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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)

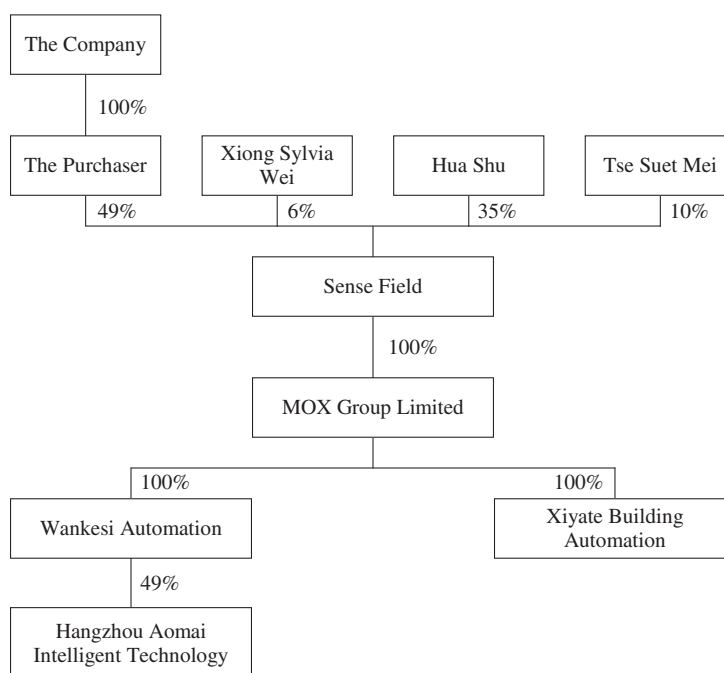
(Stock Code: 1613)

**CLARIFICATION ANNOUNCEMENT;
EXTENSION OF LONG STOP DATE AND
FURTHER DELAY IN DESPATCH OF CIRCULAR IN RELATION TO
A MAJOR AND CONNECTED TRANSACTION**

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.

As disclosed in the First Round Acquisition Announcements:

- (a) The First Round Acquisition was completed on 16 December 2015;
- (b) Upon completion of the First Round Acquisition, the corporate structure of Sense Field became as follows:



- (c) 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.

It was not the intention of the Company to obtain “control” over the SF Group upon completion of the First Round Acquisition, and this was reflected in the following:

- (a) Less than 50% equity interest in Sense Field was acquired by the Purchaser upon completion of the First Round Acquisition; and
- (b) The Company had no intention, and the subject contract did not allow the Company, to control the board of directors of Sense Field or any of its subsidiaries upon completion of the First Round Acquisition.

Reference is also made to the announcement of the Company dated 29 June 2016 in relation to, inter alia, the Proposed Further Acquisition. As disclosed in the Further Acquisition Announcement:

- (a) It is now intended by the Purchaser to proceed with the further acquisition of 36% equity interest in Sense Field;
- (b) The purpose of the Proposed Further Acquisition is to consolidate and secure the Group’s control over Sense Field;
- (c) 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, the Proposed Further Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules; and
- (d) Completion of the Proposed Further Acquisition is subject to, inter alia, approval by the Shareholders.

The First Round Acquisition Announcements and the Further Acquisition Announcement were all prepared on the basis that Sense Field has not yet and will not become a subsidiary of the Company until completion of the Proposed Further Acquisition.

Subsequent to the publication of the Further Acquisition Announcement, in the course of discussing the draft audited financial results of the Group for the financial year ended 31 March 2016 with the Auditors, the Board was advised by the Auditors of their view by reference to the relevant accounting standard that the financial statements of the SF Group should have been consolidated into the Group’s financial statements upon completion of the First Round Acquisition on 16 December 2015. Reasons given by the Auditors as understood by the Board are summarized as follows:

- (a) In determining whether the accounts of an investee should be consolidated into those of the investor, the ultimate question to ask is whether the investor has “control” over the investee, which should be considered against the facts and circumstances of the case; and

- (b) The Purchaser's control over Sense Field can be exercised through its Subscription Right (as per the terms of the Shareholders Agreement) to subscribe further shares of Sense Field to increase its shareholding to more than 50%.

The Company has discussed with the Auditors, among other things:

- (a) The fact that the Group has no actual control over the SF Group since completion of the First Round Acquisition and will not have actual control until completion of the Proposed Further Acquisition;
- (b) The fact that the Subscription Right (which will lapse if not exercised within two years after completion of the First Round Acquisition) has not been exercised by the Purchaser; and
- (c) The possibility that an absurd situation may arise if, on the one hand, the financial statements of the SF Group were consolidated into the Group's accounts upon completion of the First Round Acquisition; whilst on the other hand, if the Subscription Right will not be exercised within the aforesaid two years' period and the Proposed Further Acquisition never takes place; then, the financial statements of the SF Group will have to be "de-consolidated" from the Group's accounts.

