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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)

**(1) PROPOSED CAPITAL REORGANISATION;
AND
(2) CHANGE IN BOARD LOT SIZE**

PROPOSED SHARE CONSOLIDATION, CAPITAL REDUCTION OF ISSUED SHARES AND SUB-DIVISION OF UNISSUED SHARES

The Company proposes to conduct the Capital Reorganisation, involving (i) the Share Consolidation whereby every five (5) issued and unissued Shares of HK\$0.25 each will be consolidated into one (1) Consolidated Share of HK\$1.25 each; (ii) the Capital Reduction whereby the par value of each issued Consolidated Share will be reduced from HK\$1.25 to HK\$0.1 by cancelling the paid up share capital to the extent of HK\$1.15 per issued Consolidated Share so that following such reduction, each issued Consolidated Share in the share capital of the Company shall become one New Share with a par value of HK\$0.1 each; and (iii) the Sub-division, immediately following the Share Consolidation and the Capital Reduction becoming effective, whereby each authorised but unissued Consolidated Share will be sub-divided into 12.5 New Shares with a par value of HK\$0.1 each.

Upon the Capital Reduction becoming effective, the credit arising from the Capital Reduction will be applied towards offsetting the Accumulated Losses and the balance of any such credit remaining after offsetting the Accumulated Losses will be transferred to a distributable reserve account of the Company which may be applied by the Company in any manner as permitted by the applicable laws and the memorandum and articles of association of the Company and as the Board considers appropriate.

As at the date of this announcement, 1,301,563,200 Shares have been issued and are fully paid or credited as fully paid. After the Share Consolidation becoming effective, there will be 260,312,640 Consolidated Shares in issue with a par value of HK\$1.25 each, which shall be reduced to HK\$0.1 per issued Consolidated Share by cancelling the paid up share capital to the extent of HK\$1.15 per issued Consolidated Share, so as to form issued New Shares with a par value of HK\$0.1 each. The Company's existing issued share capital of HK\$325,390,800 will be reduced by HK\$299,359,536 to HK\$26,031,264. In addition, immediately following the Capital Reduction, each of the authorised but unissued Consolidated Shares with a par value of HK\$1.25 each will be sub-divided into 12.5 unissued New Shares of HK\$0.1 each.

The Capital Reorganisation is conditional upon fulfillment of the conditions as set out under the section headed "Conditions of the Capital Reorganisation" in this announcement.

A circular containing, among other matters, details of the Capital Reorganisation, together with a notice of EGM and the related form of proxy, is expected to be sent to the Shareholders on or before Friday, 2 December 2022.

CHANGE IN BOARD LOT SIZE

The Board announces that the board lot size for trading in the Shares on the Stock Exchange will be changed from 3,200 Shares to 6,400 Consolidated Shares conditional upon the Share Consolidation becoming effective.

PROPOSED SHARE CONSOLIDATION, CHANGE IN BOARD LOT SIZE, CAPITAL REDUCTION OF ISSUED SHARES AND SUB-DIVISION OF UNISSUED SHARES

As at the date of this announcement, the authorised share capital of the Company is HK\$400,000,000 divided into 1,600,000,000 Shares of a par value of HK\$0.25 each, of which 1,301,563,200 Shares have been issued and are fully paid or credited as fully paid. The Board proposes the Capital Reorganisation to be implemented in the following manner:

- (i) the Share Consolidation whereby every five (5) issued and unissued Shares of HK\$0.25 each will be consolidated into one (1) Consolidated Share of HK\$1.25;
- (ii) the Capital Reduction whereby the par value of each of the issued Consolidated Shares will be reduced from HK\$1.25 to HK\$0.1 per issued Consolidated Share by cancelling the paid up share capital to the extent of HK\$1.15 per issued Consolidated Share;
- (iii) the Sub-division, immediately following the Share Consolidation and the Capital Reduction, whereby each of the authorised but unissued Consolidated Shares with a par value of HK\$1.25 each will be sub-divided into 12.5 unissued New Shares with a par value of HK\$0.1 each;

- (iv) upon the Capital Reduction becoming effective, the credit arising from the Capital Reduction will be applied towards offsetting the Accumulated Losses and the balance of any such credit remaining after offsetting the Accumulated Losses will be transferred to a distributable reserve account of the Company which may be applied by the Company in any manner as permitted by the applicable laws and the memorandum and articles of association of the Company and as the Board considers appropriate; and
- (v) each of the New Shares arising from the Capital Reorganisation shall rank pari passu in all respects with each other and shall have rights and privileges and be subject to the restrictions contained in the memorandum and articles of association of the Company.

