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**SYNERTONE**

**SYNERTONE COMMUNICATION CORPORATION**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1613)**

**MEMORANDUM OF UNDERSTANDING  
IN RESPECT OF THE PROPOSED SUBSCRIPTION OF NEW SHARES  
AND  
RESUMPTION OF TRADING**

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the inside information provisions under Part XIVA of the SFO.

**THE MOU AND THE PROPOSED SUBSCRIPTION OF NEW SHARES**

The Board is pleased to announce that on 10 October 2014, the Company and Mr. Wong entered into the MOU (which is legally binding) with the Investor, pursuant to which the Company intended to allot and issue, and the Investor (or through its nominee) intended to subscribe new Shares (which shall not be more than 6% of the issued share capital of the Company as enlarged by the Proposed Subscription) at the Subscription Price of HK\$0.6779 per Subscription Share to be satisfied in cash.

If the Proposed Subscription shall materialise, assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the Completion Date and assuming that the Subscriber will subscribe the maximum number of Subscription Shares constituting 6% of the issued share capital of the Company as enlarged by the Proposed Subscription, the total funds to be raised and the net proceeds from the Proposed Subscription are expected to be approximately HK\$273.47 million and HK\$273.17 million respectively.

**RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares has been suspended with effect from 10:59 a.m. on 10 October 2014 pending the release of this announcement. Application will be made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:00 a.m. on 13 October 2014.

**Shareholders and potential investors of the Company should be aware that the MOU may or may not lead to the entering into of the Definitive Agreements and the transactions contemplated under the MOU may or may not be consummated. As the Proposed Subscription may or may not proceed, shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the inside information provisions under Part XIVA of the SFO.

## **THE MOU AND THE PROPOSED SUBSCRIPTION OF NEW SHARES**

The Board is pleased to announce that on 10 October 2014, the Company, the Investor and Mr. Wong entered into the MOU (which is legally binding) and the principal terms and conditions of which are set out below:

### **The MOU**

#### *Date*

10 October 2014

#### *Parties*

- (i) The Company;
- (ii) The Investor; and
- (iii) Mr. Wong.

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

#### *Subject matter*

Pursuant to the MOU, the Company intended to allot and issue, and the Investor (or through its nominee) intended to subscribe new Shares (which shall not be more than 6% of the issued share capital of the Company as enlarged by the Proposed Subscription) at the Subscription Price of HK\$0.6779 per Subscription Share to be satisfied in cash.

#### *Subscription Price*

The Subscription Price of HK\$0.6779 per Subscription Share represents:

- (i) a discount of approximately 0.31% to the closing price of HK\$0.68 per Share as quoted on the Stock Exchange on 9 October 2014, being the last trading day prior to the date of the MOU; and

- (ii) a premium of approximately 1.79% to the average closing price of HK\$0.666 per Share as quoted on the Stock Exchange for the last five trading days up to and including 9 October 2014.

The Subscription Price was determined after arm's length negotiation between the Investor and the Company on the date of the MOU with reference to the volume weighted average price of the Shares for the 20 trading days immediately prior to (but excluding) the date of MOU. The Subscription Price shall be settled in cash. The Directors consider that the Subscription Price is fair and reasonable and the Proposed Subscription is in the interests of the Company and the Shareholders as a whole.

#### *Conditions to the Proposed Subscription and Definitive Subscription Agreement*

The Proposed Subscription is subject to, and conditional upon the Investor being satisfied, within 180 days after the date of the MOU, at the Investor's sole discretion, with the results of its due diligence review on the Company.

Upon fulfillment of the condition set out above, the Company shall enter into a Definitive Subscription Agreement with the Subscriber setting out the detailed terms and conditions of the Proposed Subscription. The Definitive Subscription Agreement is expected to include, among other usual and customary conditions, the following conditions precedent to Completion:

- (i) the Company having obtained all necessary approvals, consents and waivers from the Stock Exchange for the Proposed Subscription and for the listing of, and permission to deal in, the Subscription Shares;
- (ii) the Company having made an announcement of the Proposed Subscription and the arrangements under the Definitive Agreements in accordance with the Listing Rules;
- (iii) no change, event, circumstance or other matter that has a material adverse effect on the business, operations, financial conditions, assets or liabilities of the Group taken as a whole which results in a net decrease in the Group's consolidated net asset value by more than 20%; and
- (iv) the Deed of Undertaking having been duly executed by Mr. Wong.

