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If you are in any doubt about any aspect of this circular, or as to the action to be taken, you should consult a licensed securities dealer 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
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 Bonus Share Issue by Conversion of Capital Reserve and Dividends**
- (2) Proposed General Mandate to Issue Shares for 2015**
- (3) Proposed Limits of Composite Credit Facilities**
- (4) Proposed Limits of Derivative Investment for 2015**
- (5) Proposed Registration and Issue of SCP**
- (6) Proposed Provision of Guarantee of ZTE HK or ZTE Netherlands**
- (7) Proposed Continuing Connected Transactions with Mobi Antenna and**
- (8) Notice of the 2014 Annual General Meeting**

A letter from the Board is set out in pages 5 to 16 of this circular.

A notice of the AGM 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 Thursday, 28 May 2015 is set out in pages 19 to 28 of this circular.

A proxy form and a reply slip for use at the AGM 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 AGM, 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 AGM or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting at the AGM or any adjourned meeting thereof should you so wish. Any H Shareholders intending to attend the AGM shall deliver the reply slip to the Company by hand, post or facsimile on or before Thursday, 7 May 2015.

9 April 2015

CONTENTS

	<i>Page</i>
DEFINITIONS	1
EXPECTED TIMETABLE	4
LETTER FROM THE BOARD	5
I. Introduction	6
II. Proposed Bonus Share Issue by Conversion of Capital Reserve and Dividends	6
III. Proposed General Mandate to Issue Shares for 2015	11
IV. Proposed Limits of Composite Credit Facilities	12
V. Proposed Limits of Derivative Investment for 2015	12
VI. Proposed Registration and Issue of SCP	13
VII. Proposed Provision of Guarantee of ZTE HK or ZTE Netherlands	13
VIII. Proposed Continuing Connected Transactions with Mobi Antenna	14
IX. AGM	15
X. Recommendation	16
XI. Responsibility Statement	16
APPENDIX I — GENERAL INFORMATION	17
NOTICE OF THE 2014 ANNUAL GENERAL MEETING	19

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
“AGM”	the 2014 annual general meeting 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 Thursday, 28 May 2015
“AGM Notice”	notice of the 2014 annual general meeting
“Articles of Association”	the Articles of Association of the Company
“Board”	the Board of Directors of the Company
“Bonus A Share(s)”	new A Share(s) to be issued pursuant to the Bonus Share Issue
“Bonus H Share(s)”	new H Share(s) to be issued pursuant to the Bonus Share Issue
“Bonus Share(s)”	new Share(s) to be issued pursuant to the Bonus Share Issue
“Bonus Share Issue”	proposed issue of a total of 687,508,255 Bonus Shares (through conversion of the Company’s capital reserve) on the basis of 3,437,541,278 Shares in issue as at 31 December 2014, to the Shareholders whose names appear on the register of members of the Company at the close of business on the respective record date for the A Shareholders and the H Shareholders on the basis of 2 Bonus Shares for every 10 existing Shares held by them on such record date
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“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
“Connected Person”	has the meaning ascribed to it under the Shenzhen Listing Rules

DEFINITIONS

“Continuing Connected Transaction”	has the meaning ascribed to it under the Shenzhen Listing Rules
“CSRC”	China Securities Regulatory Commission
“Director(s)”	member(s) of the Board of Directors of the Company
“Dividends”	proposed final dividend of RMB2.0 (before tax) payable in cash for every 10 Shares based on the total share capital of 3,437,541,278 shares of the Company as at 31 December 2014
“Dynamic Coverage Ratio”	flexible adjustment of the ratio between the outstanding amount of foreign exchange contracts of a currency and the exposure amount based on changes in exposure and market exchange rates
“General Mandate”	a general mandate to allot, issue or otherwise deal with Shares proposed to be granted to the Directors at the AGM, the details of which are set out in Special Resolution No.14 of AGM Notice
“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 Share Record Date”	8 June 2015, the date determined by the Board for determining the H Shareholders’ entitlements to the Bonus Share Issue and the Dividends
“H Shareholders”	holders of H Shares
“HKSCC”	Hong Kong Securities Clearing Company Limited
“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
“Latest Practicable Date”	25 March 2015, being the latest practicable date prior to the printing of this circular for determining certain information set out in this circular
“Mobi Antenna”	Mobi Antenna Technology Company Limited
“Overseas H Shareholders”	H Shareholders whose registered addresses are located outside Hong Kong
“RMB”	Renminbi, the statutory currency of the PRC

DEFINITIONS

“SCP”	super and short-term commercial paper, which are debentures with the status of corporate person and typically higher credit ratings, issued by non-financial enterprises in the interbank bond market for a term of not more than 270 days
“SEHK”	The Stock Exchange of Hong Kong Limited
“SFO”	Cap. 571 of the Laws of Hong Kong
“Shares”	A Share(s) and H Share(s)
“Shareholders”	A Shareholders and H Shareholders
“Shenzhen Listing Rules”	Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange
“SZSE”	The Shenzhen Stock Exchange
“Value Protection Derivatives”	investments in financial derivatives conducted with the aim of value preservation to avoid uncertainties in the gains of assets or liabilities in day-to-day operations arising from volatilities in exchange rates or interest rates, which include, and are limited to, foreign exchange forward contracts, forward interest rate contracts, currency swaps, interest rate swaps, call options and structured forward contracts
“ZTE Group Finance”	ZTE Group Finance Co.,Ltd.
“ZTE HK”	ZTE (H.K.) Limited
“ZTE Netherlands”	ZTE COOPERATIEF UA
“2015 Financial Service Agreement”	The agreement entered into between ZTE Group Finance and Mobi Antenna, according to which bill discounting service will be provided by ZTE Group Finance to Mobi Antenna in 2015

