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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 BONUS ISSUE OF SHARES;
PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL
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 Monday, 10 February 2014 (or any adjournment thereof) is set out on pages 11 to 13 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.

20 January 2014

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DEFINITIONS

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

“Authorised Share Capital”	The authorised share capital of the Company
“Board”	The board of Director(s)
“Bond Instrument”	The instrument entered into by the Company and the CB Subscriber constituting the Convertible Bonds
“Bonus Issue”	The proposed issue of Bonus Shares to the Qualifying Shareholders on the basis of 4 Bonus Shares for every 1 existing Share held on the Record Date
“Bonus Share(s)”	New Share(s) proposed to be allotted and issued pursuant to the Bonus Issue
“CB Subscriber”	Regal Force Limited, a company incorporated in the British Virgin Islands with limited liability
“CB Subscription Agreement”	The conditional subscription agreement dated 8 November 2013 entered into between the CB Subscriber and the Company in relation to the subscription of the Convertible Bonds by the CB Subscriber, which was completed on 15 January 2014
“CCASS”	The Central Clearing and Settlement System established and operated by the HKSCC
“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
“Convertible Bonds”	The five year 5% coupon rate secured redeemable convertible bonds in the aggregate principal amount of HK\$500,000,000 constituted by the Bond Instrument and to be issued by the Company to the CB Subscriber pursuant to the CB Subscription Agreement
“Director(s)”	The director(s) of the Company
“EGM”	The extraordinary general meeting of the Company to be convened and held at the Conference Room, 3/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong at 2:30 p.m. on Monday, 10 February 2014 or any adjournment thereof to approve the proposed Bonus Issue and the proposed increase in Authorised Share Capital
“HKSCC”	Hong Kong Securities Clearing Company Limited

DEFINITIONS

“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	16 January 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained 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
“Non-Qualifying Shareholder(s)”	Overseas Shareholder(s) whom the Board, after making enquiries, considers it necessary or expedient on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant foreign regulatory body or stock exchange in that place not to extend the Bonus Issue to them
“Overseas Shareholder(s)”	Holder(s) of Share(s) whose address(es) as shown on the register of members of the Company on the Record Date are outside Hong Kong
“Qualifying Shareholder(s)”	The Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date (excluding the Non-Qualifying Shareholders), who are entitled to the Bonus Issue
“Record Date”	Monday, 17 February 2014, being the date by reference to which entitlements to the Bonus Issue will be determined
“Share(s)”	Ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Option(s)”	Share option(s) granted under the Share Option Scheme
“Share Option Scheme”	The share option scheme adopted by the Company on 22 March 2012
“Shareholder(s)”	Holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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

DEFINITIONS

“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 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

EXPECTED TIMETABLE

The expected timetable of the Bonus Issue is set out below:

Date 2014

Latest date and time to return form of proxy for the EGM	2:30 p.m., Saturday, 8 February
Date and time of the EGM	2:30 p.m., Monday, 10 February
Announcement of the result of the EGM.	Monday, 10 February
Last day of dealings in the Shares on a cum-entitlement basis	Tuesday, 11 February
First day of dealings in the Shares on an ex-entitlement basis	Wednesday, 12 February
Latest time for lodging transfers of the Shares for registration in order to qualify for the Bonus Issue	4:00 p.m., Thursday, 13 February
Closure of register of members	Friday, 14 February to Monday, 17 February (both days inclusive)
Record Date	Monday, 17 February
Register of members re-opens	Tuesday, 18 February
Certificates for the Bonus Shares expected to be despatched.	On or before Friday, 21 February
Dealings in Bonus Shares commence	Monday, 24 February

Note: All times refer to Hong Kong local time.

Dates or deadlines specified in this circular are indicative only and may be varied by the Company. Any consequential changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.