#### *Guaranteed Yield and Deed of Undertaking*

The parties to the MOU agree that if the Proposed Subscription shall materialise, as a condition precedent to Completion, Mr. Wong shall enter into a Deed of Undertaking in favour of the Subscriber undertaking, amongst others, to pay the shortfall to the Subscriber in the event that the Subscriber shall sell any of the Subscription Shares and the Additional Shares during the Relevant Period resulting in a rate of return of less than 8% per annum (the "**Guaranteed Yield**"). Mr. Wong shall also undertake in the Deed of Undertaking to use his best endeavour to procure an individual nominated by the Subscriber as a non-executive Director.

Details of the Guaranteed Yield and the Deed of Undertaking will be set out in further announcements of the Company in relation to the Proposed Subscription if the Proposed Subscription shall materialise.

## **GENERAL MANDATE**

If the Proposed Subscription shall materialise, it is expected that the Subscription Shares will be allotted and issued under the General Mandate. As at the date of this announcement, no new Shares have been allotted and issued by the Company under the General Mandate.

As set out in the announcement of the Company dated 28 August 2014, the Shares to be allotted and issued upon exercising of the subscription rights of the 2014 Warrants to subscribe for 660,000,000 Shares will be allotted and issued pursuant to the General Mandate.

## **REASONS FOR THE PROPOSED SUBSCRIPTION AND USE OF PROCEEDS**

The Group is principally engaged in the operation of “Synertone 1” broadband communication satellite and 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 Directors consider that the Proposed Subscription does not only represent an opportunity to broaden the capital base and the shareholders base of the Company, but also represents a milestone to the Company in getting the recognition by an international top notch investor like the Investor of the commercial value of the Group’s latest plan to develop the first 4G mobile satellite telecommunication network system in the PRC. It is expected by the Directors that the business of the Group will continue to grow in the coming years when taking into account such new development.

If the Proposed Subscription shall materialise, following the Completion, the Subscriber will be entitled to nominate a nominee to join the Board as a non-executive Director. The Directors consider that the joining of a new non-executive Director to be nominated by the Subscriber will enhance the corporate governance of the Company and will help to build up a strategic cooperative relationship between the Group and the Investor.

The Directors also consider that the entering into the MOU and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

If the Proposed Subscription shall materialise, assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the Completion Date and assuming that the Subscriber will subscribe the maximum number of Subscription Shares constituting 6% of the issued share capital of the Company as enlarged by the Proposed Subscription, the total funds to be raised and the net proceeds from the Proposed Subscription are expected to be approximately HK\$273.47 million and HK\$273.17 million respectively. The net proceeds from the Proposed Subscription shall be applied mainly as supporting funds for the Group’s intended construction of the “Synertone 2”

communication satellite as disclosed in the Company's announcement dated 19 June 2014. Such intended plan is to substantially generate more satellite bandwidth resources to the Group for meeting the growing market demand in the PRC.

## **INFORMATION OF THE INVESTOR**

The Investor is a fund formed to make strategic investments throughout emerging markets. The Investor is managed by Templeton Asset Management Ltd's Emerging Markets Group, which has more than 50 investment professionals based in 18 offices located throughout emerging market countries. Templeton Emerging Markets Group is headed by Dr. Mark Mobius, who has over 40 years of emerging markets investment experience. The group manages over US\$47 billion as of 31 December 2013.

The Investor is also a subsidiary of Franklin Resources, Inc. (NYSE: BEN), a global investment management organization operating as Franklin Templeton Investment. Franklin Templeton Investments provides global and domestic investment management solutions managed by its Franklin, Templeton, Mutual Series, Bissett, Fiduciary Trust, Darby, Balanced Equity Management and K2 investment teams. Franklin Resources, Inc. has more than 65 years of investment experience and over US\$850 billion in assets under management by its subsidiaries as of 31 January 2013.

