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

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

ZTE Corporation ("ZTE" or the "Company") and ZTE (MALAYSIA) CORPORATION SDN BHD ("ZTE Malaysia"), its wholly-owned subsidiary, entered 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" (the "UM Wireless Capacity Expansion Contract") with U Mobile ("UM"), the fourth largest mobile communications carrier of Malaysia on 27 November 2014. Pursuant to the UM Wireless Capacity Expansion Contract, ZTE Malaysia provides system equipment installation, engineering services, system expansion and upgrade, technical support at stations and maintenance services, etc to UM.

As considered and approved at the Twenty-first Meeting of the Sixth Session of the Board of Directors and the First Extraordinary General Meeting of 2014 of the Company, the Company agreed to provide guarantee for performance of contract in respect of the performance obligations of ZTE Malaysia under the "UM Wireless Capacity Expansion Contract" and applied to a bank for the issuance of a bank letter of guarantee. (For details, please refer to the "Announcement on Third-party Guarantee" published by the Company on 23 September 2014.)

As the board of directors of UM has recently approved a new investment plan for 3G/4G construction, it is probable that the project amount under the UM Wireless Capacity Expansion Contract of the Company, as a principal supplier of UM, will exceed previous estimations. As such, the Board of Directors of the Company has considered and approved the further provision of joint liability guarantee by the Company in respect of the

performance obligations of ZTE Malaysia under the "UM Wireless Capacity Expansion Contract," including (1) the increase of the guarantee amount by USD40 million (namely, the total amount of guarantee not more than USD60 million) for a term commencing on the date on which the "UM Wireless Capacity Expansion Contract" came 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 ("Guarantee by Assurance"); (2) the extension of the term of guarantee of the bank letter of guarantee, such that the new bank letter of guarantee shall be effective for not more than six years from 4 January 2015 (the date of issuance) ("Guarantee Letter").

As the gearing ratio of ZTE Malaysia exceeds 70%, the third-party guarantee is required to be submitted to the general meeting of the Company for consideration in accordance with requirements of relevant laws and regulations 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 RMB330,000)

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 2015 Note 1		Year ended 31 December 2014 Note 2	
	(MYR)	(CNY equivalent)	(MYR)	(CNY equivalent)
Operating revenue	704,000,000	1,195,673,600	1,259,539,000	2,296,643,413
Total profit	-141,000,000	-239,474,400	-191,824,000	-349,771,882
Net profit	-141,000,000	-239,474,400	-191,824,000	-349,771,882
Item	30 June 2015 Note 1		31 December 2014 Note 2	
	(MYR)	(CNY equivalent)	(MYR)	(CNY equivalent)
Total assets	1,355,000,000	2,301,332,000	1,192,724,000	2,174,812,942
Total liabilities	1,315,000,000	2,233,396,000	1,006,078,000	1,834,482,625
Net assets	40,000,000	67,936,000	186,646,000	340,330,316
Gearing ratio	97.04%		84.35%	

Note 1: Based on the Company's foreign currency statement book exchange rate (MYR1: RMB1.6984) on 30 June 2015.

Note 2: Based on the Company's foreign currency statement book exchange rate (MYR1: RMB1.8234) on 31 December 2014.

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: to be increased by not more than USD40 million (namely, for a total amount of not more than USD60 million); (2) Guarantee Letter: maximum amount of USD2 million on a cumulative basis.

4. Term of guarantee: (1) Guarantee by Assurance: for a term of 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 six years from 4 January 2015 (the date of issuance).

5. Type of guarantee: joint liability assurance

6. Counter-guarantee: 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.

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 China Securities Regulatory Commission ("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 RMB8,317,217,000 (including the aforesaid guarantees,

of which guarantees provided by the Company for subsidiaries amounted to approximately RMB7,987,212,000), representing 33.43% of the net asset value of the Company as set out in the audited consolidated accounting statement of the Company as at 31 December 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 Thirty-ninth 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 7 January 2016

As at the date of this announcement, the Board of Directors of the Company comprises three executive directors, Shi Lirong, Yin Yimin and Zhao Xianming; six non-executive directors, Hou Weigui, Zhang Jianheng, Luan Jubao, Wang Yawen, Tian Dongfang and Zhan Yichao; and five independent non-executive directors, Tan Zhenhui, Richard Xike Zhang, Chen Shaohua, LüHongbing and Bingsheng Teng.