

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



ZTE 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)

CONNECTED TRANSACTION – ACQUISITION OF PROPERTIES

On 3 December 2010, the Purchaser, a wholly owned subsidiary of the Company, entered into the Agreement with the Vendor in relation to the acquisition of the Properties at a consideration of RMB 91,405,540.

As the Vendor is the controlling shareholder of the Company holding 32.45% equity interests in the Company as at the date of this announcement, it is a connected person of the Company pursuant to the Rule 14A.11 of the Listing Rules. By virtue of the relationship of the parties and the percentage ratios applicable to the Acquisition, the Acquisition constitutes a connected transaction which is subject to the announcement requirement, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

1. INTRODUCTION

On 3 December 2010, the Purchaser, a wholly owned subsidiary of the Company, entered into the Agreement to acquire the Properties from the Vendor.

2. THE AGREEMENT

Date:	3 December 2010
Parties:	Xi'an Zhongxing Xin Software Co., Ltd. (as the purchaser) Shenzhen Zhongxingxin Telecommunications Equipment Co., Ltd. (as the vendor)
Properties:	The properties consist of (i) the land use right in respect of the land parcel located at the West Side of Tangyan Road South, Gaoxin District, Xi'an City, Shanxi Province, PRC* (中国陕西省西安市高新區唐延南路西側) (the " Land ") with a total area of 23,992.5 square metres and a

remaining term of use until 6 July 2054; and (ii) all the construction-in-progress on the Land which will comprise five buildings with a total designed gross area of 82,272 square metres (the “**Buildings**”) upon completion.

Consideration:

The consideration for the Acquisition is RMB91,405,540, which was determined after arm’s length negotiations between the parties to the Agreement having taken into account the valuation of the Properties conducted by Xi’an Zenith Assets Appraisal Co., Limited* (西安正衡资产评估有限责任公司), a qualified independent property valuer in the PRC.

The original and net book value of the Properties as at 26 September 2010 were RMB60,383,000 and RMB58,277,200, respectively. The valuation of the Properties was based on the replacement cost method (重置成本法) and the valuation of the land use right was based on the method of benchmark land price coefficient revision (基准地价系数修正法) and cost approach method (成本逼近法) as at 26 September 2010.

The consideration will be financed by the internal resources of the Group.

Payment for the Consideration:

The consideration for the Acquisition will be paid by the Purchaser to the Vendor in cash within 30 days from the date on which the Agreement becomes effective.

Further actions upon completion of the transaction contemplated under the Agreement

The Vendor and Purchaser will enter into a supplemental agreement with the contractor for the construction of the major structures of the Buildings (the “**Construction Company**”) and the company supervising the construction (the “**Construction Supervision Company**”) in order to transfer all the rights and obligations of the Vendor under the agreements with them, respectively, in relation to the construction of the Buildings, to the Purchaser. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, the Construction Company and the Construction Supervision Company are third party independent of the Company and its connected person.

As at 26 September 2010, there was a total of RMB7,298,048.40 payable by the Vendor in relation to the construction-in-progress on the Land. Upon completion of the transfer of the Properties, such amount will be paid by the Vendor, on behalf of the Purchaser, to the Construction Company and the Construction Supervision Company and deducted from the consideration payable by the Purchaser to the Vendor.

Reasons for the transaction: Upon completion of the transaction contemplated under the Agreement, the Company will continue to complete the construction of the Buildings which will be used as the office, research and development premises of the Company. Such transaction would facilitate Company's long-term sustainable development in Xi'an, which is in line with the Company's local development strategy.

Mr. Xie Weiliang, Mr. Zhang Junchao and Mr. Dong Lian Bo (the “**Interested Directors**”), being the Directors, are also the directors of the Vendor and therefore are deemed to have material interest in the purchase of the Properties. As such, the Interested Directors abstained from voting in respect of the Agreement at the meeting of the Board on 3 December 2010.

Save for the Interested Directors who abstained from the voting in respect of the Agreement, the Directors (including the independent non-executive Directors) take the view that the terms of the Agreement are determined after arm's length negotiations between the parties, on normal commercial terms and are entered into in the ordinary and usual course of business of the Company, and that the terms of the transaction are fair and reasonable and in the interests of the Shareholders as a whole.

3. INFORMATION ABOUT THE COMPANY, THE PURCHASER AND THE VENDOR

The Company is principally engaged in the design, development, production, distribution and installation of a broad range of advanced telecommunications equipment, including operator networks, handsets and telecommunications software and service business. The Purchaser is a wholly owned subsidiary of the Company established under the laws of the PRC with limited liability. The Company holds a 100% equity interests in the Purchaser.

The Vendor 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.

4. IMPLICATIONS UNDER THE LISTING RULES

As the Vendor is the controlling shareholder of the Company holding 32.45 % equity interests in the Company as at the date of this announcement, it is a connected person of the Company pursuant to the Rule 14A.11 of the Listing Rules. By virtue of the relationship of the parties and the percentage ratios applicable to the Acquisition, the Acquisition constitutes a connected transaction which is subject to the announcement requirement, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

5. DEFINITIONS

“Agreement”	the sale and purchase agreement dated 3 December 2010 entered into between the Vendor and the Purchaser in relation to the sale and purchase of the Properties
“Board”	the board of directors of the Company
“Company”	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
“Directors”	the director(s) of the Company
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong 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
“Properties”	the properties as set out under the paragraph headed “The Agreement” in this announcement
“Purchaser”	Xi'an Zhongxing Xin Software Co., Ltd.* (西安中興新軟件有限責任公司), a company incorporated in the PRC with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“Vendor”	Shenzhen Zhongxingxin Telecommunications Equipment Company, Limited* (深圳市中興新通訊設備有限公司), a

company incorporated in the PRC with limited liability

By Order of the Board
Hou Weigui
Chairman

Shenzhen, the PRC
3 December 2010

As at the date of this announcement, the Board of Directors of the Company comprises three executive directors, Shi Lirong, Yin Yimin and He Shiyong; six non-executive directors, Hou Weigui, Lei Fanpei, Xie Weiliang, Wang Zhancheng, Zhang Junchao and Dong Lianbo; and five independent non-executive directors, Qu Xiaohui, Wei Wei, Chen Naiwei, Tan Zhenhui and Timothy Alexander Steinert.

**For identification only*