Conditions of the Capital Reorganisation

The Capital Reorganisation is conditional on the following conditions being fulfilled:

- (i) the passing of an ordinary resolution by the Shareholders at the EGM to approve the Share Consolidation;
- (ii) the passing of a special resolution by the Shareholders at the EGM to approve the Capital Reduction and the Sub-division;
- (iii) an order being made by the Court confirming the Capital Reduction;
- (iv) the compliance with any conditions which the Court may impose in relation to the Capital Reduction;
- (v) the registration by the Registrar of Companies of the Cayman Islands of a copy of the order of the Court confirming the Capital Reduction and the minute approved by the Court containing the particulars required under the Companies Act with respect to the Capital Reduction; and
- (vi) the Listing Committee granting the listing of, and permission to deal in, the New Shares arising from the Capital Reorganisation.

The Capital Reorganisation will become effective when the conditions mentioned above are fulfilled. Upon the fulfillment of condition (ii) above, the legal advisors to the Company (as to the Cayman Islands law) will apply to the Court for hearing date(s) to confirm the Capital Reduction and further announcement(s) will be made by the Company as soon as practicable after the Court hearing date(s) is confirmed. As at the date of this announcement, none of the above conditions have been fulfilled.

Application for listing of the Consolidated Shares

An application will be made by the Company to the Stock Exchange for the listing of, and the permission to deal in, the Consolidated Shares.

Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange, as well as compliance with the stock admission requirements of the HKSCC, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealing in the Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS established and operated by HKSCC. Shareholders should seek advice from their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

None of the existing Shares are listed or dealt in on any other stock exchange other than the Stock Exchange, and at the time the Share Consolidation becomes effective, the Consolidated Shares in issue will not be listed or dealt in on any stock exchange other than the Stock Exchange, and no such listing or permission to deal is being or is proposed to be sought.

Fractional entitlement to Consolidated Shares

Any fractional Consolidated Share arising from the Share Consolidation, if any, will be disregarded and will not be issued to the Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Shares regardless of the number of share certificates held by such holder.

Arrangement on odd lot trading and matching services

In order to facilitate the trading of odd lots (if any) of the Consolidated Shares, the Company will appoint an agent to provide matching services, on a best-effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares. Details of the odd lot trading arrangement will be stated in the circular to be despatched to the Shareholders which shall also contain, among others, details of the Capital Reorganisation.

Shareholders should note that matching of the sale and purchase of odd lots of Consolidated Shares is not guaranteed. Shareholders, who are in any doubt about the odd lot arrangement, are recommended to consult their own professional advisers.

Exchange of share certificates for the Consolidated Shares

Subject to the Share Consolidation becoming effective, Shareholders may, on or after Thursday, 22 December 2022 until Monday, 6 February 2023 (both days inclusive) between 9:00 a.m. and 4:30 p.m. on any business day, submit the existing share certificates for the existing Shares (in blue colour) to the Share Registrar, Tricor Investor Services Limited, at 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong to exchange, at the expense of the Company, for new share certificates of the Consolidated Shares (in orange colour).

Shareholders should note that after the prescribed time for free exchange of share certificates, a fee of HK\$2.50 each (or such higher amount as may from time to time be allowed by the Stock Exchange) will be payable by the Shareholders to the Share Registrar for each share certificate for the existing Shares submitted for cancellation or each new share certificate issued for the Consolidated Shares, whichever the number of share certificates involved is higher.

After 4:10 p.m. on Thursday, 2 February 2023, trading will only be in Consolidated Shares which share certificates will be issued in orange colour. Existing share certificates in blue colour for the existing Shares will cease to be valid for trading and settlement purpose, but will remain valid and effective as documents of title.

Change in Board Lot Size

The Board announces that the board lot size for trading in the Shares on the Stock Exchange, conditional upon the Share Consolidation becoming effective, will be changed from 3,200 existing Shares to 6,400 Consolidated Shares.

