’ Resolutions for a further period of 12 months, to 27 March 2020; and (iii) proposed to grant new authorization to the Board and its authorized representatives to deal with all matters in relation to the Proposed Non-public Issuance of A Shares with full discretion.

As disclosed in the announcement in relation to the election and appointment of the Directors and Shareholders’ Representative Supervisors of the Company date 17 January 2019, as the term of office of the Seventh Session of the Board and the Seventh Session of the Supervisory Committee of the Company will conclude on 29 March 2019, the Company proposes to elect the new session’s Directors and Shareholders’ Representative Supervisors.

The purpose of this circular is to provide relevant information for your informed decision when voting for the ordinary resolutions and special resolutions to be proposed at the EGM in respect of, among other things, (i) Proposed Election and Appointment of Non-independent Directors of the Eighth Session of the Board, (ii) Proposed Election and Appointment of Independent Non-executive Directors of the Eighth Session of the Board, (iii) Proposed Election and Appointment of Shareholders’ Representative Supervisors of the Eighth Session of the Supervisory Committee, (iv) Proposed Authorization to Purchase Directors’, Supervisors’ and Senior Management’s Liability Insurance, (v) Proposed entering into of the Zhongxingxin Purchase Framework Agreement with Zhongxingxin

LETTER FROM THE BOARD

(A Connected Person), (vi) the Revised Terms of the Proposed Non-public Issuance of A Shares under the General Mandate, (vii) the extension of the validity period of the Shareholders' Resolutions, and (viii) the New Board Authorization.

II. PROPOSED ELECTION AND APPOINTMENT OF NON-INDEPENDENT DIRECTORS OF THE EIGHTH SESSION OF THE BOARD

At the Forty-fourth Meeting of the Seventh Session of the Board held on 17 January 2019, it was resolved that the re-election of the Board will be held, as the term of office of the Seventh Session of the Board of the Company will conclude on 29 March 2019. Upon the recommendation of the Nomination Committee of the Board, the Seventh Session of the Board of the Company has nominated Mr. Li Zixue, Mr. Xu Ziyang, Mr. Li Buqing, Mr. Gu Junying, Mr. Zhu Weimin and Ms. Fang Rong as Candidates for non-independent Directors of the Eighth Session of the Board of the Company.

The term of office of the Candidates for non-independent Directors of the Eighth Session of the Board of Directors shall, following the passing of the shareholders' resolution approving the appointments, commence on 30 March 2019 and end on 29 March 2022.

Please refer to Appendix I and Appendix IV for brief biographies and other information relating to the Candidates for non-independent Directors listed above.

The proposal will be submitted, by way of ordinary resolution, for the Shareholders' consideration and approval at the EGM.

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

III. PROPOSED ELECTION AND APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS OF THE EIGHTH SESSION OF THE BOARD

At the Forty-fourth Meeting of the Seventh Session of the Board held on 17 January 2019, it was resolved that the re-election of the Board will be held, as the term of office of the Seventh Session of the Board of the Company will conclude on 29 March 2019. Upon the recommendation of the Nomination Committee of the Board, the Seventh Session of the Board of the Company has nominated Ms. Cai Manli, Mr. Yuming Bao and Mr. Gordon Ng as Candidates for independent non-executive Directors of the Eighth Session of the Board of the Company.

The term of office of the Candidates for independent non-executive Directors of the Eighth Session of the Board of Directors shall, following the passing of the shareholders' resolution approving the appointments, commence on 30 March 2019 and end on 29 March 2022.

Please refer to Appendix II and Appendix IV for brief biographies and other information relating to the Candidates for independent non-executive Directors listed above.

LETTER FROM THE BOARD

The proposal will be submitted, by way of ordinary resolution, for the Shareholders' consideration and approval at the EGM.

Upon consultation with the relevant departments of the Company and review on the criteria for being a director of the Company, the Nomination Committee has extensively recruited candidates for election as a director and collected the information about the initial candidates, such as professions, academic qualification, position, work experience and all other concurrent employment. With the candidates' consent to nomination, the Nomination Committee convened a meeting for considering the qualification of the initial candidates according to the criteria for being a director, then the recommendation and relevant materials of the director candidates were submitted to the Board.

The Board is of the view that the candidates for election as an independent non-executive director, namely Ms. Cai Manli, Mr. Yuming Bao and Mr. Gordon Ng, have professional qualifications of and considerable experience in various domains, such as finance, accounting, law and compliance, and they have built influence in the industry and fulfilled their duties in an enthusiastic manner. Ms. Cai Manli is a certified public accountant of the PRC and certified tax agent of the PRC with a wealth of experience in consultation and equity investments relating to capital markets, thus she is able to complement the professional background of the composition of the Board in terms of financial management and equity investments. Mr. Yuming Bao had served as senior legal advisor to a number of multinational enterprises with extensive experience in law and compliance in the PRC and the United States, thus he is able to complement the professional background of the composition of the Board in terms of law and compliance. M. Gordon Ng is a solicitor admitted in England and Wales and in Hong Kong, thus he is able to complement the professional background of the composition of the Board in terms of corporate governance.

Accordingly, the respective academic background, experience and practice of Ms. Cai Manli, Mr. Yuming Bao and Mr. Gordon Ng allow them to offer valuable insights to the Board in the matter of, among others, finance, overseas and domestic law and compliance, and diversity of board members can be achieved through consideration of a number of factors, such as age, gender, cultural and educational background, or professional experience, skills and expertise upon their election as independent non-executive directors. Each of Ms. Cai Manli, Mr. Yuming Bao and Mr. Gordon Ng has submitted to the Board a written confirmation of his/her independence under the requirements of the Hong Kong Listing Rules and the Shenzhen Listing Rules, and an approval of SZSE has been obtained without dissent for the record in respect of the qualifications and independence for the aforesaid candidates for independent non-executive Directors. Upon considering the above factors, the Board is of the view that Ms. Cai Manli, Mr. Yuming Bao and Mr. Gordon Ng are independent persons of the Company.

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

LETTER FROM THE BOARD

IV. PROPOSED ELECTION AND APPOINTMENT OF SHAREHOLDERS' REPRESENTATIVE SUPERVISORS OF THE EIGHTH SESSION OF THE SUPERVISORY COMMITTEE

At the Thirty-fourth Meeting of the Seventh Session of the Supervisory Committee held on 17 January 2019, it was resolved that the re-election of the Supervisory Committee will be held, as the term of office of the Seventh Session of the Supervisory Committee of the Company will conclude on 29 March 2019. The Seventh Session of the Supervisory Committee of the Company has nominated Mr. Shang Xiaofeng and Ms. Zhang Sufang as Candidates for shareholders' representative Supervisors of the Eighth Session of the Supervisory Committee of the Company.

The term of office of the Candidates for shareholders' representative Supervisors of the Eighth Session of the Supervisory Committee shall, following the shareholders' resolution approving their appointments, commence on 30 March 2019 and end on 29 March 2022.

Please refer to Appendix III and Appendix IV for brief biographies and other information relating to the Candidates for Supervisors listed above.

The proposal will be submitted, by way of ordinary resolution, for the Shareholders' consideration and approval at the EGM.

For details please refer to Ordinary Resolution No. 3 of the EGM Notice.

