

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

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

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ZTE

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) Proposals of Profit Distribution for 2017**
- (2) Proposed General Mandate to Issue Shares for 2018**
- (3) Proposed Limits of Composite Credit Facilities**
- (4) Proposed Limits of Derivative Investment for 2018**
- (5) Proposed Provision of a Guarantee Amount for Contract Performance
for Overseas Wholly-Owned Subsidiaries**
- (6) Proposed Provision of Guarantee in respect of Debt Financing of ZTE HK**
- (7) Proposed Adjustment of the Independent Non-executive Directors' Allowance**
- And**
- (8) Notice of the 2017 Annual General Meeting**

A letter from the Board is set out in pages 5 to 12 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 Friday, 11 May 2018 is set out in pages 13 to 20 of this circular.

A proxy form and a reply slip for use at the AGM is enclosed with this circular and uploaded on 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 Friday, 20 April 2018.

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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
“AGM”	the 2017 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 Friday, 11 May 2018
“AGM Notice”	notice of the 2017 annual general meeting
“Articles of Association”	the articles of association of the Company
“Board or Board of Directors”	the board of directors of the Company
“BOC”	Bank of China Limited
“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, whose shares are listed on the SEHK and the SZSE
“Company Law”	The Company Law of the People’s Republic of China
“Director(s)”	member(s) of the board of directors of the Company
“Dividend(s)”	proposed final dividend of RMB3.3 in cash (before tax) for every 10 Shares on the basis of the number of Shares held by Shareholders (including A Shareholders and H Shareholders) registered at the close of business on the record dates (namely, the A Share Record Date and the H Share Record Date) for dividend payments
“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. 13 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 Shareholders”	holders of H Shares

DEFINITIONS

“H Share Record Date”	22 May 2018, the date determined by the Board for determining the H Shareholders’ entitlements to the Dividends
“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”	19 March 2018, being the latest practicable date prior to the printing of this circular for determining certain information set out in this circular
“Overseas Wholly-owned Subsidiaries”	wholly-owned subsidiaries of the Company incorporated and operating businesses in territories outside Mainland China, containing PT. ZTE Indonesia (中興通訊印度尼西亞有限責任公司), ZTE (Australia) Pty Ltd. (中興通訊(澳大利亞)有限公司), ZTE (Malaysia) Corporation SDN. BHD (中興通訊馬來西亞有限責任公司), ZTE Telecom India Private Ltd. (中興電信印度私有有限公司), ZTE Portugal — Projectos de Telecomunicacoes, Unipessoal, Lda (中興通訊(葡萄牙)有限責任公司), ZTE Hungary Kft. (中興通訊(匈牙利)有限公司), ZTE (UK) Ltd. (中興通訊(英國)有限責任公司), ZTE Deutschland GmbH (中興通訊(德國)有限公司) and ZTE Belgium N.V. (中興通訊(比利時)有限公司)
“RMB”	Renminbi, the statutory currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SEHK”	The Stock Exchange of Hong Kong Limited
“Shares”	A Share(s) and H Share(s)
“Shareholders”	A Shareholders and H Shareholders
“Shenzhen-Hong Kong Stock Connect”	the Shenzhen-Hong Kong Stock Connect
“Shenzhen Listing Rules”	Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange
“SZSE”	The Shenzhen Stock Exchange
“USD”	United States dollars, the lawful currency of the United States of America

DEFINITIONS

“Value Protection Derivatives”	Value-protection derivative investments seek to preserve value by utilising foreign exchange and interest rate products provided by financial institutions, so that the Company may mitigate the impact of exchange rate and interest rate volatility in day-to-day operations on its assets, liabilities and profitability. Value-protection derivative investments primarily involve foreign exchange forwards, structured forwards, interest rate swaps, foreign exchange swaps and foreign exchange options
“Zhongxingxin”	Shenzhen Zhongxingxin Telecommunications Equipment Company Limited
“ZTE HK”	ZTE (H.K.) Limited

