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SYNERTONE

協同通信集團有限公司

SYNERTONE COMMUNICATION CORPORATION

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1613)

DISCLOSEABLE TRANSACTION

ACQUISITION OF MOX PRODUCTS PTY LIMITED BY ISSUE OF NEW SHARES UNDER GENERAL MANDATE

THE ACQUISITION

On 30 June 2015 (after the trading hours of the Stock Exchange), the Purchaser and the Vendor entered into the S&P Agreement for the acquisition by the Purchaser of 100% equity interest in MOX Products Pty Limited, an automation control services company that serves various industries in the PRC, for a consideration of HK\$302 million, which will be satisfied by the allotment and issue of the Consideration Shares at the issue price of HK\$ 0.50 per Consideration Share upon Completion.

Details of the S&P Agreement are set out in this announcement.

LISTING RULES IMPLICATIONS

As the highest of the applicable Percentage Ratios in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. As such, the Acquisition is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

Completion of the S&P Agreement is conditional upon fulfilment of conditions precedent as set out therein. Shareholders and potential investors shall exercise caution when dealing in the Shares of the Company.

The Board is pleased to announce that on 30 June 2015 (after the trading hours of the Stock Exchange), the Purchaser and the Vendor entered into the S&P Agreement in respect of the Acquisition, the principal terms and conditions of which are set out below.

THE ACQUISITION

The S&P Agreement

- Date : 30 June 2015
- Vendor : Mr. John Edward Hunt, an Independent Third Party
- Purchaser : Vastsuccess Holdings Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
- Subject matter : The Sale Shares, representing the entire issued share capital of MOX
- Consideration : The consideration payable by the Purchaser for the purchase of the Sale Shares is HK\$ 302 million which will be satisfied by the allotment and issue of the Consideration Shares by the Company to the Vendor at the issue price of HK\$ 0.50 per Consideration Share (“Issue Price”) upon Completion. The 604,000,000 Consideration Shares to be issued represent approximately 9.37% of the issued share capital of the Company as at the date of this announcement and approximately 8.57% of the Company’s issued share capital as enlarged by the Consideration Shares (assuming that there will be no other change in the share capital of the Company immediately after the date of this announcement and prior to the issue of the Consideration Shares). The Issue Price represents a premium of approximately 3.1% and 1.0% to the closing price of HK\$0.485 per Share as quoted on the Stock Exchange on 30 June 2015 (date of the S&P Agreement) and the average closing price of approximately HK\$0.495 per Share for the last five consecutive trading days (up to and including 30 June 2015) respectively.

The Consideration Shares will be issued pursuant to the General Mandate. An application will be made by the Company to the Stock Exchange for the approval of listing of, and permission to deal in, the Consideration Shares.

The Consideration Shares, when issued upon Completion, will be credited as fully paid and will rank pari passu in all respects with the existing Shares in issue.

Basis for determining the Consideration

The Consideration was determined by the Purchaser and the Vendor following arm's length negotiation and with reference to a business valuation report dated 30 June 2015 prepared by Roma Appraisals Limited ("Roma"), a valuer independent to the Group, which has put a valuation of HK\$311 million to the MOX Group. In determining the business valuation of the MOX Group, Roma has adopted the discounted cash flow approach (which is an income approach) as its valuation methodology. The Consideration under the S&P Agreement represents a discount of approximately 2.9% to the business valuation as determined by Roma mentioned above.

Conditions precedent to Completion

Completion of the S&P Agreement is conditional upon, amongst others, (i) the Listing Committee having granted the listing of, and permission to deal in the Consideration Shares, and such permission not subsequently revoked or withdrawn prior to Completion; (ii) all necessary approvals, consents, authorisations, or waivers (as appropriate) from, or notices to, third parties, the Stock Exchange and/or any other regulatory authorities having been obtained for the S&P Agreement and the transactions contemplated therein; (iii) the Purchaser having satisfied its due diligence on the MOX Group and its businesses on or before the Completion Date; and (iv) the warranties given by the Vendor in the S&P Agreement remaining true and accurate and not misleading in any material respect.

In the event any of the conditions precedent shall not have been satisfied by the Long Stop Date, all rights and obligations of the parties under the S&P Agreement shall terminate and cease to have any effect, and no party shall have any claim against the other save for claim (if any) in respect of any antecedent breach thereof.

