

# 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 REGARDING ONGOING CONNECTED TRANSACTIONS

This announcement is published simultaneously in Shenzhen pursuant to the Rules Governing Listing of Stocks on Shenzhen Stock Exchange (2005 Revision) (the "Shenzhen Listing Rules") and in Hong Kong as an overseas regulatory announcement pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules").

The Company and all the members of the Board of Directors confirm that 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.

### I. ESTIMATED ONGOING CONNECTED TRANSACTIONS IN 2006

Classification of Transaction	Subject Matter	Member of the Group (Party to Connected Transaction)	Connected Party (Counterparty to Connected Transaction)	Estimated total amount (RMB) Breakdown	Total	As a percentage of all transactions in the same category	Projected transaction prices for 2006 (RMB)	Total amount for 2005 (RMB) (excluding VAT)
Purchase of raw materials	Various telecommunications products such as cabinets, cases, distribution frames, soft circuit boards and other raw materials	ZTE Kangxun Telecom Company, Limited	Shenzhen Zhongxingxin Telecommunications Equipment Company, Limited and its subsidiaries, Shenzhen Zhongxing Xindi Telecommunications Equipment Company, Limited and Shenzhen Zhongxing Xinyu FPC Company, Limited	1,146.9 million	1,521.6 million	5.73%–7.17%	Cabinets: 2,000–15,000 per unit; cases: 40–4,000 per unit depending on level of sophistication; distribution frames and accessories: 2–600 per unit depending on level of sophistication; Soft circuit boards (FPC): Two-sided: 0.15–0.18 per sq.m. One-sided: 0.1–0.15 per sq.m.	430.96 million
	Circuit protectors and other electronic products	ZTE Kangxun Telecom Company, Limited	Xi'an Microelectronics Technology Research Institute	40.6 million		0.20%–0.25%	Voltage protector: approximately 2 per unit	7.718 million
	IC, connector assemblies, optical devices, modules and other ancillary equipment	ZTE Kangxun Telecom Company, Limited	Shenzhen Zhongxing WXT Equipment Company, Ltd and its investee entity, Shenzhen Gaodonghua Communication Technique Co., Ltd	280 million		1.40%–1.75%	IC (built-in): 100–1,000 per unit depending on brand, capacity and technical parameters; plugs and connectors: 1–50 per unit depending on the structure and raw materials; Optical components: 120–17,500 per unit depending on materials performance	184.326 million
	Printers and other electronic products	ZTE Kangxun Telecom Company, Limited	Chung Hing (Hong Kong) Development Limited	1.1 million		0.006%–0.007%	Common rolling needle printers: HK\$4,000–6,000 per unit depending on brand and functions	8.166 million
	Soft circuit boards and other products	Shenzhen Lead Communications Company, Limited	Shenzhen Zhongxing Xinyu FPC Company, Limited	3 million		0.015%–0.019%	FPC two-sided boards: 0.15–0.18 per sq.m.; one-sided boards: 0.1–0.15 per sq.m.	6.956 million
Sales of products	Dispatch exchange systems, integrated police alarm command dispatch systems, pre-hospitalisation first-aid command dispatch systems	ZTE Kangxun Telecom Company, Limited	Shenzhen Zhongxing Information Technology Company, Limited	50 million		0.25%–0.31%	Dispatch exchange systems: approximately 0.2 million per set; integrated police alarm command dispatch systems: approximately 1.5 million per set; pre-hospitalisation first-aid command dispatch systems: approximately 1 million per set	16.163 million
	Handsets and other products	ZTE Kangxun Telecom Company, Limited	Xi'an Microelectronics Technology Research Institute	180 million	215 million	0.60%–0.82%	Handsets: 500–1,000 per unit depending on model	6.478 million
	IC and other products		Shenzhen Zhongxing WXT Equipment Company, Ltd	15 million		0.05%–0.07%	IC: 10–3,000 per unit depending on IC model	5.233 million
	Optical transmission systems, power supply equipment, data products and conferencing TV	The Company and ZTE Kangxun Telecom Company, Limited	Shenzhen Zhongxing Information Technology Company, Limited	20 million		0.07%–0.09%	Optical transmission systems: approximately 50,000 per unit; power supply equipment: approximately 10,000 per unit; data products: approximately 20,000 per unit; conferencing TV: approximately 50,000 per unit	7.910 million

Note 1: Transaction prices will be determined subject to the pricing principles under the connected transactions framework agreements.  
Note 2: Settlement by bank acceptance bills.

### II. CONNECTED PARTIES AND CONNECTED RELATIONSHIPS

#### 1. ZTE Kangxun Telecom Company, Limited ("ZTE Kangxun")

ZTE Kangxun is a subsidiary of the Company, with the Company currently holding 90% of its share capital. Pursuant to Rule 7.8 of the Shenzhen Listing Rules, any connected transaction entered into by ZTE Kangxun is deemed to be a connected transaction of the Company.

#### 2. Shenzhen Lead Communications Company, Limited ("Lead")

As Lead is a subsidiary of Shenzhen Changfei Investment Company, Limited, which in turn is a subsidiary of the Company, any connected transaction entered into by Lead is deemed to be a connected transaction of the Company pursuant to Rule 7.8 of the Shenzhen Listing Rules.

