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**SYNERTONE**  
**SYNERTONE COMMUNICATION CORPORATION**

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

**(Stock Code: 1613)**

**FRAMEWORK AGREEMENT IN RELATION  
TO A POSSIBLE ACQUISITION**

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules.

**THE POSSIBLE ACQUISITION**

The Board is pleased to announce that on 30 December 2012, VAST entered into the Framework Agreement with the Vendor, pursuant to which VAST agreed to acquire from the Vendor and the Vendor agreed to provide to VAST the Whole China Capacity and the Right To Use for the Service Period.

Detailed terms and conditions with respect to the acquisition and the provision of the Whole China Capacity and the Right To Use will be finalised and set out in the Definitive Agreement to be entered into between VAST and the Vendor on or before 31 March 2013.

**CONSIDERATION**

The Consideration consists of (i) cash installments payable in accordance with the payment schedule set out in the Framework Agreement, and (ii) the Consideration Shares. The Consideration Shares will be allotted and issued on the Completion Date.

A deposit at US\$600,000 is payable to the Vendor within three working days from the execution of the Framework Agreement. Such deposit shall be part of the payment for the first year service if the Parties agree with the terms of all agreements contemplated under this Framework Agreement (including but not limited to the Relevant Agreements).

**THE ASSIGNMENT AGREEMENT**

The Vendor, VAST and CTS have entered into the Assignment Agreement to re-define each party's roles and responsibilities in providing IPSTAR service in the PRC.

Pursuant to the Assignment Agreement, the Vendor shall assign to VAST all rights and obligations related to the IPSTAR business in the PRC, and VAST shall undertake all such rights and obligations, thereby replacing the Vendor to continue the cooperation with CTS in providing IPSTAR service in the PRC. CTS consents to such assignment from the Vendor to VAST of the entire rights and obligations under the ICA Documents.

If VAST and the Vendor fail to reach a consensus and enter into the Definitive Agreement by 30 June 2013, the Assignment Agreement shall automatically terminate.

### **REASON FOR THE POSSIBLE ACQUISITION**

VAST is an investment holding company and a wholly-owned subsidiary of the Company. The principal operating activities of the Group include design and development of products relating to digital trunking and satellite communication systems. The Group also provides specialised communication network design and implementation that can be customarily devised according to the specific needs of client. Depending on the nature, scale and geographic coverage of the communication network or systems, the network or system designed and developed by the Group needs to be connected by various communication links such as fibers, microwave, satellite and phone lines.

The Directors believe that the Possible Acquisition enables the Group to explore new source of revenue and expand its customer base. Upon completion of the Possible Acquisition, the Group is able to increase the sales of its existing specialised communication products as the Group can lease the Satellite bandwidth to customers who can connect the Group's communication products to the IPSTAR without sourcing satellite bandwidth from other satellite service providers in the PRC. Moreover, the Directors believe that the high performance and competitive pricing that IPSTAR can offer will attract new customers such as telecommunication operators and governmental bodies so that the Group can increase its revenue and profit by leasing the Satellite bandwidth. As a result, the Possible Acquisition is not only beneficial to the development of the Group's current business but also allowing the Group to diversify its business risk through new source of revenue and expanding base of customers. Therefore, the Directors are of the opinion that the Possible Acquisition is in the interest of the Group and the Shareholders as a whole.

### **GENERAL**

**The Possible Acquisition contemplated under the Framework Agreement is subject to the Parties entering into the Relevant Agreements which are also conditional upon fulfillment of a number of conditions precedent, and therefore the Possible Acquisition may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

**It is expected that if the Possible Acquisition materializes, it will constitute a very substantial acquisition for the Company under Chapter 14 of Listing Rules. Further announcement(s) in relation to the Possible Acquisition will be made by the Company as and when appropriate in accordance with the Listing Rules.**

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules.

The Board is pleased to announce that on 30 December 2012, VAST entered into the Framework Agreement with the Vendor, pursuant to which VAST agreed to acquire from the Vendor and the Vendor agreed to provide to VAST the Whole China Capacity and the Right To Use for the Service Period.

## **MAJOR TERMS OF THE FRAMEWORK AGREEMENT**

**Date:** 30 December 2012

**Parties:**

- (1) VAST, as the purchaser; and
- (2) the Vendor, which is the designated entity of Thaicom to carry out the IPSTAR business of the Whole China Capacity and the Gateway, as the vendor.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Vendor and its associates are independent of and not connected with the Company and its connected persons as defined in the Listing Rules as at the date of this announcement.

**Assets to be acquired:**

Pursuant to the Framework Agreement, VAST agreed to acquire from the Vendor and the Vendor agreed to provide to VAST the Whole China Capacity and the Right To Use for the Service Period.

Detailed terms and conditions with respect to the acquisition and the provision of the Whole China Capacity and the Right To Use will be finalised and set out in the Definitive Agreement to be entered into between VAST and the Vendor on or before 31 March 2013.

