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中國全通(控股)有限公司
CHINA ALL ACCESS (HOLDINGS) LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 633)

POTENTIAL CONTINUING CONNECTED TRANSACTIONS:

**FRAMEWORK AGREEMENT
IN RELATION TO
SUPPLY OF MOBILE TERMINALS AND PARTS
BY THE TARGET GROUP TO THE ZTE GROUP**

**SUPPLY OF MOBILE TERMINALS AND PARTS BY THE TARGET GROUP
TO THE ZTE GROUP**

Reference is made to the announcement of the Company dated 16 November 2012 in relation to, inter alia, the Acquisition. As at the date of this announcement, the conditions precedent to the Acquisition Completion have not yet been fulfilled and the Acquisition Completion has not yet taken place.

The Target Group has been the supply arm of the ZTE Group for a comprehensive range of products and parts of various types of mobile terminals. If the Acquisition Completion takes place, ZTE will become a connected person of the Company by virtue of its 12% equity interest in Shenzhen Xing Fei, being a member of the Target Group, and any transaction between the Target Group and the ZTE Group will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

To regulate the continuing supply of the Products by the Target Group to the ZTE Group after the Acquisition Completion, it is expected that upon or around the Acquisition Completion, the Target Company (for itself and for the benefit of other members of the Target Group) will enter into the Framework Agreement with ZTE (for itself and for the benefit of the ZTE Group) for a term of three years commencing from the date of the Acquisition Completion.

LISTING RULES IMPLICATIONS

As the annual consideration receivable from the ZTE Group under the Framework Agreement for each of the three years ending 31 December 2015 are expected to represent more than 5% of the applicable percentage ratios under the Listing Rules and are expected to exceed HK\$10 million, and assuming that the Acquisition Completion will take place, the transactions contemplated under the Framework Agreement and the related annual caps will be subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

To ensure compliance with the Listing Rules by the Company immediately upon the Acquisition Completion, the Company will seek the approval of the Independent Shareholders on the Framework Agreement, the transactions contemplated thereunder and the related annual caps at the EGM.

GENERAL INFORMATION

A circular containing, among other information, (i) a letter from the Board containing further information on the Framework Agreement, the transactions contemplated thereunder and the related annual caps; (ii) a letter from an independent financial adviser containing its advice in connection with the aforesaid; (iii) recommendations of the Independent Board Committee to the Independent Shareholders; and (iv) a notice convening the EGM, will be despatched to the Shareholders on 14 December 2012.

INTRODUCTION

Reference is made to the announcement of the Company dated 16 November 2012 in relation to, inter alia, the Acquisition. As at the date of this announcement, the conditions precedent to the Acquisition Completion have not yet been fulfilled and the Acquisition Completion has not yet taken place.

The Target Group has been the supply arm of the ZTE Group for a comprehensive range of products and parts of various types of mobile terminals. If the Acquisition Completion takes place, ZTE will become a connected person of the Company by virtue of its 12% equity interest in Shenzhen Xing Fei, being a member of the Target Group, and any transaction between the Target Group and the ZTE Group will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

It is expected that upon or around the Acquisition Completion, the Target Company (for itself and for the benefit of other members of the Target Group) will enter into the Framework Agreement with ZTE (for itself and for the benefit of the ZTE Group) to regulate the continuing supply of the Products by the Target Group to the ZTE Group for a term of three years commencing from the date of the Acquisition Completion.

Details of the Framework Agreement are set out below.

THE FRAMEWORK AGREEMENT

Parties:

- (1) Target Company; and
- (2) ZTE

Principal terms:

Pursuant to the Framework Agreement, the Target Group shall supply the Products to the ZTE Group from time to time on such terms and conditions and at such prices to be determined by the parties on a case-by-case basis after tendering processes of the ZTE Group (or in any other manner as may be agreed between the parties to the Framework Agreement). The Target Group shall offer competitive bids in such tendering processes. Each sales and purchase transaction under the Framework Agreement shall be reduced into separate contract, as agreed upon between the relevant member of the Target Group and that of the ZTE Group, provided that such sales shall be on normal commercial terms.