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. Wang Shadong
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

20 January 2014

To the Shareholders,

Dear Sir/Madam,

**PROPOSED BONUS ISSUE OF SHARES;
PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

The purpose of the circular is to provide you with information regarding (i) the proposed Bonus Issue; (ii) the proposed increase in Authorised Share Capital; and (iii) the notice convening the EGM, at which necessary resolutions will be proposed to consider, and if thought fit, to approve the proposed Bonus Issue and the proposed increase in Authorised Share Capital.

LETTER FROM THE BOARD

PROPOSED BONUS ISSUE

Reference is made to the announcement of the Company dated 27 December 2013 in relation to the Bonus Issue and the increase in Authorised Share Capital. The Board proposed a bonus issue to the Qualifying Shareholders on the basis of 4 Bonus Shares for every 1 existing Share held on the Record Date by the Qualifying Shareholders. The Bonus Issue will be credited as fully paid at par by way of capitalisation of an amount in the retained profit account of the Company. The terms of the Bonus Issue are set out below.

Basis of Bonus Issue

Subject to the conditions as set out under the heading “Conditions of the Bonus Issue” below, the Bonus Shares will be issued and credited as fully paid at par on the basis of 4 Bonus Shares for every 1 existing Share held on the Record Date by the Qualifying Shareholders.

On the basis of 1,264,000,000 existing Shares in issue as at the Latest Practicable Date, and assuming no further Shares will be issued or repurchased before the Record Date, 5,056,000,000 Bonus Shares will be issued under the Bonus Issue. The Bonus Shares will be credited as fully paid at par by way of capitalisation of an amount in the retained profit account of the Company. After completion of the Bonus Issue, there will be a total of 6,320,000,000 Shares in issue as enlarged by the Bonus Issue.

Record Date and closure of register of members

The Bonus Shares will be issued to the Qualifying Shareholders. Arrangement for the Non-Qualifying Shareholders are further elaborated under the heading “Overseas Shareholders” below.

The register of members of the Company will be closed from Friday, 14 February 2014 to Monday, 17 February 2014 (both days inclusive) in order to determine the entitlement of the Shareholders under the Bonus Issue.

Shareholders are reminded that in order to qualify for the Bonus Issue, they must ensure that all transfers accompanied by the relevant share certificates are 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 for registration not later than 4:00 p.m. on Thursday, 13 February 2014.

The exact total number of Bonus Shares to be issued under the Bonus Issue will not be capable of determination until the Record Date.

Reasons for the proposed Bonus Issue

In recognition of the continual support of the Shareholders, the Board decides to propose the Bonus Issue. In addition to that, the Directors believe that the Bonus Issue will enhance the liquidity of the Shares in the market and thereby enlarging the Company’s shareholder base.

LETTER FROM THE BOARD

Overseas Shareholders

As at the Latest Practicable Date, there were 4 Overseas Shareholders whose addresses as registered in the register of members of the Company were outside Hong Kong. Enquiry will be made by the Board pursuant to Rule 13.36 of the Listing Rules. Upon such enquiry, if the Board is of the view that the exclusion of the Overseas Shareholders is necessary or expedient, the Bonus Shares will not be granted to the Non-Qualifying Shareholders. In such circumstances, arrangements will be made for the Bonus Shares which would otherwise have been issued to the Non-Qualifying Shareholders, if any, to be sold in the market as soon as practicable after dealing in the Bonus Shares commences. Any net proceeds of sale, after deduction of expenses, will be distributed in Hong Kong dollars to the Non-Qualifying Shareholders, if any, pro rata to their respective shareholdings and remittances therefore will be posted to them, at their own risk, unless the amount falling to be distributed to any such persons is less than HK\$100.00, in which case it will be retained for the benefit of the Company.

Status of the Bonus Shares and fractional entitlements

The Bonus Shares, upon issue, will rank pari passu with the Shares then existing in all respects, including the entitlement of receiving dividends and other distributions on the record date for which is on or after the date of allotment and issue of those Bonus Shares. There will not be any fractional entitlements to the Bonus Shares.

