

# 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)

## NOTICE OF 2005 ANNUAL GENERAL MEETING

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

NOTICE IS HEREBY GIVEN that an Annual General Meeting (hereinafter referred to as the "AGM") of ZTE Corporation (hereinafter referred to as the "Company") for the year 2005 will be held in accordance with the resolution passed by the sixteenth meeting of the third session of the Board of Directors of the Company held on 6 April 2006. Details of the AGM are set out below:

### 1. INFORMATION REGARDING THE MEETING

#### (1) Time of meeting

The AGM will commence at 9:00 a.m. on 14 June 2006.

#### (2) Venue

The AGM will be held at the Novotel Bauhinia Shenzhen Hotel.  
Address: Qiaocheng E., Road, Huaqiao City, Shenzhen, Guangdong Province, People's Republic of China (hereinafter referred to as the "PRC") (near the western entrance of Yuanboyuan)  
Tel: +86 755 82829966

#### (3) Convener

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

#### (4) Voting method

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

#### (5) 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, 12 May 2006 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, 12 May 2006 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.

#### (6) Period of closure of H share register

The Company will close its H share register from Monday, 15 May 2006 to Tuesday, 13 June 2006 (inclusive). Any H Shareholder who wishes to receive the final dividend for the year 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 12 May 2006 at 4:00 p.m. Details of the record date, dividend payment method and dividend payment date for Domestic Shareholders will be announced separately.

### 2. MATTERS TO BE CONSIDERED AT THE AGM

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

#### Ordinary Resolutions

1. to consider and approve the financial report for the year ending 31 December 2005 audited by the Company's PRC and Hong Kong auditors;
2. to consider and approve the report of the Board of Directors of the Company for the year ending 31 December 2005;
3. to consider and approve the report of the Supervisory Committee of the Company for the year ending 31 December 2005;
4. to consider and approve the report of the President of the Company for the year ending 31 December 2005;
5. to consider and approve the final financial accounts of the Company for the year ending 31 December 2005;
6. to consider and approve the profit distribution plan of the Company for the year ending 31 December 2005;
7. to consider and approve the Connected Transactions Framework Agreements proposed to be entered into by the Company in 2006:
  - 7.1 the 2006 Framework Purchase Agreement to be entered into between ZTE Kangxun Telecom Company, Limited, a subsidiary of the Company, and Shenzhen Zhongxingxin Telecommunications Equipment Company, Limited, a connected party of the Company and its subsidiaries;
  - 7.2 the 2006 Framework Purchase Agreement to be entered into between ZTE Kangxun Telecom Company, Limited, a subsidiary of the Company, and Xi'an Microelectronics Technology Research Institute, a connected party of the Company;
  - 7.3 the 2006 Framework Sales Agreement to be entered into between the Company and Xi'an Microelectronics Technology Research Institute, a connected party of the Company;
  - 7.4 the 2006 Framework Purchase Agreement to be entered into between ZTE Kangxun Telecom Company, Limited, a subsidiary of the Company, and Chung Hing (Hong Kong) Development Limited, a connected party of the Company;
  - 7.5 the 2006 Framework Purchase Agreement to be entered into between Shenzhen Lead Communications Company, Limited, a subsidiary of Shenzhen Changfei Investment Company Limited, which is in turn a subsidiary of the Company, and Shenzhen Zhongxing Xinyu FPC Company, Limited, a connected party of the Company;
  - 7.6 the 2006 Framework Purchase Agreement to be entered into between ZTE Kangxun Telecom Company, Limited, a subsidiary of the Company, and Shenzhen Zhongxing WXT Equipment Company, Limited, a connected party of the Company, and its investee company;
  - 7.7 the 2006 Framework Sales Agreement to be entered into between entered into between ZTE Kangxun Telecom Company, Limited, a subsidiary of the Company and Shenzhen Zhongxing WXT Equipment Company, Limited, a connected party of the Company;
  - 7.8 the 2006 Framework Purchase Agreement to be entered into between ZTE Kangxun Telecom Company, Limited, a subsidiary of the Company, and Shenzhen Zhongxing Information Technology Company, Limited, a connected party of the Company; and
  - 7.9 the 2006 Framework Sales Agreement to be entered into between the Company and ZTE Kangxun Telecom Company, Limited, a subsidiary of the Company, on the one hand and Shenzhen Zhongxing Information Technology Company, Limited, a connected party of the Company.

The above connected transactions framework agreements relate to ongoing connected transactions as defined in the Rules Governing Listing of Stocks on Shenzhen Stock Exchange which require shareholders' approval of such transactions. Details of such ongoing connected transactions are set out in a separate ongoing connected transactions announcement published by the Company on 7 April 2006.

8. to consider and approve the appointment of the PRC auditors and the Hong Kong auditors of the Company for the year ending 31 December 2006:

8.1 That Ernst & Young Hua Ming be re-appointed as the PRC auditors of the Company for 2006 and a proposal be made to the shareholders' general meeting to authorise the Board of Directors to determine the audit fees of Ernst & Young Hua Ming for 2006 based on specific audit work to be conducted.

8.2 That Ernst & Young be re-appointed as the Hong Kong auditors of the Company for 2006 and a proposal be made to the shareholders' general meeting to authorise the Board of Directors to determine the audit fees of Ernst & Young for 2006 based on the specific audit work to be conducted.