Subject to fulfillment of certain conditions stipulated in the Framework Agreement, ZTE agrees to, and undertakes to procure other members of the ZTE Group to, during the three years ending 31 December 2015:

- (1) procure for the Products through public tendering processes and accept the tender offers of the Target Group in priority to offers from other suppliers (the “**Priority Commitment**”);
- (2) procure for the Products from the Target Group for annual amount of purchases (the “**Annual Purchases Commitment**”) for the years ending 31 December 2013, 2014 and 2015 representing not less than 110%, 121% and 133.1%, respectively, of the total amount of purchases of the Products by the ZTE Group from the Target Group for the year ending 31 December 2012. For the purpose of calculating the amount of purchases of the Products made by the ZTE Group for a specific year under the Annual Purchases Commitment, the amount of the

orders by the ZTE Group for procurement of the Products by way of public tendering for which the Target Group fails to either obtain the relevant orders from the ZTE Group or to perform its obligations under the relevant orders due to its own reasons (including but not limited to failing to take part in the tendering processes of the ZTE Group, or failing to be awarded the tender by the ZTE group after participating in the tendering processes) shall be taken to be an amount of purchases of the Products made by the ZTE Group under the Annual Purchases Commitment.

The Priority Commitment and the Annual Purchases Commitment are subject to the fulfillment of the following conditions as stipulated in the Framework Agreement:

- (1) compliance with all applicable laws, regulations and regulatory requirements;
- (2) there is no material change in the economic environment, industry prospects and market rules in the PRC, and the gross domestic product of the PRC for the relevant year has grown by at least 2% over the corresponding figure for the preceding year;
- (3) the Target Group has made competitive offers in the public tendering processes of the ZTE Group, and such offers are no less favourable to the ZTE Group than those offered by third parties in the same tendering processes; and
- (4) the supply of the Products by the Target Group to the ZTE Group are on terms that are no less favourable to the ZTE Group as those applicable to sales of the same or similar products by the Target Group to Independent Third Parties.

In the event of a default by the ZTE Group of the Priority Commitment and/or the Annual Purchases Commitment, ZTE shall indemnify the Target Company in cash (“**Default Compensation**”) for an amount to be calculated by reference to the following formula:

$$\begin{array}{rcccl} \text{Default} & & \text{Gross Profit} & & \text{Raw Material Costs} \\ \text{Compensation} & = & \text{Compensation} & + & \text{Compensation} \end{array}$$

Where:

“*Gross Profit Compensation*” means the amount representing the remainder of the Annual Purchases Commitment for a particular year after subtracting therefrom the actual amount of purchases of the Products by the ZTE Group from the Target Group for the same year, and as further multiplied by the gross profit margin of the Target Company based on its audited consolidated financial statements for the preceding year;

“*Raw Material Costs Compensation*” means the amount representing the remainder of the raw material costs incurred by the Target Group for the purpose of meeting the relevant procurement order of the ZTE Group after the date of the relevant sales contract which is subsequently cancelled by the ZTE Group due to its own reasons, after subtracting therefrom (a) the resale value of the relevant raw materials based on the highest possible prevailing market price for resale; and (b) any compensation actually received by the Target Group from the ZTE Group under the relevant sales contract; and

The ZTE Group shall have a first right of refusal over the resale of such raw materials.

The Framework Agreement is for a term of three years commencing from the date of the Acquisition Completion.

PROPOSED ANNUAL CAPS FOR THE THREE YEARS ENDING 31 DECEMBER 2015

For each of the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, the aggregate amount of sales by the Target Group to the ZTE Group was approximately RMB980.2 million, RMB1,745.8 million, RMB2,670.7 million and RMB1,233.2 million, respectively. The Directors expect that the aggregate selling prices receivable by the Target Group from the ZTE Group for the supply of the Products for each of the three years ending 31 December 2015 will not exceed RMB4,500 million, RMB6,750 million and RMB10,125 million, respectively.

The above proposed annual caps are determined by the Directors based on the following major factors:

- (1) the historical amount of sales of the Products by the Target Group to the ZTE Group for each of the three years ended 31 December 2011; and
- (2) estimated demand for the Products from the ZTE Group for the three years ending 31 December 2015 taking into account the Annual Purchases Commitment, the prospects of the mobile terminals manufacturing industry, and market demand for smartphones and mobile terminals.