EXPECTED TIMETABLE

2015

Latest time for lodging transfers of the H Shares to qualify for attendance and voting at the AGM	4:30 p.m., Monday, 27 April
H Share register closed	Tuesday, 28 April to Wednesday, 27 May (both dates inclusive)
Latest date for lodging reply slips for the AGM	Thursday, 7 May
Latest time for lodging proxy forms for the AGM	9:00 a.m., Wednesday, 27 May
AGM	9:00 a.m., Thursday, 28 May
H Share register re-opens	Thursday, 28 May
Last day of dealings in the H Shares cum-entitlements to the Bonus H Shares and the Dividends	Friday, 29 May
First day of dealings in the H Shares ex-entitlements to the Bonus H Shares and the Dividends	Monday, 1 June
Latest time for lodging transfers of the H Shares to qualify for the Bonus H Shares and the Dividends	4:30 p.m., Tuesday, 2 June
H Share register closed	Wednesday, 3 June to Monday, 8 June (both dates inclusive)
H Share Record Date	Monday, 8 June
H Share register re-opens	Tuesday, 9 June

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)

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:

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

Independent Non-executive Directors:

Qu Xiaohui
Wei Wei
Chen Naiwei
Tan Zhenhui
Richard Xike Zhang

9 April 2015

To the Shareholders

Dear Sir or Madam,

- (1) Proposed Bonus Share Issue by Conversion of Capital Reserve and Dividends**
- (2) Proposed General Mandate to Issue Shares for 2015**
- (3) Proposed Limits of Composite Credit Facilities**
- (4) Proposed Limits of Derivative Investment for 2015**
- (5) Proposed Registration and Issue of SCP**
- (6) Proposed Provision of Guarantee of ZTE HK or ZTE Netherlands**
- (7) Proposed Continuing Connected Transactions with Mobi Antenna and**
- (8) Notice of the 2014 Annual General Meeting**

LETTER FROM THE BOARD

I. INTRODUCTION

It was announced on 25 March 2015 in conjunction with the announcement of the Company's results for the year ended 31 December 2014 that, in addition to the recommendation of the Dividends (i.e., a final dividend of RMB2.0 per every 10 existing Shares (before tax)), a Bonus Share Issue would be proposed to the Shareholders whose names appear on the register of A Shareholders or the register of H Shareholders on the respective record dates for the A Shareholders and the H Shareholders.

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

1. Proposed Bonus Share Issue by Conversion of Capital Reserve and Dividends
2. Proposed General Mandate to Issue Shares for 2015
3. Proposed Limits of Composite Credit Facilities
4. Proposed Limits of Derivative Investment for 2015
5. Proposed Registration and Issue of SCP
6. Proposed Provision of Guarantee of ZTE HK or ZTE Netherlands
7. Proposed Continuing Connected Transactions with Mobi Antenna

II. PROPOSED BONUS SHARE ISSUE BY CONVERSION OF CAPITAL RESERVE AND DIVIDENDS

As at 31 December 2014, the Company's capital reserve under the PRC GAAP was RMB8,740,683,000. A special resolution will be proposed at the AGM to consider and, if thought fit, to approve (i) the declaration and payment of the Dividends; and (ii) subject to fulfillment of conditions set out in the section headed "Conditions of the Proposed Bonus Share Issue" below, the Bonus Share Issue will be made on the basis of 2 Bonus Shares (through conversion of the capital reserve of the Company), credited as fully paid, for every 10 existing Shares held by the Shareholders whose names appear on the Shareholders' registers of the Company at the close of business on the respective record dates for the A Shareholders and the H Shareholders.

LETTER FROM THE BOARD

Based on a total of 3,437,541,278 Shares in issue as at 31 December 2014 (comprising a total of 629,585,445 H Shares and a total of 2,807,955,833 A Shares) and assuming no change in the total number of the H Shares and the A Shares, respectively, during the period from 31 December 2014 to the respective record date for the H Shareholders and the A Shareholders:

- (a) the Dividends in the total amount of RMB687,508,255.6, namely, RMB2.0 (before tax) for every 10 existing Shares will be paid to the Shareholders whose names appear on the Shareholders' registers at the close of business on the respective record dates for the A Shareholders and the H Shareholders; and
- (b) subject to the fulfillment of the conditions set out in the section headed "Conditions of the Proposed Bonus Share Issue" below, (i) a total of 125,917,089 Bonus H Shares will be issued to the H Shareholders whose names appear on the H Shareholders' register at the close of business on the H Share Record Date; and (ii) a total of 561,591,166 Bonus A Shares to the A Shareholders whose names appear on the A Shareholders' register at the close of business on the A Share record date.

Conditions of the Proposed Bonus Share Issue

The proposed Bonus Share Issue is conditional, among other things, upon:

- (i) the passing of the special resolution to approve the Bonus Share Issue and the Dividends by the Shareholders at the AGM; and
- (ii) the Listing Committee of the SEHK granting listing of, and permission to deal in, the Bonus H Shares.

Withholding of Income Taxes on Dividends Paid to Non-Resident Corporate Shareholders and Individual Shareholders

Under the relevant tax rules and regulations of the PRC (collectively the "PRC Tax Law"), the Company is required to withhold corporate income tax at the rate of 10% when distributing the final dividend to non-resident enterprises (such term shall have the meaning as defined under the PRC Tax Law) whose names appear on the H Shares register of members of the Company on the H Share Record Date.

LETTER FROM THE BOARD

In accordance with the PRC Tax Law, the Company is also required to withhold individual income tax when distributing the final dividend to individual shareholders whose names appeared on the H Shares register of members of the Company on the H Share Record Date. The Company will determine the country of domicile of the individual H Shareholders based on the registered addresses as recorded in the H Shares register of members of the Company on the H Share Record Date with details as follows:

- For individual H Shareholders who are Hong Kong and Macau residents and those whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of them.
- For individual H Shareholders whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of less than 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of them. The Company would make applications on their behalf to seek entitlement of the relevant agreed preferential treatments pursuant to the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative) (Guo Shui Fa [2009] No. 124) (《國家稅務總局關於印發〈非居民享受稅收協議待遇管理辦法(試行)〉的通知》(國稅發[2009]124號)).
- For individual H Shareholders whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of higher than 10% but lower than 20%, the Company would withhold and pay the individual income tax at the agreed-upon effective tax rate on behalf of them.
- For individual H Shareholders who are residents of those countries without any tax treaties with the PRC or having tax treaties with the PRC stipulating a dividend tax rate of 20% and other situations, the Company would withhold and pay the individual income tax at a tax rate of 20% on behalf of them.

