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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 Third-party Guarantee

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

ZTE Corporation ("ZTE" or the "Company") and ZTE (MALAYSIA) CORPORATION SDN BHD ("ZTE Malaysia"), its wholly-owned subsidiary, have proposed to enter into the "CONTRACT FOR THE DELIVERY, SUPPLY, INSTALLATION, TESTING AND COMMISSIONING OF EQUIPMENT AND SOFTWARE AND PROVISION OF SERVICES FOR U MOBILE'S 3G/LTE SYSTEM CONTRACT" (the "UM Wireless Capacity Expansion Contract", a three-year contract) with U Mobile ("UM"), the fourth largest mobile communications carrier of Malaysia. Pursuant to the UM Wireless Capacity Expansion Contract, ZTE Malaysia proposes to provide system equipment installation, engineering services, system expansion and upgrade, technical support at stations and maintenance services, etc.

ZTE proposes to provide joint liability guarantee for ZTE Malaysia in respect of the performance obligations under the "UM Wireless Capacity Expansion Contract" for an amount of not more than USD20 million, for a term commencing on the date on which the "UM Wireless Capacity Expansion Contract" comes into effect upon execution and ending on the date on which performance of the obligations of ZTE Malaysia under the "UM Wireless Capacity Expansion Contract" is completed (the "Guarantee by Assurance").

In addition, ZTE also proposes to apply to the relevant bank for the issuance of a bank letter of guarantee to provide guarantee for a maximum amount of USD2 million, on an accumulative basis, in respect of the performance obligations by ZTE Malaysia under the "UM Wireless Capacity Expansion Contract," for an effective term of not more than three years from the date on which the bank letter of guarantee comes into effect upon issuance

(the “Guarantee Letter”).

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

The aforesaid guarantee was considered and approved at the Twenty-first Meeting of the Sixth Session of the Board of Directors of the Company held on 23 September 2014. As the gearing ratio of ZTE Malaysia 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: ZTE (MALAYSIA) CORPORATION SDN BHD
2. Date of incorporation: 16 February 2004
3. Place of incorporation: Kuala Lumpur, Malaysia
4. Legal representative: Zhou Fang (周方), Ge Yuqiao (葛雨橋)
5. Registered capital: MYR220,000 (equivalent to approximately RMB420,000)
6. Scope of business: sales of systems, software and services; engineering installation, maintenance and technical support.
7. Relationship with the Company: wholly-owned subsidiary 100% held by the Company
8. Operating and financial conditions

Item	Six months ended 30 June 2014 ^{Note 1}		Year ended 31 December 2013 ^{Note 2}	
	MYR	CNY equivalent	MYR	CNY equivalent
Operating revenue	74,110,686	143,500,521	167,269,065	308,945,963
Total profit	32,237,339	62,421,160	(12,886,697)	(23,801,729)
Net profit	32,469,147	62,870,009	(44,750,928)	(82,654,964)
Item	30 June 2014 ^{Note 1}		31 December 2013 ^{Note 2}	
	MYR	CNY equivalent	MYR	CNY equivalent
Total assets	230,413,677	446,150,003	223,917,374	413,575,390
Total liabilities	258,369,125	500,280,137	284,341,971	525,179,620
Net assets	(27,955,448)	(54,130,134)	(60,424,597)	(111,604,231)
Gearing ratio	112%		127%	

Note 1: Based on the Company’s foreign currency statement book exchange rate (MYR1: RMB1.9363) on 30 June 2014.

Note 2: Based on the Company’s foreign currency statement book exchange rate (MYR1: RMB1.8470) on 31 December 2013.

III. Principal terms of the guarantee

ZTE proposes to provide joint liability guarantee and apply to the relevant bank for the issuance of a bank letter of guarantee in respect of the performance obligations by ZTE

Malaysia under the “UM Wireless Capacity Expansion Contract.”

1. Guarantor: ZTE
2. Guarantee: ZTE Malaysia
3. Amount guaranteed: (1) Guarantee by Assurance: not more than USD20 million; (2) Guarantee Letter: maximum amount of USD2 million on an accumulative basis.
4. Term of guarantee: (1) Guarantee by Assurance: for a term commencing on the date on which the “UM Wireless Capacity Expansion Contract” comes into effect upon execution and ending on the date on which performance of the obligations of ZTE Malaysia under the “UM Wireless Capacity Expansion Contract” is completed; (2) Guarantee Letter: for an effective term of not more than three years from the date on which the bank letter of guarantee comes into effect upon issuance.
5. Type of guarantee: joint liability guarantee

IV. Opinion of the Board of Directors and the Independent Non-executive Directors

The Board of Directors is of the view that the aforesaid guarantee is conducive to the business development and sustainable operations of ZTE Malaysia, and will generate reasonable return for the Company and drive the expansion of the Company’s overseas business. The risk of providing guarantee for ZTE Malaysia, 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 provided by the Company was approximately RMB6,081,672,400 (including the aforesaid guarantee, of which guarantees provided by the Company for subsidiaries amounted to approximately RMB6,005,423,600), representing 26.99% 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

1. Resolutions of the Twenty-first 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

23 September 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.