For each of the years ending 31 December 2013, 2014 and 2015, the proposed annual cap represents a growth of 50% over the annual cap or the estimated transaction amount of the preceding year. For the year ending 31 December 2015, the proposed annual cap is RMB10,125 million. The above growth rates and the proposed annual cap for the year ending 31 December 2015 have been estimated mainly by taking into account the potential annual growth of business scale of the Target Group during 2013 to 2015, technology advancement which may lead to development of new generations and series of products and increasing demand of these products driven by faster growing mobile telecommunications and information technology markets.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Target Group has been the supply arm of the ZTE Group for a comprehensive range of products and parts of various types of mobile terminals. The ZTE Group has been the key customer of the Target Group for each of the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, contributing over 75% of the sales of the Target Group in the respective periods. As the Target Group has about eight years of experience in carrying out design and/or production orders with the ZTE Group and possesses good knowledge about the technological requirement and product development trend of the ZTE Group, the Directors (including the independent non-executive Directors) believe that sales orders from the ZTE Group will continue to form a significant income stream of the Target Group after the Acquisition Completion.

Pursuant to the Framework Agreement, the Target Group shall offer competitive bids in the tendering process of the ZTE Group in order to obtain ZTE Group's procurement orders for the Products. The Target Group determines the bid price mainly based on the estimated cost of development and production of the relevant Products, the targeted gross profit margin to be determined on a case by case basis depending on the features of the relevant Products and the market conditions.

On the above basis, the Directors (including the independent non-executive Directors) consider that the Enlarged Group (following the Acquisition Completion) will benefit from the Framework Agreement and the transactions contemplated thereunder.

The terms and conditions of the Framework Agreement were negotiated between the parties on an arm's length basis. The Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the Framework Agreement are on normal commercial terms that are fair and reasonable and the continuing connected transactions under the Framework Agreement will be conducted in the ordinary and usual course of business of the Enlarged Group and in the interests of the Company and the Shareholders as a whole.

The Directors (including the independent non-executive Directors) are also of the view that the proposed annual caps for the continuing connected transactions under the Framework Agreement for each of the years ending 31 December 2015 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP, THE TARGET GROUP AND THE ZTE GROUP

The Group is principally engaged in provision of integrated information communication application solution and application services. The Group designs and develops information communication application solutions for customers. The Group's application solutions include wireless data communication application solutions and services, satellite communication application solutions and services, and call centre application solutions and services.

The Target Company is the holding company of the Target Group and is principally engaged in investment holding. The Target Group is principally engaged in research and development and production of a wide spectrum of products and parts in the supply chain of various types of mobile terminals. Major products of the Target Group are mobile terminals and display panels. The Target Group also manufactures and sells various parts (such as chargers, keypads, casings, batteries and power adaptors) which are widely applicable in mobile phones and other types of mobile terminals.

ZTE is a company incorporated in the PRC whose H shares are listed on the main board of the Stock Exchange, and whose A shares are listed on the Shenzhen Stock Exchange. The ZTE Group is principally engaged in the design, development, production, distribution and installation of a broad range of advanced telecommunications systems and equipment, including carriers' networks, terminals, and telecommunications software systems and other products.

LISTING RULES IMPLICATIONS

If the Acquisition Completion takes place, the Target Company will become a 51% owned subsidiary of the Company and ZTE will become a connected person of the Company by virtue of its 12% equity interests in Shenzhen Xing Fei, being a member of the Target Group. As a result, the transactions contemplated under the Framework Agreement between the Target Group and the ZTE Group will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules upon the Acquisition Completion.

As the annual consideration receivable from the ZTE Group under the Framework Agreement for each of the three years ending 31 December 2015 are expected to represent more than 5% of the applicable percentage ratios under the Listing Rules and are expected to exceed HK\$10 million, and assuming that the Acquisition Completion will take place, the transactions contemplated under the Framework Agreement and the related annual caps will be subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

To ensure compliance with the Listing Rules by the Company immediately upon the Acquisition Completion, the Company will seek the approval of the Independent Shareholders on the Framework Agreement, the transactions contemplated thereunder and the related annual caps at the EGM. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as at the Latest Practicable Date, no Shareholder was required to abstain from voting on the resolution to be proposed at the EGM for approving the Framework Agreement, the transactions contemplated thereunder and the related annual caps.

The Company has established the Independent Board Committee to advise the Independent Shareholders as to whether the Framework Agreement, the transactions contemplated thereunder and the related annual caps are fair and reasonable, and that the transactions contemplated under the Framework Agreement are on normal commercial terms, in the ordinary and usual course of business of the Enlarged Group and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM, after taking into account the recommendations of the independent financial adviser appointed by the Company.