Rights of Overseas H Shareholders

If the Bonus Share Issue has become unconditional, the Company will consider if there are any Overseas H Shareholders on the H Share Record Date and, if there are such Overseas H Shareholders, make enquiries in accordance with the Hong Kong Listing Rules regarding the legal restrictions (if any) under the laws of the relevant places and the requirements of relevant regulatory bodies or stock exchanges for relevant Overseas H shareholders to take part in the Bonus Share Issue.

If, after making such enquiries regarding the legal restrictions under the laws of the relevant places and the requirements of relevant regulatory bodies or stock exchanges for distributing the Bonus H Shares to such Overseas H Shareholders, the

LETTER FROM THE BOARD

Board of Directors is of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant places or any requirements of relevant regulatory bodies or stock exchanges (such as filing of any registration statement or prospectus or other special formalities) in those places, not to issue the Bonus H Shares to such overseas H shareholders, such Overseas H Shareholders will be excluded from the Bonus Share Issue. Under such circumstances, the Shares concerned will be consolidated and sold. The proceeds of such sale will be retained for the benefit of the Company, unless the proceeds that any single Overseas H Shareholder should have otherwise been entitled to exceed HK\$100, in which case such proceeds will be distributed to the relevant Overseas H Shareholder(s).

Based on the register of members of the Company as at the Latest Practicable Date, there was one H Shareholder whose address is located in Macau. The Company has been advised by its legal advisor on the law of Macau that there is no legal restriction under the Macanese Laws or requirements of any relevant Macau regulatory body with respect to extending the Bonus Share Issue to the abovementioned H Shareholder. Accordingly, the Bonus Share Issue will be extended to such H Shareholder should it remain an H Shareholder on the H Share Record Date.

Warning of Risks of Dealing in the H Shares

H Shareholders should note that the existing H Shares are expected to be dealt in on an ex-entitlements basis from Monday, 1 June 2015. If the conditions of the Bonus Share Issue (as set out above under the section headed “Conditions of the Proposed Bonus Share Issue”) are not fulfilled, the Bonus Share Issue will not proceed. If in any doubt, investors are recommended to consult their professional advisers.

Reasons for the Proposed Bonus Share Issue

The Board believes that the proposed Bonus Share Issue will provide the Company with a wider equity capital base through the conversion of capital reserve into Shares. As a result, the number of issued Shares on the market will be increased, which would therefore increase the liquidity and marketability of the Shares. Upon the Bonus Share Issue on the basis of 2 Bonus Shares for every 10 existing Shares, assuming no changes to other factors and before taking into account the effect of Dividends, the share price per Share on an ex-entitlement basis should be reduced by the same proportion. The reduction of capital reserve from the Bonus Share Issue would not lead to a reduction of funds available for future dividend distribution.

The Company has considered the reduction of board lot size to improve liquidity and marketability of the Shares. The reduction of board lot size was not adopted as the Board is of the view that since there are adequate capital reserves of the Company to allow the Bonus Share Issue to be made by way of conversion of capital reserve, the Bonus Shares Issue should be adopted as it would increase the equity capital of the Company, whereas in change in board lot size, the equity capital of the Company

LETTER FROM THE BOARD

would remain unchanged. In addition, the issue of bonus shares by a listed issuer generally sends a more positive signal to the market and is a common practice adopted by many issuers in the PRC capital market.

Ranking of the Bonus Shares and Fractional Entitlements

The Bonus Shares shall rank *pari passu* in all respects with the existing Shares, save that holders of the Bonus Shares will not be entitled to the Bonus Share Issue. Holders of the Bonus Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date on which the Bonus Shares are allotted and issued, but will not be entitled to the dividends declared by the Company before the date of allotment and issue of the Bonus Shares. Fractional entitlements will not be allotted to Shareholders but will be aggregated and sold for the benefit of the Company.

Listing and Dealings

The H Shares are listed on the SEHK whereas the A Shares are listed on the SZSE. Application will be made to the Listing Committee of the SEHK for listing of, and permission to deal in, the Bonus H Shares. Subject to the satisfaction of the conditions as set out in this circular (including but not limited to the granting of the aforesaid approval by the SEHK), the Bonus H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS. All necessary arrangements will be made for the Bonus H Shares to be admitted into CCASS. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. The Bonus Shares to be allotted and issued to the A Shareholders pursuant to the Bonus Share Issue will be listed on the SZSE. Dealings in Bonus H Shares will be subject to Hong Kong stamp duty.

Subject to the proposed Bonus Share Issue becoming unconditional, the certificates for the Bonus H Shares and the cheque for the Dividends will be delivered by ordinary post to the H Shareholders who are entitled thereto at their own risk. In case of a joint shareholding, the certificate(s) of the Bonus H Shares will be posted to the first named person on the H Shareholders' register in respect of such joint shareholding. The Company will issue a separate announcement regarding the date of delivery of the certificates for the Bonus H Shares and the date of the commencement of dealings in the Bonus H Shares.

Proposed Amendment of the Articles of Association

When the Bonus Share Issue fulfills the conditions set out in the section headed "Conditions of the Proposed Bonus Share Issue" and the Bonus Share Issue is completed, the registered share capital of the Company will be increased, and the Articles of Association shall be amended accordingly.