#### 3. Shenzhen Zhongxingxin Telecommunications Equipment Company, Limited ("Zhongxingxin")

##### (1) General

Legal representative: Zhang Taifeng  
Registered capital: RMB10 million  
Enterprise type: limited liability company  
Address: 6/F, Block 710, Liantang Pengji Industrial Zone, Luohu District, Shenzhen, China

Business scope: Production of switching equipment control cabinets, telephone and related component parts, electrical products; import and export business; treatment of wastewater, exhaust fumes and noise, technology services, research and development on environmental protection equipment; production of inspection systems for smoke and gas.

Historical background: ZTE Kangxun was established on 29 April 1993. There has been no change in its name, legal representative, address, registered capital and other general information since that date.

##### (2) Connected relationship with the Company

At present, Zhongxingxin is the largest shareholder of the Company holding 37.41% of its share capital. Its connected relationship with the Company falls within the provisions of Section (1) of Rule 10.1.3 of the Shenzhen Listing Rules. Zhongxingxin is also a connected person of the Company under the Hong Kong Listing Rules.

##### (3) Analysis of ability to perform contract

Based on the operating and financial conditions of Zhongxingxin, the Company is of the view that Zhongxingxin is in a sound position to perform the connected transactions agreement entered into with the Group.

##### (4) Estimated total amount for ongoing connected transactions with the connected party

The total amount for connected transactions for 2006 between ZTE Kangxun and Zhongxingxin (including its subsidiaries Shenzhen Zhongxing Xindi Telecommunications Equipment Company, Limited and Shenzhen Zhongxing Xinyu FPC Company, Limited (see paragraphs 4 and 5 for details) is estimated to be RMB1,146.9 million. The above estimated amount is consistent with that disclosed in the prospectus of the Company dated 29 November 2004 and issued in relation to the listing of its H shares on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") (the "Prospectus"). The Company has also made an announcement in respect of the above estimated amount on 1 December 2004 (the "1 December 2004 Announcement").

#### 4. Shenzhen Zhongxing Xindi Telecommunications Equipment Company, Limited ("Zhongxing Xindi")

##### (1) General

Legal representative: Wei Xingmin  
Registered capital: RMB5 million  
Enterprise type: Limited liability company  
Address: 1/F, Block 15, Guangqian Village Industrial Zone, Taoyuan Office, Nanshan District, Shenzhen, China

Business scope: Product of precision finishing, distribution frames, handset components (excluding handset battery cores), assembly and processing of packing containers and integrated wiring systems.

Historical background: Zhongxing Xindi was established on 2 July 2003. There has been no change in its company name, legal representative, address and registered capital since that date.

##### (2) Connected relationship with the Company:

Zhongxing Xindi is a subsidiary of the Company's largest shareholder, Zhongxingxin. Its connected relationship with the Company falls within the provisions of Section (2) of Rule 10.1.3 of the Shenzhen Listing Rules. Zhongxing Xindi is also a connected person of the Company under the Hong Kong Listing Rules.

##### (3) Analysis of ability to perform contract

Based on the operating and financial conditions of Zhongxing Xindi, and considering its shareholding relationship with Zhongxingxin, the Company is of the view that Zhongxing Xindi is in a sound position to perform the connected transactions agreement entered into with the Group.

##### (4) Estimated total amount for ongoing connected transactions with the connected party

The estimated total amount for connected transactions relating to raw material purchases for 2006 between ZTE Kangxun and Zhongxing Xindi is included in the total amount mentioned in paragraph 3(4) above.

#### 5. Shenzhen Zhongxing Xinyu FPC Company, Limited ("Zhongxing Xinyu")

##### (1) General:

Legal representative: Wei Xingmin  
Registered capital: RMB10 million  
Enterprise type: limited liability company  
Address: Block A28, Tantou Western Industrial Zone, Songgang town, Bao'an district, Shenzhen, China

Business scope: Development, production and sales of single-sided, double-sided, multi-layered and flex-rigid flexible printed circuits (excluding state regulated projects).

Historical background: Zhongxing Xinyu was established on 30 July 2003. There has been no change in its company name, legal representative, address, registered capital since then.

##### (2) Connected relationship with the Company:

Zhongxing Xinyu is a subsidiary of the Company's largest shareholder, Zhongxingxin. Its connected relationship with the Company falls within the provisions of Section (2) of Rule 10.1.3 of the Shenzhen Listing Rules. Zhongxing Xinyu is also a connected person of the Company under the Hong Kong Listing Rules.

##### (3) Analysis of ability to perform contract

Based on the operating and financial conditions of Zhongxing Xinyu, and considering its shareholding relationship with Zhongxingxin, the Company is of the view that Zhongxing Xinyu is in a sound position to perform the connected transactions agreement entered into with the Group.

##### (4) Estimated total amount for ongoing connected transactions with the connected party

The estimated total amount for connected transactions relating to raw materials purchases for 2006 between ZTE Kangxun and Zhongxing Xinyu is included in the total amount mentioned in paragraph 3(4) above.

