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協同通信集團有限公司
Synertone Communication Corporation
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1613)

RECEIPT OF NOTICE OF TERMINATION FROM IPSTAR COMPANY LIMITED

This announcement is made by Synertone Communication Corporation (the “**Company**”) in accordance with Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to (i) the announcements of the Company dated 15 April 2013 and 13 September 2013 and (ii) the circular of the Company dated 26 September 2013 (the “**Circular**”) in relation to the Acquisition and the entering into of the Definitive Agreement, the Revenue Sharing Agreement and the Assignment Agreement by VAST, a wholly-owned subsidiary of the Company. Under the Definitive Agreement, VAST has agreed to acquire from the Vendor and the Vendor has agreed to provide to VAST (i) the Bandwidth Capacity and the Bandwidth Capacity Service and (ii) the Right To Use for the transmission of broadband Internet access and other applications (together, the “**Bandwidth Resources**”) throughout the Service Period. Unless otherwise defined, capitalized terms used herein shall have the same meanings given to them in the Circular.

Since completion of the Acquisition, VAST has been using the Bandwidth Resources to conduct the Synertone 1 satellite system business. As previously disclosed by the Company in its interim and annual results announcements / reports, the Group’s revenue from the Synertone 1 satellite business has decreased significantly since the financial year of 2015, and has remained at a relatively low level despite the efforts and investments of the Group on upgrading the gateway systems to increase the total bandwidth as well as the uplink and downlink transmission. By reason of the above, and also the recent change of market conditions (in particular, the launch of China’s own high-throughput satellite in April 2017, thus leading to more intense competition in China’s bandwidth service market), VAST initiated discussions with the Vendor in September 2017 on a modification of the existing cooperation model under Clause 2.2.3 of the Definitive Agreement, according to which:

- (a) At any time after the first three years of the Service Period, if VAST fails to make payment based on the agreed payment schedule and the cooperation model under the Definitive Agreement needs to be adjusted due to the market or other reasons, the Vendor agrees that VAST shall have the right to modify the cooperation model; and
- (b) If such modification occurs, (i) VAST agrees to give up the exclusive right in the Bandwidth Capacity; (ii) the Vendor shall have the right to resell the Bandwidth Capacity that has not been utilized; and (iii) VAST shall have the right to continue to use the Bandwidth Capacity that has been currently utilized for the remaining years of the Service Period.

It is VAST's position that the right for VAST to modify the cooperation model with the Vendor has arisen and has been exercised, and there should be no payment of the Bandwidth Resources fees for the 5th year of the Service Period (which commences on 15 October 2017). The Vendor takes a different view and disputes that, inter alia, the Bandwidth Resources fees for the 5th year of the Service Period should remain payable. The Vendor has, through its solicitors, issued a notice of termination to VAST (the "Notice"). According to the Notice:

- (a) The Vendor has terminated the Definitive Agreement pursuant to its terms due to the failure of VAST to, inter alia, make the required payments under the Definitive Agreement to the Vendor; and
- (b) In light of the termination of the Definitive Agreement, the Revenue Sharing Agreement and the Assignment Agreement are also automatically terminated in accordance with their terms.

Notwithstanding the above, it was also mentioned in the Notice that pending discussion between the parties, the Vendor is willing to maintain the provision of the Bandwidth Resources to VAST subject to certain conditions. The board of directors of the Company hereby confirms that, despite the Notice (which the Group considers to have been wrongly issued), as at the date of this announcement, the services provided by VAST in relation to the Synertone 1 satellite system has not been affected. The parties are still discussing and negotiating on an amicable resolution, including the negotiation on a new agreement to govern the provision of the Bandwidth Resources by the Vendor to VAST in the remaining years of the Service Period.

The Company will keep its shareholders updated on any material developments.

Shareholders and potential investors are advised to exercise caution when dealing in the shares or other securities of the Company.

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

Hong Kong, 22 December 2017

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. Wang Chen and Ms. Li Mingqi.