LETTER FROM THE BOARD

Article 24 and Article 27 of the Articles of Association are proposed to be amended as follows:

(i) Article 24

The original article which reads: Subsequent to its establishment, the Company issued 3,437,541,278 ordinary shares, comprising 629,585,445 H Shares, accounting for 18.31% of the total number of ordinary shares issuable by the Company; and 2,807,955,833 Domestic Shares, accounting for 81.69% of the total number of ordinary shares issuable by the Company.

Is proposed to be amended to read: Subsequent to its establishment, the Company issued 4,125,049,533 ordinary shares, comprising 755,502,534 H Shares, accounting for 18.31% of the total number of ordinary shares issuable by the Company; and 3,369,546,999 Domestic Shares, accounting for 81.69% of the total number of ordinary shares issuable by the Company.

(ii) Article 27

The original article which reads: The registered capital of the Company shall be RMB3,437,541,278.

Is proposed to be amended to read: The registered capital of the Company shall be RMB4,125,049,533.

Waiver from strict compliance with certain rules of the Hong Kong Listing Rules

The Hong Kong Stock Exchange has granted to the Company a waiver with respect to the requirement to convene separate class meetings pursuant to Rule 19A.38 of the Hong Kong Listing Rules.

For details, please refer to Special Resolution No. 12 of the AGM Notice.

III. PROPOSED GENERAL MANDATE TO ISSUE SHARES FOR 2015

At the previous annual general meeting of the Company held on 29 May 2014, the Board was granted a General Mandate to exercise the general power of the Company to allot, issue and otherwise deal with Shares in the Company not exceeding 20% of the aggregate nominal amount of its share capital in issue as at 29 May 2014. The said General Mandate will expire on 28 May 2015.

To afford the Board the flexibility of issuing new shares at its discretion as and when appropriate, a special resolution will be proposed at the AGM to grant a General Mandate to the Board to allot, issue and otherwise deal with the A Shares and H Shares of the Company, each not exceeding 20% of the aggregate nominal amount of the Company's A Shares and H Shares, respectively, in issue as at the date on which this resolution is passed.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company's issued share capital comprised 2,807,955,833 A Shares and 629,585,445 H Shares. Subject to the granting of the General Mandate being approved and assuming that no additional Shares will be issued prior to the AGM, the Board will be entitled to issue a maximum of 561,591,166 A Shares and 125,917,089 H Shares.

The General Mandate will remain in effect until the earliest of: (i) the conclusion of the next annual general meeting of the Company; (ii) the expiry of a period of 12 months from the date on which this resolution is passed; or (iii) the revocation or variation of the authority given under this resolution by way of a special resolution of the general meeting.

The Board shall comply with pertinent provisions of the Hong Kong Listing Rules, the Articles of Association and applicable PRC laws and regulations when exercising powers pursuant to the General Mandate. Notwithstanding the granting of the General Mandate, the Company is still required to seek shareholders' approval at the general meeting for the issue of any A Shares according to pertinent PRC laws and regulations, provided that respective shareholders' approvals at the A Share class meeting and the H Share class meeting are not required.

For details, please refer to Special Resolution No. 14 of the AGM Notice.

IV. PROPOSED LIMITS OF COMPOSITE CREDIT FACILITIES

The Company proposes to apply to Bank of China Limited, Shenzhen Branch, China Construction Bank Corporation, Shenzhen Branch and China Development Bank Corporation, Shenzhen Branch for composite credit facilities of RMB23.0 billion, RMB15.0 billion and USD5.5 billion, respectively, and further proposes to authorize the Board to finalize the specific details of the composite credit facilities based on negotiations with the relevant banks subject to the aforesaid caps within the effective term of the resolution and to sign all relevant documents. In accordance with Chapter 9 of the Shenzhen Listing Rules, a transaction by a listed company with an amount exceeding 50% of the latest audited net asset value of the listed company and exceeding RMB50 million shall be subject to approval of the company's shareholders. Therefore, approval of the proposed limits of composite credit facilities will be sought at the AGM.

For details, please refer to Ordinary Resolution No. 6 of the AGM Notice.

V. PROPOSED LIMITS OF DERIVATIVE INVESTMENT FOR 2015

Reference is made to the "Announcement on the Application for Derivative Investment Limits for 2015" published by the Company on 25 March 2015.

At the previous annual general meeting of the Company held on 29 May 2014, the Board was authorized to deal with matters pertaining to derivative investments within certain limits. The authorization will expire upon the conclusion of the forthcoming AGM. To ensure continuity of the Company's foreign exchange risk control strategy, the Company proposes to apply for the conduct of Value Protection Derivative investments against its foreign exchange risk exposure by hedging through Dynamic Coverage Rate for

LETTER FROM THE BOARD

an net amount not exceeding the equivalent of USD3 billion (such limits may be applied on a revolving basis during the effective period of the authorisation) in 2015. In accordance with Article 160 of the Articles of Association, a derivative investment which is relevant to the principal business of the Company and is more than 10% of the Company's latest audited net asset value shall be subject to approval of the Company's shareholders. Therefore, approval of the proposed limits of derivative investment for 2015 will be sought at the AGM.

For details, please refer to Ordinary Resolution No. 8 of the AGM Notice.

VI. PROPOSED REGISTRATION AND ISSUE OF SCP

To meet the working capital requirements of the Company, optimise debt structure and lower finance cost, the Company proposes to apply to the 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 SCP with an amount of not more than RMB8,000 million. 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 AGM of the registration and issue of SCP by the Company will be sought.

For details, please refer to Special Resolution No. 13 of the AGM Notice.

VII. PROPOSED PROVISION OF GUARANTEE OF ZTE HK OR ZTE NETHERLANDS

Reference is made to the "Announcement on the Provision of Guarantee for a Wholly-owned Subsidiary" published by the Company on 25 March 2015.