Effect of the Capital Reorganisation

Assuming there will be no change in the issued share capital of the Company from the date of this announcement up to the date on which the Capital Reorganisation effective, the share capital structure of the Company immediately after the Capital Reorganisation becoming effective will be as follows:

	As at the date of this announcement	Immediately after the Share Consolidation becoming effective but prior to the Capital Reorganisation becoming effective	Immediately after the Capital Reorganisation becoming effective
Par value	HK\$0.25 per Share	HK\$1.25 per Consolidated Share	HK\$0.1 per New Share
Amount of the authorised share capital	HK\$400,000,000	HK\$400,000,000	HK\$400,000,000
Number of authorised Shares	1,600,000,000 Shares	320,000,000 Consolidated Shares	4,000,000,000 New Shares
Amount of the issued share capital	HK\$325,390,800	HK\$325,390,800	HK\$26,031,264
Number of issued shares	1,301,563,200 Shares	260,312,640 Consolidated Shares	260,312,640 New Shares

As at the date of this announcement, 1,301,563,200 Shares have been issued and are fully paid or credited as fully paid. After the Share Consolidation becoming effective, there will be 260,312,640 Consolidated Shares with a par value of HK\$1.25 each in issue, which shall be reduced to HK\$0.1 per issued Consolidated Share by cancelling the paid up share capital to the extent of HK\$1.15 per issued Consolidated Share, so as to form issued New Shares with a par value of HK\$0.1 each. The Company's existing issued share capital of HK\$325,390,800 will be reduced by HK\$299,359,536 to HK\$26,031,264. In addition, immediately following the Capital Reduction, each of the authorised but unissued Consolidated Shares with a par value of HK\$1.25 each will be sub-divided into 12.5 unissued New Shares of HK\$0.1 each. The New Shares will rank pari passu in all respects with each other.

Exchange of new share certificates for the New Shares

As the Court hearing dates have yet to be fixed, the effective date of the Capital Reduction and the Sub-division is not ascertainable at present. Should the Capital Reduction and the Sub-division become effective, Shareholders may submit the existing share certificates for the Consolidated Shares (in orange colour) to the Share Registrar, Tricor Investor Services Limited, at 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong to exchange, at the expense of the Company, for new share certificates of the New Shares (in green colour). Details of such free exchange of share certificates will be announced as soon as the effective date of the Capital Reduction and the Sub-division is ascertained.

The Company will publish further announcement(s) to update the Shareholders when the Court hearing dates, the effective date of the Capital Reduction and the Sub-division, and the period when the Shareholders can submit share certificates for the Consolidated Shares to exchange for new share certificates for the New Shares is/are ascertained and/or updated as and when appropriate.

All existing certificates of the Consolidated Shares or (as the case may be) the existing Shares will continue to be evidence of title to such Shares but all existing certificate of the existing Shares will cease to be valid for trading and settlement purpose.

Application for listing of the New Shares

An application will be made by the Company to the Stock Exchange for the listing of, and the permission to deal in, the New Shares.

Subject to the granting of the listing of, and permission to deal in, the New Shares on the Stock Exchange, as well as compliance with the stock admission requirements of the HKSCC, the New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealing in the New Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the New Shares to be admitted into CCASS established and operated by HKSCC.

At the time both the Capital Reduction and the Sub-division become effective, the New Shares in issue will not be listed or dealt in on any stock exchange other than the Stock Exchange, and no such listing or permission to deal is being or is proposed to be sought.

REASONS FOR AND EFFECTS OF THE CAPITAL REORGANISATION AND THE CHANGE IN BOARD LOT SIZE

Pursuant to Rule 13.64 of the Listing Rules and with reference to the “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Stock Exchange on 28 November 2008 and updated on 1 October 2020, (i) where the market price of the securities of an issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the issuer may be required either to change the trading method or to proceed with a consolidation or splitting of its securities; and (ii) the expected value per board lot should be greater than HK\$2,000. On this basis, the Board considers that it is appropriate to undertake the Share Reorganization.

