THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 advisor.

If you have sold or transferred all your shares in **ZTE CORPORATION**, you should at once hand this circular, together with the enclosed form of proxy, 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.

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)

CONTINUING CONNECTED TRANSACTIONS

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

Mitsubishi UFJ Securities

Mitsubishi UFJ Securities (HK) Capital, Limited

A letter from the Board of ZTE Corporation is set out on pages 3 to 8 of this circular. A letter from the Independent Board Committee is set out on pages 9 and 10 of this circular.

A letter from Mitsubishi UFJ Securities (HK) Capital, Limited, the independent financial advisor, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 11 to 23 of this circular.

A notice convening an extraordinary general meeting of ZTE Corporation to be held at the 4th Floor, A Wing, ZTE Plaza, Keji Road South, Hi-Tech Industrial Park, Nanshan District, Shenzhen, Guangdong Province, the People's Republic of China at 9:00 a.m. on 29 December 2009 is set out on pages 31 to 35 of this circular. Whether or not you are able to attend the meeting, please complete and return the enclosed form of proxy 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 meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting should you so wish.

13 November 2009

CONTENTS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

"associate"	has the meaning given to it by the Hong Kong Listing Rules
"Board"	the board of directors of the Company
"Company"	ZTE Corporation, a company incorporated in the PRC whose shares are listed on the Hong Kong Stock Exchange and the Shenzhen Stock Exchange
"Continuing Connected Transactions"	the continuing connected transactions as described in the announcement of the Company dated 27 October 2009
"Director(s)"	the director(s) of the Company
"EGM"	the second extraordinary general meeting of the Company for 2009 to be held on 29 December 2009
"Group"	the Company and its subsidiaries
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules"	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Independent Board Committee"	The committee of independent non-executive Directors consisting of Mr. Mi Zhengkun, Mr. Li Jin, Mrs. Qu Xiaohui, Mr. Wei Wei and Mr. Chen Naiwei formed to advise the Independent Shareholders as to (i) the Non-exempt Continuing Connected Transactions and the terms of the Non-exempt Connected Transaction Framework Agreement for such transactions; and (ii) the proposed annual caps for each of the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2010, 2011 and 2012
"Independent Financial Advisor"	the independent financial advisor to the Independent Board Committee and the Independent Shareholders, Mitsubishi UFJ Securities (HK) Capital, Limited
"Independent Shareholders"	Shareholders other than Zhongxingxin and its associates
"Latest Practicable Date"	9 November 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein

"Non-exempt Connected Transaction Framework Agreement"	the framework agreements in respect of the Non-exempt Continuing Connected Transactions
"Non-exempt Continuing Connected Transactions"	the continuing connected transactions which are subject to independent shareholders' approval requirements under the Hong Kong Listing Rules as set out in paragraph 2 of this circular
"PRC"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of PRC
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholders"	the shareholders of the Company
"Shenzhen Listing Rules"	Rules Governing the Listing of Securities on Shenzhen Stock Exchange
"VAT"	value added tax
"Zhongxing Xindi"	深圳市中興新地通信器材有限公司 (Shenzhen Zhongxing Xindi Telecommunications Equipment Company, Limited), a company established under the laws of the PRC with limited liability
"Zhongxing Xinyu"	深圳市中興新宇軟電路有限公司 (Shenzhen Zhongxing Xinyu FPC Company, Limited), a company established under the laws of the PRC with limited liability
"Zhongxing Xinzhou"	深圳市中興新舟成套設備有限公司 (Zhongxing Xinzhou Complete Equipment Co., Ltd.), a company established under the laws of the PRC with limited liability
"Zhongxingxin"	深圳市中興新通訊設備有限公司 (Shenzhen Zhongxingxin Telecommunications Equipment Company, Limited), a company established under the laws of the PRC with limited liability
"ZTE Kangxun"	深圳市中興康訊電子有限公司 (ZTE Kangxun Telecom Company Limited), a company established under the laws of the PRC with limited liability

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
Shi Lirong
He Shiyou

Non-executive Directors:
Hou Weigui *(Chairman)*
Wang Zongyin
Xie Weiliang
Zhang Junchao
Li Juping
Dong Lianbo

Independent non-executive Directors:
Mi Zhengkun
Li Jin
Qu Xiaohui
Wei Wei
Chen Naiwei

Legal address:
ZTE Plaza
Keji Road South
Hi-Tech Industrial Park
Nanshan District
Shenzhen, 518057
The People's Republic of China

Place of business in Hong Kong:
8/F Gloucester Tower
The Landmark
15 Queen's Road Central
Central Hong Kong

13 November 2009

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

1. INTRODUCTION

Reference is made to the Company's announcement dated 27 October 2009 with respect to the Continuing Connected Transactions.

As disclosed in the above announcement, the Non-exempt Continuing Connected Transactions and their relevant caps are subject to the Independent Shareholders' approval pursuant to the Hong Kong Listing Rules and the Shenzhen Listing Rules respectively. This circular is prepared in accordance with the Hong Kong Listing Rules to provide the Shareholders with detailed information about the Non-exempt Continuing Connected Transactions.

2. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

At the thirtieth meeting of the fourth session of the Board held on 27 October 2009, the Board approved a Non-exempt Connected Transaction Framework Agreement dated 27 October 2009 between ZTE Kangxun (as purchaser) and Zhongxingxin and certain of its subsidiaries (as suppliers) including Zhongxing Xindi, Zhongxing Xinyu and Zhongxing Xinzhou, with respect to the continued purchase of raw materials and components from them. As the relevant percentage ratios involved in this type of transaction are more than 2.5% for the Group, the effectiveness of this Non-exempt Connected Transaction Framework Agreement and the relevant proposed annual caps for the three years ending 31 December 2010, 2011 and 2012 are subject to Independent Shareholders' approval.

Relationship between the parties

ZTE Kangxun is a non-wholly owned subsidiary of the Company established under the laws of the PRC with limited liability. The Company holds a 90% interest in the capital of ZTE Kangxun.

Zhongxingxin holds a 33.87% interest in the Company, and Zhongxing Xindi, Zhongxing Xinyu and Zhongxing Xinzhou are its non-wholly owned subsidiaries. Zhongxingxin, as the controlling shareholder of the Company, is a connected person of the Company. Zhongxing Xindi, Zhongxing Xinyu and Zhongxing Xinzhou are all non-wholly owned subsidiaries of Zhongxingxin established under the laws of the PRC with limited liability and are therefore associates of Zhongxingxin within the meaning of the Hong Kong Listing Rules. Zhongxingxin holds a 70% interest in the share capital of Zhongxing Xindi, a 54.55% interest in the capital of Zhongxing Xinyu and a 55% interest in the capital of Zhongxing Xinzhou. Given that Zhongxingxin is the Company's controlling shareholder, Zhongxing Xindi, Zhongxing Xinyu and Zhongxing Xinzhou, each as an associate of Zhongxingxin, constitute the Company's connected person.

Background

ZTE Kangxun is primary engaged in the design, production and sale or electronic products and their accessories.

Zhongxingxin is primarily engaged in the production of cabinet for switchboards, telephone, accessories and electronic products. Zhongxing Xindi is primarily engaged in the manufacture of various types of distribution frames (such as digital distribution frames, optical distribution frames and main distribution frames) and packaging materials. Zhongxing Xinyu is primarily engaged in the research and development, manufacture and sale of flexible printed circuit boards (FPCB) and other relevant products and in the provision of related services. Zhongxing Xinzhou is primarily engaged in manufacturing, processing and sale of auxiliary system for civil transportation, movable building, and railway carriage for materials, accessories and components for communications systems.

As the Company's purchasing platform, ZTE Kangxun has in the ordinary and usual course of its business purchased certain raw materials and components required for the manufacturing of its products from Zhongxingxin, Zhongxing Xindi, Zhongxing Xinyu and Zhangxing Xinzhou from time to time. These raw materials and components comprise primarily cases, cabinets, distribution frames, flexible printed circuit boards and shelters.

The following table sets out the historical aggregate purchases of raw materials and components by ZTE Kangxun from Zhongxingxin, Zhongxing Xindi, Zhongxing Xinyu and Zhongxing Xinzhou for each of the two years ended 31 December 2007 and 2008 and nine months ended 30 September 2009:

	Historical transaction figures		
Transaction	**for the year ended 31 December 2007 (Excluding VAT)**	**for the year ended 31 December 2008 (Excluding VAT)**	**for the nine months ended 30 September 2009 (Excluding VAT)**
	Unit: RMB in millions		
Purchases of raw materials and components by ZTE Kangxun from Zhongxingxin, Zhongxing Xindi, Zhongxing Xinyu and Zhongxing Xinzhou	705.68	780.18	548.74

Pricing

A potential supplier to the Group must pass the Group's internally formulated qualification procedures based on qualifications, product quality and price in order to become a qualified supplier. Zhongxingxin, Zhongxing Xindi, Zhongxing Xinyu and Zhongxing Xinzhou were selected through the Group's qualification and bidding procedures as described above. The Directors have confirmed that the purchases of raw materials and components from Zhongxingxin, Zhongxing Xindi, Zhongxing Xinyu and Zhongxing Xinzhou were made in accordance with its qualification and bidding procedures described above, and further that prices for such purchases were determined on an arm's length basis and on the same basis as prices charged by independent third party suppliers. The Group will settle the payment by commercial acceptance bill (商業承兑匯票) for the products within 210 days from the date of inspection and acceptance of the products. During the term of this Non-exempt Connected Transaction Framework Agreement, ZTE Kangxun issues purchase orders to the supplier, specifying, among other things, product types, agreed quantities and prices, quality specifications, delivery times, places and modes, as well as contact details.