With a view to further optimising the long-term and short-term debt financing structure of the Company and the subsidiaries included in its consolidated financial statements, reducing exposure to assets and liabilities denominated in foreign currencies, and meeting working capital requirements for the Company's medium- to long-term development at appropriate financial costs, the Company proposes to seek outside Mainland China medium- to long-term debt financing (including but not limited to banks facilities and issue of bonds) with ZTE HK or ZTE Netherlands, each a wholly-owned subsidiary, as the principal. In view of the current financial conditions and credit rating of ZTE HK and ZTE Netherlands, the Company will provide guarantee for ZTE HK or ZTE Netherlands by way of joint liability assurance for an amount of not more than EUR200 million (or the equivalent in other currencies, calculated according to the Company's foreign currency statement book exchange rate) in relation to the aforesaid debt financing, in order to secure debt financing at favourable costs. In accordance with Chapter 9 of the Shenzhen Listing Rules, a guarantee provided by a listed company to a guaranteed person with gearing ratio exceeding 70% shall be subject to approval of the company's shareholders. Therefore, approval of the proposed provision of guarantee of ZTE HK or ZTE Netherlands will be sought at the AGM.

LETTER FROM THE BOARD

For details, please refer to Ordinary Resolution No. 9 of the AGM Notice.

VIII. PROPOSED CONTINUING CONNECTED TRANSACTIONS WITH MOBI ANTENNA

Reference is made to the Overseas Regulatory Announcement of the Company dated 25 March 2015.

1. Proposed continuing connected transactions in relation to the entering into of a financial service agreement with Mobi Antenna (a connected person)

It is proposed that ZTE Group Finance, a wholly-owned subsidiary of the Company, will enter into the 2015 Financial Service Agreement with Mobi Antenna, with the estimated daily balance (principal cum interest) of outstanding discounted bills under the expected bill discounting service provided by ZTE Group Finance to Mobi Antenna for 2015 capped at RMB300 million.

2. Proposed revision to the cap for the aggregate amount of continuing connected transactions with Mobi Antenna (a connected person) relating to the purchase of raw materials in 2015

It was considered and approved at the Thirty-eighth Meeting of the Fifth Session of the Board of Directors of the Company held on 28 December 2012 that the estimated aggregate amount (before VAT) for continuing connected transactions relating to the purchase of raw materials by the Company from Mobi Antenna (a connected person) in 2015 be capped at RMB900 million. As the volume of wireless products manufactured by the Company has increased, the demand for communications antennas, radio frequency transmitter, feeder and terminal antenna in 2015 will be greater than originally expected, and as Mobi Antenna is able to supply products required by the Company at competitive prices, it is proposed that the estimated aggregate amount (before VAT) for the purchase of raw materials by the Company from Mobi Antenna in 2015 be revised to RMB1,500 million.

In accordance with Chapter 10 of the Shenzhen Listing Rules, the proposed continuing connected transactions with Mobi Antenna, a connected person of the Company, in relation to the 2015 Financial Service Agreement and the revision of cap relating to the purchase of raw materials from Mobi Antenna by the Company are subject to approval by the Company's shareholders. Mobi Antenna is not a connected person within the meaning of the Hong Kong Listing Rules.

For details, please refer to Ordinary Resolutions No. 10 and No. 11 of the AGM Notice.

LETTER FROM THE BOARD

IX. AGM

AGM Notice, Proxy Form and Reply Slip

The AGM will be convened by the Company on Thursday, 28 May 2015 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 Bonus Share Issue by Conversion of Capital Reserve and Dividends, (ii) Proposed General Mandate to Issue Shares for 2015, (iii) Proposed Limits of Composite Credit Facilities, (iv) Proposed Limits of Derivative Investment for 2015, (v) Proposed Registration and Issue of SCP, (vi) Proposed Provision of Guarantee of ZTE HK or ZTE Netherlands, and (vii) Proposed Continuing Connected Transactions with Mobi Antenna. The AGM Notice is set out on pages 19 to 28 of this circular.

A proxy form and a reply slip for use at the AGM 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 AGM, 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 AGM or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting at the AGM or any adjourned meeting thereof should you so wish. Any H Shareholders intending to attend the AGM shall deliver the reply slip to the Company by hand, post or facsimile on or before Thursday, 7 May 2015.

Close of share register

The Company will close its H share register from Tuesday, 28 April 2015 to Wednesday, 27 May 2015 (both days inclusive) to determine qualifications of shareholders to attend and vote at the AGM. Any H Shareholder who wishes to attend and vote at the AGM 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., Monday, 27 April 2015.

The Company will close its H share register from Wednesday, 3 June 2015 to Monday, 8 June 2015 (both days inclusive) to determine qualifications of shareholders to receive the Bonus Shares and Dividends. Any H Shareholder who wishes to qualify for the Bonus Shares and Dividends 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., Tuesday, 2 June 2015.

The record date, method and timing of payment for Bonus Shares and Dividends of A Shareholders shall be separately notified.

LETTER FROM THE BOARD

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.

X. RECOMMENDATION

The Board is of the view that the resolutions set out in the AGM Notice in respect of the: (i) Proposed Bonus Share Issue by Conversion of Capital Reserve and Dividends, (ii) Proposed General Mandate to Issue Shares for 2015, (iii) Proposed Limits of Composite Credit Facilities, (iv) Proposed Limits of Derivative Investment for 2015, (v) Proposed Registration and Issue of SCP, (vi) Proposed Provision of Guarantee of ZTE HK or ZTE Netherlands, and (vii) Proposed Continuing Connected Transactions with Mobi Antenna 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 AGM.