An independent financial adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the Framework Agreement, the transactions contemplated thereunder and the related annual caps are fair and reasonable, and whether the transactions contemplated under the Framework Agreement are on normal commercial terms, in the ordinary and usual course of business of the Enlarged Group and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM.

GENERAL INFORMATION

A circular containing, among other information, (i) a letter from the Board containing further information on the Framework Agreement, the transactions contemplated thereunder and the related annual caps; (ii) a letter from the independent financial adviser containing its advice in connection with the aforesaid; (iii) recommendations of the Independent Board Committee to the Independent Shareholders; and (iv) a notice convening the EGM, will be despatched to the Shareholders on 14 December 2012.

TERMS USED IN THIS ANNOUNCEMENT

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Acquisition”	the acquisition of the Sale Interest pursuant to the terms and conditions of the Equity Transfer Agreement
“Acquisition Completion”	the completion of the change of registration of the Sale Interest pursuant to the terms of the Equity Transfer Agreement so that Guangdong All Access becomes the registered holder of the Sale Interest pursuant to the Acquisition
“associates”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Company”	China All Access (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Directors”	directors of the Company

“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the relevant matters mentioned in this announcement
“Enlarged Group”	the Group as enlarged by the Acquisition
“Equity Transfer Agreement”	the agreement dated 16 November 2012 and entered into between Guangdong All Access and ZTE in respect of the Acquisition
“Framework Agreement”	the agreement to be entered into between the Target Company (for itself and for the benefit of other members of the Target Group) and ZTE (for itself and for the benefit of other members of the ZTE Group) upon the Acquisition Completion in respect of the sales of the Products by the Target Group to the ZTE Group for a term of three years commencing on the date of the Acquisition Completion
“Group”	the Company and its subsidiaries
“Guangdong All Access”	廣東全通諾特通信技術有限公司 (Guangdong All Access Noter Communication Technology Company Limited*), a company established in the PRC and a wholly-owned subsidiary of the Company, being the purchaser of the Sale Interest as named in the Equity Transfer Agreement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a board committee, comprising the independent non-executive Directors, established to advise the Independent Shareholders in respect of the Framework Agreement, the transactions contemplated thereunder and the related annual caps
“Independent Shareholders”	Shareholders other than ZTE, the Target Company and their respective associates
“Independent Third Party”	a person who is not a connected person of the Company and is independent of and not connected with the Company and its connected persons

“Latest Practicable Date”	12 December 2012, being the latest practicable date for the purpose of ascertaining certain information for inclusion in this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement and unless otherwise provided herein, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Products”	the products, including mobile phone handsets, mobile terminals and parts, display panels, keypads, casings, high precision plastic injection mold, structural parts, batteries, chargers, power adaptors and power plates and other products manufactured by the Target Group for the purpose of meeting the procurement requirements of the ZTE Group
“Sale Interest”	51% equity interest in the entire registered capital of the Target Company
“Shareholder(s)”	holder(s) of Shares
“Shenzhen Xing Fei”	深圳市興飛科技有限公司 (Shenzhen Xing Fei Technology Co. Ltd.*), a limited liability company established in the PRC, and a 80% owned subsidiary of the Target Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	深圳市長飛投資有限公司 (Shenzhen City Changfei Investment Company Limited*), a limited liability company established in the PRC, and assuming the Acquisition Completion will take place, will be a 51% owned subsidiary of the Company
“Target Group”	the Target Company and its subsidiaries

“ZTE”	中興通訊股份有限公司 (ZTE Corporation), a joint stock limited company established in the PRC, whose shares are listed on the main board of the Stock Exchange (stock code: 763) and on the Shenzhen Stock Exchange (stock code: 000063), being the vendor of the Sale Interest
“ZTE Group”	ZTE and its subsidiaries
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

* *The English translation of the Chinese name is for information purposes only, and should not be regarded as the official English translation of such name.*

By order of the Board
China All Access (Holdings) Limited
Shao Kwok Keung
Chief Executive Officer

Hong Kong, 14 December 2012

As at the date of this announcement, the executive Directors are Mr. Chan Yuen Ming, Mr. Shao Kwok Keung, Mr. Zhao Qing An and Mr. Xiu Zhi Bao; and the independent non-executive Directors are Mr. Pun Yan Chak, Mr. Wong Che Man Eddy and Mr. Lam Kin Hung Patrick.