Completion

Subject to the fulfilment of the conditions as set out in the paragraph headed "Conditions precedent to Completion" above and the terms and conditions of the S&P Agreement, Completion shall take place within seven Business Days upon fulfilment of such conditions (or such other date as the parties may agree in writing), unless the Purchaser exercises its right to waive any such condition precedent (if allowed under the applicable laws, regulations and the Listing Rules) as contained in the S&P Agreement.

GENERAL MANDATE

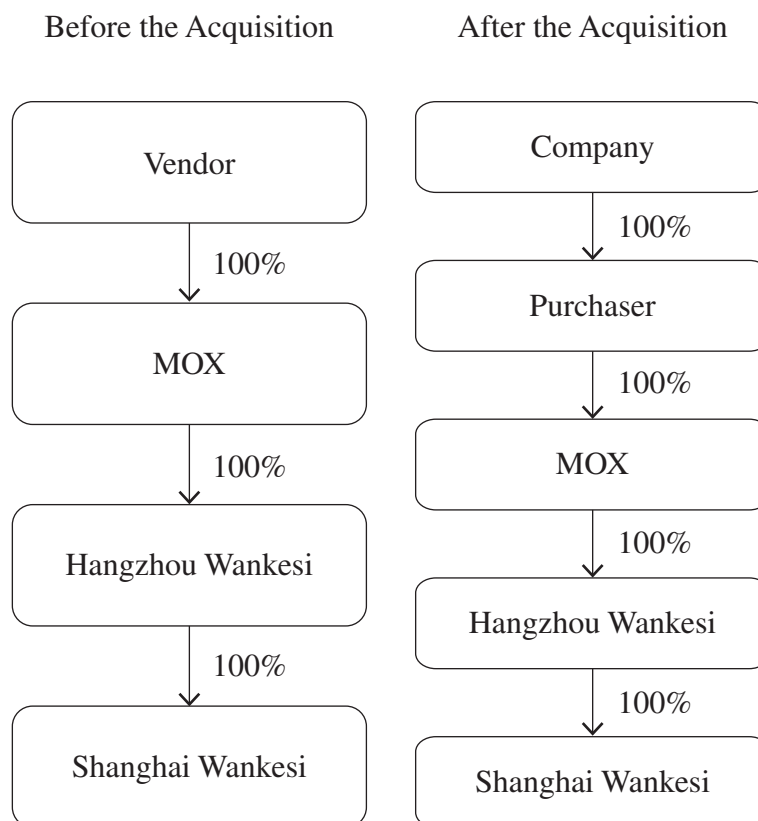
All the 604,000,000 Consideration Shares will be allotted and issued pursuant to the General Mandate. Under the General Mandate, the Directors are allowed to allot and issue up to 1,264,000,000 Shares, being 20% of the issued share capital of the Company as at the date of the annual general meeting of the Company held on 21 August 2014.

Upon the issue of the 2014 Warrants on 22 September 2014, which confer the right to subscribe up to 660,000,000 Shares at the subscription price of HK\$0.59 per Share, the General Mandate had been utilized as to 660,000,000 Shares. Assuming the full exercise of the subscription rights attached to the 2014 Warrants, there remains 604,000,000 Shares issuable under the General Mandate as at the date of this announcement.

As such, the General Mandate will be sufficient and no further Shareholders' approval is required for the allotment and issue of the Consideration Shares.

INFORMATION OF THE MOX GROUP

Corporate structures of MOX before and after the Acquisition are as follows:



MOX is the investment holding company of Hangzhou Wankesi which was established in Hangzhou, the PRC in February 2006. The business of the MOX Group is mainly in the design, development and sales of automation control systems for industrial use. Such control systems are widely used in various industries to monitor pressure, temperature, fluid levels, traffic condition etc., including airport control and public utilities control. Over the years, Hangzhou Wankesi has established a solid customer base ranging from large listed corporations to governmental entities such as Beijing International Airport, Shanghai Pudong International Airport, Guangzhou Baiyun International Airport, Wuxi municipal utilities (fresh water, waste water, gas and city lights) as well as power generation plants in Shanxi and Chongqing.

For the year ended 31 December 2014, Hangzhou Wankesi's audited sales were RMB24.7 million (HK\$30.9 million in equivalent) (2013: RMB30.3 million (HK\$37.9 million in equivalent)) and audited operating losses were RMB2.6 million (HK\$3.25 million in equivalent) (2013: RMB10.8 million (HK\$13.5 million in equivalent)).

