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**SYNERTONE**

**SYNERTONE COMMUNICATION CORPORATION**

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

**(Stock Code: 1613)**

**DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION  
ACQUISITION OF THRIVE UNITED HOLDINGS LIMITED**

**THE ACQUISITION**

On 26 September 2014 (after the trading hours of the Stock Exchange), the Purchaser, the Vendor and Dr. Wu entered into the S&P Agreement for the acquisition by the Purchaser of 100% equity interest in Thrive United Holdings Limited, for a cash consideration of HK\$90 million. More detailed terms and conditions of the S&P Agreement are set out in this announcement.

**LISTING RULES IMPLICATIONS**

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

As at the date of this announcement, the Vendor is 100% held by Dr. Wu, who is also a director of 協同通信技術有限公司 and 協同迅達電子科技（深圳）有限公司, both are wholly-owned subsidiaries of the Company. Therefore, the Vendor is the Company's connected person at the subsidiary level and the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. On 24 September 2014, the Board has approved the Acquisition and the Independent Committee has also confirmed that the terms of the Acquisition are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. By virtue of Rule 14A.101 of the Listing Rules, the Acquisition as a connected transaction of the Company is only subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and shareholders' approval requirements.

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

The Board is pleased to announce that on 26 September 2014 (after the trading hours of the Stock Exchange), the Purchaser, the Vendor and Dr. Wu entered into the S&P Agreement in respect of the Acquisition, the principal terms and conditions of which are set out below.

## **THE ACQUISITION**

### **The S&P Agreement**

- Date : 26 September 2014
- Vendor : Yilong Developments Limited, a company incorporated in the British Virgin Islands and wholly-owned by Dr. Wu, a connected person at the subsidiary level under the Listing Rules
- Purchaser : Radio World Holding Limited, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of the Company
- Guarantor : Dr. Wu
- Subject matter : The Sale Share, representing the entire issued share capital of Thrive United
- Consideration and payment terms : HK\$90 million in cash, the payment terms of which are as follows:
- (a) The Purchaser shall pay not less than HK\$9 million (i.e. 10% of the Consideration) on the Completion Date (the “1st Payment”);
  - (b) The Purchaser shall make the 2nd payment to the Vendor (the “2nd Payment”) within 14 Business Days after the Completion Date, which amount when aggregated with the 1st Payment shall not be less than HK\$63 million (i.e. 70% of the Consideration);
  - (c) After the Purchaser shall have made the 2nd Payment to the Vendor in accordance with paragraph (b) above, the balance of the Consideration (if any) shall be paid in full to the Vendor not later than 7 Business Days upon completion of the transfer (including the completion of any necessary transfer application procedures with relevant authorities) of the relevant patents, trademarks and software intellectual property rights from Yi Lian Technology to Longching pursuant to the terms of the Assets Acquisition Agreement.
- Warranties : The Vendor and Dr. Wu jointly and severally represent, warrant and undertake to the Purchaser the warranties set out in the S&P Agreement.

The Company will fund the payment of the Consideration through internal cash resources.

### **Basis for determining the Consideration**

The Consideration was determined by the Company and the Vendor following arm's length negotiation and with reference to a business valuation report dated 26 September 2014 prepared by Roma Appraisal Limited ("Roma"), a valuer independent to the Group, which has put a valuation of HK\$110 million to the Thrive United Group. In determining the business valuation of the Thrive United Group, Roma has adopted the discounted cash flow method under the income-based approach as its valuation methodology. The Consideration under the S&P Agreement represents a discount of approximately 18% to the business valuation as determined by Roma mentioned above.

### **Conditions precedent to Completion**

Completion of the S&P Agreement is conditional upon, amongst others, (i) all necessary approvals, consents, authorisations, or waivers (as appropriate) from, or notices to, third parties, the Stock Exchange and/or any other regulatory authorities having been obtained for the S&P Agreement and the transactions contemplated therein; (ii) the Purchaser having satisfied its due diligence on the Thrive United Group and its businesses on or before the Completion Date; and (iii) the warranties given by the Vendor and Dr. Wu in the S&P Agreement remaining true and accurate and not misleading in any material respect.

