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If you have sold or transferred all your shares in Synertone Communication Corporation, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.

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SYNERTONE

SYNERTONE COMMUNICATION CORPORATION

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1613)

**PROPOSED ISSUE OF CONVERTIBLE BONDS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

A notice convening the EGM to be held at the Conference Room, 3/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong at 2:30 p.m. on Thursday, 9 January 2014 (or any adjournment thereof) is set out on pages 18 to 19 of this circular.

Whether or not you intend to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Hong Kong share registrar of the Company, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjourned meeting thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the meeting or any adjourned meeting should you so desire.

19 December 2013

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	5
Notice of EGM	18

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions bear the following meanings:

“Board”	The board of Directors
“Bond Instrument”	The instrument to be entered into by the Company constituting the Convertible Bonds, substantially in the form of the draft set out in the schedule to the Subscription Agreement
“Business Day”	A day other than a Saturday or Sunday, on which banks in Hong Kong are open generally
“Company”	Synertone Communication Corporation, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Stock Exchange
“Completion”	Completion of the Subscription Agreement in accordance with the terms thereof
“Completion Date”	The third Business Day after the fulfillment of the conditions precedent as set out in the Subscription Agreement, or such later date as may be agreed in writing between the Company and the Subscriber
“connected person(s)”	Has the meaning given to it under the Listing Rules
“Conversion Shares”	Shares fall to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds
“Convertible Bonds”	The five year 5% coupon rate secured redeemable convertible bonds in the aggregate principal amount of HK\$500,000,000 to be constituted by the Bond Instrument and to be issued by the Company to the Subscriber pursuant to the Subscription Agreement
“Director(s)”	The director(s) of the Company
“EGM”	An extraordinary general meeting of the Company to be convened to consider and, if thought fit, passing the resolution(s) that will be proposed to approve the Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate

DEFINITIONS

“Equity Share Capital”	The issued share capital of the Company excluding any part thereof which does not either with respect to dividends or with respect to capital, carry any right to participate in a distribution beyond a specified amount or beyond an amount calculated by reference to a specified date
“Governmental Authority”	Any national, provincial, municipal or local government, administrative or regulatory body or department, court, tribunal, arbitrator or any body that exercises the function of a regulator
“Group”	The Company together with its subsidiaries
“Group Company”	Any company within the Group
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	Third party independent of and not connected with the Company and any of its connected person(s)
“Last Trading Day”	8 November 2013, being the last trading day of the Shares prior to the announcement of the Company dated 10 November 2013 in relation to the proposed issue of the Convertible Bonds
“Latest Practicable Date”	16 December 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“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 January 2014, or such other date as may be agreed between the Company and the Subscriber in writing
“Mandatory Offer”	A mandatory offer as mentioned in rule 26 of the Takeovers Code
“Principal Business”	The principal business of the Group, which is the provision of core components of specialized communication system and the new business of providing vertically integrated satellite services intended to be developed by the Group as detailed in the circular of the Company dated 26 September 2013

DEFINITIONS

“Security”	The security by way of a charge or mortgage of the entire issued share capital of the following Group Companies: Radio World Holding Limited, Vastsuccess Holdings Limited and their respective wholly owned subsidiaries, or such other security as may be agreed between the Company and the Subscriber
“SFO”	The Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	Ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	Holder(s) of the Share(s)
“Specific Mandate”	A specific mandate to be sought from the Shareholders at the EGM to issue and allot the Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Regal Force Limited, a company incorporated in the British Virgin Islands with limited liability
“Subscription Agreement”	The conditional subscription agreement dated 8 November 2013 entered into between the Company and the Subscriber in relation to the subscription of the Convertible Bonds
“subsidiary”	Has the meaning given to it under the Listing Rules
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Repurchases issued by the Securities and Futures Commission of Hong Kong as amended supplemented or otherwise modified from time to time
“Warrant(s)”	The total of 120,000,000 unlisted warrants conferring rights to subscribe for 120,000,000 Warrant Shares at the Warrant Subscription Price, the details of which are set out in the announcement of the Company dated 2 October 2013
“Warrant Share(s)”	The new Share(s) to be issued by the Company upon the exercise of the subscription rights attaching to the Warrants
“Warrant Subscriber”	CITIC Merchant Co., Limited (中信國通投資管理有限公司), a company incorporated in Hong Kong with limited liability

