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ZTE CORPORATION

中興通訊股份有限公司

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

(Stock Code: 763)

REVISED ANNUAL CAP FOR THE 2011 LEAD PURCHASE FRAMEWORK AGREEMENT

At the Twenty-fourth meeting of the fifth session of the Board held on 13 December 2011, the Board approved the Revised Annual Cap for the year ending 31 December 2011 as set out in this announcement in replacement of the Existing Annual Cap. As the relevant percentage ratios in respect of the Revised Annual Cap are on an annual basis more than 0.1% but less than 5%, the Continuing Connected Transaction is subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under the Hong Kong Listing Rules.

1. BACKGROUND

The Existing Annual Cap

Reference is made to the announcement of the Company dated 30 August 2011 in relation to the revision of the Original Annual Cap to the Existing Annual Cap for the 2011 Lead Purchase Framework Agreement. The Existing Annual Cap for such Continuing Connected Transaction for the year ending 31 December 2011 (excluding VAT) as approved by the Board is RMB 580 million.

The following table sets out the historical aggregate purchases of LCM by the Group from Lead for each of the two years ended 31 December 2009 and 2010 and nine months ended 30 September 2011:

Transaction	Historical figures		
	for the year ended 31 December 2009 (Excluding VAT)	for the year ended 31 December 2010 (Excluding VAT)	for the nine months ended 30 September 2011 (Excluding VAT)
	Unit: RMB in millions		
Purchases of LCM by the Group from Lead	144.34	294.26	403.61

The Revised Annual Cap

Reasons for the Revised Annual Cap:

As the increase in the sale of smart phone handsets by the Group in the fourth quarter of 2011 is expected to exceed the Group's original estimate for the domestic and overseas market demand of its smart phone handsets, there is a corresponding increase in the purchase of the large-size LCM by the Group from Lead, which is much more expensive than ordinary LCM purchased by the Group from Lead. The Board has therefore, at its Twenty-Fourth meeting of the fifth session held on 13 December 2011, approved the Revised Annual Cap of RMB800 million (excluding VAT) for such Continuing Connected Transaction between the Group and Lead for the year ending 31 December 2011 to replace the Existing Annual Cap in order to accommodate the increase in the purchase of LCM from Lead.

The Revised Annual Cap has been determined with reference to (i) the previous transactions and the increase in transactions conducted and transaction amounts in respect of purchases of LCM from Lead for the nine months ended 30 September 2011; (ii) the Group's expectation of the future development of its business; (iii) the Group's expected growth of its production capacity, in particular in the smart phone handset sector; and (iv) the Group's overall projected requirements for purchases of large-size LCM for the fourth quarter of 2011.

As the relevant percentage ratios in respect of the Revised Annual Cap are on an annual basis more than 0.1% but less than 5%, the Continuing Connected Transaction is subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under the Hong Kong Listing Rules.

Relationship between the parties:

Lead, established on 17 June 2003, is a non-wholly owned subsidiary of the Company in which the Company holds 62.5% equity interest through Changfei (a 51%-owned subsidiary of the Company). Zhongxingxin is the controlling shareholder of the Company and therefore a connected person at the level of the Company. As Zhongxingxin is also a substantial shareholder of Lead holding 22.5% equity interest of Lead, Lead is a connected person of the Company pursuant to Rule 14A.11(5) of the Hong Kong Listing Rules.

Reasons for the Continuing Connected Transaction:

The Company expects handset sales to continue to form a major part of its business in the future. In order to capture this growing market demand, the Group requires steady, reliable and quality supplies of LCM for its production of handsets. As the production of these LCM involves merely low value-added assembly work, there are few suppliers of raw materials and components that are able to undertake such large-scale production as required by the Company for the prices it offers. Lead was established to handle large-scale production at low unit cost and to specialize in the supply of LCM. The Company believes that it has also been able to provide the Group a quick production turnaround time, consistent product quality and timely delivery. The Company has taken a majority stake in Lead. The Directors consider that having Lead

as the Company's subsidiary allows the Group to secure steady supplies of LCM in large volumes from a co-operative, reliable and specialized supplier that would not otherwise be easily available from other suppliers for comparable prices.

2. BOARD APPROVAL

All of the independent non-executive directors of the Company have reviewed the Revised Annual Cap prior to the meeting of the Board, and agreed to submit the same to the Board for consideration.

The Directors (including all independent non-executive Directors) are of the view that the Continuing Connected Transaction was entered into in the ordinary and usual course of business of the Group and conducted on normal commercial terms, and that the Revised Annual Cap is fair and reasonable and in the interests of the Company and its Shareholders as a whole. None of the Directors have a material interest in the Continuing Connected Transaction nor are they required to abstain from voting in the relevant board resolutions.

3. GENERAL INFORMATION

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

Lead is principally engaged in the production and sale of LCM. Since July 2003, the Group has from time to time purchased in the ordinary and usual course of its business LCM from Lead for use by the Group in the production of its handsets.

4. DEFINITIONS

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

“Associate”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Board”	the Board of Directors of the Company
“Changfei”	深圳市長飛投資有限公司 (Shenzhen Changfei Investment Company Limited), a company established under the laws of the PRC with limited liability, and 51% of the equity interest of which is held by the Company
“Company”	ZTE Corporation, a joint stock limited company incorporated in the PRC on 11 November 1997 under the Company Law of the PRC and whose shares are listed on the Hong Kong Stock Exchange and the Shenzhen Stock Exchange

“Controlling Shareholder”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Continuing Connected Transaction”	the continuing connected transaction as described in this announcement, namely, the purchase of LCM by the Group from Lead pursuant to the 2011 Lead Purchase Framework Agreement
“Directors”	the Directors of the Company
“Existing Annual Cap”	the existing annual cap for the Continuing Connected Transaction for the year ending 31 December 2011 as approved by the Board on 30 August 2011 and as announced by the Company on the same date, which amounts to RMB580 million (excluding VAT) and which replaces the Original Annual Cap
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	the Stock Exchange of Hong Kong Limited
“LCM”	liquid crystal modules
“Lead”	深圳市立德通訊器材有限公司(Shenzhen Lead Communications Company Limited), a company established on 17 June 2003 under the laws of the PRC with limited liability
“Original Annual Cap”	the annual cap for the Continuing Connected Transaction for the year ending 31 December 2011 as approved by the Board on 26 November 2010, i.e. RMB375 million (excluding VAT)
“PRC”	the People’s Republic of China
“Revised Annual Cap”	the revised annual cap for the Continuing Connected Transaction for the year ending 31 December 2011 as approved by the Board on 13 December 2011 and as announced by the Company on the same date, which amounts to RMB800 million (excluding VAT) and which replaces the Existing Annual Cap
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“VAT”	value added tax
“Zhongxingxin”	深圳市中興新通訊設備有限公司(Shenzhen Zhongxingxin Telecommunications Equipment

	Company Limited), a company established under the laws of the PRC with limited liability and the controlling shareholder of the Company
“2011 Lead Purchase Framework Agreement”	the framework agreement in respect of the Continuing Connected Transaction dated 26 November 2010 between the Company (as purchaser) and Lead (as supplier) in relation to the purchase of LCM by the Group from Lead

By Order of the Board
Hou Weigui
Chairman

Shenzhen, the PRC
13 December 2011

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.