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)

SUPPLEMENTAL ANNOUNCEMENT
DISCLOSEABLE TRANSACTION
ACQUISITION OF THE SHARES IN THE TARGET COMPANY

Reference is made to the announcement (the "**Announcement**") of Synertone Communication Corporation (the "**Company**") dated 5 June 2020 in relation to the acquisition of the Sale Shares. Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to them in the Announcement.

The Company would like to provide supplemental information to the Announcement in relation to the basis for the determination of the Consideration.

As disclosed in the Announcement, the Consideration for the Acquisition of HK$56 million, which was funded as to approximately HK$34.7 million by internal resources of the Group and as to approximately HK$21.3 million by the net proceeds from the subscription of the new shares of the Company completed on 19 February 2020 in the amount of approximately HK$85.9 million, was arrived at based on normal commercial terms after arm's length negotiations between the Parties after taking into account of, among other factors, the valuation (the "**Valuation**") regarding the Sale Shares of approximately HK$59.5 million as at 31 March 2020 conducted by Roma Appraisals Limited (the "**Valuer**"), an independent valuer engaged by the Company. The Valuer is a well-established independent firm listed in Hong Kong, which is engaged in the provision of valuation and technical advisory services to clients including a number of Hong Kong listed companies for more than ten years, and it also possesses substantial experience in initial public offering exercises. The Valuer provides services ranging from business and intangible assets valuation to oil and mining valuation and technical advisory, and from credit and risk evaluation to surveyors and property agency services.

The Valuer has adopted the discounted cash flow method for the Valuation, which was based on a simple reversal calculation to restate all future cash flows in present terms. The factors considered and determined by the Valuer on expected free cash flow included the net profit, depreciation, changes in net working capital and capital expenditure of the Target Group. The Valuation was also based on principal assumptions including, but not limited to, (i) the Target Group would be operated and developed as planned by the management throughout the forecasted period, and the development would be in line with the financial projection; (ii) all relevant legal approvals and business certificates or licenses to operate the Target Group's business would be successfully obtained and renewed with minimal costs; (iii) there will be sufficient supply of competent management and technical staff to support the ongoing operations and developments of the Target Group; (iv) there will be no major changes on key areas including taxation laws and tax rates, interest rates and exchange rates, political, legal, economic or financial conditions, and the Target Group's mode of operation; (v) adoption of a discount rate of 16.72%, which was the estimated weighted average cost of capital of the Target Company; (vi) adoption of a minority discount of 22.36% to reflect the lack of controlling power over the Target Company for a minority interest compared to a controlling interest; and (vii) adoption of a marketability discount of 15.8% as ownership interest is not readily marketable for private companies as compared to public companies.

The Valuation took the view that the Target Group would generate growing revenue, which comprised the rental income and advertisement income. Based on the financial projection on the Target Group, the Target Group's expected annual revenue growth rates for each of the years from 2020 to 2022 would be in the range of 17.9% to 260.4%, which were determined with reference to the signed cooperation agreements between the Target Group and various customers in relation to the shared charger rental, of which the revenue is expected to be realized until around March 2023, and the shared charger industry growth rate in China from the industry research report issued by iResearch. It is expected that the annual growth rate of revenue for the period after 2022 would be similar to the inflation rate in China.

The Board is of the view that the relevant basis, assumptions and valuation methodologies regarding the Valuation are fair and reasonable and that the Consideration was suitably determined with reference to the Valuation and was therefore fair and reasonable.

By Order of the Board
Synertone Communication Corporation
Han Weining
Executive Director and Chief Executive Officer

Hong Kong, 27 July 2020

As at the date of this announcement, the executive Director is Mr. Han Weining; and the independent non-executive Directors are Mr. Lam Ying Hung Andy, Mr. Wang Chen and Ms. Li Mingqi.