## **FURTHER ANNOUNCEMENTS**

The Company will make further announcements in relation to the Proposed Subscription as and when appropriate. In particular, if the Proposed Subscription shall materialise and the exact number of Subscription Shares to be subscribed by the Subscriber shall be determined, the Company will disclose in detail the effect of the Proposed Subscription on the share structure of the Company. Details of the fund raising activities undertaken by the Company in the past will also be set forth in such further announcements in accordance with the requirements under the Listing Rules.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares had been suspended with effect from 10:59 a.m. on 10 October 2014 pending the release of this announcement. Application will be made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:00 a.m. on 13 October 2014.

## **GENERAL**

**Shareholders and potential investors of the Company should be aware that the MOU may or may not lead to the entering into of the Definitive Agreements and the transactions contemplated under the MOU may or may not be consummated. As the Proposed Subscription may or may not proceed, shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

## DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“Additional Shares”	all (if any) Shares derived from any sub-division, consolidation or re-classification of the Subscription Shares (excluding the Subscription Shares) and/or any additional shares acquired by the Subscriber pursuant to a capitalization issue by virtue of its ownership of the Subscription Shares (excluding the Subscription Shares)
“Board”	the board of Directors
“Company”	Synertone Communication Corporation, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the main board of the Stock Exchange (stock code: 01613)
“Completion”	completion of the Proposed Subscription
“Completion Date”	the date of Completion of the Proposed Subscription, which is to be determined if and when the Definitive Agreements are entered into
“connected person(s)”	has the meaning given to it in the Listing Rules
“Controlling Shareholder”	has the meaning given to it in the Listing Rules
“Deed of Undertaking”	the deed of undertaking to be entered into between Mr. Wong and the Subscriber if the Proposed Subscription shall materialise
“Definitive Agreements”	the Definitive Subscription Agreement and the Deed of Undertaking
“Definitive Subscription Agreement”	the definitive subscription agreement to be entered into between the Company and the Subscriber if the Proposed Subscription shall materialise, which shall set out the detailed terms and conditions of the Proposed Subscription
“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 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)
“Investor”	Templeton Strategic Emerging Markets Fund, IV, LDC, a limited duration company incorporated under the laws of the Cayman Islands
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOU”	the legally binding memorandum of understanding dated 10 October 2014 entered into between the Company, the Investor and Mr. Wong in relation to the Proposed Subscription
“Mr. Wong”	Mr. Wong Chit On, an executive Director, the chairman of the Group and the sole beneficial owner of Excel Time Investments Limited which is a Controlling Shareholder as at the date of this announcement
“PRC”	the People’s Republic of China, excluding for the purpose of this announcement, Hong Kong, Macau and Taiwan
“Proposed Subscription”	the proposed subscription of new Shares by the Subscriber (which shall not more than 6% of the issued share capital of the Company as enlarged by the Proposed Subscription)
“Relevant Period”	the period of three calendar months after the expiry of the third anniversary of the Completion Date
“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”	the Investor or its nominee
“Subscription Price”	HK\$0.6779 per Subscription Share
“Subscription Share(s)”	the new Share(s) to be allotted and issued under the Proposed Subscription
“subsidiary”	has the meaning given to it in the Listing Rules

“2014 Warrants” the total of 660,000,000 unlisted warrants conferring rights to subscribe for 660,000,000 warrant Shares at the warrant subscription price of HK\$0.59, details of which are set out in the announcements of the Company dated 28 August 2014 and 22 September 2014

“HK\$” Hong Kong dollar(s), the lawful currency of Hong Kong

“US\$” US dollar(s), the lawful currency of the United States of America

For and on behalf of the Board  
**Synertone Communication Corporation**  
**Wong Chit On**  
*Chairman and Executive Director*

Hong Kong, 10 October 2014

*As at the date of this announcement, the executive directors are Mr. Wong Chit On, Mr. Han Weining, Dr. Wang Shaodong, and Mr. Xia Liangbing, the non-executive director is Mr. Zhang Xuebin and the independent non-executive directors are Mr. Lam Ying Hung Andy, Mr. Hu Yunlin, and Mr. Cai Youliang.*