V. PROPOSED AUTHORIZATION TO PURCHASE DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S LIABILITY INSURANCE

The EGM is hereby requested to authorize, in accordance with the law, the Company to enter into the contract(s) for the purchase of Directors', Supervisors' and Senior Management's Liability Insurance with the insurer(s).

The EGM is hereby requested to authorize, in accordance with the law, the Board of Directors and the Legal Representative of the Company (or relevant persons delegated by the Legal Representative) to deal with matters pertaining to the Directors', Supervisors' and Senior Management's Liability Insurance, and to extend or renew with the insurer(s) the insurance contract(s) required to be entered into for the purchase of insurance upon or before the expiry of such insurance contract(s) and perform relevant procedures as necessary.

The proposal will be submitted, by way of ordinary resolution, for the Shareholders' consideration and approval at the EGM.

For details please refer to Ordinary Resolution No. 4 of the EGM Notice.

LETTER FROM THE BOARD

VI. PROPOSED ENTERING INTO OF THE ZHONGXINGXIN PURCHASE FRAMEWORK AGREEMENT WITH ZHONGXINGXIN (A CONNECTED PERSON)

Reference is made to the CONTINUING CONNECTED TRANSACTIONS PURCHASES OF RAW MATERIALS FROM ZHONGXINGXIN published by the Company on 26 December 2018.

The EGM is hereby requested that the execution in accordance with the law of the Zhongxingxin Purchase Framework Agreement by the Company with Zhongxingxin (a connected person) with respect to the purchase of cabinets and related accessories, cases and related accessories, shelters, railings, antenna poles, optical products, refined-processing products, packaging materials, flexible printed circuits (FPC), rigid and flexible printed circuits (R-FPC) and its components and other products with the maximum aggregate amount of transactions (before VAT) relating to the purchase of raw materials by the Group from Zhongxingxin, its subsidiaries and companies its subsidiaries and companies whose equity interests are directly or indirectly owned by Zhongxingxin as to 30% or more under the framework agreement for each year during 2019–2021 estimated at RMB700 million, RMB800 million and RMB900 million, respectively.

The EGM is hereby requested that the Legal Representative of the Company or his appointed attorney be authorised to sign, among others, the “2019–2021 Purchase Framework Agreement” in accordance with the law.

Pursuant to Rule 10.2.5, Rule 10.2.10 and other requirements of the Shenzhen Listing Rules, the entering into of the Zhongxingxin Purchase Framework Agreement and the proposed annual caps for such transactions for each of the three years ending 31 December 2019, 2020 and 2021 are subject to the approval of the independent Shareholders.

As at the Latest Practicable Date, Zhongxingxin holds approximately 30.32% interest in the Company and is the controlling Shareholder and therefore a connected person of the Company under the Hong Kong Listing Rules. Therefore, the entering into of the Zhongxingxin Purchase Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company. As one or more of the applicable percentage ratios of the proposed annual caps for each of the three years ending 31 December 2019, 2020 and 2021 of the Zhongxingxin Purchase Framework Agreement exceed 0.1% but are all below 5%, the entering into of the Zhongxingxin Purchase Framework Agreement and the proposed annual caps for such transactions for each of the three years ending 31 December 2019, 2020 and 2021 are subject to the reporting, annual review and announcement requirements but are exempt from the independent shareholders’ approval requirement under Chapter 14A of the Hong Kong Listing Rules.

The proposal will be submitted, by way of ordinary resolution, for the Shareholders’ consideration and approval at the EGM.

For details please refer to Ordinary Resolution No. 5 of the EGM Notice.

VII. PROPOSED NON-PUBLIC ISSUANCE OF A SHARES UNDER GENERAL MANDATE AND REVISED TERMS

1. Proposal in relation to the arrangement of the Floor Price of the Proposed Non-public Issuance of A Shares

As disclosed on pages 6 to 7 in the First Circular and in the announcement of the Company dated 1 February 2018, the issue price of the Proposed Non-public Issuance of A Shares will not be lower than RMB30.00 per A Share. If the Company is unable to enter into the Proposed Non-public Issuance of A Shares with the subscribers at an issue price higher than or equal to the Floor Price during the effective period specified in the approval from the CSRC after obtaining such approval, the Company will terminate the Proposed Non-public Issuance of A Shares.

In light of the conditions in the capital market and the circumstances of the Company, the Board has determined to cancel the Floor Price for the Proposed Non-public Issuance of A Shares.

The proposal will be submitted, by way of a special resolution for the Shareholders' consideration and approval at the EGM.

2. Proposal in relation to the Company's fulfillment of criteria for the Proposed Non-public Issuance of A Shares

According to the relevant provisions of the Company Law, the Securities Law, the Administrative Measures for the Issuance of Securities by Listed Companies (《上市公司證券發行管理辦法》), the Implementation Rules of Non-public Issuance of Shares by Listed Companies and other laws and regulations, after carrying out serious self-examination on the Company's actual situation and related matters, the Board are of the view that the Company has fulfilled the criteria for the Proposed Non-public Issuance of A Shares.

The proposal was approved by way of a special resolution by the Shareholders at the First EGM.

3. Proposal in relation to the Company's plan for the Proposed Non-public Issuance of A Shares

(a) Class and par value of Shares to be issued

The Shares to be issued are A Shares with a par value of RMB1.00 per share.

(b) Method and time of issuance

The Proposed Non-public Issuance of A Shares will be carried out by way of non-public issuance to specific subscribers. The A Shares will be issued at any appropriate time within the validity period as approved by the CSRC.

LETTER FROM THE BOARD

(c) Target subscribers and method of subscription

The target subscribers of the Proposed Non-public Issuance of A Shares will be not more than 10 specific subscribers which satisfy the relevant requirements of the CSRC, including securities investment fund management companies, securities companies, insurance institutional investors, trust investment companies, finance companies, qualified foreign institutional investors and other legally qualified investors. A securities investment fund management company subscribing through 2 or more funds under its management shall be deemed as one single subscriber. A trust investment company, as a subscriber, can only subscribe for the A Shares with its internal funds.

Subject to the above requirements, the Company will determine the specific target subscribers through bidding in accordance with the Implementation Rules of Non-public Issuance of Shares by Listed Companies after obtaining the approval of the CSRC for the Proposed Non-public Issuance of A Shares.

All A Shares to be issued under the Proposed Non-public Issuance of A Shares will be subscribed for in cash.

As at the Latest Practicable Date, (i) the Company had not entered into any agreement with any potential subscribers in respect of the Proposed Non-public Issuance of A Shares, and (ii) the Company expected that the A shares to be issued under the Proposed Non-public Issuance of A Shares will be issued to subscribers who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons.

(d) Issue price and pricing principles

Pursuant to the Implementation Rules of Non-public Issuance of Shares by Listed Companies, the Price Determination Date shall be the first day of the issue period of the Proposed Non-public Issuance of A Shares. The issue price of the Proposed Non-public Issuance of A Shares shall not be lower than 90% of the average trading price of the Company's A Shares for the 20 trading days immediately preceding the Price Determination Date. The final issue price shall be determined through negotiations between the Board (or its authorized representative(s)) and the sponsor (the lead underwriter) based on the bidding results and in accordance with the Implementation Rules of Non-public Issuance of Shares by Listed Companies, after the Company has obtained the approval for the Proposed Non-public Issuance of A Shares from the CSRC.

