

# 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)

#### CONTINUING CONNECTED TRANSACTIONS

The Directors announce that on 18 April 2007, the Company has entered into the Chengdu Tenancy Agreement and the Xian Tenancy Agreement with Zhongxingxin and the Beijing Tenancy Agreement with Zhongxing Development each for a term of three years.

As Zhongxingxin is a controlling shareholder of the Company holding 36.21% equity interests in the Company as at 17 April 2007, it is a connected person of the Company as defined under Rule 14A.11 of the Listing Rules. Since Zhongxing Development is a 50% owned subsidiary of Juxian, a substantial shareholder of ZTE Microelectronics Technology Co., Ltd. (深圳市中興微電子技術服務公司) and ZTE Kangxun Telecom Company Limited (深圳市中興康訊電子有限公司), which are subsidiaries of the Company, Zhongxing Development is an associate of Juxian and therefore a connected person of the Company as defined under Rule 14A.11 of the Listing Rules. Accordingly, the transactions under the Tenancy Agreements constitute continuing connected transactions for the Company under the Listing Rules.

Given that the aggregate percentage ratios under the Chengdu Tenancy Agreement and the Xian Tenancy Agreement and the relevant percentage ratios under the Beijing Tenancy Agreement are more than 0.1% but less than 2.5%, the entering into of the Tenancy Agreements is exempt from independent shareholders' approval and is subject to reporting and announcement requirements only under the Listing Rules.

#### CHENGDU TENANCY AGREEMENT DATED 18 APRIL 2007

Landlord	: Zhongxingxin
Tenant	: The Company
Premises	: No.800 Tian Fu Avenue Central, Chengdu, Sichuan, PRC with a total floor area of approximately 15,000 square meters
Term	: Three years commencing from 18 April 2007 to 17 April 2010 (both days inclusive)
Rental	: RMB600,000 per month payable by way of telegraphic transfer no later than the 15th day of every month
Cap	: The maximum annual rental during the term of the Chengdu Tenancy Agreement will not exceed RMB7,200,000. The proposed cap was determined by reference to the market rental in other similar properties located in the neighbouring area in Chengdu

#### XIAN TENANCY AGREEMENT DATED 18 APRIL 2007

Landlord	: Zhongxingxin
Tenant	: The Company
Premises	: Jin Ye Road, Electronic Town, Xian, Shanxi, PRC with a total floor area of approximately 44,000 square meters
Term	: Three years commencing from 18 April 2007 to 17 April 2010 (both days inclusive)
Rental	: RMB1,760,000 per month, exclusive of management fee payable by way of telegraphic transfer no later than the 15th day of every month
Management fee	: RMB110,000 per month
Cap	: The maximum annual rental during the term of the Xian Tenancy Agreement will not exceed RMB22,440,000. The proposed cap was determined by reference to the market rental in other similar properties located in the neighbouring area in Xian

#### BEIJING TENANCY AGREEMENT DATED 18 APRIL 2007

Landlord	: Zhongxing Development
Tenant	: The Company
Premises	: No.19, Hua Yuan Road East, Hai Dian District, Beijing, PRC with a total floor area of approximately 25,000 square meters
Term	: Three years commencing from 18 April 2007 to 17 April 2010 (both days inclusive)
Rental	: RMB2,875,000 per month payable by way of telegraphic transfer no later than the 15th day of every month
Cap	: The maximum annual rental during the term of the Beijing Tenancy Agreement will not exceed RMB34,500,000. The proposed cap was determined by reference to the market rental in other similar properties located in the neighbouring area in Beijing

#### REASONS FOR THE CONTINUING CONNECTED TRANSACTION

In order to centralize the scattered office locations of the Company and increase working efficiency, the Company has decided to enter into the Tenancy Agreements. Furthermore, the Company has decided to enter into the Tenancy Agreements with Zhongxingxin and Zhongxing Development since they are able to provide conveniently situated premises at market rate and the Company considers that it is important and beneficial to have reliable and co-operative landlords. While the Company has research and development facilities in both Chengdu and Xian, the entering into of the Chengdu Tenancy Agreement and the Xian Tenancy Agreement will strengthen the Company's research and development capability in the Western and Southwestern regions of the PRC, increase the Company's research and development efficiency and improve the Company's operational development. As the premises under the Beijing Tenancy Agreement will also be used to set up exhibition halls and receive the Company's customers, the Directors believe that this will promote the Company's international image. The terms of the Tenancy Agreements are negotiated on an arm's length basis and are on normal commercial terms. The Directors (including the independent non-executive Directors) are of the opinion that the respective cap under each of the Tenancy Agreements is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

