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**ZTE**

**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 information disclosure is true, accurate and complete and that there is no false or misleading statement in or material omission from this announcement.*

### **I. Brief description of the guarantee**

Owing to the insufficient credit standings, PT. ZTE Indonesia (“ZTE Indonesia”), an overseas wholly-owned subsidiary of ZTE Corporation (“ZTE” or the “Company”), is not in a position to apply directly to local banks for the issuance of bank guarantees. Duing to the business needs of ZTE Indonesia, the Company proposes to apply on behalf of ZTE Indonesia to Bank of China Limited (“BOC”) for credit facilities with limits of USD50 million, and the Company will provide a joint liability assurance for an amount of not more than USD50 million for ZTE Indonesia, for a term of five years commencing on the date on which the guarantee agreement between the Company and BOC comes into effect, during which credit facilities will be available on a revolving basis subject to the amounts and terms of the aforesaid guarantee.

As ZTE Indonesia is a wholly-owned subsidiary of the Company, ZTE Indonesia has not provided any counter-guarantee in favour of the Company in respect of the aforesaid guarantee.

The aforesaid guarantee was considered and approved at the Second Meeting of the Seventh Session of the Board of Directors of the Company held on 6 April 2016. As the respective gearing ratio of ZTE Indonesia exceeds 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: PT. ZTE Indonesia
2. Date of incorporation: 23 June 2004
3. Place of registration: Jakarta, Indonesia
4. Authorised representative: Mei Zhonghua (梅中華)
5. Registered capital: USD\$2.20 million (equivalent to approximately RMB14,403,400)
6. Scope of business: Sales of systems, software, services and terminals; project installation, repair and maintenance and technical support.
7. Relationship with the Company: ZTE Indonesia is a wholly-owned subsidiary of the Company, 100% held by the Company and ZTE (H.K.) Limited, another wholly-owned subsidiary of the Company, in aggregate.
8. Operating and financial conditions:

Item	Year ended 31 December 2015 <sup>Note 1</sup>		Year ended 31 December 2014 <sup>Note 2</sup>	
	(IDR in 100 million)	(CNY equivalent in 100 million)	(IDR in 100 million)	(CNY equivalent in 100 million)
Operating revenue	38,568.38	18.08	21,961.76	10.98
Profit before taxation	-353.86	-0.17	4,223.16	2.11
Net profit	-395.84	-0.19	2,637.09	1.32
Item	31 December 2015 <sup>Note 1</sup>		31 December 2014 <sup>Note 2</sup>	
	(IDR in 100 million)	(CNY equivalent in 100 million)	(IDR in 100 million)	(CNY equivalent in 100 million)
Total assets	42,145.44	19.75	21,793.39	10.89
Total liabilities	39,083.65	18.32	18,332.99	9.16
Net assets	3,061.79	1.43	3,460.40	1.73
Gearing ratio	92.74%		84.12%	

Note1: Based on the Company’s foreign currency statement book exchange rate (IDR1: RMB0.0004687) on 31 December 2015.

Note 2: Based on the Company’s foreign currency statement book exchange rate (IDR1: RMB0.00049976) on 31 December 2014.

## III. Principal terms of the guarantee

ZTE proposes to provide a joint liability assurance for a total amount of not more than USD50 million for ZTE Indonesia in connection with the application to BOC for

credit facilities in connection with the issuance of bank guarantees.

1. Guarantor: ZTE
2. Guarantee: ZTE Indonesia
3. Amount guaranteed: total amount of not more than USD50 million
- 4 Term of guarantee: five years commencing on the date on which the guarantee agreement between the Company and BOC comes into 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 of the Company is of the view that the aforesaid guarantee is conducive to enhancing the efficiency of the issuance of bank letters for ZTE Indonesia, while providing support for the Company's competition in the overseas market and lowering the financial costs of the Company, and is therefore in the interests of the Company as a whole. The risk of providing guarantee for ZTE Indonesia, a wholly-owned subsidiary of the Company, 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 (including the aforesaid guarantees) provided by the Company is approximately RMB8,433,117,000 (of which guarantees provided for subsidiaries amounted to approximately RMB8,103,112,000), representing 28.43% of the net asset value of the Company as set out in the audited consolidated accounting statement of the Company as at 31 December 2015. The aforesaid guarantees are in compliance with relevant provisions of CSRC. There are no guarantees provided in violation of relevant regulations.

The Company has no overdue guarantees.

## **VI. Documents for inspection**

1. Resolutions of the Second Meeting of the Seventh Session of the Board of Directors of the Company duly signed by the attending Directors to give effect to the same
2. Opinion of the Independent Non-executive Directors

By Order of the Board  
**Zhao Xianming**  
*Chairman*

Shenzhen, the PRC  
6 April 2016

*As at the date of this announcement, the Board of Directors of the Company comprises three executive directors, Zhao Xianming, Yin Yimin and Wei Zaisheng; six non-executive directors, Zhang Jianheng, Luan Jubao, Shi Lirong, Wang Yawen, Tian Dongfang and Zhan Yichao; and five independent non-executive directors, Richard Xike Zhang, Chen Shaohua, Lü Hongbing, Bingsheng Teng and Zhu Wuxiang.*