Prices for future transactions pursuant to this Non-exempt Connected Transaction Framework Agreement with Zhongxingxin, Zhongxing Xindi, Zhongxing Xinyu and Zhongxing Xinzhou will be arrived at after arm's length negotiations, with reference to the prices quoted by Zhongxingxin, Zhongxing Xindi, Zhongxing Xinyu and Zhongxing Xinzhou for sales of similar quantities of the same or similar products to independent third parties at the relevant time.

Reasons for such transactions: Each of Zhongxingxin, Zhongxing Xindi, Zhongxing Xinyu and Zhongxing Xinzhou was selected through the Group's qualification and bidding procedures, and the Company believes that they have consistently been able to meet its stringent demands for fast product turnaround time, high product quality and timely delivery. As the Company considers that having reliable and cooperative suppliers is important and beneficial to it, purchasing from Zhongxingxin, Zhongxing Xindi, Zhongxing Xinyu and Zhongxing Xinzhou allows the Group to secure essential control over most of the components of its production by being able to ensure timely delivery of such components while maintaining product quality.

Caps: The Company estimates that the amount of total purchases of raw materials and components by ZTE Kangxun from Zhongxingxin, Zhongxing Xindi, Zhongxing Xinyu and Zhongxing Xinzhou (excluding VAT) will not exceed RMB1,000 million, RMB1,300 million and RMB1,690 million, respectively, for the three years ending 31 December 2010, 2011 and 2012. The caps (excluding VAT) for the years ending 31 December 2010, 2011 and 2012 are equivalent to the forecast figures described above.

The estimates referred to above have been determined with reference to: the previous transactions conducted and transaction amounts in respect of purchases of raw materials and components from Zhongxingxin and its subsidiaries; the Group's expectation of the future development of its business; the Group's expected growth of its production capacity; and the Group's overall projected requirements for raw materials and components from Zhongxingxin and its subsidiaries.

There are increases in the future estimated transaction amounts compared with historical figures because the Company estimates that the demand for wireless telecommunication products (including handsets and related products) will continue to increase due to the increasing demand of domestic and overseas markets.

3. EXTRAORDINARY GENERAL MEETING

The notice of the EGM to be held at 4th Floor, A Wing, ZTE Plaza, Keji Road South, Hi-Tech Industrial Park, Nanshan District, Shenzhen, Guangdong Province, the People's Republic of China at 9:00 a.m. on Tuesday, 29 December 2009 is set out on pages 31 to 35 of this circular, at which ordinary resolutions will be proposed to approve the Non-exempt Connected Transaction Framework Agreement for the Non-exempt Continuing Connected Transactions and the annual caps of the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2010, 2011 and 2012.

Zhongxingxin is the controlling shareholder of the Company, having 620,214,413 shares, approximately 33.87% of the registered capital of the Company as at the Latest Practicable Date. In accordance with the Hong Kong Listing Rules, Zhongxingxin as the shareholder who is interested in the Non-exempt Continuing Connected Transactions and its associates will abstain from voting at the EGM. In addition, the Company shall comply with the relevant requirements under Chapter 14A of the Hong Kong Listing Rules in relation to the Continuing Connected Transactions.

A notice of attendance and form of proxy for use at the EGM are also enclosed with this circular. Whether or not Shareholders who are able to attend the EGM, they are requested to complete and return the enclosed form of proxy to the Secretary to the Board at ZTE Plaza, Keji Road South, Hi-Tech Industrial Park, Nanshan District, Shenzhen, 518057, the People's Republic of China as soon as practicable and in any event not less than 24 hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM should you so wish.

Voting will be taking by poll in accordance with the Hong Kong Listing Rules in relation to the ordinary resolution for approving the Non-exempt Connected Transaction Framework Agreement for the Non-exempt Continuing Connected Transactions and the relevant annual caps for the three years ending 31 December 2010, 2011 and 2012. The results of the voting will be announced after the EGM.

4. GENERAL INFORMATION

The Company and its subsidiaries are principally engaged in the design, development, production, distribution and installation of a broad range of advanced telecommunications equipment, including carrier networks, handsets and telecommunications software systems and services.

5. RECOMMENDATION

The Directors (including the independent non-executive Directors) take the view that the terms of the Non-exempt Continuing Connected Transactions and the terms of the Non-exempt Connected Transaction Framework Agreement for such transactions, and the relevant annual caps for each of the Non-exempt Continuing Connected Transactions for the years ending 31 December 2010, 2011 and 2012 are on normal commercial terms and are entered into in the ordinary and usual course of business of the Company and the terms of these transactions are fair and reasonable and in the interests of the Shareholders as a whole.

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders, which is set out on pages 9 and 10 of this circular. The Independent Board Committee considers that (i) the Non-exempt Continuing Connected Transactions and the terms of the Non-exempt Connected Transaction Framework Agreement for such transactions; and (ii) the proposed annual caps for the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2010, 2011 and 2012 to be on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Company and its Shareholders as a whole. The Independent Board Committee recommends that the Independent Shareholders should vote **in favour** of the resolution at the EGM.

The advice of Independent Financial Adviser to the Independent Board Committee is set out on pages 11 to 23 of this circular. The Independent Financial Adviser is of the view that, (i) the Non-exempt Continuing Connected Transactions and the terms of the Non-exempt Connected Transaction Framework Agreement for such transactions and (ii) the proposed annual caps for the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2010, 2011 and 2012 are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

6. ADDITIONAL INFORMATION

Your attention is drawn to the general information set out in the Appendix to this circular.

Yours faithfully
ZTE CORPORATION
Hou Weigui
Chairman

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)

13 November 2009

To the Independent Shareholders

Dear Sir or Madam,

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 13 November 2009 (the "Circular") issued by ZTE Corporation (the Company), of which this letter forms a part. Terms defined in the Circular shall have the same meanings herein.

We have been appointed to constitute the Independent Board Committee to make a recommendation to the Independent Shareholders as to whether, in our view, (i) the Non-exempt Continuing Connected Transactions and the terms of the Non-exempt Connected Transaction Framework Agreement for such transactions; and (ii) the proposed annual caps for the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2010, 2011 and 2012, as set out in the letter from the Board contained in this Circular, are fair and reasonable so far as the Independent Shareholders are concerned. Mitsubishi UFJ Securities (HK) Capital, Limited has been appointed as an independent financial adviser to advise us and the Independent Shareholders whether the Non-exempt Continuing Connected Transactions and the relevant annual caps are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business and in the interests of the Company and its shareholders as a whole. We wish to draw your attention to the letter from Mitsubishi UFJ Securities (HK) Capital, Limited as set out on pages 11 to 23 of this Circular.

Having considered the information set out in the letter from the Board, and the principal factors, reasons and recommendation set out in the letter from Mitsubishi UFJ Securities (HK) Capital, Limited, we are of the opinion that (i) the Non-exempt Continuing Connected Transactions and the terms of the Non-exempt Connected Transaction Framework Agreement for such transactions; and (ii) the proposed annual caps for the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2010, 2011 and 2012 are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business and in the interests of the Company and its shareholders as a whole. We consider that (i) the Non-exempt Continuing Connected Transactions and the terms of the Non-exempt Connected Transaction Framework

Agreement for such transactions; and (ii) the proposed annual caps for the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2010, 2011 and 2012 are in the interests of the Company as well as Shareholders as a whole.

Accordingly, we recommend that the Independent Shareholders vote in favour of the resolution to approve the Non-exempt Connected Transaction Framework Agreement for the Non-exempt Continuing Connected Transactions and the caps on the Non-exempt Continuing Connected Transactions for the years ending 31 December 2010, 31 December 2011 and 31 December 2012 at the EGM.

Yours faithfully

For and on behalf of the
Independent Board Committee

Mi Zhengkun
Independent Non-executive Director

Li Jin
Independent Non-executive Director

Qu Xiaohui
Independent Non-executive Director

Wei Wei
Independent Non-executive Director

Chen Naiwei
Independent Non-executive Director

The following is the text of a letter of advice dated 13 November 2009 received from Mitsubishi UFJ Securities (HK) Capital, Limited which has been prepared for incorporation into this circular:

MUFG Mitsubishi UFJ Securities
Mitsubishi UFJ Securities (HK) Capital, Limited

13 November 2009

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders of ZTE Corporation (the "Company") in respect of the terms of the Non-exempt Connected Transaction Framework Agreements for the Non-exempt Continuing Connected Transactions and the relevant annual caps for the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2010, 2011 and 2012, particulars of which are set out in the circular (the "Circular") of the Company dated 13 November 2009 and in which this letter is reproduced. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as ascribed to them under the section headed "Definitions" in the Circular.

As set out in the letter from the Board (the "Letter from the Board"), ZTE Kangxun (a subsidiary of the Company (as purchaser)) proposes to enter into the Non-exempt Connected Transaction Framework Agreements with Zhongxingxin and certain of its subsidiaries (as supplier) with respect to the continued purchase of raw materials and components from them for the three years ending 31 December 2012. Zhongxingxin is the Company's controlling shareholder (and also one of the Company's Promoters) and is hence a connected person of the Company. Zhongxing Xindi, Zhongxing Xinyu and Zhongxing Xinzhou are all non-wholly owned subsidiaries of Zhongxingxin (and hence associates of Zhongxingxin) and therefore each of them constitutes the Company's connected person. As the relevant percentage ratios involved in this type of transaction are more than 2.5% for the Group, the effectiveness of the relevant Non-exempt Connected Transaction Framework Agreements and the relevant proposed annual caps for the three years ending 31 December 2010, 2011 and 2012 are subject to Independent Shareholders' approval.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true at the time they were made and continue to be true as at the date of the Circular. We have also relied on our discussion with the management of the Company regarding the Group and the respective terms of the Non-exempt Connected Transaction Framework Agreements for the Non-exempt Continuing Connected Transactions (including the relevant annual caps), including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and the Company in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, Zhongxingxin and their respective associates nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the terms of the Non-exempt Connected Transaction Framework Agreements for the Non-exempt Continuing Connected Transactions (including the relevant annual caps), we have considered the following principal factors and reasons:

1. Background of and reasons for entering into the Non-exempt Connected Transaction Framework Agreements for the Non-exempt Continuing Connected Transactions

The Group is principally engaged in the design, development, production, distribution and installation of a broad range of advanced telecommunications equipment, including carrier networks, handsets and telecommunications software systems and services.

