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SYNERTONE
SYNERTONE COMMUNICATION CORPORATION

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1613)

**ISSUE OF UNLISTED WARRANTS
PURSUANT TO GENERAL MANDATE**

The Board is pleased to announce that on 30 September 2013, the Company entered into the Subscription Agreement with the Subscriber. Under the Subscription Agreement, the Company has agreed to issue and the Subscriber has agreed to subscribe for 120,000,000 Warrants at the Issue Price of HK\$0.01 per Warrant. Each Warrant carries the right to subscribe at any time during the Subscription Period for one Warrant Share at the Subscription Price of HK\$2.00 per Warrant Share (subject to certain adjustment events). The Warrant Shares will be issued under the General Mandate.

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

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Warrant Shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the Warrants. No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges.

Shareholders and potential investors should note that the issue of Warrants is subject to the fulfillment of the conditions under the Subscription Agreement. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

SUBSCRIPTION AGREEMENT

The Board is pleased to announce that on 30 September 2013 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber. The Subscription Agreement's principal terms are set out as follows:

Date

30 September 2013

Parties

- (1) The Company as the issuer; and
- (2) 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 and the entire issued share capital of which is legally and beneficially owned by CITIC Group, as the Subscriber. The principal business of the Subscriber is the provision of an integrated merchant banking service and related investment platform.

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

Securities to be issued

Subject to the fulfillment of the conditions to the Subscription Agreement, the Company has agreed to issue, and the Subscriber has agreed to subscribe for, an aggregate of 120,000,000 Warrants at the Issue Price of HK\$0.01 per Warrant. Each of the Warrants carries the right to subscribe for one Warrant Share at the Subscription Price.

Conditions

Completion of the Subscription Agreement is subject to the fulfillment of the following conditions precedent:

- (a) If required, the Listing Committee having approved the issue of the Warrants either unconditionally or subject to such conditions to which both the Company and the Subscriber shall reasonably accept;
- (b) The Listing Committee having granted the listing of, and permission to deal in, the Warrant Shares either unconditionally or subject to such conditions to which both the Company and the Subscriber shall reasonably accept, and such permission and listing not subsequently revoked or withdrawn prior to Completion;
- (c) The Company having obtained, without prejudice to conditions (a) and (b) above, all necessary consents, approvals and authorizations from any Governmental Authority in Hong Kong, Cayman Islands or elsewhere in respect of the issue of the Warrants; and

- (d) 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

Completion shall take place on the Completion Date.

PRINCIPAL TERMS OF THE WARRANTS

Number of Warrants

120,000,000 Warrants. The Warrants will rank pari passu in all respects among themselves.

Issue Price

The Issue Price is HK\$0.01 per Warrant. The net issue price, after deduction of the relevant expenses, is approximately HK\$0.00833 per Warrant.

Number of Warrant Shares issuable

As at the date of this announcement, the Company has a total of 1,200,000,000 Shares in issue. Assuming there is no further issue or repurchase of the Shares and there is no adjustment to the Subscription Price, upon the full exercise of the subscription rights attaching to the Warrants, 120,000,000 Warrant Shares will be issued, which represent approximately 9.09% of the issued share capital of the Company as enlarged by the allotment and issue of the Warrant Shares.

Subscription Price

Subject to adjustments, the Subscription Price is HK\$2.00 per Warrant Share, which represents:

- (i) A premium of approximately 14.94% over the closing price of HK\$1.74 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) A premium of approximately 27.88% over the average of the closing price of Shares as quoted on the Stock Exchange for last five consecutive trading days up to and including the Last Trading Day of approximately HK\$1.564; and
- (iii) A premium of approximately 41.74% over the average of the closing price of Shares as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day of approximately HK\$1.411.

The aggregate of the Issue Price and the Subscription Price

The aggregate of the Issue Price of HK\$0.01 per Warrant and the Subscription Price of HK\$2.00 per Warrant Share (subject to adjustments), i.e. HK\$2.01, represents:

- (i) A premium of approximately 15.52% over the closing price of HK\$1.74 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) A premium of approximately 28.52% over the average of the closing price of Shares as quoted on the Stock Exchange for last five consecutive trading days up to and including the Last Trading Day of approximately HK\$1.564; and
- (iii) A premium of approximately 42.45% over the average of the closing price of Shares as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day of approximately HK\$1.411.