#### Special Resolutions

9. To consider and, if thought fit, pass the following resolution as a special resolution:

#### "THAT:

1. Subject to the conditions set out below, the Board of Directors be hereby granted an unconditional and general mandate during the Relevant Period to separately or concurrently allot, issue and deal with additional domestic shares and overseas-listed foreign shares ("H Shares") of the Company and to make or grant offers, agreements or options in respect of the above:

- (1) such mandate shall not extend beyond the Relevant Period, other than in the case of the making or granting of offers, agreements or options by the Directors during the Relevant Period which might require the performance or exercise of such powers after the close of the Relevant Period;
- (2) the aggregate nominal amount of domestic shares and H shares authorised to be allotted and issued or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to an option or otherwise) by the Board of Directors, otherwise than pursuant to (i) a Rights Issue or (ii) any option scheme or similar arrangement from time to time being adopted for the grant or issue to Directors, Supervisors, senior management and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company, shall not exceed 20% of the aggregate nominal amount of each of the share capital of the domestic shares and H shares of the Company in issue at the date on which this Resolution is passed; and
- (3) the Board of Directors will only exercise the above authority in compliance with the Company Law of the People's Republic of China (as amended from time to time) and Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time) and with the necessary approvals of the China Securities Regulatory Commission and/or other relevant PRC government authorities.

2. For the purpose of this resolution:

"Relevant Period" means the period from the passing of this Resolution until the earliest of:

- (1) the conclusion of the next annual general meeting of the Company;
- (2) the expiration of a twelve-month period following the passing of this Resolution; or
- (3) the revocation or variation of the authority given to the Directors under this Resolution by the passing of a special resolution of the Company at the shareholders' general meeting.

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

3. Where the Board of Directors resolve to issue shares pursuant to paragraph 1 of this resolution, the Board of Directors be hereby authorised to approve and execute all documents and deeds and do all things or to procure the execution of such documents and deeds and the doing of such things necessary in their opinion for the issue of the new shares (including but not limited to determining the time and place for issue, submitting all necessary applications to relevant authorities, entering into underwriting agreements (or any other agreements), determining the use of proceeds, and fulfilling filing and registration requirements of the PRC, Hong Kong and other relevant authorities, including but not limited to the registration with relevant PRC authorities of the increase in registered share capital as a result of the issue of shares pursuant to paragraph 1 of this Resolution).
4. The Directors be hereby authorised to amend the Company's Articles of Association as they deem necessary to increase the registered share capital of the Company and to reflect the new capital structure of the Company following the allotment and issue of the Company's shares contemplated in paragraph 1 of this Resolution."

10. To consider and, if thought fit, pass the following resolution as a special resolution:

#### "THAT:

the amendments to the Articles of Association of ZTE Corporation submitted by the Board of Directors of the Company be and are hereby approved, and the Board of Directors be authorised to modify the wording of the amendments and do all things in respect of the amendments as may be appropriate, in accordance with the requirements of any relevant approval authorities and any rules of any stock exchange(s) on which the shares of the Company are listed."

The following is a summary of certain significant amendments proposed to be made to the Articles of Association. Details of the amendments and a full text of the Articles of Association as amended will be published on the information disclosure website designated by the Company (<http://www.cninfo.com.cn>) and included in a circular which is expected to be delivered to H Shareholders on or before 30 April 2006. Shareholders of the Company should note that the following is a summary of the proposed amendments only and does not cover all of the proposed amendments. Shareholders should read carefully the full text of the proposed revised Articles of Association provided on the information disclosure website designated by the Company and in the circular.

- 10.1 Proposed amendments to the Articles of Association due to changes to relevant laws and regulations of the PRC

The Company proposes to make comprehensive amendments to the Articles of Association of ZTE Corporation in compliance with the PRC Company Law, the PRC Securities Law (both as amended and approved by the eighteenth session of the Standing Committee of the Tenth National People's Congress on 27 October 2005), the Guidelines for Articles of Association of Listed Companies (as amended in 2006) (Zheng Jian Gong Si Zi [2006] No. 38) and the Rules for Shareholders' General Meetings of Listed Companies (Zheng Jian Fa [2006] No. 21) issued by the China Securities Regulatory Commission on 16 March 2006. Selected amendments are summarised as follows:

- 10.1.1. Amendments to the scope of investments to be made by the Company and the deletion of proportionate restrictions on investments by the Company  
The proposed revised Article 11 stipulates that the Company may invest in other entities instead of other limited liability companies or joint stock limited companies only. The approval of examining and approving authorities delegated by the State Council is no longer required for the Company to operate as a holding company.
- 10.1.2. Same rights for same shares

The proposed revised Article 18 clarifies that "same shares carry same rights" and "same shares carry same benefits" shall mean that each of the shares of the same class shall carry the same rights, that each of the shares of the same class shall be issued under the same conditions and at the same price in each issuance, and that the same price shall be paid for each of the shares subscribed for by any entity or individual.

## 10.1.3. Amending the share capital structure of the Company

The proposed revised Article 24 stipulates that the Company has issued 959,521,650 shares since its establishment, comprising 160,151,040 H shares (representing 16.7% of the total number of ordinary shares issued by the Company) and 799,370,610 domestic shares (representing 83.3% of the total number of ordinary shares issued by the Company).

## 10.1.4. Easing restrictions on transfer of shares by relevant parties

The proposed revised Article 31 stipulates that shares held by promoters shall not be transferred within one year from the date of establishment of the Company. During their terms of office, directors, supervisors, the president and other senior officers shall periodically report to the Company their shareholdings in the Company and changes therein and shall not transfer during their terms of office more than 25% per year of the total number of shares of the Company which they hold; the shares held by them shall not be transferred within one year from the date on which the shares of the Company are first listed and traded; and the aforesaid persons shall not transfer the shares of the Company held by them within six months from the date on which their resignation from the Company comes into effect.

## 10.1.5. Adding a restriction on any sale or purchase of domestic shares within six months after the purchase or sale

The proposed revised Article 32 stipulates that any gains from any sale of domestic shares of the Company by any director, supervisor, senior officer or shareholder holding 5% or more of the shares of the Company within six months after their purchase of the same, and any gains from any purchase of domestic shares of the Company by any of the aforesaid parties within six months after sale of the same shall be disgorged and paid to the Company, and the Board of Directors of the Company shall recover such gains from the abovementioned parties, except that this provision shall not apply to any holding of 5% or more of the shares of the Company by any securities company as a result of its purchase of remaining shares sold under an underwriting obligation.