As set out in the Letter from the Board, ZTE Kangxun (as the Group's purchasing platform) has in the ordinary and usual course of its business purchased certain raw materials and components required for the manufacturing of its products from Zhongxingxin, Zhongxing Xindi, Zhongxing Xinyu and Zhongxing Xinzhou. These raw materials and components comprise primarily cases, cabinets, distribution frames, flexible printed circuit boards and shelters. Each of Zhongxingxin, Zhongxing Xindi, Zhongxing Xinyu and Zhongxing Xinzhou was selected through the Group's qualification and bidding procedures, and the Group believes that they have consistently been able to meet its stringent demands for fast product turnaround time, high product quality and timely delivery. As the Group considers that having reliable and co-operative suppliers is important and beneficial to it, purchasing from Zhongxingxin, Zhongxing Xindi, Zhongxing Xinyu and Zhongxing Xinzhou allows the Group to secure essential control over most of the components of its production by being able to ensure timely delivery of such components while maintaining product quality.

We summarise (i) the principal activity engaged by, and (ii) the nature of raw material to be procured by the Group under the Non-exempt Connected Transaction Framework Agreements from, each of Zhongxingxin, Zhongxing Xindi, Zhongxing Xinyu and Zhongxing Xinzhou as follows:

Connected persons	Principal activities	Nature of raw material as procured by the Group under the Non-exempt Connected Transaction Framework Agreements
Zhongxingxin	Production of cabinet for switchboards, telephone, accessories and electronic product	Telecommunications cabinets, enclosures and racks
Zhongxing Xindi	Manufacture of various types of distribution frames (such as digital distribution frames, optical distribution frames and main distribution frames) and packaging materials	Distribution frames and packaging materials
Zhongxing Xinyu	Research and development, manufacture and sale of flexible printed circuit board (FPCB) and other relevant products and in the provision of related services	Flexible printed circuit boards
Zhongxing Xinzhou	Manufacturing, processing and sale of auxiliary system for civil transportation, movable building, railway carriage for materials, accessories and components for communications systems	Shelters

As part of our due diligence exercise, we have discussed with the Company and understand that Zhongxingxin is the controlling shareholder of the Company and had been one of the key suppliers of the Group both prior to and subsequent to the listing of the Shares on the Hong Kong Stock Exchange in 2004.

Upon review of the prospectus of the Company dated 29 November 2004, we note that ZTE Kangxun began in the middle of 2003 to make purchases of packaging materials and distribution frames from Zhongxing Xindi following Zhongxingxin's transfer of the manufacture of the same items to Zhongxing Xindi. On the other hand, in the later part of 2004, ZTE Kangxun was then contemplating to begin to make purchases of flexible printed circuit boards from Zhongxing Xinyu with the improvement in its production quantity and quality. We further note that ZTE Kangxun began to make purchases of shelters from Zhongxing Xinzhou from April 2006.

Given the years' of historical track record of the purchase transactions from Zhongxingxin, Zhongxing Xindi, Zhongxing Xinyu and Zhongxing Xinzhou, we consider that the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2010, 2011 and 2012 are a natural extension of the past and continuing connected transactions which have, in essence, been facilitating the Group to secure reliable and stable supply of raw materials and components required for the manufacturing of its products. Against the background as stated above, we consider that there is an acceptable rationale for the Group to enter into the Non-exempt Connected Transaction Framework Agreements for the Non-exempt Continuing Connected Transactions.

2. Key terms of the Non-exempt Connected Transaction Framework Agreements for the Non-exempt Continuing Connected Transactions

- *Pricing*

As set out in the Letter from the Board, and as further advised by the Company, the Directors have confirmed that ZTE Kangxun's purchases of raw materials and components from Zhongxingxin, Zhongxing Xindi, Zhongxing Xinyu and Zhongxing Xinzhou were and would continue to be made in accordance with its qualification and bidding procedures described below and further that prices for such purchases were and would continue to be determined on an arm's length basis and on the same basis as prices charged by independent third party suppliers. Prices for future purchases pursuant to the Non-exempt Connected Transaction Framework Agreements with Zhongxingxin, Zhongxing Xindi, Zhongxing Xinyu and Zhongxing Xinzhou will be arrived at after arm's length negotiations, with reference to the prices quoted by Zhongxingxin, Zhongxing Xindi, Zhongxing Xinyu and Zhongxing Xinzhou for sales of similar quantities of the same or similar products to independent third parties at the relevant time.

As far as the Group's qualification and bidding procedures are concerned, a potential supplier to the Group must pass its internally formulated qualification procedures based on qualifications, product quality and price in order to become a qualified supplier. The Group reviews the status of qualified supplier on an annual basis. Typically, based on the Group's forecasts for a relevant year, the Group invites qualified suppliers to bid to supply to it for such year. Successful bidders then enter into one-year framework agreements which include agreed preliminary pricing terms. During the term of the framework agreement, the Group issues purchase orders to the supplier, specifying product types, agreed quantities and prices, quality specifications, delivery times, places and modes, as well as contact details.

To this end and in practice, we were confirmed by the Company that pricing quotations will be sought by ZTE Kangxun as appropriate from qualified suppliers (including independent third parties, Zhongxingxin, Zhongxing Xindi, Zhongxing Xinyu and/or Zhongxing Xinzhou) at the relevant time of procurement for raw materials of comparable quantity and quality. Upon comparison, the best ranked supplier as judged by a combination of factors including prices (as top priority), suppliers' credentials and competence, quality and reliability of products offered by a given supplier, and other commercial terms (such as settlement days and delivery times) will be chosen by ZTE Kangxun. On such basis, the Company confirms that Zhongxingxin, Zhongxing Xindi, Zhongxing Xinyu or Zhongxing Xinzhou will not be chosen as ZTE Kangxun's supplier unless the terms offered thereby are not less favourable to ZTE Kangxun than those charged by independent third party suppliers.

Upon our enquiry, we have reviewed pricing quotations/invoices from ZTE Kangxun to Zhongxingxin, Zhongxing Xindi, Zhongxing Xinyu, Zhongxing Xinzhou and/or independent third party suppliers for similar raw materials as purchased by ZTE Kangxun in 2009. According to the quotations/invoices, we note that and have further been reaffirmed by the Company that the price levels charged by Zhongxingxin, Zhongxing Xindi, Zhongxing Xinyu and/or Zhongxing Xinzhou (in case that they succeeded in the bidding procedures) were generally not higher than those offered by independent third party suppliers and hence were on normal commercial terms.

On the other hand, we note that each of Zhongxingxin, Zhongxing Xindi, Zhongxing Xinzhou and Zhongxing Xinyu are, pursuant to the Non-exempt Connected Transaction Framework Agreements, obliged to offer raw materials of comparable quality and quantity at terms not less favourable to ZTE Kangxun than those offered to their respective independent third party customers. In particular, Zhongxingxin, Zhongxing Xindi, Zhongxing Xinyu and Zhongxing Xinzhou have, pursuant to the Non-exempt Connected Transaction Framework Agreements, undertaken to offer raw materials of comparable quality and quantity to ZTE Kangxun at prices not higher than those offered to their respective independent third party customers.

- *Payment terms and settlement*

Pursuant to the Non-exempt Connected Transaction Framework Agreements, we note that the accounts payable by ZTE Kangxun under the Non-exempt Continuing Connected Transactions shall be settled by commercial acceptance bill (商業承兑匯票) within 210 days from the date of inspection and acceptance of the products.

Upon our enquiry, we have reviewed quotations/invoices from ZTE Kangxun to Zhongxingxin, Zhongxing Xindi, Zhongxing Xinyu, Zhongxing Xinzhou and/or independent third party suppliers for similar raw materials as purchased by ZTE Kangxun in 2009. According to the quotations/invoices, we note that and have further been reaffirmed by the Company that the settlement days required by Zhongxingxin, Zhongxing Xindi, Zhongxing Xinyu and/or Zhongxing Xinzhou (in case that they succeeded in the bidding procedures) were generally not sooner than those offered by independent third party suppliers and hence were on normal commercial terms.

3. Annual caps of the raw materials to be purchased

As set out in the Letter from the Board, we summarise the historical figures of the raw materials and components by ZTE Kangxun from Zhongxingxin, Zhongxing Xindi, Zhongxing Xinyu, Zhongxing Xinzhou for each of the two years ended 31 December 2008 and the nine months ended 30 September 2009 in the following table:

Historical transaction figures	**For the year ended 31 December 2007 (Excluding VAT)**	**For the year ended 31 December 2008 (Excluding VAT)**	**For the nine months ended 30 September 2009 (Excluding VAT)**
		(RMB'000)	
"Actual purchases" of raw materials and components by ZTE Kangxu	705,680	780,180	548,740
versus			
("Annual caps sought" under the circular of the Company dated 10 November 2006)	(720,000)	(950,000)	(Assuming 900,000 (Q1 to Q3) = 1,200,000 (FY) x 9/12)
Percentage of total "actual purchases" over "annual cap sought"	98%	82%	61%

As illustrated in the table above, we note that the relevant total "actual purchases" under the Non-exempt Connected Transaction Framework Agreements represented over 80% of the then "annual cap sought" (back in 2006) for each of the two years ended 31 December 2008. However, on pro rata basis, the relevant total "actual purchases" by ZTE Kangxun from Zhongxingxin and certain of its subsidiaries accounted for only about 61% of the then annual cap sought (back in 2006) for the nine months ended 30 September 2009. Upon enquiry, we understand from the Company that such shortfall was attributable to the introduction of a number of new independent third party suppliers for the Group during the nine months ended 30 September 2009, thereby diluting the relative proportion of supplies by Zhongxingxin group to the Group.

