

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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



SYNERTONE
SYNERTONE COMMUNICATION CORPORATION

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1613)

PROPOSED ISSUE OF CONVERTIBLE BONDS

PROPOSED ISSUE OF CONVERTIBLE BONDS

On 8 November 2013 (after trading hours), 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 the principal amount of HK\$500,000,000.

Upon full conversion of the Convertible Bonds at the Conversion Price of HK\$2.00 per Conversion Share (subject to adjustments), a total of 250,000,000 Conversion Shares will be issued to the Subscriber, representing approximately 19.78% of the existing issued share capital of the Company, and approximately 16.51% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares to the Subscriber.

The net proceeds from the issue of the Convertible Bonds 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.

As the Subscription Agreement may or may not complete, Shareholders and potential investors of the Company are urged to exercise extreme caution when dealing in the Shares.

THE SUBSCRIPTION AGREEMENT

Date

8 November 2013

Parties

- (1) The Company as issuer; and
- (2) Regal Force Limited (or “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.

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);
- (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.

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.

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.
Maturity Date:	Five Years from the date of issue
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 12.66% below the closing price of HK\$2.29 per Share as quoted on the Stock Exchange on the Last Trading Date
- (ii) a discount of approximately 13.42% below the average of the closing price of HK\$2.31 per Share for the last five consecutive trading days up to and including the Last Trading Date; and

- (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 Date.

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, subdivision or consolidation of Shares, capital distribution, issue of Shares by way of capitalization of profits or reserves, issue of options, rights or warrants, or other dilutive events.

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.

Transferability: The Convertible Bonds are freely transferable 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.

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 shall be discharged, released, or cancelled forthwith when (i) the Subscriber or the holder(s) of the Convertible Bonds exercise the conversion rights under 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.

Application for 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.

The net proceeds from the issue of the Convertible Bonds 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.

SHAREHOLDING OF THE COMPANY

The following table illustrates the Company's shareholding structure (i) as at the date of this announcement; (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 is as follows:

	As at the date of this announcement		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	
	No. of Shares	Approx %	No. of Shares	Approx %	No. of Shares	Approx %
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:	<u>862,000,000</u>	<u>68.20</u>	<u>862,000,000</u>	<u>56.93</u>	<u>862,000,000</u>	<u>52.75</u>
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	<u>402,000,000</u>	<u>31.80</u>	<u>402,000,000</u>	<u>26.56</u>	<u>402,000,000</u>	<u>24.60</u>
Sub-total:	<u>402,000,000</u>	<u>31.80</u>	<u>652,000,000</u>	<u>43.07</u>	<u>772,000,000</u>	<u>47.25</u>
Total:	<u>1,264,000,000</u>	<u>100</u>	<u>1,514,000,000</u>	<u>100</u>	<u>1,634,000,000</u>	<u>100</u>

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.

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

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 as disclosed in this announcement, the announcement dated 2 October 2013 mentioned herein above and the announcement about completion of the Warrant Subscription Agreement dated 22 October 2013, the Company has not raised any fund by issuing equity securities during the 12 months immediately before the date of this announcement.

GENERAL MANDATE

The Conversion Shares which may fall to be issued upon the exercise of the conversion rights under the Convertible Bonds will be issued under the General Mandate.

In the event that the General Mandate shall become insufficient, an EGM shall be convened to pass the necessary resolution(s) approving the refreshment of the General Mandate or the grant of a specific mandate to the Board for the issue and allotment of the Conversion Shares.

GENERAL

Completion of the subscription of the Convertible Bonds is subject to the satisfaction and/or waiver of the conditions precedent in the Subscription Agreement.

As the Subscription Agreement may or may not complete, Shareholders and potential investors of the Company are urged to exercise extreme caution when dealing in the Shares.

DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have 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 in the Listing Rules
“Conversion Price”	The initial conversion price of the Convertible Bonds, being HK\$2.00 per Conversion Share (subject to adjustments)
“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
“Conversion Shares”	Shares fall to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds
“Director(s)”	The director(s) of the Company
“EGM”	Extraordinary general meeting 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 22 August 2013, or in the event that the said general mandate shall have been consumed or lapsed, the subsequent general mandate to be granted to the Directors at a subsequent general meeting of the Company
“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”	7 November 2013, being the last trading day of the Shares prior to the date of this announcement
“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 December 2013, 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
“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)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Regal Force Limited, a company incorporated in the British Virgin Islands with limited liability
“subsidiary”	Has the meaning given to it in 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 an announcement 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
“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

By Order of the Board of
Synertone Communication Corporation
Lam Mei Shan
Company Secretary

Hong Kong, 10 November 2013

As at the date of this announcement, 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.