The Company estimates that the total amount for connected transactions between Lead and Zhongxing Xinyu for 2006 will be RMB3 million. The above estimated amount is consistent with that disclosed in the Prospectus and the 1 December 2004 Announcement.

The aggregate amount of connected transactions relating to raw materials purchases between Lead and ZTE Kangxun for 2005 was RMB6.956 million, which exceeded the estimate disclosed in the Prospectus by RMB4.456 million. Notwithstanding the foregoing, the aggregate amount of connected

transactions in the above category for 2005 remained within the threshold specified for de minimis transactions under Rule 14A.33 of the Hong Kong Listing Rules, that is, the percentage ratios (other than the profits ratio) calculated by reference to Rule 14.07 of the Hong Kong Listing Rules on an annual basis for 2005 were less than 0.1%.

#### 6. Xi'an Microelectronics Technology Research Institute ("Xi'an Microelectronics")

##### (1) General

Legal representative: Zhang Junchao  
 Operating capital: RMB198.53 million  
 Enterprise type: business unit  
 Address: No.8, Taiyi Rd, Xi'an, Shaanxi, China

Business scope: Microelectronic technology research for the development of aviation technology, research and development of computer equipment, application software and semiconductor products, development of integrated circuits and hybrid integrated circuits and modules, development of PC board and chromium plate, the design and development of cabinets and cases and related technical services.

Historical background: Xi'an Microelectronics was established on 25 October 1999. There has been no change in its general information, including its name and address, except Mr. Zhang Junchao replaced Mr. Li Juping as the legal representative in April 2004.

##### (2) Connected relationship with the Company

Mr. Zhang Junchao, Director of the Company, is the legal representative of Xi'an Microelectronics, of which its connected relationship with the Company falls within the provisions of Section (3) of Rule 10.1.3 of the Shenzhen Listing Rules. In relation to the connected transactions between ZTE Kangxun and Xi'an Microelectronics disclosed in this announcement, the Hong Kong Stock Exchange has exempted Xi'an Microelectronics from being treated as a connected person under the Hong Kong Listing Rules.

##### (3) Analysis of ability to perform contract

Based on the operating and financial conditions of Xi'an Microelectronics, the Company is of the view that Xi'an Microelectronics is in a sound position to perform the connected transactions agreement entered into with the Group, and amounts payable by it to the Company will not become bad debts.

##### (4) Estimated total amount for ongoing connected transactions with the connected party

The Company estimates that the total amount for connected transactions between ZTE Kangxun and Xi'an Microelectronics relating to raw materials purchases and product sales for 2006 will be RMB40.6 million and RMB180 million respectively, representing an aggregate amount of RMB220.6 million. The above estimated amount is consistent with that disclosed in the Prospectus and the 1 December 2004 Announcement.

#### 7. Chung Hing (Hong Kong) Development Limited ("Chung Hing Hong Kong")

##### (1) General

Registered Capital: HK\$1 million  
 Enterprise type: limited liability company  
 Address: Room 1201, 12th Floor, On Hong Commercial Building, 145 Hennessy Rd, Wanchai, Hong Kong

Historical background: Chung Hing Hong Kong was established on 21 August 1999. There has been no change in its name, address and registered capital since that date.

##### (2) Connected relationship with the Company

Chung Hing Hong Kong is a company owned by directors of the Company. Its connected relationship with the Company falls within the provisions of Section (3) of Rule 10.1.3 of the Shenzhen Listing Rules. Chung Hing Hong Kong is also a connected person of the Company under the Hong Kong Listing Rules.

##### (3) Analysis of ability to perform contract

Based on the operating and financial conditions of Chung Hing Hong Kong, the Company is of the view that Chung Hing Hong Kong is in a sound position to perform the connected transactions agreement entered into with the Company.

##### (4) Estimated total amount for ongoing connected transactions with the connected party

The Company estimates that the total amount for connected transactions between ZTE Kangxun and Chung Hing Hong Kong in 2006 will be RMB1.1 million. The above estimated amount is consistent with that disclosed in the Prospectus.

The aggregate amount of connected transactions relating purchases between ZTE Kangxun and Chung Hing Hong Kong for 2005 was RMB8.166 million, which exceeded the estimate disclosed in the Prospectus by RMB7.366 million. Notwithstanding the foregoing, the aggregate amount of connected transactions in the above category for 2005 remained within the threshold specified for de minimis transactions under Rule 14A.33 of the Hong Kong Listing Rules, that is, the percentage ratios (other than the profits ratio) calculated by reference to Rule 14.07 of the Hong Kong Listing Rules on an annual basis for 2005 were less than 0.1%.

#### 8. Shenzhen Zhongxing WXT Equipment Company, Ltd. ("Zhongxing WXT")

##### (1) General

Legal representative: Hou Weigui  
 Registered capital: RMB10 million  
 Enterprise type: limited liability company  
 Address: Factory No.1, Dameisha, Shatoujiao, Shenzhen

Business scope: Development and manufacturing of communications transmission products, accessory equipment, computers and peripheral equipment.

Historical background: Zhongxing WXT was established on 23 October 1992. There has been no change in its company name, legal representative, address and registered capital since that date.

