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SYNERTONE

協同通信集團有限公司

Synertone Communication Corporation

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1613)

**MAJOR TRANSACTION RELATING TO THE
PROPOSED FURTHER ACQUISITION OF 36% INTEREST IN
SENSE FIELD GROUP LIMITED**

THE PROPOSED FURTHER ACQUISITION

Reference is made to the announcements of the Company dated 27 November 2015 and 16 December 2015 in relation to, inter alia, the First Round Acquisition of 49% equity interest in Sense Field by the Purchaser (a wholly-owned subsidiary of the Company) for a consideration of HK\$195 million.

The Board is pleased to announce that on 29 June 2016 (after trading hours), the Purchaser entered into the S&P Agreement with the Vendors, pursuant to which the Purchaser agreed to further acquire from the Vendors an aggregate of 36% equity interest in Sense Field for a cash consideration of HK\$130 million.

LISTING RULES IMPLICATIONS

The First Round Acquisition and the Proposed Further Acquisition form a series of transactions which should be treated as if they were one transaction under Rule 14.22 of the Listing Rules. Upon aggregation, as one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules exceeds 25% but all applicable percentage ratios are below 100%, the Proposed Further Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the notification, announcement and shareholders' approval requirements of the Listing Rules.

A circular containing, among other things, (i) further information of the Proposed Further Acquisition; (ii) financial information of the SF Group; (iii) pro forma financial information of the enlarged Group and (iv) notice of the Extraordinary General Meeting, is expected to be despatched to the Shareholders on or before 20 July 2016.

As Completion of the Proposed Further Acquisition is subject to fulfilment (or, if applicable, waiver) of the conditions precedent under the S&P Agreement, the Proposed Further Acquisition may or may not proceed to Completion. Accordingly, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

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THE PROPOSED FURTHER ACQUISITION

The S&P Agreement

Date : 29 June 2016

Vendors : (i) Xiong Sylvia Wei, holder of 6 ordinary shares of Sense Field (representing 6% of the issued share capital of Sense Field);

(ii) Hua Shu, holder of 35 ordinary shares of Sense Field (representing 35% of the issued share capital of Sense Field); and

(iii) Tse Suet Mei, holder of 10 ordinary shares of Sense Field (representing 10% of the issued share capital of Sense Field).

Xiong Sylvia Wei, Hua Shu and Tse Suet Mei have respectively agreed to transfer 6, 20 and 10 ordinary shares of Sense Field to the Purchaser, which amounts to 36 ordinary shares of Sense Field in total (representing 36% of the issued share capital of Sense Field).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the above individuals are all Independent Third Parties.

Purchaser : Vastsuccess Holdings Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company.

- Subject matter : The Sale Shares, representing 36% of the issued share capital of Sense Field.
- Consideration and payment terms : HK\$130 million in cash (subject to the adjustment provisions as set out below), the payment terms of which are as follows:
- (a) The Purchaser shall pay HK\$35 million to the Vendors within 10 Business Days after execution of the S&P Agreement as Deposit;
 - (b) The Purchaser shall pay HK\$82 million to the Vendors on the Completion Date (which sum when aggregated with the Deposit shall constitute 90% of the consideration for the Proposed Further Acquisition); and
 - (c) Subject to the adjustment provisions set out below, the balance of HK\$13 million (the “**Balance**”) shall be paid by the Purchaser to the Vendors within 14 Business Days after the SF Group shall have obtained its consolidated audited accounts made up to 31 December 2016 (the “**2016 Accounts**”).

In the event that the conditions precedent in the S&P Agreement shall have been fulfilled or waived (if allowed under the applicable laws, regulations and the Listing Rules) and the Proposed Further Acquisition shall proceed to Completion, the Deposit shall be applied as part of the consideration for the Proposed Further Acquisition.

In the event that the S&P Agreement shall be terminated for whatever reason and the Proposed Further Acquisition shall not be proceeded, the Vendors shall return the Deposit (without interest thereon) to the Purchaser within 7 Business Days thereafter (save and except that the termination of the S&P Agreement is due to the Purchaser’s breach of the provisions in the S&P Agreement whereupon the Vendors shall not be obliged to return the Deposit to the Purchaser).

