
NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING OF 2010

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ZTE中兴

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)

NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING OF 2010

The Company and all the 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.

NOTICE IS HEREBY GIVEN that the Second Extraordinary General Meeting of 2010 (hereinafter referred to as the “EGM”) of ZTE Corporation (hereinafter referred to as the “Company”) will be held in accordance with the resolution passed at the Seventh Meeting of the Fifth Session of the Board of Directors of the Company on 22 July 2010. Details of the EGM are set out below:

I. INFORMATION REGARDING THE EGM

(I) Time

The EGM will commence at 9:00 a.m. on Friday, 10 September 2010.

(II) Venue

The EGM will be held at the Conference Room on the 4th floor of the Company's headquarters in Shenzhen.

Address: 4th Floor, A Wing, ZTE Plaza, Keji Road South, Hi-Tech Industrial Park, Nanshan District, Shenzhen

Tel: +86 (755) 26770282

(III) Convener

The EGM will be convened by the Board of Directors of the Company.

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(IV) Voting method

Voting by poll will be carried out on-site at the EGM.

(V) Attendees

1. All ZTE (000063) shareholders registered with China Securities Depository & Clearing Corporation Limited, Shenzhen Office upon the close of trading of its A shares on the Shenzhen Stock Exchange on Tuesday, 10 August 2010 at 3:00 p.m. (hereinafter referred to as “Domestic Shareholders”);
2. All shareholders registered on the Company’s H share register maintained by Computershare Hong Kong Investor Services Limited upon the close of trading of its H shares on The Stock Exchange of Hong Kong Limited on Tuesday, 10 August 2010 at 4:00 p.m. (hereinafter referred to as “H Shareholders”);
3. Directors, supervisors and senior management of the Company; and
4. Representatives of intermediaries engaged by the Company and guests invited by the Board of Directors.

(VI) Closure of H share register

The H share register of the Company will be closed from Wednesday, 11 August 2010 to Thursday, 9 September 2010 (both days inclusive). H Shareholders who wish to attend the EGM shall lodge an instrument of transfer, together with the corresponding share certificate(s) with Computershare Hong Kong Investor Services Limited at Room 1712–16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong on or before 4:30 p.m., 10 August 2010.

II. MATTERS TO BE CONSIDERED AT THE EGM

The following resolutions will be considered at the EGM:

Ordinary Resolutions

1. Resolution of the Company on the Investment in a Production and Research and Development Training Base Project in the Heyuan Hi-tech Zone

- 1.1 That the investment in and construction of “ZTE Heyuan Production and Research and Development Training Base” project in the Heyuan Hi-tech Industry Development Zone by the Company be considered and approved by the general meeting;

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- 1.2. That Mr. Hou Weigui, legal representative of the Company, or any competent signatory authorised by Mr. Hou Weigui be authorised by the general meeting to sign legal contracts and documents relating to the “ZTE Heyuan Production and Research and Development Training Base” project.

For details, please refer to the “Announcement of External Investment” (Appendix I) of the Company dated 16 July 2010.

2. Resolution on the Application for Investment Limits in Foreign Exchange Derivative Products for Value Protection

- 2.1 That the Company be authorised by the general meeting to invest in foreign exchange derivative products for value protection against its US Dollar risk exposure for an amount not exceeding USD700 million (which limit shall include investments by majority-owned subsidiaries and may be applied on a revolving basis during the effective period of the authorisation). The authorisation shall be effective from the date on which it is approved by way of resolution at the general meeting to the date on which the next annual general meeting of the Company closes or the date on which this authorisation is modified or revoked at a general meeting, whichever is earlier.
- 2.2 That the Company be authorised by the general meeting to invest in foreign exchange derivative products for value protection against its Euro risk exposure for an amount not exceeding EUR200 million (which limit shall include investments by majority-owned subsidiaries and may be applied on a revolving basis during the effective period of the authorisation). The authorisation shall be effective from the date on which it is approved by way of resolution at the general meeting to the date on which the next annual general meeting of the Company closes or the date on which this authorisation is modified or revoked at a general meeting, whichever is earlier.