The Issue Price and the Subscription Price were determined after arm's length negotiations between the Company and the Subscriber, taking into account the business of the Company and its subsidiaries and the recent trading prices of the Shares. The Directors are of the opinion that the Issue Price and the Subscription Price are fair and reasonable and in the best interest of the Company.

Adjustments to the Subscription Price

The Subscription Price will be subject to adjustments in certain events, including:

- (i) An alternation to the nominal value of the Shares as a result of share consolidation or subdivision;
- (ii) 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;
- (iii) Payment or making of any capital distribution to the Shareholders; and
- (iv) 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.

The Board confirms that the above are normal anti-dilutive adjustment events.

Exercise Period and lot size

Subject to the restriction that the subscription rights attaching to the Warrants can only be exercised immediately after expiry of a 6-month period commencing from the date of issue of the Warrants, the subscription rights attaching to the Warrants can be exercised at any time during the Exercise Period of two years commencing from the date of issue of the Warrants in integral multiples of 5,000,000 Warrants.

The Subscriber shall not be entitled to exercise the subscription rights attaching to the Warrants to the extent that immediately after such exercise:

- (i) There will not be sufficient public float of the Shares as required under the Listing Rules; or
- (ii) The Subscriber whether alone or together with parties acting in concert with it would be obliged to make a general offer under the Hong Kong Code on Takeovers and Mergers in force from time to time.

Transferability of Warrants

The Warrants shall be in registered form and is freely transferable during the Exercise Period after expiry of the first 6 months period after the date of issue of Warrants, to any person other than a connected person of the Company in integral multiples of 5,000,000 Warrants (or if at the time of transfer, the outstanding number of Warrants are less than 5,000,000, the whole but not in part of the outstanding Warrants) by an instrument of transfer in such form as may be approved by the Directors provided that no transfer of the Warrants can be made to connected persons unless with the prior written consent of the Company.

Ranking of the Warrant Shares

The Warrant Shares, when issued and fully paid, will rank pari passu in all respects with the existing issued Shares as at the date of allotment and issue of the relevant Warrant Shares.

Voting rights

The holder(s) of the Warrants will not be entitled to receive notices of, attend or vote at any meeting of the Company by reason only of it being a holder of the Warrants.

Rights of holder(s) of Warrants during the Subscription Period on winding-up

If an effective resolution is passed during the Exercise Period for the winding-up of the Company and such winding-up is not for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement, the holder(s) of the Warrants shall be entitled at any time within six weeks after the passing of such resolution to exercise the Warrants. Subject to the foregoing, if the Company is wound up, all Warrants which have not been exercised at the date of the passing of such resolution shall lapse.

If an effective resolution is passed during the Exercise Period for the voluntary winding-up of the Company, then if such winding-up is for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the holder(s) of the Warrants shall be a party or in conjunction with which a proposal is also made to the holder(s) of the Warrants and is approved by special resolution, the terms of such scheme of arrangement or (as the case may be) the proposal will be binding on all the holder(s) of the Warrants.

Application for Listing

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Warrant Shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the Warrants. No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges.

GENERAL MANDATE TO ISSUE THE WARRANT SHARES

The issue of the Warrants and the issue of the Warrant Shares upon exercise of the subscription rights attaching to the Warrants are not subject to the Shareholders' approval.

The Warrant Shares will be issued pursuant to the General Mandate. The maximum number of new Shares which could be issued under the General Mandate is 240,000,000 Shares. As at the date of this announcement, save for the proposed issue of the Warrant Shares upon exercise of the subscription rights attaching to the Warrants, the Company has not utilized the General Mandate.

REASONS FOR THE ISSUE OF WARRANTS 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 Warrants, with a subscription price at a premium, represents an opportunity to raise additional funds for the Company to cater for its future needs while broadening the capital base of the Company. The Warrants are not interest bearing and will not result in any immediate dilution effect on the shareholding of the existing Shareholders. The net proceeds from the subscription of Warrants are approximately HK\$1,000,000 which will be applied as the general working capital of the Group.

Assuming the 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. The net proceeds of approximately HK\$240,950,000 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.

Assuming the full exercise of the subscription rights attaching to the Warrants, the net price to the Company of each Warrant, which is calculated by dividing the aggregate net proceeds from the subscription of Warrants and the exercise of the subscription rights attaching to the Warrants by the total number of the Warrants, is approximately HK\$2.02.