Conditions of the Bonus Issue

The Bonus Issue will be conditional upon:

- (1) the approval of the Bonus Issue and the increase in the Authorised Share Capital by the Shareholders at the EGM;
- (2) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Bonus Shares; and
- (3) compliance with the relevant legal procedures and requirements (if any) under the applicable laws of Cayman Islands and the articles of association of the Company to effect the Bonus Issue.

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in the Bonus Shares. Apart from making listing application to the Listing Committee of the Stock Exchange, the Board does not propose to make application to any other stock exchanges for the listing of and permission to deal in, the Bonus Shares.

LETTER FROM THE BOARD

Adjustments to the Warrants, the Share Options and the Convertible Bonds

As at the Latest Practicable Date, there are 120,000,000 outstanding Warrants. The Bonus Issue may lead to adjustment to the exercise price and/or the number of Shares which may fall to be issued upon exercise of the subscription rights attaching to the Warrants. As the exact number of Bonus Shares cannot be determined until the Record Date, the Company will make further announcement for the aforesaid adjustment to the Warrants.

Moreover, as at the Latest Practicable Date, there are 120,000,000 outstanding Share Options. The Bonus Issue may lead to adjustment to the exercise price and/or the number of Shares which may fall to be issued upon exercise of Share Options. As the exact number of the Bonus Shares cannot be determined until the Record Date, the Company will make further announcement for the aforesaid adjustments to the Share Options.

Furthermore, pursuant to the CB Subscription Agreement which was completed on 15 January 2014 (details of which are set out in the circular of the Company dated 19 December 2013 and the announcement about completion of the CB Subscription Agreement dated 15 January 2014), the Company has agreed to issue and the CB Subscriber has 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 abovementioned completion date. The Bonus Issue may lead to adjustment to the conversion price and/or the number of Shares which may fall to be issued upon exercise of conversion rights attaching to the Convertible Bonds. As the exact number of the Bonus Shares cannot be determined until the Record Date, the Company will make further announcement for the aforesaid adjustments to the Convertible Bonds.

Save for the Warrants, the Share Options and the Convertible Bonds, the Company has no outstanding options, warrants or convertible securities to subscribe for any securities of the Company as at the Latest Practicable Date.

Trading Arrangement

Subject to the grant of listing of, and permission to deal in, the Bonus Shares on the Stock Exchange, the Bonus Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Bonus Shares or such other date as may be determined by HKSCC. Settlement of transactions between members of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operation Procedures in effect from time to time.

It is expected that dealings in the Bonus Shares on the Stock Exchange will commence on Monday, 24 February 2014.

Stamp duty in Hong Kong will be payable in respect of dealings in the Bonus Shares.

LETTER FROM THE BOARD

Certificates for Bonus Shares

It is expected that certificates for the Bonus Shares will be posted on or before Friday, 21 February 2014 after all the conditions of the Bonus Issue shall have been fulfilled at the risk of the Shareholders entitled thereto to their respective addresses shown on the register of members of the Company on the Record Date. Dealings in the Bonus Shares are expected to commence on Monday, 24 February 2014.

Expected Timetable

The expected timetable for the Bonus Issue is set out on page 4 of this circular.

Dates or deadlines specified in this circular are indicative only and may be varied by the Company. Any consequential changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the Latest Practicable Date, the Authorised Share Capital is HK\$20,000,000 divided into 2,000,000,000 Shares of HK\$0.01 each, of which 1,264,000,000 Shares were in issue and fully paid. Under the proposed Bonus Issue, the Company intends to allot and issue 5,056,000,000 Shares (assuming no further Shares will be issued or repurchased before the Record Date). In order to cater for the issue and allotment of the Bonus Shares pursuant to the Bonus Issue and to increase the flexibility of issuing further Shares by the Company, the Board proposes to the Shareholders the increase in the Authorised Share Capital from HK\$20,000,000 (divided into 2,000,000,000 Shares of HK\$0.01 each) to HK\$200,000,000 (divided into 20,000,000,000 Shares of HK\$0.01 each) by creating an additional of 18,000,000,000 unissued Shares.