## 10.1.6. Easing the announcement and timing requirements for reduction of registered capital, mergers, division and liquidation of the Company

The proposed revised Article 34 stipulates that the Company shall notify its creditors within ten days of the date of the Company's resolution for reduction of registered capital and shall publish a public announcement in newspapers within thirty days of the date of such resolution. A creditor of the Company shall be entitled, within thirty days of the date of receipt of the notice from the Company or, in case of a creditor who has not received such notice, within forty-five days of the date of the public announcement, to require the Company to repay its debts or provide a corresponding guarantee for such debt.

The proposed revised Article 248 stipulates that in the event of a merger, all parties to the merger shall execute a merger agreement and prepare balance sheets and a list of assets. The Company shall notify its creditors within ten days of the date of the Company's merger resolution and shall make public announcements in newspapers which are in compliance with relevant regulations within thirty days from the date of the Company's resolution on merger.

The proposed revised Article 249 stipulates that the creditors shall be entitled to request the Company to repay its debts or provide appropriate guarantees within thirty days of the receipt of the notification, or where no such notification is received, within forty-five days from the date of the first public announcement.

The proposed revised Article 250 stipulates that in the event of a division of the Company, the parties to the division shall execute a division agreement and prepare balance sheets and a list of assets. The Company shall notify its creditors of the resolution with respect to the division within ten days of the date of the Company's division resolution and make public announcements in newspapers which are in compliance with the relevant regulations within thirty days from the date of the Company's resolution on division.

The proposed revised Article 251 stipulates that creditors shall have the right to request the Company to repay its debts or provide appropriate guarantees within thirty days of receipt of the notification, or where no such notification is received, within forty-five days from the date of the first public announcement. The liabilities of the Company prior to the division shall be assumed in accordance with the agreement between the Company and its creditors. Where there is no agreement, the liabilities of the Company shall be assumed jointly and severally by the companies resulting from the division.

The proposed revised Article 256 stipulates that the liquidation committee shall notify the creditors within ten days of its establishment, and issue public announcements in newspapers which are in compliance with relevant regulations within sixty days. The liquidation committee shall register all claims.

The proposed revised Article 257 stipulates that the creditors shall report their claims to the liquidation committee within thirty days of the receipt of the written notification, or in the event that no such notification is received, within forty-five days of the date of the first public announcement. When the creditors report their claims, they shall make clear relevant matters regarding the claims and provide supporting evidence. The liquidation committee shall register the claims.

## 10.1.7. Addition of clauses relating to share repurchases

The proposed revised Article 35 provides for additional circumstances under which shares may be repurchased, for the purpose of granting shares as incentive compensation to the staff of the Company and to acquire the shares of shareholders who vote against any resolution adopted by the shareholders' general meeting on merger or division of the Company.

If the Company repurchases its shares for the purpose of reducing its registered capital, the shares shall be cancelled within ten days of the repurchase. If the Company repurchases its shares as a result of its merger with any other company which holds shares in the Company, or as a result of any repurchase request made by any shareholder who is in opposition to any resolution adopted by the shareholders' general meeting as aforesaid, the shares so purchased shall be transferred or cancelled within six months.

If the Company repurchases its shares for the purpose of granting the shares to its employees as incentive compensation, the shares so repurchased shall not exceed 5% of the total number of shares issued by the Company. The repurchase shall be funded with the post-tax profit of the Company, and the shares so repurchased shall be transferred to the employees within one year.

## 10.1.8. Augmenting the scope of shareholders' rights to information

The proposed revised Article 57 adds the following information under the scope of shareholders' right of inspection of the Company's bond certificates, resolutions of the Board of Directors, resolutions of the Supervisory Committee and financial and accounting reports.

## 10.1.9. Augmenting the scope of shareholders' rights to sue the Company

The proposed revised Article 58 stipulates that a resolution of a general meeting of shareholders or the Board of Directors which violates any law or administrative regulation shall be invalid. If the procedures for convening a meeting or the method of voting at a shareholders' general meeting or of the Board of Directors violates any law, administrative regulation or the Articles of Association, or the content of a resolution violates the Articles of Association, shareholders may petition the People's Court to rescind as such resolution within sixty days from the date on which such a resolution is passed. If the Company has carried out the change of registration particulars in accordance with the resolution of the general meeting of shareholders or the Board of Directors and the People's Court has declared that the resolution is invalid or the resolution has been rescinded, the Company shall apply to the company registration authority for rescission of the change in registration.

The proposed revised Article 59 stipulates that where the Company incurs losses as a result of directors and senior officers having violated any provision of law, administrative regulation or the Articles of Association in the course of performing their duties with the Company, shareholders alone or in aggregate holding 1% or more of the Company's shares for one hundred and eighty consecutive days or more shall be entitled to request in writing the Supervisory Committee to initiate proceedings in the People's Court; where the Company incurs losses as a result of the Supervisory Committee having violated any provision of law, administrative regulation or the Articles of Association in the course of performing its duties with the Company, shareholders alone or in aggregate holding 1% or more of the shares for one hundred and eighty consecutive days or more shall be entitled to request in writing that the Board of Directors should initiate proceedings in the People's Court. In the event that the Supervisory Committee or the Board of Directors refuses to initiate proceedings after receiving the written request of shareholders stated in the foregoing paragraph, or fails

to initiate such proceedings within 30 days from the date on which such request is received, or in case of emergency where failure to initiate such proceedings immediately will result in irreparable damage to the Company's interests, these shareholders shall have the right to initiate proceedings in the People's Court directly in their own name in the interest of the Company; these shareholders may also initiate proceedings in the People's Court under these provisions in the event that the lawful interests of the Company was infringed upon by third parties.