The Possible Acquisition shall be subject to the terms and conditions of the Relevant Agreements to be agreed by the Parties, and shall also be subject to approvals from the Shareholders in the SGM (if required).

**Consideration:**

The Consideration consists of (i) cash installments payable in accordance with the payment schedule set out in the Framework Agreement, and (ii) Consideration Shares. It is expected that the cash portion of the Consideration will be funded by internal resources and/or bank borrowings of the Group.

### *Cash consideration*

Pursuant to the terms of the Framework Agreement, the cash consideration shall be payable annually by VAST to the Vendor in accordance with the payment schedule set out in the Framework Agreement.

The payment of the first year service shall be made within 30 days after the Completion Date.

### *Consideration Shares*

Pursuant to the term of the Framework Agreement, the Company warrants to allot and issue the Consideration Shares at the Issue Price. The Consideration Shares will be allotted and issued on the Completion Date.

Pursuant to the Framework Agreement, the Vendor has undertaken that the Consideration Shares to be allotted and issued shall be subject to a lock-up period of one year from the date of allotment and issue.

The Consideration Shares will be allotted and issued to the Vendor pursuant to the general mandate of the Company and will rank *pari passu* with the Shares in issue.

### *Deposit*

A deposit at US\$600,000 is payable to the Vendor within three working days from the execution of the Framework Agreement. Such deposit shall be part of the payment for the first year service if the Parties agree with the terms of all agreements contemplated under the Framework Agreement (including but not limited to the Relevant Agreements).

Such deposit will be refunded free of interest if any of the Relevant Agreements is not signed due to a reason attributable to CTS (or China Telecommunications Corporation) or the Vendor. The refund of the deposit shall be made within three working days after written notification from either Party that any of the Relevant Agreements will not be signed.

### **Other major terms:**

#### *Revenue sharing arrangement*

VAST agreed to share its revenue from providing any part of Whole China Capacity and Right To Use to its customers with the Vendor. The revenue sharing with the Vendor shall be at a fixed percentage of VAST's annual Satellite bandwidth revenue which is actual total revenue with the bandwidth price that shall not be below the minimum reference bandwidth price to be defined in the Definitive Agreement.

Detailed terms and conditions in relation to such revenue share arrangement will be finalised and set out in the Revenue Sharing Agreement to be entered into between VAST and the Vendor on or before 31 March 2013.

### *Option to subscribe for Shares*

The Vendor or its affiliated companies shall have the option to invest in up to 10% of the issued share capital of the Company (including the Consideration Shares) after the completion of the Definitive Agreement. Such option shall be subject to the approval of the Shareholders (if required) and shall be granted at terms (including but not limited to exercise price and exercise period) to be agreed by the Parties.

### *Others*

VAST shall be responsible for all applicable licenses and permits in China.

## **ASSIGNMENT AGREEMENT**

The Vendor and CTS had signed the ICA Documents in relation to IPSTAR service provided in the PRC, pursuant to which CTS and the Vendor have confirmed a series of rights and obligations.

The Vendor, VAST and CTS have entered into the Assignment Agreement on 30 December 2012 to re-define each party's roles and responsibilities in providing IPSTAR service in the PRC.

Pursuant to the Assignment Agreement, as from the Assignment Date, (i) the Vendor shall assign to VAST all its rights and obligations under the ICA Documents relating to the IPSTAR business in the PRC; and (ii) VAST agrees to undertake the Assignment, and to perform the obligations of the Vendor and to enjoy the rights of the Vendor under the ICA Documents, thereby replacing the Vendor to continue the cooperation with CTS in providing IPSTAR service in the PRC.

Pursuant to the Assignment Agreement, CTS consented with such assignment from the Vendor to VAST of the entire rights and obligations under the ICA Documents provided that the existing cooperation model between CTS and the Vendor and CTS' position as an IPSTAR business operator in the PRC remain unchanged.

If VAST and the Vendor fail to reach a consensus and enter into the Definitive Agreement by 30 June 2013, the Assignment Agreement shall automatically terminate. Under this circumstance, the rights and obligations under the ICA Documents shall not be assigned, and CTS and the Vendor shall continue to perform their rights and obligations under ICA Documents.

## **REASON FOR THE POSSIBLE ACQUISITION**

VAST is an investment holding company and a wholly-owned subsidiary of the Company. The principal operating activities of the Group include design and development of products relating to digital trunking and satellite communication systems. The Group also provides specialised communication network design and implementation that can be customarily devised according to the specific needs of client. Depending on the nature, scale and geographic coverage of the communication network or systems, the network or system designed and developed by the Group needs to be connected by various communication links such as fibers, microwave, satellite and phone lines.

The development of communication channel is shifting from wired network to wireless network, and from narrowband to broadband. The satellite communication, particularly specialised communication systems and network, becomes more and more important. However, satellite network is currently a scarce resource, which largely limits the development of satellite communication business.