DEFINITIONS

“Warrant Subscription Agreement”	The conditional warrant subscription agreement dated 30 September 2013 entered into between the Warrant Subscriber and the Company in relation to the subscription of Warrants by the Warrant Subscriber, which was completed on 22 October 2013
“Warrant Subscription Price”	A price of HK\$2.00 per Warrant Share (subject to adjustment) at which holder(s) of the Warrants may subscribe for the Warrant Shares
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent

LETTER FROM THE BOARD



SYNERTONE

SYNERTONE COMMUNICATION CORPORATION

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1613)

Executive Directors:

Mr. Wong Chit On (*Chairman*)
Mr. Lu Zhijie
Mr. Han Weining
Mr. Zhang Jinbing

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Independent Non-executive Directors:

Mr. Lam Ying Hung Andy
Mr. Hu Yunlin
Mr. Cai Youliang

Principal place of business

in Hong Kong:
Room 1301, 13th Floor
Henan Building
90 Jaffe Road
Wanchai
Hong Kong

19 December 2013

To the Shareholders,

Dear Sir/Madam,

PROPOSED ISSUE OF CONVERTIBLE BONDS

INTRODUCTION

Reference is made to the announcement of the Company dated 10 November 2013 and the clarification announcement of the Company dated 11 November 2013. On 8 November 2013, the Company and the Subscriber entered into the Subscription Agreement pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, the Convertible Bonds in an aggregate principal amount of HK\$500,000,000, on the terms and subject to the conditions set out therein.

The purpose of this circular is to provide you with (i) further details of the Subscription Agreement and the transactions contemplated thereunder including the grant of the Specific Mandate; (ii) the principal terms of the Convertible Bonds; and (iii) a notice convening the EGM.

LETTER FROM THE BOARD

THE SUBSCRIPTION AGREEMENT

Date

8 November 2013

Parties

- (1) The Company as issuer; and
- (2) Regal Force Limited (“**RFL**”), a company incorporated in the British Virgin Islands with limited liability, as the Subscriber. RFL is a newly incorporated company which aims at maximization of its investing funds. Focusing on its current investment strategies, RFL mainly selects investment targets in the sector of manufacturers of high-end technological products with potential future growth.

To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, the Subscriber and its ultimate beneficial owners are Independent Third Parties.

Subject matter

Pursuant to the Subscription Agreement, the Company has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for the Convertible Bonds in the principal amount of HK\$500,000,000 in tranches in accordance with the written demand(s) by the Company to be made within two years after the Completion Date. The said written demand(s) can be made for any sum of money being a multiple of HK\$5,000,000. Accordingly, a maximum number of 100 tranches shall be allowed. Other than that, there are no other terms and conditions on the tranches and the written demand arrangements for the subscription of the Convertible Bonds.

Conditions precedent

Completion of the Subscription Agreement shall be subject to and conditional upon, the following conditions precedent:

- (a) If required, the Listing Committee having approved the issue of the Convertible Bonds either unconditionally or subject to such conditions to which both the Company and the Subscriber shall reasonably accept;
- (b) The Listing Committee having granted (either unconditionally or subject to such conditions to which both the Company and the Subscriber shall reasonably accept) the listing of, and permission to deal in the Conversion Shares, and such permission not subsequently revoked or withdrawn prior to Completion;
- (c) If required, the passing by the Shareholders at an EGM of the necessary resolution(s) approving the Subscription Agreement and the transactions contemplated thereunder (including the issue of the Convertible Bonds and the Conversion Shares);

LETTER FROM THE BOARD

- (d) The Company having obtained, without prejudice to conditions (a), (b) and (c) above, all necessary consent, approval and authorization from any Governmental Authority in Hong Kong, Cayman Islands or elsewhere in respect of the issue of the Convertible Bonds; and
- (e) The warranties and covenants given by the Company as set out in the Subscription Agreement remaining true and correct in all material respects, and the Company having performed in all material aspects all of its undertakings or obligations under the Subscription Agreement before the Completion Date.