The proposed revised Article 218 stipulates that shareholders may initiate proceedings in the People's Court if a director or any other senior management violates any law, administrative regulation or the Articles of Association and harms the interests of shareholders.

## 10.1.10. Additional obligations of shareholders

The proposed revised Article 60 contains a new obligation of shareholders as follows: Shareholders shall not withdraw their shares unless required by laws and regulations; shall not abuse their shareholders' rights to harm the interest of the Company or other shareholders; and shall not abuse the independent legal person status of the Company and the limited liability of shareholders to harm the interest of any creditor.

The proposed revised Article 61 contains a new obligation of any shareholder holding 5% or more of the Company's voting domestic shares by requiring that such shareholder, in the event that he pledges any domestic shares in his possession, shall report the same to the Company in writing on the day on which he pledges his shares.

## 10.1.11. Augmenting the definition of a person who exercises effective control over the Company and its relevant fiduciary duty

The proposed revised Article 64 defines that persons who exercise effective control over the Company as the person, not being a shareholder of the Company, who is able to exercise control over the acts of the Company through an investment relationship, agreement or other arrangement. The controlling shareholder and the person who exercises effective control over the Company have a fiduciary duty towards the Company and its public shareholders. They shall not take advantage of their connected relationship with the Company to act in detriment to the interests of the Company. If they have violated the aforesaid provision and caused damage to the Company, they are liable for the damages to the Company.

## 10.1.12. Augmenting the scope of authority of the shareholders' general meeting

The proposed revised Article 67 adds the following matters requiring examination and approval at the shareholders' general meeting: (1) to examine and approve the provision of guarantees in accordance with relevant provisions of the Articles of Association; (2) to change the form of the Company; (3) to consider motions raised by shareholders who represent 3% or more of the total number of voting shares of the Company; (4) to examine and approve the Company's significant acquisition or disposal of material assets with a value exceeding 30% of the latest audited total assets of the Company during the year; (5) to examine and approve changes in the use of proceeds; and (6) to examine and approve share incentive schemes.

## 10.1.13. Amendments to the procedures for convening extraordinary shareholders' general meetings

The proposed revised Article 72 stipulates that an Independent Director shall be entitled to propose the convening of extraordinary general meetings of shareholders to the Board of Directors. The Board of Directors shall, in accordance with provisions of the laws, administrative regulations and the Articles of Association, furnish a written reply stating its agreement or disagreement to the convening of an extraordinary general meeting within ten days after receiving such proposal of the same from the Independent Director. In the event that the Board of Directors agrees to convene an extraordinary general meeting, the notice of general meeting shall be issued within five days after the passing of the relevant resolution of the Board of Directors. In the event that the Board of Directors does not agree to convene an extraordinary general meeting, reasons for such disagreement shall be given by way of announcement.

The proposed revised Article 73 stipulates that the Supervisory Committee shall be entitled to propose the convening of extraordinary general meetings of shareholders to the Board of Directors, provided that such proposal shall be made in writing. The Board of Directors shall, in accordance with provisions of the laws, administrative regulations and the Articles of Association, furnish a written reply stating its agreement or disagreement to the convening of an extraordinary shareholder general meeting within ten days after receiving such proposal of the same. In the event that the Board of Directors agrees to convene an extraordinary general meeting, the notice of general meeting shall be issued within five days after the passing of the relevant resolution of the Board of Directors. Any changes to the original proposal made in the notice shall require prior approval of the Supervisory Committee. In the event that the Board of Directors does not agree to convene an extraordinary general meeting or does not furnish any reply within ten days after receiving such proposal, the Board of Directors shall be deemed as incapable of performing or failing to perform the duty of convening a general meeting, in which case the Supervisory Committee may convene and preside over such meeting on an unilateral basis.

The proposed revised Article 74 stipulates that shareholders alone or in aggregate holding 10% or more of the Company's shares shall be entitled to request the Board of Directors to convene extraordinary general meetings of shareholders, provided that such request shall be made in writing. The Board of Directors shall, in accordance with provisions of the laws, administrative regulations and the Articles of Association, furnish a written reply stating its agreement or disagreement to the convening of an extraordinary general meeting within ten days after receiving such proposal of the same. In the event that the Board of Directors agrees to convene an extraordinary general meeting, the notice of shareholders' general meeting shall be issued within five days after the passing of the relevant resolution of the Board of Directors. Any changes to the original request made in the notice shall require prior approval of the shareholders concerned. In the event that the Board of Directors does not agree to convene an extraordinary general meeting or does not furnish any reply within ten days after receiving such proposal, shareholders alone or in aggregate holding 10% or more of the Company's shares shall be entitled to propose to the Supervisory Committee the convening of the extraordinary general meeting, provided that such proposal shall be made in writing. In the event that the Supervisory Committee agrees to convene an extraordinary general meeting, the notice of general meeting shall be issued within five days after receiving such request. Any changes to the original request made in the notice shall require prior approval of the shareholders concerned. Failure of the Supervisory Committee to issue a notice of general meeting within the stipulated period shall be deemed as failure of the Supervisory Committee to convene and preside over a general meeting, and shareholders alone or in aggregate holding 10% or more of the Company's shares for ninety consecutive days or more shall be entitled to convene and preside over the meeting on an unilateral basis.

The proposed revised Article 75 stipulates that if the Supervisory Committee or shareholders determine to convene a general meeting of shareholders on their own, they shall give a written notice to the Board of Directors and file the same with the local office of China Securities Regulatory Commission at the place where the Company is located and the stock exchange for the record. The shareholding proportion of the convening shareholders shall not be lower than 10% prior to the announcement of the resolutions of the general meeting. The convening shareholder shall submit relevant evidence to the local office of China Securities Regulatory Commission at the place where the Company is located and the stock exchange upon the issuance of the notice of general meeting and the announcement of the resolutions of the general meeting.

