

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

In view of the construction progress and funding requirements of the production, R&D and training base project of ZTE (Heyuan) Company Limited* (中興通訊(河源)有限公司) ("ZTE Heyuan") (the "Heyuan Project"), a wholly-owned subsidiary of ZTE Corporation (the "Company"), the Company has proposed to seek debt financing (including but not limited to banks facilities, fixed-asset loans and working capital loans) with an amount of not more than RMB500 million for a term of not more than 3 years with ZTE Heyuan as the principal. Amounts obtained through debt financing will be applied to fund infrastructure development expenses relating to the Heyuan Project.

In view of the current operating conditions and bank credit rating of ZTE Heyuan, the Company has proposed to provide guarantee for ZTE Heyuan by way of joint liability assurance for an amount of not more than RMB500 million in relation to the aforesaid debt financing of ZTE Heyuan, in order to secure debt financing at favourable costs.

As ZTE Heyuan is a wholly-owned subsidiary of the Company, ZTE Heyuan 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 Eighth Meeting of the Seventh Session of the Board of Directors of the Company held on 25 August 2016. Pursuant to the provisions 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, the aforesaid guarantee is not required to be submitted to the general meeting of the Company for consideration.

II. Information of the guaranteed party

1. Name: ZTE (Heyuan) Company Limited* (中興通訊（河源）有限公司)
2. Date of incorporation: November 2010
3. Place of registration: Heyuan, Guangdong
4. Legal representative: Ye Weimin (葉衛民)
5. Registered capital: RMB500 million
6. Scope of business: Procurement, production and sales of electronic products and related accessories; manufacturing of innovative electronic components; import and export trade operations; warehousing services (excluding hazardous items) and technical services for electronic products.
7. Relationship with the Company: Wholly-owned subsidiary of the Company, 100% held by the Company.
8. Operating and financial conditions:

Unit: RMB million

Item	Six months ended 30 June 2016 (Unaudited)	Year ended 31 December 2015 (Audited)
Operating revenue	0	0
Total profit	-1.42	2.31
Net profit	-1.74	1.73
Item	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Total assets	1,170.54	1,167.54
Total liabilities	669.45	664.72
Net assets	501.09	502.82
Gearing ratio	57.19%	56.93%

III. Principal terms of the guarantee

In view of the current operating conditions and bank credit rating of ZTE Heyuan, the Company has proposed to provide guarantee for ZTE Heyuan by way of joint liability assurance for an amount of not more than RMB500 million in relation to the aforesaid debt financing of ZTE Heyuan, in order to secure debt financing at favourable costs.

1. Guarantor: ZTE Corporation
2. Guarantee: 中興通訊（河源）有限公司

3. Amount guaranteed: not more than RMB500 million
- 4 Term of guarantee: not more than 3 years (commencing on the date on which the debt financing agreement comes into effect, during which the guarantee will be effective on a revolving basis subject to the aforesaid guarantee amounts)
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 the provision of guarantee by the Company for the debt financing of ZTE Heyuan is conducive to fulfilling the needs of ZTE Heyuan to fund the infrastructure development expenses of the Heyuan Project at favourable financing costs, and is therefore in the long-term interests of the Company as a whole. The risk of providing guarantee for ZTE Heyuan, a wholly-owned subsidiary of the Company of which treasury operations and financial accounting are centrally managed by the Company, is within control.

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

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 guarantee and the guarantee provided by the Company for Xi’an Zhongxingxin Software Company Limited, which was also submitted to the Eighth Meeting of the Seventh Session of the Board of Directors for approval) provided by the Company is approximately RMB6,610,553,200 (of which guarantees provided for subsidiaries amounted to approximately RMB6,280,548,200), representing 22.29% of the net asset attributable to holders of ordinary shares 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 Eighth 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

25 August 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.

**for identification purposes only*