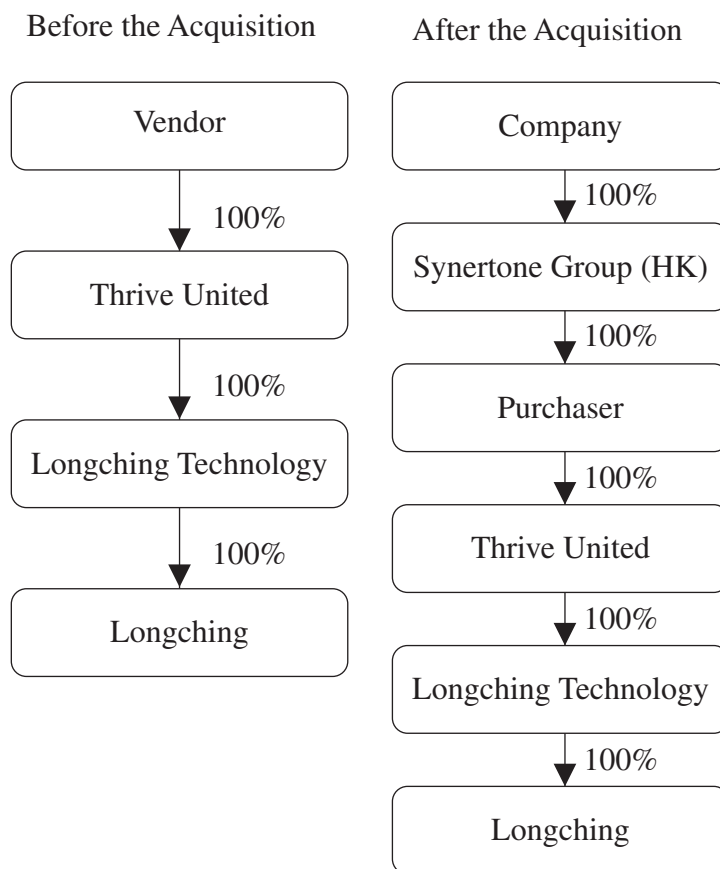
In the event any of the conditions precedent shall not have been satisfied by the Long Stop Date, all rights and obligations of the parties under the S&P Agreement shall terminate and cease to have any effect, and no party shall have any claim against the other save for claim (if any) in respect of any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

### **Completion**

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

## INFORMATION ON THE THRIVE UNITED GROUP

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



Thrive United and its subsidiaries were incorporated in their respective jurisdictions mainly in 2014. The business (“Business”) of the Thrive United Group is mainly in the design, development and sale of security systems for use in the internet and mobile phones using Android operating system.

The Thrive United Group was established in preparation for the Acquisition. Prior to the Acquisition, the Business was owned and undertaken by Yi Lian Technology, a PRC incorporated company established in January 2010 and owned by Dr. Wu as to 77.77% of its equity interest and by three other individuals as to the remaining 22.23%. The other three shareholders of Yi Lian Technology are Independent Third Parties. For the year ended 31 December 2013, Yi Lian Technology’s unaudited sales and net losses were RMB33,980 and RMB537,073 respectively (2012: audited sales and net losses were RMB38,964 and RMB1,921,856 respectively).

Yi Lian Technology has developed a number of patented and patentable technologies and software products for use in mobile internet networks. They include altogether eight patents (seven being invention patents and one being an utility patent) four of which have been registered at the relevant PRC authority, and ten software intellectual property rights which have also been registered at the relevant PRC authority. Furthermore, Yi Lian Technology has registered a number of trademarks which have been used in or applied towards their marketing of such technologies and software products. In preparation for the Acquisition, all

existing patents, trademarks and software intellectual property rights as well as the assets and businesses owned and carried on by Yi Lian Technology were transferred to Longching pursuant to the Assets Acquisition Agreement.

## **REASONS FOR THE ACQUISITION**

The Group is primarily engaged in the design and development of products and technologies relating to digital trunking and satellite communication systems through its own research and development and acquisition of relevant intellectual property rights and technology know-how from third parties. In addition, the Group provides specialised communication network design and implementation solutions according to clients' specific needs. It also engages in research and development of systems technologies for the operation of the specialised communication system and sale of accessory parts and components to some of its customers for further integration or other related uses. The Group's products are mainly used by government departments as well as corporations in the PRC for public safety and emergency communication purposes.

Following the acquisition of the "Synertone-1" (IPSTAR) satellite bandwidth in the second half of 2013, the Group had started to construct its own satellite communication network to provide broadband, telephone and broadcasting services. Network security is an important aspect in the provision of such services. The Acquisition allows the Group to provide a safe communication environment for end users.

As for the Group's existing trunking business, the Acquisition shall allow the Group to make use of the intellectual properties, know-how and research and development capabilities of the Thrive United Group to develop new generation digital trunking products with higher level of security capabilities.

Following completion of the Acquisition, the Group plans to leverage on its existing business channels to sell security products of the Thrive United Group to both mobile phone manufacturers and telecommunication operators.

