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

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 relevant 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 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” (《衍生品投资风险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 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 contingency measures.

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".

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.