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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)

UPDATE ON FINANCIAL INFORMATION

This announcement is made by Synertone Communication Corporation (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to 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) of Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

The board (“**Board**”) of directors (“**Directors**”) of the Company wishes to inform the shareholders of the Company and potential investors that, based on a preliminary assessment of the unaudited consolidated management accounts of the Group for the year ended 31 March 2019 (the “**Current Year**”) and the information currently available to the Board, the Group is expected to record a significant profit for the Current Year as compared to a loss for the year ended 31 March 2018 (the “**Prior Year**”) and return to net assets position of not less than HK\$100 million as at 31 March 2019.

The Board considers that the expected significant profit was mainly attributable to:

- (i) an one-off gain on derecognition of finance lease payables of approximately HK\$372.4 million (which is non-cash in nature) as a result of the early termination of the finance lease arrangement in connection with the exclusive right to use Synertone 1 satellite bandwidth.

In October 2018, (i) the Company and Vastsuccess Holdings Limited (“**VAST**”) entered into the settlement agreement (the “**Settlement Agreement**”) with IPSTAR Company Limited (“**IPSTARCO**”) and (ii) VAST entered into the transfer agreement (the “**Transfer Agreement**”) with IPSTARCO, pursuant to which, among others, the relevant agreements in respect of the exclusive right to use Synertone 1 satellite bandwidth resources granted by IPSTARCO to the Group had been terminated as of December 2017 and the Group should settle the outstanding amount of

USD 6,277,419.54 (the “**Outstanding Amount**”) due to IPSTARCO. In November 2018, the Group entered into the share transfer agreements with an independent third party (the “**Transferee**”) to dispose of the entire issued share capital (the “**Share Transfer**”) of VAST and Synertone Satellite Communication Limited to the Transferee. The consideration for the Share Transfer was satisfied by the fulfilment by the Transferee of the payment obligations to the IPSTARCO the balance of the Outstanding Amount after the transfer of the upgraded hub system to be determined pursuant to the Settlement Agreement and the Transfer Agreement, subject to a ceiling of USD2,000,000. Further details of which are set out in the note headed “22. Events after the Reporting Period” in the Company’s interim report for the six months ended 30 September 2018.

Upon completion of the aforesaid agreements, the Group discontinued the operation of its Synertone 1 satellite communication business. Included in the results of such discontinued operation during the Current Year was an estimated gain on derecognition of finance lease payables of approximately HK\$372.4 million in relation to bandwidth resources fees for the remaining service years as a result of the early termination of the finance lease arrangement;

- (ii) the absence of an impairment loss recognised in respect of intangible assets relating to the exclusive right to use Synertone 1 satellite bandwidth of approximately HK\$215.2 million, which was recorded in the Prior Year;
- (iii) the absence of an impairment loss recognised in respect of intangible assets relating to the safe communication technologies cash generating unit of approximately HK\$47.4 million, which was recorded in the Prior Year; and
- (iv) a significant decrease in impairment loss of goodwill in respect of the industrial control system cash generating unit for the Current Year as compared with that for the Prior Year.

The information contained in this announcement is only based on the preliminary assessment by the Board with reference to the information currently available, including the unaudited consolidated management accounts of the Group, and is not based on any figure or information which has been audited or reviewed by the Company’s auditors or reviewed by the audit committee of the Company, and may be subject to adjustments and changes. Details of the Group’s financial information and performance will be disclosed in the Company’s annual results announcement which is expected to be published in June 2019.

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

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

Hong Kong, 4 June 2019

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.