As set out in the Letter from the Board, the Company estimates that the amount of total purchases of raw materials and components by ZTE Kangxun from Zhongxingxin, Zhongxing Xindi, Zhongxing Xinyu and Zhongxing Xinzhou will not exceed RMB1,000 million, RMB1,300 million and RMB1,690 million respectively for the three years ending 31 December 2012. For the purpose of assessing whether such maximum caps for the three years ending 31 December 2012 are justifiable, we analyse the basis of arriving at such cap amounts in term of two constituting components, namely "quantity range" and "price range":

(i) Quantity

As part of our due diligence exercise, we have enquired the Company on the quantity range of raw materials to be purchased under the Non-exempt Continuing Connected Transactions for the purpose of arriving at the caps from 2010 to 2012. However, given that the Group is engaged in the manufacture of "customized" telecommunication system, the Company confirms to us that the raw materials (for example, various models of frame or telecommunications cabinets) that the Group is used to purchase under the Non-exempt Continuing Connected Transactions are remarkably numerous. For example, the Company confirms that there are more than one hundred model codes for telecommunications cabinets alone, and hence it is not easy to break down in detail the estimated quantity range for each model of telecommunications cabinets, enclosures and racks; distribution frames and packaging materials; flexible printed circuit boards; and shelters for our review.

As discussed with the Company, we understand that the quantity range of raw materials to be purchased from 2010 to 2012 was determined with reference to

(a) the previous transactions conducted and transaction amounts in respect of purchases of raw materials and components from Zhongxingxin and its subsidiaries;

(b) the Group's expectation of the future development of its business;

(c) the Group's expected growth of its production capacity; and

(d) the Group's overall projected requirements for raw materials and components from Zhongxingxin and its subsidiaries.

We note that there are increases in the future estimated transaction amounts compared with historical figures. Upon our enquiry, the Company estimates the demand for telecommunication products will continue to increase due to the increasing demand of domestic and overseas markets. In this connection, we have the following analysis:

Industry overview of telecommunications market

PRC

1. During the first half of 2009, the three leading PRC carriers continued to step up with their 3G network building, complemented by an increasingly diverse range of competitive behaviour.

2. In general, overall carriers' investments sustained stable growth, while mobile equipment remained a key subject for carriers' investments.

3. According to statistics published by the Ministry of Industry and Information Technology,

   - Revenue for the domestic telecommunications sector grew by 2.3% to RMB417.07 billion for the first half of 2009, as compared to the same period last year.

   - New fixed asset investments grew 13.6% to RMB129.14 billion.

Global

4. Intense competition remained in the global telecommunications market during the first half of 2009.

5. Despite a slowdown in overall growth, revenue from global mobile voice businesses continued to account for a major portion in carriers' income, with stable development reported in emerging markets such as the Asia Pacific and Latin America.

6. The global 3G business had moved into the stage of rapid development after a prolonged induction period.

7. Regionally speaking, 2G and 3G networks in developed countries had moved into the replacement stage, while network construction was at its peak in emerging markets.

8. There was growing demand for bandwidth upgrade and service innovation among carriers, as they sought to cope with the fast penetration of 3G and the development of mobile Internet connections driven by carriers' attempts to gain an upper hand in market competition.

Source: interim report of the Company for the six months ended 30 June 2009

In the context of the above industry overview, the Group gained new market shares in the global wireless market, particularly in the 3G sector, while synchronous developments were achieved in the sectors for FTTX and carriers networks. The Group also maintained stable growth in terminal business for the six months ended 30 June 2009.

On the above basis, in particular the actual historical compound annual growth rate of the Group's revenue of approximately 38% (on annual basis or on interim basis) to be discussed in the ensuing section, we consider that the Directors have taken into consideration a number of relevant factors before arriving at the quantity range of raw materials to be purchased from 2010 to 2012 for the purpose of determining the annual caps under the Non-exempt Continuing Connected Transactions.

(ii) Price

As part of our due diligence exercise, we have enquired the Company on the price range of raw materials to be purchased under the Non-exempt Continuing Connected Transactions for the purpose of arriving at the cap from 2010 to 2012. However, given that the Group is engaged in the manufacture of "customized" telecommunication system, the Company confirms to us that the raw materials (for example, various models of frame or telecommunications cabinets) that the Group is used to purchase under the Non-exempt Continuing Connected Transactions are remarkably numerous. For example, the Company confirms that there are more than one hundred model codes for telecommunications cabinets alone, and hence it is not easy to break down in detail the estimated price range for each model of telecommunications cabinets, enclosures and racks; distribution frames and packaging materials; flexible printed circuit boards; and shelters for our review.

Despite this, we note that the estimated range of price of the broad categories of raw materials that the Group is used to purchase under the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2012 has been recently disclosed in the announcement of the Company dated 28 October 2009 pursuant to the Rules Governing Listing of Stocks on Shenzhen Stock Exchange. Upon comparison, the estimated price range is mostly in line with that for the year ending 31 December 2009 under the same category of continuing connected transactions as disclosed earlier in the announcement of the Company dated 20 March 2009 pursuant to the Rules Governing Listing of Stocks on Shenzhen Stock Exchange, details of which is summarised below:

Price range of raw materials	**For the year(s) ending**	
	31 December 2009	**31 December 2010 to 2012**
Telecommunications cabinets, enclosures and racks	1–31,000/unit[1]	1–31,000/unit[1]
Distribution frames and packaging materials	2–300,000/unit[1]	2–150,000/unit[1]
Flexible printed circuit boards	2–50/unit[2]	0.3–50/unit[2]
Shelter	20,000–100,000/unit[3]	20,000–100,000/unit[3]

Notes:

1. depending on level of sophistication

2. depending on measurement, technical specification and functional feature

3. depending on measurement, materials used and configuration

On the above basis, we consider that there is a pre-determined basis in arriving at the price range of raw materials to be purchased from 2010 to 2012 for the purpose of determining the annual caps under the Non-exempt Continuing Connected Transactions.

(iii) Maximum cap

We note that the annual cap for the year ending 31 December 2010 (of RMB1,000 million) to be sought under the Non-exempt Continuing Connected Transactions represents a respective increase of approximately (i) 28% and (ii) 37% over the actual purchases of raw materials and components by ZTE Kangxun from Zhongxingxin and certain of its subsidiaries for (i) the year ending 31 December 2008 (of approximately RMB780.18 million) and (ii) the annualised data of approximately RMB731.65 million as derived from that for the nine months ended 30 September 2009 (of approximately RMB548.74 million).

Further, the annual caps for the two years ending 31 December 2011 and 31 December 2012 (of RMB1,300 million and RMB1,690 million respectively) to be sought under the Non-exempt Continuing Connected Transactions represents a respective increase of approximately 30% and 30% on a year-on-year basis respectively.

For comparison purpose, we note that the said magnitude of increment (of between roughly 28% to 37%) to be sought under the Non-exempt Continuing Connected Transactions is still not higher than the actual historical compound annual growth rate of the Group's revenue of approximately 38% (on annual basis or on interim basis), details of which are summarised as follows:

	For the year ended 31 December		
	2006	**2007**	**2008**
Revenue	RMB23.215 billion	RMB34.777 billion	RMB44.293 billion
Growth rate (year-on-year)	—	50%	27%
Compound annual growth rate		38%	

	For the six months ended 30 June			
	2006	**2007**	**2008**	**2009**
Revenue	RMB10.589 billion	RMB15.232 billion	RMB19.729 billion	RMB27.708 billion
Growth rate (period-on-period)	—	44%	30%	40%
Compound annual growth rate		38%		

For further comparison purpose, according to the annual/interim reports of the Company, it comes to our attention that the "actual purchases" of raw materials and components by ZTE Kangxu from Zhongxingxin, Zhongxing Xindi, Zhongxing Xinyu, Zhongxing Xinzhou for each of the three years ended 31 December 2008 has been on a stable trend to account for merely about 3.28%, 3.29% and 3.19% of the Group's total purchases of same classification of raw materials and components respectively (2009H1: 2.17%).

Having regard to

(i) that the Directors have taken into consideration a number of relevant factors before arriving at the quantity range of raw materials to be purchased;

(ii) the pre-determined basis in arriving at the price range of raw materials to be purchased; and

(iii) the fact that the purchases under the Non-exempt Continuing Connected Transactions are subject to certain conditions as set out in the following paragraph headed "The conditions" which is regarded as a mechanism to protect the interest of the Independent Shareholders,

we consider that the maximum cap for each of the three financial years ending 31 December 2012 respectively has been arrived at on an acceptable basis for the purpose of accommodating the purchases under the Non-exempt Continuing Connected Transactions.

4. Conditions

Pursuant to the Listing Rules, the Company will seek the approval by the Independent Shareholders of the Non-exempt Connected Transaction Framework Agreements for the Non-exempt Continuing Connected Transactions (including annual monetary caps) for the three years ending 31 December 2012 subject to the following conditions:

1. The transactions contemplated under the Non-exempt Connected Transaction Framework Agreements for the Non-exempt Continuing Connected Transactions will be:

   (a) entered into in the ordinary and usual course of the business of the Group;

   (b) conducted on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available from independent third parties; and

   (c) entered into in accordance with the terms of the Non-exempt Connected Transaction Framework Agreements for the Non-exempt Continuing Connected Transactions that are fair and reasonable and in the interests of the Shareholders as a whole;

2. The transacted amount of the transactions under the Non-exempt Connected Transaction Framework Agreements for the Non-exempt Continuing Connected Transactions shall not exceed the relevant annual monetary caps; and

3. The Company will comply with all other relevant requirements under the Listing Rules.

Taking into account of the conditions attached to the transactions contemplated under the Non-exempt Connected Transaction Framework Agreements for the Non-exempt Continuing Connected Transactions, in particular, (i) the ways of setting the relevant annual caps; and (ii) the compliance with all other relevant requirement under the Listing Rules (which include the annual review and/or confirmation by the independent non-executive Directors and auditors of the Company on the actual execution of the transaction contemplated under the continuing connected transactions pursuant to Rule 14A.37 and Rule 14A.38 of the Listing Rules), we consider that the Company has taken appropriate measures to govern the Company in carrying out the continuing connected transactions, with a view to safeguarding the interests of the Shareholders thereunder.

