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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)

ISSUE OF NEW SHARES UNDER GENERAL MANDATE

THE SUBSCRIPTION

On 9 May 2018 (after trading hours of the Stock Exchange), the Company entered into a conditional Subscription Agreement with the Subscriber, pursuant to which the Subscriber conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue, 653,016,000 Subscription Shares at the Subscription Price of HK\$0.08 per Subscription Share.

The issue of the Subscription Shares is not subject to the Shareholders' approval as the Subscription Shares will be allotted and issued under the General Mandate. The number of 653,016,000 Subscription Shares represents (i) approximately 19.50% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 16.32% of the issued share capital of the Company as enlarged by the issue and allotment of the Subscription Shares, assuming there is no change in the issued share capital of the Company between the date of this announcement and the Completion.

The Subscription Price of HK\$0.08 per Subscription Share represents (i) a premium of approximately 5.26% to the closing price of HK\$0.076 per Share as quoted on the Stock Exchange on 9 May 2018, being the date of the Subscription Agreement; and (ii) a premium of approximately 3.09% to the average closing price of HK\$0.0776 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 8 May 2018, being the last trading day immediately prior to the date of the Subscription Agreement.

The gross proceeds arising from the Subscription will be HK\$52,241,280 and the net proceeds arising from the Subscription, after deduction of related expenses, will amount to approximately HK\$52,180,000, representing a net issue price per Subscription Share of approximately HK\$0.08. It is intended that the net proceeds arising from the Subscription will be used as general working capital and/or further investments of the Group as and when the opportunities arise, but no specific investment targets have been identified yet as at the date of this announcement.

Shareholders and potential investors should note that the Completion is subject to the fulfilment of the conditions precedent as set out in the section headed “Conditions Precedent” in this announcement. As the Subscription may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

On 9 May 2018 (after trading hours of the Stock Exchange), the Company entered into a conditional Subscription Agreement with the Subscriber, pursuant to which the Subscriber conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue, 653,016,000 Subscription Shares at the Subscription Price of HK\$0.08 per Subscription Share.

The Subscription Agreement

Date: 9 May 2018 (after trading hours of the Stock Exchange)

Issuer: the Company

Subscriber: Mr. Gao Jiemin (高介民)

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Subscriber is an experienced investor who is an Independent Third Party as at the date of this announcement.

It is expected that the Subscriber will become a substantial shareholder of the Company immediately after the Completion.

Subscription Shares

The number of 653,016,000 Subscription Shares, represents (i) approximately 19.50% of the existing issued share capital of the Company of 3,348,800,000 Shares as at the date of this announcement; and (ii) approximately 16.32% of the issued share capital of the Company of 4,001,816,000 Shares as enlarged by the issue and allotment of the Subscription Shares, assuming there is no change in the issued share capital of the Company between the date of this announcement and the Completion. The aggregate nominal value of the Subscription Shares is HK\$32,650,800.

Ranking of the Subscription Shares

The Subscription Shares will be allotted and issued free of any Encumbrance, and will rank pari passu in all respects among themselves and all other issued Shares as at the Completion Date in all respects, including the right to receive all dividends declared or payable or distribution made or proposed to be made at any time by reference to a record date falling on or after the Completion Date.

Subscription Price and the Subscription Consideration

The Subscription Price of HK\$0.08 per Subscription Share represents:

- (i) a premium of approximately 5.26% to the closing price of HK\$0.076 per Share as quoted on the Stock Exchange on 9 May 2018, being the date of the Subscription Agreement; and
- (ii) a premium of approximately 3.09% to the average closing price of HK\$0.0776 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 8 May 2018, being the last trading day immediately prior to the date of the Subscription Agreement.

The Subscription Price was determined after arm's length negotiations between the Company and the Subscriber with reference to the prevailing market price of the Shares and the current market conditions. The Directors consider that the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Subscription Consideration of HK\$52,241,280 shall be payable by the Subscriber to the Company in cash within 15 Business Days from the signing of Subscription Agreement.

