

CHANGES IN SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

(1) CHANGES IN SHARE CAPITAL AS AT 31 DECEMBER 2006

Unit: shares

	Opening balance		Change during the year (+/-)				Closing balance		
	Number of shares	Percentage (%)	Issue of new shares	Unlocking of shares subject to lock-up ¹	Transfer from capital reserves	Bonus issue	Sub-total	Number of shares	Percentage (%)
I. Shares subject to lock-up	423,084,674	44.09		-110,819,869			-110,819,869	312,264,805	32.54
1. State-owned shares	0	0		0			0	0	0
2. State-owned legal person shares	392,079,904	40.86		-81,097,163			-81,097,163	310,982,741	32.41
3. Others domestic shares comprising:	12,713,874	1.32		-11,431,810			-11,431,810	1,282,064	0.13
Domestic legal person shares	11,431,810	1.19		-11,431,810			-11,431,810	0	0
Domestic natural person shares (including shares held by senior management of the Company)	1,282,064	0.13		0			0	1,282,064	0.13
4. Foreign shares comprising:	18,290,896	1.91		-18,290,896			-18,290,896	0	0
Foreign legal person shares	18,290,896	1.91		-18,290,896			-18,290,896	0	0
Foreign natural person shares	0	0		0			0	0	0
II. Shares not subject to lock-up	536,436,976	55.91		+110,819,869			+110,819,869	647,256,845	67.46
1. RMB ordinary shares	376,285,936	39.22		+110,819,869			+110,819,869	487,105,805	50.77
2. Domestic-listed foreign shares	0	0		0			0	0	0
3. Overseas-listed foreign shares (H shares)	160,151,040	16.69		0			0	160,151,040	16.69
4. Others	0	0		0			0	0	0
III. Total number of shares	959,521,650	100		0			0	959,521,650	100

Note 1: On 29 December 2006, 110,819,869 A shares held by holders of non-circulating shares of the Company were granted trading status and made available for listing and circulation. Please refer to the Indicative Announcement on the Unlocking of Shares of ZTE Corporation published by the Company on the designated website for information disclosure on 25 December 2006 for details.

Note 2: As at the end of reporting period, the Company did not have any employee shares.

(2) ISSUE OF NEW SHARES BY THE COMPANY FOR THE PAST THREE YEARS ENDED 31 DECEMBER 2006

Year of issue	Class of shares	Date of issue	Issue price	Quantity (no. of shares)	Date of listing	No. of shares approved for listing	Date on which trading ceased
2004	H Share	29/11/2004	HKD22	160,151,040	9/12/2004	160,151,040	—

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(3) SHAREHOLDERS AS AT 31 DECEMBER 2006

1. Top ten shareholders of the Company and top ten holders of the shares of the Company that are not subject to lock-up

The Company had 37,729 shareholders in total (of which 37,324 were holders of A shares and 405 were holders of H shares).

Top ten shareholders						
Name of shareholders	Nature of shareholders	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	
1. Zhongxingxin	State-owned shareholders	37.41	358,958,824	310,982,741	None	
2. HKSCC Nominees Limited	Foreign shareholders	16.64	159,643,439	0	Unknown	
3. JADE DRAGON (MAURITIUS) LIMITED	Foreign shareholders	1.91	18,290,896	0	Unknown	
4. ICBC Credit Suisse Stable Growth Stock Securities Investment Fund	Others	1.45	13,875,942	0	Unknown	
5. DEUTSCHE BANK AKTIENGESELLSCHAFT	Foreign shareholders	1.32	12,699,431	0	Unknown	
6. ICBC Credit Suisse Selected and Balanced Hybrid Fund	Others	1.26	12,096,825	0	Unknown	
7. Hunan Nantian (Group) Co., Ltd	Others	1.19	11,431,810	0	Unknown	
8. E Fund Selective Value	Others	0.92	8,860,354	0	Unknown	
9. China Life Insurance Company Limited — Dividends — Individual Dividends — 005L-FH002 Shen	Others	0.86	8,208,418	0	Unknown	
10. ICBC Credit Suisse Core Value Stock Securities Investment Fund	Others	0.73	7,009,592	0	Unknown	