RECOMMENDATION

Having considered the principal factors and reasons, we are of the opinion that the terms of the Non-exempt Connected Transaction Framework Agreements for the Non-exempt Continuing Connected Transactions (including the relevant annual caps) are on normal commercial terms, in the ordinary course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, and we recommend the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the extraordinary general meeting for approving the Non-exempt Connected Transaction Framework Agreements for the Non-exempt Continuing Connected Transactions (including the relevant annual caps).

Yours faithfully,
For and on behalf of
Mitsubishi UFJ Securities (HK) Capital, Limited
Harry Yu
Executive Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Hong Kong Listing Rules for the purposes of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular, and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, none of the Directors, so far as is known to them, any of their respective associates was interested in any business (apart from the Group's business) which competes or is likely to compete either directly or indirectly with the Group's business (as would be required to be disclosed under Rule 8.10 of the Hong Kong Listing Rules if each of them were a controlling shareholder).

As at the Latest Practicable Date, the interests and short position of the Directors, Supervisors and the President of the Company in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Hong Kong Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange, were as follows:

Name	Position	Number of shares held	Shares/Class
Directors			
Hou Weigui	Chairman of the Board of Directors	659,706	A shares of the Company
Wang Zongyin	Vice Chairman of the Board of Directors	18,200	A shares of the Company
Xie Weiliang	Vice Chairman of the Board of Directors	18,200	A shares of the Company
Zhang Junchao	Director	18,200	A shares of the Company
Li Juping	Director	18,200	A shares of the Company

Name	Position	Number of shares held	Shares/Class
Dong Lianbo	Director	18,200	A shares of the Company
Yin Yimin	Director, President	351,574	A shares of the Company
Shi Lirong	Director, Executive Vice President	200,283	A shares of the Company
He Shiyou	Director, Executive Vice President	191,633	A shares of the Company
Mi Zhengkun	Independent Director	—	—
Li Jin	Independent Director	—	—
Qu Xiaohui	Independent Director	—	—
Wei Wei	Independent Director	—	—
Chen Naiwei	Independent Director	—	—
Supervisors			
Zhang Taifeng	Chairman of the Supervisory	221,458	A shares of the Company
Wang Wangxi	Supervisory	—	—
He Xuemei	Supervisory	—	—
Qu Deqian	Supervisory	18,236	A shares of the Company
Wang Yan	Supervisory	—	—

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, Supervisors and the President had any interests or short positions in any shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under the SFO), or which were required to be recorded in the register to be kept under Section 352 of the SFO or as notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Hong Kong Listing Rules.

As at the Latest Practicable Date, none of the Directors and their respective spouses and children under 18 years of age had been granted by the Company or had exercised any right to subscribe for shares or debentures of the Company or any of its associated corporations.

As at the Latest Practicable Date, the following Directors or proposed Directors of the Company were the directors or employees of companies which have interests or short positions in the shares or underlying shares of the Company that is required to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 under Part XV of the SFO:

Name of Directors	**Name of Shareholders**	**Position in the Shareholder**
Mr. Xie Weiliang	Zhongxingxin	Chairman of the Board of Directors
	CASIC Shenzhen (Group) Company, Limited	Directors and General Manager
Mr. Zhang Junchao	Zhongxingxin	Vice Chairman of the Board of Directors
	Lishan Microelectronics Corporation	Authorized representative
Mr. Dong Lianbo	Zhongxingxin	Director
	CASIC Shenzhen (Group) Company, Limited	Directors, Secretary to the Party Committee and deputy general manager
Mr. Shi Lirong	Zhongxingxin	Director

As at the Latest Practicable Date, the interests and short positions of substantial shareholders (being persons who are entitled to exercise, or control the exercise of, 5% or more of the voting power at any general meeting of the Company) and other persons who have an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group were as set out in the tables below:

(L) — long position; (S) — short position; (P) — lending pool

		Approximate shareholding as a percentage (%) of:	
Name	**Number of shares held**	**Total share capital**	**The relevant class of shares**
深圳市中興通訊設備有限公司 (Shenzhen Zhongxingxin Telecommunications Equipment Company, Limited)	620,214,413 A Shares (L)	33.87 (L)	40.28 (L)
深圳市中興維先通設備有限公司 (Shenzhen Zhongxing WXT Equipment Company, Ltd.)	620,214,413 A Shares (L)	33.87 (L)	40.28 (L)
西安微電子技術研究所 (Xi'an Microelectronics Technology Research Institute)	620,214,413 A Shares (L)	33.87 (L)	40.28 (L)
中國航天時代電子公司 (China Aerospace Times Electronics Corporation)	620,214,413 A Shares (L)	33.87 (L)	40.28 (L)
中國航天科技集團公司 (China Aerospace Science and Technology Corporation)	620,214,413 A Shares (L)	33.87 (L)	40.28 (L)
FRM LLC	22,404,518 H Shares (L)	1.22 (L)	7.69 (L)
FIL Limited	17,690,630 H Shares (L)	0.97 (L)	6.07 (L)
Goldman Sachs (Asia) L L C	11,622,000 H Shares (L)	1.21 (L)[Note]	7.26 (L)[Note]

Name	Number of shares held	Approximate shareholding as a percentage (%) of: Total share capital	The relevant class of shares
Goldman Sachs (Cayman) Holding Company	11,622,000 H Shares (L)	1.21 (L)[Note]	7.26 (L)[Note]
Aranda Investments (Mauritius) Pte Ltd	11,141,800 H Shares (L)	1.16 (L)[Note]	6.96 (L)[Note]
Massachusetts Financial Services Company ("MFS")	8,428,100 H Shares (L)	0.88 (L)[Note]	5.26 (L)[Note]
Sun Life Financial, Inc.	8,428,100 H Shares (L)	0.88 (L)[Note]	5.26 (L)[Note]

Note: Shareholdings as percentage of total share capital and class shares are calculated on the basis of the Company's total share capital (959,521,650 shares) and total number of H shares 160,151,040 shares) before the capitalisation of capital reserves on 10 July 2008.

Save as disclosed above, as at the Latest Practicable Date, so far as the Directors and the President of the Company are aware, no person (not being a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 under Part XV of the SFO, or, who is directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meeting of any other member of the Company.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had since 31 December 2008, being the date on which the latest published audited accounts of the Company were made up, been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group since 31 December 2008, being the date on which the latest published audited accounts of the Company were made up, and which was significant in relation to the business of the Group.

3. LITIGATION

Neither the Company nor any of its subsidiaries is engaged in litigation or arbitration of material importance and there is no litigation or claim of material importance pending or threatened against the Company or any of its subsidiaries.

4. EXPERT'S QUALIFICATION, DISCLOSURE OF INTERESTS AND CONSENTS

Mitsubishi UFJ Securities (HK) Capital, Limited is a corporation licensed to carry out regulated activities type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) under the SFO.

As at the Latest Practicable Date, Mitsubishi UFJ Securities (HK) Capital, Limited did not have any direct or indirect shareholding in any members of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

As at the Latest Practicable Date, Mitsubishi UFJ Securities (HK) Capital, Limited did not have any direct or indirect interests in any assets which had since 31 December 2008 (being the date to which the latest published audited consolidated accounts of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

Mitsubishi UFJ Securities (HK) Capital, Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter and references to its name in the form and context in which they appear.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries which will not expire or is determinable by the employer within one year without payment of compensation (other than statutory compensation).

6. MATERIAL ADVERSE CHANGE

There has been no material adverse change in the financial or trading position of the Company since 31 December 2008, the date to which the latest published audited accounts of the Company have been made up.

7. MISCELLANEOUS

(a) The company secretary of the Company is Mr. Feng Jianxiong.

(b) The registered office of the Company is ZTE Plaza, Keji Road South, Hi-Tech Industrial Park, Nanshan District, Shenzhen, 518057, The People's Republic of China.

(c) The share registrar and transfer office for the Company's H shares is Computershare Hong Kong Investor Services Limited, Room 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the registered office of the Company, ZTE Plaza, Keji Road South, Hi-Tech Industrial Park, Nanshan District, Shenzhen, 518057, The People's Republic of China, and at the offices of Morrison & Foerster, 33rd Floor, Edinburgh Tower, The Landmark, 15 Queen's Road, Central, Hong Kong, from the date of this circular up to and including 27 November 2009:

(a) the Non-exempt Connected Transaction Framework Agreement for the Non-exempt Continuing Connected Transactions;

(b) the letter of consent from the Independent Financial Adviser;

(c) the letter from Independent Financial Adviser to the Independent Board Committee dated 13 November 2009, the text of which is set out on pages 11 to 23 of this Circular;

(d) the letter from the Independent Board Committee; and

(e) resolutions for the thirtieth meeting of the fourth session of the Board held on 27 October 2009.

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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 SECOND EXTRAORDINARY GENERAL MEETING OF 2009

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 Second Extraordinary General Meeting of 2009 (hereinafter referred to as the "EGM") of ZTE Corporation (hereinafter referred to as the "Company") will be held in accordance with the resolution passed at the Thirty-first Meeting of the Fourth Session of the Board of Directors of the Company held on 12 November 2009. Details of the EGM are set out below:

I. INFORMATION REGARDING THE EGM

(i) Date and time of meeting

The EGM will commence at 9:00 a.m. on Tuesday, 29 December 2009.