Based on the unaudited management accounts for the five months from 1 January 2015 to 31 May 2015, Hangzhou Wankesi's sales were RMB 22.1 million (HK\$27.6 million in equivalent) and after-tax profit was RMB 2.5 million (HK\$3.1 million in equivalent).

REASONS FOR THE ACQUISITION

The Group is primarily engaged in the design and development of products and technologies relating to digital trunking and satellite communication systems through its own research and development and acquisition of relevant intellectual property rights and technology know-how from third parties. Following the acquisition of the “Synertone-1” (IPSTAR) satellite bandwidth in October 2013, the Group has started the business of satellite communication operation. The Group’s products are mainly used by government departments as well as corporations in the PRC for public safety and emergency communication purposes.

The Directors believe that the Acquisition will create strong synergy effect for both parties. This is because (1) the Group would be able to broaden its customer base by integrating Hangzhou Wankesi’s existing customers which have strong demand for the Group’s existing products and (2) it is expected that the automation control systems provided by Hangzhou Wankesi would become more reliable and efficient with the support of “Synertone-1” satellite bandwidth.

Following completion of the Acquisition, the Group plans to build a joint research and development center to further exploit the technological synergy effect between the two parties.

The Directors are of the view that the terms of the Acquisition are fair and reasonable and that the Acquisition is on normal commercial terms and is in the interest of the Company and the Shareholders as a whole.

SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after Completion (assuming that there will be no other change in the share capital of the Company immediately after the date of this announcement and prior to the issue of the Consideration Shares):

	As at the date of this announcement		Immediately after the allotment and issue of the Consideration Shares	
	No. of Shares	Approx %	No. of Shares	Approx %
Non public shareholders				
Mr. Wong Chit On and Excel Time Investments Limited ("Excel Time") (Note 1)	<u>2,230,000,000</u>	<u>34.60</u>	<u>2,230,000,000</u>	<u>31.64</u>
Sub-total:	<u><u>2,230,000,000</u></u>	<u><u>34.60</u></u>	<u><u>2,230,000,000</u></u>	<u><u>31.64</u></u>
Public shareholders				
The Vendor	—	—	604,000,000	8.57
Other public Shareholders	<u>4,215,000,000</u>	<u>65.40</u>	<u>4,215,000,000</u>	<u>59.79</u>
Sub-total:	<u><u>4,215,000,000</u></u>	<u><u>65.40</u></u>	<u><u>4,819,000,000</u></u>	<u><u>68.36</u></u>
Total (Note 2):	<u><u>6,445,000,000</u></u>	<u><u>100.00</u></u>	<u><u>7,049,000,000</u></u>	<u><u>100.00</u></u>

Notes:

- (1) Mr. Wong Chit On ("Mr. Wong") is an executive Director and is the beneficial owner of all the issued share capital of Excel Time which holds 2,230,000,000 Shares as at the date of this announcement. Therefore, Mr. Wong is deemed, or taken to be, interested in all the Shares which are beneficially owned by Excel Time for the purposes of the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong) (the "SFO"). Being the spouse of Mr. Wong, Ms. Ni Yun Zi is also deemed to be interested in all the Shares which are beneficially owned by Excel Time for the purposes of the SFO.
- (2) Assuming that there will not be any changes in the share capital of the Company save for the allotment and issue of the Consideration Shares.

COMPLIANCE WITH LISTING RULES

As the discounted cash flow method was used in the business valuation of the MOX Group by Roma, such valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules. As such, Rule 14.60A of the Listing Rules is applicable. ZHONGLEI (HK) CPA Company Limited (“ZHONGLEI”), as reporting accountant in this transaction, has reviewed the calculations of the discounted future estimated cash flows, which do not involve the adoption of accounting policies, for the valuation made by Roma. The Board confirms that the above forecast has been made after due and careful enquiry. Letters from ZHONGLEI and the Company are set out in appendix I and II respectively to this announcement in accordance with Rule 14.60A of the Listing Rules.

As at the date of this announcement, ZHONGLEI has confirmed that it does not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person to subscribe for securities in any member of the Group. In addition, ZHONGLEI has given and has not withdrawn its consent to the publication of this announcement with inclusion of its report and all reference to its name in the form and context in which it appears.

