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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 ON THE FACILITY AGREEMENT AND THE PROVISION OF GUARANTEE TO A WHOLLY-OWNED SUBSIDIARY**

*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.*

With a view to further optimising the long-term and short-term debt structure of ZTE Corporation ("The Company") and the subsidiaries included in its consolidated financial statements, minimising its exposure to assets and liabilities denominated in foreign currencies and meeting additional working capital requirements of the Company's medium / long-term development at appropriate finance costs, the Company proposes to seek medium/long-term debt financing in 2011 with ZTE (H.K.) Limited ("ZTE (H.K.)"), a wholly-owned subsidiary of the Company, as the principal. In view of the current financial conditions and credit rating of ZTE (H.K.), the Company will provide guarantee in relation to the aforesaid debt financing of ZTE (H.K.), in order to secure debt financing at favourable costs.

On 8 July 2011, ZTE (H.K.) (as borrower) entered into a USD900 million facility Agreement (the "Facility Agreement") with 10 financial institutions, including Bank of China (Hong Kong) Limited ("BOCHK") (as mandated lead arranger). In consideration of the Lenders (as defined below) agreeing to grant the facilities to ZTE (H.K.) subject to the terms and conditions of the Facility Agreement, on 8 July 2011, the Company, as the guarantor, entered into a guarantee (the "Guarantee") in favour of BOCHK to guarantee the payment and performance when due of all obligations of the ZTE (H.K.) under the Facility Agreement.

### **I . PRINCIPAL TERMS OF THE FACILITY AGREEMENT**

Borrower: ZTE (H.K.)

Lenders: members of the loan syndicate include the following financial institutions (the "Lenders"):

Bank of China (Hong Kong) Limited (agent bank)

DBS Bank Ltd.

United Overseas Bank Limited

The Bank of Tokyo-Mitsubishi UFJ,Ltd.,Hong Kong Branch  
Banco Santander ,S.A. Hong Kong Branch  
NATIXIS,Hong Kong Branch  
Hang Seng Bank Limited  
Malayan Banking Berhad  
China Construction Bank Corporation, Hong Kong Branch  
The Bank of Nova Scotia

Amount and term of loan: not more than USD900 million.Pursuant to the Facility Agreement, the Lenders agree to make available to ZTE (H.K.) (i) a U.S. Dollar term loan facility in an aggregate amount of up to USD 450 million, repayable on the date falling 36 months after the date of the Facility Agreement and (ii) a U.S. Dollar term loan facility in an aggregate amount of up to USD 450 million, repayable on the date falling 60 months after the date of the Facility Agreement.

Loan purpose: ZTE (H.K.) shall apply all amounts borrowed under the Facility Agreement towards financing its general working capital requirements outside the PRC.

## **II. PROVISION OF GUARANTEE TO ZTE (H.K.)**

### **1. Brief description of the Guarantee**

Guarantor: ZTE Corporation  
Guaranteed person: ZTE (H.K.)  
Beneficiary: BOCHK (for and on behalf of itself and as agent of the Lenders)  
Guaranteed obligations: all principal, interest, expenses or other amount payable when due, owing or incurred to any of the Agent, the Arrangers and the Lenders (whether directly or through the Agent) by ZTE (H.K.) under the Facility Agreement, the Guarantee, any fee letter and any other document designated as such by the Agent and ZTE (H.K.).  
Term of guarantee: from the date on which the Guarantee takes effect till the date falling 60 months after the date of the Facility Agreement  
Type of guarantee: continuing joint liability guarantee  
Amount guaranteed: not more than USD900 million  
Effective date: The Guarantee is effective after verification and registration by the State Administration of Foreign Exchange of the PRC

### **2. Information of the guaranteed party**

Name: ZTE (H.K.) Limited  
Place of incorporation: Hong Kong  
Registered capital: HKD500 million  
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.

Relationship with the Company: wholly-owned subsidiary 100% held by the Company  
Operating and financial conditions: ZTE (H.K.) was incorporated in 2000 as a platform for international sales and technical services and international financing for the Company.

For the year ended 31 December 2010, ZTE (H.K.) reported operating revenue of approximately HKD8,159 million and net profit of approximately HKD291 million. As at 31 December 2010, the total assets and net assets of ZTE (H.K.) amounted to approximately HKD11,938 million and HKD1,413 million, respectively, with an assets-liabilities ratio of 88.17%.

### **III Consideration procedures and Opinion of the Board in respect of the aforesaid matter**

In accordance with requirements of regulatory documents such as the “Notice on Regulating Third-party Guarantees of Listed Companies” promulgated by the China Securities Regulatory Commission (“CSRC”) and the China Banking Regulatory Commission, the “Resolution of Matters relating to Debt Financing of ZTE (H.K.) Limited” was considered and passed at the Seventeenth Meeting of the Fifth Session of the Board of the Company held on 8 April 2011. The Board of Directors of the Company is of the view that:

In view of the current credit tightening in the PRC, the conduct of debt financing with ZTE (H.K.) as the principal guaranteed by the Company is conducive to the optimisation of the Company long-term and short-term debt structure as well as meeting additional working capital requirements of the Company’s medium-term to long-term development at appropriate finance costs, and is in line with the overall long-term interests of the Company.

As a wholly-owned subsidiary of the Company, the treasury and financial accounting operations of ZTE (H.K.) are centrally managed by the Company and the risk of the guarantee is controllable.

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

At the 2010 Annual General Meeting held on 17 May 2011, the aforesaid matter was considered and passed, and the provision of guarantee not exceeding USD900 million by the Company in respect of the overseas long / short-term equity financing of ZTE HK, a wholly-owned subsidiary, was approved. For further details of the aforesaid matter, please refer to the Announcement of the Resolutions Passed at the Seventeenth Meeting of the Fifth Session of the Board of Directors dated 8 April 2011 and the Announcement on Resolutions of the 2010 Annual General Meeting dated 17 May 2011.

The guarantee agreement signed by the Company has yet to become effective pending verification and registration by the State Administration of Foreign Exchange of the PRC.

### **IV. 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 is approximately RMB 610.16million((including an amount of USD86,405,000, which has been

translated at the exchange rate of USD1: RMB6.4716 published by the People's Bank of China on 30 June 2011. As the aforesaid guarantee has yet to become effective pending verification and registration by the State Administration of Foreign Exchange of the PRC, it has not been reflected in the cumulative total amount of guarantee. ), representing 2.64% of the net asset value of the Company as set out in the audited combined accounting statement of the Company as at 31 December 2010. Such guarantees are in compliance with pertinent provisions of the CSRC. There are no guarantees in violation of regulations.

The Company has no overdue guarantees.

#### **V. Documents for Inspection**

1. Resolutions of the Seventeenth Meeting of the Fifth Session of the Board of Directors of ZTE Corporation;
2. Resolutions of the 2010 Annual General Meeting of ZTE Corporation;
3. The syndicate loan agreement signed by ZTE (H.K.) Limited and Bank of China (Hong Kong) Limited;
4. The guarantee agreement signed by ZTE Corporation and Bank of China (Hong Kong) Limited.

By Order of the Board

**Hou Weigui**

*Chairman*

Shenzhen, PRC

8 July 2011

*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.*