(ii) Venue

The EGM will be held at the the Conference Room on the 4th floor of the Company's headquarters in Shenzhen.

Address: 4th Floor, A Wing, ZTE Plaza, Keji Road South, Hi-Tech Industrial Park, Nanshan District, Shenzhen

Tel: +86 (755) 26770282

(iii) Convener

The EGM will be convened by the Board of Directors of the Company.

(iv) Voting method

Voting will be carried out on-site at the EGM.

(v) Attendees

1. All ZTE (000063) shareholders registered with China Securities Depository & Clearing Corporation Limited, Shenzhen Office upon the close of trading of its A shares on the Shenzhen Stock Exchange on Friday, 27 November 2009 at 3:00 p.m. (hereinafter referred to as "Domestic Shareholders");

2. All shareholders registered on the Company's H share register maintained by Computershare Hong Kong Investor Services Limited upon the close of trading of its H shares on The Stock Exchange of Hong Kong Limited on Friday, 27 November 2009 at 4:00 p.m. (hereinafter referred to as "H Shareholders");

3. Directors, supervisors and senior management of the Company; and

4. Representatives of intermediaries engaged by the Company and guests invited by the Board of Directors.

(vi) Closure of H share register

The Company will close its H share register from Saturday, 28 November 2009 to Monday, 28 December 2009 (inclusive). Any H Shareholder who wishes to attend the EGM shall lodge an instrument of transfer, together with the corresponding share certificate(s) with Computershare Hong Kong Investor Services Limited at Room 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m., 27 November 2009.

II. MATTERS TO BE CONSIDERED AT THE EGM

To consider and, if thought fit, pass the following resolutions at the EGM as follows:

Ordinary Resolution

1. The Specific System for the Selection and Appointment of Accountants' Firms of ZTE Corporation

"The specific system for the selection and appointment of accountants' firms of ZTE Corporation" was considered and unanimously approved by the Directors at the Twenty-eighth Meeting of the Fourth Session of the Board of Directors in accordance with relevant requirements of securities regulatory authorities and taking into account the specific conditions of the Company, with a view to standardising the selection and appointment of accountants' firm for the auditing of periodic financial statements prepared in accordance with the PRC Accounting Standards for Business Enterprises and the auditing of significant asset restructuring, offering genuine protection for shareholders' interests and enhancing the quality of financial information. It was also approved that the system be tabled at the general meeting of the Company for consideration. For further details of the "The specific system for the selection and appointment of accountants' firms of ZTE Corporation", please refer to Appendix I.

2. Resolution of the Company on the Proposed Execution of the 2010–2012 Framework Purchase Agreement

The 2010–2012 Framework Purchase Agreement proposed to be entered into between Company subsidiary 深圳市中興康訊電子有限公司 (ZTE Kangxun Telecom Company Limited) ("ZTE Kangxun") on the one hand and connected parties 深圳市中興新通訊設備有限公司 (Shenzhen Zhongxingxin Telecommunications Equipment Company, Limited), 深圳市中興新地通信器材有限公司 (Shenzhen Zhongxing Xindi Telecommunications Equipment Company, Limited), 深圳市中興新宇軟電路有限公司 (Shenzhen Zhongxing Xinyu FPC Company, Limited) and 深圳市中興新舟成套設備有限公司 (Zhongxing Xinzhou Complete Equipment Co., Ltd.) on the other, in relation to the purchase of cases, cabinets, distribution frames, flexible printed circuit boards and shelters, with estimated maximum accumulated transaction amounts (excluding VAT) as follows: RMB1,000 million for 2010, RMB1,300 million for 2011 and RMB1,690 million for 2012. The resolution was unanimously approved at the Thirtieth Meeting of the Fourth Session of the Board of Directors. It was also approved that the proposal be tabled at the general meeting of the Company for consideration.

3. Resolution of the Company on the Provision of Performance Guarantee for Wholly-owned Subsidiary ZTE Telecom India Private Limited ("ZTE India")

The "Resolution of the Company on the Provision of Performance Guarantee for Wholly-owned Subsidiary ZTE Telecom India Private Limited" was considered and passed by the Board of Directors of ZTE at the Thirty-first Meeting of the Fourth Session of the Board of Directors held on 12 November 2009, whereby it was approved that guarantee would be provided on behalf of ZTE India for an amount not exceeding US$33 million, comprising (1) the provision of performance guarantee on behalf of ZTE India for an amount not exceeding US$30 million with a term commencing on the date on which the Frame Contract takes effect upon execution and ending on the date on which the performance of ZTE India's obligations under the Frame Contract is completed, and (2) the Company's application to the relevant bank for the issuance of a bank assurance letter to provide guarantee for an amount not exceeding US$3 million in favour of the local Indian bank who has provided on behalf of ZTE India a bank assurance letter in respect of contract performance in favour of Unitech Wireless in connection with the Frame Contract commencing on the date on which the relevant bank assurance letter is issued and ending on the date of expiry of the bank assurance letter in respect of contract performance provided by ZTE India in favour of Unitech Wireless under the Frame Contract. The bank assurance letter in respect of contract performance provided by ZTE India shall be valid from the date of issuance until the conclusion of a 12-month period after the expiry of the last warranty period of the equipment provided or the date on which the performance of ZTE India's obligations under the Frame Contract is fully completed, whichever is later.

For further details of that resolution, please refer to the "Announcement of External Guarantee" in Appendix II.

III. REGISTRATION AT THE EGM

(1) Registration of attendance

1. Any legal person shareholder (including but not limited to corporate shareholders) entitled to attend the EGM shall produce to the register with a duplicate of its corporate business licence, a duly signed power of attorney and the identity card of the attendee.

2. Any individual shareholder entitled to attend the EGM shall produce for registration his own identity card, stock account card and evidence of shareholding.

3. Any shareholder intending to attend the EGM shall deliver the confirmation slip to the EGM registry by hand, mail or fax.

(2) Time of registration

From Monday, 30 November 2009 to Thursday, 10 December 2009 (excluding statutory holidays).

(3) Address for registration

Registration for the EGM will be conducted at: 6/F, A Wing, ZTE Building, Keji Road South, Hi-Tech Industrial Park, Nanshan District, Shenzhen, PRC 518057.

(4) Requirements for proxy registration and submission of documents on a poll

1. Any shareholder entitled to attend and vote at the EGM may entrust one or more person (whether or not a shareholder) as his proxy(ies) to attend and vote at the EGM on his behalf. The shareholder may attend and vote at the EGM in person notwithstanding that he has completed and submitted the proxy form; in such a case, the proxy form is deemed withdrawn. For a shareholder who entrusts two or more proxies, the voting rights to be

exercised by such proxies in aggregate shall not exceed the total number of votes the shareholder is entitled to exercise at the EGM, and the different proxies may not exercise voting rights in respect of the same share.

2. A shareholder shall appoint a proxy in writing by using the proxy form, which shall be signed by the authorising shareholder or his duly authorised attorney. The proxy form shall be notarised if it is to be signed by any person other than by the authorising shareholder himself. The proxy form is valid only if it is deposited within 24 hours at the registered address of the Company before the EGM.

3. If a shareholder entrusts his proxy(ies) to attend and vote at the EGM on behalf of him, such proxy(ies) shall produce for registration his own identity card, the duly signed proxy form, the stock account card of the authorising shareholder and evidence of shareholding.

IV. MISCELLANEOUS

1. The EGM is expected to last less than one day; all accommodation, travel and expenses relating to attending the EGM shall be borne by the attendees.

2. EGM Contact: Zhang Qin

3. Contact telephone number: + 86 (755) 26770282

4. Contact fax number: + 86 (755) 26770286

V. REFERENCE

Resolutions of the Thirty-first Meeting of the Fourth Session of the Board of Directors of ZTE Corporation.

By Order of the Board of Directors
Hou Weigui
Chairman

Shenzhen, the PRC
12 November 2009

As at the date of this announcement, the Board of Directors of the Company comprises three executive directors, Yin Yimin, Shi Lirong and He Shiyou; six non-executive directors, Hou Weigui, Wang Zongyin, Xie Weiliang, Zhang Junchao, Li Juping and Dong Lianbo; and five independent non-executive directors, Mi Zhengkun, Li Jin, Qu Xiaohui, Wei Wei and Chen Naiwei.

ANNEX I

ZTE CORPORATION

THE SPECIFIC SYSTEM FOR THE SELECTION AND APPOINTMENT OF ACCOUNTANTS' FIRMS

CHAPTER 1 GENERAL

Article 1 Pursuant to the relevant requirements of the securities regulatory authorities, this system is formulated specially for the purposes of standardising the process of selecting and appointing the CPA Firm and the disclosure of relevant information by the Company in safeguarding shareholders' interests practically.

Article 2 The provisions of this System should be complied with by the Company for the selection and appointment of CPA Firms to perform audits of periodic financial statements (limited to those prepared in accordance with the PRC Accounting Standards) and major asset restructurings. Reference should be made to the provisions of this System for the procedures of the Company to select and appoint CPA Firms to perform audits of periodic financial statements prepared in accordance with the Hong Kong Financial Reporting Standards, or other business of specialised audit assurances and audit of subsidiaries and the relevant requirements.

Article 3 The resolution of selecting and appointing a CPA Firm of the Company should be vetted by the audit committee of the board of directors (the "Board") and reviewed by the Board and the general meeting. Any internal or external units and personnel should not use any excuse or demand the Company to designate any CPA Firm or interfere the Audit Committee in their performance of vetting functions independently.

CHAPTER 2 COMPETENCY REQUIREMENTS OF CPA FIRMS

Article 4 The proposed CPA Firm submitted to the Audit Committee of the Company (the "Audit Committee") for vetting should have relevant qualifications in securities and futures business, with sound reputation within the industry and fulfil the following general requirements:

1) the CPA Firm should have established an effectively operating internal quality control department which is independent from the signing certified public accountant;

2) faithfully performing audit procedures, complying with relevant legal systems and regulatory requirements and has not been subject to any administrative penalty relating to securities and futures related business within the last 3 years;

3) such other conditions required by the Ministry of Finance and the China Securities Regulatory Commission.