The resolution was unanimously approved at the Seventh Meeting of the Fifth Session of the Board of Directors held on 22 July 2010. The Independent Directors have furnished their independent opinion and agreed that this resolution be tabled at the general meeting of the Company for consideration. For further details, please refer to the “Announcement of the Resolutions of the Seventh Meeting of the Fifth Session of the Board of Directors of ZTE Corporation” and the “Announcement of Investment in Foreign Exchange Derivative Products for Value Protection” (Appendix II) of the Company dated 23 July.

III. REGISTRATION AT THE EGM

(1) Registration of attendance

1. Any legal person shareholder (including but not limited to corporate shareholders) entitled to attend the EGM shall produce for registration a photocopy of its corporate business license, a power of attorney of the legal representative and the identity card of the attendee;
2. Any individual shareholder entitled to attend the EGM shall produce for registration his own identity card, stock account card and evidence of shareholding;
3. Any shareholder intending to attend the EGM shall deliver the confirmation reply slip of their intention to attend the EGM to the address for registration by hand, mail or fax.

(2) Registration period

From Wednesday, 11 August 2010 to Friday, 20 August 2010 (excluding statutory holidays).

(3) Address for registration

Registration for the EGM will be conducted at: 6th Floor, A Wing, ZTE Plaza, Keji Road South, Hi-Tech Industrial Park, Nanshan District, Shenzhen, 518057.

(4) Requirements for proxy registration and submission of documents on a poll

1. Any shareholder entitled to attend and vote at the EGM may entrust one or more person (whether or not a shareholder) as his proxy(ies) to attend and vote at the EGM on his behalf. The shareholder may attend and vote at the EGM in person notwithstanding that he has completed and submitted the proxy form; in such a case, the proxy form is deemed to be withdrawn. For a shareholder who entrusts two or more proxies, the voting rights to be exercised by such proxies in aggregate shall not exceed the total number of votes the shareholder is entitled to exercise at the EGM, and the different proxies may not exercise voting rights in respect of the same share.
2. A shareholder shall appoint a proxy in writing by using the proxy form, which shall be signed by the authorising shareholder or his duly authorised attorney. The proxy form shall be notarised if it is to be signed by any person other than by the authorising shareholder himself. In order to be valid, the proxy form must be deposited at the registered address of the Company no less than 24 hours before the EGM.

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3. If a shareholder entrusts his proxy(ies) to attend and vote at the EGM on behalf of him, such proxy(ies) shall produce for registration his own identity card, the duly signed proxy form by the authorising shareholder, the stock account card of the authorising shareholder and evidence of shareholding.

IV. MISCELLANEOUS

1. The EGM is expected to last less than one day; all accommodation, travel and expenses relating to attending the EGM shall be borne by the attendees.
2. EGM Contact: Zhang Qin
3. Contact telephone number: + 86 (755) 26770282
4. Contact fax number: + 86 (755) 26770286

V. REFERENCE

1. Resolutions of the Sixth Meeting of the Fifth Session of the Board of Directors of ZTE Corporation.
2. Resolutions of the Seventh Meeting of the Fifth Session of the Board of Directors of ZTE Corporation.

By Order of the Board
Hou Weigui
Chairman

Shenzhen, the PRC
26 July 2010

As at the date of this notice, 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.

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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 3,000 mu, comprising 2,500 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.

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**ANNOUNCEMENT
INVESTMENT IN FOREIGN EXCHANGE DERIVATIVE
PRODUCTS FOR VALUE PROTECTION**

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 or misleading statement or material omission in this announcement.

Important notes:

1. The “Resolution of the Company on the Application for Investment Limits in Foreign Exchange Derivative Products for Value-Protection” was considered and unanimously passed at the fourth meeting of the Audit Committee of the Fifth Session of the Board of Directors of the Company, which also approved the submission of this resolution to the Board of Directors of the Company for consideration.
2. The “Resolution of the Company on the Application for Investment Limits in Foreign Exchange Derivative Products for Value-Protection” was considered and unanimously passed at the Seventh Meeting of the Fifth Session of the Board of Directors of the Company. The resolution was adequately discussed by the Directors attending the meeting, who were aware of the types of the product, operating processes and risk management processes of investments in foreign exchange derivative products for value protection that the Company intended to make and the relevance of such investments to the day-to-day operations of the Company, and approved the tabling of this resolution at the general meeting of the Company for consideration.