XI. 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
Hou Weigui
ZTE Corporation
Chairman

Shenzhen, the PRC

STATEMENTS TO BE MADE ON ACQUISITION OF SHARES

The Company shall ensure that all its listing documents and share certificates include the statements stipulated below and shall instruct and cause its share registrars not to register the subscription, purchase or transfer of any of its Shares in the name of any particular holder unless and until such holder delivers to such share registrar a signed form in respect of such Shares bearing statements to the following effect:

By acquiring the H shares of the Company, the registered holder(s) of the above H shares:

- (i) agree(s) with the Company and each other shareholder of the Company, and the Company agrees with such registered holder(s) and each shareholder of the Company, to observe and comply with 中華人民共和國公司法 (the Company Law of the People's Republic of China (the "PRC")) adopted at the Fifth Session of the Standing Committee of the Eighth National People's Congress on 29th December, 1993 and effective from 1st July, 1994, as amended, supplemented or otherwise modified from time to time (the "Company Law"), 國務院關於股份有限公司境外募集股份及上市的特別規定 (the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies) issued by 中國國務院 (the State Council of the PRC) on 4th August, 1994, as amended, supplemented or otherwise modified from time to time and the Articles of Association;
- (ii) agree(s) with the Company, each other shareholder, director, supervisor, manager and officer of the Company, and the Company, acting for itself and for each director, supervisor, manager and officer of the Company, agrees with each shareholder of the Company to refer to arbitration in accordance with the Article of Association all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning the affairs of the Company, and any reference to arbitration shall be deemed to authorise the arbitration tribunal to conduct hearings in open session and to publish its award, and such arbitration shall be final and conclusive;
- (iii) agree(s) with the Company and each other shareholder of the Company that H shares in the registered capital of the Company are freely transferable by the registered holder(s) thereof; and
- (iv) authorise(s) the Company to enter into a contract on his (their) behalf with each director, supervisor and officer of the Company whereby such directors, supervisors and officers undertake to observe and comply with their obligations to the shareholders of the Company stipulated in the Articles of Association.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong, 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay Hong Kong, during normal business hours on any weekday (public holidays excepted) from the date of this circular up to and including the 14th day from the date of this circular.

- (i) the Articles of Association;
- (ii) any service contracts of any existing directors or any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (iii) the annual reports of the Company for the two years ended 31 December 2013 and 2014; and
- (iv) this circular.

NOTICE OF THE 2014 ANNUAL GENERAL MEETING

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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)

NOTICE OF THE 2014 ANNUAL GENERAL MEETING

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 Annual General Meeting (hereinafter referred to as the “AGM”) of ZTE Corporation (hereinafter referred to as the “Company”) will be convened at 9 a.m., on Thursday, 28 May 2015 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 9 April 2015, unless otherwise required by the context):

Ordinary Resolutions

- 1. 2014 Annual Report of the Company (including 2014 financial report of the Company audited by the PRC and Hong Kong auditors);**
- 2. 2014 Report of the Board of Directors of the Company;**
- 3. 2014 Report of the Supervisory Committee of the Company;**
- 4. 2014 Report of the President of the Company;**
- 5. Final Financial Accounts of the Company for 2014;**

NOTICE OF THE 2014 ANNUAL GENERAL MEETING

6. Resolutions of the Company on the Proposed Application for Composite Credit Facilities;

6.1 Resolution of the Company proposing the application to Bank of China Limited, Shenzhen Branch for a composite credit facility amounting to RMB23.0 billion

That the application by the Company to Bank of China Limited, Shenzhen Branch for a RMB23.0 billion composite credit facility be approved. The amount of composite credit facility set out above represents the amount proposed by the Company to the bank and is subject to final amount approved by the bank.

That the Board of Directors be authorised to adjust the details and actual duration of the credit facility pursuant to the Company's requirements or negotiations with the bank, subject to the cap of the aforesaid RMB23.0 billion composite credit facility within the effective term of the resolution, and the Board of Directors and other parties delegated by the Board of Directors be authorised to negotiate with the bank and sign all facilities agreements, financing agreements and other related legal contracts and documents relating to the above composite credit facility and to deal with other matters relating to such agreements.

The resolution shall be valid from the date of approval at the 2014 Annual General Meeting until the earlier of: (1) the approval of the next new credit facility, or (2) 30 June 2016. Any single application for financing operations under such credit facility within this period shall be valid. Unless otherwise required, no subsequent resolution of the Board of Directors and general meeting are required with respect to any single application for financing operations within such cap under such credit facility. Mr. Hou Weigui, the legal representative of the Company, or the signatory authorized by Mr. Hou Weigui is hereby authorized to sign the relevant legal contracts and documents.

6.2 Resolution of the Company proposing the application to China Construction Bank Corporation, Shenzhen Branch for a composite credit facility amounting to RMB15.0 billion

That the application by the Company to China Construction Bank Corporation, Shenzhen Branch for a RMB15.0 billion composite credit facility be approved. The amount of composite credit facility set out above represents the amount proposed by the Company to the bank and is subject to final amount approved by the bank.

That the Board of Directors be authorised to adjust the details and actual duration of the credit facility pursuant to the Company's requirements or negotiations with the bank, subject to the cap of the aforesaid RMB15.0 billion composite credit facility within the effective term of the resolution,

NOTICE OF THE 2014 ANNUAL GENERAL MEETING

and the Board of Directors and other parties delegated by the Board of Directors be authorised to negotiate with the bank and sign all facilities agreements, financing agreements and other related legal contracts and documents relating to the above composite credit facility and to deal with other matters relating to such agreements.

The resolution shall be valid from the date of approval at the 2014 Annual General Meeting until the earlier of: (1) the approval of the next new credit facility, or (2) 30 June 2016. Any single application for financing operations under such credit facility within this period shall be valid. Unless otherwise required, no subsequent resolution of the Board of Directors and general meeting are required with respect to any single application for financing operations within such cap under such credit facility. Mr. Hou Weigui, the legal representative of the Company, or the signatory authorized by Mr. Hou Weigui is hereby authorized to sign the relevant legal contracts and documents.

6.3 Resolution of the Company proposing the application to China Development Bank Corporation, Shenzhen Branch for a composite credit facility amounting to USD5.5 billion

That the application by the Company to China Development Bank Corporation, Shenzhen Branch for a USD5.5 billion composite credit facility be approved. The amount of composite credit facility set out above represents the amount proposed by the Company to the bank and is subject to final amount approved by the bank.