##### (2) Connected relationship with the Company

The chairman of Zhongxing WXT is concurrently the Chairman of the Company. Its connected relationship with the Company falls within the provisions of Section (3) of Rule 10.1.3 of the Shenzhen Listing Rules. Zhongxing WXT is not a connected person of the Company under the Hong Kong Listing Rules.

##### (3) Analysis of ability to perform contract

Based on Zhongxing WXT's operating and financial conditions, the Company is of the view that Zhongxing WXT is in a sound position to perform the connected transactions agreement entered into with the Group.

##### (4) Estimated total amount for ongoing connected transactions with the connected party

The Company estimates that the total amount for connected transactions relating to raw materials purchases and product sales for 2006 between ZTE Kangxun and Zhongxing WXT (including Shenzhen Gaodonghua Communication Technique Co., Ltd, a company in which Zhongxing WXT holds shares: see paragraph 9 below) will be RMB280 million and RMB15 million respectively, representing an aggregate amount of RMB295 million.

#### 9. Shenzhen Gaodonghua Communication Technique Co., Ltd ("GDH Communication")

##### (1) General

Legal representative: Qu Deqian  
 Registered capital: RMB2 million  
 Enterprise type: limited liability company  
 Address: Unit 1102, Block A, ChuangXin Technology Plaza, Tairan Road 4, Futian District, Shenzhen, China

Business scope: business establishment, domestic trading, supply and sales of goods and materials, technological development and sales of communications equipment and software.

Historical background: GDH Communication was established on 31 October 2002 and there has been no change in its name, legal representative, address and registered capital since then.

##### (2) Connected relationship with the Company

GDH Communication is a company in which Zhongxing WXT, a connected party, holds shares. Its connected relationship with the Company falls within the provisions in Section (5) of Rule 10.1.3 of the Shenzhen Listing Rules. GDH Communication is not a connected person under the Hong Kong Listing Rules.

##### (3) Analysis of ability to perform contract

Based on the operating and financial conditions of GDH Communication, the Company is of the view that GDH Communication is in a sound position to perform the connected transactions agreement entered into with the Group.

##### (4) Estimated total amount for ongoing connected transactions with the connected party

The estimated total amount for connected transactions relating to raw materials purchases for 2006 between ZTE Kangxun and GDH Communication is included in the total amount mentioned in paragraph 8(4) above.

#### 10. Shenzhen Zhongxing Information Technology Company, Limited ("Zhongxing IT")

##### (1) General

Legal representative: Zhang Junchao  
 Registered capital: RMB10 million  
 Enterprise type: limited liability company  
 Address: Unit 605, Block A, ChuangXin Technology Plaza, Tianan Digital City, Shennanxi Road, Futian District, Shenzhen, China

Business scope: telecommunications equipment, dispatch units, production and sales of paging centre systems.

Historical background: Zhongxing IT was established on 6 September 1999, and there has been no change in its general information, including its company name and address, except that Mr. Zhang Junchao has replaced Mr. Zhang Taifeng as the legal representative and the registered capital has been increased from RMB4 million to RMB10 million.

##### (2) Connected relationship with the Company

Mr. Zhang Junchao, Director of the Company, is the legal representative of Zhongxing IT, of which its connected relationship with the Company falls within the provisions of Section (3) of Rule 10.1.3 of the Shenzhen Listing Rules. In relation to the connected transactions between the Group and Zhongxing IT, the Hong Kong Stock Exchange has exempted Xi'an Microelectronics and its associates (including Zhongxing IT) from being treated as connected persons under the Hong Kong Listing Rules.

##### (3) Analysis of ability to perform contract

Based on the operating and financial conditions of Zhongxing IT, the Company is of the view that Zhongxing IT is in a sound position to perform the connected transactions agreement entered into with the Group, and amounts payable by it to the Company will not become bad debts.

##### (4) Estimated total amount for ongoing connected transactions with the connected party

The Company estimates that the total amount for connected transactions relating to raw materials purchases and product sales for 2006 between ZTE Kangxun and Zhongxing IT will be RMB50 million and RMB20 million respectively, representing an aggregate amount of RMB70 million.

### III. PRICING POLICY AND PRICING PRINCIPLES

The Group carries out transactions with the connected parties mentioned above in accordance with principles of fairness, openness and impartiality as well as on a voluntary, equal and mutually beneficial basis. The connected parties that the Group makes purchases from are selected through the Company's qualification and bidding procedures, and in addition, the prices at which the parties sign purchase orders are reached by the parties through arm's length negotiations in accordance with normal commercial terms. The prices at which the Group makes purchases from connected parties are not higher than the prices at which the connected parties sell similar products to other parties in similar quantities. The prices at which the Group sells its products to its connected parties are not lower than the prices at which the Company sells similar products to other parties in similar quantities.

### IV. PURPOSE OF CONNECTED TRANSACTIONS AND IMPACT ON THE COMPANY

The connected parties referred to above were selected as the Company's long-term suppliers because they are regular manufacturers of products required by the Group that provide quality products and services at competitive prices. The Group believes it is very important and beneficial to the Group's operation to have reliable and cooperative suppliers.