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 Issue Price and the Subscription Price) are fair and reasonable so far as the interest of the Company and its Shareholders as a whole are concerned.

SHAREHOLDING STRUCTURE

As at the date of this announcement, the Company has 1,200,000,000 Shares in issue. The shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the full exercise of the subscription rights attaching to the Warrants (assuming that there will be no further changes in the issued share capital of the Company prior to such exercise and no adjustment to the Subscription Price) are as follows:

	As at the date of this announcement		Immediately after the full Exercise of the subscription rights Attaching to the Warrants	
	<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 (<i>Note 1</i>)	810,000,000	67.50	810,000,000	61.36
Mr. Zhang Jinbing	40,000,000	3.33	40,000,000	3.03
Mr. Han Weining	<u>12,000,000</u>	<u>1.00</u>	<u>12,000,000</u>	<u>0.91</u>
Sub-total:	<u>862,000,000</u>	<u>71.83</u>	<u>862,000,000</u>	<u>65.30</u>
Public shareholders				
The Subscriber	—	—	120,000,000	9.09
Other public Shareholders	338,000,000	28.17	338,000,000	25.61
Sub-total:	<u>338,000,000</u>	<u>28.17</u>	<u>458,000,000</u>	<u>34.70</u>
Total (<i>Note 2</i>):	<u>1,200,000,000</u>	<u>100</u>	<u>1,320,000,000</u>	<u>100</u>

Notes:

- 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.
- Assuming that there will not be any changes in the issued share capital of the Company save for the allotment and issue of the Warrant Shares upon exercise of the subscription rights attaching to the Warrants.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any fund raising activity in the past twelve months from the date of this announcement.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to Rule 15.02(1) of the Listing Rules, the Warrant Shares to be issued on exercise of the Warrants must not, when aggregated with all other equity securities remain to be issued on exercise of any other subscription rights, if all such rights were immediately exercised, whether or not such exercise is permissible, exceed 20% of the issued share capital of the Company at the time the Warrants are issued. Options granted under share option schemes which comply with Chapter 17 of the Listing Rules are excluded for the purpose of such limit.

As at the date of this announcement, no share options have been granted under the share option scheme of the Company and the Company does not have any securities with subscription rights outstanding and not yet exercised.

Assuming (i) full exercise of the subscription rights attaching to the Warrants; and (ii) no Shares are further issued and repurchased, a total of 120,000,000 Warrant Shares will be issued, which represent (a) approximately 10% of the issued share capital of the Company as at the date of this announcement; and (b) approximately 9.09% of the issued share capital as enlarged by the issue of the Warrant Shares. Accordingly, the issue of the Warrants is in compliance with Rule 15.02(1) of the Listing Rules.

GENERAL

Shareholders and potential investors should note that the issue of Warrants is subject to the fulfillment of the conditions under the Subscription Agreement. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

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

“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 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 second Business Day after the date on which the conditions set out in the section headed “Conditions” in this announcement are fulfilled or, as the case may be, waived by the Subscriber or the Company
“connected person(s)”	Has the meaning given to it in the Listing Rules

“Director(s)”	The director(s) of the Company
“Exercise Period”	The two-year period commencing from the date of issue of the Warrants
“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
“Government 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
“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)
“Issue Price”	The issue price of HK\$0.01 per Warrant
“Last Trading Day”	30 September 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”	30 October 2013, or such other date as may be agreed between the Company and the Subscriber in writing
“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”	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

“Subscription Agreement”	The conditional warrant subscription agreement dated 30 September 2013 entered into between the Subscriber and the Company in relation to the subscription of Warrants by the Subscriber
“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
“subsidiary”	Has the meaning given to it in the Listing Rules
“Warrant(s)”	The total of 120,000,000 unlisted warrants conferring rights to subscribe for 120,000,000 Warrant Shares at the Subscription Price (subject to adjustment), at any time during the Exercise Period
“Warrant Share(s)”	The new Shares to be issued by the Company upon the exercise of the subscription rights attaching to the Warrants
“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, 2 October 2013

As at the date of this announcement, the executive directors were Mr. Wong Chit On, Mr. Lu Zhijie, Mr. Han Weining and Mr. Zhang Jinbing, and the independent non-executive directors were Mr. Lam Ying Hung Andy, Mr. Hu Yunlin and Mr. Cai Youliang.