That the Board of Directors be authorised to adjust the details and actual duration of the credit facility pursuant to the Company's requirements or negotiations with the bank, subject to the cap of the aforesaid USD5.5 billion composite credit facility within the effective term of the resolution, and the Board of Directors and other parties delegated by the Board of Directors be authorised to negotiate with the bank and sign all facilities agreements, financing agreements and other related legal contracts and documents relating to the above composite credit facility and to deal with other matters relating to such agreements.

The resolution shall be valid from the date of approval at the 2014 Annual General Meeting until the earlier of: (1) the approval of the next new credit facility, or (2) 30 June 2016. Any single application for financing operations under such credit facility within this period shall be valid. Unless otherwise required, no subsequent resolution of the Board of Directors and general meeting are required with respect to any single application for financing operations within such cap under such credit facility. Mr. Hou Weigui, the legal representative of the Company, or the signatory authorized by Mr. Hou Weigui is hereby authorized to sign the relevant legal contracts and documents.

NOTICE OF THE 2014 ANNUAL GENERAL MEETING

7. Resolutions on the Appointment of the PRC Auditor and the Hong Kong Auditor of the Company for 2015;

- 7.1 Re-appointment of Ernst & Young Hua Ming LLP as the PRC auditor of the Company's financial report for 2015 and authorise the Board of Directors to fix the financial report audit fees of Ernst & Young Hua Ming LLP for 2015 based on specific audit work to be conducted;
- 7.2 Re-appointment of Ernst & Young as the Hong Kong auditor of the Company's financial report for 2015 and authorise the Board of Directors to fix the financial report audit fees of Ernst & Young for 2015 based on the specific audit work to be conducted;
- 7.3 Re-appointment of Ernst & Young Hua Ming LLP as the internal control auditor of the Company for 2015 and authorise the Board of Directors to fix the internal control audit fees of Ernst & Young Hua Ming LLP for 2015 based on specific audit work to be conducted.

8. Resolution on the Application for Investment Limits in Derivative Products of the Company for 2015;

Authorisation for the Company to invest in value protection derivative products against its foreign exchange risk exposure by hedging through dynamic coverage rate for an net amount not exceeding the equivalent of USD3.0 billion (such limit may be applied on a revolving basis during the effective period of the authorisation). The authorization shall be effective from the date on which it is approved by way of resolution at the general meeting to the date on which the next annual general meeting of the Company closes or to the date on which this authorisation is modified or revoked at a general meeting, whichever is earlier.

The resolution was considered and approved at the Twenty-fifth Meeting of the Sixth Session of the Board of Directors held on 25 March 2015 and it was approved that the resolution be tabled at the general meeting of the Company for consideration. For details, please refer to the "Announcement on the Application for Derivative Investment Limits of 2015" published by the Company on 25 March 2015.

NOTICE OF THE 2014 ANNUAL GENERAL MEETING

9. Resolution on the Provision of Guarantee by the Company for Overseas Subsidiaries in respect of Debt Financing;

That the provision of guarantee by the Company for ZTE HK or ZTE Netherlands in respect of overseas medium- to long-term debt financing, the details of which are as follows:

- (1) That the provision of guarantee by way of joint liability assurance for an amount of not more than EUR200 million (or the equivalent in other currencies, calculated according to the Company's foreign currency statement book exchange rate) for a term of not more than five years (from the date on which the debt financing agreement comes into effect) by the Company in respect of the medium- to long-term overseas debt financing (including but not limited to banks facilities and issue of bonds) of ZTE HK or ZTE Netherlands.
- (2) That Mr. Hou Weigui, the legal representative of the Company, or his authorised signatory be authorised to determine the specific amount and period of guarantee based on the results of negotiations between ZTE HK or ZTE Netherlands 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 aforesaid guarantee, and deal with other matters pertaining to such guarantee.

The resolution was considered and approved at the Twenty-fifth Meeting of the Sixth Session of the Board of Directors held on 25 March 2015 and it was approved that the resolution be tabled at the general meeting of the Company for consideration. For details, please refer to the "Announcement on the Provision of Guarantee for a Wholly-owned Subsidiary" published by the Company on 25 March 2015.

10. Resolution on Continuing Connected Transactions in respect of the Execution of the Financial Service Agreement with Mobi Antenna;

That the approval of the 2015 Financial Service Agreement entered into between ZTE Group Finance, a wholly-owned subsidiary of the Company, and Mobi Antenna, a connected person, with the estimated daily balance (principal cum interest) of outstanding discounted bills under the bill discounting service provided by ZTE Group Finance to Mobi Antenna for 2015 under the agreement capped at RMB300 million.

NOTICE OF THE 2014 ANNUAL GENERAL MEETING

11. Resolution on Revising the Cap for the Aggregate Transaction Amount in Continuing Connected Transactions with Mobi Antenna (a Connected Person) relating to the Purchase of Raw Materials in 2015;

That the approval of the increase of the cap for the aggregate amount (before VAT) of purchase of various products such as communications antennas, radio frequency transmitter, feeder and terminal antenna by the Company from Mobi Antenna, a connected party, in 2015 to RMB1,500 million.

The resolutions of No.10 and No.11 were considered and approved at the Twenty-fifth Meeting of the Sixth Session of the Board of Directors held on 25 March 2015 and it was approved that the resolutions be tabled at the general meeting of the Company for consideration. For details, please refer to the “Overseas Regulatory Announcement” published by the Company on 25 March 2015.

Special Resolutions

12. Proposal for Profit Distribution and Conversion from Capital Reserve for 2014;

“That:

The proposals of profit distribution and conversion from capital reserve for 2014 tabled by the Board of Directors of the Company be approved.