General Mandate to issue the Subscription Shares

The issue of the Subscription Shares is not subject to Shareholders' approval as the Subscription Shares will be allotted and issued under the General Mandate granted to the Directors by a resolution of the Shareholders passed at the AGM subject to the limit of up to 20% of the aggregate number of Shares in issue as at the date of the AGM (i.e. 669,760,000 Shares, representing 20% of 3,348,800,000 Shares in issue as at the date of the AGM). Up to the date of this announcement, the General Mandate has not been utilized. The issue of the Subscription Shares will utilize approximately 97.50% of the General Mandate such that a total of 16,744,000 Shares will remain unissued under the General Mandate. The Company has not bought back any Shares within the last 30 days prior to the date of this announcement.

Conditions Precedent

The Completion shall be subject to the following conditions being satisfied:

- (A) the Subscription Consideration duly received by the Company within 15 Business Days from the signing of Subscription Agreement;
- (B) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares (and such listing and permission not subsequently revoked prior to the delivery of valid and definitive share certificate(s) representing the Subscription Shares to the Subscriber); and
- (C) all relevant approvals and consents (if required) from governmental or other competent authority or in accordance with applicable laws have been obtained on the part of the Company and the Subscriber in respect of the Subscription and the transactions contemplated thereunder.

In the event that the above conditions are not fulfilled in full on or before the Long Stop Date:

- (i) the Company shall refund the Subscription Consideration (if any), without interest, to the Subscriber; and
- (ii) the Subscription Agreement shall terminate and no party shall be liable to the other party save for antecedent breaches.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

Termination

Under the Subscription Agreement, an innocent party may after consultation with the defaulting party (to the extent that the same is reasonably practicable) terminate the Subscription Agreement without liability to defaulting party by giving notice in writing to the defaulting party if at any time prior to 3:00 p.m. on the Completion Date, there occurs any material breach of any provision of the Subscription Agreement.

In the event that the innocent party terminates the Subscription Agreement:

- (i) as a result of the default of the Company alone, the Company shall refund the Subscription Consideration (if any), without interest, to the Subscriber; and
- (ii) all obligations of the parties under the Subscription Agreement shall cease and determine and no party shall be liable to the other party save for antecedent breaches.

Completion

Completion under the Subscription Agreement shall take place on the Completion Date.

Non-disposal undertaking

Pursuant to the terms of the Subscription Agreement, the Subscriber undertakes to the Company that he will not, in respect of the Subscription Shares, for a period of 60 Business Days from the Completion, transfer or otherwise dispose of any of the Subscription Shares.

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Group is principally engaged in (i) the design, research and development, manufacture and sales of specialised communication systems, equipment and systems technologies, (ii) provision of Synertone 1 satellite bandwidth capacity and communication service application, (iii) design, development and sale of automation control systems for industrial use, and (iv) design, research and development, manufacture and sales of intelligent building system including video intercom and surveillance system for buildings.

The aggregate gross proceeds arising from the Subscription will be HK\$52,241,280 and the aggregate net proceeds arising from the Subscription, after the deduction of the related expenses, will amount to approximately HK\$52,180,000. The Company intends to apply the net proceeds from the Subscription for general working capital and/or further investments of the Group as and when the opportunities arise, but no specific investment targets have been identified yet as at the date of this announcement.

The Directors consider that the Subscription will provide additional funding for the Company to maintain the Group's working capital requirement while broadening the capital base of the Company. The Directors are of the view that the Subscription are in the interests of the Company and the Shareholders as a whole and the allotment and issue of the Subscription Shares is an appropriate means of raising additional capital for the Company since it will provide the Company with immediate funding and the capital base of the Company will be enlarged. The Directors consider that the terms of the Subscription Agreement are fair and reasonable.