LETTER FROM THE BOARD

The average trading price of the Company's A Shares for the 20 trading days immediately preceding the Price Determination Date shall be calculated by the following formula:

$$\frac{\text{Total turnover of the Company's A Shares for the 20 trading days immediately preceding the Price Determination Date}}{\text{Total trading volume of the Company's A Shares for the 20 trading days immediately preceding the Price Determination Date}}$$

Total trading volume of the Company's A Shares for the 20 trading days immediately preceding the Price Determination Date

In addition, pursuant to the Hong Kong Listing Rules, the issue price of the Proposed Non-public Issuance of A Shares shall not represent a discount of 20% or more to the benchmarked price of the H Shares as described under Rule 13.36(5) of the Hong Kong Listing Rules, such benchmarked price being the higher of:

- (a) the closing price of the H Shares on the date of the relevant agreement involving the Proposed Non-public Issuance of A Shares; and
- (b) the average closing price of the H Shares in the 5 trading days immediately prior to the earlier of:
 - (i) the date of the announcement of the Proposed Non-public Issuance of A Shares;
 - (ii) the date of the relevant agreement involving the Proposed Non-public Issuance of A Shares; and
 - (iii) the date on which the issue price of the Proposed Non-public Issuance of A Shares is fixed.

The benchmark price as stated in paragraph (b) (i) is amended to the date of the announcement of the Proposed Non-public Issuance of A Shares proposed to be made upon pricing and signing of the subscription agreements, instead of the date of the Original Announcement, being 31 January 2018, as stated in the First Circular.

The average closing price of the H Shares in the 5 trading days immediately prior to the date of the Announcement (being the announcement of the Company dated 17 January 2019) is HK\$15.672. Therefore, the issue price of the Proposed Non-public Issuance of A Shares shall not represent a discount of 20% or more to the benchmarked price, being the higher of (i) the closing price of the H Shares on the date of the relevant agreement involving the Proposed Non-public Issuance of A Shares; (ii) HK\$15.672; or (iii) the average closing price of the H Shares in the 5 trading days immediately prior to the earlier of: (x) the date of the announcement of the Proposed Non-public Issuance of A Shares (which is proposed to be made upon pricing and signing of the subscription agreements); (y) the date of the

LETTER FROM THE BOARD

relevant agreement involving the Proposed Non-public Issuance of A Shares; and (z) the date on which the issue price of the Proposed Non-public Issuance of A Shares is fixed.

(e) Number of A Shares to be issued

The number of A Shares to be issued under the Proposed Non-public Issuance of A Shares shall not exceed 686,836,019 A Shares, which was determined based on 20% of the A share capital of the Company as at the date of the general meeting of the Company of 20 June 2017 in which the “Resolution of the Company on the Application for General Mandate for 2017” was considered and approved by the Shareholders, and represents:

- (1) approximately 19.98% of the existing issued A Shares and approximately 16.38% of the existing total issued share capital of the Company as at the Latest Practicable Date; and
- (2) approximately 16.65% of the enlarged issued A Shares and approximately 14.08% of the enlarged total issued share capital of the Company upon Completion.

The maximum number of A Shares to be issued of 686,836,019 A Shares represent less than 20% of the A share capital of the Company as at the date of the annual general meeting of the Company for the year ended 31 December 2017 at which the General Mandate for 2018 was granted.

After obtaining the written approval for the Proposed Non-public Issuance of A Shares from the CSRC, the Board or its authorized representative(s) shall, pursuant to the authorization of the Shareholders in the First EGM and EGM, negotiate with the sponsor (the lead underwriter) to determine the final number of A Shares to be issued according to the relevant regulations of the CSRC and the price bids submitted by the target subscribers.

(f) Lock-up period

The A Shares to be subscribed for by the target subscribers under the Proposed Non-public Issuance of A Shares shall be subject to a lock-up period of 12 months from the date of Completion. After the expiration of the lock-up period, any transfer of the A Shares under the Proposed Non-public Issuance of A Shares shall be carried out in accordance with the relevant regulations of the CSRC and the SZSE.

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(g) Amount and use of proceeds

The gross proceeds from the Proposed Non-public Issuance of A Shares will not exceed RMB13 billion. The net proceeds from the Proposed Non-public Issuance of A Shares (after deducting all expenses related to the issuance) will be applied as follows:

Use of proceeds	Total amount required (RMB billion) (approximately)	Amount to be applied from the proceeds from the Proposed Non-public Issuance of A Shares (RMB billion) (approximately)
Technology research and product development relating to 5G network evolution	42.878	9.1
Replenishment of working capital	<u>3.9</u>	<u>3.9</u>
Total	<u>46.778</u>	<u>13.0</u>

If there is any shortfall between the net proceeds from the Proposed Non-public Issuance of A Shares (after deducting all expenses related to the issuance) and the proposed amount of proceeds to be applied in each of the above items, the shortfall will be met by the internal funds of the Company. Prior to the receipt of the proceeds from the Proposed Non-public Issuance of A Shares, the Company will finance such project(s) with its internal funds based on the actual progress of the project(s). Such internal funds will be replaced by the proceeds upon the receipt of the proceeds.

(h) Place of listing

The A Shares to be issued under the Proposed Non-public Issuance of A Shares will be listed and traded on the SZSE upon expiration of the lock-up period.

(i) Arrangement for the retained undistributed profits prior to the Proposed Non-public Issuance of A Shares

The retained undistributed profits of the Company prior to the Proposed Non-public Issuance of A Shares will be shared by the existing Shareholders and the new Shareholders upon Completion.

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(j) Validity period of the resolutions in relation to the Proposed Non-public Issuance of A Shares

The resolutions in relation to the Proposed Non-public Issuance of A Shares shall remain valid for 12 months from the date on which the resolutions are considered and approved at the First EGM.

The proposal has been approved by way of special resolutions by the Shareholders at the First EGM (which was voted upon item by item).

The Board proposes to seek approval from the Shareholders at the EGM to extend the validity period of such resolutions for a further period of 12 months, to 27 March 2020, to ensure the smooth implementation of the Proposed Non-public Issuance of A Shares. The proposal will be submitted, by way of a special resolution, for the Shareholders' consideration and approval at the EGM. Please refer to the section headed "VIII. Shareholders' Resolutions Extension Resolution" of this circular for further details.

4. Proposal in relation to the Company's "Proposal for the Proposed Non-public Issuance of A Shares"

The "Proposal for the Proposed Non-public Issuance of A Shares", which was prepared in the Chinese language, was disclosed in the overseas regulatory announcement of the Company dated 31 January 2018. The full text of the English translation was set out in Appendix I to the First Circular. In the event of any discrepancy between the English translation and the Chinese version of the document, the Chinese version shall prevail.

The proposal has been approved by way of a special resolution by the Shareholders at the First EGM.

5. Proposal in relation to the Company's "Feasibility Analysis Report on the Use of Proceeds of the Proposed Non-public Issuance of A Shares"

The "Feasibility Analysis Report on the Use of Proceeds of the Proposed Non-public Issuance of A Shares", which was prepared in the Chinese language, was disclosed in the overseas regulatory announcement of the Company dated 31 January 2018. The full text of the English translation is set out in Appendix II to the First Circular. In the event of any discrepancy between the English translation and the Chinese version of the document, the Chinese version shall prevail.

