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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)**

## **PROPOSED ISSUE OF CONVERTIBLE BONDS UNDER GENERAL MANDATE**

On 25 September 2019 (after trading hours of the Stock Exchange), the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, the Convertible Bonds in an aggregate principal amount of HK\$69,316,000 in tranche(s) in accordance with the written demand(s) by the Company to be made within twelve (12) months immediately after the Completion Date.

Upon full conversion of the Convertible Bonds at the Conversion Price of HK\$0.0806 per Conversion Share (subject to adjustments), a total of 860,000,000 Conversion Shares will be allotted and issued to the Subscriber, representing (i) approximately 19.99% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 16.66% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares, assuming there is no other change in the issued share capital of the Company between the date of this announcement and the full conversion of the Convertible Bonds.

The Conversion Shares will be issued under the General Mandate and no additional approval for the allotment and issue of the Conversion Shares from the Shareholders is required. The estimated net proceeds arising from the issue of the Convertible Bonds, after deduction of related expenses, will amount to approximately HK\$69,260,000, which shall be applied for the Group's general working capital and/or further investments of the Group as and when the opportunities arise.

**Completion of the subscription of the Convertible Bonds is subject to the satisfaction and/or waiver of the conditions precedent set out in the Subscription Agreement. In addition, the Subscription Agreement may be terminated in certain circumstances. As such, the subscription of the Convertible Bonds may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

On 25 September 2019 (after trading hours of the Stock Exchange), the Company entered into the Subscription Agreement with the Subscriber pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, the Convertible Bonds of an aggregate principal amount of up to HK\$69,316,000.

A summary of the principal terms of the Subscription Agreement is set out below.

## **THE SUBSCRIPTION AGREEMENT**

### **Date**

25 September 2019 (after trading hours of the Stock Exchange)

### **Parties**

- (1) The Company as issuer; and
- (2) Aimpoint Limited as the Subscriber.

The Subscriber is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding, with its entire issued shares being wholly and beneficially owned by Mr. Bao Jian (鮑健) (“**Mr. Bao**”). As at the date of this announcement, Mr. Bao had a beneficial interest in 172,800 Shares.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, the Subscriber and its ultimate beneficial owner are Independent Third Parties.

### **Subject matter**

Pursuant to the Subscription Agreement, the Company has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for the Convertible Bonds in the aggregate principal amount of HK\$69,316,000 in tranche(s) in accordance with the written demand(s) by the Company to be made within twelve (12) months immediately after the Completion Date.

## **Conditions precedent**

Completion is subject to and conditional upon:

- (a) the Listing Committee of the Stock Exchange having granted (either unconditionally or subject to such conditions to which both the Company and the Subscriber shall reasonably accept) the listing of, and permission to deal in the Conversion Shares, and such permission not subsequently revoked or withdrawn prior to Completion;
- (b) the Company having obtained, without prejudice to condition (a) above, all necessary consent, approval and authorization from any Governmental Authority in Hong Kong, Cayman Islands or elsewhere in respect of the issue of the Convertible Bonds; and
- (c) all the warranties set out in the Subscription Agreement remaining true and correct in all material respects, and the Company having performed in all material aspects all of its undertakings or obligations under the Subscription Agreement before the Completion Date.

Save that the Subscriber may waive the condition precedent set out in paragraph (c) above, all other conditions precedent set out above cannot be waived by the Company or the Subscriber.

In the event that any of the conditions precedent referred to above is not fulfilled or waived (to the extent it is capable of being waived) in full at or before 5:00 p.m. on the Long Stop Date (or such later date as may be agreed between the Company and the Subscriber in writing), the Subscription Agreement shall cease and determine and become null and void and thereafter, neither party shall have any obligations and liabilities thereunder save for any antecedent breaches of the terms thereof.

## **Other material term**

The Company agrees with and undertakes to the Subscriber that the Group will not sell or dispose of all or a substantial part of its business or assets which belong to the Group's Principal Business.

## **Completion**

Completion shall take place on the Completion Date, subject to the fulfilment or the waiver (if applicable) of the conditions precedent as set out in the Subscription Agreement.