Notwithstanding the above, the Board accepts that the subsequent Proposed Further Acquisition is a change in circumstances which, when considered together with the First Round Acquisition with the benefit of hindsight, somehow indicates retrospectively the Group's "control" of the SF Group. Therefore, taking the Proposed Further Acquisition into account, the Board (after careful consideration) decided to take the Auditors' Consolidation Advice. Therefore, as shown in the announcement of the Company dated 15 August 2016 setting out the Group's annual results for the financial year ended 31 March 2016 and the Company's 2016 annual report, since completion of the First Round Acquisition on 16 December 2015, the financial statements of the SF Group have been consolidated into the Group's accounts (and accordingly Sense Field shall be treated as a subsidiary of the Company).

Although the Group has no actual control over the SF Group until completion of the Proposed Further Acquisition (if proceeded), since the financial information of the SF Group has already been consolidated into the Group's accounts, the Company will take a stringent approach to treat the substantial shareholders (as defined under the Listing Rules) of Sense Field (other than the Purchaser) (i.e. Tse Suet Mei and Hua Shu, being two out of the three Vendors in the Proposed Further Acquisition) as the Company's connected persons at the subsidiary level. As such, other than a major transaction as disclosed in the Further Acquisition Announcement, the Proposed Further Acquisition also constitutes a connected transaction under Chapter 14A of the Listing Rules and is therefore subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee will be formed to advise the Independent Shareholders on the Proposed Further Acquisition and an independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on the Proposed Further Acquisition.

As stated in the Further Acquisition Announcement, 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, will be despatched to the Shareholders. Reference is also made to the announcements of the Company dated 30 June 2016 and 19 August 2016 whereby it was mentioned that the despatch date of the circular is expected to be on or before 30 September 2016.

In view of the Consolidation Advice being accepted by the Company:

- (a) The circular will be prepared on the basis that Sense Field has already become a subsidiary of the Company upon completion of the First Round Acquisition and the financial statements of the SF Group have been consolidated into the Group's accounts;
- (b) The circular will also contain (i) a letter from the Independent Board Committee containing its opinion and recommendations to the Independent Shareholders in respect of the Proposed Further Acquisition; and (ii) a letter of advice from the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Further Acquisition; and
- (c) Additional time is required to prepare the relevant information for inclusion in the circular and hence the despatch date of the circular is expected be postponed to a date falling on or before 15 November 2016.

As additional time is required for the fulfillment of the conditions precedent under the Further Acquisition S&P Agreement, the parties to the Further Acquisition S&P Agreement have agreed with each other to extend the long stop date for fulfillment of the conditions precedent to 31 December 2016 (or such later date as the parties may agree in writing). Save as disclosed above, all other terms and conditions of the Further Acquisition S&P Agreement remain unchanged and in full force and effect in all respects.

As completion of the Proposed Further Acquisition is subject to fulfilment (or, if applicable, waiver) of the conditions precedent under the Further Acquisition 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
“Auditors”	CCIF CPA Limited, the auditors of the Group
“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)
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Consolidation Advice”	the advice given by the Auditors to the Group regarding the consolidation of the financial statements of the SF Group into the Group’s accounts upon completion of the First Round Acquisition
“Director(s)”	the director(s) of the Company
“Extraordinary General Meeting”	the extraordinary general meeting of the Company 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 First Round Acquisition Announcements, which was completed on 16 December 2015
“First Round Acquisition Announcements”	the announcements of the Company dated 27 November 2015 and 16 December 2015 in relation to, inter alia, the First Round Acquisition
“Further Acquisition Announcement”	the announcement of the Company dated 29 June 2016 in relation to, inter alia, the Proposed Further Acquisition
“Further Acquisition S&P Agreement”	the conditional sale and purchase agreement dated 29 June 2016 entered into between the Vendors and the Purchaser for the Proposed Further Acquisition
“Group”	the Company and its subsidiaries from time to time
“Hangzhou Aomai Intelligent Technology”	杭州奧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 Board Committee”	the committee of the Board comprising all the independent non-executive Directors established for the purpose of giving recommendations to the Independent Shareholders in respect of the Proposed Further Acquisition

“Independent Shareholders”	Shareholders other than Xiong Sylvia Wei and Hua Shu and their respective associates and persons who have a material interest in the Proposed Further Acquisition who shall abstain from voting on the resolution(s) for approving the Proposed Further Acquisition at the Extraordinary General Meeting
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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 36% equity interest in Sense Field in accordance with the terms of the Further Acquisition S&P Agreement
“Purchaser”	Vastsuccess Holdings Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Sense Field”	Sense Field Group Limited, a company incorporated in the British Virgin Islands and holds 100% interest in MOX Group Limited
“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
“Shareholders Agreement”	the shareholders agreement entered into between the Vendors and the Purchaser upon completion of the First Round Acquisition in relation to, among others, the rights and obligations of the Vendors and the Purchaser in Sense Field
“Shareholder(s)”	holder(s) of the Shares

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Right”	the right given to the Purchaser under the Shareholders Agreement to subscribe further shares of Sense Field to increase its shareholding in Sense Field to more than 50%
“Vendors”	(i) Xiong Sylvia Wei; (ii) Hua Shu and (iii) Tse Suet Mei
“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, 23 September 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.