The proposal has been approved by way of a special resolution by the Shareholders at the First EGM.

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6. Proposal in relation to the exemption from the preparation of a report on the use of proceeds from the previous fund raising

The “Statement on the Exemption from the Preparation of a Report on the Use of Proceeds from the Previous Fund Raising”, which was prepared in the Chinese language, was disclosed in the overseas regulatory announcement of the Company dated 31 January 2018. The full text of the English translation is set out in Appendix III to the First Circular. In the event of any discrepancy between the English translation and the Chinese version of the document, the Chinese version shall prevail.

The proposal has been approved by way of an ordinary resolution by the Shareholders at the First EGM.

7. Proposal in relation to the “Remedial Measures regarding Dilution on Returns for the Current Period due to the Proposed Non-public Issuance of A Shares and the Undertakings by the Relevant Entities”

The “Remedial Measures regarding Dilution on Returns for the Current Period due to the Proposed Non-public Issuance of A Shares and the Undertakings by the Relevant Entities”, which was prepared in the Chinese language, was disclosed in the overseas regulatory announcement of the Company dated 31 January 2018. The full text of the English translation is set out in Appendix IV to the First Circular. In the event of any discrepancy between the English translation and the Chinese version of the document, the Chinese version shall prevail.

The proposal has been approved by way of a special resolution by the Shareholders at the First EGM.

8. Proposal in relation to the “Shareholders’ Dividend and Return Plan (2018–2020)”

The “Shareholders’ Dividend and Return Plan (2018–2020)”, which was prepared in the Chinese language, was disclosed in the overseas regulatory announcement of the Company dated 31 January 2018. The full text of the English translation is set out in Appendix V to the First Circular. In the event of any discrepancy between the English translation and the Chinese version of the document, the Chinese version shall prevail.

The proposal has been approved by way of a special resolution by the Shareholders at the First EGM.

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9. Proposal in relation to the general meeting's authorization to the Board and its authorized representatives to deal with matters in connection with the Company's Proposed Non-public Issuance of A Shares with full discretion

Approval was given by the Shareholders at the First EGM for the authorization to the Board and its authorized representatives to deal with all matters in connection with the Proposed Non-public Issuance of A Shares, including:

- (a) authorization to deal with all matters relating to the plan for the Proposed Non-public Issuance of A Shares, including but not limited to the method and time of issuance, the target subscribers and method of subscription, the issue price and pricing principles, the number of A Shares to be issued and lock-up period under the Proposed Non-public Issuance of A Shares;
- (b) authorization to deal with all matters pertaining to applications to and the receipt of approvals from PRC domestic authorities and relevant overseas authorities in respect of the Proposed Non-public Issuance of A Shares, to formulate, prepare, modify, fine-tune and execute all documents relating to the Proposed Non-public Issuance of A Shares, to execute contracts, agreements and documents relating to the Proposed Non-public Issuance of A Shares (including but not limited to agreements for the hiring or appointment of intermediaries) and to approve and handle information disclosures relating to the Proposed Non-public Issuance of A Shares;
- (c) authorization to adjust specific arrangements for the projects invested with the proceeds from the Proposed Non-public Issuance of A Shares within the scope of the resolution adopted by the First EGM;
- (d) authorization to adjust the plan of the Proposed Non-public Issuance of A Shares and the use of proceeds and to carry on with the Proposed Non-public Issuance of A Shares in accordance with relevant provisions of the State, requirements of relevant government authorities and securities regulatory authorities (including feedback after examination of the application for the non-public issuance) in the event of new provisions relating to the policy on non-public issuance under laws and regulations or announced by the securities regulatory authorities and any change in market conditions, save for matters required to be voted upon anew at the general meeting under pertinent laws and regulations and the Articles of Association;
- (e) authorization to process capital verification formalities in connection with the Proposed Non-public Issuance of A Shares;
- (f) authorization to execute material contracts during the course of implementation of the projects invested with issue proceeds from the Proposed Non-public Issuance of A Shares;

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- (g) authorization to process registration of shares, lock-up of shares and listing matters and the submission of relevant documents following the Proposed Non-public Issuance of A Shares;
- (h) authorization to deal with amendment of relevant clauses of the Articles of Association, corresponding approval procedures, and various registration procedures for the change in the registered capital of the Company following the Proposed Non-public Issuance of A Shares;
- (i) authorization to deal with all other matters pertaining to the Proposed Non-public Issuance of A Shares;
- (j) authorization to cause a direct transfer of powers to the Chairman of the Company, Mr. Yin Yimin and his delegate by the Board to deal with matters described above after obtaining the aforesaid authorization at the First EGM;
- (k) the authorizations set out above shall be effective within 12 months from the date of approval of this resolution on authorization at the First EGM of the Company.

The proposal has been approved by way of a special resolution by the Shareholders at the First EGM. In relation to paragraph 9(k) above, as the validity period of the Original Board Authorization will expire on 27 March 2019, the Board proposes to seek approval from the Shareholders at the EGM for the new authorization to the Board and its authorized representatives to deal with all matters in connection with the Proposed Non-Public Issuance of A Shares, including:

- (a) authorization to deal with all matters relating to the plan for the Proposed Non-public Issuance of A Shares, including but not limited to the method and time of issuance, the target subscribers and method of subscription, the issue price and pricing principles, the number of A Shares to be issued and lock-up period under the Proposed Non-public Issuance of A Shares;
- (b) authorization to deal with all matters pertaining to applications to and the receipt of approvals from PRC domestic authorities and relevant overseas authorities in respect of the Proposed Non-public Issuance of A Shares, to formulate, prepare, modify, fine-tune and execute all documents relating to the Proposed Non-public Issuance of A Shares, to execute contracts, agreements and documents relating to the Proposed Non-public Issuance of A Shares (including but not limited to agreements for the hiring or appointment of intermediaries) and to approve and handle information disclosures relating to the Proposed Non-public Issuance of A Shares;
- (c) authorization to adjust specific arrangements for the projects invested with the proceeds from the Proposed Non-public Issuance of A Shares within the scope of the resolution adopted by the EGM;

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- (d) authorization to adjust the plan of the Proposed Non-public Issuance of A Shares and the use of proceeds and to carry on with the Proposed Non-public Issuance of A Shares in accordance with relevant provisions of the State, requirements of relevant government authorities and securities regulatory authorities (including feedback after examination of the application for the non-public issuance) in the event of new provisions relating to the policy on non-public issuance under laws and regulations or announced by the securities regulatory authorities and any change in market conditions and operation of the Company, save for matters required to be voted upon anew at the general meeting under pertinent laws and regulations and the Articles of Association;
- (e) authorization to process capital verification formalities in connection with the Proposed Non-public Issuance of A Shares;
- (f) authorization to execute material contracts during the course of implementation of the projects invested with issue proceeds from the Proposed Non-public Issuance of A Shares;
- (g) authorization to process registration of shares, lock-up of shares and listing matters and the submission of relevant documents following the Proposed Non-public Issuance of A Shares;
- (h) authorization to deal with amendment of relevant clauses of the Articles of Association, corresponding approval procedures, and various registration procedures for the change in the registered capital of the Company following the Proposed Non-public Issuance of A Shares;
- (i) authorization to deal with all other matters pertaining to the Proposed Non-public Issuance of A Shares;
- (j) authorization to cause a direct transfer of powers to the Chairman of the Company and his delegate by the Board to deal with matters described above after obtaining the aforesaid authorization at the EGM;
- (k) the authorizations set out above shall be effective from 28 March 2019 to 27 March 2020.

