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 on the Application for Derivative Investment Limits for 2015

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 on the Application for Derivative Investment Limits for 2015 of the Company" was considered and unanimously approved at the Fifteenth Meeting of the Audit Committee of the Sixth Session of the Board of Directors of the Company, which also approved the submission of the resolution to the Board of Directors of the Company for consideration.

2. The "Resolution on the Application for Derivative Investment Limits for 2015 of the Company" was considered and unanimously approved at the Twenty-fifth Meeting of the Sixth 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 procedures and risk management procedures of derivative investments that the Company intended to make and the relevance of such investments to the day-to-day operations of the Company, and approved the submission of the resolution to the general meeting of the Company for consideration.

3. Value-protection derivative investments will be conducted to reduce the adverse impact arising from exchange rate fluctuations on the Company in 2015. Investments in value-protection derivatives are based on our day-to-day import and export businesses, where the investment amount and investment period will match projected receipts and payments. The Company is forbidden to engage in speculative activities for profit-making. Derivative investments are subject to market risks, liquidity risks and contract performance risks and other risks.

I. STATEMENT ON THE FULFILLMENT OF LEGAL VOTING PROCEDURES IN RESPECT OF DERIVATIVE INVESTMENTS

In order to mitigate the impact of foreign exchange risks in the international businesses of ZTE Corporation (the "Company") and its majority-owned subsidiaries, derivative investments within the limits authorised by the Board of Directors and general meeting of the Company were conducted during 2014, effectively mitigating the adverse impact of exchange rate volatility on the Company. As the said authorisation will expire shortly, the Company intends to apply for authorisation to invest in value-protection derivatives against its foreign exchange risk exposure by hedging through dynamic coverage rate for a net amount not exceeding USD3 billion for 2015. Such limits may be applied on a revolving basis during the effective period of the authorisation.

At the Twenty-fifth Meeting of the Sixth session of the Board of Directors of the Company held on 25 March 2015, the "Resolution on the Application for Derivative Investment Limits of the Company for 2015" was considered and approved. The resolution is subject to further approval at the general meeting of the Company, and the Board of Directors of the Company intends to table the resolution for consideration at the 2014 Annual General Meeting to be held on 28 May 2015. The Independent Non-executive Directors of the Company, namely Ms. Qu Xiaohui, Mr. Wei Wei, Mr. Chen Naiwei, Mr. Tan Zhenhui and Mr. Richard Xike Zhang, have reviewed the resolution and furnished an independent opinion. The five Independent Non-executive Directors are of the unanimous view that the Company's derivative investment is closely related to its day-to-day operational needs, subject to controllable risks and in compliance with relevant provisions of pertinent laws and regulations.

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

II. TYPES OF DERIVATIVE INVESTMENTS

Value-protection derivative investments will be conducted to reduce the adverse impact arising from exchange rate fluctuations on the Company in 2015. Value-protection derivative investments seek to preserve value by utilising foreign exchange products provided by financial institutions, so that the Company may mitigate the impact of exchange rate volatility in day-to-day operations on its assets, liabilities and profitability. Value-protection derivative investments primarily involve foreign exchange forwards and structured forwards, complemented by foreign exchange swaps and foreign exchange options.

III. PRINCIPAL TERMS OF DERIVATIVE INVESTMENTS

1. Duration of contract: not more than 3 year
2. Counterparties: banking financial institutions
3. Liquidity arrangements: Investments in value-protection derivatives are based on day-to-day import and export businesses, where the investment amount and investment period will match projected receipts and payments.

4. Other terms: Derivative investments will primarily be financed by the composite credit facilities available to the Company, and shall be settled upon maturity on the basis of the principal amount or the price difference.

IV. JUSTIFICATION OF DERIVATIVE INVESTMENTS

The derivative investment business conducted by the Company is closely related to its day-to-day operation. As the Company's foreign exchange income continues to grow, the mismatch of currencies in receipts and payments will results in increasing foreign exchange risk exposure involving mainly USD and EUR. To prevent the Company's profit and shareholders' equity from being adversely affected by exchange rate fluctuations, it is necessary for the Company to conduct value-protection derivative investments to reduce its foreign exchange risk exposure.