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

## **COMPLIANCE WITH LISTING RULES**

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

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

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

1. The projected revenue streams of the Thrive United Group consist of projected products sales to the Group's existing distributors, system integration customers and government departments as well as projected sales of security application softwares to mobile phone customers estimated by the management of the Thrive United Group based on (i) user projections prepared by the management of the Thrive United Group and (ii) the memorandum of understanding dated 11 August 2014 entered into between Synertone Technology, Longching and an Independent Third Party, who is one of the major customers of the Synertone Technology and is planning to purchase hardware and software products from Synertone Technology and Longching respectively;
2. Projected operating costs of the Thrive United Group which includes selling, administrative, research and development and finance expenses estimated by the management of the Thrive United Group with reference to cost structures of comparable companies;
3. The businesses of the Thrive United Group will be operated and developed as planned;
4. The valuation was mainly based on the projections of the future cash flows as provided by the management of the Thrive United Group. The projections outlined in the financial information provided are reasonable, reflecting market conditions and economic fundamentals and will materialize;
5. All relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Thrive United Group operates or intends to operate will be officially obtained and renewable upon expiry;
6. There will be sufficient supply of technical staff in the industry in which the Thrive United Group operates, and the Thrive United Group will retain competent management, key personnel and technical staff to support its ongoing operations and developments;
7. There will be no major change in the current taxation laws in the localities in which the Thrive United Group operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;
8. There will be no major change in the political, legal, economic or financial conditions in the localities in which the Thrive United Group operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Thrive United Group; and

9. Interest rates and exchange rates in the localities for the operation of the Thrive United Group will not differ materially from those presently prevailing.

## LISTING RULES IMPLICATION

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

As at the date of this announcement, the Vendor is 100% held by Dr. Wu, who is also a director of 協同通信技術有限公司 and 協同迅達電子科技(深圳)有限公司, which are wholly-owned subsidiaries of the Company. Therefore, the Vendor is the Company's connected person at the subsidiary level and the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. On 24 September 2014, the Board has approved the Acquisition and the Independent Committee has also confirmed that the terms of the Acquisition are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. By virtue of Rule 14A.101 of the Listing Rules, the Acquisition as a connected transaction of the Company is only subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and shareholders' approval requirements.

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

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

## DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Share by the Purchaser from the Vendor on and subject to the terms and conditions of the S&P Agreement
“Assets Acquisition Agreement”	the agreement entered into between Yi Lian Technology (as the vendor) and Longching (as the purchaser) on 18 September 2014 in respect of, inter alia, the acquisition of the assets and businesses owned and carried on by Yi Lian Technology by Longching
“associates”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Business Day”	a day other than a Saturday or Sunday, on which banks in Hong Kong are open for business generally

“Company”	Synertone Communication Corporation, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 1613)
“Completion”	completion of the sale and purchase of the Sale Share in accordance with the terms and conditions of the S&P Agreement
“Completion Date”	the date of Completion, a date which shall be within seven Business Days upon fulfilment of the conditions precedent (as set forth in the paragraph headed “Conditions precedent to Completion” above) (or such other date as the parties to the S&P Agreement may agree in writing)
“connected person”	has the meaning ascribed to it in the Listing Rules
“connected person at the subsidiary level”	has the meaning ascribed to it under Rule 14A.06(9) (i.e. a person who is a connected person only because of the person’s connection with the listed issuer’s subsidiary or subsidiaries)
“Consideration”	the consideration for the Acquisition payable by the Purchaser to the Vendor under the S&P Agreement
“Director(s)”	the director(s) of the Company
“Dr. Wu”	Dr. Wu Xiaowen (吳曉文), the sole shareholder and director of the Vendor and a director of 協同通信技術有限公司 and 協同迅達電子科技(深圳)有限公司, both are wholly-owned subsidiaries of the Company
“Group”	the Company and its subsidiaries from time to time, excluding the Thrive United Group
“HK\$”	Hong Kong dollars, currency of Hong Kong
“Independent Committee”	a committee comprising of the independent non-executive Directors of the Company
“Independent Third Party(ies)”	person(s) or company(ies) which is/are independent of any member of the Group, the directors, the chief executives, the substantial shareholders of the Company or any of its subsidiaries, and their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange



“Longching Technology”	Longching Technology Limited (朗晴科技有限公司), a company incorporated in Hong Kong on 22 October 2013 and a wholly-owned subsidiary of Thrive United
“Longching”	朗晴通科技(深圳)有限公司, a company incorporated in Shenzhen, PRC on 4 June 2014 and a wholly-owned subsidiary of Longching Technology
“Long Stop Date”	15 October 2014 (or such later date as the parties to the S&P Agreement may agree in writing)
“Percentage Ratios”	the applicable percentage ratios under Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China, excluding for the purpose of this announcement, Hong Kong, Macau and Taiwan
“Purchaser”	Radio World Holding Limited, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of the Company
“S&P Agreement”	the conditional sale and purchase agreement dated 26 September 2014 entered into between the Vendor as vendor, the Purchaser as purchaser and Dr. Wu regarding the sale and purchase of the Sale Share
“Sale Share”	1 ordinary share representing the entire issued share capital of Thrive United
“Shareholder(s)”	holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Synertone Group (HK)”	Synertone Group Holdings Limited (協同集團有限公司), a limited liability company incorporated in Hong Kong and a direct wholly-owned subsidiary of the Company
“Synertone Technology”	協同通訊技術有限公司 (formerly known as “協同智迅通信技術(深圳)有限公司” (Synertone Smartend Communication Technology (Shenzhen) Company Limited*)), a wholly-foreign owned enterprise established in the PRC on 6 February 2002, an indirect wholly-owned subsidiary of the Company
“Thrive United”	Thrive United Holdings Limited (合茂控股有限公司), a limited liability company incorporated in the British Virgin Islands on 13 March 2014
“Thrive United Group”	Thrive United, Longching Technology and Longching

“Vendor”	Yilong Developments Limited (億龍發展有限公司), a company incorporated in the British Virgin Islands
“Yi Lian Technology”	深圳市易聯盛世科技有限公司, a PRC incorporated company established in January 2010 and owned by Dr. Wu as to 77.77% of its equity interest and by three other individuals (who are Independent Third Parties) as to the remaining 22.23%
“%”	per cent.

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

Hong Kong, 26 September, 2014

*As at the date of this announcement, the executive directors are Mr. Wong Chit On, Mr. Han Weining, and Dr. Wang Shaodong, 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.*

\* *for identification purpose only*

## **APPENDIX I — LETTER FROM CCIF CPA LIMITED IN RELATION TO PROFIT FORECAST**

*The following is the text of the letter dated 26 September 2014 from CCIF CPA Limited, as reporting accountant, which was prepared for the incorporation in this announcement.*

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

Dear Sirs:

### **Synertone Communication Corporation (the “Company”) Discloseable transaction in relation to the proposed acquisition of 100% equity interests in Thrive United Holdings Limited**

We have been engaged to report on the arithmetical calculations of the discounted future estimated cash flows on the business valuation of Thrive United Holdings Limited and its subsidiaries (collectively the “Business Enterprise”) prepared by Roma Appraisals Limited (“Roma”) dated 26 September 2014 (the “Valuation”). The Valuation which is determined based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

### **Responsibility for the Discounted Future Estimated Cash Flows**

The directors of the Company and Roma are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the Company’s directors and Roma and as set out in the Valuation. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

### **Reporting Accountants’ Responsibility**

It is our responsibility to report, as required by Rule 14.62(2) of the Listing Rules, on the arithmetical calculations of the discounted future estimated cash flows on which the Valuation is based.

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the Hong Kong Institute of Certified Public Accountants. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the arithmetical calculations are concerned, have been

properly compiled in accordance with the bases and assumptions as set out in the Valuation. We re-performed the arithmetical calculations and compared the compilation of the discounted future estimated cash flows with the bases and assumptions.

We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation of the Business Enterprise or an expression of an audit or review opinion of the Valuation.

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

### **Opinion**

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the arithmetical calculations are concerned, have been properly compiled in all material respects in accordance with the bases and assumptions made by the directors of the Company and Roma as set out in the Valuation.

Yours faithfully  
**CCIF CPA Limited**  
*Certified Public Accountants*  
Hong Kong

**Sze Chor Chun, Yvonne**  
Practising Certificate Number P05049

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

26 September 2014

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

Dear Sirs,

### **Discloseable and connected transaction relating to the proposed acquisition of 100% interest in Thrive United Holdings Limited**

We refer to the valuation report dated 26 September 2014 prepared by Roma Appraisal Limited (“Roma”) in relation to the valuation of the Thrive United Group which constitute a profit forecast under Rule 14.61 of the Listing Rules. Terms defined in the announcement of the Company dated 26 September 2014 relating to the proposed acquisition of Thrive United shall have the same meanings in this letter unless the context otherwise requires.

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

On the basis of the foregoing, we are of the opinion that the valuation prepared by Roma have been made after due and careful enquiries.

Yours faithfully,

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