10.1.14. Amendments to conditions for proposing *ex tempore* motions

The proposed revised Article 78 stipulates that whenever the Company convenes an annual general meeting of shareholders, the Board of Directors, the Supervisory Committee and shareholder(s) alone or in aggregate holding 3% or more of the total number of the Company's shares shall have the right to propose motions to the Company. Shareholder(s) alone or in aggregate holding 3% or more of the total number of the Company's shares shall have the right to propose an *ex tempore* motion ten days prior to the general meeting by furnishing the same to the convener in writing. The convener shall issue a supplemental notice of general meeting within two days after receiving the proposed motion to make public the contents of the *ex tempore* motion. Save as provided above, the convener shall not amend motions stated in or add new motions to the notice of general meeting after the same has been issued and announced. No voting or resolution shall be effected or adopted at the general meeting for motions that have not been stated in the notice of the general meeting or that do not comply with the Articles of Association.

## 10.1.15. Amendments to the procedures of instating the chairman of the meeting

The proposed revised Article 97 stipulates that the general meeting of shareholders shall be chaired by the Chairman. If the Chairman is unable to attend the meeting for any reason, the meeting shall be convened and chaired by the Vice-chairman upon nomination by half or more of the number of the directors. In the event that both the Chairman and Vice-chairman are unable to attend the meeting, a director nominated by half or more of the number of the directors shall be the chairman of the meeting. Where a general meeting is convened by the Supervisory Committee on its own, the meeting shall be presided over by the chairman of the Supervisory Committee. In the event that the chairman of the Supervisory Committee is incapable of performing or fails to perform his duties, the meeting shall be presided over by the vice-chairman of the Supervisory Committee. In the event that the vice-chairman of the Supervisory Committee is incapable of performing or fails to perform his duties, the meeting shall be presided over by a supervisor nominated by half or more of the number of supervisors. Where a general meeting is convened by shareholders on their own, the meeting shall be presided over by a representative nominated by the convening shareholders. In the event that the person presiding over the general meeting violates the rules of procedures so that the meeting could not proceed, another person may be nominated to preside over the meeting with the approval of shareholders present at the meeting entitled to more than half of the voting rights.

## 10.1.16. Additional matters requiring approval of the general meeting of shareholders by way of special resolution

The proposed revised Article 107 adds the following as matters requiring approval of the shareholders' general meeting by way of special resolution as follows: (1) change of the form of the Company; (2) any acquisition or disposition of major assets, or any provision of a guarantee by the Company within one year that are in excess of 30% of the latest audited total assets of the Company; and (3) share incentive schemes.

## 10.1.17. Clarification that shares of the Company held by the Company shall have no voting rights

The proposed revised Article 108 stipulates that when voting at a general meeting of shareholders, a shareholder (including proxies) shall exercise his voting rights based on the number of voting shares represented by him. Each share shall carry one vote, provided that shares of the Company held by the Company shall have no voting rights and shall not be counted in the total number of voting shares represented at the general meeting.

## 10.1.18. Amending regulations relating to the provision of guarantees by the Company in favour of a third party

The proposed revised Article 160 stipulates that the Company shall comply with the following requirements when determining the provision of a guarantee (including but not limited to a guarantee in the form of security, pledge, lien or deposit) for an amount less than 10% of the Company's latest audited net asset value in favour of a third party: (1) With respect to matters relating to the provision of a guarantee in favour of a third party considered by the Board of Directors, an affirmative vote of not less than two-thirds of all members of the Board of Directors shall be obtained therefor; with respect to matters relating to the provision of a guarantee in favour of a third party considered at a general meeting of shareholders, the Board of Directors shall prepare a proposal related thereto and submit the same to the general meeting for approval. The provision of a guarantee in favour of a shareholder or a person who exercises effective control over the Company is subject to the approval at a general meeting. (2) The Company shall neither provide a guarantee in favour of a unit without legal person status nor an individual. The maximum amount of any single guarantee provided by the Company in favour of a third party shall not be more than 5% of the net asset value recorded on the consolidated financial statements for the most recent accounting year, and the maximum accumulated amount of guarantees provided by the Company to any one party shall not be more than 10% of the net asset value recorded on the consolidated financial statements for the most recent accounting year.

The following guarantees shall be subject to the approval of shareholders' general meeting provided that the same have been considered and approved by Board of Directors' meetings prior to being tabled at general meetings: (1) any guarantee to be provided by the Company and subsidiaries controlled by it in favour of a third party, with the total amount of which exceeds 50% of the audited net asset value for the most recent period; (2) guarantees to be provided in favour of an entity which has a gearing ratio of over 70%; (3) guarantees to be provided in favour of any shareholder, person who exercises effective control over the Company and its related parties, and (4) other guarantees subject to the approval of general meetings in accordance with laws, regulations and the Articles of Association.

The aforesaid shareholders or shareholders who are under the control by persons who exercise effective control over the Company shall abstain from voting on resolutions in respect of guarantees to be provided in favour of shareholders, persons who exercise effective control over the Company and its related parties. Votes representing more than half of the voting rights represented by other shareholders attending the meeting must be exercised in favour of the resolution in order for it to be passed.

## 10.1.19. Augmenting shareholders' rights to convene extraordinary board meetings

The proposed revised Article 165 stipulates that an extraordinary board meeting shall be convened at the request of shareholders representing more than one-tenth of the voting rights.

## 10.1.20. Change of the minimum number of meetings required to be held by the Board of Directors

The proposed revised Article 165 stipulates that the Board of Directors shall hold at least four meetings each year.