## **PRINCIPAL TERMS OF THE CONVERTIBLE BONDS**

The principal terms of the Convertible Bonds were arrived at after arm's length negotiations between the Company and the Subscriber and are summarised as follows:

**Issuer:** The Company

<b>Principal Amount:</b>	HK\$69,316,000
<b>Issue Price:</b>	100% of the principal amount of the Convertible Bonds
<b>Interest Rate:</b>	The Convertible Bonds shall bear interest from the date of issue of the Convertible Bonds until the date of redemption of the Convertible Bonds at the rate of 6% per annum on the outstanding principal thereof, payable in arrears annually on the anniversary date of the issue of the Convertible Bonds
<b>Maturity Date:</b>	The date falling on the second anniversary of the issue of the Convertible Bonds
<b>Conversion Price:</b>	<p>HK\$0.0806, being the initial conversion price per Conversion Share</p> <p>The Conversion Price was arrived at after arm's length negotiations between the Company and the Subscriber with reference to the prevailing market price of the Shares and represents:</p> <ul style="list-style-type: none"> <li>(i) a premium of approximately 16.8% to the closing price of HK\$0.069 per Share as quoted on the Stock Exchange on 25 September 2019, being the date of the Subscription Agreement;</li> <li>(ii) the same price as the average closing price of HK\$0.0806 per Share for the last five consecutive trading days as quoted on the Stock Exchange up to and including the date of the Subscription Agreement; and</li> <li>(iii) a premium of approximately 4.4% to the average closing price of HK\$0.0772 per Share for the last 10 consecutive trading days as quoted on the Stock Exchange up to and including the date of the Subscription Agreement.</li> </ul>
<b>Adjustments to the Conversion Price:</b>	<p>The Conversion Price shall from time to time be adjusted in accordance with the relevant provisions under terms and conditions of the Convertible Bonds upon the occurrence of the following:</p> <ul style="list-style-type: none"> <li>(i) consolidation, subdivision or reclassification of the Shares;</li> <li>(ii) capitalization of profits or reserves (other than in lieu of a cash dividend);</li> <li>(iii) capital distribution to the Shareholders or grant to the Shareholders rights to acquire for cash assets of the Company or any of its subsidiaries; and</li> </ul>

- (iv) offer new Shares to the Shareholders for subscription by way of rights, or grant to the Shareholders any options or warrants to subscribe for new Shares at a price which is less than 80% of the current market price as at the date of the announcement of the terms of the offer or grant.

**Conversion right:**

After expiry of the first twelve (12) months' period from the date of issue of the Convertible Bonds, the conversion rights attaching to the Convertible Bonds can be exercised at any time during a period of two (2) years commencing from the date of issue of the Convertible Bonds provided that no conversion right shall be exercised if it will result in (i) insufficient public float of the Shares as required under the Listing Rules; (ii) the number of Conversion Shares issued will exceed the number of Shares that can be issued by the Directors under the General Mandate; or (iii) the holder(s) of the Convertible Bonds (whether alone or together with parties acting in concert) being obliged to make a Mandatory Offer under the Takeovers Code. During the first twelve (12) months from the date of issue of the Convertible Bonds, the conversion rights attaching to the Convertible Bonds cannot be exercised without prior written consent of the Company.

In the event that the Conversion Price is adjusted in accordance with the relevant provisions under terms and conditions of the Convertible Bonds such that after such adjustment (i) the total number of Shares issued upon a holder of the Convertible Bonds exercising the conversion rights will be more than the maximum number of Shares that the Company can allot and issue under the General Mandate; or (ii) the total number of Shares issued upon a holder of the Convertible Bonds exercising the conversion rights (together with the then issued Shares) will be more than the authorised share capital of the Company; or (iii) a general offer obligation on the holder of the Convertible Bonds under Rule 26 of the Takeovers Code will be triggered; or (iv) a holder of the Convertible Bonds is unable to convert any part of the Convertible Bonds as the Company will be unable to meet the public float requirement under the Listing Rules, such additional number of Share(s) otherwise entitled to be converted by the holder of the Convertible Bonds would be compensated in cash by the Company, payable on the maturity date of the Convertible Bonds.