Based on the annual report of the Company for the year ended 31 March 2022, the Company recorded accumulated losses as at 31 March 2022. The credit arising from the Capital Reduction will be applied towards offsetting the Accumulated Losses. The balance of any such credit remaining after offsetting the Accumulated Losses will be transferred to a distributable reserve account of the Company which may be applied by the Company in any manner as permitted by the applicable laws and the memorandum and articles of association of the Company and as the Board considers appropriate. However, based on information available as at the date of this announcement, the Board does not expect any remaining credit to be transferred to a distributable reserve account of the Company after the credit arising from the Capital Reduction is applied towards offsetting the Accumulated Losses.

The Board is of the opinion that the proposed Capital Reorganisation will enable the Company to offset its Accumulated Losses, provide the Company with greater flexibility to declare dividends and/or to undertake any corporate exercise which requires the use of distributable reserves in the future, subject to the Company’s then performance and when the Board considers that it is appropriate to do so in the future.

Since the Shares have been trading below par value in the recent period, the Capital Reorganisation will reduce the par value of the Consolidation Shares from HK\$1.25 to HK\$0.1 each, which shall further enhance the Company’s flexibility to issue new shares in the future given that the Company is not permitted, without order of the Court, to issue new shares below their par value. It is important for Shareholders to note that, as at the date of this announcement, there can be no assurance that any dividends will be declared or paid in the future, or that the Company will issue new shares, even if the Capital Reorganisation takes effect.

As such, the Directors are of the view that the Capital Reorganisation is in the interests of the Company and its Shareholders as a whole.

Save for applying the credit arising from the Capital Reduction towards offsetting the Accumulated Losses and the expenses to be incurred in relation to the Capital Reorganisation, the Directors consider that the Capital Reorganisation will have no material effect on the underlying assets, business operations, financial position of the Company as a whole.

In the event that the Company conducts any corporate action(s) and/or arrangement(s) in the future, the Company will make further announcement(s) in accordance with the Listing Rules as and when appropriate.

EXPECTED TIMETABLE

Set out below is the expected timetable for the implementation of the Capital Reorganisation and the Change in Board Lot Size. The expected timetable is subject to the results of the EGM and satisfaction of the conditions to the Capital Reorganisation and the Change in Board Lot Size and is therefore for indicative purpose only. Any change to the expected timetable will be announced in a separate announcement by the Company as and when appropriate. All times and dates in this announcement refer to the Hong Kong local times and dates.

Event	Time and Date
Despatch date of circular with notice of the EGM	Friday, 2 December 2022
Latest time for lodging share transfer in order to qualify for attending and voting at the EGM	4:30 p.m. on Wednesday, 14 December 2022
Closure of register of members for determining the entitlement to attend and vote at the EGM (both dates inclusive)	Thursday, 15 December 2022 to Tuesday, 20 December 2022
Latest time for lodging forms of proxy for the EGM	3:00 p.m. on Sunday, 18 December 2022
Date and time of the EGM.	3:00 p.m. on Tuesday, 20 December 2022
Announcement of voting results of the EGM.	Tuesday, 20 December 2022

The following events are conditional on the fulfillment of the conditions relating to the implementation of the Share Consolidation and the Change of Board Lot Size and therefore the dates are tentative only.

Event	Time and Date
Expected effective date of the Share Consolidation	Thursday, 22 December 2022
Commencement of dealing in the Consolidated Shares	Thursday, 22 December 2022
First day of free exchange of existing share certificates for new share certificates for the Consolidated Shares	Thursday, 22 December 2022
Original counter for trading in existing Shares in board lot of 3,200 existing Shares (in the form of existing share certificates) temporarily closes	9:00 a.m. on Thursday, 22 December 2022
Temporary counter for trading in Consolidated Shares in board lot of 640 Consolidated Shares (in the form of existing share certificates) opens	9:00 a.m. on Thursday, 22 December 2022
Original counter for trading in Consolidated Shares in board lot of 6,400 Consolidated Shares (in the form of new share certificates for Shares) re-opens	9:00 a.m. on Tuesday, 10 January 2023
Parallel trading in the Consolidated Shares and existing Shares (in the form of new share certificates and existing share certificates) commences	9:00 a.m. on Tuesday, 10 January 2023
Designated broker starts to stand in the market to provide matching services for sale and purchase of odd lots of Consolidated Shares.	9:00 a.m. on Tuesday, 10 January 2023