## 10.1.21. Change of the length of board meeting notices

The proposed revised Article 168 stipulates that notice of a board meeting shall be served on all directors and supervisors fourteen days before the date of the meeting. Notice of an extraordinary board meeting shall be served on all directors and supervisors three days before the date of the meeting.

## 10.1.22. Change of the quorum for meetings of Board of Directors

The proposed revised Article 169 stipulates that meetings of Board of Directors shall be held only if more than half of the directors are present.

## 10.1.23. Change of the convening time for Supervisory Committee meetings

The proposed revised Article 193 stipulates that meetings of the Supervisory Committee shall be held at least once every six months and shall be convened by the chairman of the Supervisory Committee.

## 10.1.24. Adding a clause that allows the proposal to convene an extraordinary meeting of the Supervisory Committee

The proposed revised Article 193 stipulates that supervisors may propose to convene an extraordinary meeting of the Supervisory Committee.

## 10.1.25. Extending the power of the Supervisory Committee

The proposed revised Article 195 provides for the duties of the Supervisory Committee as follows:

- (1) to monitor the Company's financial affairs;
- (2) to supervise the directors, president and senior officers in their performance of duties and to propose the removal of directors, president and other senior officers who have contravened any law, administrative regulations, the Articles of Association or resolution of a general meeting of shareholders;
- (3) to demand any director, president and other senior officer of the Company who acts in a manner which is harmful to the Company's interests to rectify such behavior;
- (4) to review periodic reports of the Company prepared by the Board of Directors and to furnish written review opinions, to verify the financial information such as the financial reports, business reports, and plans for distribution of profits to be submitted by the Board of Directors to the shareholders' general meeting and to appoint, in the Company's name, certified public accountants and practicing auditors to assist in the re-examination of such information should any doubts arise in respect thereof;
- (5) to propose to convene an extraordinary general meeting of shareholders and to convene and preside over general meetings of shareholders when the Board of Directors fails to perform the duty of convening and presiding over general meetings in accordance with the Articles of Association;
- (6) to propose resolution at a general meeting of shareholders;
- (7) to initiate proceedings against the directors, president and other senior officers in accordance with the relevant laws;

(8) to conduct investigations into any irregularities in the Company's operations identified; and

(9) to exercise other functions and powers conferred by the Articles of Association and shareholders' general meeting.

Supervisors may attend board meetings to raise queries or suggestions in respect of resolutions of the Board of Directors.

The Supervisory Committee may express its opinion on the certified public accountant engaged by the Company and, where necessary, may appoint another certified public accountant in the name of the Company to carry out independent investigations of the Company's financial affairs and report its findings directly to the securities regulatory authorities under the State Council and other relevant authorities.

## 10.1.26. Change of the quorum for Supervisory Committee's meetings

The proposed revised Article 196 stipulates that meetings of the Supervisory Committee shall be held only if not less than two-thirds of the supervisors are present.

## 10.1.27. Removal of the mandatory allocation to public reserve funds

The proposed revised Article 230 removes the requirements for mandatory allocations to be made to public reserve funds before distribution of profits.

## 10.1.28. Change of the procedures for property distribution upon liquidation

The proposed revised Article 259 adds the requirement of paying wages, labour insurance contributions and statutory compensation of employees of the Company prior to payment of tax from the assets of the Company upon liquidation.

## 10.2. Additional requirements for eligibility to act as Chairman

The proposed revised Article 143 includes an additional requirement for eligibility to act as Chairman: The Chairman must be elected from among persons who have served as directors or members of the senior management of the Company for 3 years or more.

## 10.3. Restrictions on the composition of the Board of Directors

The proposed revised Article 159 increases the minimum proportion of senior officers of the Company serving as directors: At least one-fifth of the directors shall be members of the senior management of the Company.

## 11. To consider and, if thought fit, pass the following resolution as a special resolution:

“THAT:

the amendments to the Rules of Procedure for General Meetings of Shareholders of ZTE Corporation be and are hereby approved. (These amendments are made pursuant to the above amendments to the Articles of Association and will not be inconsistent with the provisions of relevant laws and the Articles of Association. For further details of the amended Rules of Procedure for General Meetings of Shareholders of ZTE Corporation, please refer to the designated website for information disclosure by the Company (<http://www.cninfo.com.cn>).)”

## 12. To consider and, if thought fit, pass the following resolution as a special resolution:

“THAT:

the amendments to the Rules of Procedure for Board of Directors Meetings of ZTE Corporation be and are hereby approved. (These amendments are made pursuant to the above amendments to the Articles of Association and will not be inconsistent with the provisions of relevant laws and the Articles of Association. For further details of the amended Rules of Procedure for Board of Directors Meetings of ZTE Corporation, please refer to the designated website for information disclosure by the Company (<http://www.cninfo.com.cn>).)”

## 13. To consider and, if thought fit, pass the following resolution as a special resolution:

“THAT:

the amendments to the Rules of Procedure for Supervisory Committee Meetings of ZTE Corporation be and are hereby approved. (These amendments are made pursuant to the above amendments to the Articles of Association and will not be inconsistent with the provisions of relevant laws and the Articles of Association. For further details of the amended Rules of Procedure for Supervisory Committee Meetings of ZTE Corporation, please refer to the designated website for information disclosure by the Company (<http://www.cninfo.com.cn>).)”

## 3. REGISTRATION AT THE AGM

## (1) Registration of attendance

1. Any legal person shareholder (including but not limited to corporate shareholders) entitled to attend the AGM 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 AGM shall produce for registration his own identity card, stock account card and evidence of shareholding.
3. Any shareholder intending to attend the AGM shall deliver the confirmation slip to the AGM registry by courier, registered mail or fax.