Xi'an Microelectronics has been selected as the handsets distributor of the Company through the Group's internal selection procedures for handset distributors, including an assessment of Xi'an Microelectronics' network coverage, qualifications and ability of its senior sales staff and the sufficiency of its operating capital. A strategic alliance with Xi'an Microelectronics will assist the Company in expanding its handsets business.

When conducting transactions with connected parties, the Company follows the principles of fairness, openness and impartiality. The transaction price is fair, and the transactions are carried out in accordance with relevant laws and regulations, without adversely affecting the interests of the Company and its shareholders.

Moreover, such connected transactions do not have any adverse impact on the Group's profit. The Company is not dependent on the connected parties, and the connected transactions incurred do not affect the independence of the Company in any way.

### V. APPROVAL PROCEDURES

#### 1. Resolution of the Board of Directors and Abstention from Voting of the connected Directors:

- (1) On 19 November, 2004, the Company held the tenth meeting of the third session of the Board of Directors, in which the Company reviewed and approved the framework purchase agreements signed between ZTE Kangxun and connected party Zhongxingxin (including its subsidiaries Zhongxing Xindi and Zhongxing Xinyu) (hereinafter referred as the "Zhongxingxin Framework Purchase Agreement"), respectively, a framework sales agreement and a framework purchase agreement signed between the Company and ZTE Kangxun and connected party Xi'an Microelectronics (hereinafter referred to as the "Xi'an Microelectronics Framework Sales Agreement" and "Xi'an Microelectronics Framework Purchase Agreement" respectively), a framework purchase agreement signed between ZTE Kangxun and connected party Chung Hing Hong Kong (hereinafter referred to as the "Chung Hing Hong Kong Framework Purchase Agreement"), and a framework purchase agreement signed between Lead and connected party Zhongxing Xinyu (hereinafter referred to as the "Zhongxing Xinyu Framework Purchase Agreement"). The above-mentioned agreements are herein called "Connected Transactions Framework Agreements".

When reviewing the Zhongxingxin Framework Purchase Agreement, Mr. Hou Weigui (Chairman), Mr. Xie Weiliang (Vice Chairman), Mr. Dong Lianbo (Director), Mr. Yin Yimin (Director) and Mr. Shi Lirong (Director), as vice chairman, vice chairman, director, director and director, respectively, of the connected party Zhongxingxin, abstained from voting.

When reviewing the Xi'an Microelectronics Framework Purchase Agreement and the Xi'an Microelectronics Framework Sales agreement, Mr. Zhang Junchao (Director), as acting as the legal representative of connected party Xi'an Microelectronics, and Mr. Wang Zongyin (Vice Chairman) and Mr. Li Juping (Director) as being employees of a related company of connected party, Xi'an Microelectronics, abstained from voting.

When reviewing the Chung Hing Hong Kong Framework Purchase Agreement, Mr. Hou Weigui (Chairman) and Mr. Yin Yimin (Director), as shareholders of the connected party, Chung Hing Hong Kong, abstained from voting.

When reviewing the Zhongxing Xinyu Framework Purchase Agreement, Mr. Hou Weigui (Chairman), Mr. Xie Weiliang (Vice Chairman), Mr. Dong Lianbo (Director), Mr. Yin Yimin (Director) and Mr. Shi Lirong (Director), as the vice chairman, vice chairman, director, director and director, respectively, of Zhongxingxin, the controlling shareholder of the connected party Zhongxing Xinyu, abstained from voting.

- (2) As each of the estimated total amounts for connected transactions relating to the raw materials purchases category and the product sales category for 2006 in the above Connected Transactions Framework Agreements has reached the threshold set out in Rule 10.2.4 of the Shenzhen Listing Rules, the Group (including the Company and its subsidiaries) is required to enter into a new framework purchase agreement for 2006 or a new framework sales agreement for 2006 (as the case may be) with the relevant connected party on the estimated amount for 2006 in respect of each Connected Transactions Framework Agreement, and to submit the same to the Board of Directors for review. On 6 April 2006, the Company held the sixteenth meeting of the third session of the Board of Directors, which respectively considered and approved the entering by the Group and the below connected parties of the following 2006 connected transactions framework agreements in respect to each of the Connected Transactions Framework Agreements:

(a) 2006 framework purchase agreement to be signed between ZTE Kangxun and Zhongxingxin (including its subsidiaries, Zhongxing Xindi and Zhongxing Xinyu) (hereinafter referred to as "2006 Zhongxingxin Framework Purchase Agreement");

(b) 2006 framework sales agreement to be signed between the Company and Xi'an Microelectronics (hereinafter referred to as "2006 Xi'an Microelectronics Framework Sales Agreement");

(c) 2006 framework purchase agreement to be signed between ZTE Kangxun and Xi'an Microelectronics (hereinafter referred to as "2006 Xi'an Microelectronics Framework Purchase Agreement");

(d) 2006 framework purchase agreement to be signed between ZTE Kangxun and Chung Hing Hong Kong (hereinafter referred to as "2006 Chung Hing Hong Kong Framework Purchase Agreement"), and

- (e) 2006 framework purchase agreement to be signed between Lead and Zhongxing Xinyu (hereinafter referred to as "2006 Zhongxing Xinyu Framework Purchase Agreement").