CHANGES IN SHAREHOLDING STRUCTURE

The following table illustrates the shareholding structure of the Company as at the date of this announcement and immediately following the Completion (assuming that there is no change in the total number of issued Shares from the date of this announcement and up to the Completion other than the issue of the Subscription Shares):

Shareholders	As at the date of this announcement		Immediately after the completion of the Subscription	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Excel Time Investments Limited (“Excel Time”) (Note 1)	1,194,710,296	35.68	1,194,710,296	29.85
Mr. Han Weining (“Mr. Han”) (Note 2)	40,800,000	1.22	40,800,000	1.02
the Subscriber	-	-	653,016,000	16.32
Public Shareholders	2,113,289,704	63.10	2,113,289,704	52.81
Total	3,348,800,000	100.00	4,001,816,000	100.00

Notes:

1. Excel Time is a company wholly owned by Mr. Wong Chit On, the chairman of the Company and an executive Director.
2. Mr. Han is the chief executive officer of the Company and an executive Director.
3. The percentage figures included in this table are subject to rounding adjustment.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE-MONTH PERIOD

Save for the fund raising activity mentioned below, the Company has not carried out any other equity fund raising activities in the past twelve-month period immediately preceding the date of this announcement.

Date of initial announcement	Fund raising activity	Net proceeds raised as the date of this announcement	Intended use of proceeds	Actual use of net proceeds
23 May 2017	Issue of convertible bonds in the principal amount of HK\$48 million in tranches (“ Convertible Bonds ”). As at the date of this announcement, the Company has issued Convertible Bonds in an aggregate principal amount of HK\$20 million to the subscriber of the Convertible Bonds	Approximately HK\$20 million	For general working capital of the Group	Utilised as intended

GENERAL

Shareholders and potential investors should note that the Completion is subject to the fulfilment of the conditions precedent as set out in the section headed “Conditions Precedent” in this announcement. As the Subscription may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following respective meanings:

“AGM”	the annual general meeting of the Company held on 6 September 2017
“Board”	the board of Directors
“Business Day(s)”	any day (excluding a Saturday) on which banks generally are open for business in Hong Kong during normal working hours

“Company”	Synertone Communication Corporation, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Subscription
“Completion Date”	the date on which 653,016,000 Subscription Shares will be allotted and issued to the Subscriber by the Company, which shall be the date falling within five Business Days after the conditions precedent under the Subscription Agreement are fulfilled or such other date as the Company and the Subscriber may agree
“Director(s)”	the director(s) of the Company
“Encumbrance”	a mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third-party right or interest, other encumbrance or security interest of any kind, or any other type of preferential arrangement (including, without limitation, a title transfer or retention arrangement) having similar effect
“General Mandate”	the general mandate to allot, issue and deal with up to 669,760,000 new Shares (representing 20% of the aggregate number of the Shares in issue as at the date of the AGM) granted to the Directors by a resolution of the Shareholders passed at the AGM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Parties”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected person(s) (as defined under the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Long Stop Date”	the date falling 20 Business Days after the date of the Subscription Agreement (i.e. 7 June 2018) or such other date as may be mutually agreed between the Company and the Subscriber
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Mr. Gao Jiemin (高介民)
“Subscription”	the conditional subscription by the Subscriber of 653,016,000 Subscription Shares pursuant to the Subscription Agreement
“Subscription Agreement”	the agreement dated 9 May 2018 entered into between the Company and the Subscriber in relation to the Subscription
“Subscription Consideration”	the total consideration to be paid by the Subscriber to subscribe for the Subscription Shares, amounting to HK\$52,241,280
“Subscription Price”	HK\$0.08 per Subscription Share
“Subscription Share(s)”	new Share(s) to be allotted and issued by the Company to the Subscriber pursuant to the Subscription Agreement
“substantial shareholder”	has the same meaning ascribed to it in the Listing Rules
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 9 May 2018

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.