EXPECTED TIMETABLE

2018

Latest time for lodging transfers of the H Shares to
qualify for attendance and voting at the AGM 4:30 p.m., Tuesday, 10 April

H Share register closed Wednesday, 11 April to
Thursday, 10 May
(both dates inclusive)

Latest date for lodging reply slips for the AGM. Friday, 20 April

Latest time for lodging proxy forms for the AGM 9:00 a.m., Thursday, 10 May

AGM 9:00 a.m., Friday, 11 May

H Share register re-opens Friday, 11 May

Last day of dealings in the H Shares
cum-entitlements to the Dividends. Monday, 14 May

First day of dealings in the H Shares
ex-entitlements to the Dividends Tuesday, 15 May

Latest time for lodging transfers of the H Shares
to qualify for the Dividends 4:30 p.m., Wednesday, 16 May

H Share register closed Thursday, 17 May to Tuesday, 22 May
(both dates inclusive)

H Share Record Date Tuesday, 22 May

H Share register re-opens Wednesday, 23 May



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:

Yin Yimin
Zhao Xianming

Non-executive Directors:

Zhang Jianheng
Luan Jubao
Wang Yawen
Tian Dongfang
Zhan Yichao
Wei Zaisheng
Zhai Weidong

Independent Non-executive Directors:

Richard Xike Zhang
Chen Shaohua
Lü Hongbing
Bingsheng Teng
Zhu Wuxiang

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

27 March 2018

To the Shareholders

Dear Sir or Madam,

- (1) Proposals of Profit Distribution for 2017**
- (2) Proposed General Mandate to Issue Shares for 2018**
- (3) Proposed Limits of Composite Credit Facilities**
- (4) Proposed Limits of Derivative Investment for 2018**
- (5) Proposed Provision of a Guarantee Amount for Contract Performance
for Overseas Wholly-Owned Subsidiaries**
- (6) Proposed Provision of Guarantee in respect of Debt Financing of ZTE HK**
- (7) Proposed Adjustment of the Independent Non-executive Directors' Allowance**
- And**
- (8) Notice of the 2017 Annual General Meeting**

LETTER FROM THE BOARD

I. INTRODUCTION

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 resolution to be proposed at the AGM in respect of, among others, the following matters:

1. Proposals of Profit Distribution for 2017
2. Proposed General Mandate to Issue Shares for 2018
3. Proposed Limits of Composite Credit Facilities
4. Proposed Limits of Derivative Investment for 2018
5. Proposed Provision of a Guarantee Amount for Contract Performance for Overseas Wholly-Owned Subsidiaries
6. Proposed Provision of Guarantee in respect of Debt Financing of ZTE HK
7. Proposed Adjustment of the Independent Non-executive Directors' Allowance

II. PROPOSALS OF PROFIT DISTRIBUTION FOR 2017

The Company will propose an ordinary resolution at the AGM for the consideration and, if thought fit, approval of the declaration and payment of Dividends. A final Dividend of RMB3.3 in cash (before tax) for every 10 shares on the basis of the number of Shares held by Shareholders (including A Shareholders and H Shareholders) registered at the close of business on the record dates (namely, the A Share Record Date and the H Share Record Date) for Dividend payment will be proposed, and a Director of the Company will be authorized to deal with matters pertaining to profit distribution for 2017. The Company's total share capital was 4,192,671,843 shares (including A Shares and H Shares) as at 31 December 2017. Dividend payments are expected to be made to Shareholders on 29 June 2018.

