

REPORT OF THE PRC AUDITORS



Ernst & Young Hua Ming (2007) Zhuan Zi No. 60438556_H01

To the members of ZTE Corporation:

We have audited the accompanying consolidated balance sheets and the balance sheets of ZTE Corporation (hereinafter referred to as the "Company") and its subsidiaries (collectively the "Group") as at 31 December 2006, the consolidated income statements and the statements of income distribution, income statements and the statements of income distribution of the Company for the year then ended and consolidated statements of cash flows and the statements of cash flows of the Company for the year then ended and notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The management is responsible for preparing financial statements in accordance with Accounting Standards for Business Enterprises and the Accounting System for Business Enterprises. This responsibility includes (1) designing, implementing and maintaining the internal control relevant to the preparation of the financial statements that are free from material misstatement whether due to fraud or error; (2) selecting and applying appropriate accounting policies; and (3) making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Chinese Auditing Standards issued by the Chinese Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain a reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider the internal control relevant to the entity's preparation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements referred to above have been prepared in accordance with Accounting Standards for Business Enterprises and the "Accounting System for Business Enterprises", and presented fairly, in all material aspects, the financial position of the Company as of 31 December 2006 and the results of its operations and its cash flows for the year then ended.

Ernst & Young Hua Ming

Beijing, the People's Republic of China

Xie Feng

Chinese certified public Accountant

Li Di

Chinese Certified Public Accountant

18 April 2007