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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	159,643,439	H shares
2.	JADE DRAGON (MAURITIUS) LIMITED	18,290,896	A shares
3.	ICBC Credit Suisse Stable Growth Stock Securities Investment Fund	13,875,942	A shares
4.	DEUTSCHE BANK AKTIENGESELLSCHAFT	12,699,431	A shares
5.	ICBC Credit Suisse Selected and Balanced Hybrid Fund	12,096,825	A shares
6.	Hunan Nantian (Group) Co., Ltd	11,431,810	A shares
7.	E Fund Selective Value	8,860,354	A shares
8.	China Life Insurance Company Limited — Dividends — Individual Dividends — 005L-FH002 Shen	8,208,418	A shares
9.	ICBC Credit Suisse Core Value Stock Securities Investment Fund	7,009,592	A shares
10.	Harvest Stable Open Fund (嘉實穩健開放式證券投資基金)	6,263,819	A shares
Descriptions of any connected party relationships or concerted party relationships among the above shareholders		1.	Among the Company's top ten holders of shares not subject to lock-up, ICBC Credit Suisse Stable Growth Stock Securities Investment Fund (4th), ICBC Credit Suisse Selected and Balanced Hybrid Fund (6th) and ICBC Credit Suisse Core Value Stock Securities Investment Fund (10th) are managed by the same fund manager, ICBC Credit Suisse Fund Management Co., Ltd.
		2.	There was no connected party relationship or concerted party relationship between Zhongxingxin and (i) other top ten shareholders of the Company, or (ii) top ten holders of the shares of the Company not subject to lock-up.
		3.	Save for the above, the Company is not aware of any connected party relationships or concerted party relationships among the top ten shareholders and the top ten holders of shares that are not subject to lockup.
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

Name of controlling shareholder of the Company:	Zhongxingxin
Legal representative:	Zhang Taifeng
Date of incorporation:	29 April 1993
Registered capital:	RMB100,000,000
Scope of business:	production of programmed switchboard cabinets, telephones and related components, 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; production of continuous monitoring smoke systems.

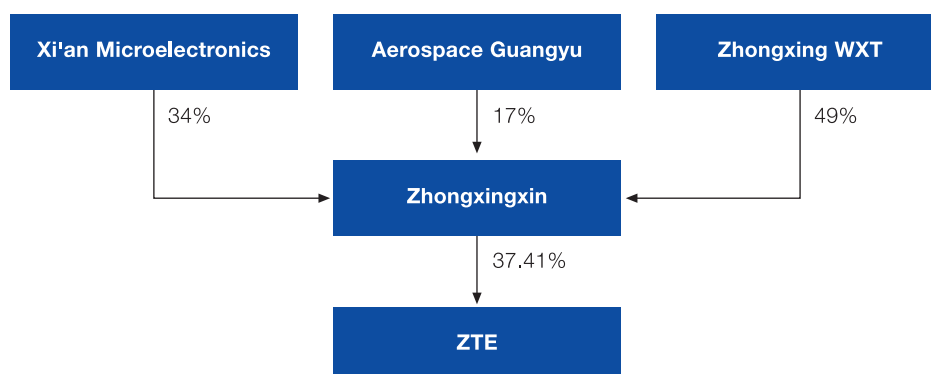
3. The shareholders (or de facto controller) of the Company's controlling shareholder

The controlling shareholder of the Company, Zhongxingxin was jointly formed by Xi'an Microelectronics, Shenzhen Aerospace Guangyu Industrial Group Company ("Aerospace Guangyu") and Zhongxing WXT, each holding a 34%, 17% and 49% stake in Zhongxingxin respectively. Zhongxingxin currently has 9 directors, of which 3 have been nominated by Xi'an Microelectronics, 2 by Aerospace Guangyu and 4 by Zhongxing WXT, representing 33.33%, 22.22% and 44.45% of the board of directors of Zhongxingxin respectively. Therefore, no shareholder of Zhongxingxin shall have the right to control the financial and operating decisions of the Company whether in terms of shareholding or corporate governance structure and no party has effective control over the Company. Details of these three shareholders are as follows:

- Xi'an Microelectronics, a subsidiary of China Aerospace Times Electronics Corporation, is a large state-owned research institute, which was established in 1965 with an initial capital amounting to RMB198,530,000 upon its establishment. The legal representative of the institute is Mr. Zhang Junchao. It is the only specialized research institute in China which integrates and complements the research, development and production of semiconductor integrated circuits, mixed integrated circuits and computers.
- Aerospace Guangyu, a subsidiary of CASIC, is a wholly state-owned enterprise established on 20 March 1984. The legal representative is Mr. Xie Weiliang and the registered capital amounts to RMB17,950,000. The scope of business includes aerospace technology products, mechanical products, electrical appliance products, apparatuses and instruments; electronic products, plastic products, chemical products, hoisting and transportation products, hardware and furniture, construction materials, magnetic materials, powder metallurgy, Chinese-manufactured automobiles (except sedans), warehousing and import and export operations.
- Zhongxing WXT is a private high-technology enterprise incorporated on 23 October 1992. Its legal representative is Mr. Hou Weigui and its registered capital amounts to RMB10,000,000. The scope of business includes the development and production of telecommunications and transmission equipment, associated equipment, computer and peripheral equipment.

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The following diagram shows the shareholding relationships between the above units and the Company as at 31 December 2006:



4. Number of shares held by shareholders subject to lock-up and terms of lock-up

(1) Time for listing and trading of shares subject to lock-up

Time for listing and trading	Number of additional shares to be listed and traded upon expiry of lock-up (shares)	Balance of shares subject to lock-up (shares)	Balance of shares not subject to lock-up (shares)
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	—	421,802,610

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- (2) There were nine shareholders of the Company subject to lock-up, the shareholding and lock-up conditions of which are set out as follows:

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

Note 1: The following undertakings relating to the Share Reform Plan 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 on 23 November 2005.

Statutory undertakings: to comply with the laws, regulations and rules and perform its statutory obligations, namely not to transfer or trade the listed shares converted from the previously non-circulating shares of the Company held by it within 12 months following the implementation date of the Share Reform Plan; and not to sell its original Non-circulating Shares amounting to more than five per cent (5%) 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 (10%) within 24 months after the above lock-up period.

Special undertakings: 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.

The price of "RMB30.76" specified in the special undertaking by Zhongxingxin set out above has been adjusted to "RMB30.51" following the implementation of the 2005 profit distribution plan of the Company on 14 July 2006.

Note 2: The listed shares converted from the previously Non-circulating shares of the Company held by such shareholder shall not be traded or transferred within 12 months following the implementation date of the Share Reform Plan.

Note 3: Please refer to the Indicative Announcement on the Unlocking of Shares of ZTE Corporation published by the Company on the designated website for information disclosure on 25 December 2006 for details.

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

As at 31 December 2006, the following shareholders were interested in 5% or more in the issued share capital of the Company, as shown in the share register maintained by the Company in accordance with Section 336 of the Securities and Futures Ordinance:

Name	Number of shareholding	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 (L)
Zhongxing WXT	358,958,824 A shares (L)	37.41	44.91 (L)
Xi'an Microelectronics	358,958,824 A shares (L)	37.41	44.91 (L)
China Aerospace Times Electronics Corporation	358,958,824 A shares (L)	37.41	44.91 (L)
China Aerospace Science and Technology Corporation	358,958,824 A shares (L)	37.41	44.91 (L)
Fidelity International Limited	14,299,800 H shares (L)	1.49	8.93 (L)
Goldman Sachs (Asia) L L C	11,622,000 H shares (L)	1.21	7.26 (L)
Goldman Sachs (Cayman) Holding Company	11,622,000 H shares (L)	1.21	7.26 (L)
Deutsche Bank Aktiengesellschaft	11,927,100 H shares (L)	1.24	7.45 (L)
	7,895,400 H shares (S)	0.82	4.93 (S)
Allianz SE	11,215,700 H shares (L)	1.17	7.00 (L)
Aranda Investments (Mauritius) Pte Ltd	11,141,800 H shares (L)	1.16	6.96 (L)
T. Rowe Price Associates, Inc. and its affiliates	9,077,500 H shares (L)	0.95	5.67 (L)
Massachusetts Financial Services Company ("MFS")	8,428,100 H shares (L)	0.88	5.26 (L)
Sun Life Financial, Inc.	8,428,100 H shares (L)	0.88	5.26 (L)
The Capital Group Companies, Inc.	8,207,900 H shares (L)	0.86	5.13 (L)
Halbis Capital Management (Hong Kong) Limited	8,205,800 H shares (L)	0.86	5.12 (L)

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

Save as disclosed above, as at 31 December 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. Shareholding of the public shareholders

On the basis of publicly available information known to the Board of Directors, as at 17 April 2007 the Company has sufficient public shareholding, in compliance with the minimum requirement of Hong Kong Stock Exchange Listing Rules.