Pursuant to Rule 14.60A, the following are the details of the principal assumptions, including commercial assumptions, upon which the business valuation is based:

1. The projections outlined in the financial projections provided are reasonable, reflecting market conditions and economic fundamentals, and will be materialized;
2. All relevant legal approvals and business certificates or licenses to operate the business in the localities in which the MOX Group operates or intends to operate would be officially obtained and renewable upon expiry;
3. There will be sufficient supply of technical staff in the industries in which the MOX Group operates, and the MOX Group will retain competent management, key personnel and technical staff to support its ongoing operations and developments;
4. There will be no major change in the current taxation laws in the localities in which the MOX Group operates or intends to operate and that the rates of tax payable and corporate tax rate shall remain unchanged and that all applicable laws and regulations will be complied with;
5. There will be no major change in the political, legal, economic or financial conditions in the localities in which the MOX Group operates or intends to operate, which would adversely affect the revenues attributable to and the profitability of the MOX Group;
6. Interest rates and exchange rates in the localities for the operation of the MOX Group will not differ materially from those presently prevailing.

LISTING RULES IMPLICATION

As the highest of the applicable Percentage Ratios in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. The Acquisition is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As none of the Directors has an interest in the Acquisition, no Director is required to abstain from voting on the relevant resolutions of the Board approving the Acquisition.

Completion of the Acquisition is conditional upon fulfilment of conditions precedent as set out in the S&P Agreement. The Shareholders and potential investors shall exercise caution when dealing in the Shares of the Company.

DEFINITIONS

Unless the context otherwise requires, the following expressions used in this announcement have the following meanings:

“Acquisition”	the acquisition of the Sale Shares by the Purchaser from the Vendor on and subject to the terms and conditions of the S&P Agreement
“associates”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Business Day”	a day other than a Saturday or Sunday, on which banks in Hong Kong are open for business generally
“Company”	Synertone Communication Corporation, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 1613)
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the S&P Agreement
“Completion Date”	the date of Completion, a date which shall be within seven Business Days after fulfilment of the conditions precedent (as set forth in the paragraph headed “Conditions precedent to Completion” above) (or such other date as the parties to the S&P Agreement may agree in writing) when Completion shall take place
“Consideration”	the consideration for the Acquisition under the S&P Agreement

“Consideration Shares”	the 604,000,000 Shares to be issued by the Company to the Vendor at HK\$ 0.50 per Share pursuant to the S&P Agreement upon Completion
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted to the Directors to exercise the power of the Company to issue securities up to 20% of the Company’s issued share capital as at the date of the annual general meeting of the Company held on 21 August 2014
“Group”	the Company and its subsidiaries from time to time, excluding the MOX Group
“Hangzhou Wankesi”	悉雅特萬科思自動化(杭州)有限公司 (Xiyate Wankesi Automation (Hangzhou) Company Ltd.), a company incorporated in the PRC, which is the holding company of Shanghai Wankesi
“Independent Third Party(ies)”	person(s) or company(ies) which is/are independent of any member of the Group, the directors, the chief executives, the substantial shareholders of the Company or any of its subsidiaries, and their respective associates
“Listing Committee”	the listing committee of the Stock Exchange for considering applications for listing and granting of listing
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 July 2015 (or such later date as the parties to the S&P Agreement may agree in writing)
“MOX”	Mox Products Pty Limited, a company incorporated in the British Virgin Islands and holds 100% interest in Hangzhou Wankesi
“MOX Group”	MOX, Hangzhou Wankesi and Shanghai Wankesi
“Percentage Ratios”	the applicable percentage ratios under Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China, excluding for the purpose of this announcement, Hong Kong, Macau and Taiwan
“Purchaser”	Vastsuccess Holdings Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company

“S&P Agreement”	the conditional sale and purchase agreement dated 30 June 2015 entered into between the Vendor as vendor and the Purchaser as purchaser for the Sale Shares
“Sale Shares”	50,000 ordinary shares of MOX (representing the entire issued share capital of MOX)
“Shanghai Wankesi”	萬科思自動化(上海)有限公司 (Wankesi Automation (Shanghai) Company Ltd.), a wholly owned subsidiary of Hangzhou Wankesi
“Share(s)”	ordinary shares of HK\$ 0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Mr. John Edward Hunt, an Independent Third Party
“2014 Warrants”	the total of 660,000,000 unlisted warrants conferring rights to subscribe for 660,000,000 Shares at the subscription price of HK\$0.59 per Share, the details of which are set out in the announcements of the Company dated 28 August 2014 and 22 September 2014

By order of the Board
Synertone Communication Corporation
Wong Chit On
Chairman and Executive Director

Hong Kong, 30 June 2015

As at the date of this announcement, the executive Directors are Mr. Wong Chit On and Mr. Han Weining; and the independent non-executive Directors are Mr. Lam Ying Hung Andy, Mr. Hu Yunlin and Mr. Wang Chen.