Except for the estimated transaction amount for 2006 and the effective term, all the terms and conditions contained in each of the above 2006 framework purchase agreements and framework sales agreement to be concluded are consistent with and do not in any way effect any change to the terms of, or affect the validity of, the corresponding connected transactions framework agreement. In particular, the 2006 framework purchase agreements and framework sales agreement do not affect the Connected Transactions Framework Agreements as disclosed in the Prospectus.

The sixteenth meeting of the third session of the Board of Directors also considered and approved the 2006 framework purchase agreement to be signed between ZTE Kangxun and the connected party, Zhongxing WXT (including its investee company GDH Communication) (hereinafter referred to as the "2006 Zhongxing WXT Framework Purchase Agreement") and the 2006 framework sales agreement proposed to be signed between ZTE Kangxun and Zhongxing WXT (hereinafter referred to as the "2006 Zhongxing WXT Framework Sales Agreement")

The sixteenth meeting of the third session of the Board of Directors also considered and approved the 2006 framework purchase agreement to be signed between ZTE Kangxun and the connected party, Zhongxing IT (hereinafter referred to as the "2006 Zhongxing IT Framework Purchase Agreement") and the 2006 framework sales agreement proposed to be signed between the Company and ZTE Kangxun on the one hand and Zhongxing IT on the other (hereinafter referred to as the "2006 Zhongxing IT Framework Sales Agreement")

The above-mentioned agreements are herein collectively referred to as the "2006 Connected Transactions Framework Agreements".

In considering the 2006 Zhongxingxin Framework Purchase Agreement, Mr. Hou Weigui (Chairman), Mr. Xie Weiliang (Vice Chairman), Mr. Dong Lianbo (Director), Mr. Yin Yimin (Director) and Mr. Shi Lirong (Director) as the vice chairman, vice chairman, director, director and director, respectively, of connected party Zhongxingxin, abstained from voting.

In considering the 2006 Xi'an Microelectronics Framework Purchase Agreement and 2006 Xi'an Microelectronics Sales Agreement, Mr. Zhang Junchao (Director) as the legal representative of connected party Xi'an Microelectronics, and Mr. Wang Zongyin (Vice Chairman) and Mr. Li Juping (Director) as employees of a related company of connected party Xi'an Microelectronics, abstained from voting.

In considering the 2006 Chung Hing Hong Kong Framework Purchase Agreement, Mr. Hou Weigui (Chairman) and Mr. Yin Yimin (Director), as shareholders of connected party Chung Hing Hong Kong, abstained from voting.

In considering the 2006 Zhongxing Xinyu Framework Purchase Agreement, Mr. Hou Weigui (Chairman), Mr. Xie Weiliang (Vice Chairman), Mr. Dong Lianbo (Director), Mr. Yin Yimin (Director) and Mr. Shi Lirong (Director) acting as the vice chairman, vice chairman, director, director and director, respectively, of Zhongxingxin, the controlling shareholders of connected party Zhongxing Xinyu, abstained from voting.

In considering the 2006 Zhongxing WXT Framework Purchase Agreement and the 2006 Zhongxing WXT Framework Sales Agreement, Mr. Hou Weigui (Chairman), Mr. Yin Yimin (Director), Mr. Shi Lirong (Director) and Mr. He Shiyou (Director) as the chairman, vice chairman, director and supervisor, respectively, of connected party Zhongxing WXT, did not take part in the voting.

In considering the 2006 Zhongxing IT Framework Purchase Agreement and the 2006 Zhongxing IT Framework Sales Agreement, Mr. Hou Weigui (Chairman) and Mr. Zhang Junchao (Director) as the chairman and director, respectively, of connected party Zhongxing IT, abstained from voting.

## 2. Prior approval (prior consent) and independent opinion of the Independent Directors:

Independent Directors Mr. Zhu Wuxiang, Mr. Chen Shaohua, Mr. Qiao Wenjun, Mr. Mi Zhengkun and Mr. Li Jin reviewed the above 2006 Connected Transactions Framework Agreements in advance, and agreed to submit the 2006 Connected Transactions Framework Agreements to the Board of Directors for review.

Independent Directors Mr. Zhu Wuxiang, Mr. Chen Shaohua, Mr. Qiao Wenjun, Mr. Mi Zhengkun and Mr. Li Jin issued an independent opinion regarding the 2006 Connected Transactions Framework Agreements as follows:

The pricing basis and other provisions prescribed in the 2006 Connected Transactions Framework Agreements are in compliance with the requirements of laws and regulations and market principles, will not be adverse to the interests of the Company and its shareholders.

## 3. Review by the Shareholders' General Meeting

In accordance with Rule 10.2.11 of the Shenzhen Listing Rules, the Group is required to submit each of the above 2006 Connected Transactions Framework Agreements to the 2005 Annual General Meeting for consideration and approval. Shareholders being connected parties will abstain from voting for such resolutions at the annual general meeting.