**Conversion Shares:**

The number of Shares to be issued upon conversion of the Convertible Bonds shall be determined by dividing the principal amount of the relevant Convertible Bonds to be converted by the Conversion Price in effect on the relevant conversion date.

Upon exercise of the conversion rights under the Convertible Bonds in full at the initial Conversion Price of HK\$0.0806 per Conversion Share, a total of 860,000,000 Conversion Shares will be allotted and issued, representing:

- (i) approximately 19.99% of the issued share capital of the Company as at the date of this announcement; and
- (ii) approximately 16.66% of the issued share capital of the Company as enlarged by the issue of Conversion Shares, assuming there is no other change in the issued share capital of the Company between the date of this announcement and the full conversion of the Convertible Bonds.

The Conversion Shares will in all respects rank *pari passu* with the Shares in issue on the date of allotment and issue of such Conversion Shares and accordingly entitle the holders to participate in all dividends or other distributions declared, paid or made on or after the relevant conversion date.

**Redemption:**

No early redemption is allowed unless with prior written consent of the holder(s) of the Convertible Bonds. At any time during a period of two years from the date of issue of the Convertible Bonds, with prior written consent of the holder(s) of the Convertible Bonds, the Company may redeem in whole or in part of the Convertible Bonds then outstanding at 100% of the outstanding principal amount of the Convertible Bonds to be redeemed.

All Convertible Bonds which have not been redeemed or converted by their maturity date will be automatically redeemed by the Company on the maturity date at a redemption amount equal to 100% of the outstanding principal amount of such Convertible Bonds.

**Transferability:**

The Convertible Bonds are freely transferable to any Independent Third Party(ies) after expiry of the first three (3) months' period from the date of issue of the Convertible Bonds. During the first three (3) months from the date of issue of the Convertible Bonds, no transfer of the Convertible Bonds can be made without prior written consent of the Company.

**Status:**

The Convertible Bonds will constitute general and unsecured obligations of the Company.

## **Application for Listing**

No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

## **GENERAL MANDATE**

Upon exercise in full of the conversion rights attaching to the Convertible Bonds, a maximum of 860,000,000 Conversion Shares shall be allotted and issued under the General Mandate. The General Mandate was granted to the Directors pursuant to an ordinary 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 AGM (i.e. 860,363,200 Shares, representing 20% of 4,301,816,000 Shares in issue as at the date of the AGM).

As at the date of this announcement, none of the Shares have been issued by the Company under the General Mandate. Accordingly, the issue of the Convertible Bonds is not subject to the Shareholders' approval.

The Company has not bought back any Shares within the last 30 days prior to the date of this announcement.

## **REASONS FOR THE ISSUE OF CONVERTIBLE BONDS AND USE OF PROCEEDS**

The Company is an investment holding company. The Group is principally engaged in (i) design, development and sale of automation control systems for industrial use, and (ii) research and development, manufacture and sales of intelligent building system including video intercom and surveillance system for buildings across the PRC.

The Board considers that the issue of the Convertible Bonds represents an opportunity to raise additional funds for the Company to cater for its future needs while broadening the capital base of the Company. Raising funds by issuing Convertible Bonds is justifiable in view of the recent market conditions. The Convertible Bonds will not result in any immediate dilution effect on the shareholding of the existing Shareholders. Furthermore, under the Subscription Agreement, issuance of the Convertible Bonds shall be made with reference to the capital need of the Company, and the Company is entitled to much flexibility in terms of the timing of issuance of the Convertible Bonds and their value.

The estimated net proceeds arising from the issue of the Convertible Bonds, after deduction of related expenses, will amount to approximately HK\$69,260,000, which shall be applied for the Group's general working capital and/or further investments of the Group as and when the opportunities arise. Therefore, the net issue price per Conversion Share is estimated to be approximately HK\$0.0805.

