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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 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 financing structure of ZTE Corporation (“ZTE” or the “Company”) and the subsidiaries included in its consolidated financial statements, reducing exposure to assets and liabilities denominated in foreign currencies, and meeting working capital requirements for the Company’s medium- to long-term development at appropriate financial costs, the Company proposes to seek outside Mainland China (“overseas”) medium- to long-term debt financing (including but not limited to banks facilities and issue of bonds) with ZTE (H.K.) Limited (“ZTE HK”) or ZTE COOPERATIEF UA (“ZTE Netherlands”), each a wholly-owned subsidiary, as the principal (together the “Overseas Subsidiaries”). Proceeds received from overseas debt financing will primarily be applied to replace due overseas debts and to fund overseas purchase payments and international marketing expenses.

In view of the current financial conditions and credit rating of the Overseas Subsidiaries, ZTE will provide guarantee for the Overseas Subsidiaries by way of joint liability assurance for an amount of not more than EUR200 million (or the equivalent in other currencies) in relation to the aforesaid debt financing, in order to secure debt financing at favourable costs.

As ZTE HK and ZTE Netherlands are wholly-owned subsidiaries of ZTE, ZTE HK and ZTE Netherlands have not provided any counter-guarantee to ZTE in respect of the aforesaid guarantee.

The aforesaid guarantee was considered and approved at the Twenty-fifth Meeting of the Sixth Session of the Board of Directors of the Company held on 25 March 2015. As the respective gearing ratios of ZTE HK and ZTE Netherlands 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

(I) Information of ZTE HK

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	2014 ^{Note 1}		2013 ^{Note 2}	
	HKD (in 100 million)	RMB equivalent (in 100 million)	HKD (in 100 million)	RMB equivalent (in 100 million)
Operating revenue	252.20	198.95	235.45	185.12
Total profit	-4.76	-3.76	-0.16	-0.13
Net profit	-6.09	-4.80	-1.89	-1.49
Item	31 December 2014 ^{Note 1}		31 December 2013 ^{Note 2}	
	HKD (in 100 million)	RMB equivalent (in 100 million)	HKD (in 100 million)	RMB equivalent (in 100 million)
Total assets	340.68	268.75	320.40	251.90
Total liabilities	318.38	251.16	292.34	229.85
Net assets	22.30	17.59	28.06	22.05
Gearing ratio	93.45%		91.24%	

Note 1: Based on the median RMB exchange rate of HKD1: RMB0.78887 quoted by the People’s Bank of China on 31 December 2014;

Note 2: Based on the median RMB exchange rate of HKD1: RMB0.78623 quoted by the People’s Bank of China on 31 December 2013.

(II) Information of ZTE Netherlands

1. Name: ZTE COOPERATIEF UA
2. Year of incorporation: 2009
3. Place of incorporation: The Netherlands
4. Registered capital: EUR29,619,569.95

5. Scope of business: equity investment and management, agency, sales and marketing of company products and provision of related project work, after-sales service, technical support, consultancy and training.

6. Relationship with the Company: 99.99% held by ZTE HK and 0.01% held by ZTE Japan K.K. ZTE Japan K.K. is 100% held by ZTE HK, a wholly-owned subsidiary 100% held by the Company.

7. Operating and financial conditions:

Item	2014 ^{Note 3}		2013 ^{Note 4}	
	EUR (in 100 million)	RMB equivalent (in 100 million)	EUR (in 100 million)	RMB equivalent (in 100 million)
Operating revenue	8.02	59.79	3.96	33.34
Total profit	-0.11	-0.82	-0.25	-2.10
Net profit	-0.15	-1.12	-0.27	-2.27
Item	31 December 2014 ^{Note 3}		31 December 2013 ^{Note 4}	
	EUR (in 100 million)	RMB equivalent (in 100 million)	EUR (in 100 million)	RMB equivalent (in 100 million)
Total assets	5.39	40.19	3.50	29.47
Total liabilities	6.10	45.48	4.11	34.60
Net assets	-0.71	-5.29	-0.61	-5.13
Gearing ratio	113.17%		117.43%	

Note 3: Based on the median RMB exchange rate of EUR1: RMB7.4556 quoted by the People's Bank of China on 31 December 2014;

Note 4: Based on the median RMB exchange rate of EUR1: RMB8.4189 quoted by the People's Bank of China on 31 December 2013.

III. Principal terms of the guarantee

ZTE proposes to provide guarantee with an amount of not more than EUR200 million (or the equivalent in other currencies) for the Overseas Subsidiaries by way of joint liability assurance in relation to the aforesaid debt financing.

1. Guarantor: ZTE
2. Guarantee: ZTE HK or ZTE Netherlands (whichever is named as the guaranteed party under the actual guarantee contract)
3. Amount guaranteed: not more than EUR200 million (or the equivalent in other currencies, calculated according to the Company's foreign currency statement book exchange rate)
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 ZTE's conduct of debt financing, with the Overseas Subsidiaries as principal guaranteed by ZTE is conducive to further optimising the long-term and short-term debt financing structure, reducing exposure to assets and liabilities denominated in foreign currencies, and meeting working capital requirements for the Company's medium- to long-term development at appropriate financial costs, and is in line with the overall long-term interests of the Company. As wholly-owned subsidiaries of the

Company, the Overseas Subsidiaries are 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 RMB9,249,447,700 (including the aforesaid guarantee, of which guarantees provided by the Company for subsidiaries amounted to approximately RMB9,020,151,500), representing 37.18% of the net asset value as set out in the audited consolidated accounting statement of the Company as at 31 December 2014. 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

1. Resolutions of the Twenty-fifth Meeting of the Sixth Session of the Board of Directors of the Company, counter-signed by attending Directors to give effect to the same
2. Opinion of the Independent Non-executive Directors

By Order of the Board
Hou Weigui
Chairman

Shenzhen, the PRC
25 March 2015

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.