## VI. EXECUTION OF AGREEMENTS FOR CONNECTED TRANSACTIONS

### 1. Execution

The Zhongxingxin Framework Purchase Agreement, Xi'an Microelectronics Framework Purchase Agreement and Chung Hing Hong Kong Framework Purchase Agreement were executed by ZTE Kangxun on the one hand and Zhongxingxin, Xi'an Microelectronics and Chung Hing Hong Kong on the other, respectively, on 19 November 2004. The Xi'an Microelectronics Framework Sales Agreement was executed by the Company and Xi'an Microelectronics on 19 November 2004. The Zhongxing Xinyu Framework Purchase Agreement was executed by Lead and Zhongxing Xinyu on 19 November 2004.

The above 2006 Zhongxingxin Framework Purchase Agreement, 2006 Xi'an Microelectronics Framework Purchase Agreement, 2006 Chung Hing Hong Kong Framework Purchase Agreement, 2006 Zhongxing WXT Framework Purchase Agreement and 2006 Zhongxing IT Framework Purchase Agreement will be executed by ZTE Kangxun on the one hand and Zhongxingxin, Xi'an Microelectronics, Chung Hing Hong Kong, Zhongxing WXT and Zhongxing IT, respectively, on the other, after approval by the 2005 Annual General Meeting. The 2005 Zhongxing Xinyu Framework Purchase Agreement will be executed by Lead and Zhongxing Xinyu after approval by the 2005 Annual General Meeting. The 2006 Xi'an Microelectronics Framework Sales Agreement, 2006 Zhongxing WXT Framework Sales Agreement and 2006 Zhongxing IT Framework Sales Agreement will be executed by the Company and Xi'an Microelectronics, by ZTE Kangxun and Zhongxing WXT, and by the Company and ZTE Kangxun on the one hand and Zhongxing IT on the other, respectively, after approval by the 2005 Annual General Meeting.

## 2. Main Contents of 2006 Connected Transactions Framework Agreements

### (1) Transaction mode

The connected transactions between the Group and the connected parties referred to above involve purchases from and sales to the connected parties by the Company and its aforesaid subsidiaries.

### (2) Relationship between each framework agreement and orders

Both parties to each framework agreement will enter into the transactions specified therein in the form of orders. Each framework agreement shall form the basis for performing specific orders by the two parties during the effective term of the agreement and shall, together with each order, constitute the complete sale and purchase contract.

### (3) Pricing of connected transactions

The connected parties from which the Group makes purchases have been selected through the Group's qualification and bidding procedures, and prices for orders entered into by the two parties are arrived at after arm's length negotiation on normal commercial terms. The prices at which the Group makes purchases from the connected parties were not higher than the prices at which the connected parties sell similar products to other users in the same quantities. The prices at which the Group makes sales to its connected parties were not lower than prices at which the Group sells similar products to other users in similar quantities.

### (4) Payment Terms and Settlement

The accounts payable by the Group for its purchase of goods from connected parties shall be settled by banker's acceptance bill within 120 days upon inspection and acceptance of the goods. The accounts receivable by the Group for its sales to connected parties shall be settled by banker's acceptance bill within 120 days upon inspection and acceptance of the goods.

### (5) Conditions and Effective Term

Each of the above 2006 Connected Transactions Framework Agreements takes effect from the date of execution and remains valid until 31 December 2006.

## VII. DOCUMENTS FOR INSPECTION

- The resolutions of the Tenth Meeting of the Third Session of the Board of Directors of the Company;
- The resolutions of the Sixteenth Meeting of the Third Session of the Board of Directors of the Company;
- Independent Directors' Opinion furnished by Independent Directors of the Company on the above Connected Transactions Framework Agreements;
- Zhongxingxin Framework Purchase Agreement entered into, and 2006 Zhongxingxin Framework Purchase Agreement to be entered into, between ZTE Kangxun and Zhongxingxin (and its subsidiaries Zhongxing Xindi and Zhongxing Xinyu);
- Xi'an Microelectronics Framework Purchase Agreement entered into, and 2006 Xi'an Microelectronics Framework Purchase Agreement to be entered into, between ZTE Kangxun and Xi'an Microelectronics;
- Xi'an Microelectronics Framework Sales Agreement entered into, and 2006 Xi'an Microelectronics Framework Sales Agreement to be entered into, between the Company and Xi'an Microelectronics;
- Chung Hing Hong Kong Framework Purchase Agreement entered into, and 2006 Chung Hing Hong Kong Framework Purchase Agreement to be entered into, between ZTE Kangxun and Chung Hing Hong Kong;
- Zhongxing Xinyu Framework Purchase Agreement entered into, and 2006 Zhongxing Xinyu Framework Purchase Agreement to be entered into, between Lead and Zhongxing Xinyu;
- 2006 Zhongxing WXT Framework Purchase Agreement to be entered into between ZTE Kangxun and Zhongxing WXT (including its investee company GDH Communication);
- 2006 Zhongxing WXT Framework Sales Agreement to be entered into between ZTE Kangxun and Zhongxing WXT;
- 2006 Zhongxing IT Framework Purchase Agreement to be entered into between ZTE Kangxun and Zhongxing IT; and
- 2006 Zhongxing IT Framework Sales Agreement to be entered into between the Company and ZTE Kangxun on the one hand and Zhongxing IT on the other.