The proposed increase in Authorised Share Capital is conditional upon the passing of an ordinary resolution by the Shareholders at the EGM.

Save the Bonus Issue, as at the Latest Practicable Date, the Directors have no intention to issue any part of the proposed additional Shares to be created.

EGM

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 Monday, 10 February 2014 is set out on pages 11 to 13 of this circular.

As at the Latest Practicable Date, and to the best knowledge, belief and information of the Directors having made all reasonable enquiries, no Shareholder is required under the Listing Rules to abstain from voting on the proposed resolutions at the EGM.

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.

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 Company. 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.

RECOMMENDATION

The Directors consider that the Bonus Issue and the increase in Authorised Share Capital are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend all the Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

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

NOTICE OF EGM



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 Monday, 10 February 2014 at 2:30 p.m. to consider and, if thought fit, pass the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT**, subject to and conditional upon (i) the Listing Committee of the Stock Exchange of Hong Kong Limited granting, or agreeing to grant the listing of, and permission to deal in, the Bonus Shares (as hereinafter defined); (ii) compliance with the relevant legal procedures and requirements (if any) under the applicable laws of Cayman Islands and the articles of association of the Company to effect the Bonus Issue (as hereinafter defined); and (iii) the passing of resolution no. 2 as set out in the notice convening this meeting of which this resolution forms part:
 - (a) upon the recommendation of the directors of the Company (the “**Directors**”), an amount standing to the credit of the retained profit account of the Company to give effect to the bonus issue of ordinary shares (“**Share(s)**”) of HK\$0.01 each in the capital of the Company pursuant to this resolution, be capitalised and accordingly the Directors be and are hereby authorised and directed to apply such sum in paying up in full at par such number of new Shares in the capital of the Company, and that such new Shares (“**Bonus Shares**”) shall be issued, allotted and distributed, credited as fully paid up, to and amongst those shareholders whose names appear on the register of members of the Company on Monday, 17 February 2014 (the “**Record Date**”) (not being those shareholder(s) (the “**Non-Qualifying Shareholder(s)**”), whose address(es) as shown on the register of members of the Company on the Record Date to be outside Hong Kong (if any), to whom the Directors of the Company, after making enquiries, consider to be necessary or expedient on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant body or stock exchange in that place not to extend the Bonus Issue) on the basis of four Bonus Shares for every one existing issued Share in the share capital of the Company held by them respectively on the Record Date (the “**Bonus Issue**”);

NOTICE OF EGM

- (b) the Bonus Shares to be issued and allotted pursuant to this resolution shall be subject to the articles of association of the Company and shall rank pari passu in all respects with the then existing Shares in issue on the date on which the Bonus Shares are allotted and issued; and
- (c) the Directors be authorised to do all acts and things as may be necessary and expedient in connection with the allotment and issue of the Bonus Shares, including, but not limited to, determining the Non-Qualifying Shareholders, the amount to be capitalised out of the retained profit account of the Company and the number of Bonus Shares to be issued, allotted and distributed in the manner referred to in paragraph (a) of this resolution.”

2. “**THAT:**

- (a) the authorised share capital of the Company be increased from HK\$20,000,000 (divided into 2,000,000,000 shares of HK\$0.01 each) to HK\$200,000,000 (divided into 20,000,000,000 shares of HK\$0.01 each) (the “**Increase in Authorised Share Capital**”) by the creation of an additional 18,000,000,000 shares of the Company and such shares shall rank pari passu with all existing shares of the Company; and
- (b) any one Director be and is hereby authorised for and on behalf of the Company to execute all such documents and instruments and to do all such acts or things deemed by him to be incidental to, ancillary to or in connection with the matters contemplated in and to give effect to the Increase in Authorised Share Capital.”

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

Hong Kong, 20 January 2014

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.

NOTICE OF EGM

- (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 6 February 2014 to 10 February 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 5 February 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 20 January 2014.
- (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. Wang Shaodong, 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.