The Directors believe that the Possible Acquisition enables the Group to explore new source of revenue and expand its customer base. Upon completion of the Possible Acquisition, the Group is able to increase the sales of its existing specialised communication products as the Group can lease the Satellite bandwidth to customers who can connect the Group's communication products to the IPSTAR without sourcing satellite bandwidth from other satellite service providers in the PRC. Moreover, the Directors believe that the high performance and competitive pricing that IPSTAR can offer will attract new customers such as telecommunication operators and governmental bodies so that the Group can increase its revenue and profit by leasing the Satellite bandwidth. As a result, the Possible Acquisition is not only beneficial to the development of the Group's current business but also allowing the Group to diversify its business risk through new source of revenue and expanding base of customers. Therefore, the Directors are of the opinion that the Possible Acquisition is in the interest of the Group and the Shareholders as a whole.

## **GENERAL**

**The Possible Acquisition contemplated under the Framework Agreement is subject to the Parties entering into the Relevant Agreements which are also conditional upon fulfillment of a number of conditions precedent, and therefore the Possible Acquisition may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

**It is expected that if the Possible Acquisition materializes, it will constitute a very substantial acquisition for the Company under Chapter 14 of Listing Rules. Further announcement(s) in relation to the Possible Acquisition will be made by the Company as and when appropriate in accordance with the Listing Rules.**

## **DEFINITIONS**

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

“Assignment”	the assignment by the Vendor to VAST of all its rights and obligations under the ICA Documents
“Assignment Agreement”	the tri-parties assignment agreement dated 30 December 2012 entered into between CTS, the Vendor and VAST in relation to the Assignment
“Assignment Date”	the date of the completion of the Definitive Agreement
“Board”	the board of Directors

“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 Date”	the date on which completion of the Possible Acquisition will take place pursuant to the Definitive Agreement
“Consideration”	the aggregate consideration payable by VAST to the Vendor for the acquisition of Whole China Capacity and the Right To Use, which consists of cash and Consideration Shares
“Consideration Shares”	the new Shares of the Company to be allotted and issued, which shall be 5% of the issued share capital of the Company, to the Vendor pursuant to the terms set out in the Definitive Agreement
“CTS”	中國電信集團衛星通信有限公司 (China Telecom Satellite Communications Limited), a company established under the laws of PRC
“Definitive Agreement”	a definitive agreement to be entered into between VAST and the Vendor on or before 31 March 2013 to set out the terms and conditions with respect to the acquisition and the provision of the Whole China Capacity and the Right To Use
“Director(s)”	the director(s) of the Company
“Framework Agreement”	the framework agreement dated 30 December 2012 entered into by VAST and the Vendor in relation to the Possible Acquisition
“Gateway”	existing IPSTAR gateways in Beijing, Shanghai and Guangzhou
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“ICA Documents”	a series of documents or agreements entered into between Thaicom, the Vendor, China Satellite Communications Corporation and/or CTS in 2009 in relation to IPSTAR service provided in the PRC, pursuant to which CTS and the Vendor have confirmed a series of rights and obligations
“Issue Price”	the issue price of HK\$0.5034 per Consideration Share



“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Minimum Service Period”	a period of at least nine and a half years
“Parties”	VAST and the Vendor and “Party” means any one of them
“Possible Acquisition”	the possible acquisition of Whole China Capacity and the Right To Use by VAST from the Vendor
“PRC”	the People’s Republic of China which, for the purpose of this announcement and for geographical reference only, excludes Taiwan
“Relevant Agreements”	the Definitive Agreement and Revenue Sharing Agreement
“Revenue Sharing Agreement”	a revenue sharing agreement to be entered into between VAST and the Vendor on or before 31 March 2013
“Right To Use”	exclusive right to use the Gateway
“Satellite” or “IPSTAR”	THAICOM-4 satellite, commercially known as IPSTAR-1
“Service Period”	the period during which the Vendor will provide the Whole China Capacity and the Right to Use to VAST, which commences from the Completion Date and includes the Minimum Service Period
“SGM”	the special general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve, among other things, the transactions contemplated under the Definitive Agreement
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Thaicom”	Thaicom Public Company Limited, the issued shares of which are listed on the Stock Exchange of Thailand
“VAST”	Vastsuccess Holdings Limited, a company established under the laws of British Virgin Islands and a wholly-owned subsidiary of the Company
“Vendor”	IPSTAR Company Limited, a company established under the laws of British Virgin Islands and a subsidiary of Thaicom



“Whole China Capacity”	the total satellite capacity of the Satellite which is 7,598.5 MHz in total, located at 119.5 degree east orbital slot on all beams allocated for serving the whole PRC’s geographic territory excluding Taiwan Region
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the U.S.

*Note:*

*The exchange rate between United States dollars and Hong Kong dollars in this announcement is US\$1 = HK\$7.8. The provision of such exchange rate does not mean that Hong Kong dollars could be converted into the United States dollars based on such exchange rate.*

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

Hong Kong, 30 December 2012

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