Article 5 No affiliated relationship (as defined by the PRC Accounting Standards) exists between key staff (partners and the person in charge of the audit) of the proposed CPA Firm and the senior management of the Company, such as directors and financial controller, and the persons compiling and verifying of the financial statements of the Company.

Article 6 The proposed CPA Firm should be committed to sustain the stability of their audit service and satisfy the following conditions:

1) Members of the team participating in the audit of the Company should be not less than 20, including not less than 6 Chinese certified public accountants, of which not less than 3 with more than 3 years of practising experience.

2) The annual rotation rate of members of the audit team for the project should not be more than 30%.

3) The partner in charge of the audit, the auditor-in-charge and the signing certified public accountant of the audit project of the Company should remain unchanged for not less than three years, save for changes proposed by the Company, staff resignations from the CPA Firm and other special circumstances requiring such changes.

CHAPTER 3 SELECTION AND APPOINTMENT PROCESS OF CPA FIRM

Initial Selection and Appointment

Article 7 Subject to the nature and confidentiality requirements of the project and the number of CPA Firms satisfying the competency requirements, a CPA firm should be selected and appointed by open selection, invitation or sole way.

Open selection and appointment is the sending of notices of public tender by the Company through media to all CPA Firms satisfying the competency requirements; appointment by invitation is the sending of invitations for tender by the Company to two or more CPA Firms satisfying the competency requirements; and sole appointment is the sending of invitation to a certain CPA Firm satisfying the competency requirements to undertake the Company's audit project.

Article 8 The Company's tender system and relevant processes should be implemented for the selection and appointment of a CPA Firm. As the unit responsible for tendering initiation, the relevant finance department of the Company should send invitations for tenders to CPA Firms satisfying the competency requirements. Work relating to the tendering should be performed by the finance department with the bid inviting department of the Company in accordance with the requirements of the bid inviting system and procedures and the related requirements of this System.

Article 9 The resolution of appointing a CPA Firm should be proposed by the unit responsible for tendering initiation to the Audit Committee for review and then submitted to the Board upon verification by and with the consent of the Audit Committee.

Article 10 The Audit Committee should form a vetting opinion in writing after carrying a diligent assessment of the professional skills, past practice quality, and clients' assessments of the CPA Firms so selected and vetting the information provided thereby.

(1) The Audit Committee should investigate into the practice quality and integrity of the relevant CPA Firms by reviewing the practice quality information of the relevant CPA Firms, inspecting public information or making enquiries with the securities regulatory, finance and audit departments and the Chinese Institute of Certified Public Accountants, and, when necessary, requesting the proposed CPA Firms to make representations on-site.

(2) On the basis of the investigation, a written vetting opinion will be formed by the Audit Committee in respect of the relevant CPA firm agreed to be engaged. The investigation information and the vetting opinion provided by the Audit Committee in respect of the relevant CPA Firm agreed to be engaged upon verification by the Audit Committee should be attached as an appendix to the proposal which will be submitted to the Board for review. Where the Audit Committee is of the opinion that the CPA Firm does not satisfy the Company's requirements for appointment, such reasons should be stated before being forwarded to the unit responsible for bid inviting initiation and the Company's tender department for reorganisation of the tender.

(3) Separate investigations should be undertaken by the Audit Committee in respect of the practice quality and integrity of the relevant CPA Firms where the proposal involves a number of proposed CPA Firms. Where the investigation findings indicated that more than one CPA Firm has satisfied the Company's appointment requirements, an opinion of comparison should be formed by the Audit Committee and submitted to the Board for review and decision making.

(4) If the bidding results of the Company do not satisfy the requirements of the Audit Committee, the Audit Committee may directly make a proposal to the Board to engage the CPA Firm. When making the proposal to the Board, the Audit Committee should, at the same time, submit the above investigation information and vetting opinion, which together with the resolution of the Board and such other information should be filed and retained.

Article 11 The Board should review the resolution of selection and appointment of the proposed CPA Firm vetted and agreed by the Audit Committee. Such resolution so reviewed and passed by the Board should be submitted to the general meeting for review in accordance with the Articles of Association and the procedures required by the relevant systems.

Article 12 Pursuant to the provisions of the Articles of Association and the Rules of Procedure for General Meetings, the shareholders should review the resolution of selection and appointment of the CPA Firm submitted by the Board. Where the resolution of selection and appointment of the CPA Firm has been reviewed and passed by the general meeting, the Company and the relevant CPA Firm should sign a service agreement appointing the relevant CPA Firm to perform the relevant audit service.

The term of appointment of the CPA Firm should commence at the conclusion of the annual general meeting for the year and ending at the conclusion of the next annual general meeting. The remuneration for the appointment of the CPA Firm by the Company and the dismissal or appointment of another CPA Firm by the Company should be passed by ordinary resolutions of the general meeting.

Appointment Renewal of CPA Firm

Article 13 Sixty days prior to the expiry of the term of appointment of the incumbent CPA Firm, the Audit Committee should, on the basis of opinions sought from the Board and the relevant departments of financial statement preparation and external statutory information disclosures, send the notice of proposed appointment renewal or no renewal to the incumbent CPA Firm.

Article 14 The incumbent CPA Firm should respond to the appointment renewal offer of the Company within five working days of receipt. In the event of declining appointment renewal, the incumbent CPA Firm is required to devote to its duty of completing the audit assignment within their term of appointment.

Article 15 Upon completion of audit work by the CPA Firm, the Audit Committee should assess their work and practice quality timely and submit its assessment opinion to the annual general meeting of the Company.

Where the Company proposes to renew the appointment of the CPA Firm at the annual general meeting of the current year, the Audit Committee may substitute the assessment opinion for the investigation opinion and is not required to perform separate investigation and vetting procedures.

Article 16 Where the Company has decided not to renew the appointment of the incumbent CPA Firm or the renewal offer has been declined by them, the Company should adopt the procedures of new appointment of CPA Firm in selecting and appointing another CPA Firm.

Procedures for Appointment of another CPA Firm

Article 17 The Company should initiate the procedures for appointment of another CPA Firm upon the occurrence of one of the following circumstances:

(1) During the term of appointment, significant breaches of the audit appointment by the CPA Firm, including but not limited to subcontracting of audit services, major deficiencies in practice quality, audit staff and time arrangements are difficult to guarantee the regular disclosures of periodic reports or special reports by the Company;

(2) During the term of appointment, the CPA Firm has been unable to continue to provide audit services as a result of material changes such as, among others, restructuring and penalty imposed by regulatory authorities and terminated their audit appointment in writing to the Company;

(3) Upon expiry of the preceding term of appointment, the Company has decided not to renew the appointment of the incumbent CPA Firm or the renewal offer has been declined by them.

Article 18 With the need to engage another CPA Firm, the resolution of a new appointment and the appointment of another CPA Firm should be submitted by the Company to the Audit Committee.

Article 19 In reviewing the proposal for the appointment of another CPA Firm, the Audit Committee should carry out the following work:

(1) In vetting the proposal for new appointment of a CPA Firm, the Audit Committee should meet both the former and the proposed CPA Firms, conduct diligent investigation of the practice quality of the proposed CPA Firm, make reasonable assessments of the practice quality of both CPA Firms and issue their vetting opinion on the basis of judgement in respect of the sufficiency of reasons for new appointment;

(2) The independent directors should express their specific opinions when the resolution of the new appointment is being reviewed by the Board;

(3) When the CPA Firm initiates the request to terminate the audit service for the Company, the Audit Committee should understand the reasons of the relevant CPA Firm in details and make a written report to the Board. The Company should perform the new appointment procedures in accordance with the above provisions.

Article 20 Where the Audit Committee has vetted and agreed to the appointment of another CPA Firm:

(1) the Audit Committee should follow the procedures for initial selection and appointment of CPA Firms in selecting the CPA Firm to be engaged;

(2) Ten working days prior to the despatch of notice of Board meeting, the Company should file with the Shenzhen Securities Regulatory Bureau a written report, the contents of which should include reasons for the proposed change of CPA Firms, the list of names and relevant information of the proposed CPA Firms, and the written review opinions and investigation records of the Audit Committee.

Article 21 Subsequent to the review and passing of the resolution in respect of the appointment of another CPA Firm by the Board, the Board should despatch the notice of general meeting and invite both the former and the proposed CPA Firms in writing to attend the meeting.

Article 22 Where the new appointment of another CPA Firm is proposed, the Company should disclose in the announcement of the resolution of the general meeting in respect of the new appointment of another CPA Firm in details of the reasons for the dismissal of the CPA Firm, statements of opinion (if any) given by the dismissed CPA Firm, opinions of the Audit Committee and the independent directors, type of audit opinions of the latest financial statements, the existence of any material inconsistencies in the opinions between the Company and the CPA Firm and their substance in details, the investigation of the practice quality and vetting opinion on the proposed CPA Firm by the Audit Committee, the administrative sanctions imposed on the proposed CPA Firm in the past three years and the service fees charged by the former and the proposed CPA Firm.

CHAPTER 4 SUPERVISION AND PUNISHMENTS

Article 23 The Audit Committee should exercise supervision and inspection of the procedures for selection and appointment of CPA Firms and the performance of the CPA Firm so engaged. Its inspection findings should at least be included in the annual audit assessment opinion. In addition to reviewing that whether or not the standards, procedures and methods used by the Company in appointing CPA Firms has complied with the relevant provisions of the Company and the regulatory authorities, the inspection should also include:

(1) the execution of the relevant audit procedures and audit quality control;

(2) the performance of the audit service agreement;

(3) the accuracy of application of the accounting standards, financial and accounting regulations and taxation policies by the CPA Firm;

(4) the protection of the Company's commercial secrets by the personnel of the CPA Firm;

(5) such other contents subject to supervision and inspections that should be done.