- Warranties : The Vendors jointly and severally represent, warrant and undertake to the Purchaser the warranties set out in the S&P Agreement.
- Profit guarantee: : The Vendors jointly and severally warrant and undertake to the Purchaser that:
- (a) The EBITDA of the SF Group for the year ended 31 December 2016 (the “**2016 EBITDA**”) shall not be less than HK\$40 million (the “**First-year Target**”); and

- (b) The EBITDA of the SF Group for the year ended 31 December 2017 (the “**2017 EBITDA**”), when aggregated with the 2016 EBITDA, shall not be less than HK\$95 million (the “**Two-year Target**”).

Adjustments and indemnification

- (a) In the event that the First-year Target can be achieved, the Purchaser shall, as provided above, pay the Balance in full to the Vendors within 14 Business Days after the SF Group shall have obtained the 2016 Accounts. However, if later on the 2016 EBITDA, when aggregated with the 2017 EBITDA, cannot meet the Two-year Target, the Vendors shall, within 60 days after the SF Group shall have obtained its consolidated audited accounts made up to 31 December 2017 (the “**2017 Accounts**”), indemnify the Purchaser of the shortfall (the “**Shortfall**”) which shall be calculated as follows: Shortfall = the Two-year Target – (the 2016 EBITDA + the 2017 EBITDA).
- (b) In the event that the First-year Target cannot be achieved, the date for the Purchaser to pay the Balance shall automatically be extended to any time that is within 14 Business Days after the SF Group shall have obtained the 2017 Accounts.
- (c) Even if the First-year Target cannot be achieved, if later on the Two-year Target can be met when the 2016 EBITDA is aggregated with the 2017 EBITDA, then the Purchaser shall pay the Balance in full to the Vendors within 14 Business Days after the SF Group shall have obtained the 2017 Accounts.
- (d) If the First-year Target cannot be achieved and the Two-year Target cannot be met either, the Purchaser shall then be entitled to deduct from the Balance the Shortfall and shall pay to the Vendors the amount equivalent to the difference between the Balance and the Shortfall within 14 Business Days after the SF Group shall have obtained the 2017 Accounts, and in such case the Purchaser shall be deemed to have fulfilled its obligation under the S&P Agreement to pay the Balance to the Vendors.

In the event that the Balance shall not be sufficient to cover the Shortfall:

- (i) Then the Purchaser shall not be required to pay to the Vendors all or any part of the Balance, and in such case the Purchaser shall be deemed to have fulfilled its obligation under the S&P Agreement to pay the Balance to the Vendors; and

- (ii) The Vendors shall, within 60 days after the SF Group shall have obtained the 2017 Accounts, indemnify the Purchaser of the amount equivalent to the difference between the Balance and the Shortfall.
- (e) In the event that the Vendors shall be required to indemnify the Purchaser in accordance with the above mechanism, the Purchaser is entitled to request Hua Shu to transfer all or part of the shares of Sense Field held by her for the time being to satisfy the Vendors' indemnification obligations mentioned hereinabove.

Basis for determining the consideration

The consideration for the Proposed Further Acquisition was determined by the Group and the Vendors following arm's length negotiation and with reference to:

- (i) The business valuation report dated 27 November 2015 prepared by Roma Appraisals Limited, a valuer independent to the Group and the Vendors, which had placed a valuation of RMB354 million (approximately HK\$435 million) to the SF Group as at 31 October 2015 (the "**Valuation**");
- (ii) The audited accounts of the SF Group as at 31 December 2015; and
- (iii) The unaudited management accounts of the SF Group as at 31 March 2016.

As disclosed in the SF announcements, the Valuation had been used as a reference to determine the consideration for the First Round Acquisition. Details of the Valuation (including the methodology and the principal assumptions) are set out in the announcement of the Company dated 27 November 2015.

Conditions precedent to Completion

Completion of the S&P Agreement is conditional upon, amongst others, (i) approval by the Shareholders of the S&P Agreement at the Company's upcoming Extraordinary General Meeting; (ii) 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 thereunder; (iii) the Purchaser being satisfied with its due diligence on the SF Group and its businesses on or before the Completion Date; and (iv) the warranties given by the Vendors in the S&P Agreement remaining true and accurate and not misleading in any material respect.

In the event that any of the conditions precedent in the S&P Agreement shall remain unsatisfied or not waived by the Purchaser (if allowed under the applicable laws, regulations and the Listing Rules) 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 others save for any claim in respect of any antecedent breach thereof.