The proposal will be submitted, by way of a special resolution, for the Shareholders' consideration and approval at the EGM.

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VIII. SHAREHOLDERS' RESOLUTIONS EXTENSION RESOLUTION

As disclosed in the poll results announcement of the Company dated 28 March 2018 and the section headed “VII. Proposed Non-Public Issuance of A Shares under General Mandate and Revised Terms” of this circular, resolutions were passed by the Shareholders at the First EGM to approve, amongst other things, the Proposed Non-Public Issuance of A Shares.

As disclosed in paragraph 3(j) of the section headed “VII. Proposed Non-Public Issuance of A Shares under General Mandate and Revised Terms” of this circular, the Shareholders' Resolutions shall remain valid for 12 months from the date on which the resolutions are considered and approved at the First EGM.

As the validity period of the Shareholders' Resolutions will expire on 27 March 2019, the Board proposes to seek approval from the Shareholders at the EGM for the Shareholders to consider and, if thought fit, approve the Shareholders' Resolutions Extension Resolution.

IX. CONDITIONS PRECEDENT OF THE PROPOSED NON-PUBLIC ISSUANCE OF A SHARES

The Proposed Non-public Issuance of A Shares is subject to the approval of the Shareholders at the EGM and the approval of the CSRC. Upon obtaining the approval of the CSRC, the Company will apply to the SZSE and the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited to complete the approval and registration procedures for the Proposed Non-public Issuance of A Shares.

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X. EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the total issued share capital of the Company was 4,192,671,843 Shares, which comprised 3,437,169,309 A Shares and 755,502,534 H Shares. The shareholding structure of the Company (i) as at the Latest Practicable Date and (ii) immediately after Completion (assuming that (i) the maximum number of A Shares up to 686,836,019 A Shares is being issued and (ii) there is no change in the total issued share capital of the Company from the Latest Practicable Date up to Completion save for Proposed Non-public Issuance of A Shares) is estimated to be as follows:

Shareholder	Class of Shares	As at the Latest Practicable Date			Upon Completion		
		Number of Shares	Approximate percentage of A Shares (%)	Approximate percentage of the total issued share capital (%)	Number of Shares	Approximate percentage of A Shares (%)	Approximate percentage of the total issued share capital (%)
Zhongxingxin	A	1,269,276,633	36.93	30.27	1,269,276,633	30.78	26.01
	H	2,038,000	—	0.05	2,038,000	—	0.04
Subtotal		<u>1,271,314,633</u>	—	<u>30.32</u>	<u>1,271,314,633</u>	—	<u>26.05</u>
Public Shareholders	A	2,167,892,676	63.07	51.71	2,854,728,695	69.22	58.50
	H	753,464,534	—	17.97	753,464,534	—	15.44
Subtotal		<u>2,921,357,210</u>	—	<u>69.68</u>	<u>3,608,193,229</u>	—	<u>73.95</u>
Total		<u>4,192,671,843</u>		<u>100.00</u>	<u>4,879,507,862</u>		<u>100.00</u>

Note: The approximate percentages of (i) the A Shares and (ii) the total issued share capital are rounded to the nearest two decimal places may not add up to 100% due to rounding.

XI. FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company had not conducted any equity fund raising exercises during the 12 months immediately preceding the Latest Practicable Date.

XII. REASONS FOR AND BENEFITS OF THE PROPOSED NON-PUBLIC ISSUANCE OF A SHARES, THE REVISED TERMS, THE SHAREHOLDERS' RESOLUTIONS EXTENSION RESOLUTION AND NEW BOARD AUTHORIZATION

In recent years, the Company has been pursuing the strategy in leading 5G innovations through the continuous expansion of its investment in research and development as well as marketing for its core segments. With the global leading position in 5G network sector, the Company expects that 2018 to 2020 will be a crucial period for the formulation and industrialization of the global standard for 5G technology. The Company will continue to focus on 5G technology as its core strategy, and will commit its effort to various aspects including the formulation of standards, product research and development and commercial verification in order to maintain its leading position in terms of progress development, product functionality and cost advantage.

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The Company considers that the Proposed Non-public Issuance of A Shares will enable the Company to maintain its high level of investment in research and development, help ensure its technological competitive edge and develop its main products and businesses with core advantages, which may help the Company increase its market shares in the mainstream products and markets as well as enhance customer satisfaction, thereby help increasing the profitability of the Company.

In addition, the demand for working capital of the Company for business development may be replenished by the Proposed Non-public Issuance of A Shares and the capital structure of the Company is expected to be further optimized, which may help the Company mitigate risks.

The closing price of the A Shares as traded on the SZSE as at the date of the Original Announcement was RMB31.12 per A Share, whereas the closing price of the A Shares as traded on the SZSE as at the date of the Announcement on Revised Terms was RMB20.01 per A Share. In light of the benefits of the Proposed Non-public Issuance of A Shares as set out above, the Board believes that it is in the best interests of the Company and its shareholders as a whole for the Floor Price to be cancelled and for the Company to proceed with the Proposed Non-public Issuance of A Shares.

As at the Latest Practicable Date, the Company had not yet received the approval of the CSRC, which is a condition precedent to the Proposed Non-Public Issuance of A Shares, and it is anticipated that the Company will need additional time to complete the Proposed Non-Public Issuance of A Shares. As such, the Board is of the view that the Shareholders' Resolutions Extension Resolution and the New Board Authorization are necessary to ensure the smooth implementation of the Proposed Non-Public Issuance of A Shares and are in the best interests of the Company and the Shareholders as a whole.

XIII. GENERAL MANDATE TO ISSUE THE A SHARES

The A Shares to be issued pursuant to the Proposed Non-public Issuance of A Shares will be allotted and issued under the General Mandate. The Board has been authorized to allot and issue not more than 687,433,861 A Shares pursuant to the General Mandate. As at the Latest Practicable Date, the Company had not issued any A Shares or H Shares pursuant to the General Mandate.

XIV. EGM

EGM Notice, Proxy Form and Reply Slip

The EGM will be convened by the Company on Wednesday, 20 March 2019 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, the following resolutions: (i) Proposed Election and Appointment of Non-independent Directors of the Eighth Session of the Board,(ii) Proposed Election and Appointment of Independent Non-executive Directors of the Eighth Session of the Board,(iii) Proposed Election and Appointment of Shareholders' Representative Supervisors of the Eighth Session of the Supervisory Committee,(iv)

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Proposed Authorization to Purchase Directors', Supervisors' and Senior Management's Liability Insurance, (v) Proposed entering into of the Zhongxingxin Purchase Framework Agreement with Zhongxingxin (A Connected Person),(vi) the Revised Terms of the Proposed Non-public Issuance of A Shares under the General Mandate, (vii) the extension of the validity period of the Shareholders' Resolutions and (viii) the New Board Authorization. A notice of the EGM containing the above resolutions, together with the proxy form and reply slip for use at the EGM, were despatched to the Shareholders on 24 January 2019.

