

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 Provision of Guarantee for a Wholly-owned Subsidiary

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 and misleading statement or material omission in this announcement.

I. Brief description of the guarantee

With a view to lower the debt financing costs of ZTE Corporation ("ZTE" or the "Company") and the subsidiaries included in its consolidated financial statements (collectively the "Group") and meeting additional working capital requirements for the Company, the Company proposes to seek overseas debt financing (including but not limited to banks loans and issue of corporate bonds) of not more than RMB2 billion, with ZTE (H.K.) Limited ("ZTE (H.K.)"), its wholly-owned subsidiary, as the principal. Proceeds received by ZTE (H.K.) from such debt financing will primarily be applied to replace RMB debts and fund other operating expenses of the Group.

In view of the current financial conditions and credit rating of ZTE (H.K.), ZTE will provide guarantee for ZTE (H.K.) by way of joint liability assurance for an amount of not more than RMB2 billion in relation to the aforesaid debt financing, in order to secure debt financing at favourable costs.

As ZTE (H.K.) is a wholly-owned subsidiary of ZTE, ZTE (H.K.) has not provided any counter-guarantee to ZTE in respect of the aforesaid guarantee.

The aforesaid guarantee was considered and approved at the Twentieth Meeting of the Sixth Session of the Board of Directors of the Company held on 22 August 2014. As the gearing ratio of ZTE (H.K.) exceeded 70%, the aforesaid guarantee is required to be submitted to the general meeting of the Company for consideration in accordance with requirements of regulatory documents including the [2005] No. 120 "Notice on Regulating Third-party Guarantees of Listed Companies" of the China Securities Regulatory Commission ("CSRC") and the Articles of Association of ZTE

Corporation.

II. Information of the guaranteed party

1. Name: ZTE (H.K.) Limited
2. Year of incorporation: 2000
3. Place of incorporation: Hong Kong
4. Registered capital: HKD995 million
5. Scope of business: sales of products and purchase of original parts and ancillary equipment; development and transfer of technologies; training and consultant services; investment and financing activities.
6. Relationship with the Company: wholly-owned subsidiary 100% held by the Company.
7. Operating and financial conditions:

| Item | 2013 ^{Note 1} | | 2012 ^{Note 2} | |
|-------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| | HKD (in 100 million) | RMB equivalent (in 100 million) | HKD (in 100 million) | RMB equivalent (in 100 million) |
| Operating revenue | 235.45 | 185.12 | 255.77 | 207.39 |
| Total profit | -0.16 | -0.13 | 8.21 | 6.66 |
| Net profit | -1.89 | -1.49 | 7.03 | 5.70 |
| Item | 31 December 2013 ^{Note 1} | | 31 December 2012 ^{Note 2} | |
| | HKD (in 100 million) | RMB equivalent (in 100 million) | HKD (in 100 million) | RMB equivalent (in 100 million) |
| Total assets | 320.40 | 251.90 | 295.02 | 239.22 |
| Total liabilities | 292.34 | 229.85 | 266.18 | 215.83 |
| Net assets | 28.06 | 22.05 | 28.84 | 23.39 |
| Gearing ratio | 91.24% | | 90.22% | |

Note 1: Based on the median RMB exchange rate of HKD1: RMB0.78623 quoted by the People's Bank of China on 31 December 2013;

Note 2: Based on the median RMB exchange rate of HKD1: RMB0.81085 quoted by the People's Bank of China on 31 December 2012.

III. Principal terms of the guarantee

ZTE proposes to provide guarantee with an amount of not more than RMB2 billion for ZTE (H.K.) by way of joint liability assurance in relation to the aforesaid debt financing:

1. Guarantor: ZTE
2. Guarantee: ZTE (H.K.)
3. Amount guaranteed: not more than RMB2 billion
4. Term of guarantee: not more than 3 years (from the date on which the general meeting resolution takes effect)
5. Type of guarantee: joint liability assurance

IV. Opinion of the Board of Directors and the Independent Non-executive Directors

The Board of Directors is of the view that, given relatively high credit financing costs in the current PRC market, ZTE's conduct of debt financing, with ZTE (H.K.) as principal guaranteed by ZTE, is conducive to meeting additional working capital requirements for the Company's medium- to long-term development at appropriate financing cost, and is in line with the overall long-term interests of the Company. As a wholly-owned subsidiary of the Company, ZTE (H.K.) is centrally managed by the Company in terms of treasury operations and financial accounting, and the risk of the guarantee is under control.

The Independent Non-executive Directors of the Company are of the view that the aforesaid guarantee is in compliance with pertinent provisions including the [2005] No. 120 "Notice on Regulating Third-party Guarantees of Listed Companies" of the CSRC and the Articles of Association of ZTE Corporation, and the decision making procedures have been legal and valid.

V. Cumulative amount of outstanding third-party guarantees and overdue guarantees of the Company

As at the date of this announcement, the aggregate amount of third-party guarantees provided by the Company was approximately RMB7,973,505,100 (including the aforesaid guarantee, of which guarantee provided by the Company for subsidiaries amounted to approximately RMB7,896,170,000), representing 35.39% of the net asset value of the Company as set out in the audited consolidated accounting statement of the Company as at 31 December 2013. Such guarantees are in compliance with pertinent provisions of the CSRC and there are no guarantees provided in violation of regulations.

The Company has no overdue guarantees.

VI. List of documents for inspection

Resolutions of the Twentieth Meeting of the Sixth Session of the Board of Directors of the Company, counter-signed by attending Directors to give effect to the same.

By Order of the Board
Hou Weigui
Chairman

Shenzhen, the PRC
22 August 2014

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