Completion

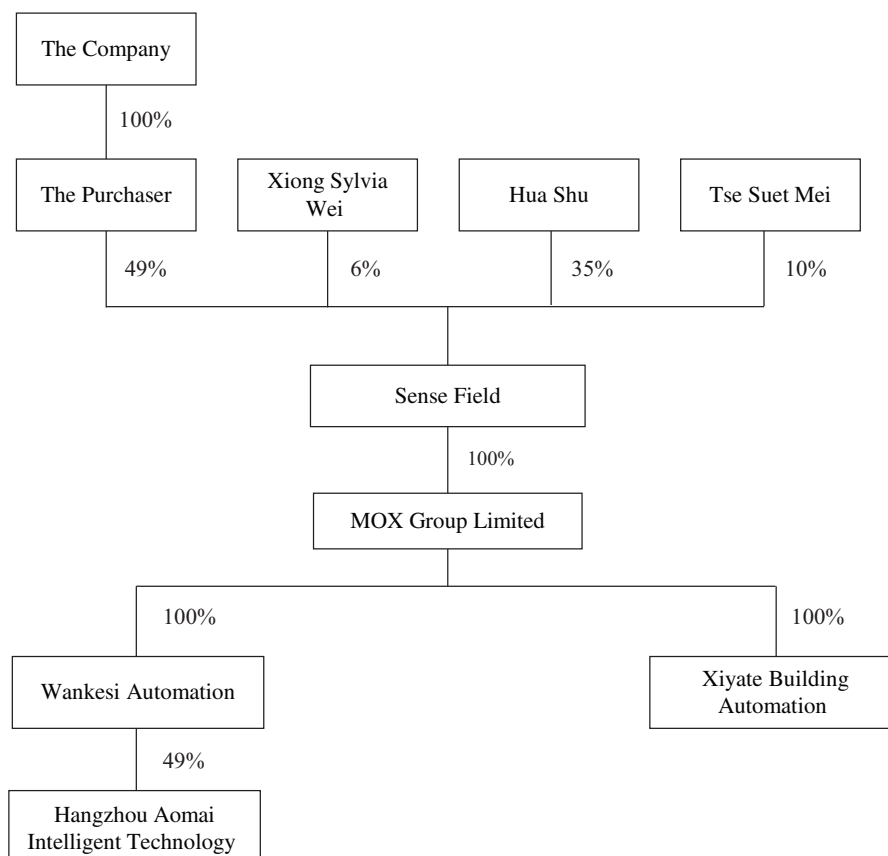
Subject to the fulfilment of the conditions as set out in the paragraph headed “Conditions precedent to Completion” above and the terms and conditions of the S&P Agreement, Completion shall take place within seven Business Days upon fulfilment of such conditions (or such other date as the parties may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

Upon Completion, Sense Field will become an indirect non-wholly owned subsidiary of the Company and the financial information of Sense Field will be consolidated into the accounts of the Company.