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

Shenzhen, the PRC  
7 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 Shiyou; 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.

## ANNOUNCEMENT OF THE RESOLUTIONS PASSED AT THE EIGHTH MEETING OF THE THIRD SESSION OF THE SUPERVISORY COMMITTEE

The Company and all the members of the Supervisory Committee confirm that 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.

ZTE Corporation (hereinafter referred to as the "Company") has issued the "Notice convening the Eighth Meeting of the Third Session of the Supervisory Committee" to all the Supervisors of the Company by electronic mail and telephone on 22 March 2006. The eighth meeting of the third session of the Supervisory Committee of the Company was held on the fourth floor of the Company's headquarters on 6 April 2006. All of the 5 Supervisors required to attend the meeting duly attended in person. The meeting was convened and held in accordance with the relevant laws, administrative regulations, departmental rules and the Articles of Association of the Company, and was legal and valid.

The following resolutions were considered and passed at the meeting:

### I. That the full text of the 2005 Annual Report of the Company and the 2005 Annual Report Summary and Results Announcement of the Company be considered and approved with the following independent opinions being expressed:

- The Company has established a proper internal controls system and comprehensive provisions have been laid down in the Articles of Association of the Company. The management systems of the Company have been further refined. The Company's decision-making procedures have complied with relevant provisions of the Company Law of the People's Republic of China and the Articles of Association of the Company. The proceedings, transaction of business and implementation of resolutions in connection with shareholders' general meetings and Board of Directors' meetings of the Company were in compliance with relevant provisions of laws, regulations and the Articles of Association of the Company. The information disclosure obligations have been diligently performed.
- The Directors and the management diligently performed their duties, abided by the laws and executed all resolutions of the shareholders' general meetings and Board of Directors' meetings with due care. In exercising their duties, the Directors have not violated any laws, regulations and the Articles of Association of the Company and have not acted against the interests of the Company and its shareholders.
- The Company has formulated proper accounting systems. The 2005 financial report of the Company gives a true and accurate view of the financial position and operating results of the Company for 2005.
- All connected transactions entered into between the Company and its connected parties have been conducted on an arm's length basis without adversely affecting the interests of the Company and its shareholders.
- After due examination by the Supervisory Committee, the use of proceeds from the offering of overseas-listed foreign shares in 2004 has been consistent with intended use stated in the prospectus.

Voting results: votes in favour of: 5, votes against: 0 and votes abstained: 0

### II. THAT the 2005 financial report of the Company audited by PRC and Hong Kong auditors be considered and approved.

Voting results: votes in favour of: 5, votes against: 0 and votes abstained: 0

### III. THAT the final financial accounts of the Company for 2005 be considered and approved.

Voting results: votes in favour of: 5, votes against: 0 and votes abstained: 0

### IV. THAT the profit distribution plan of the Company for 2005 be considered and approved.

Voting results: votes in favour of: 5, votes against: 0 and votes abstained: 0

### V. THAT the resolution of the Company on revising the estimation methodology for bad debt provision in respect of impairment of accounts receivable be considered and approved.

Voting results: votes in favour of: 5, votes against: 0 and votes abstained: 0

### VI. THAT the resolutions with respect to the application of the Company for composite credit facilities for the first six months of 2006 be considered and approved.

Voting results: votes in favour of: 5, votes against: 0 and votes abstained: 0

### VII. THAT each of the resolutions with respect to the connected transactions framework agreements for 2006 proposed to be entered by the Company and its subsidiaries be considered and approved.

Voting results: votes in favour of: 5, votes against: 0 and votes abstained: 0

### VIII. THAT the resolutions on determining the audit fees of the PRC auditors and the Hong Kong auditors of the Company for 2005 be considered and approved.

Voting results: votes in favour of: 5, votes against: 0 and votes abstained: 0

### IX. THAT the resolutions on the appointment of the PRC auditors and the Hong Kong auditors of the Company for 2006 be considered and approved.

Voting results: votes in favour of: 5, votes against: 0 and votes abstained: 0

### X. That the 2005 report of the Supervisory Committee be considered and approved, and be submitted to the 2005 Annual General Meeting for consideration.

Voting results: votes in favour of: 5, votes against: 0 and votes abstained: 0

### XI. That the resolution regarding amendments to the Rules of Procedure for Supervisory Committee Meetings and the amended Rules of Procedure for Supervisory Committee Meetings be considered and approved, and be submitted to the 2005 Annual General Meeting for consideration.

For details of the revised Rules of Procedure for Supervisory Committee Meetings, please refer to the website (<http://www.cninfo.com.cn>) designated for the Company's information disclosure.

Voting results: votes in favour of: 5, votes against: 0 and votes abstained: 0

By order of the Supervisory Committee  
**Zhang Taifeng**  
Chairman

Shenzhen, PRC  
7 April 2006

As at the date of this announcement, the Supervisory Committee of the Company comprises Zhang Taifeng, Wang Wangxi, He Xuemei, Qu Deqian and Wang Yan.