Whether or not you are able to attend the EGM, please complete and return the 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, 27 February 2019.

Close of share register

The Company will close its H share register from Saturday, 16 February 2019 to Tuesday, 19 March 2019 (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 Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m., Friday, 15 February 2019.

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 though 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.

In accordance with relevant provisions of the Articles of Association, resolutions related to election and appointment of Directors and shareholders' representative supervisors shall be determined by way of accumulative voting, whereby each Candidate for Director and Candidate for Supervisor shall be voted upon on an individual basis.

As at the Latest Practicable Date, Zhongxingxin and its associates (as defined in the Hong Kong Listing Rules) held, in aggregate, 1,271,314,633 shares of the Company, representing approximately 30.32% of the Company's total share capital, as Zhongxingxin and its associates have material interest in the relevant resolution on the proposed entering into the Zhongxingxin Purchase Framework Agreement with Zhongxingxin, a Connected Party, they will abstain from voting on the No. 5 ordinary

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resolution set out the Notice of EGM. Save for the above, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, none of other shareholders is required to abstract from voting at the general meeting under the Hong Kong Listing Rules.

XV. RECOMMENDATION

The Board is of the view that the resolutions set out in the EGM Notice in respect of the: (i) Proposed Election and Appointment of Non-independent Directors of the Eighth Session of the Board, (ii) Proposed Election and Appointment of Independent Non-executive Directors of the Eighth Session of the Board, (iii) Proposed Election and Appointment of Shareholders' Representative Supervisors of the Eighth Session of the Supervisory Committee, (iv) Proposed Authorization to Purchase Directors', Supervisors' and Senior Management's Liability Insurance, (v) Proposed entering into of the Zhongxingxin Purchase Framework Agreement with Zhongxingxin (A Connected Person), (vi) the Revised Terms of the Proposed Non-public Issuance of A Shares under the General Mandate, (vii) the extension of the validity period of the Shareholders' Resolutions and (viii) the New Board Authorization 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.

XVI. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

By Order of the Board
Li Zixue
ZTE Corporation
Chairman

Shenzhen, the PRC

Mr. Li Zixue (李自學), born in 1964, graduated from Xi'an Jiaotong University with a bachelor's degree in engineering majoring in electronic components and materials in 1987, and currently holds the professional title of researcher. Mr. Li joined Xi'an Microelectronics Technology Research Institute in 1987, working on research and development and management in relation to microelectronic technology. From 1987 to 2010, Mr. Li served successively as technician and deputy head, deputy chief and chief of hybrid integrated circuit department. From 2010 to 2014, Mr. Li acted successively as deputy head, deputy secretary of party committee, general secretary of discipline inspection committee and chairman of the supervisory committee of Xi'an Microelectronics Technology Research Institute. From 2014 to 2015, he was general secretary of party committee and general secretary of discipline inspection committee, chairman of the supervisory committee and deputy head of Xi'an Microelectronics Technology Research Institute. Mr. Li acted as general secretary of party committee and deputy head of Xi'an Microelectronics Technology Research Institute, which is a shareholder of the controlling shareholder (Zhongxingxin) of the Company, from 2015 to January 2019. Mr. Li has been Chairman and executive Director of the Company since June 2018. Mr. Li has rich experience in practice and management in the electronics industry.

Mr. Xu Ziyang (徐子陽), born in 1972. He graduated from University of Electronic Science and Technology of China with a bachelor's degree in engineering majoring in physical electronics technology in 1994. Mr. Xu joined the Company in 1998, and served successively as programmer, section chief of GSM product line development department of Nanjing Research and Development Center, head of PS development department, deputy general manager of core network, and product general manager of core network of the Company, from 1998 to 2011. From 2011 to 2013, Mr. Xu acted as general manager of MKT fourth branch of the Company in charge of European and United States systems products. From 2014 to 2016, Mr. Xu acted as general manager of ZTE Services Deutschland GmbH, a subsidiary of the Company. From 2016 to July 2018, Mr. Xu acted concurrently as assistant to the President of the Company and product general manager of the CCN core network product line products of wireless operation department of the Company. Since July 2018, Mr. Xu has been the President of the Company, and he has been executive Director of the Company since August 2018. Since July 2018, Mr. Xu has been director of ZTE Microelectronics Technology Company Limited, a subsidiary of the Company, and he has been chairman of the ZTE Microelectronics Technology Company Limited since August 2018. Mr. Xu has many years of operational and management experience in the telecommunication industry.

Mr. Li Buqing (李步青), born in 1972, graduated from Jiangxi University of Finance & Economics with a bachelor's degree in economics majoring in financial accounting in 1994, and currently holds the professional title of senior economist. From 1994 to 2001, Mr. Li worked in Shenzhen Aerospace Guangyu Industrial Company Limited. From 2001 to 2009, Mr. Li served successively as deputy general manager and general manager of Shenzhen Zhenfeng Industry Limited. From 2009 to 2012, Mr. Li served as deputy general manager of Shenzhen Aerospace Real Estate Development Co., Ltd. From 2011 to 2017, Mr. Li worked as general manager and chairman of Shenzhen Aerospace Real Estate Consultation Co.,

Ltd. Since 2015, Mr. Li has successively acted as deputy chief economist and director of CASIC Shenzhen (Group) Company Limited. Since 2016, Mr. Li has successively acted as deputy chief economist and chief accountant of Shenzhen Aerospace Industrial Technology Research Institute Limited. From 2015 to 2018, Mr. Li concurrently acted as chairman of Nanjing Aerospace Yinshan Electronic Co., Ltd. From 2017 to 2018, Mr. Li concurrently acted as chairman of Aerospace Science & Industry Europe Co., Ltd. Since 2017, he has concurrently served as chairman of Shenzhen Aerospace Liye Industry Development Co., Ltd., director of Shenzhen Aerospace Guangyu Industrial Company Limited, Shenzhen Aerospace Property Management Co., Ltd. and he has successively concurrently served as director and supervisor of HT-Hysa Security Technology Engineering Co., Ltd. Mr. Li has been non-executive Director of the Company since June 2018. Mr. Li has rich experience in management and operations.