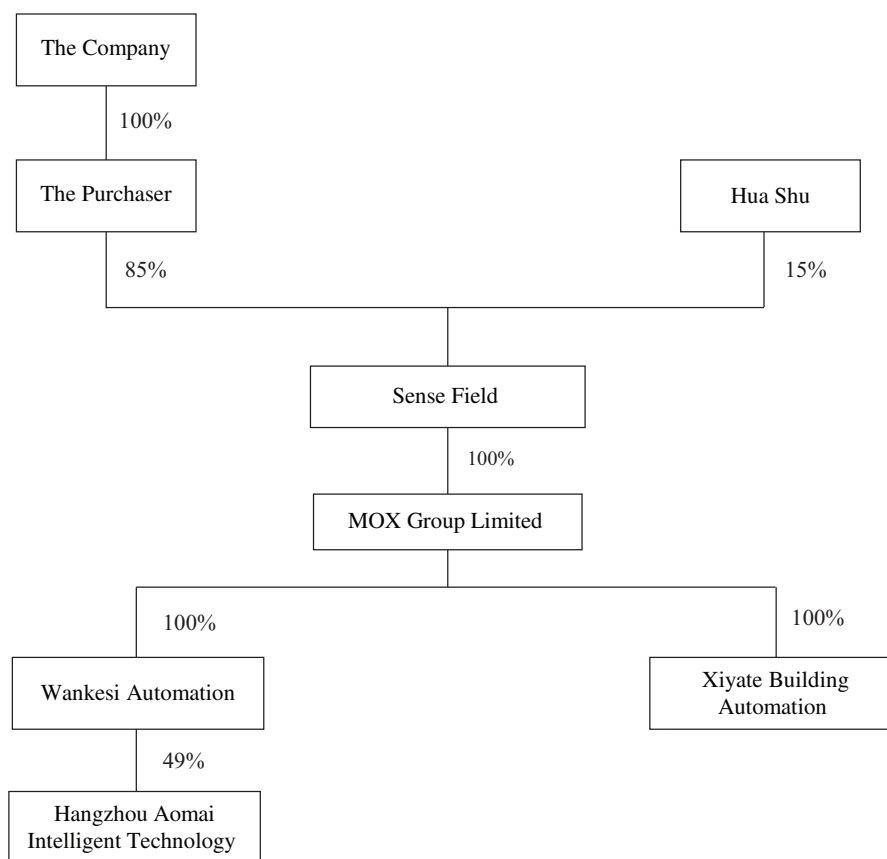
INFORMATION OF THE SF GROUP

Corporate structures of Sense Field before and after Completion of the Proposed Further Acquisition are as follows:

Before Completion of the Proposed Further Acquisition



Following Completion of the Proposed Further Acquisition



As disclosed in the SF Announcements, Sense Field is the investment holding company of MOX Group Limited, the foreign investor of both Wankesi Automation (incorporated in 2011) and Xiyate Building Automation (incorporated in 2001). The SF Group is based in Zhejiang province of the PRC and is primarily engaged in the research and development, manufacturing and sales of intelligent building systems including video intercom and surveillance systems for buildings across the PRC. Most of the customers of the SF Group are either property or building systems' developers. These customers include, inter alia, Greentown China Holdings Limited (綠城中國控股有限公司), Longfor Properties Company Limited (龍湖地產有限公司), China Resources Land Limited (華潤置地有限公司) and Top Spring International Holdings Limited (萊蒙國際集團有限公司). Over the years, the SF Group has established a sales network in not less than 23 first and second tier cities across the country.

According to the audited financial statements prepared by the auditors of the SF Group:

- (a) For the year ended 31 December 2014, the SF Group's audited sales were RMB100 million (2013: RMB124.5 million) and after-tax profits were RMB8.8 million (2013: RMB6.5 million). As at 31 December 2014, the SF Group's audited net assets were RMB77.74 million; and
- (b) For the year ended 31 December 2015, the SF Group's audited sales were RMB111.98 million and after-tax profits were RMB10.24 million. As at 31 December 2015, the SF Group's audited net assets were RMB82.27 million.

REASONS FOR THE PROPOSED FURTHER 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. Following the acquisition of the “Synertone-1” (IPSTAR) satellite bandwidth in October 2013, the Group has started the business of satellite communication operation. In addition to the above, the Group also provides specialised communication network design and implementation solutions according to clients’ specific needs, engages in research and development of systems technologies for the operation of the specialised communication system and the sales of accessory parts and components to some of its customers for further integration or other related uses.

The Group’s products and services on digital trunking and specialized communication network are mainly used by government departments as well as corporations in the PRC for public safety and emergency communication purposes.

The Directors believe that the Proposed Further Acquisition would enable the Group to consolidate and secure control over the SF Group which would allow it to better diversify its customers’ base in the private sector, particularly with regard to property development companies in the PRC. The Group also plans to leverage on its existing satellite communication capabilities to provide services to the existing and potential customers of the SF Group. It is expected that the Group, upon completion of the Proposed Further Acquisition, would share a larger portion of the earnings from the SF Group, bringing positive impact to its earnings.

The Directors are of the view that the Proposed Further Acquisition is fair and reasonable, on normal commercial terms and is in the interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

The First Round Acquisition and the Proposed Further Acquisition form a series of transactions which should be treated as if they were one transaction under Rule 14.22 of the Listing Rules. Upon aggregation, as one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules exceeds 25% but all applicable percentage ratios are below 100%, the Proposed Further Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the notification, announcement and shareholders’ approval requirements of the Listing Rules.

