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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 of External Investment on the Establishment of ZTE Finance Co., Ltd.

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.

I. Overview of the external investment

1. Basic information of the external investment

To enhance centralised fund management of ZTE Group and improve the efficiency of fund utilization, ZTE Corporation ("ZTE" or the "Company") proposes to establish ZTE Finance Co., Ltd. (中興通訊財務有限公司) ("ZTEFC") with ZTE as the promoter and sole owner. The proposed ZTEFC shall have a registered capital of RMB1 billion (including USD20 million). The investment does not constitute a connected transaction of the Company.

In accordance with the provisions of the Rules for the Administration of Finance Companies of Corporate Groups, the finance company of a corporate group shall be a non-banking financial institution that provides financial management services to the members of the corporate group, with the aim of enhancing the centralised treasury management of a corporate group and improving the efficiency of its fund application.

2. Consideration by the Board of Directors and approval procedures

The "Resolution on the Application for the Establishment of ZTE Group" was considered and passed at the Eleventh Meeting of the Fifth Session of the Board of Directors of the Company held on 12 October 2010. ZTE Group shall comprise ZTE and certain of its domestic subsidiaries. For details of the members of ZTE Group, please refer to the "Announcement of Resolutions of the Eleventh Meeting of the Fifth Session of the Board of Directors" published on the same date as this Announcement.

The “Resolution of the Company on the Application for the Establishment of ZTE Finance Co., Ltd” was considered and passed at the Eleventh Meeting of the Fifth Session of the Board of Directors of the Company held on 12 October 2010.

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 with an amount 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 establishment of a finance company is an investment outside the scope of the Company’s principal business, and the total investment of RMB1 billion is in excess of 5% of the audited net assets of the Company for 2009, the matter is required to be submitted to the general meeting for approval.

The establishment of a finance company by a corporate group is required to go through two stages: application for preparation of establishment and application for business commencement. ZTEFC is currently in the stage of applying for preparation of establishment , which is pending examination and approval by the China Banking Regulatory Commission (“CBRC”).

II. Basic information of the finance company proposed to be established

- 1. Name of company:** 中興通訊財務有限公司 (ZTE Finance Co., Ltd) (tentative name , which is subject to final approval by the industry and commerce registration department)
- 2. Form of company:** a company with limited liability
- 3. Registered capital:** RMB1 billion (including USD20 million to meet the threshold requirement for foreign exchange operations);
- 4. Name of shareholder, form and proportion of capital contribution:** RMB1 billion (including USD20 million) to be funded by the internal resources of and held as to 100% by ZTE
- 5. Scope of business:** ZTEFC will focus on the Group and aim to develop its financial businesses by serving the Group companies. In accordance with the provisions of the *Rules for the Administration of Finance Companies of Corporate Groups*, ZTEFC will apply for permission to deal with, among others, deposits, loans, payments and receipts, settlement and clearance, bills acceptance and discounting for the Group companies (subject to the finalised scope as stated on its business license).

III. Objective, inherent risks and effects on the Company of the external investment

As ZTE continues to grow in scale, the Group is holding massive funds while required to process sizeable cash settlements. The Group’s bank balances as at 30 June 2010 amounted to approximately RMB12.3 billion, while it reported cash flow of approximately RMB140.4 billion for 2009.

The establishment and formal operation of ZTE Finance Co., Ltd will have a positive effect on the Company’s future financial position and results of operation. ZTE Finance Co., Ltd will be operated

in accordance with the Rules for the Administration of Finance Companies of Corporate Groups and its scope of business as approved by the CBRC. It aims to enhance centralised treasury management of the Group and improve the efficiency of its fund application by providing quality and effective services in fund settlement, deposits and loans, bills discounting, credit verification, etc to the members of the Group. It will also actively participate in businesses such as inter-bank borrowings, insurance agency and supply-chain financing, etc. Further, it will seek to issue finance company debentures, buyers' credit and finance lease, when the conditions are right. It will gradually be developed into a platform for cash settlement, finance facilities and investment for ZTE Group, so as to enhance the flexibility of the Group's internal funding resources and improve its financial position, while enhancing the efficiency of its fund application and lowering its capital costs.

The operation of a finance company is subject to liquidity risks. To address such risks, ZTEFC will develop scientific risk indicator systems and models to facilitate quantitative measurement of risks. It will also guard against liquidity risks by exercising closer monitoring over the operations of the Group companies and introducing professional fund management personnel. Apart from liquidity risks, a finance company is also subject to operational risks, credit risks, external regulatory risks etc.. ZTEFC shall operate persistently in adherence to the principles of pro-activity and prudence, and shall strictly comply with external regulatory requirements. It will also develop comprehensive internal control systems and processes in relation to, among others, organization, staff education, processes and regimes as well as information systems in order to guard against and address the above risks in a pro-active manner.

IV. Subsequent event

The establishment of ZTEFC by the Company is pending examination and approval by the CBRC and is therefore subject to uncertainties. The Company will continue to disclose information on relevant progress by way of announcements in accordance with the relevant regulations.

V. Document for inspection

Resolutions of the Eleventh Meeting of the Fifth Session of the Board of Directors of the Company.

By Order of the Board

Hou Weigui

Chairman

Shenzhen, PRC

12 October 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.