## (2) Time of registration

From 19 May 2006 to 25 May 2006

## (3) Address for registration

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

## (4) Requirements when registering and voting by way of proxy

1. Any shareholder entitled to attend and vote at the meeting may entrust one or more person (whether or not a shareholder) as his proxy(ies) to attend and vote at the meeting on his behalf. The shareholder may attend and vote at the meeting 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 meeting, and any one share may not be voted by different proxies.
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 notarized 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 AGM.
3. If a shareholder entrusts his proxy(ies) to attend and vote at the meeting 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 shareholder and evidence of shareholding.

## 4. MISCELLANEOUS

- (1) It is expected that the AGM will take less than one day; all accommodation, travel and expenses relating to attending the meeting shall be borne by the attendees.
- (2) AGM Contact: Li Lihong
- (3) Contact telephone number: + 86 755 26770285
- (4) Contact fax number: + 86 755 26770286

## 5. REFERENCE

*Resolutions of the Sixteenth Meeting of the Third Session of the Meeting of the Board of Directors of ZTE Corporation*

By Order of the Board of Directors  
**Hou Weigui**  
Chairman

Shenzhen, the PRC  
24 April 2006

*As at the date of this announcement, the Board of Directors of the Company comprises three executive directors Yin Yimin, Shi Lirong and He Shiyu; six non-executive directors Hou Weigui, Wang Zongyin, Xie Weiliang, Zhang Junchao, Li Juping and Dong Lianbo; and five independent non-executive directors Zhu Wuxiang, Chen Shaohua, Qiao Wenjun, Mi Zhengkun and Li Jin.*

PROXY FORM<sup>1</sup>

## FOR ANNUAL GENERAL MEETING TO BE HELD ON WEDNESDAY, 14 JUNE 2006

Number of Shares to which this Proxy Form relates:	
Class of Shares to which this Proxy Form (Domestic shares or H shares <sup>2</sup> ) relates:	

I/We<sup>3</sup> \_\_\_\_\_ of (address) \_\_\_\_\_ holding identity card no. \_\_\_\_\_ and shareholder account No. \_\_\_\_\_ (as shown in the register), being the shareholder(s) of ZTE Corporation (the "Company") hereby appoint the Chairman of the AGM or<sup>4</sup> (address) \_\_\_\_\_ holding identity card no. \_\_\_\_\_ as my/our proxy to vote for me/us and on my/our behalf in respect of the resolutions set out in the notice of the AGM at the AGM of the Company to be held at the Novotel Bauhinia Shenzhen Hotel (address: Qiaocheng E., Road, Huaqiao City, Shenzhen (near the western entrance of Yuanboyuan); telephone: +86 755 82829966) on Wednesday, 14 June 2006 at 9:00 am, and at any adjournment thereof as indicated hereunder indicated or, if no such indication is given, as my/our proxy thinks fit.

	Ordinary Resolutions	For <sup>5</sup>	Against <sup>5</sup>	Abstain <sup>5</sup>
1.	to consider and approve the financial report for the year ending 31 December 2005 audited by the Company's PRC and Hong Kong auditors;			
2.	to consider and approve the report of the Board of Directors of the Company for the year ending 31 December 2005;			
3.	to consider and approve the report of the Supervisory Committee of the Company for the year ending 31 December 2005;			
4.	to consider and approve the report of the President of the Company for the year ending 31 December 2005;			
5.	to consider and approve the final financial accounts of the Company for the year ending 31 December 2005;			
6.	to consider and approve the profit distribution plan of the Company for the year ending 31 December 2005;			
7	to consider and approve the Connected Transactions Framework Agreements proposed to be entered into by the Company:			
7.1	to consider and approve the 2006 Framework Purchase Agreement to be entered into between ZTE Kangxun Telecom Company, Limited, a subsidiary of the Company, and Shenzhen Zhongxingxin Telecommunications Equipment Company, Limited, a connected party of the Company and its subsidiaries;			
7.2	to consider and approve the 2006 Framework Purchase Agreement to be entered into between ZTE Kangxun Telecom Company, Limited, a subsidiary of the Company, and Xi'an Microelectronics Technology Research Institute, a connected party of the Company;			
7.3	to consider and approve the 2006 Framework Sales Agreement to be entered into between the Company, and Xi'an Microelectronics Technology Research Institute, a connected party of the Company;			
7.4	to consider and approve the 2006 Framework Purchase Agreement to be entered into between ZTE Kangxun Telecom Company, Limited, a subsidiary of the Company, and Chung Hing (Hong Kong) Development Limited, a connected party of the Company;			
7.5	to consider and approve the 2006 Framework Purchase Agreement to be entered into between Shenzhen Lead Communications Company, Limited, a subsidiary of Shenzhen Changfei Investment Company Limited, which is in turn a subsidiary of the Company, and Shenzhen Zhongxing Xinyu FPC Company, Limited, a connected party of the Company;			
7.6	to consider and approve the 2006 Framework Purchase Agreement to be entered into between ZTE Kangxun Telecom Company, Limited, a subsidiary of the Company, and Shenzhen Zhongxing WXT Equipment Company, Limited and its investee company, a connected party of the Company;			
7.7	to consider and approve the 2006 Framework Sales Agreement to be entered into between ZTE Kangxun Telecom Company, Limited, a subsidiary of the Company, and Shenzhen Zhongxing WXT Equipment Company, Limited and its subsidiaries, a connected party of the Company;			
7.8	to consider and approve the 2006 Framework Purchase Agreement to be entered into between ZTE Kangxun Telecom Company, Limited, a subsidiary of the Company, and Shenzhen Zhongxing Information Technology Company, Limited, a connected party of the Company;			
7.9	To consider and approve the 2006 Framework Sales Agreement to be entered into between the Company and ZTE Kangxun Telecom Company, Limited, a subsidiary of the Company, on the one hand and Shenzhen Zhongxing Information Technology Company, Limited, a connected party of the Company, on the other;			
8	to consider and approve the appointment of the PRC auditors and the Hong Kong auditors of the Company for the year ending 31 December 2006:			
8.1	That Ernst & Young Hua Ming be re-appointed as the PRC auditors of the Company for 2006 and a proposal be made to the shareholders' general meeting to authorise the Board of Directors to determine the audit fees of Ernst & Young Hua Ming for 2006 based on specific audit work to be conducted.			
8.2	That Ernst & Young be re-appointed as the Hong Kong auditors of the Company for 2006 and a proposal be made to the shareholders' general meeting to authorise the Board of Directors to determine the audit fees of Ernst & Young for 2006 based on the specific audit work to be conducted.			

