

CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

(I) CHANGES IN THE SHARE CAPITAL OF THE COMPANY AS AT THE END OF THE REPORTING PERIOD

There was no change in the share capital and share capital structure of the Company as at the end of the reporting period compared to 31 December 2005.

	31 December 2005		Increase/decrease during the reporting period (+/-)					30 June 2006	
	Number of shares	Percentage (%)	Issue of new shares	Bonus Issue	Capitalisation of reserve	Others	Sub-total	Number of shares	Percentage (%)
I. Shares subject to lock-up	423,084,674	44.09	—	—	—	—	—	423,084,674	44.09
1. State-owned shares	—	—	—	—	—	—	—	—	—
2. State-owned legal person shares	392,079,904	40.86	—	—	—	—	—	392,079,904	40.86
3. Other domestic shares comprising:									
Domestic legal person shares	11,431,810	1.19	—	—	—	—	—	11,431,810	1.19
Domestic natural person shares (senior management shares)	1,282,064	0.13	—	—	—	—	—	1,282,064	0.13
4. Foreign shares comprising:									
Foreign legal person shares	18,290,896	1.91	—	—	—	—	—	18,290,896	1.91
Foreign natural person shares	—	—	—	—	—	—	—	—	—
II. Shares not subject to lock-up	536,436,976	55.91	—	—	—	—	—	536,436,976	55.91
1. RMB ordinary shares	376,285,936	39.22	—	—	—	—	—	376,285,936	39.22
2. Domestic-listed foreign shares	—	—	—	—	—	—	—	—	—
3. Overseas-listed foreign shares	160,151,040	16.69	—	—	—	—	—	160,151,040	16.69
4. Others	—	—	—	—	—	—	—	—	—
III. Total number of shares	959,521,650	100	—	—	—	—	—	959,521,650	100

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(II) SHAREHOLDERS AT THE END OF THE REPORTING PERIOD

1. Total number of shareholders and shareholdings of top ten shareholders and top ten holders of shares not subject to lock-up

Total number of shareholders	34,859 shareholders (of which: 34,387 were holders of A shares and 472 were holders of H shares)				
Top ten shareholders					
Name of shareholder	Nature of shareholder	Percentage shareholding (%)	Total no. of shares held (shares)	Number of shares held that are subject to lock-up (shares)	Number of Shares pledged or locked up (shares)
1. Zhongxingxin	State-owned shareholder	37.41	358,958,824	358,958,824	None
2. HKSCC Nominees Limited	Foreign shareholder	16.63	159,574,239	0	Unknown
3. Deutsche Bank Aktiengesellschaft	Foreign shareholder	2.08	19,941,363	0	Unknown
4. Jade Dragon (Mauritius) Limited	Foreign shareholder	1.91	18,290,896	18,290,896	None
5. China Life Insurance Company Limited — Dividends — Individual Dividends — 005L-FH002 Shen	Other	1.36	13,022,941	0	Unknown
6. Hunan Nantian (Group) Co., Ltd	Other	1.19	11,431,810	11,431,810	None
7. China Life Insurance Group Company — Traditional — General Insurance Products	Other	0.97	9,352,456	0	Unknown
8. E FUND Selected Value Stocks Equity Fund	Other	0.90	8,651,082	0	Unknown
9. China International Fund Balance in Dual Interests Mixed Equity Fund	Other	0.81	7,795,621	0	Unknown
10. Lishan Microelectronics Corporation	State-owned shareholder	0.58	5,520,180	5,520,180	None
10. CASIC Shenzhen (Group) Company, Limited	State-owned shareholder	0.58	5,520,180	5,520,180	None
10. Shaanxi Telecommunications Industrial Company	State-owned shareholder	0.58	5,520,180	5,520,180	None
10. China Mobile Telecommunications No. 7 Research Institute	State-owned shareholder	0.58	5,520,180	5,520,180	None
10. Jilin Posts and Telecommunications Equipment Company	State-owned shareholder	0.58	5,520,180	5,520,180	None
10. Hebei Telecommunications Equipment Company, Limited	State-owned shareholder	0.58	5,520,180	5,520,180	None