In respect of the Company's distribution of final Dividend to Shareholders whose names appear on the H share register of the Company on the H Share Record Date, the Company will process income tax payable on dividends and profit distributions in accordance with relevant taxation laws and regulations of China. The details are as follow:

1. In connection with overseas non-resident corporate H shareholders, a 10% enterprise income tax to be withheld and paid on behalf of such shareholders by the Company shall apply in accordance with relevant provisions of the "Notice of the State Administration of Taxation on issues concerning the withholding and payment of enterprise income tax on dividends paid by Chinese resident enterprises to overseas non-resident corporate H shareholders" (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函〔2008〕897號)). Upon receipt of the

LETTER FROM THE BOARD

dividend, overseas non-resident corporate H shareholders may apply, either directly or through the Company, for entitlements to preferential treatments under relevant agreements by furnishing evidence of their status as beneficial owners in compliance with provisions under relevant taxation agreements (arrangements).

2. In connection with overseas non-resident individual H shareholders, in accordance with pertinent provisions of the “Notice on the collection and administration of personal income tax after the repeal of Document Guo Shui Fa [1993] No. 045” (Guo Shui Han [2011] No. 348) (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)), (1) non-resident individual H shareholders being residents of Hong Kong or Macau, or residents for tax purposes of other countries which have entered into taxation agreements with China with a dividend tax rate lower than or equivalent to 10% shall be subject to a 10% personal income tax to be withheld and paid on behalf of such shareholders by the Company, provided that if the dividend tax rate stipulated under the relevant taxation agreement is below 10%, the Company may apply on behalf of the shareholder for entitlements to preferential treatments under such agreement in accordance with the “Announcement of the State Administration of Taxation on the promulgation of the ‘Administrative Measures on Non-resident Taxpayers’ Entitlements to Treatments Under Taxation Agreements” (SAT Announcement 2015 No. 60) (《國家稅務總局關於發佈〈非居民納稅人享受稅收協定待遇管理辦法〉的公告》(國家稅務總局公告2015年第60號)); (2) if the dividend tax rate stipulated under the taxation agreement is higher than 10% but lower than 20%, personal income tax shall be withheld and paid on behalf of the shareholders by the Company at the effective tax rate; (3) in the absence of any applicable taxation agreements and otherwise, personal income tax shall be withheld and paid on behalf of the shareholders by the Company at a 20% tax rate.
3. In connection with dividends and profit distributions obtained by Mainland investors from investments in the Company’s H shares via Shenzhen-Hong Kong Stock Connect, a personal income tax shall be withheld and paid on behalf of investors by the Company in respect of dividends and profit distributions received by individual Mainland investors and Mainland securities investment funds from their investments in the Company’s H shares via Shenzhen-Hong Kong Stock Connect at a 20% tax rate; while no enterprise income tax shall be withheld and paid on behalf of corporate Mainland investors by the Company in respect of dividends and profit distributions received by such corporate Mainland investors from their investments in the Company’s H shares via Shenzhen-Hong Kong Stock Connect, and corporate Mainland investors shall process their own tax returns and payments directly, in accordance with the “Notice on Tax Policies for Shenzhen-Hong Kong Stock Connect Pilot Program” (Cai Shui [2016] No. 127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)).

LETTER FROM THE BOARD

In accordance with Article 67 of the Articles of Association, approval of the proposals of profit distribution for 2017 will be sought at the AGM.

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

III. PROPOSED GENERAL MANDATE TO ISSUE SHARES FOR 2018

At the previous annual general meeting of the Company held on 20 June 2017, 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 20 June 2017. The aforesaid general mandate will expire on 11 May 2018.

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, 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.

As at the Latest Practicable Date, the Company's issued share capital comprised 3,437,169,309 A Shares and 755,502,534 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 687,433,861 A Shares and 151,100,506 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; or (ii) 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. 13 of the AGM Notice.

IV. PROPOSED LIMITS OF COMPOSITE CREDIT FACILITIES

The Company proposes to apply to BOC and China Development Bank, Shenzhen Branch for composite credit facilities of RMB30.0 billion and USD6.0 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

LETTER FROM THE BOARD

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 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. 8 of the AGM Notice.

V. PROPOSED LIMITS OF DERIVATIVE INVESTMENT FOR 2018

Reference is made to the “Overseas Regulatory Announcement Announcement on the Application for Derivative Investment Limits for 2018” published by the Company on 15 March 2018.

