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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 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 further optimising the long-term and short-term debt structure of ZTE Corporation ("ZTE" or the "Company") and the subsidiaries included in its consolidated financial statements, reduce exposure to assets and liabilities denominated in foreign currencies, and meeting additional working capital requirements for the Company's medium / long-term development at appropriate finance costs, ZTE proposes to seek medium / long-term debt financing (including but not limited to syndicate loans, bank facilities and the issue of corporate bonds) in Hong Kong in 2014, 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 repay overseas debt as due, fund overseas purchase payments and international market expenses.

In view of the current financial conditions and credit rating of ZTE (H.K.), ZTE will provide guarantee by way of joint liability assurance for an amount of not more than USD600 million (or not more than RMB4,000 million) in relation to the aforesaid debt financing of ZTE (H.K.), 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 Sixteenth Meeting of the Sixth Session of the Board of Directors of the Company held on 26 March 2014. As the amount of the guarantee provided by the Company for the debt financing of ZTE (H.K.) exceeded 10% of the Company's net asset value and, further, 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 parties

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 ZTE
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 will provide guarantee with an amount of not more than USD600 million (or not more than RMB4,000 million) in relation to the debt financing of ZTE (H.K.):

1. Guarantor: ZTE
2. Guarantee: ZTE (H.K.)
3. Amount guaranteed: not more than USD600 million (or not more than RMB4,000 million).
4. Term of guarantee: not more than 5 years (from the date on which the debt financing agreement 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 the current relatively high credit financing costs in the PRC, the conduct of debt financing with ZTE (H.K.) as principal guaranteed by ZTE is conducive to the lowering of the Company's financing costs and finance expenses while meeting additional working capital requirements for the Company's development, and is in line with the overall long-term interests of the Company. As wholly-owned subsidiaries of the Company, the treasury operations and financial accounting of ZTE (H.K.) are centrally managed by the Company 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 26 March 2014, based on an amount of USD600 million for the aforesaid guarantee, the aggregate amount of third-party guarantees provided by the Company was approximately RMB9,864,167,500 (including the aforesaid guarantee, of which guarantee provided by the Company for subsidiaries amounted to approximately RMB9,794,240,000), representing 43.78% 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. Based on an amount of RMB4,000 million for the aforesaid guarantee, the aggregate amount of third-party guarantees provided by the Company was approximately RMB10,191,327,500 (including the aforesaid guarantee, of which guarantee provided by the Company for subsidiaries amounted to approximately RMB10,121,400,000), representing 45.23% 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 Sixteenth 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
26 March 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.