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Top ten holders of shares not subject to lock-up		
Name of shareholder	Number of shares held that are not subject to lock-up (shares)	Class of shares
1. HKSCC Nominees Limited	159,574,239	Overseas-listed foreign shares
2. Deutsche Bank Aktiengesellschaft	19,941,363	RMB-denominated ordinary shares
3. China Life Insurance Company Limited — Dividends — Individual Dividends — 005L-FH002 Shen	13,022,941	RMB-denominated ordinary shares
4. China Life Insurance Group Company — Traditional — General Insurance Products	9,352,456	RMB-denominated ordinary shares
5. E FUND Selected Value Stocks Equity Fund	8,651,082	RMB-denominated ordinary shares
6. China International Fund Balance in Dual Interests Mixed Equity Fund	7,795,621	RMB-denominated ordinary shares
7. ICBC Credit Suisse Core Value Stocks Equity Fund	5,069,791	RMB-denominated ordinary shares
8. Pufeng Equity Fund	4,896,492	RMB-denominated ordinary shares
9. BOC Sustainable Growth Equity Fund	4,655,000	RMB-denominated ordinary shares
10. Fund Fenghe	4,494,213	RMB-denominated ordinary shares
Descriptions of any connected party relationships or concert party relationships among the above shareholders	<p>1. Among the Company's top ten shareholders, the fifth ranking China Life Insurance Company Limited is a subsidiary of the seventh ranking China Life Insurance Group Company.</p> <p>2. Shenzhen Aerospace Guangyu Industrial Group Company, holder of a 17% interest in Zhongxingxin, the largest shareholder of the Company, is a wholly-owned subsidiary of CASIC Shenzhen (Group) Company, Limited, the Company's tenth ranking shareholder. Save for this relationship, there were no connected party relationships between Zhongxingxin and other top ten shareholders and top ten holders of shares not subject to lock-up, or concert party relationships, as defined under the "PRC Measures for the Management of Information Disclosure for Changes in Shareholding of Shareholders of Listed Companies".</p> <p>3. Save as stated above, the Company is not aware of any connected party relationships or concert party relationships (as defined under the "PRC Measures for the Management of Information Disclosure for Changes in Shareholding of Shareholders of Listed Companies") among other top ten shareholders and other top ten holders of shares that are not subject to lock-up.</p>	
	Name of shareholder	Agreed period of shareholding
Agreed period of shareholding for strategic investors or legal persons participating in the placing of new shares	N/A	N/A

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2. Controlling shareholder of the Company

There was no change to the controlling shareholder of the Company during the reporting period.

3. Shareholdings of shareholders subject to lock-up and terms of lock-up

There were nine shareholders of the Company subject to lock-up, the shareholdings and conditions for lock-up of which are specified as follows:

Name of shareholders subject to lock-up	Number of shares held subject to lock-up	Permitted trading date	Number of additional tradable shares	Terms of lock-up
1. Zhongxingxin	358,958,824	29 December 2006 29 December 2007 29 December 2008	47,976,083 47,976,083 263,006,658	Note 1
2. Jade Dragon (Mauritius) Limited	18,290,896	29 December 2006	18,290,896	Note 2
3. Hunan Nantian (Group) Co., Ltd	11,431,810	29 December 2006	11,431,810	Note 2
4. Lishan Microelectronics Corporation	5,520,180	29 December 2006	5,520,180	Note 2
5. CASIC Shenzhen (Group) Company, Limited	5,520,180	29 December 2006	5,520,180	Note 2
6. Shaanxi Telecommunications Industrial Limited	5,520,180	29 December 2006	5,520,180	Note 2
7. China Mobile Telecommunications No. 7 Research Institute	5,520,180	29 December 2006	5,520,180	Note 2
8. Jilin Posts and Telecommunications Equipment Company	5,520,180	29 December 2006	5,520,180	Note 2
9. Hebei Telecommunications Equipment Company, Limited	5,520,180	29 December 2006	5,520,180	Note 2

Note 1: The following undertakings were made by Zhongxingxin, the largest shareholder of the Company in the Revised Share Reform Plan of ZTE Corporation announced on the designated website for information disclosure (<http://www.cninfo.com.cn>) on 23 November 2005:

Statutory undertaking: to comply with the laws, regulations and rules and perform its statutory obligations, namely not to transfer or trade the listed shares, which are converted from the Non-circulating Shares, held by it within 12 months from the first trading day after implementation of the Share Reform Plan; and not to sell its original Non-circulating Shares amounting to more than five per cent of the total share capital of the Company by way of trading subsequent to their listing on the Shenzhen Stock Exchange within 12 months and not to sell more than ten per cent within 24 months after the above lock-up period.