At the previous annual general meeting of the Company held on 20 June 2017, 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. In order to effectively manage the foreign exchange risks in the international businesses of the Company and its majority-owned subsidiaries and the interest rate risks to which their foreign currency loans are subject, the Company is required to conduct value-protection derivative investments. The Company intends to apply for authorisation to invest in value-protection derivatives for an amount of USD3.6 billion (namely, the investment balance at any point of time during the effective period of the authorisation shall not exceed the equivalent of USD3.6 billion) for 2018. Such limit may be applied on a revolving basis during the effective period of the authorisation. 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 2018 will be sought at the AGM.

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

VI. PROPOSED PROVISION OF A GUARANTEE AMOUNT FOR CONTRACT PERFORMANCE FOR OVERSEAS WHOLLY-OWNED SUBSIDIARIES

Reference is made to the “Overseas Regulatory Announcement Announcement on the Provision of a Guarantee Amount for Contract Performance for Overseas Wholly-owned Subsidiaries” published by the Company on 15 March 2018.

At the First Extraordinary General Meeting of the Company of 2017 held on 14 December 2017, the Board of Directors were authorised to handle the provision of contract performance guarantee by the Company for 12 overseas wholly-owned subsidiaries within the limit of USD200 million. Such authorisation will expire upon the close of the AGM.

To persistently facilitate the Company’s overseas business development, the Company has proposed to provide a guarantee amount for contract performance (including but not limited to the execution of guarantee agreements by the parent company and the provision of bank guarantees) of not exceeding USD200 million in aggregate for 9 Overseas Wholly-owned Subsidiaries. The aforesaid guarantee amount will be applied on a revolving basis during an effective period commencing on the date on which the provision of a guarantee

LETTER FROM THE BOARD

amount for contract performance for Overseas Wholly-owned Subsidiaries by the Company is considered and approved at the AGM and ending on the date of the Company's 2018 annual general meeting. Any unused amount outstanding upon the expiry of the effective period will be cancelled by the Company. During the effective period, if the total amount of guarantee provided to third parties by the Company has exceeded 50% of its latest audited net asset value, no guarantee for contract performance provided to such Overseas Wholly-owned Subsidiaries within the aforesaid guarantee limit shall thereafter be submitted to the general meeting of the Company for consideration. After the AGM has considered and approved provision of a guarantee amount for contract performance for Overseas Wholly-owned Subsidiaries, the Board of Directors of the Company shall be responsible for the approval of specific guarantees within the limit, and shall fulfill obligations in information disclosure. In accordance with Chapter 9 of the Shenzhen Listing Rules, the aforesaid matter shall be subject to approval of the Company's shareholders. Hence approval at the AGM of the provision of a guarantee amount for contract performance for Overseas Wholly-owned Subsidiaries is sought.

For details, please refer to Ordinary Resolution No. 10 of the AGM Notice.

VII. PROPOSED PROVISION OF GUARANTEE IN RESPECT OF DEBT FINANCING OF ZTE HK

Reference is made to the "Overseas Regulatory Announcement Announcement on the Provision of Guarantee for a Wholly-owned Subsidiary" published by the Company on 15 March 2018.

ZTE HK, a wholly-owned subsidiary of Company, entered into a USD450 million syndicate loan agreement with 12 international banks led by Bank of China (Hong Kong) Limited in July 2014. The said syndicate loan agreement will expire in July 2018.