Upon completion of the First Round Acquisition, 129,600,000 Shares (adjusted after completion of the Share Consolidation) and 27,000,000 Shares (adjusted after completion of the Share Consolidation) were issued and allotted to Xiong Sylvia Wei and Hua Shu respectively as consideration shares. As at the date of this announcement, Xiong Sylvia Wei and Hua Shu are holding 129,600,000 Shares (constituting 3.87% of the issued share capital of the Company) and 27,000,000 Shares (constituting 0.81% of the issued share capital of the Company) respectively. As Xiong Sylvia Wei and Hua Shu have a material interest in the Proposed Further Acquisition, they will abstain from voting on the resolution(s) in connection with the Proposed Further Acquisition. Save as disclosed herein, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, no

other Shareholder has a material interest in the Proposed Further Acquisition, and therefore, no other Shareholder is required to abstain from voting on the resolution in connection with the Proposed Further Acquisition.

A circular containing, among other things, (i) further information of the Proposed Further Acquisition; (ii) financial information of the SF Group; (iii) pro forma financial information of the enlarged Group and (iv) notice of the Extraordinary General Meeting, is expected to be despatched to the Shareholders on or before 20 July 2016.

As Completion of the Proposed Further Acquisition is subject to fulfilment (or, if applicable, waiver) of the conditions precedent under the S&P Agreement, the Proposed Further Acquisition may or may not proceed to Completion. Accordingly, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“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 S&P Agreement
“Completion Date”	the date of Completion, a date which shall be within 7 Business Days after 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) when the Completion shall take place
“Deposit”	the deposit in the sum of HK\$35,000,000 payable by the Purchaser to the Vendors pursuant to the S&P Agreement
“Director(s)”	the director(s) of the Company
“EBITDA”	earnings before interest, tax, depreciation and amortisation
“Extraordinary General Meeting”	the extraordinary general meeting to be convened to approve, inter alia, the Proposed Further Acquisition

“First Round Acquisition”	the acquisition of 49% interest in Sense Field by the Purchaser as detailed in the SF Announcements, which was completed on 16 December 2015
“Group”	the Company and its subsidiaries from time to time
“Hangzhou Aomai Intelligent Technology”	杭州奥邁智能科技有限公司 (Hangzhou Aomai Intelligent Technology Co., Limited), a company incorporated in the PRC with 49% of its equity interest being held by Wankesi Automation, which is therefore an associated company of Wankesi Automation
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“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
“Long Stop Date”	30 September 2016 (or such later date as the parties to the S&P Agreement may agree in writing)
“MOX Group Limited”	a company incorporated in the British Virgin Islands, being the wholly-owned subsidiary of Sense Field and holds 100% interest in Wankesi Automation and Xiyate Building Automation
“PRC”	the People’s Republic of China, excluding for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposed Further Acquisition”	the proposed further acquisition by the Purchaser of the equity interest in Sense Field in accordance with the terms of the S&P Agreement
“Purchaser”	Vastsuccess Holdings Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“RMB”	Renminbi yuan, the lawful currency of the PRC
“S&P Agreement”	the conditional sale and purchase agreement dated 29 June 2016 entered into between the Vendors and the Purchaser for the Sale Shares

“Sale Shares”	36 ordinary shares of Sense Field, representing 36% of the issued share capital of Sense Field
“Sense Field”	Sense Field Group Limited, a company incorporated in the British Virgin Islands and holds 100% interest in MOX Group Limited
“SF Announcements”	the announcements of the Company dated 27 November 2015 and 16 December 2015 in relation to, inter alia, the First Round Acquisition
“SF Group”	Sense Field, MOX Group Limited, Wankesi Automation and Xiyate Building Automation
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Share Consolidation”	the consolidation of every five (5) issued and unissued shares of the Company of HK\$0.01 each into one (1) consolidated share of the Company of HK\$0.05 which took effect on 24 March 2016
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendors”	(i) Ms. Xiong Sylvia Wei; (ii) Ms. Hua Shu and (iii) Ms. Tse Suet Mei, who are, to the best knowledge of the Board, all Independent Third Parties
“Wankesi Automation”	萬科思自控信息(中國)有限公司 (Wankesi Automation Information (China) Co., Limited), a company incorporated in the PRC, which is a wholly-owned subsidiary of MOX Group Limited
“Xiyate Building Automation”	悉雅特樓宇自控(杭州)有限公司 (Xiyate Building Automation (Hangzhou) Co., Limited), a company incorporated in the PRC, which is a wholly-owned subsidiary of MOX Group Limited
“%”	per cent

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

Hong Kong, 29 June 2016

As at the date of this announcement, the executive Directors are Mr. Wong Chit On and Mr. Han Weining, and the independent non-executive Directors are Mr. Lam Ying Hung Andy, Mr. Hu Yunlin, and Mr. Wang Chen.