1. Proposed profit distribution for 2014: RMB2.0 for every 10 shares (before tax) based on the Company’s total share capital of 3,437,541,278 shares as at 31 December 2014.
2. Proposed conversion from capital reserve for 2014: the creation of 2 shares for every 10 shares by way of conversion of capital reserves, representing a total increase of 687,508,255 shares based on the Company’s total share capital of 3,437,541,278 shares as at 31 December 2014. Fractional entitlements shall be dealt with in accordance with relevant rules of the stock exchange and the clearing house of the place where the stocks of the Company are listed. As a result, the actual amount of share capital increased by conversion of capital reserve and the actual number of shares created in aggregate after implementation of the proposed conversion from capital reserves might be slightly different from the aforesaid estimates.

The Board of Directors is hereby authorised by the general meeting to deal with matters relating to the profit distribution and conversion from capital reserves for 2014, to amend relevant clauses of the Articles of Association based on the implementation of the conversion from capital reserves to increase the registered capital of the Company and reflect the new capital structure after the conversion from capital reserves, and to process any changes in industrial and commercial registration required as a result of the alteration in registered capital.”

NOTICE OF THE 2014 ANNUAL GENERAL MEETING

13. Resolution on the Proposed Registration and Issue of SCP;

- (1) That the registration and issue plan for the register and issue of SCP with a size of not more than RMB8,000 million by the Company be approved.
- (2) That Mr. Hou Weigui, the legal representative of the Company, or his authorised signatory be authorised to: (a) confirm the appointment of relevant intermediaries relating to the registration and issue, including but not limited to the lead underwriter and bookrunner, etc; and (b) confirm the actual issue plan (including the timing, amount, tranches and term 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 SCP, negotiate and sign relevant agreements with parties relating to the issue and other relevant legal contracts and documents and deal with other relevant matters.

14. Resolution of the Company on the Application for General Mandate for 2015;

“That:

- (1) Subject to the conditions set out below, the Board of Directors be hereby granted an unconditional and general mandate during the Relevant Period (as defined below) to separately or concurrently allot, issue and deal with additional domestic shares and overseas-listed foreign shares of the Company (including securities convertible into domestic shares and/or H Shares of the Company) and to make or grant offers, agreements or options in respect of the above:
 - I. such mandate shall not extend beyond the Relevant Period, other than in the case of the making or granting of offers, agreements or options by the Board of Directors during the Relevant Period which might require the performance or exercise of such powers after the close of the Relevant Period;
 - II. the aggregate nominal amount of the share capital of domestic shares and H shares authorised to be allotted and issued or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to an option or otherwise) by the Board of Directors, otherwise than pursuant to (i) a Rights Issue (as defined below) or (ii) any option scheme or similar arrangement from time to time being adopted for the grant or issue to directors, supervisors, senior management and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company approved by the Board of Directors, shall not exceed 20% of the aggregate nominal amount of each of the share capital of the domestic shares and H shares of the Company in issue at the date on which this resolution is passed at the general meeting; and

NOTICE OF THE 2014 ANNUAL GENERAL MEETING

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

(2) For the purpose of this resolution:

“Relevant Period” means the period from the date of the passing of this resolution at the general meeting until the earliest of:

- I. the conclusion of the next annual general meeting of the Company following the passing of this resolution;
- II. the expiration of a 12-month period following the passing of this resolution; or
- III. the revocation or variation of the authority given to the Board of Directors under this resolution by the passing of a special resolution of the Company at a general meeting; and

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

(3) Where the Board of Directors resolves to issue shares (including securities convertible into domestic shares and/or H Shares of the Company) pursuant to paragraph (1) of this resolution, the Board of Directors be hereby authorised to approve and execute all documents and deeds and do all things or to procure the execution of such documents and deeds and the doing of such things necessary in their opinion for the issue (including but not limited to determining the time and place for issue, class and number of new shares to be issued, the pricing method and/or issue prices (including price ranges) of the shares, submitting all necessary applications to relevant authorities, entering into underwriting agreements (or any other agreements), determining the use of proceeds, and fulfilling filing and registration requirements of the PRC, Hong Kong and other relevant authorities, including but not limited to registration with relevant PRC authorities of the increase in registered share capital as a result of the issue of shares pursuant to paragraph (1) of this resolution); and

NOTICE OF THE 2014 ANNUAL GENERAL MEETING

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

The Independent Non-executive Directors of the Company will give a report at the AGM on the performance of their duties.

Notes:

- 1. The Company will close its H share register from Tuesday, 28 April 2015 to Wednesday, 27 May 2015 (both days inclusive) to determine qualifications of shareholders to attend and vote at the AGM. Any H Shareholder who wishes to attend and vote at the AGM 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., Monday, 27 April 2015.**
- 2. The Company will close its H share register from Wednesday, 3 June 2015 to Monday, 8 June 2015 (both days inclusive) to determine qualifications of shareholders to receive the Bonus Shares and Dividends. Any H Shareholder who wishes to qualify for the Bonus Shares and Dividends 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., Tuesday, 2 June 2015.**
3. Shareholders intending to attend the AGM, whether in person or by proxy, should deliver the reply slip of AGM by hand, post or facsimile to the Company’s principal place of business in Hong Kong (for H shareholders) on or before Thursday, 7 May 2015. The principal place of business of the Company in Hong Kong is: 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong (Facsimile No.: +852-35898555).
4. 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 AGM 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 AGM or any adjournment thereof if he so wishes.
5. A shareholder entitled to attend and vote at the AGM 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.

NOTICE OF THE 2014 ANNUAL GENERAL MEETING

6. In case of joint holders of a share, any one of such holders is entitled to vote at the AGM, 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 AGM personally or by proxy.
7. The AGM is expected to last for half a day. All transportation and accommodation expenses incurred by shareholders or their proxies in attending the AGM shall be borne by themselves. Shareholders or their proxies attending the AGM shall be required to produce identifications.

By Order of the Board
Hou Weigui
Chairman

Shenzhen, the PRC
9 April 2015

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.