With a view to optimising the mix of long/short-term liabilities of the Company and the subsidiaries included in its consolidated financial statements, reduce exposures to assets and liabilities denominated in foreign currencies, and meet the additional working capital requirements of the Company's medium/long-term development at appropriate finance costs, the Company proposes to seek medium/long-term debt financing (including but not limited to syndicate loans, bank facilities and the issuance of corporate bonds) with ZTE HK, its wholly-owned subsidiary, as the principal. In view of the current financial conditions and credit rating of ZTE HK, the Company will provide guarantee by way of joint liability assurance for an amount of not more than USD600 million in relation to the aforesaid debt financing of ZTE HK, in order to secure debt financing at favourable costs. In accordance with Chapter 9 of the Shenzhen Listing Rules, the aforesaid matter shall be subject to approval of the Company's shareholders. Hence approval at the AGM of the provision of guarantee in respect of debt financing of ZTE HK is sought.

For details, please refer to Ordinary Resolution No. 11 of the AGM Notice.

LETTER FROM THE BOARD

VIII. PROPOSED ADJUSTMENT OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS' ALLOWANCE

The Company is proposed to adjust the Independent Non-executive Directors' allowance from RMB130,000 (before tax) payable annually to RMB250,000 (before tax) payable annually (subject to personal income tax deductible and payable by the Company). Expenses for accommodation, meals and transportation incurred in connection with the attendance of Board meetings of the Company shall continue to be borne by the Company.

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

IX. AGM

AGM Notice, Proxy Form and Reply Slip

The AGM will be convened by the Company at 9:00 a.m. on Friday, 11 May 2018 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) Proposals of Profit Distribution for 2017, (ii) Proposed General Mandate to Issue Shares for 2018, (iii) Proposed Limits of Composite Credit Facilities, (iv) Proposed Limits of Derivative Investment for 2018, (v) Proposed Provision of a Guarantee Amount for Contract Performance for Overseas Wholly-Owned Subsidiaries, (vi) Proposed Provision of Guarantee in respect of Debt Financing of ZTE HK and (vii) Proposed Adjustment of the Independent Non-executive Directors' Allowance. The AGM Notice is set out on pages 13 to 20 of this circular.

A proxy form and a reply slip for use at the AGM is enclosed with this circular and uploaded on 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 Friday, 20 April 2018.

Close of share register

The Company will close its H share register from Wednesday, 11 April 2018 to Thursday, 10 May 2018 (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., Tuesday, 10 April 2018.

LETTER FROM THE BOARD

The Company will close its H share register from Thursday, 17 May 2018 to Tuesday, 22 May 2018 (both days inclusive) to determine qualifications of Shareholders to receive the Dividends. Any H Shareholder who wishes to qualify for the 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., Wednesday, 16 May 2018.

The record date and method of payment for the Dividends of A Shareholders shall be separately notified.

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) Proposals of Profit Distribution for 2017, (ii) Proposed General Mandate to Issue Shares for 2018, (iii) Proposed Limits of Composite Credit Facilities, (iv) Proposed Limits of Derivative Investment for 2018, (v) Proposed Provision of a Guarantee Amount for Contract Performance for Overseas Wholly-Owned Subsidiaries, (vi) Proposed Provision of Guarantee in respect of Debt Financing of ZTE HK and (vii) Proposed Adjustment of the Independent Non-executive Directors’ Allowance, 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
Yin Yimin
ZTE Corporation
Chairman

Shenzhen, the PRC

NOTICE OF THE 2017 ANNUAL GENERAL MEETING

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中興通訊股份有限公司

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

(Stock Code: 763)

NOTICE OF THE 2017 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 2017 Annual General Meeting (hereinafter referred to as the “AGM”) of ZTE Corporation (hereinafter referred to as the “Company”) will be convened at 9:00 a.m., on Friday, 11 May 2018 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 27 March 2018, unless otherwise required by the context):

ORDINARY RESOLUTIONS

- 1. 2017 Annual Report of the Company (including 2017 financial report of the Company audited by the PRC and Hong Kong auditors);**

That the Group's provision for asset impairment for 2017 amounted to RMB2,534 million. For details, please refer to the note V. 47 in the 2017 financial report prepared under PRC ASBES.

