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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

Application for Designated Amounts of Investments in Foreign Exchange Derivatives

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 or misleading statement or material omission in this announcement

Summary:

1．The Sixth Audit Committee Meeting of the Fifth Session of the Board of Directors of the Company has unanimously approved the "Resolution on the Application for Designated Amounts of Investments in Foreign Exchange Derivatives" and agreed to submit this resolution to the Board of Directors of the Company for consideration.

2. At the Ninth Meeting of the Fifth session of the Board of Directors of the Company, the "Resolution on the Application for Designated Amounts of Investments in Foreign Exchange Derivatives" was considered and unanimously approved.

3. The derivative investments that the Company is proposing to carry out are aimed at locking up the value of its foreign exchange assets. 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 derivatives

As the overseas businesses of ZTE Corporation (the "Company") and its majority-owned subsidiaries continue to expand, the current profit and shareholders' equity of the Company will be increasingly affected by exchange rate volatility in an international financial market subject to rapid changes. In order to lower exchange rate risks and lock up the cost of currency translation, the Company has proposed to invest in derivatives as and when appropriate investment access become available in the market.

1. The Company and its majority-owned subsidiaries have applied for the conduct of value-protection hedging for an amount of USD50 million in respect of assets denominated in US Dollar and value-protection hedging for an amount of EUR20 million in respect of assets denominated in EUR.（The amount is independent from the US700 million limit for investment in value-protection foreign exchange derivatives against US Dollar risk exposure and the EUR200 million limit for investment in value-protection foreign exchange derivatives against EUR Dollar risk exposure authorised under the "Resolution on the Application for Investment Limits in Foreign Exchange Derivative Products for Value-Protection" considered and approved at the Seventh Meeting of the Fifth Session of the Board of Directors of the Company on 22 July 2010 and to be tabled for approval at the general meeting to be held on 10 September.）The amount may not be applied on a revolving basis.

2. The authorisation shall be effective from the date on which it is approved by the Board of Directors until 31 December 2010.

The "Resolution on the Application for Designated Amounts of Investments in Foreign Exchange Derivatives" was considered and approved at the Ninth Meeting of the Fifth Session of the Board of Directors held on 23 August 2010.

The matter does not constitute a connected transaction and therefore is not subject to voting procedures applicable to connected transactions.

II. General information on the derivative investments

The Company will determine the appropriate investment access period based on prices quoted in the foreign market and forecasts by relevant professional institutes and during such investment access period place hedges of USD50 million and EUR20 million by way of foreign exchange forward contracts for a hedging term of not more than 1 year.

III. Principal terms of the derivative investment

1. Type of derivatives: foreign exchange forward contracts

2. Duration of contract: not more than 1 year

3. Counterparties: banking financial institutions

4. Liquidity arrangements: all proposed hedging are based on the Company's foreign exchange assets, and the relevant investment amounts and durations will match the Company's cash flow in foreign exchange.

5. Other terms: derivative investments will primarily be financed by the composite 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.

IV. Justification of derivative investments

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 RMB is again subject to pressure for appreciation against USD with China's economic recovery. Given growing foreign exchange assets (Balances of US Dollar receivables and EUR receivables of the Group amounting to USD750 million and EUR120 million, respectively, as at 30 June 2010) in line with the ongoing development of the Company's international business, the Company needs to places hedges in respect of its foreign assets in order to control the adverse impact of exchange rate volatility on the value of its foreign exchange assets.

V. The Company's preparations for derivative investments

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》) and "Rules Governing Derivative Investments" (《衍生品投資管理辦法》) 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.

The Company has formed an investment work group headed by the chief financial officer and comprising dedicated officers for investment decision-making as well as trade operations, who will be responsible for carrying out investments in derivative products and drawing up relevant plans to be implemented subject to the scope of authorisation mandated by the Board of Directors or the general meeting.

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

VI. Analysis of risks involved in derivative investments

Potential risks involved in the derivative investments to be conducted by the Company are analysed as follows:

1. Market risks

Assuming highly effective hedging, the fair-value change of hedging instruments will set off the fair-value change of the hedged item, such that the fair-value change of the transaction as a whole will not result in any significant impact on the profit and loss of the Company. Based on the designated amount and value protection terms applied for under this resolution, the maximum cost that the Company may incur for a full hedging of assets in the amount of USD50 million and EUR20 million, respectively, is RMB7.60 million.

2. Liquidity risks

The Company's derivative investments are based on its foreign exchange assets and carried out in respect of a certain percentage of such foreign exchange assets. As any derivative investments of the Company will match the actual cash flow in foreign exchange, 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 derivative investments. Such banks typically feature prudent operations sound credit standing and should therefore give rise to basically no risk in contract performance.

VII. Risk control strategy for derivative investments

Any derivative investments conducted by the Company shall be hedging instruments aimed at locking up the value of foreign exchange assets. Speculative activities aimed at profit-making or leveraged derivative investments are not allowed.

VIII. Accounting and reporting

The Company's fair-value hedges shall be recognised at fair value in accordance with "ASBE 24 – Hedging", under which the foreign exchange forward contracts are treated as hedging instruments whose fair-value change is expected to wholly or partially set off the fair-value change of the recongised assets under hedging.

Prospective evaluation of hedging instruments is being conducted by way of comparison of principal terms. Retrospective evaluation of the effectiveness of the hedging is being conducted on a continued basis during the effective hedging period using the percentage analysis method to ensure that the hedging instrument is highly effective during the accounting period in which the hedging relationship is designated.

Through the application of fair-value hedge accounting, the balance resulting from the set-off between the fair-value change of the hedging instrument and that of the hedged item for the same accounting period is recognised in current profit and loss.

IX. Fair value analysis of derivative investments

The derivative investments in foreign exchange to be conducted by the Company are primarily foreign exchange trade 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 these 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.

By Order of the Board
Hou Weigui
Chairman

Shenzhen, PRC
23 August 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.