Event	Time and Date
Designated broker ceases to stand in the market to provide matching services for sale and purchase of odd lots of Consolidated Shares.	4:00 p.m. on Thursday, 2 February 2023
Temporary counter for trading in the Consolidated Shares in board lot of 640 Consolidated Shares (in the form of existing share certificates) closes.	4:10 p.m. on Thursday, 2 February 2023
Parallel trading in Consolidated Shares (in the form of existing share certificates and new share certificates) ends	4:10 p.m. on Thursday, 2 February 2023
Last day for free exchange of existing share certificates into new share certificates for Consolidated Shares	Monday, 6 February 2023

The following events are conditional on the fulfillment of the conditions relating to the implementation of the Capital Reduction and the Sub-division, and therefore the dates are tentative only.

Event	Time and Date
Expected effective date of the Capital Reduction and the Sub-division	Before 9:00 a.m. on Friday, 17 March 2023
Commencement of dealings in the New Shares	9:00 a.m. on Friday, 17 March 2023
First day of free exchange of share certificates for new share certificates for the New Shares	9:00 a.m. on Friday, 17 March 2023
Last day of free exchange of share certificates for new share certificates for New Shares	4:30 p.m. on Thursday, 20 April 2023

GENERAL

An EGM will be convened and held for the Shareholders to consider and, if thought fit, approve, among other matters, the Capital Reorganisation. A circular containing, among other things, further details of the Capital Reorganisation, together with a notice convening the EGM and the related form of proxy, will be despatched by the Company to the Shareholders on or before Friday, 2 December 2022.

Shareholders should take note that the Capital Reorganisation and the Change in Board Lot Size are conditional upon satisfaction of respective conditions set out in this announcement. Therefore, the Capital Reorganisation and the Change in Board Lot Size may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional advisers.

DEFINITIONS

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

“Accumulated Losses”	the accumulated losses of the Company as at the effective date of the Capital Reorganisation;
“Board”	the board of Directors;
“business day”	any day on which the Stock Exchange generally is open for business of dealing in securities in Hong Kong. For the avoidance of doubt, where the Stock Exchange is closed for the business of dealing in securities in Hong Kong on a business day by reason of a Number 8 or higher typhoon signal or “extreme conditions” caused by super typhoons is announced by the Government of Hong Kong or black rainstorm warning or other similar event, such day shall for the purposes of this announcement be counted as a business day;
“Capital Reduction”	the reduction of the issued share capital of the Company by reducing the par value of each issued Consolidated Share from HK\$1.25 to HK\$0.1 by cancelling the paid up share capital to the extent of HK\$1.15 per issued Consolidated Share;
“Capital Reorganisation”	the Share Consolidation, the Capital Reduction and the Sub-division;

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC;
“CCASS Operational Procedures”	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time;
“Change in Board Lot Size”	the proposed change in board lot size of the Shares for trading on the Stock Exchange from 3,200 Shares to 6,400 Consolidated Shares;
“Companies Act”	the Companies Act (2022 Revision) of the Cayman Islands, as consolidated and revised;
“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;
“Consolidated Share(s)”	ordinary share(s) of HK\$1.25 each in the issued and unissued share capital of the Company upon the Share Consolidation becoming effective;
“Court”	the Grand Court of the Cayman Islands;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among other things, the Capital Reorganisation;
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures;
“HKSCC”	the Hong Kong Securities Clearing Company Limited;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;

“Listing Committee”	has the same meaning ascribed thereto under the Listing Rules;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“New Share(s)”	ordinary share(s) with a par value of HK\$0.1 each in the share capital of the Company immediately following the Capital Reorganisation becoming effective;
“Share(s)”	ordinary share(s) with a par value of HK\$0.25 each in the share capital of the Company prior to the Share Consolidation becoming effective;
“Shareholder(s)”	holder(s) of the Share(s);
“Share Consolidation”	the proposed consolidation of every five (5) issued and unissued Shares with a par value of HK\$0.25 each into one (1) Consolidated Share with a par value of HK\$1.25;
“Share Registrar”	the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, the address of which is at 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Sub-division”	the sub-division of each authorised but unissued Consolidated Share into 12.5 New Shares;
“%”	per cent.

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

Hong Kong, 16 November 2022

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