In accordance with the provisions of “Memorandum on Information Disclosure by Main Board Listed Companies No. 1 — Matters pertaining to Regular Reporting” issued by the Shenzhen Stock Exchange, the Group's provision for asset impairment for 2017

NOTICE OF THE 2017 ANNUAL GENERAL MEETING

should be submitted to the general meeting of the Company for consideration, given that the total amount of provision exceeds 50% of the net profit attributable to the holders of ordinary shares of the listed company in 2017.

- 2. 2017 Report of the Board of Directors of the Company;**
- 3. 2017 Report of the Supervisory Committee of the Company;**
- 4. 2017 Report of the President of the Company;**
- 5. Final Financial Accounts of the Company for 2017;**
- 6. Proposals of Profit Distribution of the Company for 2017;**

That the proposals of profit distribution for 2017 tabled by the Board of Directors of the Company be approved: RMB3.3 in cash (before tax) for every 10 shares based on the number of shares held by Shareholders (including A Shareholders and H Shareholders) registered as at the close of business on the record date for Dividend payment. A Director of the Company will be authorised to deal with matters pertaining to profit distribution for 2017.

7. Resolutions on the Appointment of the PRC Auditor and the Hong Kong Auditor of the Company for 2018 (to be voted upon item by item);

7.1 Re-appointment of Ernst & Young Hua Ming LLP as the PRC auditor of the Company's financial report for 2018 and authorise the Board of Directors to fix the financial report audit fees of Ernst & Young Hua Ming LLP for 2018 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 2018 and authorise the Board of Directors to fix the financial report audit fees of Ernst & Young for 2018 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 2018 and authorise the Board of Directors to fix the internal control audit fees of Ernst & Young Hua Ming LLP for 2018 based on specific audit work to be conducted.

8. Resolutions of the Company on the Proposed Application for Composite Credit Facilities (to be voted upon item by item);

8.1 Resolution of the Company proposing the application to Bank of China Limited for a composite credit facility amounting to RMB30.0 billion;

That the application by the Company to Bank of China Limited for a RMB30.0 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.

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That the Board of Directors be authorized 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 RMB30.0 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 authorized 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 2017 Annual General Meeting until the earlier of: (1) the approval of the next new credit facility, or (2) 30 June 2019. 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. The legal representative of the Company, or the signatory authorized by the legal representative is hereby authorized to sign the relevant legal contracts and documents.

8.2 Resolution of the Company proposing the application to China Development Bank, Shenzhen Branch for a composite credit facility amounting to USD6.0 billion;

That the application by the Company to China Development Bank, Shenzhen Branch for a USD6.0 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 authorized 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 USD6.0 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 authorized 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 2017 Annual General Meeting until the earlier of: (1) the approval of the next new credit facility, or (2) 30 June 2019. 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. The legal representative of the Company, or the signatory authorized by the legal representative is hereby authorized to sign the relevant legal contracts and documents.

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9. Resolution on the Application for Limits of Derivative Investment of the Company for 2018;

That the Company be authorised by the general meeting to invest in value protection derivative products for an amount not exceeding the equivalent of USD3.6 billion (namely, the outstanding investment amount at any point of time during the effective period of the authorisation shall not exceed the equivalent of USD3.6 billion, and such limit may be applied on a revolving basis during the effective period of the authorisation). The authorisation 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 details of the limit are as follows:

- (1) The investment limit for foreign exchange derivatives shall be USD3.0 billion, such foreign exchange derivative being used for value protection against operating asset or liability exposures, designated net investments and cross-currency exposures.
- (2) The limit for interest rate swap shall be USD0.6 billion, such interest rate swap being used for value protection against foreign currency loans at floating interest rates.