#### GENERAL

The Group is principally engaged in the design, development, production, distribution and installation of a broad range of advanced telecommunications equipment, including wireless communications systems, wireline switch and access equipment, optical and data communications equipment, handsets and telecommunications software systems and services.

Zhongxingxin is principally engaged in the production of programmed switchboard cabinets, telephone and related components and electronic products; import and export operations; treatment of toxic fumes, waste water and noise and related technical services; research and technical development of environmental protection equipment; and production of continuous monitoring smoke systems.

Zhongxing Development is principally engaged in enterprise investment and the supply and marketing of goods and materials in the PRC (excluding restricted items and franchised, state controlled and monopolized merchandises).

#### LISTING RULES IMPLICATIONS

As Zhongxingxin is a controlling shareholder of the Company holding 36.21% equity interests in the Company as at 17 April 2007, it is a connected person of the Company as defined under Rule 14A.11 of the Listing Rules. Since Zhongxing Development is a 50% owned subsidiary of Juxian, a substantial shareholder of ZTE Microelectronics Technology Co., Ltd. (深圳市中興微電子技術服務公司) and ZTE Kangxun Telecom Company Limited (深圳市中興康訊電子有限公司), which are subsidiaries of the Company, Zhongxing Development is an associate of Juxian and therefore a connected person of the Company as defined under Rule 14A.11 of the Listing Rules. Accordingly, the transactions under the Tenancy Agreements constitute continuing connected transactions for the Company under the Listing Rules.

Given that the aggregate percentage ratios under the Chengdu Tenancy Agreement and the Xian Tenancy Agreement and the relevant percentage ratios under the Beijing Tenancy Agreements are more than 0.1% but less than 2.5%, the entering into of the Tenancy Agreements is exempt from independent shareholders' approval and is subject to reporting and announcement requirements only under the Listing Rules.

#### DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

"associate"	has the meaning ascribed to it under the Listing Rules
"Beijing Tenancy Agreement"	the tenancy agreement dated 18 April 2007 entered into between Zhongxing Development as the landlord and the Company as the tenant in respect of the premises in Beijing
"Board"	the board of Directors
"Chengdu Tenancy Agreement"	the tenancy agreement dated 18 April 2007 entered into between Zhongxingxin as the landlord and the Company as the tenant in respect of the premises in Chengdu
"Company"	中興通訊股份有限公司 (ZTE Corporation), a joint stock limited company incorporated on 11 November 1997 under the Chinese Company Law in the PRC whose shares are listed on the Hong Kong Stock Exchange and the Shenzhen Stock Exchange
"connected person"	has the meaning ascribed to it under the Listing Rules
"Directors"	the directors of the Company
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Juxian"	深圳市聚賢投資有限公司 (Shenzhen Juxian Investment Company Limited)
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
"PRC"	the People's Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan)
"RMB"	renminbi, the lawful currency of the PRC
"Shareholders"	shareholders of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Tenancy Agreements"	the Chengdu Tenancy Agreement, the Xian Tenancy Agreement and the Beijing Tenancy Agreement
"Xian Tenancy Agreement"	the tenancy agreement dated 18 April 2007 entered into between Zhongxingxin as the landlord and the Company as the tenant in respect of the premises in Xian
"Zhongxingxin"	深圳市中興新通訊設備有限公司 (Shenzhen Zhongxingxin Telecommunications Equipment Company, Limited)
"Zhongxing Development"	深圳市中興發展有限公司 (Shenzhen Zhongxing Development Company Limited)

By Order of the Board of Directors  
Hou Weigui  
Chairman

Shenzhen, PRC  
19 April 2007

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.

\* for identification purposes only.