3. Any investments in foreign exchange derivative products for value protection to be conducted by the Company shall be aimed at locking up the value of foreign currencies. Speculative activities aimed at profit-making are forbidden. Such investments are subject to market risks, liquidity risks and contract performance risks.

I. STATEMENT ON THE FULFILLMENT OF LEGAL VOTING PROCEDURES IN RESPECT OF INVESTMENTS IN FOREIGN EXCHANGE DERIVATIVE PRODUCTS FOR VALUE PROTECTION

In order to mitigate the impact of exchange rate volatility on the assets, liabilities and profitability of ZTE Corporation (the “Company”) and its majority-owned subsidiaries, the Company intends to engage in derivative investments aimed at value protection by utilising financial products available at financial institutions, based on the Company’s international business development and projected foreign exchange balance of 2010. Such investment principally involves foreign exchange forwarding investment and structured forward investment which are complemented by foreign exchange swaps and foreign exchange options. The Company intends to invest in foreign exchange derivative products for value-protection against its US Dollar risk exposure for an amount not exceeding USD700 million (which limits shall cover the majority-owned subsidiaries and may be applied on a revolving basis during the effective period of the authorisation) and in foreign exchange derivative products for value-protection against its Euro risk exposure for an amount not exceeding EUR200 million (which limits shall cover the majority-owned subsidiaries and may be applied on a revolving basis during the effective period of the authorisation).

At the Seventh Meeting of the Fifth session of the Board of Directors of the Company was held on 22 July 2010, the “Resolution of the Company on the Application for Investment Limits in Foreign Exchange Derivative Products for Value-Protection” was considered and passed. The resolution is subject to further to approval at the general meeting of the Company, and the Board of Directors of the Company intends to table such resolution for consideration at the Second Extraordinary General Meeting of 2010 of the Company to be held on 10 September 2010. The Non-Executive Independent Directors of the Company, namely Ms. Qu Xiaohui, Mr. Chen Naiwei, Mr. Wei Wei, Mr. Tan Zhenhui and Mr. Timothy Alexander Steinert, have reviewed the resolution and furnished an independent opinion. The five Directors are of the unanimous view that the engagement of investment in foreign exchange derivative products for value protection by the Company is closely related to its day-to-day operational requirements and that risks involved are controllable, and that it is in compliance with the provisions of pertinent laws and regulations.

The matter is not deemed as a connected transaction and therefore is not subject to the voting procedures applicable to connected transactions.

**II. TYPES OF INVESTMENTS IN FOREIGN EXCHANGE DERIVATIVE
PRODUCTS FOR VALUE PROTECTION**

Foreign exchange forward: a foreign exchange trade completed by the buyer and the seller based on agreed currency, amount, exchange rate and timing for settlement at an agreed time in accordance with conditions stipulated by the contract.

Foreign exchange swap: an agreement with the bank to exchange of a currency for another currency in a specific amount and to conduct a currency trade with the same amount but in the reverse direction at an agreed price on an agreed future date.

Foreign exchange option: foreign exchange trade in which an option to trade a specific amount of foreign exchange at an agreed price on an agreed future date is acquired after paying a certain option fee to the bank.

Structured forward: a foreign exchange product whose exercise is subject to certain pre-conditions, created through a structured combination of general forward products such as foreign exchange forwards and foreign exchange options, etc. and designed to fulfill specific requirements in value protection.

**III. PRINCIPAL TERMS OF INVESTMENTS IN FOREIGN EXCHANGE
DERIVATIVE PRODUCTS FOR VALUE PROTECTION**

The principal terms for investments in foreign exchange derivative products for value protection include:

1. Duration of contract: not more than 1 year
2. Counterparties: banking financial institutions (large commercial banks with high credit ratings)
3. Liquidity arrangements: all investments in foreign exchange derivative products for value protection are conducted in connection with normal export and import activities and the relevant investment amounts and durations are expected to match the export and import payments concerned.
4. Other terms: Investments in foreign exchange derivative products for value protection will primarily be financed by the integrated bank credit facilities available to the Company without requiring any deposit payment by the Company, and shall be settled upon maturity on the basis of the principal amount or the price difference.