V. MANAGEMENT OF DERIVATIVE INVESTMENTS

1. The Company has formulated the "System for Risk Control and Information Disclosure relating to Derivative Investments" (《衍生品投資風險控制及信息披露制度》) and "Measures for the Administration of 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.
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 derivative investments 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 derivative investments and are operating in strict compliance with the operational and risk management systems for derivative investments.

VI. RISK ANALYSIS OF DERIVATIVE INVESTMENTS

1. Market risks: For value-protection derivative investments, the difference between the agreed exchange rate for transaction and the exchange rate prevailing on the maturity date will result in investment gains or losses. Revaluation gains or losses will arise in respect of each accounting period during the effective period of the value-protection derivatives. Investment gains or losses shall be represented by the cumulative gains or losses on revaluation on the maturity date.
2. Liquidity risks: Value-protection derivatives are based on the Company's projected receipts and payments in foreign exchange and match the actual amounts of receipts and payments in foreign

exchange, assuring that there would be sufficient funds for settlement upon completion, or alternately settling the derivatives on a net basis to reduce the outlay of cash flow at maturity.

3. Contract performance risks: The counterparties to the Company's derivative investments are banks with sound credit ratings and long-standing business relationships with the Company, which basically give rise to no risk in terms of contract performance.

4. Other risks: Failure of personnel in charge to operate derivative investments in accordance with stipulated procedures or fully understand information regarding derivatives may result in operational risks in actual operation; obscure terms in the trade contract may result in legal risks.

VII. RISK MANAGEMENT STRATEGY FOR DERIVATIVE INVESTMENTS

1. Any derivative investments conducted by the Company shall be aimed at mitigating the impact of exchange rate volatility on the Company. Speculative activities for profit-making are forbidden. Any derivative investments of the Company shall be limited to the authorised cap approved by the Board of Directors or the general meeting. Leveraged derivative investments are not permitted.

2. Prior to conducting any derivative investments, the investment work group of the Company will conduct risk analyses for such investments 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 risk examination, all of which shall be subject to the final approval of the Chief Financial Officer.

3. The investment work group shall submit contracts for derivative investments to the Chief Financial Officer for approval and implement such contracts after approval.

4. The Company enters into contracts with clear and precise terms with counterparty banks and stringently implements the risk management system to prevent legal risks.

5. The Risk Management Committee of the Company will track changes in the open market prices or fair values of the derivative products, conduct timely assessment of changes in the risk exposures of invested derivative products, 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 Audit Committee of the Board of Directors and reminders will be given to the investment work group for the implementation of contingency measures.

6. Regular auditing of derivative investments shall be undertaken by the internal audit department of the Company to ensure compliance.

VIII. FAIR VALUE ANALYSIS OF DERIVATIVE INVESTMENTS

The derivative investments conducted by the Company are primarily related to currencies with strong liquidity trading in highly transparent markets. The fair values of the derivative products 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 pricing service providers such as banks and the Reuters system.

IX. ACCOUNTING POLICY AND SUBSEQUENT DISCLOSURES REGARDING DERIVATIVE INVESTMENTS

1. The accounting treatment of the Company's derivative investments shall be determined in accordance with the Accounting Standards for Business Enterprises.
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 derivative products of the Company (representing the sum of the fair value impairment of the invested derivative products 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. OPINION OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Independent Non-executive Directors of the Company, namely, Ms. Qu Xiaohui, Mr. Wei Wei, Mr. Chen Naiwei, Mr. Tan Zhenhui and Mr. Richard Xike Zhang, have reviewed the derivative investments conducted by the Company and furnished an independent opinion in relation thereto 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 effective applications of financial derivative instruments is beneficial to the enhancement of the financial stability and competitiveness of the Company. The Company has conducted meticulous internal assessment in respect of the derivative investments and has established relevant regulatory regimes. We are of the view that the engagement of derivative investments by the Company is closely related to its day-to-day operation needs, subject to controllable risks and in compliance with relevant provisions of pertinent laws and regulations.

By Order of the Board

Hou Weigui

Chairman

Shenzhen, PRC

25 March 2015

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, Zhang Jianheng, Xie Weiliang, Wang Zhancheng, Zhang Junchao and Dong Lianbo; and five independent non-executive directors, Qu Xiaohui, Wei Wei, Chen Naiwei, Tan Zhenhui and Richard Xike Zhang.