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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)**

## **Overseas Regulatory Announcement Announcement on Third-party Guarantee**

*This announcement is made pursuant to Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.*

*The Company and all the members of the Board of Directors confirm that all the information contained in this announcement 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**

ZTE Corporation (“ZTE” or the “Company”) and ZTE (Wenzhou) Railway Communication Technology Limited (中興(溫州)軌道通訊技術有限公司) (“ZTE Wenzhou”), a subsidiary of the Company, have proposed to form a joint tendering entity to bid for the public security communications systems integration and equipment procurement project for the first-phase construction of Wenzhou Suburban Railway Line S1 (the “Wenzhou Public Security Communications Project”). If the project tender is successful, Company and ZTE Wenzhou will enter into the “Wenzhou Suburban Railway Line S1 Phase I Construction - Public Security Communications Systems Integration and Equipment Procurement Contract” (the “Wenzhou Public Security Communications Contract”) with Wenzhou Xingfu Railway Transportation Corporation (溫州幸福軌道交通股份有限公司) (“Wenzhou Xingfu Railway Corporation”), pursuant to which the Company and ZTE Wenzhou will provide public security communications systems integration and equipment procurement services to Wenzhou Xingfu Railway Corporation.

The Company has proposed to provide guarantee by way of joint liability in respect of ZTE Wenzhou’s obligations under the Wenzhou Public Security Communications Project, the details of which are set out as follows:

(1) Guarantee for tender deposit: the Company has proposed to provide guarantee for tender deposit amounting to RMB800,000 in respect of the tendering obligations of ZTE Wenzhou for the Wenzhou Public Security Communications Project for a period: 1) commencing on the

closing date for the tender and ending on the date of execution of the “Wenzhou Public Security Communications Contract” if the project tender is successful; 2) commencing on the closing date for the project tender and ending on the date on which a notice of unsuccessful bidding is received if the tender is not successful;

(2) Guarantee by way of performance bond: the Company has proposed to, upon successful bidding, provide guarantee by way of performance bond amounting to not more than RMB3.30 million in respect of the performance obligations of ZTE Wenzhou under the “Wenzhou Public Security Communications Contract” for a period commencing on the date of issuance of the performance bond and ending on the 30<sup>th</sup> day after the due fulfilment of inspection upon completion of the Wenzhou Public Security Communications Project with the receipt of an acceptance certificate.

ZTE Wenzhou has provided counter-guarantee amounting to RMB800,000 in respect of the aforesaid guarantee for tender deposit. Upon successful bidding, ZTE Wenzhou will provide counter-guarantees with the same amounts and durations to the Company in respect of the performance bond.

The aforesaid guarantee was considered and passed at the Twenty-third Meeting of the Seventh Session of the Board of Directors of the Company held on 29 September 2017. 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 guarantees are not required to be submitted to the general meeting of the Company for consideration.

## **II. Information on the guaranteed party**

1. Name: ZTE (Wenzhou) Railway Communication Technology Limited (中興(溫州)軌道通訊技術有限公司)

2. Date of incorporation: June 2015

3. Registered address: Unit 601, 6/F, Chuangxin Building, Wenzhou Hi-tech Industrial Park, Zhejiang Province (浙江省溫州高新技術產業園區創新大樓六樓 601 室)

4. Legal representative: Wang Xiaoqi (汪小齊)

5. Registered capital: RMB50 million

6. Scope of business: electronic and intelligentisation project work, main contracting and

construction work for smart city projects; sales of new-generation broadband wireless communications systems (TD-LTE) for carrier PIS, signaling, cluster and AFC systems of the domestic city railway transportation industry and R&D, production, sales and project work services for ancillary products; R&D, technical consultation and technical services relating to IT-based administration platforms for the domestic railway transportation industry; R&D, technical consultation and technical services relating to third-party value-added services for the domestic city railway transportation industry; computer systems integration and computer software design and services (commencement of operations subject to approval by competent authorities where such approval is required under the law).

7. Relationship with the Company: ZTE Wenzhou is a subsidiary of the Company of which equity interests are held as to 51% by the Company and 49% by Wenzhou Mass Transit Railway Investment Group Co., Ltd..

8. Operating and financial conditions

Unit: RMB

<b>Item</b>	<b>Six months ended 30 June 2017</b>	<b>Year ended 31 December 2016</b>
Operating revenue	25,494,697.27	44,672,351.93
Total profit	644,452.34	1,722,772.25
Net profit	506,950.42	1,423,431.99
<b>Item</b>	<b>30 June 2017</b>	<b>31 December 2016</b>
Total assets	70,873,460.06	78,836,880.88
Total liabilities	19,407,861.84	27,878,233.08
Net assets	51,465,598.22	50,958,647.80
Gearing ratio	27%	35%

### III. Principal terms of the guarantee

The Company proposes to provide joint liability guarantee for the obligations of ZTE Wenzhou under the Wenzhou Public Security Communications Project.

1. Guarantor: ZTE

2. Guarantee: ZTE Wenzhou

3. Amount guaranteed: (1) tender deposit guarantee: RMB800,000; (2) performance bond guarantee: not more than RMB3.30 million.

4. Term of guarantee: (1) Guarantee for tender deposit for a period: 1) commencing on the closing date for the tender and ending on the date of execution of the “Wenzhou Public Security Communications Contract” if the project tender is successful; 2) commencing on the closing date for the tender and ending on the date on which a notice of unsuccessful bidding

is received if the project tender is not successful; (2) Guarantee by way of performance bond for a period commencing on the date of issuance of the performance bond and ending on the 30<sup>th</sup> day after the due fulfilment of inspection upon completion of the Wenzhou Public Security Communications Project with the receipt of an acceptance certificate.

5. Type of guarantee: joint liability assurance

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

The Board of Directors is of the view that the aforesaid guarantees are conducive to the expansion of the Company's market for suburban railway communications and informatisation, which would provide reasonable returns for the Company. ZTE Wenzhou, as a subsidiary of the Company, has provided counter-guarantee to the Company in respect of aforesaid tender deposit guarantee. Upon successful bidding, ZTE Wenzhou will provide counter-guarantees with the same amounts and durations to the Company in respect of the performance bond. The risk relating to the guarantees is under control.

The Independent Non-executive Directors of the Company are of the view that the aforesaid guarantees are in compliance with pertinent provisions including the [2005] No. 120 "Notice on Regulating Third-party Guarantees of Listed Companies" of 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) provided by the Company is approximately RMB6,454,542,600 (of which guarantees provided for subsidiaries amounted to approximately RMB6,107,814,300), representing 24.45% of the net asset value of the Company as set out in the audited consolidated accounting statement of the Company as at 31 December 2016. 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 Twenty-third 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

**Yin Yimin**

*Chairman*

Shenzhen, the PRC

29 September 2017

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