IV. JUSTIFICATION OF INVESTMENTS IN FOREIGN EXCHANGE DERIVATIVE PRODUCTS FOR VALUE PROTECTION

Given growing foreign exchange revenue generated from the ongoing development of the Company's international business against a cost structure mainly comprised by RMB, the Company is subject to increasing foreign exchange risk exposures arising from the mismatch between the currencies for income and the currency for expenditure. At the same time, non-USD currencies such as EUR are experiencing growing volatility amid global economic uncertainties and the crisis relating to sovereignty debts of EU nations, while more significant movements of the RMB to USD exchange rate are expected following the resumption of exchange rate reforms by the People's Bank of China in June 2010. To contain the adverse impact of exchange rate fluctuations on the Company's profit and shareholders' equity, it is necessary for the Company to carry out investments in foreign exchange derivative products for value protection in order to reduce its foreign exchange risk exposure.

Foreign exchange forwards enables the Company to lock up in advance the exchange rate costs of businesses involving foreign exchange receipts and payments. Foreign exchange swaps help to adjust the mismatch of types and maturity periods between currencies paid and received by the Company. Foreign exchange options allow the Company to acquire rights to exercise future trades at fixed costs. Structured forwards help to lower the Company's value protection costs, and effectively control foreign exchange risks with a combination of the aforesaid foreign exchange products.

The Company's application of derivative investments for value protection is closely related to the value protection of its foreign exchange assets, liabilities and projected foreign exchange receipts and payments, as well as to its day-to-day operations.

V. PREPARATIONS FOR INVESTMENTS IN FOREIGN EXCHANGE DERIVATIVE PRODUCTS FOR VALUE PROTECTION

1. The Company has formulated the "System for Risk Control and Information Disclosure relating to Investments in Derivatives" (《衍生品投資風險控制及信息披露制度》) to lay down specific provisions relating to risk controls, review procedures and subsequent management for the Company's derivative investments, so that derivative investment activities will be subject to effective regulation and risks associated with derivative investments will be duly controlled. Majority-owned subsidiaries of the Company shall not engage in derivative investments without the approval of the Company.
2. The Company has formed an investment work group headed by the chief financial officer and comprising professional personnel for investment decision-making as well as trade operations, who will be specifically responsible for conducting investments in foreign exchange derivative products for value protection and drawing up relevant investment plans to be implemented subject to the scope of authorisation mandated by the Board of Directors or the general meeting.

3. The members of the investment work group of the Company are fully aware of the characteristics and potential risks of investments in foreign exchange derivative products for value protection and are operating in strict compliance with the operational and risk management systems for derivative investments.

**VI. RISK ANALYSIS OF FOREIGN EXCHANGE DERIVATIVE PRODUCTS FOR
VALUE PROTECTION**

1. **Market risks.** The difference between the agreed exchange rate for an investment in foreign exchange derivative products for value protection and the effective exchange rate prevailing upon maturity gives rise to actual profit or loss. During the period in which the foreign exchange derivative products for value protection subsist, revaluation gains or losses will arise in each accounting period and the accumulated amount of revaluation gains or losses upon maturity represents the actual profit or loss.
2. **Liquidity risks.** The Company's investments in foreign exchange derivative products for value protection are entirely based on the projected foreign exchange receipts and payments of the Company, derivative investments are conducted in respect of a certain percentage of the projected receipts and payments. As the Company's investments in foreign exchange derivative products for value protection match the actual foreign exchange receipts and payments, it is assured that there would be sufficient funds for settlement upon completion, with little impact the Company's liquidity assets.
3. **Contract performance risks.** The Company will select large commercial banks with high credit ratings as counterparties to its investments in foreign exchange derivative products for value protection. Such banks typically feature prudent operations with sound credit standing and should therefore basically give rise to no risk in contract performance.