	Special Resolutions	For <sup>5</sup>	Against <sup>5</sup>	Abstain <sup>5</sup>
9.	to consider and approve the grant to the Board of Directors of general mandate for 2006;			
10.	to consider and approve the resolution on the amendments to the Articles of Association of the ZTE Corporation:			
10.1	Proposed amendments to the Articles of Association due to changes to relevant laws and regulations of the PRC;			
10.2	Additional requirements for eligibility to act as Chairman  The Chairman must be elected from among persons who have served as directors or members of the senior management of the Company for 3 years or more;			
10.3	Restrictions on the composition of the Board of Directors  At least one-fifth of the directors shall be members of the senior management of the Company;			
11.	to consider and approve the amendments to the Rules of Procedure for General Meetings of Shareholders of ZTE Corporation;			
12.	to consider and approve the amendments to the Rules of Procedure for Board of Directors Meetings of ZTE Corporation;			
13.	to consider and approve the amendment to Rules of Procedure for Supervisory Committee Meetings of ZTE Corporation.			

Dated: \_\_\_\_\_ 2006 Signature(s)<sup>6</sup> \_\_\_\_\_

## Notes:

- IMPORTANT: Before you duly authorise a proxy, please read the 2005 Annual Report for the year ending 31 December 2005, which is expected to be delivered to shareholders of the Company on or before 30 April 2006. The 2005 Annual Report includes the report of the board of directors, report of the supervisory committee and audited financial report of the Company for 2005 for shareholders' review.
- Please insert the number of shares registered in your name(s). If no number is inserted, this form of proxy will be deemed to relate to all the shares in the capital of the Company registered in your name(s). Also please insert the class of shares concerned in this Proxy Form (Domestic share or H share).
- Full name(s) (in Chinese or English) and address(es) as shown in the register of members to be inserted in BLOCK CAPITALS.
- If you want to authorise any person other than the Chairman of the AGM as your proxy, please delete the words "the Chairman of the AGM or" and insert the name and address of the proxy you duly authorise. Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote on his behalf. The proxy needs not be a member of the Company. For a member who appoints more than one proxy, his proxies are entitled to execute his voting rights only by way of a poll. Any alterations made in this proxy form should be initiated by the person who signs it.
- IMPORTANT: Please indicate with a "✓" in the appropriate box under the column marked "For" if you wish to vote in favour of a resolution. Please indicate with a "✓" in the appropriate box under the column marked "Against" if you wish to vote against. Please indicate with a "✓" in the appropriate box under the column marked "Abstain" if you wish to abstain from voting in respect of a resolution. If no direction is given, the proxy is entitled to vote or abstain as he thinks fit. Unless otherwise directed in the proxy form, the proxy is also entitled to vote as he thinks fit for any resolution duly submitted to the AGM in addition to those set out in the notice of AGM.
- This proxy form must be signed by you or your attorney duly authorised in writing, or under the Common Seal or the hand of a director or a duly authorised attorney in case of a corporation. If the proxy form is signed by an attorney, the power of attorney or other authorisation document giving such authorisation shall be notarized.
- In cases of joint holders of a share, any one of such holders is entitled to vote at the meeting, by himself or by proxy, as if he is the only one entitled to do so among the joint holders. However, only the vote of the person whose name stands first on the register of members in respect of such share shall be accepted if more than one joint holder attends the meeting personally or by proxy.
- To be valid, this proxy form together with any notarized copy of the power of attorney or other authorisation documents (if any) must be deposited, not less than 24 hours before the time appointed for holding the meeting at the Company's registered office at ZTE Plaza, Keji Road South, Hi-Tech Industrial Park, Nanshan District, Shenzhen, PRC 518057 for Domestic Shareholders, or at Room 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for H Shareholders.

(Both the original and the duplicate of this proxy form are acceptable.)

## CONFIRMATION SLIP FOR THE ANNUAL GENERAL MEETING

To: ZTE Corporation (the "Company")

I/We<sup>(1)</sup> \_\_\_\_\_ of \_\_\_\_\_

being the registered holder(s) of<sup>(2)</sup> \_\_\_\_\_ shares of RMB1.00 each in the share capital of the Company, hereby inform the Company that I/we intend to attend (in person or by proxy) the AGM of the Company to be held at the Novotel Bauhinia Shenzhen Hotel on Wednesday, 14 June 2006 at 9:00 a.m.

Dated: \_\_\_\_\_ 2006 Signature of Shareholder: \_\_\_\_\_

## Note:

- Please insert your full name(s) (in Chinese or English) and address(es) in BLOCK CAPITALS as shown in the register of members of the Company.
- Please insert the number of shares registered in your name.
- Please complete and sign the confirmation slip and return the same to the Company by hand, post or facsimile (to the address or facsimile no. set out below, as the case may be) on or before 25 May 2006.

## For domestic shareholders:

To registered office:

ZTE Plaza  
Keji Road South  
Hi-Tech Industrial Park  
Nanshan District  
Shenzhen 518057  
People's Republic of China  
(Facsimile No. +86 755 26770286)

## For H shareholders:

To principal place of business in Hong Kong:

8th Floor Gloucester Tower  
The Landmark  
11 Pedder Street  
Central  
Hong Kong  
(Facsimile No. +852 35898555)