The Subscriber may at its sole discretion waive condition (e) as set out above under the Subscription Agreement. In the event that any of the conditions precedent referred to above is not fulfilled or waived (to the extent it is capable of being waived) in full at or before 5:00 p.m. on the Long Stop Date (or such other time and date as may be agreed between the Company and the Subscriber in writing), the Subscription Agreement shall cease and determine and thereafter, neither party shall have any obligations and liabilities thereunder save for any antecedent breaches of the provisions thereof.

Completion of the Subscription

Completion of the Subscription Agreement will take place on the Completion Date after the fulfillment of the conditions set out in the Subscription Agreement. As at the Latest Practicable Date, the Company did not have any intention or plan to change the Completion Date or the Long Stop Date.

Other material terms:

The Company agrees with and undertakes to the Subscriber that:

- (a) Upon full subscription of the Convertible Bonds, the Company shall, as soon as practicable, cause or procure such a person as nominated by the Subscriber to be a Director* subject to and in accordance with the articles of association of the Company; and
- (b) The Group will not engage in any other business activities other than the Principal Business, or sell or dispose of all or a substantial part of its business or assets which will have the effect of changing the Group's Principal Business, with such an undertaking to take effect only upon full subscription of the Convertible Bonds.

* *The Subscriber has indicated its intention of nominating a person for appointment as a non-executive Director.*

LETTER FROM THE BOARD

The following forms the basis considered by the Company in agreeing to grant the right to the Subscriber to nominate a Director:

- (a) The right to nominate a Director would arise only after the Subscriber shall have subscribed the entire HK\$500,000,000 Convertible Bonds;
- (b) The Board believes that the new Director selected by the Subscriber will have business perspectives and expertise different from those of the current Directors, and will bring in new opportunities and contacts as well as new investment and operational ideas to the Board; and
- (c) Under the Subscription Agreement, the appointment of a person as nominated by the Subscriber to the Board shall be subject to and in accordance with the Company's articles of association. Therefore, the Director nominated by the Subscriber and appointed to the Board will still be subject to re-election by the Shareholders in an annual general meeting pursuant to the articles of the association of the Company, The Shareholders shall remain the ultimate voters for selection of Directors to the Board.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

A summary of the principal terms of the Convertible Bonds is set out as follows:

Principal Amount: HK\$500,000,000

Issue Price: 100% of the principal amount of the Convertible Bonds

Interest Rate: The Convertible Bonds shall bear interest from the date of issue of the Convertible Bonds at the rate of 5% per annum on the principal amount of the Convertible Bonds, payable at the anniversary date annually in arrears.

The interest rate of the Convertible Bonds was determined on an arm's length basis. The Board had considered the factors and reasons as summarized below:

- (i) loan arrangements between the Group and its bankers for various principal amounts during the years of 2011 and 2012, which bear interest at the rate ranging from 5% to 6.75%;
- (ii) the arrangement that the Security will be provided only upon full subscription of the Convertible Bonds (i.e. the principal due under the Convertible Bonds will not be secured in the event of a subscription for an amount of less than HK\$500,000,000); and
- (iii) the fund raising size of HK\$500,000,000.

Maturity Date: Five years from the date of issue

LETTER FROM THE BOARD

Conversion Price: HK\$2.00, being the initial conversion price per Conversion Share.