**VII. RISK MANAGEMENT STRATEGY FOR INVESTMENTS IN FOREIGN
EXCHANGE DERIVATIVE PRODUCTS FOR VALUE PROTECTION**

1. Any investments in foreign exchange derivative products for value protection conducted by the Company shall be aimed at locking up the value of foreign currencies. Speculative activities aimed at profit-making are forbidden. The purpose of the Company's investment in foreign exchange derivative products for value protection is to provide value protection against certain risk exposures of the Company, and any investments shall be limited to the authorised cap approved by the Board of Directors or the general meeting. Also, the Company is not allowed to conduct any leveraged derivative investments in its investments in foreign exchange derivative products for value protection.
2. The investment work group of the Company will conduct scenario analyses and pressure tests on investments in derivative products for value protection on the basis of exchange rate forecasts made available by service providers such as banks

**APPENDIX II ANNOUNCEMENT OF INVESTMENT IN FOREIGN EXCHANGE
DERIVATIVE PRODUCTS FOR VALUE PROTECTION**

and the Reuters system, conduct investment risk assessment of the foreign exchange derivative products for value protection, and draw up investment plans (including investment types, duration, amounts and counterparty banks) and feasibility analysis reports to the Risk Management Committee of the Company for examination, all of which shall be subject to the final approval of the chief financial officer.

3. The investment work group shall submit investment contracts for foreign exchange derivative products for value protection to the chief financial officer for approval and implement such contract after approval.
4. The Risk Management Committee of the Company will track changes in the open market prices or fair values of the foreign exchange derivative products for value protection, conduct timely assessment of changes in the risk exposures of invested foreign exchange derivative products for value protection, and report to the Audit Committee of the Board of Directors on a regular basis. If any irregularities are identified, they will promptly be reported to the the Audit Committee of the Company and the investment work group will be notified to apply measures in response.
5. Regular auditing of external investments in foreign exchange derivative products for value protection shall be undertaken by the internal audit department of the Company during the year.

VIII. FAIR VALUE ANALYSIS OF FOREIGN EXCHANGE DERIVATIVE PRODUCTS FOR VALUE PROTECTION

The investments in foreign exchange derivative products for value protection to be conducted by the Company are primarily foreign exchange investment involving USD and EUR currencies, which are actively traded in highly transparent markets. The fair values of the derivatives can be sufficiently reflected in the traded prices and daily settlement prices of such currencies, which will be determined by the Company based on prices quoted by or obtained from service providers such as banks and the Reuters system.

IX. ACCOUNTING POLICY AND SUBSEQUENT DISCLOSURES REGARDING INVESTMENTS IN FOREIGN EXCHANGE DERIVATIVE PRODUCTS FOR VALUE PROTECTION

1. The Company's investments in foreign exchange derivative products for value protection shall be recognised at fair value in accordance with "ASBE 22 — Recognition and Measurement of Financial Instruments" and "ASBE 24 — Hedging". The presentation and disclosure of such foreign exchange derivative products for value protection shall be conducted in accordance with "ASBE 37 — Presentation of Financial Instruments".

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2. The Risk Management Committee of the Company will report to the Board of Directors when the aggregate loss or variable loss of the invested derivatives of the Company (representing the sum of the fair value impairment of the invested derivatives and the change in value of the assets used for risk hedging (if any)) exceeds RMB10 million and publish an interim announcement for timely disclosure when such loss reaches 10% of the latest audited net assets of the Company.
3. Relevant information on derivative investments in force will be disclosed in the regular reports of the Company.

X. INDEPENDENT NON-EXECUTIVE DIRECTORS' OPINION

The Independent Non-Executive Directors of the Company, namely Ms. Qu Xiaohui, Mr. Chen Naiwei, Mr. Wei Wei, Mr. Tan Zhenhui and Mr. Timothy Alexander Steinert, have reviewed the Company's planned investment in foreign exchange derivative products for value protection and furnished an independent opinion as follows:

As the foreign exchange income of the Company and its majority-owned subsidiaries has been increasing in line with the ongoing development of their international businesses, the mitigation of exchange rate volatility risks associated with foreign exchange operations by locking up currency translation costs through the reasonable application of financial derivative instruments is beneficial to the enhancement of the financial stability and corporate competitiveness of the Company. The Company has conducted meticulous internal assessment in respect of the investment in foreign exchange derivative products for value protection and has established relevant regulatory regimes. We are of the view that the engagement of investment in foreign exchange derivative products for value protection by the Company is closely related to its day-to-day operational requirements and that risks involved are controllable, and that it is in compliance with relevant provisions of pertinent laws and regulations.

By Order of the Board
Hou Weigui
Chairman

Shenzhen, PRC
23 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 Shiyou; 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.