The Board considers that the Subscription Agreement was entered into on normal commercial terms after arm's length negotiations between the Company and the Subscriber and that the terms of the Subscription Agreement (including the Conversion Price) are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## EFFECT ON SHAREHOLDINGS STRUCTURE

The table below sets out, for the purpose of illustration only, the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the allotment and issue of the Conversion Shares upon exercise of the conversion rights in full under the Convertible Bonds (assuming no further Shares will be issued or repurchased and no transfer of the Convertible Bonds by the Subscriber from the date of this announcement to the date of the full conversion of the Convertible Bonds):

Shareholders	(i) As at the date of this announcement		(ii) Immediately after the allotment and issue of the Conversion Shares upon exercise in full of the conversion rights under the Convertible Bonds	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Excel Time Investments Limited <i>(Note 1)</i>	1,194,710,296	27.77	1,194,710,296	23.15
Mr. Han Weining <i>(Note 2)</i>	40,800,000	0.95	40,800,000	0.79
Mr. Gao Jiemin	653,016,000	15.18	653,016,000	12.65
The Subscriber and its ultimate beneficial owner	172,800	Negligible	860,172,800	16.66
Other public Shareholders	2,413,116,904	56.10	2,413,116,904	46.75
<b>Total:</b>	<u>4,301,816,000</u>	<u>100.00</u>	<u>5,161,816,000</u>	<u>100.00</u>

*Note 1: Excel Time Investments Limited is a company wholly owned by Mr. Wong Chit On, the chairman of the Company and an executive Director.*

*Note 2: Mr. Han Weining is the chief executive officer of the Company and an executive Director.*

## EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activities in the past twelve months before the date of this announcement



## GENERAL

**Completion of the subscription of the Convertible Bonds is subject to the satisfaction and/or waiver of the conditions precedent set out in the Subscription Agreement. In addition, the Subscription Agreement may be terminated in certain circumstances. As such, the subscription of the Convertible Bonds may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## DEFINITIONS

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

“AGM”	the annual general meeting of the Company held on 6 September 2018
“Board”	the board of Directors
“Bond Instrument”	the instrument to be entered into by the Company constituting the Convertible Bonds, substantially in the form of the draft set out in the schedule to the Subscription Agreement
“Business Day(s)”	any day (except a Saturday or Sunday) on which commercial banking institutions in Hong Kong are open for business generally
“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 Agreement in accordance with the terms thereof
“Completion Date”	the third Business Day after the fulfilment of the conditions precedent as set out in the Subscription Agreement
“connected person(s)”	has the same meaning ascribed to it in the Listing Rules
“Conversion Price”	the conversion price per Conversion Share at which Conversion Shares will be issued upon exercise of the conversion rights attaching to the Convertible Bonds, being initially HK\$0.0806 per Conversion Share, subject to adjustments pursuant to the terms and conditions of the Convertible Bonds

“Conversion Share(s)”	new Share(s) fall to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds
“Convertible Bonds”	the two years 6% coupon rate unsecured redeemable convertible bonds in the aggregate principal amount of HK\$69,316,000 to be constituted by the Bond Instrument and to be issued by the Company to the Subscriber pursuant to the Subscription Agreement
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate to allot, issue and deal with up to 860,363,200 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
“Governmental Authority”	any national, provincial, municipal or local government, administrative or regulatory body or department, court, tribunal, arbitrator or any body that exercises the function of a regulator
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	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)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	25 October 2019, or such other date as may be agreed between the Company and the Subscriber in writing
“Mandatory Offer”	a mandatory offer as mentioned in rule 26 of the Takeovers Code
“PRC”	the People’s Republic of China and, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“Principal Business”	the principal business of the Group, which is (a) the provision of automation control systems for industrial use, and (b) the provision of intelligent building systems for buildings
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Aimpoint Limited, a company incorporated in Hong Kong with limited liability, being the subscriber under the Subscription Agreement
“Subscription Agreement”	the agreement dated 25 September 2019 and entered into between the Company and the Subscriber in relation to the subscription of the Convertible Bonds
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission in Hong Kong as amended, supplemented or otherwise modified from time to time
“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, 25 September 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.*