The Conversion Price was arrived at after arm's length negotiations between the Company and the Subscriber with reference to the prevailing market price of the Shares and represents:

- (i) a discount of approximately 13.04% below the closing price of HK\$2.30 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 14.16% below the average of the closing price of HK\$2.33 per Share for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 11.11% below the average of the closing price of HK\$2.25 per Share for the last ten consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of 15.61% below the closing price of HK\$2.37 as quoted on the Stock Exchange on the Latest Practicable Date.

The Conversion Price was determined after arm's length negotiations between the Company and the Subscriber after taking into account of the following:

- (i) the business and financial needs of the Group;
- (ii) the historical performance of the Shares, including the 40-day average closing price of HK\$1.92 and the 50-day average closing price of HK\$1.64 of the Shares prior to the Last Trading Day;
- (iii) the rapid increase of the market trading prices of the Shares in around September 2013;
- (iv) the fund raising size of HK\$500,000,000;
- (v) the market capitalization of the Company; and
- (vi) the funding burden arising from the need to settle the consideration for the very substantial acquisition as detailed in the Company's circular dated 26 September 2013.

LETTER FROM THE BOARD

Based on the above considerations, the Directors consider that the Conversion Price is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Adjustments to the
Conversion Price:

The Conversion Price is subject to be adjusted in accordance with the relevant provisions under terms and conditions of the Convertible Bonds upon occurrence of, among other things, the following events:

- (i) any Share consolidation, Share split or reverse Share split, Share subdivision or other similar event affecting the number of outstanding Conversion Shares (or such other shares or securities in the Equity Share Capital for the time being);
- (ii) any reclassification or change of the outstanding Conversion Shares (or any share capital or other securities at the time issuable upon exercise of the conversion rights attaching to the Convertible Bonds) or any reorganisation of the Company, then and in each such case the holder(s) of the Convertible Bonds, upon the exercise of the conversion rights attaching to the Convertible Bonds at any time after the consummation of such reclassification, change, or reorganisation, shall be entitled to receive, in lieu of the stock or other securities and property receivable upon the exercise of the conversion rights prior to such consummation, the Shares or other securities or property to which such holder(s) of the Convertible Bonds would have been entitled upon such consummation if such holder(s) of the Convertible Bonds had exercised the conversion rights immediately prior thereto;
- (iii) an issue of Shares credited as fully paid to the Shareholders by way of capitalization of profits or reserves, other than Shares issued in lieu of a cash dividend;
- (iv) any payment or making of any capital distribution to the Shareholders or a grant to the Shareholders rights to acquire for cash assets of the Company or any of the Group Companies; or
- (v) an offer to the Shareholders for subscription by way of rights, or grant to the Shareholders any options or warrants to subscribe for new Shares, at a price which is less than 80% of the current market price on the date of the announcement of the terms of the offer or grant.

LETTER FROM THE BOARD

Conversion: After the first twelve months from the date of issue of the Convertible Bonds, the conversion rights attaching to the Convertible Bonds can be exercised at any time during a period of five years commencing from the date of issue of the Convertible Bonds provided that no conversion right shall be exercised if it will result in (i) insufficient public float of the Shares; or (ii) the holder(s) of the Convertible Bonds (whether alone or together with parties acting in concert) being obliged to make a Mandatory Offer under the Takeovers Code.

During the first twelve months from the date of issue of the Convertible Bonds, the conversion rights attaching to the Convertible Bonds cannot be exercised without prior written consent of the Company.

Conversion Shares: Upon exercise of the conversion rights under the Convertible Bonds in full at the Conversion Price of HK\$2.00 per Conversion Share, a total of 250,000,000 Conversion Shares will be issued to the Subscriber, representing:

- (i) approximately 19.78% of the existing issued share capital of the Company; and
- (ii) approximately 16.51% of the issued share capital of the Company as enlarged by the issue of Conversion Shares to the Subscriber.