Special undertaking: Where Zhongxingxin sells its shares during the period from the 13th month to the 24th month after such shares have been granted the right of listing and circulation on the Shenzhen Stock Exchange, the price at which the shares are sold shall not be less than RMB30.76 per share, which is 115% of the mathematical average of the closing prices of its A shares for the 60 trading days prior to the initial announcement made by the directors of the Company regarding the Share Reform Plan, that is, RMB26.75 per share (such price to be calculated on an ex-rights basis and net of any dividends, bonus issues and capitalisation of capital reserve during the period from the implementation date of the Share Reform Plan to the date of sale). The proceeds from any sale by Zhongxingxin in breach of such undertaking shall be reverted to the Company's account for the benefit of all shareholders of the Company.

Note 2: To comply with the laws, regulations and rules and perform its statutory obligations, namely not to transfer or trade the listed shares, which are converted from the Non-circulating Shares, held by it within 12 months after implementation of the Share Reform Plan.

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4. Permitted trading date for the shares subject to lock-up

Date	Number of shares available for listing and trading upon expiry of the lock-up period	Balance of shares subject to lock-up	Balance of shares not subject to lock-up
29 December 2006	110,819,869	310,982,741	110,819,869
29 December 2007	47,976,083	263,006,658	158,795,952
29 December 2008	263,006,658	0	421,802,610

5. Interests of substantial shareholders and other parties in shares or debentures

As at 30 June 2006, the following shareholders held an interest of 5% or more in any class of the Company's shares as shown in the register maintained by the Company pursuant to section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (hereinafter the "SFO"):

Name	Number of shares held	Approximate shareholding as a percentage (%) of:	
		Total share capital	The relevant class of shares
Zhongxingxin	358,958,824 A shares (L)	37.41	44.91
Zhongxing WXT	358,958,824 A shares (L)	37.41	44.91
Xi'an Microelectronics	358,958,824 A shares (L)	37.41	44.91
China Aerospace Times Electronics Corporation	358,958,824 A shares (L)	37.41	44.91
CASC	358,958,824 A shares (L)	37.41	44.91
JPMorgan Chase & Co.	20,757,100 H shares (L)	2.16	12.96
	18,432,100 H shares (P)	1.92	11.51
Fidelity International Limited	16,065,400 H shares (L)	1.67	10.03
Deutsche Bank Aktiengesellschaft	13,218,857 H shares (L)	1.38	8.25
	11,368,757 H shares (S)*	1.18	7.10
Goldman Sachs (Asia) L L C	11,622,000 H shares (L)	1.21	7.26
Goldman Sachs (Cayman) Holding Company	11,622,000 H shares (L)	1.21	7.26
The Capital Group Companies, Inc.	11,198,500 H shares (L)	1.17	6.99
Aranda Investments (Mauritius) Pte Ltd	11,141,800 H shares (L)	1.16	6.96
T. Rowe Price Associates, Inc. and its affiliates	10,805,600 H shares (L)	1.13	6.75
Massachusetts Financial Services Company ("MFS")	8,428,100 H shares (L)	0.88	5.26
Sun Life Financial, Inc.	8,428,100 H shares (L)	0.88	5.26

(L) — long position; (S) — short position; (P) — lending pool

* Includes short position in respect of a security interest in 10,367,957 shares and short position of 975,000 shares pursuant to unlisted cash settled equity derivatives

Save as disclosed above, as at 30 June 2006, so far as the Directors, Supervisors and senior management of the Company are aware, no person had an interest or short position in the shares and underlying shares of the Company that was required to be recorded in the register maintained pursuant to section 336 of the Securities and Futures Ordinance.

6. Purchase, sale and redemption of shares

During the reporting period, the Group did not purchase, sell or redeem any listed securities of the Company.