Article 24 Where there are serious consequences arising from the violation of the relevant provisions of the State or this System in the process of selection and appointment of CPA Firms, the Audit Committee should report the same to the Board timely. The Board should adopt the following measures for processing:

(1) Disciplinary and economic sanctions should be imposed on the relevant responsible persons in accordance with the seriousness of the case.

(2) Where the general meeting so resolved, the Company should pursue the liability of the relevant responsible persons according to the systems of the Company for the economic losses arising from the breach of contract by the dismissal of the CPA Firm.

Article 25 The Audit Committee of the Board shall supervise and inspect the audit service agreement, including:

(1) Whether or not the audit appointment has complied with the provisions of State regulations and the regulatory authorities;

(2) Whether or not the audit procedures are sufficient and appropriate;

(3) Whether or not the CPA Firm is deliberating in trying to avoid its obligations;

(4) Whether or not the audit service agreement is lack of economic sanction measures over breach of contract, low quality of audit or delays in audit by the CPA Firm which have incurred serious impacts on the Company.

Article 26 Where it is discovered that the following acts of the incumbent CPA Firm which have incurred serious consequences, the Audit Committee may take the following counter-measures from economic sanctions to dismissal:

(1) the Company suffers losses as a result of breach of confidentiality agreement and dissemination of the Company's commercial secrets;

(2) Subcontracting of the audit appointment to other CPA Firms without the Company's approval;

(3) The audit appointment fails to be completed as scheduled as a result of inadequate contribution of resources for the audit;

(4) Serious impacts on the accuracy of financial statement data and quality of information disclosed to the public as a result of the low quality of audit arising from the lack of professional skills and focus of the audit staff in performing the audit.

Article 27 The Board of the Company should inform the securities regulatory departments timely of any relevant sanctions imposed in accordance with this System.

CHAPTER 5 MISCELLANEOUS

Article 28 Where there are any matters not specified in this System, the provisions of the relevant laws and regulations of the State and the Articles of Association should be complied with. Where there are inconsistencies between the provisions of this System and that of the relevant laws and regulations of the State and the Articles of Association, the latter should prevail.

Article 29 This System shall come into effect on the date of its passing upon review of the same by the general meeting of the Company.

ANNEX II

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中兴

ZTE CORPORATION

中興通訊股份有限公司

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

(Stock Code: 763)

ANNOUNCEMENT OF EXTERNAL GUARANTEE

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.

I. BRIEF DESCRIPTION OF THE GUARANTEE

On 30 September 2009, ZTE Telecom India Private Limited (hereinafter referred to as "ZTE India"), a wholly-owned subsidiary of ZTE Corporation (hereinafter referred to as "ZTE" or the "Company") entered into the "Frame Contract for the Supply of Network Infrastructure" (hereinafter referred to as the "Frame Contract") with Unitech Wireless Limited (hereinafter referred to as "Unitech Wireless"), a mobile telecommunications carrier in India, for a term of 5 years. Unitech Wireless is a joint venture between the Telenor Group, a famous multinational carrier, and Unitech Group of India. ZTE India and Unitech Wireless will exercise and perform their respective rights and obligations in future under the Frame Contract, pursuant to which ZTE India will supply to Unitech Wireless GSM system and core network equipment, as well as related systems installation and testing, systems upgrade, on-site technical support and maintenance services.

ZTE has proposed to provide guarantee on behalf of ZTE India for an amount not exceeding US$33 million, comprising 1): joint-liability guarantee (hereinafter referred to as the "Guarantee by Assurance") in respect of the performance obligations of ZTE India under the Frame Contract for an amount not exceeding US$30 million, with a term commencing on the date on which the Frame Contract takes effect upon execution and ending on the date on which the performance of ZTE India's obligations under the Frame Contract is completed; and 2) The Company has also proposed to apply to the relevant bank for the issuance of an assurance letter in respect of contract performance (hereinafter referred to as the "Guarantee by Bank Letter") to provide guarantee with an amount not exceeding US$3 million in favour of the local Indian bank who has issued on behalf of ZTE India a bank assurance letter in respect of contract performance in favour of Unitech Wireless in connection with the Frame Contract.

As ZTE India is a wholly-owned subsidiary of ZTE, ZTE India has not provided any counter-guarantee to ZTE in respect of the aforesaid guarantee.

The aforesaid guarantee has been considered and passed at the Thirty-First Meeting of the Fourth Session of the Board of Directors of the Company. As the gearing ratio of ZTE India exceeds 70%, the said guarantee is subject to consideration and approval by the general meeting of the Company.

II. INFORMATION ON THE GUARANTEE

1. Name: ZTE Telecom India Private Limited

2. Date of incorporation: 9 December 2003

3. Registered address: New Delhi, India

4. Authorised representative: Dr. Ghosh

5. Registered capital: INR2 billion

6. Scope of business: Sales of systems, software, services and terminals; project installation, repair and maintenance and technical support

7. Relationship with the Company: ZTE India is a wholly-owned subsidiary of the Company

8. Operating and financial conditions

   The accounts of ZTE India are denominated in Indian Rupee (INR). For 2008, ZTE India recorded operating income, total profit and net profit of approximately RMB699,699,600, RMB-164,099,100 and RMB-144,991,900, respectively, based on the foreign exchange rate of 1INR = 0.14017CNY (RMB) adopted by ZTE as at 31 December 2008. As at 31 December 2008, the total assets, total liabilities and net assets of ZTE India amounted to approximately RMB634,490,600, RMB686,937,400 and RMB-52,446,800, respectively, with a gearing ratio of 108%. For the nine months ended 30 September 2009, ZTE India recorded operating income, total profit and net profit of approximately RMB562,777,400, RMB43,382,700 and RMB41,667,100, respectively, based on the foreign exchange rate of 1INR = 0.14215CNY (RMB) adopted by ZTE as 30 September 2009. As at 31 March 2009, the total assets, total liabilities and net assets of ZTE India amounted to approximately RMB1,041,643,400, RMB1,053,163,900 and RMB-11,520,500, respectively, with a gearing ratio of 101%.

III. PRINCIPAL TERMS OF THE GUARANTEE DOCUMENT

1. Guarantor: ZTE

2. Guarantee: ZTE India

3. Amount guaranteed: (1) Guarantee by Assurance: In the event of ZTE India's non-performance of the Frame Contract, ZTE shall perform the contract on behalf of ZTE India and guarantee the execution of the contract for an amount not exceeding US$30 million; (2) Guarantee by Bank Letter: for a maximum accumulated amount of US$3 million.

4. Term of guarantee: (1) Guarantee by Assurance: commencing on the date on which the Frame Contract takes effect upon execution and ending on the date on which the performance of ZTE India's obligations under the Frame Contract is completed; (2) Guarantee by Bank Letter: commencing on the date on which the relevant bank assurance letter is issued and ending on the date of expiry of the bank assurance letter in respect of contract performance provided by ZTE India in favour of Unitech Wireless under the Frame Contract. The bank assurance letter in respect of contract performance provided by ZTE India shall be valid from the date of issuance until the conclusion of a 12-month period after the expiry of the last warranty period of the equipment provided or the date on which the performance of ZTE India's obligations under the Frame Contract is fully completed, whichever is later.

5. Type of assurance: joint liability

IV. OPINION OF THE BOARD OF DIRECTORS AND INDEPENDENT DIRECTORS

1. The Board of Directors of the Company approves the provision of performance guarantee by the Company on behalf of ZTE India, wit a view to the smooth execution of the Frame Contract between ZTE India and Unitech Wireless as part of the effort to advance ZTE India's business development and sustained operation, which is set to enhance ZTE's overseas business expansion and generate sound investment returns for the Company.

2. As ZTE India is a wholly-owned subsidiary of ZTE,. The Board of Directors of the Company is of the view that the aforesaid guarantee will be conducive to advancing ZTE India's business development and sustained operation and is therefore in the interests of the Company as a whole.

The Independent Directors of the Company are of the view that the aforesaid guarantee was in compliance with relevant provisions of the "Notice Regulating the External Guaranties Provided by Listed Companies" (《關於規範上市公司對外擔保行為的通知》) (Document [2005] No. 120 issued by CSRC) and the Articles of Association, and the decision-making procedures were legal and valid.

V. AGGREGATE AMOUNT OF OUTSTANDING EXTERNAL GUARANTEES AND OVERDUE EXTERNAL GUARANTEES OF THE COMPANY

As at the date of this announcement, the aggregate amount of external guarantees provided by the Company is RMB172,523,200 (including an amount of US$16,405,000, which has been translated at the exchange rate of US$1: RMB6.8281 published by the People's Bank of China on 30 October 2009), representing 1.14% of the net asset value of the Company as set out in the 2008 audited combined accounting statement of the Company. The Company has no overdue guarantees.

All of the aforesaid guarantees are in compliance with relevant laws and regulations without any violation of applicable rules and regulations.

VI. DOCUMENTS FOR INSPECTION

1. The Performance Guarantee Agreement

2. The Bank Assurance Letter

3. Resolutions of the Thirty-first Meeting of the Fourth Session of the Board of Directors of the Company duly signed by the attending Directors to give effect to the same

4. The business licence in photocopies and financial statements of ZTE India

5. Opinion of the Independent Directors

By Order of the Board
Hou Weigui
Chairman

Shenzhen, the PRC
12 November 2009

As at the date of this announcement, the Board of Directors of the Company comprises three executive directors, Yin Yimin, Shi Lirong and He Shiyou; six non-executive directors, Hou Weigui, Wang Zongyin, Xie Weiliang, Zhang Junchao, Li Juping and Dong Lianbo; and five independent non-executive directors, Mi Zhengkun, Li Jin, Qu Xiaohui, Wei Wei and Chen Naiwei.