The Conversion Shares will in all respects rank *pari passu* with the Shares in issue on the date of allotment and issue of such Conversion Shares and accordingly entitle the holders to participate in all dividends or other distributions declared, paid or made on or after the relevant conversion date.

Redemption: No early redemption is allowed unless with prior written consent of the Subscriber or the holder(s) of the Convertible Bonds. At any time during a period of five years from the date of issue of the Convertible Bonds, with prior written consent of the Subscriber or the holder(s) of the Convertible Bonds, the Company may redeem in whole or in part of the Convertible Bonds then outstanding at 100% of the outstanding principal amount of the Convertible Bonds to be redeemed.

All Convertible Bonds which have not been redeemed or converted by their maturity date will be automatically redeemed by the Company on the maturity date at a redemption amount equal to 100% of the outstanding principal amount of such Convertible Bonds.

LETTER FROM THE BOARD

Transferability:

The Convertible Bonds are freely transferable to any Independent Third Party after expiry of the first twelve months from the date of issue of the Convertible Bonds provided that during the first twelve months from the date of issue of the Convertible Bonds, no transfer of the Convertible Bonds can be made without prior written consent of the Company. The Convertible Bonds are not freely transferable to connected person(s) of the Company.

The Convertible Bonds may only be transferred if, and only if, the transfer is made in accordance with any applicable requirements of the Stock Exchange, the Listing Rules, applicable laws and regulations and the relevant provisions of the Bond Instrument. A transfer of the Convertible Bonds shall have to be initiated by a bond transfer form in which the name of the intended transferee shall have to be provided. The Company shall take all necessary measures to ascertain whether the intended transferee shall be a connected person.

Security:

Upon full subscription of the Convertible Bonds, the Company shall, as soon as practicable, arrange for the provision to the Subscriber the Security for the Company's obligations and liabilities under the terms and conditions of the Convertible Bonds.

The Security was acceptable to the Subscriber because most of the Group's intended new business of providing vertically integrated satellite services (as detailed in the Company's circular dated 26 September 2013) would be carried out by Radio World Holding Limited and Vastsuccess Holdings Limited. Should the new business proceed as anticipated, these two Group Companies would become substantial companies with valuable assets. In view of the fund raising size and the absence of other suitable assets acceptable to the Subscriber, the Directors consider that the Security is appropriate.

As at 31 October 2013, the net book values of Radio World Holding Limited and Vastsuccess Holdings Limited were approximately HK\$658,250 and a negative of HK\$2,565,187 respectively. Therefore, the total value of the Security is far less than the principal amount of the Convertible Bonds.

LETTER FROM THE BOARD

The Security shall be discharged, released, or cancelled forthwith when (i) the Subscriber or the holder(s) of the Convertible Bonds exercise the conversion rights attaching to the Convertible Bonds and obtain allotment of the corresponding Conversion Shares; or (ii) the Company repays all principal amount under the Convertible Bonds.

- Status: The Convertible Bonds will constitute secured and unsubordinated obligations of the Company.
- Voting at shareholders' meeting: Holder(s) of the Convertible Bonds shall not be entitled to receive notices of, attend or vote at any general meeting of the Company by reason of only of being the holder(s) of the Convertible Bonds.
- Listing: No application will be made for the listing of, permission to deal in, the Convertible Bonds on the Stock Exchange. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

REASONS FOR THE ISSUE OF CONVERTIBLE BONDS AND USE OF PROCEEDS

The Group is principally engaged in the provision of core components of specialized communication system. The products of the Group are mainly utilized by end-users for public safety and emergency communication purposes.

The Board considers that the issue of the Convertible Bonds represents an opportunity to raise additional funds for the Company to cater for its future needs while broadening the capital base of the Company. Raising funds by issuing Convertible Bonds is justifiable in view of the recent market conditions. The Convertible Bonds will not result in any immediate dilution effect on the shareholding of the existing Shareholders. Furthermore, under the Subscription Agreement, issuance of the Convertible Bonds shall be made with reference to the capital need of the Company, and the Company is entitled to much flexibility in terms of the timing of issuance of the Convertible Bonds and their value. Thus the Company would be able to raise a particular amount of funds at a certain point of time when capital shall be needed.

