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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)**

## **Announcement of External Investment**

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

### **I. Overview of the external investment**

#### **1. Basic information of the external investment**

On 16 July 2010, ZTE Corporation ("ZTE" or the "Company") and the Heyuan Hi-tech Development Zone Management Committee ("Heyuan Hi-tech Zone Committee") entered into an investment contract (the "Contract"), pursuant to which Heyuan Hi-tech Zone Committee approved the investment in and construction of "ZTE Heyuan Production and Research and Development Training Base" (the "Project") in the Heyuan Hi-tech Industry Development Zone ("Heyuan Hi-tech Zone") and agreed to provide services and preferential policy support for the Company's construction and investment. The execution of the investment agreement does not constitute a connected transaction of the Company or a connected transaction or discloseable transaction under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

#### **2. Board consideration and approval procedures**

At the Sixth Meeting of the Fifth Session of the Board of Directors of the Company held on 15 July 2010, the "Resolution of the Company on the Investment in a Production and Research and Development Training Base Project in the Heyuan Hi-tech Zone and the Execution of the Relevant Investment Contract" was considered and passed.

In accordance with Article 160 of the Articles of Association of ZTE Corporation: "The Board of Directors shall be accountable to the general meeting and exercise the following duties and powers: (XIX) to approve external investments with an amount not exceeding 10% of the latest audited net assets of the Company if such

investments are related to the principal business of the Company, or not exceeding 5% of the latest audited net assets of the Company if such investments are not related to the principal business of the Company.” As the total investment of the Project is estimated to be approximately RMB10 billion, it has exceeded the scope of approval authority of the Board. Therefore, the Project and the Contract are required to be submitted to the general meeting for approval.

## **II. Basic information of the counterparty to the Contract**

1. Name: Heyuan Hi-tech Development Zone Management Committee
2. Legal representative: Li Yannan (李衍楠)
3. Address: Gao Xin Road II, Heyuan Hi-tech Zone (河源市高新技術開發區高新二路)

Heyuan Hi-tech Zone is an advanced new technology development zone at provincial level established with the approval of the Guangdong Provincial People’s Government in July 2002. Located in the southern part of the urban district of Heyuan, it has a total planned and useable land area of approximately 50 square kilometers. The total planned area of the first phase is 20 square kilometres and the area of the developed zone is 11 square kilometres. Heyuan Hi-tech Zone is a handset manufacturing base in Guangdong Province, a demonstration area of Heyuan for handset industry cluster upgrade and one of Guangdong’s first demonstrative industry parks for industrial transfer. Currently, it is in the process of achieving the status of a national-grade advanced new technology development zone.

## **III. Basic information of the Project**

In line with its business expansion and ongoing internationalisation, ZTE plans to construct the “ZTE Heyuan Production and Research and Development Training Base” in Heyuan Hi-tech Zone with a total gross area of approximately 2 million square metres and total investments of approximately RMB10 billion (including investments in buildings, structures, and equipment and land costs), which will primarily be engaged in production activities but will also cover research and development, training and outsourcing services. The estimated construction period of the Project is 6 years. Investments in the Project will be funded by the Company’s internal resources. Our investment estimates indicate that the Project will generate sound investment return for the Company.

## **IV. Major terms of the Contract**

1. Heyuan Hi-tech Zone Committee agrees that the Company will invest in and construct the “ZTE Heyuan Production and Research and Development Training Base” project in the zone, and further agrees to foster a sound investment environment for the Company and offer relevant preferential policy support to the Company.
2. The planned site area of “ZTE Heyuan Production and Research and Development Training Base” is 3000 mu, comprising 2500 mu for the research and development and production base and 500 mu for a vocational training school. The construction of the Project is expected to take 6 years and the total investment is estimated at approximately RMB10 billion (including investments in buildings, structures, and equipment and land costs).

3. The land site to be granted in connection with the investment shall be an industrial land site. The land grant premium shall be based on the bidding price quoted at the Heyuan City Land Transaction Centre, provided that the floor bidding price shall not be lower than the minimum protection price set for the district by the Ministry of Land and Resources.

4. The Contract shall be effective upon execution under the hand and seal of the two parties and approval by the ZTE general meeting.

## **V. Objective, inherent risks and effect of the external investment**

The Project will allow the Company to leverage the rich land resources and competitive labour cost of Heyuan, which will foster a solid foundation for the Company's business development and promise sound economic benefits.

The plans and construction period for the Project represent initial planning only, which are subject to the approval of the general meeting in accordance with the Articles of Association of ZTE Corporation and other relevant laws and regulations. The actual implementation of the Project is also subject to application to and approval by relevant government authorities for project listing and land acquisition in accordance with national legal procedures. Therefore, the Project is subject to uncertainties in terms of project demonstration, approval, land acquisition and construction work. The Company will comply with its obligations in information disclosure and publish announcements on the actual progress of the Project in accordance with relevant provisions in a timely manner.

## **VI. Documents for inspection**

1. Investment contract executed by the Company and Heyuan Hi-tech Zone Committee;
2. Resolutions of the Sixth Meeting of the Fifth Session of the Board of Directors of the Company.

By Order of the Board

**Hou Weigui**

*Chairman*

Shenzhen, PRC

16 July 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.*