Mr. Gu Junying (顧軍營), born in 1967, graduated from the Department of Aerospace Engineering of Shenyang Institute of Aeronautical Industry with a bachelor's degree in engineering majoring in aircraft manufacturing in 1989 and from Beijing Institute of Technology with a master's degree in industrial engineering majoring in management engineering in 2002, and currently holds the professional title of researcher. From 1989 to 2003, Mr. Gu served successively as processor, workshop director, division chief, deputy plant manager, and deputy plant manager and deputy party secretary at Factory 211. From 2003 to 2009, Mr. Gu served successively as head of human resources department/head of party committee work department, head of manager department and assistant to general manager of China Aerospace Times Electronics Limited. From June 2008 to December 2008, Mr. Gu also concurrently acted as general manager of Aerospace Times Real Estate Development Limited. From 2009 to January 2019, Mr. Gu served as assistant to the dean of China Aerospace Electronics Technology Research Institute, which is an indirect shareholder of the controlling shareholder of the Company, and concurrently acted as director of China Times Prospect Technology Co., Ltd. From 2009 to 2017, Mr. Gu successively acted as general manager of China Times Prospect Technology Co., Ltd., chairman of Beijing Huafeng Test & Control Co., Ltd., chairman of Beijing Aerospace Sed Technology Development Co., Ltd. and vice chairman of Aerospace Electric Group Co., Ltd. From 2017 to September 2018, Mr. Gu acted as chairman of Aerospace IoT Technology Co., Ltd. From 2017 to January 2019, Mr. Gu acted as vice president of China Aerospace Times Electronics Co., Ltd. (a company listed on the Shanghai Stock Exchange). Since June 2018, Mr. Gu has been executive Director of the Company, and he has been Executive Vice President of the Company since July 2018. Mr. Gu has rich experience in management and operations.

Mr. Zhu Weimin (諸為民), born in 1966, graduated from the Department of Electronic Engineering of Shanghai Jiaotong University with a bachelor's degree in engineering majoring in electronic engineering in 1988 and obtained an MBA degree from China Europe International Business School in Shanghai in 2003. Mr. Zhu served successively as a technician and deputy head of Suzhou Dongfeng Communication Equipment Factory Research Institute from 1988 to 1991; research engineer and deputy director of the development department of Shenzhen Zhongxing Semiconductor Co., Ltd. from 1991 to

1993; research engineer of Zhongxingxin, the controlling shareholder of the Company and head of Nanjing Research Institute of Zhongxingxin from 1993 to 1997. Mr. Zhu served as Director and deputy general manager of the Company from 1997 to 2000; deputy general manager of Zhongxingxin from 2002 to 2003; general manager of Shenzhen Changfei Investment Co., Ltd. from 2004 to 2013; and director of Shenzhen Jufei Optoelectronics Co., Ltd. (a company listed on the Shenzhen Stock Exchange in 2012) from 2009 to 2015. Mr. Zhu has served as director of Shenzhen Techaser Technologies Co., Ltd. since 2008 and concurrently acted as advisor from 2013 to 2018; and chairman/director of Shenzhen Zhongxing International Investment Co., Ltd. and its certain subsidiaries since 2018. At present, he is concurrently serving as director of Zhongxingxin, Shenzhen Zhongxing WXT Equipment Company Limited and Shenzhen Xinyu Tengyue Electronics Co., Ltd. Mr. Zhu has been non-executive Director of the Company since June 2018. Mr. Zhu has rich experience in management and operations.

Ms. Fang Rong (方榕), born in 1964, graduated from Nanjing Institute of Posts and Telecommunications (now known as Nanjing University of Posts and Telecommunications) in 1987 with a bachelor's degree in engineering, majoring in telecommunications engineering. From 1987 to 1995, Ms. Fang worked at Wuhan Posts and Telecommunications and Science Research Institute under the Ministry of Posts and Telecommunications. She worked in Zhongxingxin from 1995 to 1997; and worked in the Company from 1997 to 2009, acting as Senior Vice President of the Company from 1998 to 2009. She has been director and deputy vice president of Zhongxing Development Company Limited since 2009. Ms. Fang has been non-executive Director of the Company since June 2018. Ms. Fang has many years of operational and management experience in the telecommunication industry.

Ms. Cai Manli (蔡曼莉), born in 1973, graduated from Renmin University of China with a bachelor's degree in economics majoring in accounting in 1998 and obtained a master's degree in management from Central University of Finance and Economics in 2006. She is a certified public accountant of the PRC and certified tax agent of the PRC. From 2002 to 2015, Ms. Cai was involved in regulatory governance of listed companies at CSRC, holding successively the positions of deputy chief of the M&A Governance Office II and chief of the M&A Governance Office I while also serving as the leader of the accounting and evaluation group at the Department for the Governance of Listed Companies. Since 2015, she has been general manager of HEYI Rising Assets Management Co., Ltd. and senior advisor at King & Wood Mallesons. Since 2016, she has been external supervisor of Sichuan Xinwang Bank Co., Ltd. Since November 2018, she has been independent director of Shanghai Flyco Electrical Appliance Co., Ltd (a company listed on the Shanghai Stock Exchange). Since December 2018, she has been independent director of Beijing Yadii Media Co., Ltd. Since February 2019, she has been independent director of SF Diamond Co., Ltd. (a company listed on the Shenzhen Stock Exchange), Hubei Broadcasting and Television Information Network Co., Ltd. (a company listed on the Shenzhen Stock Exchange). Ms. Cai has been independent non-executive Director of the Company since June 2018. Ms. Cai has rich experience in consultation and equity investments relating to capital markets.

Mr. Yuming Bao (鮑毓明), born in 1972, graduated from Tianjin University with a bachelor's degree in engineering in 1994, obtained a master's degree in management science and engineering in 1999 from Tianjin University. In 2001, he obtained a master's degree in computer science from the University of Bridgeport, United States. He is a qualified PRC lawyer and a licensed Supreme Court attorney of the United States. Mr. Bao has been engaged in the legal practice since 1996, working as a partner with law firms in the Beijing/Tianjin region and posting in New York and California in the United States for close to 10 years. He has served as senior legal advisor to multinational enterprises including Cisco and News Corporation of the United States and South China Holdings of Hong Kong. Mr. Bao is currently vice president and chief legal officer of Yantai Jereh Oilfield Services Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange) and its subsidiaries (the "Jereh Group"). Mr. Bao has been independent non-executive Director of the Company since June 2018. Mr. Bao is an overseas senior talent recognized by the Ministry of Education, a foreign expert accredited by the State Administration of Foreign Experts Affairs and one of the top 10 chief legal officers in the country. Mr. Bao also has extensive experience in teaching and research as a lecturer of Long Island Business Institute in New York, a researcher in Southwest University of Political Science & Law and a professor of China Behavioral Jurisprudence Institute. He has extensive experience in law and compliance in the PRC and the United States, as well as a strong background in management and technology.

Mr. Gordon Ng (吳君棟), born in 1964, graduated with a bachelor's degree in microbiology and biochemistry in 1987 and further obtained a master's degree in intellectual property rights in 1988 from the University of London. He is a solicitor admitted in England and Wales and in Hong Kong. Mr. Ng has been the head of the Corporate Finance/Capital Markets Department at the Hong Kong Office of Dentons, an

international law firm, since July 2013. He is currently an independent non-executive director of China Engene International (Holdings) Limited (a company listed on The Stock Exchange of Hong Kong Limited) and Mainland Headwear Holdings Limited (a company listed on The Stock Exchange of Hong Kong Limited), respectively. Mr. Ng has been independent non-executive Director of the Company since June 2018. Mr. Ng brings with him extensive experience in corporate listing and merger and acquisition.