In this announcement, amount in RMB has been translated, for illustration purpose only, into HK\$ at the exchange rate of RMB1.00 = HK\$1.25.

APPENDIX I — LETTER FROM ZHONGLEI (HK) CPA COMPANY LIMITED IN RELATION TO PROFIT FORECAST

The following is the text of the letter dated 30 June 2015 from ZHONGLEI (HK) CPA Limited, as reporting accountant, which was prepared for the incorporation in this announcement.

The Board of Directors
Synertone Communication Corporation
Block B, Teng Bang Building
1st Qingshuihe Road
Luohu District
Shenzhen
China

Dear Sirs,

Synertone Communication Corporation (the “Company”)

Report on discounted future estimated cash flows in connection with the business valuation of MOX Products Pty Limited and its subsidiaries (the “Target Group”).

We refer to the discounted future estimated cash flows as the methodology basis adopted for the business valuation dated 30 June 2015 (the “Valuation”) prepared by Roma Appraisals Limited (the “Valuer”) in respect of the Target Group as at 31 May 2015 in connection with the proposed acquisition of 100% of the issued share capital of MOX Products Pty Limited. The Valuation which is determined on the basis of discounted cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

Respective responsibilities of the directors of the Company (the “Directors”) and the reporting accountants

The Directors are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the Directors as set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation, and making estimates that are reasonable in the circumstances.

It is our responsibility to report, as required by Rule 14.62(2) of the Listing Rules, on the calculations of the discounted future estimated cash flows used in the Valuation. The discounted future estimated cash flows do not involve the adoption of the accounting policies.

Basis of opinion

We conducted our work in accordance with Hong Kong Standards on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by Hong Kong Institute of Certified Public Accountants

(“HKICPA”). This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the calculations are concerned, the Directors have properly compiled the discounted future estimated cash flows in accordance with the bases and assumptions as set out in the Valuation. We performed procedures on the arithmetical calculations and the compilations of the discounted future estimated cash flows in accordance with the bases and assumptions. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the calculations are concerned, the discounted future estimated cash flows have been properly compiled in all material respects in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation.

Other matters

Without qualifying our opinion, we draw to your attention that we are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation of the Target Group or an expression of an audit or review opinion on the Valuation.

The discounted future estimated cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

Yours faithfully,

ZHONGLEI (HK) CPA Company Limited

Certified Public Accountants (Practising)

Lam Chik Tong

Practising Certificate Number: P05612

Suite 313–316
3/F, Shui On Centre
6–8 Harbour Road
Wanchai
Hong Kong

APPENDIX II — LETTER FROM THE BOARD IN RELATION TO THE PROFIT FORECAST

30 June 2015

Listing Division
The Stock Exchange of Hong Kong Limited
11/F., One International Finance Centre,
1 Harbour View Street,
Central,
Hong Kong

Dear Sirs,

Discloseable transaction relating to the proposed acquisition of 100% interest in MOX Products Pty Limited

We refer to the valuation report dated 30 June 2015 prepared by Roma Appraisals Limited (“Roma”) in relation to the valuation of the MOX Group which constitutes a profit forecast under Rule 14.61 of the Listing Rules. Terms defined in the announcement of the Company dated 30 June 2015 relating to the proposed acquisition of MOX shall have the same meanings in this letter unless the context otherwise requires.

We confirm that the profit forecast as mentioned above has been made by the Board after due and careful enquiry.

We have reviewed the bases and assumptions based upon which the valuation of the MOX Group, has been prepared by Roma for which Roma is responsible. We have also considered the report from ZHONGLEI (HK) CPA Company Limited, the reporting accountants of the Company, regarding whether the discounted future estimated cash flows of the MOX Group, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with their respective bases and assumptions.

Yours faithfully,
By order of the Board
Synertone Communication Corporation
Wong Chit On
Chairman and Executive Director