10. Resolution on the Provision of Performance Guarantee for Overseas Wholly-owned Subsidiaries;

That the provision of performance guarantee for 9 Overseas Wholly-owned Subsidiaries by the Company be approved, the details of which are as follows:

- (1) That the provision of performance guarantee (including but not limited to the execution of guarantee agreements by the parent company and the provision of bank guarantee letters) with a total amount of not more than USD200 million for 9 Overseas Wholly-owned Subsidiaries by the Company on a revolving basis for an effective term commencing on the date on which the said matter is considered and approved at the 2017 Annual General Meeting of the Company and ending on the date on which the 2018 Annual General Meeting of the Company is convened be approved.
- (2) That the authorisation of the Board of Directors to approve specific guarantees within the aforesaid limit be approved.

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11. Resolution on the Provision of Guarantee in respect of Debt Financing of ZTE (H.K.) Limited;

That the provision of guarantee in respect of the medium/long-term debt financing of ZTE (H.K.) Limited (“ZTE HK”) by the Company be approved, 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 USD600 million in respect of the medium/long-term debt financing (including but not limited to syndicate loans, bank facility, and issuance of corporate bonds) of ZTE HK by the Company for a term of not more than 66 months (from the date on which the individual debt financing agreement concerned comes into effect) be approved.
- (2) That the legal representative of the Company or his authorised representative be delegated to determine the actual amount and period of guarantee in accordance with the results of negotiations between ZTE HK and the party to the debt financing subject to the aforesaid limit and term of guarantee, and to negotiate with the parties to the debt financing and sign all guarantee agreements and other pertinent legal contracts and documents relating to the aforesaid guarantee, and to deal with other matters pertaining to such guarantee.

12. Resolution on the Adjustment of the Independent Non-executive Directors’ Allowance;

That the adjustment of the rate of Independent Non-executive Directors’ Allowance from RMB130,000 (before tax) payable annually by the Company to RMB250,000 (before tax) payable annually by the Company (subject to personal income tax deductible and payable by the Company). Expenses for accommodation, meals and transportation incurred in connection with the attendance of Board meetings of the Company shall continue to be borne by the Company.

Special Resolution

13. Resolution of the Company on the Application for General Mandate for 2018;

“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 (“H 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;

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- 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 a Rights Issue (as defined below) 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
- 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 the Hong Kong Listing Rules (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; or
- II. 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 mainland of the PRC, Hong Kong and other

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relevant authorities, including but not limited to registration with relevant PRC authorities of the increase in registered share capital as a result of the issue of shares pursuant to paragraph (1) of this resolution); and

- (4) The Board of Directors be hereby authorised to amend the 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.”

Resolutions No. 7 and No. 8 will be voted upon on an item-by-item basis. Resolution No. 13 is a special resolution which shall require the approval of two-thirds of the voting rights held by shareholders attending the AGM in order to be passed.

The aforesaid resolutions have been considered and approved at the Twenty-eighth Meeting of the Seventh Session of the Board of Directors of the Company held on 15 March 2018. For the details of the aforesaid resolutions, please refer to the relevant announcements published by the Company on 15 March 2018.

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 Wednesday, 11 April 2018 to Thursday, 10 May 2018 (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., Tuesday, 10 April 2018.
2. The Company will close its H share register from Thursday, 17 May 2018 to Tuesday, 22 May 2018 (both days inclusive) to determine qualifications of shareholders to receive the Dividends. Any H Shareholder who wishes to qualify for the 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., Wednesday, 16 May 2018.
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 Friday, 20 April 2018. 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).

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4. In order to be valid, the instruments appointing a proxy (namely the proxy form) and the power of attorney or other authorization documents (if any) of the signatory or notarized copies of such power of attorney or authorization 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.
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
Yin Yimin
Chairman

Shenzhen, the PRC
27 March 2018

As at the date of this announcement, the Board of Directors of the Company comprises two executive directors, Yin Yimin and Zhao Xianming; seven non-executive directors, Zhang Jianheng, Luan Jubao, Wang Yawen, Tian Dongfang, Zhan Yichao, Wei Zaisheng and Zhai Weidong; and five independent non-executive directors, Richard Xike Zhang, Chen Shaohua, Lü Hongbing, Bingsheng Teng and Zhu Wuxiang.