Mr. Shang Xiaofeng (尚曉峰), born in 1975, graduated from Shanxi University of Finance and Economics in 2001 with a master's degree in management majoring in Accounting and holds qualifications as a certified management accountant and the title of senior accountant. Mr. Shang worked at the Agricultural Bank of China, Shenzhen Branch from July 2001 to September 2002. He worked at the treasury department of Ping An Insurance (Group) Company of China, Ltd. from September 2002 to March 2011. Mr. Shang had successively undertaken the positions of deputy treasury department manager of the finance centre, treasury department manager of the finance centre and head of the finance centre of CASIC Shenzhen (Group) Limited from March 2011 to May 2017. He has concurrently served as director of Shenzhen CASIC Motor System Co., Ltd. (深圳航天微電機有限公司) since July 2014, director of Aerospace Yinshan Electric Co., Ltd. (航天銀山電氣有限公司) since May 2015. Since May 2017, Mr. Shang has severed as head of the finance department of Shenzhen Aerospace Industrial Technology Research Institute Limited, and concurrently acted as director of Guangdong Euroklimat Air-Conditioning & Refrigeration Co., Ltd. since May 2017. He has severed as supervisor of Zhongxingxin and director of Shenzhen CASIC Technology & Innovation Industrial Co., Ltd. (深圳航天科創實業有限公司) since September 2017, and chairman of CASIC Liangli Electric Co., Ltd. (航天亮麗電氣有限責任公司) since March 2018. Mr. Shang has extensive experience in financial and operational management.

Ms. Zhang Sufang (張素芳), born in 1974, graduated from Nankai University in June 2000 with a master's degree in management. From July 2000 to February 2009, Ms. Zhang had successively served at the promotion and reception department and as head of the finance department of Zhongxingxin; she has been secretary to the board of directors of Zhongxingxin since July 2006 and head of the general office of Zhongxingxin since February 2009. Since December 2011, Ms. Zhang has served as a member of the fourth and fifth sessions of CPPCC Shenzhen Luohu District Committee. She is also concurrently serving as director/supervisor/general manager at various subsidiaries of Zhongxingxin. Ms. Zhang has extensive experience in management and operations.

I. INTERESTS OF THE CANDIDATES FOR DIRECTORS AND THE CANDIDATES FOR SUPERVISORS

As at the Latest Practicable Date, the interests and short position of the Candidates for Directors and the Candidates for Supervisors in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) were as follows:

Name	Number of shares or share options held	Class of shares or share options
Candidates for Directors		
Xu Ziyang	252,000 share options	Share options of A shares of the Company

Save as disclosed above, as at the Latest Practicable Date, none of the Candidates for Directors and the Candidates for Supervisors had any interest or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) that is required to be recorded in the register to be kept under Section 352 of the SFO, or otherwise notified to the Company and SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules.

As at the Latest Practicable Date, none of the Candidates for Directors and the Candidates for Supervisors, or their respective spouses or children under the age of 18 had been granted or had exercised any rights to subscribe for the share capital or debentures of the Company or its associated corporations.

II. POSITIONS HELD WITH THE COMPANY OR OTHER MEMBERS OF THE GROUP

As at the Latest Practicable Date, the following Candidates for Directors and Candidates for Supervisors held positions as directors or employees with the Company or other members of the Group:

Name	Name of the company	Position
Candidates for Directors		
Li Zixue	ZTE Corporation	Chairman, Executive Director
Xu Ziyang	ZTE Corporation	Executive Director, President
	ZTE Microelectronics Technology Company Limited	Chairman
Li Buqing	ZTE Corporation	Non-Executive Director
Gu Junying	ZTE Corporation	Executive Director, Executive Vice President
Zhu Weimin	ZTE Corporation	Non-Executive Director
Fang Rong	ZTE Corporation	Non-Executive Director
Cai Manli	ZTE Corporation	Independent Non-Executive Director
Yuming Bao	ZTE Corporation	Independent Non-Executive Director
Gordon Ng	ZTE Corporation	Independent Non-Executive Director

Save as disclosed above, none of the Candidates for Directors and the Candidates for Supervisors held positions in the Company or other members of the Group.

III. RELATIONSHIP WITH SUBSTANTIAL OR CONTROLLING SHAREHOLDER, OTHER DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

As at the Latest Practicable Date, the following Candidates for Directors and Candidates for Supervisors are also the directors or employees of companies which are substantial or controlling shareholders of the Company:

Name	Name of Shareholders	Position with Shareholders
Candidates for Directors		
Li Buqing	Shenzhen Aerospace Guangyu Industrial Company Limited (shareholder of Zhongxingxin)	Director
	CASIC Shenzhen (Group) Company Limited (indirect shareholder of Zhongxingxin)	Director
	Shenzhen Aerospace Industrial Technology Research Institute Limited (indirect shareholder of Zhongxingxin)	Chief accountant
Zhu Weimin	Zhongxingxin	Director
	Shenzhen Zhongxing WXT Equipment Company Limited (shareholder of Zhongxingxin)	Director
Candidates for Supervisors		
Shang xiaofeng	Zhongxingxin	Supervisor
	Shenzhen Aerospace Industrial Technology Research Institute Limited (indirect shareholder of Zhongxingxin)	Head of the finance department
Zhang Sufang	Zhongxingxin	Secretary to the board of directors, head of the general office

Save as disclosed above, none of the Candidates for Directors and the Candidates for Supervisors had any relationship with substantial or controlling shareholder, any director, supervisor and senior management of the Company.

IV. SERVICE AGREEMENTS AND EMOLUMENTS

Upon election, each of the elected Supervisors will enter into a service contract with the Company. The term of office of the Supervisors will commence on 30 March 2019 and expire upon the conclusion of the Eighth Session of the Supervisory Committee (namely 29 March 2022). The Supervisors do not receive supervisor subsidies.

Upon election, each of the elected Directors will enter into a service contract with the Company. The term of office of the Directors will commence on 30 March 2019 and expire upon the conclusion of the Eighth Session of the Board (namely 29 March 2022). According to the service contract, non-independent Directors who do not otherwise hold any positions at the Company and independent non-executive Directors shall receive director subsidies from the Company. The non-independent Directors who do not otherwise hold any positions at the Company shall each receive an annual fee of RMB100,000 (before tax) from the Company in accordance with the rates for non-independent Directors' subsidies approved at the Second Extraordinary General Meeting of 2007. Independent Non-executive Directors shall each receive an annual fee of RMB250,000 (before tax) from the Company in accordance with the rates for independent non-executive Directors' subsidies approved at the 2017 Annual General Meeting. Directors' personal income tax payable on Directors' subsidies shall be withheld and paid by the Company on behalf of the Directors concerned. Other non-independent Directors, whose remunerations are paid in accordance with the remuneration and performance appraisal administration methods of the Company, do not receive non-independent Directors' subsidies.

**V. DIRECTORSHIPS HELD AT OTHER LISTED COMPANIES AND OTHER
MAJOR APPOINTMENTS AND PROFESSIONAL QUALIFICATIONS**

Save as disclosed in this circular, none of the Candidates for Directors and the Candidates for Supervisors has held any directorship in any other listed companies or other major appointments or professional qualifications in the past three years.

VI. OTHERS

Save as disclosed in this circular, as at the Latest Practicable Date, so far as the Directors of the Company are aware, there were no other matters, information required to be disclosed under Rule 13.51(2) (h) to (v) of the Hong Kong Listing Rules in relation to the Candidates for Directors and the Candidates for Supervisors in particular, that need to be brought to the attention of the shareholders of the Company.