The Company entered into the Warrant Subscription Agreement with the Warrant Subscriber on 30 September 2013, and completed the Warrants issue on 22 October 2013. Under the Warrant Subscription Agreement, the Warrant Subscriber paid an aggregate of Warrants issue price of HK\$1,200,000 to the Company. The net proceeds from the subscription of Warrants are approximately HK\$1,000,000 which have been applied as the general working capital of the Group. Assuming full exercise of the subscription rights attaching to the Warrants, the total gross and net funds to be raised, including the funds raised by the subscription of Warrants, are approximately HK\$241,200,000 and HK\$240,950,000. Such net proceeds shall be applied as the general working capital of the Group as well as supporting funds for the Group's intended new business of the provision of vertically integrated satellite communication services as disclosed in the circular of the Company dated 26 September 2013.

LETTER FROM THE BOARD

Notwithstanding the Warrants issue as a fund raising activity, the Board considers that the issue of Convertible Bonds provides a good opportunity for the Group to raise funds in a flexible and controllable manner as described in the foregoing paragraph.

Other than the issue of the Convertible Bonds, the Board had considered various alternative fund raising methods including bank borrowings, rights issue, open offer or share placement, and took the view that the issue of the Convertible Bonds was an appropriate means of raising funds for the Company, especially for the funding burden arising from the need to settle the consideration for the very substantial acquisition as detailed in the circular of the Company dated 26 September 2013.

Comparatively, having considered the Group's loan arrangements with its bankers in 2011 and 2012, the Board is of the opinion that banking facilities may be obtained by the Group with more unfavorable terms including higher interest rates. In view of the rapid and sharp increase of the prices of the Shares in recent months only, the Board also believes that for other fund raising alternatives like open offer, rights issue or share placement, the Company may have to offer a larger discount for the relevant subscription prices for Shares in order to engage an underwriter/placing agent. Furthermore, the Board considered that an open offer or a rights issue would involve an immediate share dilution and therefore might not be beneficial to the Shareholders as a whole.

The negotiation between the Company and the Subscriber was made on arm's length basis, and the intention of the Subscriber as an investor had to be taken into account in the Company's fund raising exercise to try to obtain HK\$500,000,000 in the recent general market conditions.

The Directors consider that, taking into account of various relevant factors including the intention of the Subscriber, among various fund raising alternatives, the issue of the Convertible Bonds is the most appropriate means.

The net proceeds from the issue of the Convertible Bonds if fully subscribed by the Subscriber is approximately HK\$499,650,000, half of which shall be applied for and towards the Company's new business of providing vertically integrated satellite communication services intended to be developed by the Group as disclosed in the circular of the Company dated 26 September 2013, and the remaining half can be applied towards the Group's general working capital. The net price for each Conversion Share is approximately HK\$1.999.

The Directors also consider that the Subscription Agreement was entered into on normal commercial terms after arm's length negotiations between the Company and the Subscriber and that the terms of the Subscription Agreement (including the Conversion Price) are fair and reasonable so far as the interest of the Company and its Shareholders as a whole are concerned.

LETTER FROM THE BOARD

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the Company's shareholding structure (i) as at the Latest Practicable Date; (ii) immediately after the allotment and issue of the Conversion Shares upon exercise of the conversion rights in full under the Convertible Bonds; and (iii) immediately after allotment and issue of the Conversion Shares upon exercise of the conversion rights in full under the Convertible Bonds and upon full exercise of the subscription rights under all outstanding Warrants issued by the Company:

	As at the date Latest Practicable Date		Immediately after the allotment and issue of the Conversion Shares upon exercise in full of the conversion rights under the Convertible Bonds		Immediately after allotment and issue of the Conversion Shares upon exercise of the conversion rights in full under the Convertible Bonds and upon full exercise of the subscription rights under all outstanding Warrants	
	<i>No. of Shares</i>	<i>Approx %</i>	<i>No. of Shares</i>	<i>Approx %</i>	<i>No. of Shares</i>	<i>Approx %</i>
Non public shareholders						
Mr. Wong Chit On and Excel Time Investments Limited (Note 1)	810,000,000	64.08	810,000,000	53.50	810,000,000	49.57
Mr. Zhang Jinbing	40,000,000	3.17	40,000,000	2.64	40,000,000	2.45
Mr. Han Weining	12,000,000	0.95	12,000,000	0.79	12,000,000	0.73
Sub-total:	862,000,000	68.20	862,000,000	56.93	862,000,000	52.75
Public shareholders						
The Subscriber	—	—	250,000,000	16.51	250,000,000	15.30
The Warrants Subscriber	—	—	—	—	120,000,000	7.35
Other public Shareholders	402,000,000	31.80	402,000,000	26.56	402,000,000	24.60
Sub-total:	402,000,000	31.80	652,000,000	43.07	772,000,000	47.25
Total:	1,264,000,000	100.00	1,514,000,000	100.00	1,634,000,000	100.00

Note:

- Mr. Wong Chit On is an executive Director and is the beneficial owner of all the issued share capital of Excel Time Investments Limited ("Excel Time") which holds 810,000,000 Shares. Therefore, Mr. Wong Chit On is deemed, or taken to be, interested in all the Shares which are beneficially owned by Excel Time for the purposes of the SFO. Being the spouse of Mr. Wong Chit On, 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.

LETTER FROM THE BOARD

FUND RAISING EXERCISES UNDERTAKEN BY THE COMPANY WITHIN THE PAST 12-MONTH PERIOD

Date of announcement	Capital raising activity	Net proceeds raised (approximately)	Proposed use of the net proceeds	Actual use of the net proceeds
2 October 2013	Issue of Warrants to the Warrant Subscriber pursuant to the Warrant Subscription Agreement at the issue price of HK\$0.01 per Warrant (<i>Note 1</i>)	HK\$1,000,000 from the subscription of the Warrants HK\$240,950,000 upon full exercise of the Warrants	To be used as general working capital of the Group as well as supporting funds for the Group's intended new business of the provision of vertically integrated satellite communication services	Approximately HK\$1,000,000 from the subscription of the Warrants have been applied as general working capital of the Group No Warrants had been exercised as at the Latest Practicable Date

Note:

- The Company issued Warrants to the Warrant Subscriber pursuant to the Warrant Subscription Agreement on 22 October 2013. The Warrants may be exercised immediately after expiry of a 6-month period commencing from the date of issue of the Warrants during an exercise period of two (2) years commencing from the date of issue of the Warrants. The details of the Warrants are disclosed in the announcement published by the Company on 2 October 2013.

Save for the above, the Company has not raised any fund by issuing equity securities during the 12 months immediately before the Latest Practicable Date.

SPECIFIC MANDATE

The Company will seek for the grant of the Specific Mandate from the Shareholders at the EGM to issue and allot the Conversion Shares.

EGM

The Company will convene the EGM at the Conference Room, 3/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong on Thursday, 9 January 2014 at 2:30 p.m. at which resolution(s) will be proposed for the purpose of considering and, if thought fit, to approve, among other matters (if any), the Subscription Agreement and transactions contemplated thereunder, including the grant of the Specific Mandate. A notice convening the EGM is set out on pages 18 to 19 in this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instruction printed thereon as soon as possible and in any event not less

LETTER FROM THE BOARD

than 48 hours before the time appointed for the holding of the EGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or any adjournment thereof) should you so wish.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, no Shareholder had an interest in the Subscription Agreement that was materially different from the other Shareholders. Therefore, no Shareholder is required to abstain from voting on the necessary resolution(s) to be proposed at the EGM to approve the transactions contemplated under the Subscription Agreement.

RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the opinion that the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate.

Completion of the Subscription Agreement is subject, among others, to the satisfaction of the conditions precedent in the Subscription Agreement. As the Subscription Agreement may or may not complete, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

Yours faithfully,
For and on behalf of Board of
Synertone Communication Corporation
WONG CHIT ON
Chairman & Executive Director



SYNERTONE

SYNERTONE COMMUNICATION CORPORATION

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1613)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Synertone Communication Corporation (the “**Company**”) will be held at the Conference Room, 3/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong on Thursday, 9 January 2014 at 2:30 p.m. to consider and, if thought fit, pass the following resolution(s) as ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the execution, delivery and performance by the Company of a subscription agreement dated 8 November 2013 entered into between the Company and Regal Force Limited (the “**Subscriber**”) in relation to the issue of convertible bonds by the Company with an aggregate principal amount of HK\$500,000,000 (the “**Convertible Bonds**”) entitling the holders thereof to convert the principal amount thereof into ordinary shares of the Company (the “**Conversion Shares**”) at an initial conversion price of HK\$2.00 (subject to adjustment) per Conversion Share (the “**Subscription Agreement**”, a copy of which has been produced to the meeting marked “A” and initialed by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (b) subject to the fulfillment or waiver of the conditions precedent set out in the Subscription Agreement, the directors of the Company be and are hereby authorised to issue the Convertible Bonds in accordance with the terms and conditions of the Subscription Agreement;
- (c) the directors of the Company be and are hereby granted a specific mandate to exercise the powers of the Company to allot and issue the Conversion Shares; and

NOTICE OF EGM

- (d) the directors of the Company be and are hereby authorised to exercise all powers of the Company and take all steps as might in their opinion be desirable, necessary or expedient to give effect to or in connection with the Subscription Agreement including without limitation to:
- (i) the execution, amendment, supplement, delivery, submission and/or implementation of any further documents or agreements in relation to the Subscription Agreement, the issue of the Convertible Bonds and the issue and allotment of the Conversion Shares; and
 - (ii) the taking of all necessary actions to implement the transactions contemplated under the Subscription Agreement.”

For and on behalf of the Board
Synertone Communication Corporation
WONG CHIT ON
Chairman & Executive Director

Hong Kong, 19 December 2013

Notes:

- (1) A member entitled to attend and vote at the above meeting is entitled to appoint one or if he is a holder of more than one share of the Company, one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
- (2) In order to be valid, the instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power of attorney or other authority, must be lodged with the Hong Kong share registrar of the Company, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof.
- (3) Delivery of an instrument appointing a proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting convened.
- (4) Where there are joint holders of shares of the Company, any one of such persons may vote at the above meeting (or any adjournment thereof), either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share will alone be entitled to vote in respect thereof.
- (5) For the purpose of determining members who are qualified for attending the EGM, the register of members of the Company will be closed from 7 January 2014 to 9 January 2014 (both days inclusive), during which period no transfer of the shares of the Company will be effected. In order to be eligible to attend the EGM or any adjournment thereof, all transfer of shares of the Company accompanied by the relevant share certificates must be lodged with the Hong Kong share registrar of the Company at the above address no later than 4:00 pm on 6 January 2014.
- (6) Unless otherwise specified herein, capitalized terms used in this notice shall have the same meaning as those defined in the circular of the Company dated 19 December 2013.
- (7) This notice has been printed in English and Chinese. In the event of any inconsistency, the English text of this notice shall prevail over its Chinese text.

As at the Latest Practicable Date, the executive directors are Mr. Wong Chit On, Mr. Lu Zhijie, Mr. Han Weining and Mr. Zhang Jinbing, and the independent non-executive directors are Mr. Lam Ying Hung Andy, Mr. Hu Yunlin and Mr. Cai Youliang.